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Establishment of Village-Owned Enterprises Legality Process in North Sumatera

*Establecimiento del proceso de legalidad de las empresas de propiedad
de la aldea en el norte de Sumatera*

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ABSTRACT

This paper aims to find out the number of village-owned enterprises that have problems with legality and knowing how the position of the village owned enterprise established without using village regulation. The research method is normative legal using the principles of the right approach. This study sampled thirty village-owned enterprises. Data collection in this study is through interviews, observation, and documentation techniques. It can be concluded that the establishment of 27.6% of the village-owned enterprises do not have legal basis or do not meet the legal aspects. From these findings, practical strategic steps are essential to avoid continuing mistakes.

Keywords: Village-owned enterprises, business legality, small and medium-sized enterprises, north Sumatera.

RESUMEN

El objetivo del estudio es averiguar el número de empresas pertenecientes a la aldea que tienen problemas con la legalidad y saber cómo se estableció su posición. El método de investigación es normativo legal utilizando los principios del enfoque correcto. Este estudio tomó una muestra de treinta empresas pertenecientes a la aldea. La recopilación de datos consiste en entrevistas, observación y documentación. Se puede concluir que el establecimiento del 27,6% de las empresas comunitarias no tiene una base legal o no cumple con los aspectos legales y los pasos estratégicos prácticos son esenciales para evitar errores continuos.

Palabras clave: Empresas pertenecientes a la aldea, legalidad comercial, pequeñas y medianas empresas, Sumatera norte.

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INTRODUCTION

Villages have a significant role in the development of the regional and national levels. One proof of the importance of the Village's role is agricultural products, which are vital in meeting the community's basic needs. Moreover, now the ever-increasing population growth makes food needs also to be increasing. For this reason, village development is critical. The development of village infrastructure, such as the creation of access roads, will help improve the economy of rural communities. The development in technology, such as internet network expansion to the villagers, is also significant for village development. That is because the existence of technology has now proved to help the development of villages to increase rural economy, moreover, technology or innovation in terms of innovative methods and techniques that can increase food production (Kapur: 2019, pp. 298-30). If the economic growth in all villages increases, this will automatically improve the regional and national economy and vice versa. In other words, the economic growth of rural communities will affect regional and national economic growth.

If seen from the conditions in Indonesia, developing Indonesia from villages is one of the central government programs. The program to develop Indonesia from the periphery aims to strengthen the Regions and Villages within the framework of the unitary state of the Republic of Indonesia, which is an ambition" (nine agenda) of the current central Government. Building from the periphery aims to create village independence reflected by all types of professions, such as; carpenters, iron panders, sculptors, mechanics, farmers, fishers, cake makers, weavers, and teachers' bankers, traders, musicians, artists, and scholars. Development priorities in the Village under the mandate of Article 78 paragraph (1) of Law Number 6 of 2014 concerning Villages (Village Law), aims to improve the welfare of the Village community and the quality of human life and poverty reduction through meeting basic needs, construction of facilities and infrastructure Village, development of local economic potential, and sustainable use of natural resources and the environment.

Solekhan (Solekhan: 2014) said that as an element of the Village Government's organizer, the Village Government has a function, one of which is carrying out development and community development, and carrying out village economic development. To that end, the Government adopted a new approach to moving the wheels of the economy in the countryside. Through the Establishment of economic institutions that are fully managed by the village community, the Village-Owned Enterprises increased the independence of the village economy.

Center of Development System Dynamics Study states Village-Owned Enterprises are Village business institutions managed by the community and the Village Government to strengthen the Village economy and are formed based on the needs and potential of the Village. Village-Owned Enterprises are pillars of economic activity in the Village that function as social institutions and commercial institutions.

Agunggunanto, Arianti, Kushartono, and Darwanto (Agunggunanto et al.: 2016, pp. 67-81) said the purpose of establishing a Village Owned Enterprise is to provide distribution services managed by the community and the Village Government so that the needs of the Village (productive and consumptive) can achieve. Based on Article 3 of the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 4 of 2015 concerning Establishment, Management and Management, and Dissolution of Village-Owned Enterprises (Village Minister Regulation No. 4/2015), that the purpose of establishing Village-Owned Enterprises is: (a) improve the village economy; (b) optimizing village assets to be useful for village welfare; (c) increasing community efforts in managing the economic potential of the Village; (d) developing inter-village business cooperation plans and with third parties; (e) create market opportunities and networks that support citizens' general service needs; (f) open employment; (g) improving the welfare of the community through improving public services, growth and equitable distribution of the village economy; and (h) increase the income of the village community and the original income of the Village.

Empirically, the existence of Village-Owned Enterprises is proved to have a positive impact on the village economy. With the availability of Village-Owned Enterprises, it is easier for villagers to obtain financial assistance and market agricultural products so that they can increase the productivity and income of rural communities (Larasdiptura et al.: 2019, pp. 60-66). However, to ensure that Village-Owned Enterprises can provide optimal results, support from the village community is something absolute.

Mandatory requirements to establish a Village-Owned Enterprise based on Article 88 paragraph (2) of the Village Law and Article 4 paragraph (1) of the Minister of Village Regulation No. 4/2015 explicitly determine

that; "The Establishment of a Village-Owned Enterprise stipulation by a Village Regulation." The Village Regulation referred to, based on Article 4 paragraph (1) of the Minister of Domestic Affairs Regulation No. 111 of 2014 concerning the Technical Guidelines for Regulations in the Village (Minister of Domestic Affairs Regulation No. 111/2014), "... contains material for implementing the authority of the Village and further elaboration from higher laws and regulations ". Understanding the article, it is clear that the Village Government has absolute authority and obligation that in the Establishment of a Village-Owned Enterprise must be with a Village Regulation. The form and legality of a company are significant for the business because it will determine the business' rights and obligations, which means it will affect the business's future (Abuselidze & Katamadze: 2018, pp. 83-88). However, in reality, there are still Village-Owned Enterprises that establishing not based on Village regulation. Because of the importance of village development, the role of Village-Owned Enterprises, and the importance of business legality, this study aimed to find the number of Village-Owned Enterprises that were made without a Village Regulation and what actions should be taken to make the business a legal business.

METHODOLOGY

This paper's research method is a normative legal research method with an approach to the principles of law and a legislative approach. According to Marzuki (Marzuki: 2005), Legal research is a process to find the rule of law, legal principles, and legal doctrines to address the legal issues at hand. It explains that normative legal research method definition as a research method for the laws and regulations both in terms of the level of the legal hierarchy (vertical), as well as the harmonious relationship of the legislation (horizontal).

Approach to The Principles of Law

The research approach used is the legal principles approach and a statutory approach. Rahardjo (Rahardjo: 2010) said the principle of law is the "heart" of the rule of law because it is the broadest foundation for the law's birth. The legal regulations can eventually be back to the principles. This legal principle deserves to be called the reason for the birth of the rule of law or is a legal ratio of the rule of law. The principle of law is not the rule of law, but no law can explain without knowing the legal principles contained therein. Thus, the principle of law is a principle that is considered necessary or fundamental law. The principle of law is the broadest foundation for the birth of the rule of law.

A Legislative Approach

The statutory approach is a study of various legal rules. Soekanto & Mamudji (Soekanto & Mamudji: 2015) confirms that the statute approach is carrying out by examining all laws and regulations relating to the discussion of the legal issues. While Marzuki (Marzuki: 2005) outlining that a statutory approach is an approach using legislation and regulation.

The nature of the research used in this paper is prescriptive, adhering to the characteristics of law as Marzuki's applied science said the prescriptive given in legal research activities must be able and possible to apply. Therefore, what is produced by legal research, even if it is not a new legal principle or a new theory, is at least a new argument.

The population and sample from this study, Village-Owned Enterprises in North Sumatra Province, have only been established in 16 Regencies, totaling 936 Village-Owned Enterprises, which shows in **¡Error! No se encuentra el origen de la referencia..** From this data, 30 Village-Owned Enterprises in 8 Regencies use as samples in this study—data in this study collecting through observation and documentation. Researchers collected data by visiting the Office of Village-Owned Enterprises in North Sumatra on the actual condition of the study site. After the data is collected, the data is analyzed quantitatively to determine the percentage of Village-Owned Enterprises with a legality problem. Meanwhile, qualitative analysis to find the reasons the Village-Owned Enterprises establishment is according to the applicable laws and regulations and how the position of the Village Owned Enterprises was under the applicable laws and regulations in Indonesia.

Qualitative analysis is using an interactive method, which consists of three stages of data reduction, data display, and concluding/verification (Miles et al.: 2014).

Table 1. Number of Village-Owned Enterprises in North Sumatra

NO	REGENCY	TOTAL VILLAGE-OWNED ENTERPRISES
1	South Labuhan Batu	7
2	North Padang Lawas	31
3	Padang Lawas	94
4	Mandailing Natal	128
5	Dairi	11
6	Karo	107
7	Langkat	240
8	Asahan	178
9	Toba Samosir	31
10	Deli Serdang	40
11	Nias	3
12	Nias Selatan	1
13	Kota Gunung Sitoli	2
14	Serdang Bedagai	56
15	Simalungun	4
16	Central Tapanuli	3
TOTAL		936

Source: District Community and Village Empowerment Agency in North Sumatra

RESULTS

Number of Village-Owned Enterprises that Have Problems in Legality

Of the 16 regencies/cities that have established village-owned enterprises, 8 (eight) regencies have determination as research locations, those are Mandailing Natal, Central Tapanuli, Labuhan Batu Selatan, Asahan, Langkat, Toba Samosir, Dairi, and Padang Lawas Utara, and located in 27 (twenty-seven) Districts, and located in 30 (thirty) Villages, which shows on **Error! No se encuentra el origen de la referencia.** as follows.

Table 2. Number of Village-Owned Enterprises as Research Locations

No	Village	Name of Village-Owned Enterprise	District	Regency
1	Mondan	Harapan Kita	Hutabargot	Mandailing Natal
2	Hutanaingkan	Sumber Rezeki		
3	Maga Lombang	Mitra Warga	Lembah Sorik Merapi	
4	Aek Banir	Serba Indah	Penyabungan	
5	Sibintang	Bintang Mandiri	Sosor Gadong	Central Tapanuli
6	Kebun Pisang	Maju Bersama	Badiri	
7	Aek Dakka	Mahligai	Barus	
8	Sosopan	Maju Bersama	Kota Pinang	South Labuhan Batu
9	Bangai	Bangai Jaya	Torgamba	
10	Ujung Gading	Mekar Sari Jaya	Sungai Kanan	
11	Hajoran	Serumpun Jaya		
12	Sei Dadap III/IV	Sinar Harapan	Sei Dadap	Asahan

13	Pulo Bandring	Mandiri	Pulo Bandring	
14	Serdang	Serdang Jaya	Meranti	
15	Sei Limbat	Warohmah	Selesai	Langkat
16	Padang Cermin	Pelanggi		
17	Suka Damai	Suka Damai Makmur	Hinai	
18	Tamaran	Jaya Mandiri		
19	Teluk Meku	Teluk Jaya	Babalon	
20	South Pelawi	South Pelawi Permai		
21	Parporean I	Bersama Areal	Porsea	Toba Samosir
22	Parsaoran Sibisa	Bersama Partopi Tao	Ajibata	
23	Hutabulu Mejan	Maju Bersama	Balige	
24	Meat	Meat Nauli	Tampahan	
25	Gunung Tua	Maju Bersama	Tanah Pinem	Dairi
26	Bangun I	Bangun Terpadu	Parbuluan	
27	Sitinjo II	Sitinjo II Mandiri	Sitinjo	
28	Sidingkat	Makmur Berkat	Padang Bolak	North Padang
29	Bahal	Maju Bersama	Portibi	Lawas
30	Parupuk Jae	Pertahanan Paluta Perdana	Padang Bolak Julu	

Source: North Sumatra Province Research and Development Agency

Based on the table above, from 30 (thirty) existing Village-Owned Enterprises, the Establishment of Village-Owned Enterprises in North Sumatra Province that has used the new Village Regulation is around 73%, and 27% does not use the Village Regulation. Village-Owned Enterprises established without using Village Regulations are carried out by the management of Village-Owned Enterprises based on the Decree of the Village Head. The Village Owned Enterprises based on Village Regulations such as the Village Owned Enterprises in Central Tapanuli Regency, those are the Maju Bersama Village Owned Enterprises, Kebun Pisang Village, Badiri District, and Mahligai Village Owned Enterprises, Aek Dakka Village. Labuhan Batu Selatan Regency, the Maju Bersama Village Owned Enterprise, Sosopan Village of Pinang City District, and the Bangai Jaya Village Owned Enterprise, Bangai Village of Torgamba District. Langkat Regency, those are the Enterprise of Suka Damai Makmur Village, Suka Damai Village, Hinai District. Asahan Regency, those are Sinar Harapan Village, Sei Dadap III/IV Village, Sei Dadap District, and Serdang Jaya Village, Serdang Village, Meranti District. North Padang Lawas Regency, which is a Makmur Berkat Village Company, Sidingkat Village, Padang Bolak District (Research and Development Agency for Government and Regulatory Study: 2018).

Based on the data above, some 26.7% of Village Owned Enterprises in North Sumatra are not based on village regulations; this is fatal when associated with the principle of legality. Then how exactly is the process of establishing a Village-Owned Enterprise? Based on Article 88 of the Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration Number 2 of 2015 concerning Guidelines for Procedures and Mechanisms for Village Deliberation Decision Making (Village Minister Regulation No. 2/2015) that the Village can establish a Village Owned Enterprise with the Establishment is upon through deliberation Villages. The results of the Village Consultation Agreement became a guideline for the Village Government and the Village Consultative Body to establish a village regulation regarding the Establishment of a Village Owned Enterprise (Abubakar and Obansa, 2020; Alam and Shakir, 2019; Bhatti and Akram, 2020).

There are several stages in establishing a Village-Owned Enterprise, which can be detailed as follows:

1. They were conducting socialization and assessment to villagers about the opportunities for the Establishment of Village-Owned Enterprises. Village Government needs to carry out socialization of Village-Owned Enterprises to the community. Village Communities need to give a complete

understanding of what a Village-Owned Enterprise is. This step is vital to involve the community from the beginning so that there is no perception that the Village-Owned Enterprise will become a "business entity owned by the Village Head.

2. It is forming a Preparation Team for the Establishment of a Village-Owned Enterprise. The Preparation Team for the Establishment of a Village-Owned Enterprise consists of various elements in the village community, and those are the Village Apparatus, the Village Consultative Body, Empowerment of Family Welfare, Youth Organization, and community leaders. It is essential to note in this team that there must be background as an entrepreneur/entrepreneur. This team was formed and given a Decree from the Village Head. The task of the Preparation Team for the Establishment of a Village-Owned Enterprise is to conduct an inventory and mapping of business potential, make a proposal for the type of business, prepare a draft of the Statutes and by-laws and the Village Regulation Draft for the Establishment of a Village-Owned Enterprise.
3. The next step is the Preparation Team for the Establishment of a Village-Owned Enterprise conducting an inventory of potential by conducting observations, interviews, and discussions with various community components. To register any possibility that can be managed by a Village-Owned Enterprise. Every Village must have potential; if there are villages that feel they have no potential; they need to replace their glasses. The glasses used are "consumer/outsider" perspectives. Exciting or not, we must look at the eyes of outsiders. Next, from the existing potentials, a priority will be chosen in the first year because starting a business requires a lot of concentration and energy. Focusing on one type of business will facilitate the management of Village-Owned Enterprises.
4. Based on the type of business chosen, the Articles of Association, and post-secondary law establishment. The Articles of Association are the basis and regulations that bind the owners, supervisors, and managers of Village-Owned Enterprises in all activities and programs. The Articles of Association will act as a source of rules that will be compiled later in the Village Owned Enterprises. In contrast, post-secondary law functions as a more detailed explanation of the Articles of Association. In general, post-secondary law will explain the implementation mechanism of the Articles of Association.

Several things need regulation in the Articles of Association and post-secondary law of Village-Owned Enterprises, based on Article 136 paragraph (2) and (3) Government Regulation Number 47 of 2015 concerning Amendment to Government Regulation Number 43 of 2014 concerning Regulations for Implementing Law Number 6 of 2014 concerning Villages (PP 47/2015) that Articles of Association contains at least; the name of Village-Owned Enterprise, place of residence, purpose and objective, capital, business activities, duration of Establishment, management organization, and procedures for the use and distribution of profits whereas post-secondary law contains the least amount; rights and obligations of the manager of the Village-Owned Enterprise, the term of service, the procedure for the appointment and dismissal of the management organization personnel, the determination of the type of business, and the source of capital.

However, if the type of business (business unit) is a Village-Owned Enterprise (PT), then based on Article 15 paragraph (1) of Law Number 40 of 2007 concerning Limited Liability Companies in conjunction with Article 17 paragraph (2) of Government Regulation Number 54 of 2017 concerning Regional Government Enterprises that the Articles of Association shall at least contain:

- a. Name and domicile of the Village-Owned Enterprise;
- b. Purpose and objectives;
- c. Business activities;
- d. Standing period;
- e. The amount of authorized capital issued capital and paid-up capital;
- f. Number of shares;
- g. Share classification and number of shares for each rating and rights attached to each share;
- h. The nominal value of each stock;

- i. The name of the position and the number of Commissioners and Directors;
- j. Determining the place and procedure for holding the General Meeting of Shareholders;
- k. Procedure for appointment, replacement, dismissal of members of the Board of Commissioners and Board of Directors;
- l. The duties and authorities of Commissioners and Directors;
- m. The methods for using profits and dividend distribution; and
- n. Other provisions are by statutory regulations.

The core of the Articles of Association/ post-secondary law is the material for compiling the draft village regulations for the Establishment of Village Owned Enterprises. It has to be careful so that the contents of the Draft Village Regulation for the Establishment of Village Owned Enterprises are in sync with the Articles of Association/ post-secondary law that have preparation.

- 5. The draft village regulations and Articles of Association/ post-secondary law that have been prepared need to be socialized to a broader forum. For this purpose, the Village Apparatus, the Village Consultative Body, community leaders need to be invited to examine and provide input on the contents of the Articles of Association/ post-secondary law, especially on sensitive matters such as the distribution of business results done to avoid problems and misperceptions later on. Resource persons from the Regency Government can also join to provide a review of the formal legal aspects.
- 6. When all input to the draft Village Regulation Draft and Articles of Association/ post-secondary law establishment, all inputs and revisions have been accommodated. Then the Village Secretary immediately scheduled and prepared the things needed for the Village Conference on the Establishment of a Village Owned Enterprise.
- 7. The culmination of the Establishment of a Village-Owned Enterprise is the Village Deliberation. If the initial stage's application is correct, then it is very likely that the Village Deliberation will run smoothly. Based on Article 89 of the Minister of Forestry Regulation No. 2/2015 main topics discussed in the Village Conference include; the organization managing the Village Owned Enterprises, the venture capital of the Village Owned Enterprises, the Articles of Association/ post-secondary law of the Village Owned Enterprises, and the Village Regulation for the Establishment of the Village Owned Enterprises. In this Village Deliberation based on Article 80 PP 47/2015 in conjunction with Article 5 Village Minister Regulation No. 2/2015, Village Deliberation is attended by the Village Government, Village Consultative Body, and community elements ". The aspects of society here consist of; traditional leaders, religious leaders, community leaders, educational leaders, representatives of farmer groups, representatives of fishing groups, representatives of crafters groups, representatives of women's groups, representatives of groups of observers and child protection; and representatives of poor communities. With the enactment of the Village regulation and Articles of Association/ post-secondary law of Village-Owned Enterprises, the Village-Owned Enterprises establishing and ready to operate (Yani et al.: 2019, pp. 167-177).
- 8. Based on this description, it is clear that the Establishment of Village-Owned Enterprises must be established based on Village regulation. The results of interviews conducted at the Village-Owned Enterprises establishment without Village regulation stated that they do not understand the rules for the Establishment of Village-Owned Enterprises, mainly in terms of legality. The matter of legality is essential and beneficial for business development. The benefits of having a business permit, include.
- 9. Obtaining legal protection so that it will be free from problems of demolition or demolition from the Government;
- 10. Facilitating business development, especially in establishing cooperation;
- 11. Developing markets especially for export and import matters; and
- 12. Facilitating capital matters, such as borrowing capital from banks (Kusmanto & Warjio: 2019, pp. 320-327).

13. Besides, by having clear legality, entrepreneurs can determine the right business strategy to optimize business productivity.

Position of Village Owned Enterprises Establishment Without Village Regulations

There are 30 (thirty) Village-Owned Enterprises examined in North Sumatra Province, around 27% not based on Village regulation legal instruments, but used Village legal products other than Village regulation, some were even established based on legal instruments of Village Head Decrees incidentally is a village law product that is final, individual and concrete.

Should be under the main pillars of the state of Indonesia is a legal state based on the principle of legality, which is the principle of legality consisting of two syllables, the principle means "basic law" and legality means "legality". So, what if interpreted, the principle of legality contains a general meaning that every act must be according to applicable laws and regulations. In the field of State Administrative Law, the principle of legality as "Wetmatigheid van het Berstuur" means that every Government action must have a legal basis in statutory regulation.

Provisions on the principle of legality can be seen in Article 1 number 8 of Law Number 51 of 2009 concerning Second Amendment to Law Number 5 of 1986 concerning State Administrative Court that states; "State Administration Agency or Official is an Agency or Officer who carries out Government affairs based on the applicable laws and regulations."

According to Indroharto (Indroharto: 2000), with the principle of legality, without the essential authority given by the applicable laws and regulations, the Government apparatus will not have the authority that can influence or change the legal situation or position of the citizens.

The principle of legality in Article 5 of Law Number 30 of 2014 concerning Government Administration, which states; the administration of Government Administration is according to:

- a. Principle of legality;
- b. The principle of protection of human rights; and
- c. General principles of good governance.

Based on this article, the principle of legality means that the administration of government "puts forward" the legal basis of a decision and action made by a Government Agency and Officer. Consequently, government agencies or officials' decisions or actions cannot be carried out arbitrarily without the underlying legal rules (Indroharto: 2000).

Referring to the explanation above, the Village Government's actions to establish a Village-Owned Enterprise not based on Village Regulations contradict the principle of legality. Though explicitly determined in the legislation as determined in Article 87 paragraph (2) jo Article 88 paragraph (2) of the Village Regulations, and Article 132 paragraph (1) and (2) PP No. 43/2014, and Article 4 of Minister of Forestry Regulation No. 4/2015, that a village can establish a village-owned enterprise established by a village regulation. Even before the enactment of Village Ministerial Regulation No. 4/2015, the Establishment of a Village-Owned Enterprise must be based on a Village Regulation, as determined in Article 4 of the Minister of Domestic Affairs Regulation No. 39 of 2010 concerning Village Owned Enterprises that has been revoked by the Regulation of the Minister of the Village No. 4/2015.

Sudirdjo (Sudirdjo: 1983) said the Government is using public authority is obliged to follow the rules of the Law of State Administration to avoid abuse of power. That authority resulting in a decision or more is bound to 3 (three) legal principles:

- a. The jurisdiction means that the Government and administrative decisions must not violate the law;
- b. The principle of legality (wetmatigheid), meaning that decisions must be taken based on a statutory provision;

- c. The principle of discretion (discrete), means that the ruling official must not refuse to decide on the grounds "there are no rules." Therefore, given the freedom to make decisions according to his opinion as long as the act violates the principles of juridical and legality principles mentioned above. There are two types of discretion, namely "free discretion" if the law only determines the boundaries and "bound discretion" if the law establishes several alternatives to choose the one that is considered by the administrative officer closest.

Referring to Sudirdjo's opinion, it is very wrong when the Village Government in establishing a Village-Owned Enterprise is not based on Village Regulations but based on the Decree of the Village Head. Sihombing & HSB (Sihombing & HSB: 2017) explained that one of the basic requirements for juridical enforcement is the necessity for authority to form laws and regulations, each statutory regulation must be made by an authorized body or official. Likewise, a State Administration Decree is a concretization of abstract laws and regulations (Hadi & Michael: 2017, pp. 383-400). The State Administration Decree is a legal action of the Government, which is one-sided/ unilateral (Eenzijdige) because it does not require the approval of others in its determination. Related to this matter, HR (HR: 2006) stated that:

"If it is the legal action of the Government is a statement of the one-sided will of the Government organ (Eenzijdige Wilsverklaring van de Bestuurorgaan) and has an effect on legal relations or existing legal conditions, then the will of the organ must not contain defects such as errors (Dwelling), fraud (dwelling), fraud (dwelling), coercion (dwang) and others which cause illegal legal consequences. Besides, because each legal action must be based on the applicable laws and regulations, then the act itself must not deviate from the relevant regulation, which can cause legal consequences that appear to be nullified (Nietig) or can be canceled (Nietig).

Reflecting on the HR stated above, the Establishment of a Village-Owned Enterprise that is based on a legal instrument of the Village Head's Decree can cause legal consequences to be null and void because of the birth of the legal instrument paragraph (2) Village Law and Village Minister Regulation No. 4/2015 so that it does not have a legal basis or does not fulfill the legal aspects which will ultimately have a domino effect on the validity of the management of the Village Owned Enterprise. For this reason, practical strategic steps are needed to avoid continuing mistakes in the management of Village-Owned Enterprises by temporarily stopping the activities of Village-Owned Enterprises and immediately make adjustments to the Establishment of Village-Owned Enterprises using the Village Regulation legal instruments.

However, it must be realized that the Government's policies, rules, and regulations governments are a very influential factor in the failure of MSMEs. Unclear regulations that make it difficult for employers will harm businesses because inadequate regulations are likely to disrupt the performance of workers, investment, and company productivity. The Government must prepare regulations that are transparent, accountable, and easily understood to support the existence of MSMEs. Regulations for MSMEs need to be adjusted so that these regulations do not hamper the development of MSMEs but instead must be able to encourage MSMEs to continue to become better and more reliable (Kitching et al.: 2015, pp. 130-147).

DISCUSSION

From the results of the interview, there are still many managers of village-owned enterprises that need education (Akrim & Harfiani: 2019, pp. 132-141) in terms of business legality. The lack of knowledge regarding the procedures for obtaining permits and the benefits of ownership of business licenses also occur in many micro, small, and medium enterprises in Indonesia. This lack of understanding has made many micros, small, and medium business operators in Indonesia does not take care of permits. To be able to develop MSMEs in terms of market expansion, at the national or international level, a business permit is needed (Martínez-Román et al.: 2019).

The Government must support the growth of Village-Owned Enterprises, and their business units in the form of MSMEs must be supported by the Government by forming superior human resources. The Government must support the existence of MSMEs by providing training that can help MSME productivity. In today's digital age, during training on legality and management, training in the latest technology is one of the training available. Bearing in mind, currently, technology has a significant role in the progress of a business in the current 4.0 industrial revolution era. In fact, for the business license at present, everything must be done online. However, unfortunately, the use of technology primarily in e-commerce by MSMEs in Indonesia is still low, mostly due to the lack of knowledge of MSME entrepreneurs in technology. The mastery of technology and its use has been proven to increase competitiveness and market expansion for MSMEs. Besides, the use of technology has also been proven to be able to improve the performance and productivity of MSMEs (Chege & Wang: 2020, pp. 201-210). In terms of mastery of technology and the availability of infrastructure at MSMEs, it is because of the decisions of MSMEs leaders.

Besides, to support in the form of regulations, capital support from the Government is also very important for MSMEs because of the various problems that are commonly faced by MSMEs, covering competition, taxes, electricity costs, and political conditions, capital is the problem most faced by MSMEs. Also, external capital support has been proven to be able to increase MSME innovation (Wellalage & Fernandez: 2019). Under its function, Village-Owned Enterprises have a critical role in managing, fostering, and providing capital assistance for small and medium-sized businesses in the Village. Besides, Village-Owned Enterprises are also expected to have a role in providing markets for products produced by MSMEs and agriculture in the Village. The Village Owned Enterprises are subsequently expected to become village cooperatives with work units in the form of MSMEs.

Another thing that also needs to be considered by the Government besides in the form of regulations and capital assistance is the problem of waste. The problem of processing business waste is still a problem for MSMEs in developing countries. The problem of waste management leads to environmental pollution, for that the local Government must work closely with MSMEs in waste management so that environmental pollution does not occur (Tevapitak & Helmsing: 2019, pp. 840-848). All types of forgery of Village-Owned Enterprises and their business units in the form of MSMEs must receive serious attention from the regional and central Government because the existence of Village-Owned Enterprises and their business units will be the main pillars of the Indonesian national economy.

MSMEs have been shown to have a critical role in the national economy, where MSMEs can survive in a variety of situations, so MSMEs are often considered to be an economic backbone globally (Eggers: 2020, pp. 199-208). Small and medium-sized businesses have a massive role in the national economy because they are proven capable of reducing unemployment, increasing community income, increasing gross production, and being an example of entrepreneurial development. Besides, MSMEs are also proven to be able to increase the income per capita of the community, so that means MSMEs are very influential in poverty alleviation. This research is limited to the legality of Village Owned Enterprises and its business units in the form of MSMEs. So, it is expected that further studies can discuss the regulations and the role of the local and central Government in the development and resolution of problems faced by the Village-Owned Enterprises and MSMEs as their business units.

CONCLUSION

Based on the description above it can be concluded that: (1) there is still the Establishment of Village-Owned Enterprises that are not based on Village Regulations, but with other legal instruments such as the Village Head's Decree which incidentally is not a legal instrument instructed either by the Village Regulation, Government Regulation No. 43/2014, as well as Village Ministerial Regulation No. 4/2015; and (2) that the Establishment of a Village-Owned Enterprise that is not based on a Village Regulation, results in the legal instrument being canceled or can be canceled.

For this reason, it is recommended that the relevant Village Government take practical strategic steps to avoid continuing mistakes in the management of Village-Owned Enterprises by temporarily stopping the activities of Village-Owned Enterprises and immediately make adjustments to the Establishment of Village-Owned Enterprises using the Village Regulation legal instruments.

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