

## Empowerment of Sharia-Based Village Owned Enterprises (BUMDes)

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### ABSTRACT

*Lawela Selatan Village, located in South Buton Regency, is a predominantly Muslim community that also receives government funding. To sustain the village's economy, the establishment of Village Owned Enterprises (BUMDes) has been crucial. Given the growing prominence of Islamic economics in Indonesia's business landscape, it is vital to explore its application within BUMDes. This endeavor aims to equip all participants, especially BUMDes management, with fundamental knowledge and comprehension of Islamic economics. The implementation of charitable activities proceeded smoothly without any notable obstacles. The BUMDes in South Lawela Village, Batauga Subdistrict, South Buton Regency, is known as BUMDes Cahaya Baru and encompasses service-oriented enterprises such as equipment rental, wedding decoration, building materials, trading companies, and the tourism sector. Furthermore, there are untapped regional potentials that present promising development opportunities. Prioritizing the development of local potentials is of utmost importance, particularly in reinforcing BUMDes based on the Sharia system due to the predominantly Muslim population. The objective of the service team is to impart knowledge to BUMDes management, specifically focusing on the advancement of Sharia-based BUMDes.*

**Keywords:** BUMDes; Empowerment; Sharia

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### 1. Introduction

Enhancing national welfare can be accomplished through the pursuit of economic development. Serving as a pivotal instrument of the government in the execution of economic development initiatives, the village assumes a crucial role intrinsically tied to the fabric of society. Bestowed with a mandate by the central government, the village-level administration is empowered to autonomously harness the inherent potential of local resources within its purview. This is facilitated through the establishment of BUMDes, an economic institution operating at the village level. (Lasawali, 2021).

South Lawela Village is a village located in South Buton Regency where the people are Muslim. And is one of the villages that gets village funds from the government. 'Law Number 6' of 2014 concerning Villages and Permendes PDPTT Number 4 of 2015 concerning the Establishment, Administration, Management and Dissolution of Village-Owned Enterprises, encourage villages to manage existing resources in the village, including the economic development of their communities. One way to manage the economy of rural communities is to form village-owned enterprises (BUMDes). South Lawela Village is a village located in South Buton Regency where the people are Muslim. And is one of the villages that gets village

funds from the government. 'Law Number 6' of 2014 concerning Villages and Permendes PDTT Number 4 of 2015 concerning the Establishment, Administration, Management and Dissolution of Village-Owned Enterprises, encourage villages to manage existing resources in the village, including the economic development of their communities. One way to manage the economy of rural communities is to form village-owned enterprises (BUMDes).

With the existence of village funds, the power of the village to implement changes in development maneuvers is very large. If in the past village funds were concentrated on infrastructure, the Government emphasized that this would be possible in early 2020 to be used for economic empowerment, poverty alleviation, personnel development and capacity building of village people. In short, each village has sufficient authority and financial resources to be able to use its potential to improve the economy and welfare of its people. Other things, the village also has the opportunity to advance the community's economy, through training and marketing the results of community creativity, Development and development of livestock and fishery businesses Tourism areas by BUMDes (Sofianto & Risandewi, 2021)

BUMDes is run in the spirit of mutual cooperation and kinship. BUMDes can only be established for villages or general BUMDes within the scope of the village. The results of the business carried out by BUMDes are used to develop businesses, village development, strengthen village communities and share with communities in need through grants, social assistance and revolving funds stipulated in the village income and expenditure budget (Zulaeha, et.al., 2019)

Currently, Islamic economics and finance is developing very rapidly both nationally and globally. Indonesia, as one of the most densely populated countries, is not optimal in meeting the needs of the Islamic economy and finance. In the GIEI (Global Islamic Economic Index) 2018/2019, Indonesia ranks 10th in the world as a producer of halal products. Village As an instrument of government negotiated directly with the community, the village aims to usher in a new era as the center of development in Indonesia. This law empowers villages to take the initiative to manage themselves and control their own energy resources as much as possible for the benefit of their citizens (Alfika et al., 2020).

In practice, many BUMDes are only engaged in financial services, namely interest-based savings and loans, and the real sector (business) in the village has not been optimally managed so that it does not contribute enough to the village's original income. In fact, the purpose of BUMDes is to be able to increase village income by utilizing village potential in the real sector through BUMDes. From the explanation above, it can be concluded that there are several problems, including: 1) The BUMDes management system has low potential due to the village government's lack of knowledge about the applied economic system 2). Institutional economic systems and mechanisms in rural areas do not work effectively and affect dependence on government support, destroy the spirit of independence. 3). The new sharia-based BUMDes potential management system aims to change the community's paradigm to generate PAD in accordance with sharia principles (Adlan, 2023)

The development of the business world in an Islamic economic manner in Indonesia, the study of the application of Islamic economics to Village-Owned

Enterprises (BUMDes) is considered crucial. This is because the majority of Indonesia's population is Muslim, so BUMDes is very relevant according to the Islamic Economic Agreement. Islamic economics itself is developing in Indonesia due to the failure of the capitalist system which has led to increasing economic inequality in society. Business activities with a capitalist system will use all means to achieve maximum results without considering the impact of losses that may arise from the business. Considering the risk of not fulfilling the obligations or rights of one of the parties in the transaction. However, Islamic economics teaches that transactions must comply with the principles of fairness and clarity. Transactional activities in Islamic economics are regulated and directed (Bambang, 2017)

With the existence of Indonesian Islamic financial institutions, there is a very close relationship between the utilization of village potential to strengthen the village economy through the implementation of sharia BUMDes. 'Strengthening the village economy through Sharia BUMDes is believed to be in line with the goals of Islamic economics to achieve *falah* welfare for the community. This is very relevant considering that the leadership of the Sharia BUMDes has proven itself in accordance with the principles of Islamic economics. The application of Islamic economics to the world of business and business is increasingly opening up these opportunities (Wahyuddin., et.al. 2020)

Therefore, it is not impossible or impossible if the institution is BUMDes (Village Owned Enterprise) managed based on Islamic principles. In the 'Law' of Regional Government (UU) No. 23' of '2014, Article 213 (1) states that "Villages can establish BUMDes according to the needs and potential of the Village". This statement implies that the contents of this law emphasize that BUMDes must be local wisdom and there is a principle of recognition to see potential, including the implementation of BUMDes based on Islamic principles. Sharia Village-Owned Enterprises are business entities whose capital is wholly or substantially owned by the village through direct participation from village assets, which are separated to manage assets, services and other businesses, which are organized on a profit-sharing basis. basis (shariah) and the maximum profit for the good of the village community (Ash-Shiddiqy, 2022).

In general, the problems of micro, small and medium enterprises, including BUMDes, are various classic obstacles, such as staffing issues, business administration, formal legality and of course capital. In terms of human resources, the problems faced are the need to improve the quality and competitiveness of the human resource management of the Bumdes business unit compared to other business units, the lack of training support, so that the analysis of business feasibility and business development is still lagging behind and the majority do not think about how to cooperate with unit companies in other BUMDes. Limited types of companies that run BUMDes and limited human resources in BUMDes management and low community involvement due to lack of knowledge causes BUMDes goals to improve the economy not to be optimal (Mardoni., et.al, 2021).

Based on the situation analysis by the community service team at the BUMDes of South Lawela Village, Batauga sub-district, South Buton Regency, the information obtained was that BUMDes in Lawela Selatan village was named BUMDes Cahaya Baru. The types of businesses include Service Businesses, namely Equipment Rental and Wedding Decorations, Building Materials Shop Trading Business, and from the

tourism sector. There are still some regional potentials that have the opportunity to be developed. Developing local potential is important. Even empowering BUMDes based on the sharia system is important considering the population is Muslim. The activity of the service team is aimed at sharing knowledge with the BUMDES Management regarding the development of Sharia-based BUMDes.

## 2. Method

This community service activity uses training and socialization methods. The material explained by the community service team is Conducting training on the meaning of Islamic economics, objectives of Islamic economics, characteristics of Islamic economics, Islamic economic principles and values, as well as examples of Islamic-based transactions such as buying and selling (*murabaha*), profit sharing (*Mudharabah*), cooperation (*Musyarakah*).

## 3. Results and Discussion

This community service activity was carried out on January 7, 2023 which took place in the South Lawela Village Office Hall. The implementation of the activity consists of several stages, including:

- 1) The first stage, situation analysis. At this stage the service team conducted an initial survey to find out the field conditions related to the Cahaya Baru BUMdes in Lawela Selatan Village starting from what types of businesses had been run by the BUMDes and what efforts had been implemented for the development of BUMDes.
- 2) The second stage, namely preparation. At this stage the community service team plans the theme of the activities to start, determines the time for the activities to be carried out, as well as the target participants for the community service activities to be carried out.
- 3) The third stage is the implementation of community service activities. At this stage the team carried out community service activities with the theme "Development of BUMDES Based on Sharia Economy. The number of Participants who participated in the implementation of this activity was 45 people consisting of the Village Head and Village government officials, Bumdes managers, community representatives and students.
- 4) The fourth stage is evaluation. This stage is carried out to determine the participants' understanding of the material that has been presented.

The material presented by the service team consists of the understanding of sharia economics, the objectives of sharia economics, the characteristics of sharia economics, the principles and values of sharia economics, accompanied by examples of businesses run in sharia. This material aims to provide basic information and understanding of Islamic economics to all participants and more specifically BUMDes management.

In the process of implementing this activity, the participants were very enthusiastic and did not experience significant obstacles. The material on Islamic economics presented was acceptable to the participants. However, regarding sharia transactions, they are still experiencing difficulties because in carrying out their

business, the Cahaya Baru BUMDes has not yet implemented sharia-based transactions.



**Figure 1.** Implementation of Community Service Activities

The Sharia Economy-Based Independent Village Development Program is a village development and empowerment program initiated by the Bank Indonesia East Java Representative Office in collaboration with the East Java Association of Islamic Economists (IAEI). At this stage, pillars/indicators for assessing village elections have been formulated as pilot projects. Starting from the sharia-based village development mission which is a form of enthusiasm to ground the Koran in the aspect of muamalah activities based on sharia principles, this economic potential is used as an indicator for subject in carrying out economic activities. Of course, when assessing economic potential, not only worldly questions, but also the values of *Hablum minallah* prevail, which are positively related to *Hablum minannas*. So the measure of the quality and quantity of economic potential is when he is able to reconcile monotheism with his social monotheism, which leads both of them to seek His pleasure (Sya'ban, Huda, & Setiyowati, 2018)

Sharia BUMDes must refer to certain corridors in carrying out their business, including: (1) fairness, which is the same as sharing profits based on actual sales, which is in accordance with contributions and all risks; (2) partnerships such as investors, customers, users of funds and financial institutions themselves are in the same position and are business partners working together to generate profits; (3) transparency, realized by Islamic financial institutions that wish to share financial reports openly and continuously so that investors and customers can control the status of their funds, and (4) general, meaning that there is no discrimination against race, religion and class in society. Islamic principles such as *rahmatan lil alamin* in (Sundari & Syarifuddin, 2022)

The basis of Syari'ah that cannot exist in BUMDes operations is a kind of activity that has MAGHRIBA elements (Fahruddin & Arifianto, 2021) they are :

*Maysir* is very synonymous with gambling where you don't have to work hard to make a profit. In game practice one can benefit from it in the simplest way and they may win or lose, so the risk is big. The practice of Islamic finance is strictly prohibited as Allah said in Q.S. Al Maidah verse 9 which means "O you who believe in *Khamar, maysir*, idols, pulling destiny with arrows, is a heinous act registered as an act of Satan, so stay away from this action so that you will find luck."

*Gharar*, very synonymous with betting, where *gharar* includes darkness, betting or gambling. All shipments that are still unclear or out of control and not within the *gharar* range of buying and selling can be said (Nur, 2015). for example,

buying birds flying in the air or fish that are still in the water with unknown numbers, or buying cows that have not been born from their mother's womb contained in *gharar* practices. *Gharar* is forbidden because it has a negative impact on the life of the practice of making fake profits.

*Haram*, something that is prohibited in Islamic teachings. For Ulama ushul fiqh, there are two definitions of haram, namely in terms of its limits and essence and in terms of its form and nature. Therefore, BUMDes/Sharia LKM Unit operations are not allowed to carry out operational activities that are forbidden in Islam and are not allowed to carry out real sector activities for goods and services that are illegal in nature, such as: trade in pork, dog meat, alcohol, etc., as well as practices save and borrow usury.

*Riba*, increase, excess or growth. Such as moneylenders take over the extraction of additional funds from the share capital. Religious experts agree that moneylenders are illegal. As *lafadz*, in Q.S Ali-Imran verse 130, 'Allah forbids us from eating usury in large quantities. For the compatibility of economic activities with "Islamic teachings, there are differences in the meaning of usury or the composition of usury that must be avoided."

The three main pillars formed during the development of Sharia BUMDes are Aqidah, Sharia and Morality (Fatimah, 2019). Aqidah is one of the elements of Islamic teachings that regulate belief in the existence and power of Allah, so that it is obligatory for a Muslim to have faith when carrying out various activities on this earth to gain the pleasure of Allah as a guide on earth to gain trust from God. Shari'a is a component of Islamic teachings that regulates the life of a Muslim, both in the field of worship and in the field of muamalah as well as the actualization of the creed that becomes his faith. In contrast, *Muamalah* itself covers various areas of life including those related to business, property and trade, which are often referred to as *Muamalah Maliyah*. Morals are the basis of behavior and personality that aim to characterize oneself as a devout Muslim based on the Shari'a and Aqeedah which guide his life so that he is said to have noble character.

Based on the 'Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 4 of 2015 concerning the establishment, management and management, and dissolution of village-owned business entities, bum desa can form business units including:'

- 1) Limited Liability Companies as capital partnerships, formed based on agreements, and conducting business activities with capital mostly owned by BUM Desa, in accordance with laws and regulations concerning Limited Liability Companies; And
- 2) Microfinance institutions with BUM Desa share of 60 (sixty) percent, in accordance with laws and regulations regarding microfinance institutions.

Business Type Classification of BUM Desa 'Article 19 Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 4 of 2015' is

- 1) BUM Desa can run a simple social business that provides public services (serving) to the community by obtaining financial benefits.
- 2) Business units within the BUMDes as referred to in paragraph (1) may utilize local resources and appropriate technology, including:
  - a. Village drinking water;
  - b. Village electricity business;
  - c. food barns; And
  - d. local resources and other appropriate technology.
- 3) Provisions regarding the use of local resources as referred to in paragraph (2) are regulated by Village Regulations and appropriate technology.

The implementation of Sharia BUMDes which is currently booming is also accompanied by efforts to strengthen BUMDes through Job Creation Law No. 11 of 2020. Through the Ciptaker Law, the form of BUMDes which was previously an option has now been changed into a legal entity as stipulated in the provisions of Article 117 of the First Amendment (Article 10) of the Job Creation Law which reads: "Village-Owned Enterprises, hereinafter referred to as BUMDes, are legal entities that established by the village and/or with the village to run a business, seek wealth, develop investment and productivity, provide services and/or other types of business for the greatest prosperity of the village people." Therefore, the existence of BUMDes as a legal entity must be legalized in order to obtain clear legal certainty and to further develop BUMDes for village progress (Nurhayati, et al., 2022).

Based on the Permendes and research conducted by Nurhayati et al. (2022), it appears that there are many types of businesses that can be developed by the Cahaya Baru Village BUMDes in Lawela Selatan Village. It is recommended to involve financial sector business units in implementing BUMDes, especially savings and loan business units. The selection of business entities is recommended as a solution for rural communities to realize their welfare by integrating savings and loan business entities with sharia principles to form Sharia Savings and Loans Cooperatives (KSP) that benefit the community. In the KSP Syariah business unit, all business activities (both savings and loans and investment and financing) are based on the principles of profit sharing and advice. So that business activities are lawful, good and useful (thayib), with the application of a profit-sharing system in business and there is no element of usury in it. The KSP Syariah business area continues to grow and has very promising potential to carry out business activities that bring benefit and do not violate religious law due to the awareness of the Indonesian people, especially Muslims who control the territory of Indonesia. KSP Syariah has also been approved in accordance with the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 35.2/PER/M.KUM/X/2007 concerning Standard Operational Policies for Sharia Financial Management of Service Cooperatives.

#### **4. Conclusion**

The implementation of Community Service Activities proceeded smoothly without encountering any significant obstacles. The BUMDes in South Lawela

Village, Batauga sub-district, South Buton Regency, is named BUMDes Cahaya Baru. The business ventures encompass Service Businesses, specifically Equipment Rental and Wedding Decorations, a Building Materials Shop Trading Business, as well as endeavors in the tourism sector. Numerous regional potentials remain untapped, and it is crucial to explore and develop them. Considering the predominantly Muslim population, empowering BUMDes based on the Sharia system holds great importance. The objective of the service team's activities is to share knowledge with the BUMDes Management on the development of Sharia-based BUMDes. Currently, the managed businesses operate under conventional practices, and the BUMDes management lacks familiarity with Sharia-based business management and development.

## 5. Acknowledgment

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