Institutional Strengthening of Village-Owned Enterprise Legal Entities as a Manifestation of Village Sustainable Development Goals

Nur Sulistyo Budi Ambarini¹, M Yamani², Tri Andika³

¹Fakultas Hukum Universitas Bengkulu, E-mail: ambarini@unib.ac.id
²Fakultas Hukum Universitas Bengkulu, E-mail: yamani@unib.ac.id
³Fakultas Hukum Universitas Bengkulu, E-mail: andikatri@unib.ac.id

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Abstract
This study aims to analyze the arrangement of Village Owned Enterprises in Indonesia and their management in realizing village Sustainable Development Goals. Village Owned Enterprises as socio-economic institutions in villages can realize sustainable development goals in villages. However, in reality, most of the existing Village-Owned Enterprises have yet to function optimally in driving the village economy. This research is doctrinal legal research with legal, conceptual and philosophical approaches. This method seeks to discuss the arrangement of Village-Owned Enterprises in Indonesia and the importance of institutional strengthening of Village-Owned Enterprises as socio-economic institutions with legal status in realizing the Sustainable Development Goals in Villages. The institutional arrangement and strengthening of Village-Owned Enterprises, apart from legal and economic aspects, also require the support of social capital. Rural local customs in the form of local wisdom and customary law norms that are still relevant can be social capital for the institutional strengthening of Village-Owned Enterprises. Based on local wisdom and customary law norms, the institutional management of Village Owned Enterprises can be optimal in realizing the goals of village sustainable development.

I. Introduction

The Millennium Development Goals or MDGs are the agreements of countries at the United Nations Summit in New York (United States) in 2000 to implement the principles of sustainable development from the 1992 Rio Declaration globally. The MDGs have a target of eight specific and measurable global development goals whose implementation began in 2001 and ended in 2015. Furthermore, to accommodate all the changes after 2015, the MDGs were replaced with the concept of Sustainable Development Goals, abbreviated and known as SDGs. The SDGs document was ratified at the United Nations Sustainable Development Summit in New York on 25-27 September 2015 and is valid for 2016-2030. SDGs to accommodate world changes after 2015 are related to the deflation

of natural resources, environmental damage, increasingly crucial climate change, protection of social security, food and energy security, and more pro-poor development. Although the implementation of the MDGs in Indonesia has been going well, there are still several obstacles, namely the uneven focus on development areas. The focus of development implementation is still in urban areas, so villages become marginalized. In addition, the village community needs to be improved to access the use of development programs due to poor infrastructure, facilities and infrastructure available in the village.

SDGs in Indonesia are regulated by Government Regulation No. 57 of 2017 concerning the Implementation of Sustainable Development Goals. Its implementation covers the national region. Its implementation covers the national, regional and village levels. The Sustainable Development Goals are basically in line with the third President's Nawacita program, namely "Building Indonesia from the Outskirts by Strengthening Regions and Villages within the Framework of a Unitary State". At the village level, the implementation of the SDGs can be realized through the activities of Village-Owned Enterprises (from now on referred to as BUMDes) as economic institutions driving the rural economy. The problem is that most BUMDes, including in the Central Bengkulu Regency area, need to be optimally managed. The results of Welli Indra Mayu's research (2016) regarding the Factors That Obstacle the Growth and Development of Village-Owned Enterprises in Pematang Tebih Village, Ujung Batu District, Rokan Regency in 2014-2015 are:

1. We need more knowledge and understanding of administrators about the meaning of leadership, managerial and governance managing BUMDes experience in entrepreneurship managing business institutions.
2. There is no collaboration with various parties, only running one business unit.
3. BUMDes is not born from the spirit of local emancipation.
4. There is no strong village tradition due to weak solidarity, cooperation and cooperation between village communities.
5. BUMDes receive partial support from the local supra village.

Likewise, Biana Adha Inapty's research, M. Ali Fikri; Iman Waskito (2021), states that the BUMDes problem is still around classic problems, namely, (1) The percentage of investment by the village is still small (1 – 2%) because of the village's concern if the BUMDes business does not develop. (2) Human resources: The seriousness that is still lacking for most managers in managing BUMDes is due to other jobs. The employee payroll system is not well organized. (3) The business world, government or universities

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have not cooperated with outsiders. In Ambarini's research, Siti Hatikasari (2020) in Central Bengkulu Regency, the role of BUMDes as a socio-economic institution has not been optimal due to various factors, namely: BUMDes establishment, BUMDes management, HR in BUMDes Management, Shift in cultural values (cooperation) in rural areas, Coaching and mentoring. Referring to these various problems, the problem studied in this paper is how to strengthen the BUMDes institution as a legal entity in realizing village SDGs.

BUMDes, as a socio-economic institution in rural areas, has an important role. Therefore, to function to drive the village economy, BUMDes management must be optimal. Related to optimizing the management and strengthening of BUMDes, several previous studies, including Afifa Rachmanda Filya's research entitled "Optimizing the Management of Village-Owned Enterprises in Increasing Village Original Income (PAdes) in Bojonegoro District, East Java Province (Case Study in Sukorejo Village, Bojonegoro District), concluded that there are still indicators in the resource dimension that limit those that have not run optimally, namely labour, capital and market share. Apart from that, in the concept of BUMDes Management Principles, there is an accountable dimension and a Sustainable principle dimension in the form of the development of sales turnover and profit or loss. Further research by Safrieta Jatu Permatasari and Dimas Imaniar, with the title "Optimizing the Role of BUMDes in Increasing Village Independence (Study on BUMDes Ijen Lestari, Tamansari Village, Licin District, Banyuwangi Regency)." The conclusion from the research states that the strategy for optimizing the role of BUMDes Ijen Lestari as an innovation in increasing village independence, empowering and improving the community’s economy is through planning and managing BUMDes in a structured and long-term manner that is sustainable, utilizing digitalization, information and communication technology infrastructure so that it becomes BUMDes with industry tourism 4.0.

Furthermore, to strengthen BUMDes institutions, several supporting instruments are needed, both from the financial aspect and the social aspect. Regarding this matter, some studies have been done before. Fitria’s research, in her article entitled “Community Economic Empowerment Through Village-Owned Enterprises”, states that one of the steps taken by BUMDes Maju Makmur in strengthening its institutions is to provide training and comparative studies to employees related to proper management and supervision. Exist to monitor the course of economic empowerment. Fajar Sidik, from the results of his research, said that the social capital that plays a role in contributing to

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the development of the Bleberan tourism village includes aspects of (1) organizations (institutions), (2) trust (trust), (3) rules (norms), and (4) network (networks). One of the organizations, namely BUMDes, is an essential instrument in managing a tourist village. BUMDes can carry out tourism management in the village in a more professional manner with sustainable and ecotourism-based principles.

The existence of BUMDes as the driving force of the economy in the village is very influential in improving people’s welfare. As stated by Arindhawati & Utami (2020), in their writing entitled "The Impact of the Existence of BUMDes on Increasing Community Welfare (Studies on BUMDes in Ponggok Village...)". It is further stated in the article that the existence of BUMDes brings changes in the economic and social fields. Communication and socialization of BUMDes to the community are pretty good so that transparent and accountable BUMDes management fosters public trust in BUMDes. Applying the principles of good governance in BUMDes proves that the purpose of establishing BUMDes can be achieved. Good and directed BUMDes management will be able to realize the implementation of the Village SDGs Program.

BUMDes have relevance to the village SDGs Program. The management of BUMDes and the implementation of Village SDGs, especially in 2021, is the focus of activities in the village which is a priority in the use of village funds. In general, the SDGs have 17 goals, but the uniqueness of the Village SDGs is that there are 18 goals, namely Dynamic Village Institutions and Adaptive Village Culture (goal 18). achieve the Village SDGs goals; for example, the village goal with poverty and hunger (goals 1 and 2) is only possible to achieve if the economy in the village is conducive. In this case, the role of BUMDes as a village economic institution is vital to drive a dynamic village economy. This function can run if the management of BUMDes is by the principles of good governance. In the Indonesian context, BUMDes entity governance is a unique form of social enterprise. According to Purnomo (2016), there are six BUMDes governance principles: cooperative, participatory, emancipatory, transparent, accountable and sustainable. In the research by Elfrida Yuliana and Natasia Alinsari at Estu Mukti BUMDes in Bejalen Village proved that good and consistent implementation of the six principles of governance in BUMDes has realized the Village SDGs Program, namely, the village economy grows evenly.

This study aims to analyze how is the arrangement of Village-Owned Enterprise in Indonesia and How can Village-Owned Enterprise as village economic institutions with legal entities realize Village SDGs. Likewise, managing BUMDes apart from financial capital also requires social capital. As with Prengki Triga Anja Kesuma and Lutfi Lusiana Saputri’s research, BUMDes Panggung Lestari is effective because it uses social capital. Capital, social trust and norms have significantly contributed to the creation of sustainable BUMDes. This research seeks to examine the arrangement of BUMDes as a

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legal entity in Indonesia and as an economic institution with a legal entity to realize the SDGs using social capital. In this case, social capital is more interpreted in social values, local wisdom and customary law norms in the village, which can reinforce the management of BUMDes. BUMDes can be appropriately managed and optimally to realize the Village SDGs goals.

2. Research Method

This article is part of legal research entitled 'Social Capital as Institutional Strengthening of Legal Entities for Village Owned Enterprises (BUMDes) in Efforts to Develop Rural Ecotourism.' The writing method uses doctrinal or normative Law with a statutory, conceptual, and philosophical approach. The legal material used is primary legal material, namely the 1945 Constitution of the Republic of Indonesia, laws and regulations related to the title, namely the Law on the Protection and Management of the Environment, the Village Law, and Government Regulations regarding BUMDes. Secondary legal materials related to BUMDes issues and Sustainable Development Goals (SDGs) include doctrine, expert opinions, legal documents, scientific journals, research results, and publications—tertiary legal materials related to the study of this paper. The analysis was carried out using qualitative analysis methods.

3. Results and Discussion

3.1. Arrangements for Village-Owned Enterprises in Indonesia

Based on Article 213 paragraph (1) of Law Number 32 of 2004 concerning Regional Government (from now onwards referred to as UU No. 32/2004), Village-Owned Enterprises (BUMDes) are economic institutions, namely business entities in rural areas. Villages can carry out the establishment of BUMDes according to the needs and potential of the village. They are further contained in Government Regulation No. 71 of 2005 concerning Villages (from now onwards referred to as PP No. 71/2005) Article 78 to Article 81. With the issuance of Law No. 6 of 2014 concerning Villages (from now onwards referred to as UU No. 6/2014), arrangements regarding BUMDes are contained in Articles 87-90. Referring to these provisions, the village "can" establish BUMDes based on an agreement through village meetings determined by village regulations. These provisions are further elaborated in Article 7 and Articles 132-142 of the Republic of Indonesia Government Regulation Number 43 of 2014 concerning Regulations for Implementing Law Number 6 of 2014 concerning Villages (from now onwards referred to as PP No. 43/2014).

Furthermore, the Regulation of the Minister of Villages for the Development of Disadvantaged Villages and Transmigration No. 4 of 2015 concerning the Establishment, Administration, Management and Dissolution of BUMDes (from now onwards referred to as Permendes PDTT No. 4 of 2015), regulates in more detail this matter. The establishment of BUMDes can be carried out by the village, starting with an agreement through a village meeting and stipulated in a Village Regulation (PerDes). Apart from that, consider several things as referred to in Article 4. Initiatives of the Village Government and the Village community are essential things to consider. The existence of village initiatives shows that there is no compulsion to establish BUMDes. These initiatives must also consider the potential of village economic ventures, natural resources and human resources capable of managing village-owned enterprises.
After the issuance of the 2014 Village Law, many villages formed BUMDes in their villages. However, in its establishment, it has yet to fulfil the requirements listed in Article 4 of the Regulation of the Ministry of Villages, Development of Disadvantaged Villages and Transmigration No. 4 of 2015 (from now on referred to as Permendes PDTT No. 4 of 2015). As is the case in villages in the Central Bengkulu Regency Region. Based on research results in two sub-districts (Taba Penanjung and Pondok Kelapa) in Central Bengkulu Regency, there are 29 villages, and only three villages that still need BUMDes. On average, 26 existing BUMDes were established in 2016 – 2017. Most of them were formed not through village meetings and had not been regulated in Village Regulations, so their management did not run optimally, and even some of the traffic jams did not go well.\(^{14}\)

BUMDes regulations have changed with the issuance of the Job Creation Law No. 11 of 2020 (from now on referred to as UU No. 11/2020). Previously in the Village Law in Article 1 number (6), it was stated that BUMDes is a business entity. But further in Article 7 paragraph (1) Permendes PDTT No. 4 of 2015, it is said that BUMDes can consist of units that are legal entities. Referring to these provisions creates a more explicit position of BUMDes as a legal entity. In this case, because the establishment of BUMDes does not require the role of a notary like a Limited Liability Company legal entity, it is based on village meetings and Village Regulations.

The position of BUMDes as a legal entity is more clearly emphasized in the Job Creation Law, which is further regulated in Government Regulation No. 11 of 2021 concerning Village Owned Enterprises. Job Creation Law No. 11 of 2020 confirms in Article 117 that BUMDes is a legal entity established in the village. Furthermore, to be recognized as a legal entity, both BUMDes and BUMDesma must register electronically with the Ministry of Law and Human Rights.

3.2 The Existence of Village-Owned Enterprise As Village Economic Institutions With Legal Entities In Realizing Village SDGs

3.2.1 Village Owned Enterprises as Legal Entities

Villages, according to Abdul Halim Iskandar (Minister of Villages, Development of Disadvantaged Regions and Transmigration), are unique entities that have specific characteristics and in the Village Law are given specificities, including the issue of village independence, which already have different cultural settings. BUMDes is a particular entity located in the village. Declared as a legal entity begins when the village has established a village regulation which is a product of the village meeting, ratified and signed by the village head. However, to obtain legal entity status, registration must be obtained from the Ministry of Villages, Development of Disadvantaged Regions and Transmigration) to avoid many things, such as the similarity of the name next to the Ministry of Law and Human Rights for documentation. Thus BUMDes can create a new legal entity, such as a limited liability company.\(^{15}\)

BUMDes is a business institution whose turnover is partly or wholly owned by the Village through the stages of direct participation where the source is from village assets,


and administrative and non-administrative management is divided between the village government and village-owned enterprises whose aim is to prosper members and the Village. **BUMDes** is a business entity whose circulation is partly or wholly owned by the Village through direct participation stages originating from village assets and administrative and non-administrative management divided between the village government and village-owned enterprises with the aim of welfare for members and the Village. Article 1 number (6) of Law Number 6 of 2014 also regulates the existence of **BUMDes**, namely business entities whose capital is wholly or principally owned by the Village through direct participation originating from Village assets which are separated to be managed, assets, services, and business others for the welfare of the village community as much as possible.

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**17** Ibid.

**BUMDes** or Joint Village-Owned Enterprises (BUMDesma) as legal entities, can have and/or form BUMDes/BUMDesma Business Units. Businesses that can be carried out by business units using capital, which are mostly owned by BUMDes/BUMDesma, as stipulated in Article 49-50 PP No. 11 of 2021 is based on local wisdom to manage natural, economic, cultural, social, religious resources and potential, knowledge, skills, and people's way of life; processing industry based on local resources; distribution and trade network; financial services; priority public services for basic needs including food, electrification, sanitation, and housing; intermediaries of goods/services including distribution and agency; and other activities that meet eligibility.

Referring to these provisions, BUMDes/BUMDesma are public institutions, namely business entities with legal entities owned by the village. Organizationally BUMDes/BUMDesma is separate from village government, and as a legal subject has its own rights and obligations in carrying out legal relations In accordance with its role as an economic institution that drives the village economy, BUMDes/BUMDesma has both social and commercial characteristics and functions. Therefore, efforts that can be carried out apart from social business are in the form of services to the community, as well as business ventures that provide benefits for the development of BUMDes as economic institutions.
3.2.2 The Existence of Village-Owned Enterprise As Village Economic Institutions With Legal Entities In Realizing Village SDGs

3.2.2.1 Sustainable Development Goals

Sustainable development is a development concept that originates from the ideas of the World Commission on Environment and Development (WCED). According to the commission, sustainable development is a development that takes place continuously and continuously to increase the welfare of generation after generation. Simultaneously includes three main dimensions, namely economic, socio-cultural and political sustainability, as well as the environment in a global scope.\(^{18}\) Previously, this concept was introduced as environmentally sound development at the 1972 Stockholm Conference. It was agreed upon by the participating countries, including Indonesia, in the Stockholm Declaration, which became the guideline for global environmental management. At the 1992 Earth Conference in Rio de Janeiro, the concept of sustainable development included three aspects, environmental, economic and social, as outlined in Agenda 21.

According to Jacobs (1986), to realize environmentally sound development, several conditions are needed, namely (a) fulfilment of human needs, (b) maintenance of ecological integrity (environmental preservation), and (c) social equity (social justice), and (d) self-determination (opportunity to determine one's destiny). In this context, it can be said that sustainable development emphasizes protection and pro-poor people, including the surrounding community, democratization, transparency and protection of environmental functions.\(^{19}\) According to Emil Salim, sustainable development overhauls the conventional development paradigm. This paradigm shift requires a change in values and orientation. Sustainable development values that are new and different from conventional development need to be developed continuously. Education and human resource development can encourage new values to be created. Besides being equipped with the skills to achieve economic goals, human resources are also equipped with skills to achieve social and environmental goals.\(^{20}\)

In September 2000, the United Nations held the "Millennium" Summit in New York to achieve world development globally. With the participation of 189 UN member states, this Summit resulted in an agreement as outlined in the Millennium Declaration known as the "Millennium Development Goals/MDGs". The MDGs Declaration was issued based on UN General Assembly Resolution 55/2 dated 18 September 2000 (A/Res/55/2 United Nations Millennium Development Goals. The declaration contains commitments from participating countries with targets in 2015 to achieve people's welfare and community development. These targets are 8-millennium development goals (MDGs), a package of specific and measurable global development goals for development and poverty alleviation. The 8-millennium development goals (MDGs) include eradicating

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\(^{19}\) Sudhato P Hadi, Dimensi Hukum Pembangunan Berkelanjutan (Badan Penerbit Universitas Diponegoro, 2002), hlm. 2  
poverty and hunger, primary education for all, gender equality and empowering women, reducing child mortality, improving maternal health, fighting HIV/AIDS, malaria and other infectious diseases, environmental sustainability, and the global partnership for development. 21

The MDGs ended in 2015, and to accommodate post-MDGs world changes, the concept of Sustainable Development Goals (SDGs) was developed. This concept is a global commitment agreed upon internationally in September 2015, with a universal target to meet future challenges. The SDGs, initially discussed at the United Nations Conference on Sustainable Development in Rio de Janeiro in June 2012 (Rio+20), produced a Document containing 17 goals, 169 targets and 241 indicators. The SDGs document was ratified at the United Nations Sustainable Development Summit, which took place in New York on 25-27 September 2015. The document is entitled "Transforming Our World: The 2030 Agenda for Sustainable Development," a global commitment from 2016 to 2030. This commitment is an effort to increase people's economic welfare, sustainability of people's social life, quality of the environment and development that guarantees justice and implementation of governance from 2016 to 2030. Overall, the SDGs aim to create a better human life system related to social and economic aspects and can synergize with the environment. The SDGs have four pillars, namely economic, social, legal and environmental. 22

The MDGs declaration by the member countries of The Organization for Economic Cooperation and Development (OECD) and several international institutions resulted in an agreement between developing and developed countries. They did not involve non-governmental elements, so they were very bureaucratic and exclusive. Meanwhile, the SDGs have broad universal goals involving non-governmental elements. SDGs development is carried out through a participatory and inclusive process through consultation with all parties (government, civil society, media, academia, the private sector, and the philanthropic community), both from developing and developed countries. Equality between countries and between citizens is an emphasis on the SDGs. 23 The principle no one is left behind is a reflection of inclusivity; no one is left behind. 24 The goals and objectives of the SDGs will drive action in the fifteen years to 2030 in areas that are important to humanity and the planet, namely people, planet, prosperity, peace and partnership. Thus the SDGs can better respond to the challenges of the world's future. Meanwhile, according to Wahyuningsih, issues regarding natural resources, environmental damage, food security, social protection and poverty still need to be solved to implement the SDGs. 25

Wahyuningsih, “Millenium Development Goals (MDGs) Dan Sustainable Development Goals (SDGs) Dalam Kesejahteraan Sosial.”


Since the beginning, Indonesia has been one of the participating countries and a signatory to the 1972 Stockholm Conference. Commitment to implementing the concept of sustainable development begins with realizing the contents of the Stockholm Declaration, namely establishing a national legal instrument for environmental management. The legal instrument is Environmental Law No. 4 of 1982 (from now on referred to as UU No. 4 of 1982), then replaced by Law No. 23 of 1997 concerning Environmental Management (from now on referred to as UU No. 23 of 1997). Likewise, the concept of sustainable development was emphasized in Agenda 21 of the 1992 Rio de Janeiro Conference. Indonesia adopted and incorporated the concept of sustainable development into the 1945 Constitution (from now on referred to as UUD Negara RI Tahun 1945) in the amendments to the 2002 Constitution. Furthermore, it regulates its application in various statutory provisions. And Law No. 32 of 2009 concerning Protection and Management of the Environment (from now on referred to as UU No. 32/2009) as an umbrella provision.

The concept of sustainable development contains two ideas, namely "needs" and "limitations". In this case, the need is for the world's poor, whose handling needs to be prioritized. The concept of limitation is the ability of the environment to meet present and future human needs. In addition, sustainable development is a concept to encourage integration between the elements of sustainable development, namely economic, social and environmental, as pillars that are mutually supportive, dependent and strengthening. This concept is constitutionally contained in Article 33 of the 1945 Constitution of the Republic of Indonesia. Paragraph (3) states that Indonesia's natural wealth is "controlled" by the state to be used for the most significant benefit of the people. Regarding ownership, natural resources are the common property of the entire nation. Therefore, its control by the state needs to be controlled so that its utilization can be allocated as much as possible for the prosperity of the people as the owner. The state controls natural resources, meaning that the state has the authority to implement policies (beleid) and regulatory actions (regelendaad), administration (bestuuradaad), management (beheersdaad), supervision (toezichthoedensdaad) in the management of natural resources.

In addition, natural resources have limitations to meet the current and future needs of society. Therefore, for the continuity of economic, social and environmental life in Indonesia, paragraph (4) emphasizes the existence of introductory provisions in the implementation of economic activities. Apart from having to be based on the principles of economic democracy, the national economy must also be based on principles including togetherness, efficiency with justice, sustainability, environmental awareness, independence, and maintaining a balance of progress and national economic unity.

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The principle of sustainability with an environmental perspective reflects the concept of sustainable development adopted from the 1972 Stockholm Declaration and the 1992 Rio Declaration. This concept is further elaborated in its application through various relevant laws and regulations. In Law No. 32 of 2009 concerning the Protection and Management of the Environment (from now on referred to as UU No. 32/2009), sustainable development is defined as a conscious and planned effort in a development strategy by integrating environmental, social and economic aspects to ensure environmental integrity, safety, capability, welfare and quality of life for present and future generations. Will come. From this definition, it can be interpreted that the implementation of development is prepared and planned according to the availability of natural resources. By integrating economic, social and environmental aspects, limited natural resources will be able to meet the current and future needs of the people and guarantee the integrity of the environment to realize people's prosperity.

3.2.2.2 Institutional Relevance of BUMDes Legal Entity with Village SDGs

The village is the designation of a specific area where several residents live together as a unit. In Indonesia, villages have existed for a long time with various names. In “Encyclopaedia Britannica” (2015), a village is defined as a community that is not too densely populated, with the main economic activity being the production of food and raw materials. From a socio-cultural point of view, the notion of a village can be interpreted as a community within a particular geographic unit, the inhabitants of which know each other well with a relatively homogeneous lifestyle and are directly dependent on nature.

Regionally, referring to the notion of a village, it is located in a remote area, on the outskirts, such as a seafront or beach, on the edge of a forest, far from the city centre and regional modernization. They are often considered underdeveloped areas because development activities do not touch them. From the social aspect, people's lives are still classified as traditional, and their relationship with each other is quite close. Hence, togetherness, cooperation, and deliberations are still very much reflected in everyday life. Under these conditions, villages are often considered to be left behind, slums, and receive less attention. The Village Law changed the view of the village, which was initially considered the backyard of Indonesia, to become the front page. The village, as the most minor form of government, has a vital role in building the Unitary State of the Republic of Indonesia (NKRI). Therefore development to advance the village is a priority in the national development program—likewise, the successful implementation of post-MDGs sustainable development goals.

The SDGs program or sustainable development goals, within 15 years to 2030, has 17 sustainable development goals with 169 measurable targets. The National Development Planning Agency (Bappenas) stated that Sustainable Development Goals (SDGs) or SDGs are developed in the framework of maintaining sustainable improvement of the community's economic welfare, sustainability of people's social life, quality of the


environment and development that ensures justice and implementation of governance that can maintain an increase in the quality of life from generation to generation.  

In its implementation, SDGs as a global development commitment must be integrated into national and regional development. In this regard, the central and regional governments integrate SDGs targets and indicators into regional development. Implementation of SDGs in Indonesia is regulated by Presidential Regulation No. 59 of 2017, Implementation of Achievement of Sustainable Development Goals (SDGs) (from now on referred to as PerPres No. 59/2017). Article 15 stipulates that to achieve the goals of the Regional Sustainable Development Goals, and the Governor prepares a 5 (five) year Sustainable Development Goals Regional Action Plan (RAD) with the Regents or Mayors in their respective regions by involving mass organizations, philanthropists, business actors, academics and related parties other.

At the end of the 2015 MDGs, the changes related to world situations and conditions were accommodated by the SDGs concept as a new development framework. The SDGs development concept has three pillars which serve as indicators, namely:

a. Human Development includes, among others, education and health.

b. Social and Economic Development includes the availability of environmental facilities and infrastructure and economic growth.

c. Environmental Development (the larger environment), in the form of the availability of natural resources and good environmental quality.

One of the 17 SDGs is economic growth and decent work, supporting sustainable economic development, productive work and decent work for all. Agenda Number 8 is structured to improve the standard of living of all people in various regions and to create employment opportunities on a larger scale. As a developing country and a global country, Indonesia has a strong commitment to implementing economic development. This commitment is carried out by supporting community economic activities by strengthening the production of Micro, Small and Medium Enterprises (MSMEs) so that social inequality can be overcome and reduced effectively. For this reason, the government is focusing on reforming regulations to create healthy environmental conditions for people’s economic growth.

SDGs with the principle of "No One Left Behind" can, in essence, encourage a more participatory National Development agenda by involving many parties, both government and non-government. Various development policies are prepared together so that the sense of ownership of the national medium-term development plan (RPJMN) grows more robust and leaves no one behind. This also includes the government and rural communities. Therefore, to implement SDGs in rural areas, village SDGs were formed referring to Presidential Regulation Number 59 of 2017 (from now on referred to as PerPres No. 59/2017). In the Village SDGs, there are eighteen (18) goals with the addition of one goal. SDGs Desa is an integrated effort to realize villages free from

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33 Ibid.
poverty and hunger, economic villages that grow evenly, villages that care about health, villages that care for the environment, villages that care about education, women-friendly villages, networked villages, and culturally responsive villages to accelerate the achievement of the Sustainable Development Goals.

Regarding village development, the Village Law mandates the Central Government to budget village development funds. The main policy in the Village Law is in the form of fiscal decentralization to villages by providing village fund allocations estimated to be around Rp. 800 million-Rp. 1.4 billion per village, obtained from the combined funds of the State Revenue and Expenditure Budget (APBN), the Regional Budget. (APBD) Province and District/City Regional Expenditure Budget (APBD) (JPNN, 2014). This policy reflects the alignment of the central government, which is significant and progressive with the priority of increasing regional development related to community services to realize the welfare of rural communities. Furthermore, village funds, as regulated in Government Regulation No. 60 of 2014, are funds sourced from the State Revenue and Expenditure Budget, which are earmarked for villages to finance governance, development, community development, and community empowerment. The funds are transferred through the Regency/City Revenue and Expenditure Budget. Fundamentally, village funds aim to improve public services for rural communities, alleviate poverty, advance the village economy, overcome development disparities between villages, and strengthen village community participation in implementing village development. With village funds, it is possible to create an independent and sustainable village.

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Based on Articles 18 and 19 of Law No. 6 of 2014 (from now on referred to as UU No. 6/2014), villages have the authority to be able and able to carry out village development and rural areas. Within this framework, this can be done by using the potential of village natural resources sustainably, including rights to natural resources in the forestry.

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35 Ibid.
mining, agriculture, plantation and tourism sectors on a village scale. The aim is to create a source of livelihood in the village by utilizing village-scale natural resources to improve community welfare. Based on this authority, the village has the right to carry out development by utilizing the potential of natural resources in the village. The same rights are also emphasized in Article 371, paragraph (2) of Law No. 23 of 2014 concerning the Regional Government (from now on referred to as UU No. 23/2014). Villages have authority in accordance with the Village Law.

To encourage an increase in the economy of scale in the productive efforts of rural communities, including in the management of natural resources on a village scale, Article 87 s.d. Article 90 of the Village Law authorize villages to establish village economic institutions, namely village-owned enterprises whose capital comes from the Village. This capital is obtained through direct participation originating from Village assets that are separated to manage assets, services, and other businesses for the maximum welfare of the Village community.

According to Sutopo (in Hastowiyono and Suharyanto, 2014), BUMDes are village business institutions managed by the community and village government to strengthen the village economy. The formation of BUMDes is based on community needs and village potential. BUMDes is a form of village institution that has activities to carry out economic or business ventures to benefit the welfare of the village community. Villages establish BUMDes solely for economic gain or profit and include social and other non-economic benefits. Financially obtained as an economic benefit, BUMDes will be able to develop their business, increase PADes, and create jobs for villagers so that the village economy can take place dynamically. Social and non-economic benefits, social business activities or BUMDes services can grow and strengthen the togetherness of villagers, foster a sense of mutual trust, strengthen cooperation and help each other so that the dynamics of the community’s economy runs well, village independence and sustainability can be realized.

BUMDes or BUMDesma are economic institutions established in villages as institutions that can drive the rural economy. According to Uphoff (IRE, 2012), institutions are a set of norms and behaviours that can last over time by providing social services to the community. Local institutions create opportunities for collective action, help, and cooperation in managing resources independently and sustainably. The role of BUMDes as a local institution includes institutional aspects, the clarity of the role of BUMDes, the role of local institutions in establishing partnerships, and the role of local institutions as a driver of community-based development. Based on the results of research in Central Bengkulu Regency, most BUMDes have not optimally carried out this role. Of the 142 villages, 96% already have BUMDes, 74% are active, and 26% are active. BUMDes that

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37 Sidik, “Menggali Potensi Lokal Mewujudkan Kemandirian Desa.”, hlm.120
are active in practice run in place and have yet to develop. Viewed from the institutional aspect, the limited managerial ability and entrepreneurial spirit to manage human resources have a natural effect on the development and success of BUMDes. In addition, the business being carried out is still like a social business to serve the community. Commercial business by exploiting and cultivating local potential has yet to be carried out much. Therefore, referring to this description, so that BUMDes can play an optimal role in realizing village SDGs, it is necessary to strengthen BUMDes institutions.

3.2.3. BUMDes Institutional Strengthening to Support Village SDGs

BUMDes institutional strengthening is significant and is a primary concern within the village community. Efforts to strengthen institutions are an alternative form of steps to improve the performance of BUMDes management by the flow of functions and roles of each line so that they can achieve the goal of increasing community welfare. BUMDes, as a socio-economic institution, has the capacity or ability both in terms of absorption and availability of facilities to drive the village economy. About capacity, Soeprapto (2010), and Herdiana (2012), see the concept of capacity strengthening as a creative process that has not yet emerged (not yet exited) or capacity development, implying an initiative on the development of existing capabilities (existing capacity). In the context of government institutions or institutions in general, three aspects are the focus, namely the organization as a vessel and process, human resources, and systems or management. Efforts to strengthen institutional capacity at the local/village level, according to Hughes (1998), are strategic for local governance, including institutional development, networking, development of human resources for apparatus, and development of a conducive environment. Capacity building or strengthening is an effort to develop a variety of strategies to increase the efficiency, effectiveness and responsiveness of organizational or institutional performance. The BUMDes institution one of the essential aspects managed by BUMDes, according to Sukasmanto (2014), is its human resources. Human Resources (managers, management and employees), which are the driving force of business activities, must be managed professionally.

Financially BUMDes capital from village funds is sufficient, but more is needed to manage the BUMDes business as a public institution. The knowledge, abilities and skills of Human Resources (HR) in managing BUMDes are fundamental and also require the support of social capital in the community. Social capital can be in the form of participation, reciprocity, trust, social norms, honesty values and proactive actions. Social capital is a social structure characterized by networks, norms and social trust that facilitate coordination and cooperation to achieve specific goals. Social capital refers to features of social organization, such as networks, norms, and trust, that facilitate mutually beneficial coordination and cooperation. Social capital, in turn, generates further resources to contribute to the social organization of society and social network resources. (Voydanoff: 2001: 1). The essence of social capital, according to Hasbullah (2006:5), lies in the ability of people in a group to work together to build networks to achieve common goals. This collaboration is characterized by a pattern of reciprocal and

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mutually beneficial relationships and is built based on trust supported by positive and robust social norms and values.42

Social capital has three essential elements: values, norms, networks and trust. Social norms, in general, are concrete values. They were created to guide each individual to behave according to the rules that apply in society. Putnam (2000) explains that the values contained in social networks have an essential position as a binder or adhesive – uniting in establishing relationships. According to Fukuyama (2005): In general, spontaneously formed norms tend to be informal in the sense that they are not written down and announced. There are four kinds of norms with four different characteristics: spontaneous-arational (naturally self-ordered), spontaneous-rational (organized voluntarily), hierarchical-arational (religious) and hierarchical-rational (political). Values and norms are pre-conditions – foundations that underlie trust (Fukuyama, 2002). These information norms will not disappear and will remain in the future. These norms, in turn, will create social virtues.43 According to Inayah, social norms are a set of rules that are expected to be obeyed and followed by people in a particular social entity. Usually, these rules are institutionalized, not written but understood as determining patterns of good behaviour in the context of social relations so that social sanctions are given if they are violated. Social norms will determine the strength of the relationship between individuals because it stimulates social cohesiveness, which positively impacts society's development. Therefore social norms are referred to as one social capital.44

These social norms include local wisdom and customary law values, which grow and develop into customary customs in society. With this social capital, togetherness, mutual trust, cooperation, mutual help and so on will be revived. Things currently in the era of economic globalization are starting to fade, degraded by the times, likewise at the research location in the Central Bengkulu region. The values of local wisdom and customary law still exist, live and apply and become daily customs in society, especially in rural areas. These values, among others, are found in the Rejang people, who are indigenous people who live in several rural areas of Bengkulu. The values of local wisdom and customary law that exist and become the habits of the community can become social capital in the management of BUMDes, by exploring and utilizing this social capital as institutional strengthening of BUMDes to implement village SDGs.

4. Conclusion

The BUMDes management program is relevant to the SDGs targets. The purpose of this study is to analyze the arrangement of BUMDes in Indonesia; juridically, it is sufficient as a legal entity. Whereas the management of BUMDes as a village economic institution that is a legal entity in realizing village SDGs requires institutional strengthening of BUMDes as a business entity engaged in the economic and social fields. In addition to

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44 Adawiyah, “Strategi Pengembangan Badan Usaha Milik Desa (BUMDes) Berbasis Aspek Modal Sosial (Studi Pada BUMDes Surya Sejahtera, Desa Kedungturi, Kecamatan Taman, Kabupaten Sidoarjo).”
financial capital, institutional strengthening also requires social capital in the village. In implementing BUMDes management, the social capital used can be in the form of social values, local wisdom and customary law norms that have become the daily habits of village communities. By strengthening this social capital, BUMDes management can run well and optimally to implement sustainable development goals in the village.

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Regulation of the Minister of Villages for the Development of Disadvantaged Villages and Transmigration No. 4 of 2015 concerning the Establishment, Administration, Management and Dissolution of *BUMDes*