

## **Identification And Analysis Of Organizational Arrangements For Village Owned Enterprises**

*Identifikasi Dan Analisis Penataan Organisasi Badan  
Usaha Milik Desa*

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### **Abstract**

The purpose of this community service activities is to provide understanding for village apparatus and the community in terms of identifying and analyzing the organizational arrangements of Village-Owned Enterprises. Each village has the authority to create and develop BUMDes. BUMDes is one of the indicators towards a prosperous village. Forming BUMDes is still a separate problem for villages, because it is not easy to set up a BUMDes. Preparations are needed to carry out the establishment of BUMDes. Corporate governance is also important because good governance will create success for the BUMDes themselves. Tanuharjo Village, Alian District, Kebumen Regency took the initiative to create BUMDes with village potentials, namely in agriculture and tourism. The



establishment of BUMDes is not an easy thing to do and must be done with administrative completeness.

**KEYWORDS** *Village Owned Enterprises, Company Organizations, Tanuharjo Village, Kebumen Regency*

## Introduction

Each village has its own authority to form a Village Owned Enterprise, or better known as BUMDes. This authority comes along with the emergence of the Village Law. BUMDes is a business in which all or most of the capital is owned by the Village through direct participation originating from Village assets which are separated to manage assets, services, and other businesses for the greatest possible welfare of the village community<sup>1</sup>.

BUMDes was established with the following objectives: (1) to carry out economic business activities through business management, as well as developing investment and economic productivity and village potential; (2) to carry out public service activities, through the supply of goods and meeting the needs of the village community and managing village food storage; (3) to obtain profit or net profit for increasing the village's original income, as well as developing the maximum benefit for the economic resources of the village community; (4) to make use of village assets by creating added value to village assets; (5) to develop a digital economic ecosystem in the village<sup>2</sup>.

The Village Government can establish a Village-Owned Enterprise in accordance with the needs and potential of the Village. Each village has differences in its needs and potential. Equality in village potential, generally related to village potential in the form of similarities in land, water, or

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<sup>1</sup> Republik Indonesia, "Law No. 6 of 2014 Concerning Villages" (n.d.).

<sup>2</sup> Republic of Indonesia, "Government Regulation of the Republic of Indonesia Number 31 of 2021 Concerning the Implementation of the Shipping Sector" (2021).

geographical conditions. This village potential is the basis for forming BUMDes which is intended for the welfare of village communities. It can be understood that the potential of the village has economic value.

Village potential is the power, strength, ability and ability possessed by a village which has the possibility to be developed in order to improve the welfare of the community<sup>3</sup>. The potential of the village will continue to develop according to the conditions, development and progress of the village. The potential of BUMDes as an independent village community business institution can continue to be improved in the future, therefore initial guidelines for establishing and managing BUMDes must be available<sup>4</sup>. It becomes a problem if a village has not prepared itself to form a BUMDes, and even worse is that it has not mapped out the existing village potentials.

The village must be able to manage the existing potential and make it a source of the economy. Villages must also be able to manage and drive the village economy effectively by carrying out village community economic activities<sup>5</sup>. BUMDes can be a source of village income and also drive village economic activity.

Tanuharjo Village is one of the villages in Kebumen Regency, where most of its territory is agricultural and plantation areas. The potential of the village physically has advantages in agriculture and plantations. Non-physically, village potential, such as village institutions, village apparatus, customs and culture in Tanuharjo Village, Alian District, Kebumen Regency has a relatively high advantage. The people of Tanuharjo Village are open to changes for the better.

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<sup>3</sup> Ahmad Soleh, "Strategi Pengembangan Potensi Desa," *Jurnal Sungkai* 5, no. 1 (2017): 32–52.

<sup>4</sup> Zulkarnain Ridlwan, "Payung Hukum Pembentukan BUMDes," *Fiat Justisia: Jurnal Ilmu Hukum* 7, no. 3 (2015): 355–71, <https://doi.org/10.25041/fiatjustisia.v7no3.396>.

<sup>5</sup> Antono Herry, "Kesiapan Desa Menghadapi Implementasi Undang-Undang Desa (Tinjauan Desentralisasi Fiskal Dan Peningkatan Potensi Desa)," *Jurnal Ilmiah Civis* V, no. 1 (2015): 19–38.

## Methods

This community service activity uses socialization and discussion methods. The socialization method is used with the consideration of providing an overview of the regulations related to the establishment of BUMDes and portraits of the obstacles generally encountered in registering BUMDes. This outreach activity is intended to provide direction and understanding to village officials and village communities regarding the importance of BUMDes and how to establish BUMDes. Discussion activities are carried out with the intention of gathering and getting feedback from activity participants. This community service activity was carried out in Tanuharjo Village, Alian District, Kebumen Regency, Central Java Province. This activity was carried out with the initiative of the Head of Tanuharjo Village. This is an urgency to gain a comprehensive understanding of the ins and outs of BUMDes in Tanuharjo Village. This community service activity is in the form of face-to-face meetings in the focus of community understanding activities, especially village apparatus. The detailed steps for community service activities are as follows: (1). Outreach and discussion on governance of BUMDes establishment; (2). Issues related to BUMDes; (3). Evaluation and reflection on BUMDes material.

## Results and Discussion

The existence of villages based on Law no. 6 of 2014 concerning Villages directs the transformative goal towards improving the level of welfare of village communities in fulfilling their basic rights. Post-covid-19 economic recovery requires village contributions to solving national strategic issues, bearing in mind that local economic development is needed to strengthen the national economy. Strengthening the local economy that prioritizes community empowerment and optimizing village resources is

needed to realize village economic independence. One of the strategies is to give authority to villages to be able to establish village-owned enterprises called BUMDes.

We can see the legal provisions related to BUMDes from several legal rules that are still legally valid. Article 87 paragraph (1) Law Number 6 of 2014 concerning Villages, which was amended by Government Regulation in Lieu of Law No. 2 of 2022 concerning Job Creation, Law no. 11 of 2020 concerning Job Creation, and Perpu No. 1 of 2020 concerning State Financial Policies and Financial System Stability for Handling the 2019 Corona Virus Disease (COVID-19) Pandemic and/or in the Context of Dealing with Threats that Endanger the National Economy and/or Financial System Stability. This is relevant to the provisions of Article 132 paragraph (1) Government Regulation No. 43 of 2014 concerning Implementing Regulations for Law Number 6 of 2014 concerning Villages, as amended by: Government Regulation No. 11 of 2021 concerning Village Owned Enterprises, Government Regulation No. 11 of 2019 concerning the Second Amendment to Government Regulation Number 43 of 2014 concerning Regulations for Implementing Law Number 6 of 2014 concerning Villages, and PP No. 47 of 2015 concerning Amendments to Government Regulation Number 43 of 2014 concerning Regulations for Implementing Law Number 6 of 2014 concerning Villages.

Village Owned Enterprises (BUMDes) are legal entities established by villages and/or with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and/or provide other types of businesses for the greatest possible welfare of the community. Village<sup>6</sup>. BUMDes manages business activities in the economic sector and public services independently.

A simpler definition is contained in the Job Creation Law, in Article 117 of Law 11/2020, Village-Owned Enterprises are legal entities established

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<sup>6</sup> Republik Indonesia, "Government Regulation No 11 of 2021 Concerning Village-Owned Enterprises" (2021).

by villages and/or with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and/or provide other types of business for the welfare of the Village community<sup>7</sup>.

Furthermore, in Government Regulation No. 11 of 2021 it determines the purpose of BUMDes. BUMDes aims to: (a) Increasing the productivity of the village economy through business management, investment development, and optimizing village potential; (b) Carrying out public service activities through the provision of goods/services to the community, and managing village food storages; (c) Increasing Village Original Income (PAD), and optimizing village community economic resources; (d) Utilization of village assets to create added value to village assets, and; (e) Developing a digital economic ecosystem in the village.

Starting or developing a BUMDes business or business requires careful business planning and calculations, so that any business risks that arise can be managed properly by BUMDes. One of the easiest ways to prepare a business plan or analyze existing business units in BUMDes is to create a well-integrated "framework" or business foundation<sup>8</sup>. Problems regarding BUMDes in Tanuharjo Village, Alian District, Kebumen Regency need to be followed up, in order to find solutions and confidence to form BUMDes. Existing village potentials have not been well identified. Therefore, it is necessary to carry out an early stage to identify village potentials that can be formed with BUMDes.

The formation of BUMDes is a way to take advantage of the Law which gives authority to the village government to innovate in village development, especially to improve the village economy and welfare for village communities. In fact, many villages fail to run BUMDes due to the village's lack of preparation and the village's minimal potential<sup>9</sup>. It is important to

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<sup>7</sup> Republic of Indonesia, "Law Number 11/2020 on Job Creation" (2020).

<sup>8</sup> et al. Yunita, Khristina, "Konsep Pendirian Dan Pengembangan Bumdes," in *Satiesp*, 2019, 171–77.

<sup>9</sup> E W Kushartono, "Pengembangan Desa Mandiri Melalui Pengelolaan Badan Usaha Milik Desa (BUMDes) Fitrié Arianti Universitas Diponegoro Semarang," *Dinamika Ekonomi & Bisnis* 13, no. 1 (2016): 67–81.

make preparations especially for Tanuharjo Village, Alian District, Kebumen Regency. Preparation does not have to be done instantly, but completeness and success need to be benchmarked.

The aim of empowering the village community's economy through BUMDes aims to serve village communities in developing productive businesses. Another goal is to provide media for a variety of businesses to support the economy of rural communities in accordance with village potential and community needs. Therefore, village government intervention is needed as an element of organizing, formulating and implementing village government policies. provide facilities and act as a mediator for the community<sup>10</sup>. The activities that will be carried out by the service team are not only to provide assistance but also to build the role of the Village to be more active in forming BUMDes.

The role of the Village Government in institutional management is the leading unit of development for the community. Especially Village Owned Enterprises (BUMDes) are government programs that must be empowered in the framework of community socio-economic empowerment. by prioritizing community participation and initiative<sup>11</sup>. The role of Tanuharjo Village, Alian District, Kebumen Regency needs to be managed and developed especially in relation to BUMDes.

In China, the strength and economic rise after the 1978 reforms are BUMDes, known as Township and Village Enterprises (TVE). The TVE business management model, economic policy directions, and local government support are the keys to the success of BUMDes in China, so that business entities initiated and owned by villages have broad impacts on the

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<sup>10</sup> Ferdi Harobu Ubi Laru and Agung Suprojo, "Peran Pemerintah Desa Dalam Pengembangan Badan Usaha Milik Desa (BUMDes)," *JISIP : Jurnal Ilmu Sosial Dan Ilmu Politik* 8, no. 4 (2019): 367–71, <https://doi.org/10.33366/jisip.v8i4.2017>.

<sup>11</sup> Toar N. Palilingan Sergio Kanisius Ridwan, Josepus J. Pinori, "Pembentukan Peraturan Desa Dalam Kaitannya Dengan Penyelenggaraan Pemerintahan Desa Menurut Undang-Undang Nomor 6 Tahun 2014 Tentang Desa," *Lex Administratum* 11, no. 04 (2023): 21–25.

welfare of the wider community<sup>12</sup>. Almost the same as in Indonesia, BUMDes are the foundation for rural economic development, as a business institution that elevates the village's superior product potential. This is demonstrated by the significant contribution of BUMDes in increasing village original income (PADes) as a source of APBDesa income of IDR 1.1 trillion in 2017-2021. BUMDes have also succeeded in raising community investment in the development of village tourism businesses, village commerce businesses, and productive businesses based on village MSME partnerships. A total of 45,233 BUMDes that are actively running businesses have created jobs for 20,369,834 people with a turnover of IDR 4.6 trillion triliun(Yulianto, 2023)(“BUMDesa Sebuah Terobosan?,” 2023).

The formation and management of BUMDes that are good and run well will also have good implications for villages and village communities. The successful management of BUMDes will have an impact on increasing village original income(Matallia Sari & Korri Arisena, 2023), which will ultimately have a positive impact on the welfare of the village community.

However, there are various obstacles related to the legal status and its management, both structural and psychocultural in nature. Statistical data as of March 2023 as many as 12,945 BUMDes have been certified business legal entities, out of a total of 57,273 BUMDes. Meanwhile, around 35,000 BUMDes are still in the registration stage. Indonesia with a total of 83,381 villages, there are still around 42% of villages that do not yet have BUMDes. It is undeniable that BUMDesa development still faces many challenges. This has made some of the BUMDesa built experience "suspended animation". A total of 2,188 BUMDes are not operating and 1,670(Kementerian Desa, 2023).

Improving the village economy can be done by providing proper legality so that BUMDes can prove its role as an effort to increase Village Original Income (PADes) and grow the village economy as a whole(Sri &

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<sup>12</sup> Sunismi et al, “International Journal of Social Science Research and Review,” *International Journal of Social Science Research and Review* 5, no. 1 (2022): 159–65.



Dewi, 2014). The presence of BUMDes is expected to make the village more independent and more prosperous for its people. In practice, BUMDes still have to stand up and face all kinds of obstacles and challenges.

The obstacles of BUMDes, among others:

- a. The aspect of business licensing, often complicates BUMDes related to governance and the creation of village assets in the form of land and buildings, because they follow the orientation, flow, and mechanism, as well as procedures for general business licensing.
- b. Aspects of cross-ministerial policy innovation that provide legal certainty and business certainty for BUMDes, both in the form of tax incentives and fees for BUMDes, as well as legal protection for businesses and BUMDes managers.
- c. The priority aspect of the policy imperative is the use of Village Funds for BUMDes. Over the past four years, the priority for the use of Village Funds through regulations of the minister of finance and regulations of the minister of villages has only placed the allocation of capital participation for BUMDes originating from Village Funds in the order of four and below. In fact, in the logic of regulations PP No 11/2021 and PP No 60/2014 capital participation from the APBDes for BUMDes is a top priority, namely in the community empowerment program cluster. This is what makes the village government in the formulation of the RKPDes and the preparation of the RAPBdes neglect the allocation of capital participation for BUMDes.
- d. Many aspects of BUMDes management in a number of regions come from ASN elements, micro-entrepreneurs, and community leaders who do not have totality in advancing BUMDes. This is also due to: (i) the low capacity and competence of the management human resources; (ii) ineffective communication and limited information flow around the village elite; (iii) differences in understanding the rules related to BUMDes; (iv) low participation and support from the community; and (v) limited business scale and scope. In addition, BUMDes are burdened

with rigid administrative responsibilities in the PDPT Village Minister Regulation Number 3 of 2021.

- e. Psychocultural aspects that hold back the rate of BUMDes development from progressing to the stage of business institutions that are compatible and resilient in terms of assets and capital include: the lack of village human resources (HR) who have a passion for business and entrepreneurship to serve the BUMDes organization. BUMDes managers, especially operational executors (directors) and their assistants, are often reluctant to strive to fully serve BUMDes business capacity building because the term of office is limited to only two terms.

The policy innovation taken to protect the institutional status, managers and business units of BUMDes is the issuance of Law Number 11 of 2020 concerning Job Creation and PP Number 11 of 2021 concerning BUMDes which is a new starting point for BUMDes in Indonesia. In fact, in order to stimulate the existence of BUMDes in carrying out the function of driving the economy in the village, February 2 has been designated as BUMDes Day.

Implementation of the provisions of Article 9 paragraph (4), Article 12 paragraph (3), Article 53 paragraph (3), Article 71 paragraph (3), and Article 72 paragraph (4) Government Regulation Number 11 of 2021 concerning BUMDes, is regulated through the stipulation of a Regulation Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 3 of 2021 concerning Registration, Data Collection and Ranking, Guidance and Development, and Procurement of Goods and/or Services for Village-Owned Enterprises/Joint Village-Owned Enterprises. Apart from that, Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 15 of 2021 Procedures for Forming Community Revolving Fund Activity Managers Ex National Program for Independent Community Empowerment in Rural Areas to Become Village-Owned Enterprises.

The status of a BUMDes legal entity facilitated by the Ministry of Law and Human Rights opens wide opportunities for BUMDes to expand their business types. This type of business is not fixated on one business sector, but penetrates modern business based on technology applications. Government Regulation No. 11 of 2021 concerning BUMDes to make it easier to accelerate business cooperation with various parties, related to derivative regulations from the Job Creation Law, including:

1. The field of using water resources, and the utilization of sections of toll and non-toll roads (PP No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing). Partially revoked by Government Regulation no. 11 of 2023 concerning Measured Catch of Fish [Article 28, Article 29, Article 31 paragraph (1) and paragraph (2), Article 32 letter e, Article 33, Article 34 PP Number 5 of 2021 concerning Implementation of Risk-Based Business Licensing, revoked and declared not applicable];
2. The field of building and land ownership (Government Regulation No. 19 of 2021 concerning Implementation of Land Acquisition for Development in the Public Interest);
3. Use of forest areas, forest product processing businesses, and small-scale log processing (Government Regulation No. 23 of 2021 concerning Forestry Management);
4. Management of people's markets (Government Regulation No. 29 of 2021 concerning Implementation of the Trade Sector);
5. Cooperation in testing the type of motorized vehicles, and organizing terminals (Government Regulation No. 30 of 2021 concerning Implementation of the Road Traffic and Transportation Sector).

In order to accelerate the needs of BUMDes, it is necessary to strengthen the understanding of managers regarding institutional governance, mapping the potential for developing BUMDesa business units, financial management, and preparation of financial reports. No less important, the role of the companion or facilitator is also a concern in

helping provide understanding to BUMDes managers and ensuring business activities can be operate.

## Conclusion

Village Owned Enterprises (BUMDes) are legal entities established by villages that aim to increase the village's original income. The ultimate goal of BUMdes is to improve the welfare of village communities. The establishment of BUMDes is stated in various applicable legal regulations including: the Job Creation Law, the Village Law, Government Regulation No. 11 of 2021, Village Minister Regulation, Development of Disadvantaged Regions, and Transmigration No. 3 of 2021. BUMDes registration can be done by submitting a BUMDes name at the Ministry of Law and Human Rights, after which there will be approval for the BUMDes name (if approved). The next step is to start holding Village Deliberations or Inter-Village Deliberations. Several documents must be prepared to obtain a legal entity registration certificate.

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