

## THE MEANING OF VILLAGE OWNED ENTERPRISES BASED ON VILLAGES ACCORDING TO LAW NUMBER 6 OF 2014 CONCERNING VILLAGES

Suartini<sup>1\*</sup>, Rachmad Safa'at<sup>2</sup>, Iwan Permadi<sup>3</sup>, Istislam<sup>4</sup>

<sup>1</sup>PhD Candidate, Faculty of Law, Brawijaya University; <sup>2-4</sup>Lecturer, Faculty of Law, Brawijaya University, INDONESIA.

<sup>1</sup> artini\_74@yahoo.com

### ABSTRACT

*Village-Owned Business Entity is a Business Entity that can be established in a village based on laws and regulations through a deliberation mechanism and validated by village regulations. Elucidation of Article 87 paragraph (1) of Law Number 6 Year 2014 concerning villages expressly states that Village-Owned Enterprises are Business Entities that have specific village characteristics that cannot be equated with CV, PT and Cooperatives. Based on the foregoing, the purpose of this study is to find the meaning of village-owned enterprises which are characterized by villages according to Law No. 6 of 2014 concerning Villages. The Meaning of a Village-Owned Village Enterprise is a business entity that prioritizes the economic side and does not leave the social side so that it can be said to be socio-economic with capital from the village community, management involving the village head and the instruments and their organizations are carried out by means of deliberation and the underlying legal basis its establishment is the upper level regulations. Village-Owned Enterprises that are characterized by villages are business entities that seek profits and share these profits for social purposes.*

**Keywords:** Village-Owned Enterprises, Characterized By Villages

### INTRODUCTION

The existence of the Republic of Indonesia is inseparable from the existence of the village as the smallest existing government unit.<sup>3</sup> The progress of the country certainly can not be separated from the large contribution made by the village. With all the potential possessed by the village, it is hoped that the village can fully sustain the wheels of the country's economy. The aim of national development is to realize equitable distribution of prosperity and social justice for the entire community, national development is carried out together with all aspects of the life of the nation both government and society. The main actors in national development are the community and the government is obliged to direct and protect and encourage the implementation of national development through government programs as a policy to enhance national development. The village community is one of the national development instruments known as building from the village towards independence and improving the village economy.<sup>4</sup>

Etymologically the word village comes from Sanskrit, 'deca' which means homeland, native land, or birth land. From a geographical perspective, a village is defined as "a group of houses or shops in a country area, smaller than a town". The village is a legal community unit that has the authority to manage its own household based on the rights of origin and customs that are recognized in the National Government and are in the Regency Area.

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<sup>3</sup> Ni'matul Huda, Hukum Pemerintahan Desa,( Malang: Setara Press), 2015, pagel 1.

<sup>4</sup> Zulkarnain Ridwan, *Payung Hukum Pembentukan BUMDes*, Fiat Justitia Jurnal Hukum Volume 7 No.3, September-Desember 2013 ISSN 1978-5186, page 355. Francis Fukuyama, *The Great Disruption (Hakikat Manusia dan Rekonstruksi Tatanan Sosial)*, (Yogyakarta: Qalam, Cetakan kedua,2016), page 104.

The existence of villages has existed since hundreds or even thousands of years ago. There is not much written information about the problem. In folklore that is conveyed verbally we get a lot of information that the age of the village is very old. Through folklore we can also imagine how the life of the village community at that time.<sup>5</sup>

Characteristics in the village prioritize social values, kinship in the life of the village community, working together to advance the village. The village has the power to regulate itself by prioritizing the principle of deliberation, the principle of openness. The other side of the village must be the driver of the local economy, not only prioritizing the economic side, but basic services for the community.<sup>6</sup>

The characteristics of the Village according to the literature studied by researchers describe there are three characteristics of the village, the following explanation: Village and society are closely related to nature. Villages are more dependent on climate so climate seems to regulate human activities in farming; The village population is a work unit and a social unit with a population that is not large and most of the population works in the agricultural sector; Bond strong kinship between residents and control of the population in the village is more determined by custom, morals and informal law.<sup>7</sup>

That villages in Indonesia have made efforts to improve the village economy for a long time as a form of village independence such as savings and loans from agricultural products called barns or savings and loan activities in the context of fulfilling community capital in the economic field. Village economic activities are inseparable from the role of village finance, especially in the administration of village governance. All this time, village finance has been supported by two main sources, namely the village's original income (levies, proceeds from village wealth, mutual assistance and community self-help) and assistance from the government. All assistance from the government and third parties (programs, funds, assets) that enter the village must go through the village account / cash and be recorded in the village budget. Financial planning (*APBDes*) is carried out in a participatory manner, and management of village finance becomes the authority of the village head by applying the principles of efficiency, effectiveness, transparency and accountability.

Village-Owned Enterprises is an alternative that can be developed to encourage the village economy.<sup>8</sup> The law guarantees that Village-Owned Enterprises are not a tool for the administrators of the village administration, an important tool for villages to protect and empower their communities, an arena for villagers to work together to build the economy of their territory and do not trap themselves in various forms of cooperation with outsiders who actually threaten Village economy, especially the lower layers. In organizing governance, the Village has a Village-Owned Enterprises that functions to stimulate, facilitate and protect and empower the economic welfare of the community. In other words, Village-Owned Enterprises was formed with the interest to support economic activities in the village which became the livelihood of many people in his village; Village-Owned Enterprises is formed through a decision-making process between the village government, BPD and community representatives; Village-Owned Enterprises is a village-owned business that is managed autonomously by villagers; business profits as much as possible to improve the welfare of the community by being allocated in the field of village services and supporting the development of Village-Owned Enterprises; The types of businesses organized by the Village-Owned

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<sup>5</sup> Hanif Nurcholis, *Pertumbuhan & Penyelenggaraan Pemerintahan Desa*, (Erlangga, Jakarta 2011), page. 39

<sup>6</sup> Akmal Hidayat, *Hukum BUM DESA: Pendirian, pengurusan, Pengelolaan dan Pembubaran BUM Desa, Badan Hukum dan Pertanggungjawaban Hukum BUM Desa*, (Yogyakarta, Samudra Biru, 2018), page 6.

<sup>7</sup> *Ibid*, page 9.

<sup>8</sup> *Ibid.*, page 109

Enterprises are those that do not threaten but actually support the economic efforts of the village community.

The character of the rural economy with the above characteristics, the Village-Owned Enterprises certainly cannot necessarily follow the existing modern economic system. Village-Owned Enterprises yang developed must adapt local wisdom but on the other hand try to adjust to the development of the existing modern economic system.

The characteristics that can be built from a business entity that is characterized by the village are: Businesses that move like banking must then follow the existing banking system; Local moving businesses then adjust existing local wisdom, such as forms of trade; while businesses that already exist because of customs still are allowed to grow. Based on the description above, the Government does not impose certain forms of business entity, this is an attempt to naturally grow the village economy in accordance with the form that is characterized by villages. One of the welfare of the community can be improved through the economic ability of a community to meet their needs, meeting all the needs of the village community will improve the standard of living of the community and be able to realize prosperity. The village can choose its own form of business in order to improve the economy and welfare of the village community.

## RESEARCH METHOD

This research is classified as normative legal research, namely research that is equated with doctrinal research as referred to by Terry Hutchinson, normative legal research does not recognize field research because what is examined is legal materials so that it can be said as a library based focusing on reading and analysis of primary and secondary material.<sup>9</sup> Legal research only focuses its attention on its legal issues, namely on the study of the application of the rule of law which is supported by theories and concepts in the field of law and legal facts that give rise to a cohesiveness between theoretical study and the application of positive law or a non-integration between the expected condition (*das sollen*) with the reality (*das sein*).<sup>10</sup> The research approach used in this research is the historical approach, the statute approach, the conceptual approach and the comparative law approach. The approach used in this research is to be able to answer the problem formulation about the meaning of legal entities of village-owned enterprises that are characterized by villages so that the results of this study can formulate business entities that are characterized by villages to be known by all parties involved in village economic development both the government and the village community

## RESULT AND DISCUSSION

The Meaning of Village-Owned Enterprises that are characterized by villages is a business entity that becomes the foundation of village communities in improving their economy with socio-economic principles where the business is established for the greatest prosperity of the village community is also a business that can generate profits or commercial which also results are fully given for the welfare of the village.<sup>11</sup> So that the inherent meaning in a Village-Owned Enterprise characterized by a village is a business entity that defines itself as a social institution and commercial whose activities are adjusted to the potential of the village and the implementation or management prioritizes social interests.

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<sup>9</sup> Johnny Ibrahim, *Teori & Metodologi Penelitian Hukum Normatif*, (Surabaya: Bayu Media, 2005), page 45 .

<sup>10</sup> Jonaedi Efendi dan Johnny Ibrahim, *Metode Penelitian Hukum Normatif dan Empiris*, (Jakarta : Prenada Media Grup, etakan ke-2, 2018), page 125.

<sup>11</sup> Undang-Undang Nomor 6 Tahun 2014 Tentang Desa dan Peraturan Terkait :Dilengkapi SKB Tiga Menteri Terbaru tentang Percepatan Penyaluran, Pengeloan, dan Penggunaan Dana Desa Tahun 2015, Jakarta: Tim Visi Yustisia, 2015, page 364.

The meaning of the characteristics and characteristics of the village which is very thick with the family element makes this Village-Owned Enterprise a business entity that has communal characteristics and is carried out with a family spirit and mutual cooperation because the nature of the village community is uniformity in the country against any problem through the medium of deliberation and consensus and is always carried out with the spirit of kinship and mutual cooperation. prioritizing social elements.

The Meaning of Village-Owned Enterprises that are characterized by villages are business entities that are social institutions and commercial which in the main principle all the benefits are given entirely to the village community so that the village is able to increase the Village's Original Income or the village is able to improve its economy by providing services in accordance with the objectives of the Owned Enterprise villages listed in the Village Law.

Characteristics or characteristics of village-owned enterprises that are characterized by villages can be formulated into four important points as benchmarks namely from financial sources, Management Structure, Position of the village apparatus and involvement in the management of business entities, laws and regulations which form the legal umbrella for the establishment of such business entities.

The Village-owned Enterprises that are characterized by villages can be formulated into four criteria that will be explained in the conception and characteristics of Village-Owned Enterprises in Indonesia, namely the Village Credit Institutions (LPD) in Bali, Lumbung Pith Nagari (LPN) in West Sumatra and The Village-owned Enterprises (*BUM Desa*), the three business entities still exist to realize the improvement of the village economy to the full welfare of the village community.

**Table 1. Characteristics of village-owned enterprises whose financial sources come from the community's collective funds.**

No	Comparative Aspect	LPD in Bali	LPN in West Sumatra	Village Owned Enterprises
1.	Collective Funding Financial	Collective Funding Financial Sources from Pakraman Indigenous Peoples	Community Savings	Village capital participation and village community capital
2.	Organizational Structure / management Election	appointment and dismissal through the mechanism of Deliberation in the pakraman traditional village community	The organizational structure is chosen by the LPN management in the deliberation	The organization is separate from the village government organization, operational implementers are appointed and dismissed by the village head
3.	Involvement of the Village Head and his apparatus in the management	Adat Leader as Head in the management as the advisory board	the Village Head in the management as the advisory board	the Village Head in the management as the advisory board or the Village Head's advisor as the advisor
4.	Regulations that are the basis for the establishment of Business Entities	Local Regulations	Local Regulations	Village regulations based on the Act

Above table outlines the four criteria into village business entities in Indonesia such as LPD in Bali, LPN in West Sumatra and The Village-owned Enterprises in Law Number 6 of 2014 concerning Villages.

The table above formulates the characteristics of village-owned enterprises whose financial sources come from the community's collective funds, which in this business are described as familial elements and always prioritizes the deliberative element in each decision-making and the regulations which form the basis of the establishment of these businesses are the regulations made by the government at the upper level. The difference between the The Village-owned Enterprises Organization and the Village Credit Institution and Lumbung Pith Nagari lies in the The Village-owned Enterprises Operational Implementer being appointed and dismissed by the village head while the LPD and LPN are carried out by consultation, however nonetheless in the regulation of village-owned business entities it is managed with a family spirit and mutual cooperation as a characteristic and characteristics of rural communities in Indonesia

### 1. Village Economic Institutions

Village Credit Institutions existed and were born before the existence of Village Owned Enterprises. Village Credit Bank (*Bank Kredit Desa*) was present in 1986 starting from the Dutch colonial era, on the basis of the economic situation of the village in the Banyumas region which is apprehensive due to widespread crop failure due to the long dry season, floods and attacks pest. Seeing this condition, the assistant resident of Banyumas (De Wolf Van Westerode), then formed a Community Self-help Group (KSM) to overcome the situation. The results of the KSM village discussion in 1897 decided to establish 250 Village Lumbung as a village credit agency in the Banyumas region.<sup>12</sup>

Village granaries which initially ran smoothly and could help the economic hardship of rural communities, on the way many experienced failure / bankruptcy. That is because many people who borrow in the village granaries cannot repay the loan. Most of them are still experiencing economic difficulties. Of the many village granaries that were erected, only a few survived. To save the existence of the village granaries, the AVB (Algemene Volkscardiet Bank) provides capital loans so that they can continue to help the economic difficulties of rural communities.

In 1904 the Village Bank was established, hereinafter known as the Village Credit Agency (BKD). This was intended to make supervision by Algemeene Volkscardiet Bank (AVB which later became BRI) easier. The Village Credit Agency (BKD) is a village asset whose management is separated from other village assets, so that if there is a loss in the BKD it cannot be covered with other village assets. Village Credit Bank is a rural financial institution that originates from the people and for the people themselves. BRI is only a supervisor and supervisor in its operational activities as an extension of the Bank Indonesia delegation of authority. The existence of BKD which is still recognized and survives in economic activities in rural areas is very meaningful both for the community and for the Village Government itself.

The Rural Credit Fund Institute (LDKP) was established in the early 1970s to group non-bank microfinance institutions in each province. LDKP is a generic term for several types of credit institutions and small deposits that exist, according to their respective regions, in many provinces. At the end of the 1970s, there were almost 300 credit institutions like this in

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<sup>12</sup> <https://www.kompasiana.com/nevermind/592d85188523bdb169e5c5ad/transformasi-bkd-menjadi-bpr-untuk-semakin-dekat-dengan-rakyat#>, page 1, diakses 9 Oktober 2019.

Indonesia. At that time these institutions were treated as non-bank financial institutions, and based on the Banking Act of 1967 did not meet the requirements to obtain liquidity credit from Bank Indonesia (BI), and therefore funds from these institutions had to be collected from other sources. These institutions are also not permitted to mobilize funds in the form of deposits and are not bound by the interest rate rules of BI, so they can determine their own interest rates. Until now there are still many who stand in Indonesia, including those who stood at the beginning of the period are the District Credit Board (BKK) in Central Java, the District Credit Institution (LPK) in West Java, Lumbung Pitih Nagari (LPN) in West Sumatra which is owned by customary institutions.<sup>13</sup>

The existence of Village Credit Institutions in Bali is more advanced and up to now still exists and even developed and developed as a village economic institution that sustains the traditional village community while Lumung Pitih Nagari as not found the existence of only one that survives, namely Lumpung Pitih Nagari in Limau Manis, West Sumatra. the existence of the Pitih Nagari is due to the reform of the Lumbung Pitih Nagari turning into the People's Credit Bank.

Law number 1 of 2013 concerning Microfinance institution recognizes the uniqueness and local wisdom so that there are two MFIs that are not subject to the Act namely Lembaga Perkreditan Desa in Bali and Lumbung Pitih Nagari in West Sumatera. The two institutions are the Village Credit Institutions (LPD) in Bali and the Lumbung Pitih Nagari in West Sumatra which were formed before the Law was born so that according to the LKM Law, the LPD and Lumbung Pitih Nagari should not be subject to the Act because its existence is recognized under customary law.<sup>14</sup>

That the indicators of village-owned enterprises that are characterized by villages can be seen from four characteristics. The first characteristic will be explained that both the LPD and the LPN both financial sources are based on community savings or community savings and community fundraising initiatives and capital from rural communities so that the financial sources are not from outside communities or local governments. An independent financial source from the The Village-owned Enterprises managed for the village community.

The second is the Personnel Structure or Organizational structure, personnel or organizational structure determined together in village meetings and through or through community meetings with customary heads and customary law communities in choosing and running management.

Third, the involvement of the village apparatus in management in these two institutions The village head has the role of a supervisor or supervisor only for the management or organization to be left entirely to the deliberations of the customary village community and the customary head and shareholders or shareholders who invest their capital in the village economic institutions.

The fourth is the legal umbrella or regulation which is the basis of the establishment of the village recruitment agency for Lumbung Pitih Nagari originating from Provincial Regulation Number 1 Year 1982 concerning Lumbung Pitih Nagari while for the Village Credit Institution in Bali is the Bali Governor's Decree Number 972 Year 1984 Regarding the Establishment of LPD in the Province of Bali Level I Region and Bali Level I Regional Regulation Number 2 of 1984 concerning Credit Institutions, Bali Level I Regional

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<sup>13</sup> <https://www.kompasiana.com/hamadi/574d36f8d59273750613ff02/sejarah-keuangan-mikro-di-indonesia?page=all>, diakses tanggal 5 Oktober 2019

<sup>14</sup> <https://www.hukumonline.com/berita/baca/lt5391b78e0a0e1/kearifan-lokal-jadi-dasar-ojk-bikin-peraturan-lkm/>, halaman 1, diakses 15 Oktober 2019.

Regulation Number 2002 concerning Village Credit Institutions, Bali Level I Regional Regulation Number 4 of 2012 concerning Village Credit Institutions and Bali Level I Regional Regulation No. 4 of 2019 concerning Village Credit Institutions. These two village economic institutions also refer to Law Number 1 of 2013 concerning Microfinance Institutions.

Both of these economic institutions refer to the microfinance law because the management principles of these two institutions closely resemble the characteristics of financial institutions although the principles put forward in these two institutions are the principles of banks and cooperatives in management, both of which combine to facilitate their services to rural communities. Researchers describe the different conceptions and character of village economic institutions through the table below:

**Table 2. The difference in conception and character of Lumbung Pitih Nagari**

No.	Comparative Indicators	LPD	LPN
1.	Institutional Status	the Financial Institution owned by the village of Pakraman / Adat	Original Nagari's financial institution
2.	Members and Membership Status All residents	manners of Pakraman village	All village communities where LPN is located / Nagari community
3.	Administrators Appointed	Administrators Appointed and dismissed by villagers through village meetings	Appointment through deliberations by LPN management
4.	Capital	Community self-help capital / village Krama	Community self-help capital
5.	Transaction Services	Internal Financial Transaction Services Pakraman village communities	Internal Village nagari community

The two village economic institutions above both the Lumbung Perkreditan Desa and the second Lumbung Pitih Nagari put forward the commercial or economic side and also the social side and specifically for the LPD conception of other differences is the LPD in Bali is an economic institution that uses the socio-economic-religious concept while for the Lumbung Pitih Nagari uses the socio-economic concept, both of these institutions are thick with culture because they are based on customary law or can be said to be founded by the customary law community. The Lembaga Perkreditan Desa management puts forward three balances in life namely the Godhead, Humanitarian elements and the environmental element while the Lumbung Pitih Nagari management refers to Shari'a law, customary law and applicable positive law or statutory regulations.

## **2. Village-Owned Enterprises**

Village Owned Enterprises are village business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs and potential of the village. Establishment and Management of Village-Owned

Enterprises (BUMDesa) is an embodiment of village productive economic management carried out with a family and mutual cooperation spirit. Village-Owned Enterprises can run businesses in the economy and / or public services in accordance with statutory provisions.<sup>15</sup>

The economic improvement must indeed start from the government made by the village government which is directly related to the village community, so President JOKOWI's idea by saying the development of the district is very appropriate because the State of China has done so. China changed the name of the CBE company to the TVE company in 1984. This is a signal that the TVE company has become one of the main engines driving China's rapid economic growth and deserves attention.<sup>16</sup> China has a village business entity known as Village and Village Entrepreneurship (TVEs) regulates Village and Village Entrepreneurship not in accordance with the designated place of ownership of the company and the business of TVEs. steel, cement, fertilizer, hydroelectric and agricultural equipment.<sup>17</sup>

Township and Village Enterprises are market-oriented public companies under the auspices of the regional government established in cities and villages in the People's Republic of China.<sup>18</sup> While in Thailand the planting of Village-Owned Enterprises with the name Small Business and Micro Community (SMCE) in which participation involves the community and community participation in terms of production, product sales, company capital, company management and use of community resources for production and this company at the time published small and medium. With the presence of companies in the village, the community's economy will grow in the two priority Chinese countries.<sup>19</sup>

The institutional function of Village-Owned Enterprises is a pillar of the village economy that functions as a social institution (Social Institution) and commercial (Commercial Institution). Village-Owned Enterprises as a social institution is in favor of the interests of the community through its contribution in the provision of social services while Village-Owned Enterprises is a commercial institution aiming for profit through offering local resources (goods and services) to the market. The running of the principle of efficiency and effectiveness must always be emphasized and Village-Owned Enterprises as a legal entity is formed based on the applicable legislation and in accordance with the agreements that are built in the village community.

The existence of Village-Owned Enterprises is a form of independence from a village as the implementation of village autonomy. Through Village-Owned Enterprises it is hoped that villages in carrying out development will not depend entirely on subsidies from the government. Village-Owned Enterprises can be used as an alternative that provides additional funds to the village. The Village Owned Enterprise is also useful for managing village assets and wealth so that it can be utilized as much as possible for the welfare of the village community.<sup>20</sup>

Village-Owned Enterprises is a pillar of economic activity in the village that functions as a social and commercial institution. Village-Owned Enterprises as a social institution focuses on the interests of the community through its contribution to the provision of social services.

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<sup>15</sup> Herry Kamaroesid, *Tata Cara Pendirian dan Pengelolaan Badan Usaha Milik Desa*, (Jakarta: Mitra Wacana Media), 2016. page 18.

<sup>16</sup> Cheng Jin, *An Economic Analysis of The Rise and Decline of Township and Village Enterprises* (Guangdong, China: Palgrave Macmilan, 2017), page.69

<sup>17</sup> IFPRI Discussion Paper 00854 April 2009 *The Evolution of Chinese Entrepreneurial Firms Township-Village Enterprises Revisited Chenggang Xu Xiaobo Zhang Development Strategy and Governance*, page 1

<sup>18</sup> Jesse Russell dkk, *Township and Village Enterprises*, (Scotland Untited Kingdom: Lennex Corp, 2012), page 5.

<sup>19</sup> Thong Pon Promsaka Na Sakolakon & Are Naipiint, *Guidenline for the management of community enterprises in the Songka lake Basin of Thailand*, (Canadian Center of science education, Juni 2013) page 12.

<sup>20</sup> Aris Ahmad Risadi, *Badan Usaha Milik Desa*, (Jakarta: Dapur buku, 2012), page 10.



Village-Owned Enterprises as a commercial institution aims to make a profit through offering local resources to the market. The principle of efficiency and effectiveness must be emphasized when running a business.<sup>21</sup>

Village-Owned Enterprises as a legal entity is formed based on the prevailing laws and regulations in accordance with the agreements that are built in the village community. Thus, the form of a Village-Owned Enterprises can vary in each village in Indonesia. These various forms are in accordance with the characteristics of the location, potential, and resources of each village.<sup>22</sup>

The task and role of the government is to disseminate and raise awareness to the village community through the provincial and / or district governments about the importance of the village BUMD for improving the welfare of the community. Through village government the community is motivated, made aware, and prepared to build their lives.

The government facilitates education and training and other fulfillments that can facilitate the establishment of Village-Owned Enterprises while operationalization is left to the community village. Village communities need to be prepared so they can accept new ideas about economic institutions that have social functions and commercial functions.<sup>23</sup>

According to Law No. 6 of 2014 concerning villages, village development aims to improve the quality of human life and poverty alleviation through the provision of meeting basic needs, construction of facilities and infrastructure, development of local economic potential, sustainable use of natural resources and the environment that promotes togetherness, kinship, mutual cooperation in order to realize of peace and social justice.<sup>24</sup>

Increasing the village economy through Village-Owned Enterprises is not a young thing because the various potentials of villages that are not uniform or the same even each village has a different natural wealth can even be categorized as not easy to advance the village economy with Village-Owned Enterprises. The purpose of Village-Owned Enterprises is not only to improve or advance the village economy but also as a social function. The improvement of the village economy is done by mapping the existing problems in a village and then finding the right solution for its solution because the economic improvement will be hampered if the problems in the village have not been addressed, especially for welfare problems which include facilities and infrastructure. Economic improvement can be measured through the income of village communities, the available facilities and infrastructure as well as the level of education of rural communities.

Village Owned Enterprises are village business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs and potential of the village. Establishment and Management of Village-Owned Enterprises (*BUMDesa*) is an embodiment of village productive economic management carried out with a family and mutual cooperation spirit. Village-Owned Enterprises can run businesses in the economy and / or public services in accordance with statutory provisions.<sup>25</sup> Village-Owned Enterprises was established, among others, in the context of increasing the village's Original Income, if it can be obtained from Village-Owned Enterprises, the condition will encourage each village government to give "goodwill" in response to the establishment of Village-Owned Enterprises. As one of the economic institutions operating in

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<sup>21</sup> Ibrahim, *Manajemen Badan Usaha Milik Desa*, (Yogyakarta: Deepublish, cetakan pertama, 2008), page 5.

<sup>22</sup> Akmal Hidayat, *Hukum BUM Desa*, (Yogyakarta: Samudera Biru, 2018),page 5.

<sup>23</sup> *Ibid.*, page 94.

<sup>24</sup> *Ibid.*, page 95.

<sup>25</sup> Herry Kamaroesid, *Tata Cara Pendirian dan Pengelolaan Badan Usaha Milik Desa*, (Jakarta:Mitra Wacana Media), 2016. page 18

the countryside, Village-Owned Enterprises must have a difference with economic institutions in general. The existence and performance of the Village – Owned Enterprises is intended to make a significant contribution to improvement

Besides the welfare of the villagers, it is hoped that the development of the capitalist business system in the countryside will disrupt community values. Mastery of the economic sector is useful as an effort to protect the social security of rural communities.<sup>26</sup>

Village-Owned Enterprises in running its business must prioritize services for the community such as establishing businesses to meet the needs of village water, fostering village entrepreneurial interest by providing capital to farmers and ranchers and Village-Owned Enterprises is engaged in marketing for the crops and livestock. Even the developed Village-Owned Enterprises has been able to launch one bachelor's family as a manifestation of increasing human resources at the village level with high education. It is hoped that village communities will not depend on regional governments and be able to manage the village's potential either through natural resources or human resources. With the capabilities of the village, especially human resources, it will improve the performance of Village-Owned Enterprises and eliminate the stigma that the human resources in the village are not as competent as the human resources in big cities.

The Meaning of Village-Owned Enterprises that are characterized by villages is a business entity that becomes the foundation of village communities in improving their economy with socio-economic principles where the business is established for the greatest prosperity of the village community is also a business that can generate profits or commercial which also results are fully given for the welfare of the village.<sup>27</sup> So that the inherent meaning in a Village-Owned Enterprise characterized by a village is a business entity that defines itself as a social institution and commercial whose activities are adjusted to the potential of the village and the implementation or management prioritizes social interests. Village-Owned Enterprises that are characterized by villages are business entities that are characterized by gaining profits for social purposes or are known as socio-economic.

## **CONCLUSIONS**

The Meaning of Village Owned Enterprises that are characterized by villages are business entities that carry out their functions as economic institutions and social institutions. Village-owned enterprises with village characteristics cannot be forced into a modern form of business because the village has its own pattern in developing the village economy through institutions the economy to obtain profits and the benefits obtained are allocated to the social interests of the village community. Village-owned business entity is a business entity whose capital is from a collective community fund whose management involves the village apparatus of the organizational structure through consultation and the underlying regulations are regional regulations. Village-Owned Enterprises, which are characterized by villages, are business entities that are profit-oriented and those benefits are provided for social purposes or better known as socio-economic principles. Village-Owned Enterprises that are characterized by villages are business entities that are wholly carried out to obtain benefits whose benefits will be felt directly by the village community through meeting social needs such as construction of houses of worship, schools or the basic needs of village communities that have not been fulfilled.

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<sup>26</sup> Direktorat Jenderal Pemberdayaan Masyarakat dan Desa kementerian Dalam Negeri, *Naskah Akademik Rancangan Undang-undang Tentang Desa*, 2012, page 9.

<sup>27</sup> Undang-Undang Nomor 6 Tahun 2014 Tentang Desa dan Peraturan Terkait :Dilengkapi SKB Tiga Menteri Terbaru tentang Percepatan Penyaluran, Pengeloan, dan Penggunaan Dana Desa Tahun 2015, Jakarta: Tim Visi Yustisia, 2015, Page 364.

## RECOMMENDATION

The village government in making village regulations regarding Village-Owned Enterprises must make rules that allocate profits from the Village-Owned Enterprises to social interests and if the unit is a legal entity, the articles of Association and bylaws of the business entity contains rules for sharing benefits for the allocation of social interests of the village community.

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