



## LEGAL EXAMINATION OF BUMDES AS A JURIDICAL ENTITY FOR THE ADVANCEMENT OF COMMUNITY WELFARE STUDY AT BUMDES CISANTANA, KUNINGAN REGENCY

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### Abstract.

**Background.** A Village-Owned Enterprise is a company owned by a village, designed to assist the community in meeting its everyday needs, enhancing communal insight, and providing business or employment opportunities. Given the numerous potential of Cisantana Village in Kuningan Regency, it is essential to establish an organization to manage these resources, thereby generating income for the community and enhancing local prosperity.

**Aims.** This study examines the transformation of Village-Owned Enterprises into a legal entity and the implementation of the Cisantana Village-Owned Enterprises program, which aims to improve community welfare.

**Methods.** The employed research approach is normative judicial research, which involves legal inquiry through examining literature and secondary data to establish a foundation for the study by identifying relevant regulations and literature about the issue under investigation.

**Result.** The analysis results indicate that Village-Owned Enterprises are recognized as legal entities under Government Regulation Number 11 of 2021 and the Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 3 of 2021. This legal status signifies that the institution is acknowledged and governed by law to conduct business activities legitimately, necessitating adherence to relevant laws and regulations.

**Conclusion.** Village-owned enterprises are businesses controlled by the village government, designed to manage and enhance the village's economic potential. Establishing a business unit within Cisantana Village-Owned Enterprises can generate employment opportunities, enabling the community to secure sufficient money to fulfill its basic needs, enhance overall community earnings, and stimulate the local economy.

**Implementation.** The author concludes that Cisantana Village-Owned Enterprises, a legally recognized business entity, possesses legal legitimacy and is governed by law, ensuring legal certainty in its operations. This entity contributes significantly to the local economic development of the Cisantana Village community. Furthermore, implementing the Cisantana Village-Owned Enterprise business program aimed at enhancing community welfare can positively influence the standard of living and overall well-being of the village populace

**Keywords:** Village-Owned Enterprises, Legal Entities, Welfare.



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## INTRODUCTION

The Government of Indonesia aims to enhance the execution of national development to ensure equitable regional and local development. Nonetheless, the execution of national development continues to confront significant challenges, notably the disparity between urban and rural development in Indonesia.

Village development plays a vital and strategic role in regional development, encompassing equitable growth distribution and its outcomes. Village development can directly impact the interests of rural residents in an endeavor to enhance communal welfare. Regulations have been established concerning villages within the Unitary State of the Republic of Indonesia. These regulations acknowledge the traditional authority of villages as articulated in Article 18B, paragraph (2) of the 1945 Constitution of the Republic of Indonesia, which asserts that "The State recognizes and respects customary law community units and their traditional rights as long as they are extant and aligned with the development of the community and the principles of the Unitary State of the Republic of Indonesia as stipulated in the law."

The government has implemented a strategy to support Village Fund Allocation (ADD) to enhance the economic autonomy of the village community, thereby fostering independence. The government rules are administered in each village, with oversight also conducted by Village-Owned Enterprises, official entities established by the government. Village-owned enterprises are business entities in which the entirety or the majority of capital is held by the village, either through direct allocation of village resources or through the management of assets, services, and other ventures aimed at enhancing the welfare of the village community. One factor for channeling initiative in village communities is developing village potential, managing and utilizing natural resources, and optimizing human resources, specifically the villagers, in their administration.

Cisantana Village, situated in the Cigugur District of Kuningan Regency, West Java, has established Village-Owned Enterprises. Given the village's numerous potential, it is essential to establish an organization to manage these resources, thereby generating income for the community and enhancing local prosperity. The village administration has established a

Village-Owned Enterprise to improve the income for the residents of Cisantana Village, Cigugur District, via a business unit operated by the Enterprise.

The author highlights that Village-Owned Enterprises, possessing Legal Entity status, have the legitimacy to conduct operations and can actively enhance the village community's welfare, piques the author's interest. The problem statement in this thesis is as follows:

1. What is the process for a Village-Owned Enterprise to attain legal entity status?
2. In what ways does the execution of the Cisantana Village-Owned Enterprises initiative enhance community welfare?

## **LITERATURE REVIEW**

Research on legal concerns is pertinent to examining legal ideas, conceptions, and principles. Legal theory aids in analyzing and elucidating legal and juridical concepts pertinent to problem-solving in legal study.

The legal entity theory examines difficulties related to documentation. "Legal Entity" is frequently utilized and is a defined noun. In Indonesia, a legal entity is a translation of the Dutch legal phrase, namely, a Legal entity. Nevertheless, certain legal circles propose or have employed other terminology to substitute for Legal Entity. In a foreign language, the phrase Legal Entity serves as a translation of both the Dutch term Legal Entity and the Latin term *Persona moralis* and the English term Legal Person. Body Law is a branch of law distinct from private law. A legal entity possesses the capacity to perform legal acts, represented by its management in executing such acts. Legal entities possess assets and engage in legal activities. Legal entities may also be deemed culpable for engaging in illicit activities. Illegal actions perpetrated by legal entities in civil law are the liability of the legal entity, represented by its management in their execution.

Molengraaff asserts that a legal entity fundamentally comprises the rights and obligations of its members. Within it exists an indivisible commonwealth. Each member is both an individual owner of their respective components within a singular, indivisible unit and a collective owner of the entire property, thereby establishing ownership inside a legal body. As per R. Subekti defines a legal entity as a body or association capable of possessing rights, acting in a manner akin to a human being, owning property, and being subject to legal action in a court of law. As per R. Rochmat Soemitro, as a legal entity (*rechtspersoon*), is an organization

capable of possessing property, rights, and obligations akin to an individual. Village-owned firms are entities established by the village government and the community, operated according to the village's requirements and economic conditions. Village-owned firms are established in accordance with relevant laws, rules, and agreements among village communities. The objective of village-owned firms is to enhance and fortify the community economy. The Welfare State is a governmental idea in which the state significantly contributes to safeguarding and advancing its citizens' economic and social welfare. It is founded on the principles of opportunity, equitable wealth distribution, and societal responsibility for individuals unable to access the essential circumstances for a decent living.

## **METHODS**

This study employs a Normative Juridical research method. Soerjono Soekanto defines the Normative Juridical research strategy as a legal research methodology that involves examining literature and secondary data to inform the investigation, focusing on relevant rules and literature pertaining to the issues under study. The normative legal research technique examines law from an internal viewpoint, focusing on legal norms as the subject of study.

## **DISCUSSION**

Village-Owned Enterprises as Juridical Entities Village-owned enterprises (BUMDes) emerged as a novel strategy to enhance the village economy, tailored to the specific needs and capacity of the community. The administration of BUMDes is exclusively conducted by the village community, namely by the village, for the town, and on behalf of the town. BUMDes functions by facilitating the community's economic activity through a professionally managed institution or business organization that remains dependent on the village's resources. This can enhance the productivity and efficacy of individuals' enterprises.

Maryunani defines a village-owned enterprise as a community-managed commercial organization overseen by the village government. It aims to enhance the local economy and foster social cohesion in accordance with the village's needs and capabilities. Law Number 6 of 2014 regarding Villages, namely in Article 87, paragraph (1), stipulates that Villages are permitted to form a business unit, referred to as Village-Owned Business Entities. Village-Owned Enterprises (BUMDes) are administered with camaraderie and collaboration. BUMDes is authorized to operate enterprises in the economic and/or public services sectors in

accordance with legal provisions. Concerning the regulation of Village-Owned Enterprises (BUM Desa) as legal entities, Government Regulation Number 11 of 2021 delineates in Article 1, Paragraph (1) that Village-Owned Enterprises, henceforth referred to as Village BUM, are legal entities established by villages and/or in collaboration with villages to manage businesses, utilize assets, enhance investments and productivity, provide services, and/or offer other types of enterprises aimed at maximizing community welfare.

For an entity to be classified as a legal entity, it must possess assets designated for a specific purpose that are distinct from the personal wealth of its founders or associates, share common interests, and have multiple individuals serving as the agency's administrators. Consequently, it can be inferred that the concept of a village-owned business entity, recognized as a legal entity and legal subject, encompasses the following: a structured grouping of individuals or groups. Village-Owned Enterprises possess a management structure as stated in the Articles of Association and Bylaws. They are governed by pertinent legislation stipulating that Village-Owned Enterprises possess organs, including Advisors, Operational Implementers, and Supervisors. A particular recommendation exists. During the development of Village-Owned Enterprises via Village Deliberations, the objective of creating these enterprises has been clearly defined. Separate their riches from the personal assets of their founders and/or members.

Village-owned enterprises are defined as businesses predominantly or entirely owned by the Village, utilizing funds sourced from its distinct assets. Legal entities are categorized into two types: public and private.

The government creates a public legal body to benefit the public or state interest. These legal entities constitute state bodies and are governed by laws and regulations. A private or civil legal entity denotes a legal organization established for the benefit of individuals. This legal entity is privately owned and created by an individual under current legislation for a specific purpose. A Village-Owned Business is a public legal entity owned and administered by the village government or community organizations. The village government or community organizations administer the enterprise under the village's requirements and capabilities, rather than the interests or demands of individuals. In the town, BUMDes does not serve private interests or requirements; instead, it is owned and controlled by the local government or community organizations.

BUMDes is tasked with serving the public interest and enhancing the welfare of the village community, aiming to deliver good economic, social, and environmental advantages for

the village and its inhabitants. BUMdes possess equivalent legal protections as other public legal bodies, granting the Village BUM rights and legally recognized obligations, including the capacity to enter into contracts, collaborate with third parties, and own assets and ownership. Legal entity status can be acquired as delineated in articles 8 and 9 of the Legal Regulations-Conditions-Types-and-Duties, dated June 29, 2023, at 20:30 WIB. Government Regulation Number 11 of 2021 and Ministerial Regulation Number 3 of 2021 stipulate in Articles 8 to 11 that the Village Government must register the Village BUM with the Minister via the online Village information system, contingent upon specific prerequisites: the Minutes of Deliberation, amendments to Village Regulations, the validity of the Articles of Association and BUMDes Statutes, and the existence of the BUMDes Work Program. Upon fulfillment and completeness of these conditions, the registration results are integrated with the legal entity administration system at the ministry responsible for legal and human rights affairs, serving as the basis for the issuance of a certificate of registration for the Village BUM legal entity. Village-owned enterprises are legal entities created by the Village through deliberations to oversee economic and social activity inside the Village's jurisdiction. This Village-Owned Enterprise, as a legal entity, can be held accountable for its legal conduct and possesses the same rights as other corporate entities. The legal entity approach guarantees that Village-Owned Enterprises function effectively, have legal protection, and deliver equitable and sustainable economic and social advantages to the community.

### **Execution of the Cisantana Village-Owned Enterprises Initiative for the Enhancement of Community Well-Being**

The Cisantana Village-Owned Business Unit program comprises four business units: the tourism unit, the PAMDes unit, the waste management unit, and the internet unit. Each village-owned business entity establishes a business unit according to the village's potential. The many business unit programs of Cisantana Village-Owned Enterprises may enhance the welfare of the Cisantana village populace.

The inaugural business initiative of Cisantana Village-Owned Enterprises is a tourist sector unit. A tourism business unit refers to an entity operating within the tourism sector, encompassing tourism management systems, enterprises, tour packages, digital marketing, tourism promotion, and cooperation with external parties. The Tourism Business Unit of a business entity owned by Cisantana Village commenced operations in 2017, previously managed by the Cisantana Non-Governmental Group in partnership with the Cisantana Village

BUM, aimed at delivering economic and social advantages to the residents of Cisantana Village through job creation and income enhancement.

The second business initiative of Cisantana Village-Owned Enterprises is the PAMDes Business Unit, which focuses on Village Drinking Water Management. The water management business unit, or PAMDes, is a division established by Village-Owned Enterprises that generates added value for BUMDes specifically and for Cisantana village broadly, thereby enhancing the village's original income through the provision of clean water and irrigation for residents' rice fields, ensuring their water requirements are fulfilled. The PAMDes business unit, owned by Cisantana village, is extracting water from the spring at the base of Mount Ciremai. The PAMDes business unit, owned by Cisantana village, significantly benefits the population of the village. This initiative enhances the health welfare of the Cisantana village community by providing access to clean water, whereas previously, residents relied on river water contaminated by livestock waste.

The third initiative of Cisantana Village-Owned Enterprises is a waste management business unit. Waste management business units are enterprises operated by village-owned entities that process both modern and rudimentary waste (organic and inorganic) into beneficial products for the community, such as organic and inorganic fertilizers, thereby enhancing the income of BUMDes and the residents of Cisantana village overall. Cisantana Village-Owned Enterprises is solely responsible for waste management through its garbage processing unit. Implementing this waste management unit requires the village community to collect waste from each household in Cisantana. At the same time, village-owned enterprises also engage with external entities, including restaurants and other tourist attractions in Cisantana Village. The Cisantana village-owned enterprise operates a waste management division and maintains environmental cleanliness by managing garbage. This trash management division enhances revenue via fees, which also engages the residents of Cisantana Village in its execution.

The Internet business unit constitutes the business program of the four enterprises held by Cisantana Village. Internet business units under businesses controlled by Cisantana Village are established in partnership with third parties, driven by the demands and economic prospects of Cisantana Village and surrounding regions. The objective of the Cisantana BUMDes online business unit is to transform Cisantana village into a digital community, with the program designed to enhance residents' welfare through internet technology. This internet business initiative seeks to diminish the digital divide, improve access to information and opportunities,

and promote community engagement in internet technology, to enhance the overall welfare of the residents of Cisantana Village.

In addition to the Cisantana village-owned business unit program, Cisantana village-owned firms also mentor MSME organizations inside the village. To facilitate the MSME business development of Cisantana villagers, a business entity owned by Cisantana village connects one of the e-commerce platforms with the Cisantana Village MSME group by providing coaching, socialization, and training. This initiative, conducted by the village-owned enterprises, aims to expand the market reach of products from the MSMEs of Cisantana village residents.

Establishing a Cisantana Village-Owned Enterprise business unit is a program that can enhance the welfare of the Cisantana village community. Village-owned enterprises are businesses controlled by the village government, designed to manage and improve economic potential at the village level. Establishing BUMDes business units generates employment opportunities, enabling individuals to secure stable income sufficient to fulfill their fundamental needs, enhance community revenue, and stimulate the local economy.

The Cisantana Village-Owned Enterprises program aligns with the values and objectives of the welfare state, which fundamentally aims to guarantee fair and equitable access to essential services and ensure a uniform standard of welfare for all citizens. The program facilitates economic empowerment, mitigates social and economic disparities for the residents of Cisantana village, delivers social and financial services, and engages the community in decision-making processes.

## **CONCLUSION**

Village-Owned Enterprises seeking legal entity status are governed by Government Regulation Number 11 of 2021 and Regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration Number 3 of 2021. The Village Government must register the Village BUM with the Minister via the online Village information system, adhering to specific conditions, which include the submission of minutes from village deliberations, amendments to the Village Regulations, the Articles of Association and Bylaws of the Village-Owned Enterprises, and a clearly defined work program for the Village-Owned Enterprises, provided these requirements are fulfilled. The registration results are fully integrated with the legal entity administration system inside the ministry responsible for government issues related

to law and human rights, serving as the foundation for issuing a certificate of registration for the BUM Village legal entity.

Cisantana Village-Owned Enterprises, as a legal entity, possesses recognized legal status, ensuring regulatory compliance and providing legal certainty in its commercial operations, thereby contributing significantly to the local economic development of Cisantana Village's populace. Cisantana Village-Owned Enterprises, as an established legal entity, can function lawfully and receive legal protection for its business activities. Executing the Cisantana Village-Owned Enterprise business initiative to enhance community welfare can positively influence the standard of life and well-being of the village populace. Cisantana Village-Owned Enterprises, via various business programs, can facilitate access to employment, foster local economic growth, deliver social services, and enhance community empowerment through a cohesive and sustainable strategy.

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