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Sharia Bumdes: Opportunities, Challenges and Their Role In Village Sharia Economic Development

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ABSTRACT

Sharia Village-Owned Enterprises (BUMDes) have become the subject of significant attention in economic development in Indonesia. With the majority of the rural population being Muslims, Sharia BUMDes offers great potential for developing an economy based on Islamic principles. This research shows the potential of Sharia BUMDes, as well as the opportunities and challenges they face and their role in developing the village Sharia economy. Islamic economic principles such as justice, openness and sustainability are the basis for Sharia BUMDes in advancing the local economy. However, the implementation of this concept is faced with challenges, such as a lack of public understanding of Islamic economics and pressure to manage BUMDes professionally. By building strong partnerships with local economic actors and implementing Sharia economic principles effectively, Sharia BUMDes have great potential to become a driving force for a sustainable and inclusive economy at the village level.

1. Introduction

Villages, as the smallest entity in a country, have a crucial role in building a just economy. Economic development in villages has the main aim of improving local welfare and reducing the economic gap between urban and rural areas (Syaharany & Rahmaini, 2023). In efforts to eradicate poverty, the government focuses on community empowerment, utilizing local/village potential to achieve the desired prosperity (Maryam et al., 2022).

One approach to achieving this goal is through BUMDes as a village-level institution, which functions as a business unit which aims to generate profits for the village and encourage village products to become productive and collective economic activities (Ash-Shiddiqy & Ibrahim, 2022). In this way, BUMDES can become a force for economic

transformation in rural areas to improve the welfare of residents in these village communities (Sastika & Batubara, 2023).

Over time, the management of business entities in Indonesia has expanded, as evidenced by the growth of Sharia-based business entities, which are increasingly in demand by the public. The formation of this business entity is not only in line with religious (Islamic) guidance but also an effort to avoid the consequences of usury in muamalah activities (Nurhayati et al., 2022). The application of Sharia economic principles now involves the smallest element in society, namely the village. This implementation is realized in the formation of Sharia-based Village-Owned Enterprises (BUMDes) in rural areas.

Sharia BUMDes, as business entities managed by village communities with Sharia economic principles, use most of the capital from village assets and manage assets and businesses on a profit-sharing basis for the welfare of the community.

Sharia BUMDes' operational principles include justice, partnership, transparency and universality. On the other hand, Sharia principles that are prohibited in the operations of Sharia BUMDes involve elements of MAGHRIBA, such as Maisir (profit without hard work), Gharar (gambling), Haram (things prohibited in Islam), and Riba (increase, excess) (Syaharany & Rahmaini, 2023).

An economic approach based on Sharia values is considered to have a strategic and important position, especially in Indonesia, where the majority of the population is Muslim (Ibrahim et al., 2022). Strengthening the village economy through Sharia Village-Owned Enterprises (BUMDes Syariah) is believed to be in line with the objectives of Islamic economics to achieve falah prosperity for the community. This research is very relevant considering that BUMDes management using Islamic economic principles is still rarely found. The majority of Indonesian people who are Muslim can make a significant contribution to the development of the Islamic economy through Sharia BUMDes (Furqan & Fahmi, 2018).

By implementing Sharia principles, it is hoped that in the future, we can narrow opportunities and avoid acts of injustice or fraud that often occur in business activities (Nurhayati et al., 2022).

The importance of this research is that researchers are very interested in the theme of Sharia business or businesses managed using Sharia principles. In contrast to conventional BUMDes, which were formed with a focus solely on a business entity, the emphasis is on the goal of generating profits as a source of original village income. On the other hand, Sharia BUMDes is presented as a solution for the village economy with a vision of achieving benefits for village communities based on Islamic values (Wahyudin et al., 2020).

The majority of BUMDes distribute financing in the form of credit conventionally, namely by applying an interest system and rarely using a profit-sharing system. BUMDes managers currently have not implemented a profit-sharing system due to a lack of understanding of financial management mechanisms using profit-sharing or Sharia principles (Sundari & Syarifudin, 2022). The public is also less familiar with the profit-sharing system or Sharia principles in financial management (Sastika & Batubara, 2023).

Knowing the above problems, researchers conducted a study regarding the opportunities, challenges and role of Sharia BUMDes in village Sharia economic development. This research discusses the role of BUMDes, especially Sharia BUMDes, which implement Islamic values. This research has several aims or objectives, namely: 1) identifying the potential and opportunities of Sharia BUMDes in developing the village Sharia economy; 2) describe the challenges of Sharia BUMDes in village Sharia economic development, and 3) analyze the role and impact of Sharia BUMDes in village Sharia economic development.

2. Research Method

a. Types of research

The type of research carried out in this research uses a descriptive qualitative approach. The data collection method is through literature study sourced from relevant books, scientific journals, scientific articles, and the internet.

b. Data source

This research uses two categories of data sources, namely primary sources and secondary sources (Dr Sandu Siyoto, SKM & M. Ali Sodik, 2015). The main sources of research include journals, articles and books that are relevant to analyzing the potential, opportunities, challenges, role and impact of Sharia BUMDes in village Sharia economic development. Meanwhile, secondary sources are used to complement and support primary sources by presenting documentation and news related to research problems.

c. Method of collecting data

This research uses a library research method. In the data collection process, researchers collect, analyze and organize sources of information from articles, books and previous research related to the implementation of strategic management in the field of education. Next, the researcher concludes and presents data regarding management strategies that can improve the quality of education. This method allows researchers to explore a deeper and more comprehensive understanding of the research topic without conducting direct research in the field (Mahanum, 2021).

d. Data analysis technique

The data analysis technique used in this research is content analysis. Content analysis is a research technique for making inferences that can be replicated (imitated) and valid data by paying attention to the context (Krippendorff, 1993). Through content analysis, researchers can extract meaning, patterns and relationships contained in text material, making it possible to gain an in-depth understanding related to the phenomenon being researched. This research is the basis for analysis and comparison to investigate the potential, prospects, role and impact of Sharia BUMDes in village Sharia economic development.

3. Result and Discussion

a. Principles and Main Pillars of Sharia BUMDes

There are six important principles in making BUMDes a driving force for the local economy. First the cooperative principle, where all parties involved must be able to work together for business development. Second is the participatory principle, where all components must provide support and contribute voluntarily. Third is the emancipatory principle, where treatment must be fair regardless of class, ethnicity or religion. Fourth is the principle of transparency, where activities that influence society must be open and easily accessible. Fifth is the principle of accountability, where all business activities must be accounted for technically and administratively. Lastly, the principle of sustainability, where business activities must be able to be developed and maintained by local communities (Setiawati, 2022).

Sharia Economic Principles: BUMDes, based on Sharia economics, must comply with Sharia economic principles, which include justice, openness, balance, sustainability and social responsibility. Empowerment (Sastika & Batubara, 2023).

In efforts to develop Sharia BUMDes, three main pillars form the basis, namely *aqidah*, Sharia, and morals. *Aqidah* is a crucial factor in Islamic teachings which directs an individual's belief in the existence and power of Allah, and important for a Muslim to uphold in his activities in the world in order to gain Allah's approval. Sharia manages the life of a Muslim, both in the aspect of worship and *muamalah*, as a concrete manifestation of the *aqidah* he believes in. Meanwhile, morals, as the basis of individual behaviour and personality, must reflect the character of a Muslim who adheres to Sharia and *aqidah* as a guide to life so that he is known to have good morals (Sastika & Batubara, 2023).

b. Sharia BUMDes Opportunities and Potential

Opportunities for developing Islamic economics through Village-Owned Enterprises (BUMDes) are wide open. First, the majority of rural communities in Indonesia are Muslims, providing a strong foundation for economic development based on Islamic principles. Second, society has increasingly understood the importance of following Islamic teachings in economic life through learning from economic experts and *ulama*, such as the Indonesian Ulema Council and others. This activity will strengthen public awareness to apply Islamic economic principles in their economic activities through BUMDes (Bambang, 2017).

Third, the existence of strong regulations from the government regarding the implementation of the Islamic economic system in financial institutions provides a solid foundation for the growth of the Islamic economy. Guidance on the use of contracts that support Islamic economic growth has also been provided. Fourth, the wider spread of Sharia financial institutions to regional and rural areas in Indonesia makes it easier for people to access and implement transactions and contracts in the Islamic economy. Fifth, with the current struggles in the capitalist and liberal economic world, which are eroding people's wealth and assets, the Islamic economic system offers an alternative that helps improve people's welfare and save them from the trap of capitalism and liberalism (Bambang, 2017).

To carry out the mandate of the Village Law in improving the economy and empowering village communities, a village business entity is needed that regulates and provides access to distribute and manage village products. Apart from that, village potential can also be used as reinforcement in achieving village independence and food self-sufficiency. One way is through economic institutions at the village level known as Village-Owned Enterprises, abbreviated as BUMDes (Ibrahim et al., 2022).

The potential of BUMDes as an economic reservoir capable of driving the national economy from the periphery is very large (Suhirman, 2021). BUMDes is a pillar of economic activity which is also a driving force for activities in the village by combining its functions as a social institution and a commercial institution (Ash-Shiddiqy & Ibrahim, 2022). An economic approach based on divine values (Sharia) is believed to have a very strategic position. It is much needed, especially in Indonesia, where the majority of the population is Muslim and other Muslim countries (Ibrahim et al., 2022).

c. Sharia BUMDes Challenges

Each BUMDes in a village has unique conditions, influenced by various factors such as the history of its establishment and the characteristics of the local community (Kusuma & Purnamasari, 2016). Most business entities in Indonesia tend to use conventional transactions. The Indonesian people only understand conventional types of economic transactions (although most Indonesian people understand other types of economic transactions). Apart from that, education in Indonesia tends to prioritize conventional transactions, and capitalist economic nuances dominate transaction practices. In a capitalist

economy, transactions are based on the assumption that individuals act rationally to achieve maximum profits without considering the impact on other people (Bambang, 2017).

On the one hand, BUMDes is a business entity formed by village communities based on the principles of cooperation and openness. BUMDes are expected to be able to serve the needs of all village communities by providing broad access for participation and supervision. However, there is pressure from the community for BUMDes to be managed professionally to achieve maximum profits and transparent management. The quality of BUMDes services will be greatly influenced by the professionalism of managers, both in terms of knowledge and experience, as well as the ability to manage the organization with high accountability (Kusuma & Purnamasari, 2016).

To ensure the effectiveness and suitability of the application of Islamic economic concepts in BUMDes business, support from various parties is very necessary. Includes increasing education for village officials and the community about the benefits of applying Islamic economic principles in economic activities. This support can take the form of providing resources and training, as well as advocacy to encourage better awareness and understanding of Islamic economic values. Thus, it is hoped that BUMDes can implement Islamic economic principles effectively, which in turn will have a positive impact on the economic empowerment of village communities (Bambang, 2017).

d. The Role and Impact of Sharia BUMDes

BUMDes is a village economic institution that aims to improve public services and optimize village assets. BUMDes also has a role as a supporter of business and economic activities in village communities by coordinating the productive economic activities of village communities (Bambang, 2017). This role as an economic driver can be maximized with Sharia-based management patterns. Sharia-based management prioritizes mutual benefit through partnerships with business actors consisting of communities around the village. Establishing partnerships with business actors, both in terms of financing and other services, BUMDes implements agreements based on cooperation. Contracts based on cooperation can encourage the creation of business networks between BUMDes and business actors that provide proportional benefits for both. Management (Suhirman, 2021).

In the context of village development, developing BUMDes based on Sharia economics has several advantages. First, the application of Sharia economic principles can improve the welfare of village communities by avoiding the practice of usury and promoting social justice in the distribution of profits. This research has a positive impact on the quality of life of village residents (Sastika & Batubara, 2023).

The impact of BUMDes is very supportive of the economy and daily living costs of village communities (Amri, 2015). Financial management that follows Sharia economic principles, such as zakat, infaq, alms and waqf, can improve the economic development of village communities and provide blessings in the businesses undertaken (Sastika & Batubara, 2023).

Through the existence of BUMDes, village communities can achieve better prosperity, fulfil basic needs independently, and overcome economic challenges. BUMDes also provides solutions for poor households in villages, as well as opening up new employment opportunities for village residents, which in turn improves overall welfare (Dewi & Irama, 2020). BUMDes, based on Sharia economics, can be a source of economic empowerment for village communities. By establishing partnerships with local economic actors, increasing human resource capacity, and developing innovative products and services, BUMDes can create added value for village communities and help reduce dependence on state assistance (Sastika & Batubara, 2023).

4. Conclusion

The main conclusion from the results of research and analysis regarding Sharia BUMDes is that there is great potential for the development of the Islamic economy through this institution in Indonesia. The majority of the rural population is Muslim, and awareness of the importance of implementing Islamic economic principles is increasing. The existence of regulatory support and the spread of Sharia-based financial institutions also facilitate access and implementation of Islamic economics in rural areas. Islamic economics offers a more pro-society alternative, distancing them from the negative impacts of capitalism and liberalism.

The role of BUMDes in village economic development is very significant because this institution manages village assets, improves public services, and coordinates community economic activities. By implementing Sharia economic principles, BUMDes can improve the welfare of village communities by avoiding usury practices and promoting social justice.

However, there are challenges in implementing the Sharia BUMDes concept, such as the public's lack of understanding of Islamic economics and the urge to manage BUMDes professionally, even though the main principles of BUMDes are cooperation and openness. Therefore, strong support from various parties, especially in the form of education and advocacy, is very necessary to ensure the effective implementation of Islamic economic principles.

By building partnerships with local economic actors, increasing human resource capacity, and developing innovative products and services, Sharia-based BUMDes can provide more benefits for village communities and help reduce dependence on government assistance.

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