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TRANSFORMATION OF VILLAGE CREDIT AGENCY INTO A VILLAGE-OWNED ENTERPRISE (BUMDESA) WITH LEGAL CERTAINTY

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ABSTRACT

BKD has long been operating in rural areas, especially in Java and Madura, BKD itself has a limited operational area in the location of the village where BKD is located, there are no clear shareholders / owners of BKD, and service time is not open every day like BPR. Service days are adjusted to market days/some days in 1 week. The administration system is still done manually. The competence of the board and management is very limited. BKD operations are chaired by the Village Head (Commission 1) and appointed villagers (Commissions 2-3), The supervision of the BKD itself is overseen by the OJK which is delegated to BRI, in the implementation of this function is assisted by Mantri who conduct direct supervision. This institution uses the provisions issued by the Dutch government in the form of Staatsblad 1929 Number 357, Rijksblad 1938 Number 3/H, containing the granting of authority, duties and responsibilities for guidance and supervision to Alge meene Volkscrediet Bank (AVB) which was later renamed PT Bank Rakyat Indonesia (Persero), and after Law No. 7 of 1992 concerning Banking, Staatsblad 1929 Number 357 was revoked, so that guidance and supervision became the authority of BI which after that delegated supervision from BI. The authority of direct supervision by Bank Indonesia (BI) on behalf of the monetary board as stipulated in Law No. 11 of 1953, but since 2011 the implementation of an integrated system of regulation and supervision of all activities in the financial services sector has been transferred to the Financial Services Authority, so that in the implementation of BKD, in addition to the Financial Services Authority, it is also supervised by the Village government, However, after the system changes and there is no certainty of legal status, the problems that will arise are the leading sector in the supervision of BKD and subject to supervision which must be obeyed. BKD problems that occur are the unclear status of BKD and do not have the form of legal entity, Law No. 7 of 1992 on Banking as amended by Law No. 10 of 1998 on Banking and Government Regulation No. 71 of 1992 on BPR which mandates that BKD has been given the status of BPR, so that BKD must be subject to the provisions of BPR (transformation into BPR), Economic potential means the financial and economic benefits that can be obtained in the future, which can support the role and function of BKD as a provider of public services to the community, especially for rural communities.

KEY WORDS

Transformation, nature of village credit agency, village credit agency management.

In the Kamus besar bahasa Indonesia hakikat itself has the meaning of essence or basis, so the essence of BKD is a microfinance institution that operates at the village or rural level in Indonesia. BKD is a village-owned company operating in the village area that is managed as a separate company and separate from other assets owned by the village concerned. BKD aims to provide access to finance to people in rural areas that are hard to reach by formal financial institutions such as banks. It typically provides small loans to farmers, livestock breeders, artisans, and other micro-entrepreneurs to help improve their businesses. BKD was established with the aim to promote financial inclusion at the rural level, help drive the local economy, and reduce the economic gap between urban and rural areas. However, BKD is also faced with challenges such as the lack of financial infrastructure in rural areas, credit risk, and lack of financial literacy among rural communities. In Indonesia, BKD is regulated by the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration. The role of BKD is crucial in supporting economic



development in rural areas and helping to reduce poverty. BKD is a non-bank financial institution operating in the village area that is managed as a separate company and separate from other assets owned by the village. BKD is known to serve micro, small and medium entrepreneurs with a location that is generally close to the place of the community in need, for example farmers, breeders, fishermen, MSME entrepreneurs, employees, and pensioners. BKD acts as a savings service provider and credit provider, especially for business capital. For the sake of the smooth process of providing this credit, a clear and structured system is needed so that it can run effectively and efficiently. The task of the Village Credit Agency is to help the community grow the village economy in the form of small business activities. One of the tasks of the BKD is to provide loans to village communities that are not contrary to the norms of decency or public order and for consumptive purposes for fixed income groups. Village Credit Agency loans are provided in the form of: weekly loans with a maximum term of 10-12 weeks; monthly loans with a maximum term of 7-12 months; and seasonal or farmer loans with a maximum term of 6 months. In addition to loans, the Village Credit Board has the task of collecting funds from the community in the form of mandatory savings.

Functions and objectives of the Village Credit Agency (BKD) Fulfillment of working capital for small businesses. Increase income or standard of living. Encouraging village economic development and poverty alleviation efforts, limiting the space for moneylenders or bonded labor. The objectives are: facilitate access to capital, educate the community to be fond of saving, eradicate the ijon system and the movement of loan sharks.

BKD's operational activities are to understand and provide the best service to its customers or consumers. The advantages of BKD are the simplicity of procedures, speed of service and loans provided without the use of collateral. BKD was transformed into a village-owned enterprise to improve the economic empowerment of rural communities. This change involved restructuring to support local business development and community participation. BKD is a village-owned company operating in the village area that is managed as a separate company and separate from other assets owned by the village.

BKD's operational activities are to understand and provide the best service to its customers or consumers. The advantages of BKD are simplicity of procedures, speed of service and loans provided without the use of collateral. BKD generally runs its business in rural areas by providing credit to rural communities that need funds to run their businesses. The provision of credit to rural communities is expected to improve the welfare of the community and create new jobs, so that the unemployment rate in Indonesia will be reduced. Providing credit to rural communities is not given for free and without significant influence on the village community, but the provision of credit must have an influence on the village economy. This research uses simple linear regression analysis that determines the effect of one variable on another. This regression method is used to look at events that affect each other. These events can be expressed as changes in the value of the variables. The outline of the framework can be seen below:

- Financial Channeling Institution: BKD functions as an intermediary between formal financial institutions (banks, cooperatives) and village communities. They help channel financial funds to villagers in need;
- Beneficiary Criteria: BKD usually sets certain criteria for loan recipients, such as existing business, repayment potential, and ability to manage finances;
- Loan Granting: Loans are usually concessional, with low interest rates and flexible repayment terms. This aims to make it easier for the community to repay the loan;
- Training and Mentoring: Apart from providing loans, BKD also often provides training and mentoring to borrowers. This helps them to better manage their businesses and finances;
- Sustainability and Independence: With better access to finance, it is expected that small businesses in the village can grow and thrive, which in turn will improve the local economy and community self-reliance;



- Community Participation: BKD often involves the community in the management of the institution, so that they have a sense of ownership and responsibility for the success of BKD.

The existence of BKD in rural areas is increasingly important, in line with the increasing customer needs for financial institution services for rural communities. BPR status has only been granted to BKD since the issuance of Law No. 7 of 1992, the process of granting BKD status to BPR is obtained through the following stages:

- BKD is the forerunner of the formation of BPR, the legal basis governing BKD Staatsblad No. 357 of 1929 which contains BKD separate company and should not be used to meet the needs of the village, loans only to villagers in need, interest should not be more than necessary to cover operational costs, which form the capital and reserves, once in three years the remaining money outside the needs must be deposited into the village treasury, cash that is not used in operations should be stored in the central cash, and to cover the costs of joint needs of several BKD formed a business fund from the annual dues BKD;
- Law No. 14 of 1967 Article 41 paragraph 1 which reads that village banks, village barns, market banks, employee banks, and other banks that can be equated with them which at the time of the entry into force of this Law already exist, continue to carry out their duties in the banking system based on this Law;
- Presidential Decree No. 38 of 1988 article 1 which reads that village banks, village barns, market banks, employee banks, and other banks that can be equated with them based on Law No. 14 of 1967 are people's credit banks;
- Decree of the Minister of Finance Number 1064/KMK.00/1988 concerning the establishment and business of BPR;
- Law No. 7 of 1992 article 58 which reads that village banks, village barns, market banks, employee banks, lumbung pitih nagari (LPN), village credit institutions (LPD), village credit agencies (BKD), sub-district credit agencies (BKK), small people's business credit (KURK), sub-district credit agencies (LPK), and village production work agencies (BKPD) that have obtained a business license from the minister of finance are given the status of BPR in accordance with the procedures regulated in government regulations;
- Government Regulation No. 71/1992 article 19 paragraph 1 which reads that village banks, village barns, market banks, employee banks, LPN, LPD, BKD, BKK, KURK, LPK, BKPD which have obtained a business license from the minister of finance are given the status of BPR.

BKD is one of the strategic steps taken by the Indonesian government to improve the rural economy by providing easy and cheap access to credit for village communities. Although there are many other institutions that offer similar services, such as cooperatives or microfinance institutions, BKD remains an important part of the government's efforts to improve the welfare of rural communities. With the advent of financial technology, lending in villages is now easier and more efficient.

Transformation generally means a change or shift in the form, structure, or state of something into something different or better. The term is often used to describe a significant and profound process of change, whether in the context of an individual, organization, or society. Transformation usually involves adaptation or development towards conditions that are more advanced, efficient, or relevant to the needs of the times. Specifically, the meaning of BKD transformation itself is not explained in the regulations related to BKD transformation, especially in POJK 10/POJK.03/2016, and other rules related to BKD, so the author provides an interpretation of the meaning of transformation itself through several large Indonesian dictionaries and related literacy. Some contexts of the use of "transformation" are in the business world, transformation refers to a major change in the way a company operates, often involving technological innovation, changes in business models, or improvements in management to increase efficiency and competitiveness. In a social context, transformation refers to structural changes in a society or community that can include economic, cultural,



political, or even social behavioral aspects. For example, changes in the education system or social policies aimed at improving people's welfare. The process of adopting and applying digital technologies in various sectors of life, such as business, education, or government, to improve ways of working, efficiency, and services. Refers to a significant change in a person's life or character, such as a change in ways of thinking, habits, or life patterns that lead to self-development or improvements in quality of life.

In the context of BKD to BUMDesa, this transformation means a change from an institution that previously only focused on providing credit to village communities to a larger business entity with a broader scope of activities, including the management of productive businesses that have the potential to improve the village economy. Overall, transformation leads to better and sustainable changes, both on a small scale (such as individuals) and large (such as organizations or communities). Specifically, the meaning of the transformation of BKD into BUMDesa itself, because the meaning of the transformation is not found in the relevant laws and regulations.

Measuring the successful implementation of this transformation policy is based on the compliance of all parties to follow the guidelines, namely POJK No. 10/2016, which explains that BKD must make an action plan if it cannot meet the requirements to become a BPR. The choice of BKD was made through a consultative forum of village heads of BKD owners, where the position of the village head is as commission 1 in the BKD structure. During the meeting, there was chaos and misunderstanding about the form of the institution, namely between choosing BUMDesa that is managed by the village itself or joining fellow BKDs without knowing the institutional form that oversees it. The transformation of Badan Kredit Desa (BKD) generally refers to the change and development of the management, operational and service systems of a microfinance institution that focuses on providing credit to rural communities. The objective is to increase financial accessibility, improve economic welfare, and supporting village community empowerment. Management Concept of the Village Credit Agency (BKD)

The management concept of BKD is an institution that is operationally included in the scope of microfinance institutions that run their business in the village. This village-level financial institution has a long history. From, by and for the village, this is the background to the operation of BKD, which provides financing facilities for village communities in need. As a financial institution, BKD's operations are also regulated by the state. This is important to ensure that the community as users/customers are guaranteed their rights to the money managed by financial institutions. The history of BKD regulation includes Staatblad 357 of 1929, Rijksblad No. 9 of 1938, Law No. 7 of 1992 on Banking revised into Law No. 10 of 1998 and POJK 10/POJK.03/2016, to make BKD management better. the government overhauled the regulation of BKD policy. BKDs that cannot fulfill being BPRs are given the option to transform into BUMDesa or MFIs, which are expected to help overcome grievances, especially village communities. BKD administrators carry out their duties in accordance with what they are, but the actual phenomenon in the field shows that the level of concern of BKD administrators to complete and improve administrative completeness is still modest so that administrative matters become less orderly and the management structure is not clearly applied in the BKD office room.

In BKD, there is an operation in which there is a JTU and then commissions. Commission 1 is automatically the village head, commissions 2-3 are village officials, if not community leaders. Commission 2 is the cashier, commission 3 is the collector.

The organizational structure of the BKD-BKD in the villages is operational in the villages, in the village office or the village head if they have their own assets build their own building. For the structure, this is the old structure, first there is the BRI branch leader (BKD Supervisor) under whom there is a BKD coordinator, then there is the BKD Mantri who supervises the BKD in its operational activities. Under the BKD mantri is the BKD JTU (Juru Tata Usaha) BKD, which is located in the villages to administer the loan, then there are 3 BKD commissions, depending on the need, there are also 4. Commission 1 is the loan terminator, which ex officio can be the village head or kelurahan head. Commission 2 is the cashier who collects the money Commission 3 collectors. For the structure in the past, the



highest seat was entrusted to the BRI Branch Manager who served as the supervisor of BKD. Under the BRI Branch Manager was the BKD Coordinator who was in charge of coordinating BKD throughout the district. And the BKD Mantri as the operational supervisor of BKD management. In addition, there is a JTU in charge of administration and Commission 1, namely the village head as the loan terminator, Commission 2 as the cashier and Commission 3 as the biller. Thus, for BKD administrators, the apparent administration is sometimes no more important than the subdivision of tasks. They can work without having to be written down in a mere organizational structure plan. Another simplicity can be seen in the credit products that are managed. BKD produces three credit products in its management. As in BKD, there are three kinds of credit: weekly credit, monthly credit, and seasonal credit.

On the surface, there is a significant difference in the duration of the BKD credit program. Weekly credit with payments every week, precisely every Thursday. Monthly credit with payments every month according to a predetermined date. Seasonal Credit with payments every harvest season, which in reality is intended for farmers when experiencing a lean season or lack of capital.

BKD credit application requirements for administration: photocopies of KTP, KK, and letters from the village, to apply for credit there are several stages that must be passed by the community. If the requirements are sufficient, then ask for a loan certificate from the RT or village head, KTP and KK, and at the Village Hall there is already a formula, then the credit is immediately disbursed, and without a survey.

The village head is an ex officio credit decision maker in the BKD organizational structure. Structurally, the village head has a very important role in deciding BKD loans. Indeed, the village head should play an active role in the management of BKD. When there is bad credit, the village head can help with the procedure of the community applying for credit to the village head, and the village head decides how much credit should be given, and if there is bad credit, a letter will be given to help collect when the customer takes care of the paperwork at the village hall.

The village head is the main key in managing BKD. The role of the village head as a credit decision-maker is expected to overcome bad debts, which are the cornerstone of BKD's problems. The village head will be responsible for the credit termination process, the amount of credit and bad debts that have occurred. Given that BKD customers are people who appoint the village head as a leader, so at least understand the characters of their people. BKD administration is carried out by the JTU (Juru Tata Usaha) who has been appointed by the Coordinator and Mantri. The JTU has the task of writing every incoming cash flow, where from the concept of BKD management can run well and be bridged by providing legal certainty with the transformation process.

The nature of this research is an analytical perspective because it produces prescriptions as recommendations, it is hoped that this type of normative legal research can answer any related problems.

The research approach used in this dissertation – philosophical approach, through reflection on the legal rules to be analyzed and reflection on the basis of reality as the function of legal philosophy, which is to study and study law properly and correctly in three domains: ontology, epistemology and axiology. Johnny Ibrahim said, as the nature of philosophy is comprehensive, fundamental and speculative, this approach explores and examines fundamentally. The ontological realm is about nature, axiology about value, and epistemology about knowledge, and adds one realm that is theological, the teaching about purpose. Thus, it explores radically, deeply, and to the extent possible by the achievement of human knowledge, the statute approach.

This approach is carried out by examining the laws and regulations that are related to the problems (legal issues) being faced. This statutory approach is for example carried out by studying the consistency / compatibility between the Basic Law and the Law, or between one Law and another Law. This statutory approach is carried out to identify norms. to understand norms must begin with understanding other concepts known as the conceptual approach. The statutory approach carried out in order to identify norms, places legal products as objects for identification and verification which in turn give birth to classifications



to draw basic principles about the substance of legal issues in this case an understanding of the form of legal certainty of BKD which transforms into BUMDes. Analytical Approach, the analytical approach to the text has its own relevance to give birth to a dynamic legal dictum, because the text was born not in an empty space, but in line with the changing social context, so it is important to analyze its meaning and legal content in the context of the welfare and benefit of mankind.

Legal definitions have an important position in law, both symbolized and arranged in a rule. A word or definition is very likely to have unclear meaning, or is inadequate along with the times or to meet the interests of the all-inclusive nature of the system so that it requires new meaning for legal certainty. In this research, the analysis will be carried out on various laws and regulations related to the form of legal certainty of BKD that transforms into BUMDesa, where it is necessary to form a model of the BUMDesa business entity form that leads to BUMN and BUMD.

CONCLUSION

In the Kamus besar bahasa Indonesia hakikat itself has the meaning of the essence or the basis of actual or real reality. The essence of the BKD is a non-bank financial institution that operates at the village or rural level in Indonesia. BKD is a non-bank financial institution operating in the village area which is managed as a separate company and separate from other assets owned by the village concerned. BKD is known to serve micro, small and medium entrepreneurs with a location that is generally close to the place of the community in need, for example farmers, breeders, fishermen, MSME entrepreneurs, employees, and retirees. BKD acts as a savings service provider and credit provider, especially for business capital. For the sake of the smooth process of providing this credit, a clear and structured system is needed so that it can run effectively and efficiently. The task of the Village Credit Agency is to help the community grow the village economy in the form of small business activities. One of the tasks of the BKD is to provide loans to village communities that are not contrary to the norms of decency or public order and for consumptive purposes for fixed income groups.

According to the Big Indonesian Dictionary (KBBI), transformation means a change in form, shape, nature, function, and so on. The word transformation comes from the English transformation, which means comprehensive change. The transformation of BKD into BUMDesa is a strategic step to improve village economic empowerment. Previously, BKD focused more on providing credit or loans to villagers to support micro and small businesses. Meanwhile, BUMDesa has a broader scope in managing the economic potential of the village in general, including the management of natural resources, businesses, and services that can support the welfare of rural communities in a sustainable manner, so in this case there are novelty findings in the form of BKD management concepts. The concept of BKD management itself cannot be equated with other commercial financial institutions, because basically the concept of BKD management itself has traditional characteristics and uncomplicated procedures, which according to research conducted by the author, are partial. Traditionally characterized BKD management is generally characterized by the following characteristics: Simple Organizational Structure, Local Community Involvement, Manual Recording System, Focus on Local Needs, Social Security and Trust, Simple Services, Conservative Financing Patterns, Lack of Professional Oversight, Despite its weaknesses such as corruption prone and lack of efficiency, BKD with these traditional features remains relevant in many remote areas as it is able to meet the needs of local communities that are not reached by formal financial institutions.

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