

THE INSTITUTIONAL MODEL OF VILLAGE-OWNED ENTERPRISES (BUMDes) AS LEGAL ENTITIES IN INDONESIA

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Abstract

The Institutional Model of Village-Owned Enterprises (BUMDes) as Legal Entities in Indonesia. Village-owned enterprises (BUMDes) are productive platforms in fostering economic empowerment in rural areas. The implementation of BUMDes is regulated in legislation, including Article 117 of the Job Creation Law, which amends Article 1 number 6 of the Village Law and provides a new operational definition for BUMDes. However, it does not clarify the basic concept of BUMDes itself and instead opens up room for multiple interpretations regarding the form of BUMDes businesses and the opportunities for private ownership within them. This research aims to discover the essence of BUMDes as legal entities in Indonesia, analyze the implementation of BUMDes regulations in Indonesia, and find the concept of the appropriate Institutional Model for BUMDes in Indonesia. The methods used to obtain this information include using various approaches commonly used in legal research, such as the statute, case, historical, comparative, and conceptual approaches. The research concludes that BUMDes is a business entity established not only to seek profit but also to provide services to the community and stimulate the local economy. BUMDes is one form of social enterprise, an institution established to address social issues by creating added value, managing potential, and creating added value that benefits the community as much as possible. Before the Job Creation Law, BUMDes sought to be defined in several legal forms. As a consequence of BUMDes being referred to as a business entity in Law No. 6 of 2014, it has been associated with State-Owned Enterprises (BUMN), Limited Liability Companies (PT), and Cooperatives. However, comparing BUMDes with BUMNs is not accurate, as their objectives differ. While BUMN aims to maximize profits, BUMDes also serves social objectives. Similarly, comparing BUMDes with State-Owned Enterprises (Perum) is inaccurate due to differences in ownership structure. The state wholly owns Perum, whereas BUMDes follows a participatory concept with community ownership. To achieve the welfare of the community and ensure they benefit from BUMDes, the researcher proposes a suitable institutional model for BUMDes, including formulating the basic principles of the BUMDes institution, categorizing BUMDes, outlining the establishment stages of BUMDes, and defining the organizational structure of BUMDes as a legal entity.

Keywords: BUMDes, Legal Entity, Institutional Model.

INTRODUCTION

The Preamble of the Constitution of the Unitary State of the Republic of Indonesia in 1945 clearly states that the goal of independence is to advance the public welfare, to educate the nation fairly and prosperously, to prioritize the welfare of society, and also to shape the Indonesian people as a whole¹.

In the context of implementing the principle of decentralization, provinces, regencies, and cities are formed and organized, which are authorized to regulate and manage the interests of the local community based on their initiatives and the aspirations of the people.² The focus of development is placed on the economic sector, which is the main driver of development itself.

As it is known, the majority of the population in Indonesia lives in rural areas, making rural areas the central focus of development. The development itself is an effort to reduce various disparities, whether it be income disparities, disparities between the rich and the poor, or disparities between rural and urban areas. Rural development can be viewed as a planned development program aimed at improving production, income, and welfare, in terms of enhancing the quality of life in education, health, and housing.³

The government has long undertaken the development of the rural economic base through various programs. However, these efforts have not yielded satisfactory results as desired collectively. Therefore, the government is implementing a new approach aimed at stimulating and driving the rural economy, one of which is by promoting village economic activity through village entrepreneurship encapsulated in Village-Owned Enterprises (BUMDes), developed by both the government and village communities. BUMDes is a business institution engaged in the management of village assets and economic resources within the framework of empowering rural communities. The regulation of BUMDes is governed by Article 1 (1) of Government Regulation Number 11 of 2021, which states:

"The Village-Owned Enterprises, hereinafter referred to as BUMdes, are legal entities established by villages and/or together with villages to manage businesses, utilize assets, develop investments and productivity, provide services, and/or provide other types of businesses for the maximum welfare of the village community."

With the presence of this regulation, it can further strengthen the status of Village-Owned Enterprises as legal entities. The regulation of BUMdes is also governed by Minister of Village Regulation Number 4 of 2015 concerning the Establishment, Management, Administration, and Dissolution of Village-Owned Enterprises (BUMdes), as well as Article 1 number (6) of Law Number 6 of 2014 concerning Villages as stipulated in Article the definition of BUMdes has been revised in Law Number 11 of 2020 concerning Job Creation (Omnibus Law) Article 117.

The operation of BUMdes is by accommodating the economic activities of the community in an institutional form or a business entity managed professionally, yet still based on the original potential of the village. This can make community efforts more productive and effective. In the future, BUMdes will function as a pillar of the nation's independence, which also serves as an institution that accommodates the economic activities of the community and develop according to the characteristics of the village to improve the welfare of the village community.⁴

The regulation of BUMdes as a business entity can be found in Law Number 6 of 2014 concerning Villages (UU 6/2014), Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises and its Amendments, Government Regulation 47 of 2015 and Minister of Village Regulation Number 4 of 2015 concerning the Establishment, Management, Administration, and Dissolution of Village-Owned Enterprises (BUMdes). The legal framework for the existence of BUMdes is a strategic effort to realize welfare in the economic and development fields oriented toward rural communities. One manifestation of this is the

clause that BUMdes is established with a spirit of kinship and cooperation, and even BUMdes can be in the form of legal entities and non-legal entities, which in its explanation cannot be equated with CVs, PTs, and cooperatives. However, considering the regulations, there are still aspects that need to be considered to support the construction of BUMdes for effective and efficient management. BUMdes, as regulated, is a business entity where all or most of its capital is owned by the village through direct participation originating from the village's separated wealth to manage assets, service provision, and other businesses for the maximum welfare of the village community (Article 1 point 6 of Law Number 6 of 2014). To carry out its business, BUMdes has a management structure consisting of Advisors, Operational Executives, and Supervisors, each with their respective roles. The activity in conducting BUMdes businesses lies with the operational executives, such as conducting brokerage businesses, holding joint ventures, social businesses, financial businesses, trading, rental businesses, and other profit-oriented businesses that align with improving the welfare of the village community based on existing economic potentials.

BUMdes serves as a productive platform for empowering economic potential in villages; moreover, its existence can create job opportunities. This indicates the need for a good management structure, a construction that supports efficiency, to realize the principle of self-reliance in village development. This includes interpreting village deliberations as the highest forum for decision-making at the village level, so there is no absolute power in managing BUMdes, to safeguard the essence of BUMdes, which places the village community as the beneficiaries.

The regulation of BUMdes as a business entity can be found in Law Number 6 of 2014 concerning Villages (UU 6/2014), Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises and its Amendments, Government Regulation 47 of 2015, and Minister of Village Regulation Number 4 of 2015 concerning the Establishment, Management, Administration, and Dissolution of Village-Owned Enterprises (BUMdes). The legal framework for the existence of BUMdes is a strategic effort to realize welfare in the economic and development fields oriented toward rural communities. One manifestation of this is the clause that BUMdes is established with a spirit of kinship and cooperation, and even BUMdes can be in the form of legal entities and non-legal entities, which in its explanation cannot be equated with CVs, PTs, and cooperatives. However, upon examining the regulations, there are still aspects that need to be considered to support the construction of BUMdes institutions for effective and efficient management. The researcher's idea to create a BUMdes institutional model is built on the understanding of the main purpose of establishing BUMdes, which is to "improve the welfare of rural communities." This means that the effort to find an ideal institutional model is not just about changing leadership or changing appearances, but it must truly situate BUMdes on its philosophy, purpose, and function. The method used in this research is normative legal research⁵. The approaches used are the statutory approach⁶, conceptual approach, and philosophical approach⁷. The sources of legal material used in this research are the 1945 Constitution of the Republic of Indonesia, Law Number 6 of 2014 concerning Villages (UU 6/2014) and Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises and its amendments to PP 47 2015 and Permendes No.4 of 2015.

ANALYSIS AND DISCUSSION

Concept of BUMdes Legal Entity

Development essentially is an effort to develop the economic capacity of villages to create prosperity and improve people's lives fairly and evenly, improve health conditions, education, and job opportunities, promote the enforcement of human rights, political freedom, and democracy, and develop and increase awareness of the need for sustainable development in villages⁸.

Margaret Blair uses the term corporate personhood, stating that there are 4 main benefits of clear legal status for legal entities⁹:

1. Providing continuity and clear succession lines over asset ownership and contract fulfillment
2. Providing an identifiable persona to act as the main actor in business activities. This persona becomes the bearer or holder of important intangible assets such as reputation and the trade name and becomes a party directly involved in contracts made with third parties. Additionally, this persona becomes the plaintiff or defendant in court.
3. Providing a mechanism to separate business assets from the personal assets of individuals involved in the company.
4. The separation of corporate entities requires a self-governance mechanism in the form of managerial hierarchy that has fiduciary duty.

The legal basis for Village-Owned Enterprises (BUMDesa) in Indonesia is Law Number 6 of 2014 concerning Villages. This law provides a clear legal basis for the establishment and management of BUMDesa as economic institutions at the village level. Several articles in Law Number 6 of 2014 related to BUMDesa include:

- a) Article 79 Paragraph (1) states that "BUMDesa is a legal entity, domiciled in the village, in the form of a cooperative, a limited liability company, or other business entities, the majority or part of whose capital is owned by the Village."
- b) Article 80 Paragraph (1) states that "BUMDesa has the function as a village economic institution managed professionally and environmentally friendly to improve the welfare of the rural community."
- c) Article 81 regulates the management of BUMDesa capital originating from various sources, such as village revenue and expenditure budgets, business profits, donations, grants, or loans.
- d) Article 83 Paragraph (1) states that "BUMDesa can establish business units, subsidiaries, or cooperate with other parties both domestically and abroad."
- e) Article 84 states that BUMDesa is further regulated by Village Regulations which regulate the basic capital, articles of association, management, and forms and types of BUMDesa business.

Village Regulations are special regulations at the village level that serve as operational guidelines for BUMDesa and may include more detailed provisions regarding establishment, management, and various other aspects related to BUMDesa. Based on the provisions of the Law, BUMDesa is established by Village Regulations. However, Law Number 12 of 2011 concerning the Formation of Legislation does not include the nomenclature of Village Regulations in the hierarchy of legislation regulated in Article 7 paragraph (1). In relation to the establishment of BUMDesa, this raises legal discourse about whether Village Regulations can or cannot serve as the legal basis for the establishment of public legal entities.¹⁰

In essence, BUMDes as a Legal Entity in Indonesia must embody the principles of economic democracy as stipulated in Article 33 of the 1945 Constitution. BUMDes also has a role in upholding the economic pillars of Pancasila, as every step of BUMDes, from formation to development and the benefits it provides, is based on the Pancasila ideology. BUMDes is one form of a social enterprise, an institution established to address social issues by increasing added value, managing potentials and assets, and providing maximum benefits to the community. Second, one of the goals of the state is to achieve general prosperity, as outlined in the concept of the Welfare State. BUMDes, as an economic actor, plays a role in supporting community services and village economic development. It not only realizes general welfare, especially in rural communities, but also contributes to the overall welfare of the Indonesian nation.

Regulations for BUMDes are needed in a specific law dedicated to BUMDes to align its existence with the goals of the village. So that prosperity can be felt by many parties, we need to revisit Article 33 of the 1945 Constitution, which states that "the land, water, and natural resources therein are controlled by the state and used to the greatest extent for the prosperity of the people." If we read the explanation of the 1945 Constitution, these efforts must be carried out by adhering to the principles of economic democracy, namely from the Community, by the Community, and for the Community. This means that the institutional model of BUMDes signifies a return to BUMDes as a tangible form of economic democracy, where the power to change destinies to improve collective welfare comes from the Community, by the rural Community, and for the rural Community.

The strengthening of BUMDes institutions is based on two aspects. Firstly, the recognition of the principle of recognition of BUMDes, namely that BUMDes is a local village institution with respect for historical context, locality, and the village's ability to solve its own problems and affairs with a spirit of kinship and the principle of mutual cooperation. Secondly, BUMDes must be integrated into the local and national economic systems. Therefore, BUMDes needs to obtain legal recognition and be professionally managed. Unlike purely commercial enterprises, BUMDes has elements and principles that classify it as a social enterprise. The perspective that BUMDes is a social enterprise is not yet widely accepted. Many still consider BUMDes to be no different from MSMEs, cooperatives, or state-owned enterprises at the village level. This initial misunderstanding will have significant implications for policy direction for BUMDes, as BUMDes will be measured and equated with something that does not fit its purpose and function.

A. Formulation of Principles for the Institutional Model of Village-Owned Enterprises (BUMDes).

The management of BUMDes as a business entity must adhere to the principles of good corporate governance (GCG), which, in simple terms, entail transparency, accountability, responsibility, independence, and fairness. All of these principles are already stipulated in Government Regulation No. 11 of 2021 and Minister of Home Affairs Regulation No. 3 of 2021. Based on the description of the principles of good corporate governance in regulations governing Village-Owned Enterprises, these principles are implicitly regulated concerning transparency, accountability, responsibility, independence, and fairness or equity. However, the explicit implementation of GCG principles is not stated, which, according to researchers, should be regulated. Based on the research findings, in efforts to align the management of BUMDes with the goal of village community welfare, the researcher found that there must be institutional principles for BUMDes as follows:

- **Recognition:** acknowledgment of the original rights to business management in the village.
- **Subsidiarity:** determination of the authority of BUMDes management at the local level and decision-making in BUMDes management locally for the benefit of the village community.
- **Diversity:** recognition and respect for the prevailing value systems in the village community, while still adhering to shared values in national life.
- **Mutual Cooperation:** mutual assistance by village elements, the Government, and the general public in BUMDes management to develop the village.
- **Deliberation:** the decision-making process of BUMDes management concerning the interests of the village community through discussions with various stakeholders.
- **Independence:** a process carried out by the Village Government and the village community to carry out activities and businesses through BUMDes to meet their needs with their own capabilities.
- **Participation:** the involvement of village communities and the general public in BUMDes management for economic and community development.
- **Equality:** equality in position and role in BUMDes management.
- **Empowerment:** efforts to improve the standard of living and welfare of the village community through the establishment of policies, programs, and activities that are in line with the essence of village community needs and priorities.
- **Sustainability:** a coordinated, integrated, and continuous process in planning and implementing BUMDes management.

B. Institutional Models in Categorizing Legal Entity Village-Owned Enterprises.

As a business entity, BUMDes must have a motive to generate profit. However, BUMDes is not an ordinary business entity but a business entity with a specific purpose. The primary goal of BUMDes is not simply to seek profit but to improve the welfare of the village community. Because it is intended for collective interests, the benchmark for the success of BUMDes is not the income obtained but the extent of the positive impact received by the community, in terms of economics, social aspects, quality of life, and the environment. To assess this impact, what needs to be regulated in the model of categorizing legally recognized BUMDes is to first measure the number of unemployed residents, the number of poor residents, and the level of economic inequality in a village.

After five years of BUMDes operation, reevaluate. Has the number of unemployed, poor residents, and economic inequality decreased or not? If a BUMDes business successfully creates job opportunities for every unemployed resident and provides them with fair wages, the BUMDes has been quite successful. If a BUMDes generates billions in revenue but the number of unemployed does not decrease, poverty and inequality do not decrease, that BUMDes has failed.

The Ministry of Villages, Disadvantaged Regions and Transmigration (Kementrian Desa dan PDTT) actually also categorizes this. They classify BUMDes into four levels of development: Basic, Growing, Developing, and Advanced. According to researchers, BUMDes categories only need two classifications: BUMDes in the pioneering stage and Advanced BUMDes.

Pioneering Stage: Broadly speaking, BUMDes that are crawling (their business is not yet stable, have not yet made a profit, and have not yet made a significant contribution to the village) fall into the category of pioneering BUMDes. Based on various literature that the researchers read, common issues found in this category are that the BUMDes executives do not yet understand the roles, functions, and philosophies of BUMDes well enough.

They do not understand the latest laws and regulations or cannot produce financial reports in accordance with regulations. They cannot map out the village's potential well. In addition, in BUMDes where businesses are already starting to operate and revenue is beginning to stabilize even though it is not yet profitable, the problem that often arises is management issues. The executives have difficulty managing the rapid growth of income. In light of these problems, according to researchers, there needs to be intervention from local governments or villages to create BUMDes assistants outside the BUMDes organization, namely Village Deliberations, advisors, operational executors, and supervisors. These assistants have the task of helping the village map its potential (village conditions, village capabilities, and community needs), which is then used as the basis for preparing a Village business feasibility study. Advanced BUMDes: BUMDes is said to be advanced after it has become large, either by expanding its business several times or by making a large-scale expansion movement. BUMDes has already generated profits and made significant contributions to the Village Revenue.

After advancing, at this point BUMDes is not only able to become the economic locomotive of the village but also succeeds in equalizing the village economy so that it can be enjoyed by

the community at large. An advanced BUMDes not only enriches its employees and entrepreneurs within its network but also elevates the dignity and honor of the rural community. One thing that needs to be emphasized again is that the success criteria of BUMDes are not always based on turnover value or the salaries of BUMDes executives. The success criteria of BUMDes are more heavily weighted on its impact on the welfare of the rural community. A BUMDes that has eradicated unemployment and poverty in the village is considered more successful than a BUMDes with higher turnover but where there are still many poor and unemployed people in the village. The central government, through local governments, must also contribute to BUMDes, including regularly providing training so that the regeneration process continues with the increasing capacity of BUMDes executives, thus accelerating the transition of BUMDes from pioneering to advanced. The government also needs to provide assistance, both in terms of taxation and other policies, to help pioneering BUMDes transform into advanced BUMDes.

C. Institutional Model for the Establishment Stages of BUMDes Legal Entities.

Based on Article 117, paragraph 1 of the Omnibus Law on Job Creation, which amends Article 1, paragraph 6 of the Village Law, it defines Village-Owned Enterprises ("BUMDes") as legal entities established by villages and/or together with villages to manage, utilize assets, develop investments and productivity, provide services, and/or provide other types of businesses for the maximum welfare of the rural community. In articles 8 and 9 of Government Regulation No. 11/2021, it is stipulated that:

1. To obtain legal entity status, the village government registers BUMDes/Village-Owned Enterprises together with the minister through the village information system.
2. The results of the registration of BUMDes/Village-Owned Enterprises are integrated with the legal entity administration system at the Ministry of Law and Human Rights.
3. BUMDes/Village-Owned Enterprises obtain legal entity status at the time of issuance of an electronic registration certificate from the Minister of Law and Human Rights.
4. In the event that BUMDes/Village-Owned Enterprises have business units, the legal entity status of these business unit is separate from BUMDes/Village-Owned Enterprises.

Unlike the regulatory aspect, implementation in the field is still considered to be not running smoothly enough. The results of trilateral coordination between the Coordinating Ministry for Economic Affairs, the Ministry of Villages, Disadvantaged Regions and Transmigration, and the Ministry of Law and Human Rights regarding the certification of Legal Entities are quite difficult in implementation. In the BUMDes database accessed on July 21, 2023, there were 7,902 BUMDes with legal entities, which, compared to the total number of villages according to the Ministry of Home Affairs Regulation No. 050-145/2022, totaling 74,961 villages, is only about 10.55%. The low number of BUMDes registered as legal entities is a separate problem because, when looking at the registration practices, there is still a database asynchrony that often repeats itself, thus slowing down the process of certifying BUMDes as legal entities.

According to Jimly Asshidiqie, a legal entity must fulfill elements such as:

1. Separation of personal wealth from the company;
2. Objectives that do not conflict with regulations;
3. Personal interests in legal matters;
4. Organizational management is orderly; and
5. Registered as a legal entity in accordance with applicable regulations.

This fifth element is the biggest differentiating factor between BUMDes as a business entity and BUMDes as a legal entity. Before becoming a legal entity, BUMDes does not need to register with the ministry. However, after becoming a legal entity, BUMDes has an obligation to register with the Ministry of Law and Human Rights (Kemenkumham) to obtain a certificate. The rules regarding the registration procedure are stipulated in the Minister of Village, Disadvantaged Regions Development, and Transmigration of the Republic of Indonesia Regulation Number 3 of 2021 concerning Registration, Data Collection and Ranking, Guidance and Development, and Procurement of Goods and/or Services for Village-Owned Enterprises/Village-Owned Enterprises Together (hereinafter referred to as Permendes PDTT No. 3/2021). The length of the process for BUMDes to become a legal entity is a concern for researchers because the absence of legal entity status for BUMDes will certainly have an impact on BUMDes activities in legal relations with third parties. In Article 75 Paragraph (1) of Government Regulation No. 11/2021, it is stated that BUMDes/Village-Owned Enterprises that existed before the government regulation came into effect must adjust BUMDes as regulated within a maximum of 1 (one) year since the regulation was promulgated. Government Regulation No. 11/2021 also does not provide legal consequences if BUMDes fails to comply with these provisions. According to researchers, the time frame provided is relatively short, considering the increasing number of BUMDes each year. However, considering the provisions in Government Regulations and Permendes PDTT No. 3/2021, many things need to be prepared. Starting from changing the name of BUMDes, registering BUMDes, Village Consultations, and submitting these documents to the government.

When BUMDes becomes a legal entity, the reporting system also becomes more complex. BUMDes is required to provide various types of reports to be evaluated by the Government. The preparation time provided by Government Regulation No. 11/2021 is relatively fast to study and implement significant changes in rights and obligations. In addition, the characteristics of each BUMDes in each region are different. According to researchers, the definition of BUMDes legal entity status acquisition needs to be changed. In the regulations, it is mentioned that BUMDes obtains legal entity status when it receives an electronic certificate issued by the Ministry of Law and Human Rights. The acquisition of BUMDes legal entity status can be adopted from the acquisition of legal entity status of PT or individual PT when obtaining evidence of legal entity registration. In the Job Creation Law, PT obtains its legal entity status after registration and obtaining registration evidence. So, the verification of BUMDes can be done before BUMDes is registered, which in this case is carried out by the

Facilitator as already mentioned by the researcher in the previous chapter. With a more concise process, the process of acquiring BUMDes legal entity status can be faster. The model proposed by researchers for the establishment stages of BUMDes is as follows:

1. Mapping the village's potential and village business sectors. This is done by the Village and Certified BUMDes Facilitators. This mapping is related to the village's condition, village capabilities, and community needs. This is intended so that BUMDes has a clear and objective assessment of its business sectors. These business sectors should not make BUMDes a "predator" for existing village businesses. Even if they have the same business sector, BUMDes should serve as a platform for its community's businesses and should not directly compete with existing community businesses.
2. Preparation of village business feasibility studies. This is done after BUMDes facilitators obtain data on village potential mapping and village business sectors. This preparation involves economic feasibility analysis, market and marketing analysis, production and resource availability, financial feasibility, and business support aspects. The results of this preparation are approved in village consultations along with the preparation of BUMDes articles of association and bylaws.
3. Formation of Village Regulations on BUMDes. Village regulations regarding the establishment of BUMDes must include at least:
 - Name and domicile,
 - Purpose and objectives,
 - Duration of establishment,
 - Business activities,
 - Amount of initial capital, where the initial capital must be owned by the village and not divided into shares originating from the Village Budget (APB Desa). Like the characteristics of a legal entity, the wealth of BUMDes is separated and not divided into shares. In addition to the basic capital, BUMDes also receives capital reinforcement from non-binding community assistance and other non-binding assistance. This objective is intended so that in the initial stages of establishment, if BUMDes experiences losses or bankruptcy, village residents do not suffer losses. Village residents can contribute capital to business units as regulated in the articles of association and bylaws of BUMDes. So, the community can choose to invest in any business unit within BUMDes, where in the ownership percentage of BUMDes business units, BUMDes holds 51 percent ownership if the business unit is in the form of a PT, and the maximum ownership for individuals or institutions/legal entities outside their village area is 5 percent of shares. This is intended to ensure that the village community itself truly benefits from BUMDes.
 - Village organ duties
 - Allocation of profit usage.

4. After the village regulations are enacted, they are registered through the Ministry of Village Development and Transmigration through the system and obtain legal entity status if they have obtained registration proof.

D. Model of BUMDes Organizational Structure

BUMDes as a business entity requires management or administrators aimed at carrying out the functions and objectives of BUMDes itself. According to Government Regulation number 11 of 2021 concerning BUMDes, the BUMDes/BUMDes Bersama organization consists of:

- Village Consultation/Village-to-Village Consultation
- Advisor
- Operational executor
- Supervisor

Village consultation is the highest authority in BUMDes/BUMDes Bersama where the consultation is attended by the village deliberative body, village government, and community elements whose implementation is regulated in the articles of association. The advisor here is overlapped by the village head. Here, the researcher attempts to formulate a new policy in the advisory element. With the role of the advisor as *ex officio*, it will be laden with conflicts of interest because BUMDes advisors appointed *ex officio* may face conflicts of interest if they have connections or affiliations with other parties that have interests in decisions or activities carried out by BUMDes. This can reduce the objectivity and integrity of the advice given by the advisor. The involvement of the village head as an advisor can also bring political influence into the management of BUMDes. This can affect decision-making and resource allocation by BUMDes, depending on local political dynamics and the political interests of the village head. In Government Regulation No. 11 of 2021, the authority of the Advisor is also regulated in Article 23, namely, in certain circumstances, temporarily suspending operational executors and taking over the operational implementation of BUMDes/BUMDes Bersama. This certainly has the potential to make the village head as both advisor and operational executor, which will create conflicts of interest for the village head as an advisor and operational executor. Based on several issues outlined by the researcher, it is believed that the advisory element needs to include other elements besides the village head. To design an ideal BUMDes advisory model, which is not limited to the village head, we can consider a multi-disciplinary and multi-stakeholder approach. The following is the proposed framework for the advisory model:

1. Formation of BUMDes Advisory Board

a. Composition of the Board:

Village Head: as the representative of the Village Government working *ex officio*.

Local Entrepreneurs: Providing practical experience in running businesses and business innovation at the village level.

Community Representatives/Village Representative Bodies: Ensuring that the aspirations and needs of the rural community are represented in the development of BUMDes.

b. Functions of the Board:

Strategy Formulation: Formulating development strategies for BUMDes based on local potential and community needs.

c. Oversight: Conducting oversight together with the supervisory board on the operational activities of BUMDes to ensure accountability and transparency. Training and Development: Identifying training needs for BUMDes administrators and employees and coordinating the provision of such training.

2. Working Mechanism

The BUMDes Advisory Board meets regularly to evaluate performance, discuss development strategies, and address challenges faced by BUMDes. The Board may also establish special teams or committees to focus on specific issues such as innovation, marketing, or finance. Encouraging active community participation in BUMDes activities through public consultation forums and socialization. This will enhance transparency and strengthen community support for BUMDes.

This model aims to optimize the function of BUMDes as a driver of rural economic development, while ensuring that BUMDes activities are aligned with the needs and aspirations of the rural community. The implementation of this model requires close cooperation and coordination among all stakeholders, as well as policy support from the central and local governments.

CONCLUSION

In order to achieve the welfare of the community and ensure that the community benefits from BUMDes, the researcher has developed an appropriate BUMDes institutional model, including the formulation of the basic institutional model of BUMDes, the categorization model of BUMDes, the establishment stage model of BUMDes, and the legal entity BUMDes organ model.

Footnotes

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