

# The Future Of Sharia Based Village Business Agencies Religious Response Management Of Village-Owned Enterprises In Central Lombok

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## Abstract

**Purpose** - This study aims to uncover and explain the opportunities and future of Village-Owned Enterprises (BUMDes) in Central Lombok managed by the Islamic financial system which is viewed from the perspective of the manager's religious response.

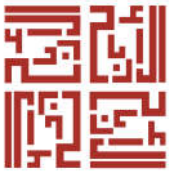
**Method** - This research is a qualitative-descriptive research. Data collection methods using questionnaires and unstructured interviews. The data used in this study are primary data and analyzed qualitatively. The population of this study is the managers of BUMDes in Central Lombok with a sample of 52 people.

**Result** - This research shows that based on organizational affiliation and Islamic character as well as Islamic commitment of managers, BUMDes in Central Lombok is very likely to be managed syariah. Whereas in terms of the manager's response to the sharia bank system and its products, the BUMDes argumentation that is not managed in a sharia way shows the opposite opportunity.

**Implication** - Activists, practitioners, and Islamic economic stake holders need to provide education and dissemination to BUMDes managers and stakeholders about the advantages and strengths of sharia-based financial management, both in terms of religiosity and profitability.

**Originality** - This study focuses on revealing the opportunities and future of Sharia-based BUMDes management from the perspective of the religious response of BUMDes managers in Central Lombok.

**Keywords:** sharia-based BUMDes management; religious response BUMDes managers; religious organization affiliations; Islamic commitment; financing

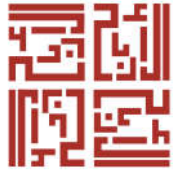


## Introduction

Village-Owned Enterprises (BUMDes) are currently one of the economic institutions that also inherit economic activity in rural areas. BUMDes has a legal umbrella constitutionally binding. The regulation which forms the legal umbrella for the existence of BUMDes is contained in Permendesa Number 4 of 2015 concerning Establishment, Management and Management, and Dissolution of Village-Owned Enterprises. Basically this Permendesa was born as an operational technical to realize the objectives of Law No. 6 of 2014 concerning Villages. The purpose of this Law, as stipulated in Article 4 letters h and i, is to advance the economy of rural communities and overcome national development gaps and strengthen rural communities as the subject of development. To realize this goal, one of them was formed BUMDes as a financial institution and business institution at the same time to build and strengthen a community economy that is based on rural communities (Permendesa Number 4 of 2014).

The objectives contained in the two regulations reflect the government's desire to ground the people's economy as mandated by the constitution as stipulated in Article 33 of the 1945 Constitution. The people's economy, as understood by Mubyarto, is the Indonesian National economic system based on kinship, people's sovereignty, moral Pancasila, and show a serious alignment to the people's economy (Mubyarto, 2002). Swasono, who more often uses the term economic democracy, said in different languages that economic democracy is an economic system based on unity and brotherhood. Economic democracy must have an element of economic participation and economic emancipation. Economic participation requires all parties to be involved, and economic emancipation asserts that each person is equal and as brothers who work together based on a humanistic creed about the brotherhood of men (Swasono, 2015)

What Mubyarto and Swasono said contained a big vision to realize the progress and economic independence of the Indonesian Nation and State. In a normative-philosophical perspective, this goal is related to the main vision of

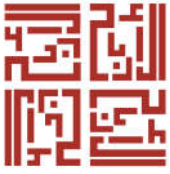


the Islamic economic system that wants to present an economy based on justice (al-alah is) and equality (al-musawah). Nevertheless, in Islamic economics it is not only the goals that must be in harmony with Islam, but more than that, the mechanism and contract used must also be in accordance with Islamic law. Mechanisms and objectives must be aligned under the universal and absolute guidance of Islam.

In Islam, all activities carried out by a Muslim must be in accordance with Islamic law, including in economic activities. Economic activity in Islam is part of the muamalah fiqh in a broad sense. Everything must be clear legal status because it involves rights and property individually or collectively. Therefore, in every economic activity carried out by individuals or bodies or institutions must refer to harmony with Islamic or sharia law. Likewise with BUMDes as a business entity as well as a financial institution, if it is to be adjusted to the Islamic economic system, all aspects of sharia must be fulfilled, both the operational mechanism, the contracts used, and other aspects.

Until now, the majority of BUMDES in Central Lombok are managed conventionally. Based on the author's search, only one BUMDes operating system is based on sharia and besides all BUMDes managers in Central Lombok are Muslim. Therefore, it becomes interesting for the writer to examine the opportunities and future of Sharia-based BUMDes in Central Lombok in terms of the religiosity response of its managers. Because, the socio-culture of the community is one factor that the economic system can develop. indeed, the true economic dimension is an integral part of everyday social activities (Pradja, 2015). In addition, the nature of every person is desirous to practice and obey the teachings of his religion in a kaffah (Shihab, 2009), this is included in economic activities. Even according to Djafar, religious ideology is much influenced by people's behavior without exception in the business world, the world of work, and so on (Djafar, 2007). This thesis further strengthens the writer's desire to research more about BUMDes financial management in rural Central Lombok.

## Literature Review

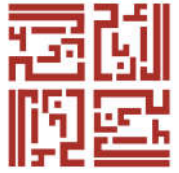


### **Opportunities BUMDes Sharia Managed Profile of Islamic Community of Central Lombok**

Central Lombok is one of the districts in West Nusa Tenggara which is located on the island of Lombok; the island was nicknamed "The Thousand Islands Mosque." The majority of Central Lombok people are farmers who live in rural areas. The religion of the majority is Muslim, with a percentage of 99.65%. Generally, the Muslim community in Central Lombok adheres to moderate Islam. This is marked by their religious ideology affiliated with moderate religious organizations, such as Nahdlatul Ulama (NU) and Nahdlatul Wathan (NW). As is well known, NU and NW are religious organizations that are tolerant, accommodating-selective towards local culture and traditions. Local culture and traditions that do not conflict with sharia are still accommodated. The principle is to divide culture and tradition into two, 'urf al-fāsīd and 'urf al-sāliḥ.

'Urf al-fasid is a culture and tradition that is not in accordance with Islamic law, either in its implementation or its purpose. Such cultures and traditions must be rejected and must not be preserved. 'Al-sali Alli is the opposite, all cultures and traditions that are in line with sharia principles, do not conflict with Islamic laws, and do not damage monotheism and will then be maintained as part of the tradition religious. Through these two divisions, it is very possible the occurrence of cultural acculturation and local traditions with noble Islamic values. Even further, it is very possible if there is assimilation of local cultures and traditions with Islamic values so that it becomes a new Islamic culture and tradition.

Besides the division of culture and tradition, the two organizations also believe in opinions that divide bid'ah into two parts, bid'ah ahasanah and bid'ah ḍalālah. Bid'ah ḥasanah is a new phenomenon in religious rituals and does not conflict with the Qur'an and the Sunnah. While bid'ah ḍalālah is a new phenomenon in religious rituals that are not permitted by the Qur'an and sunnah. community organizations that divide bid'ah into two parts, are very open in responding to new things that arise. they are, It is not arbitrary



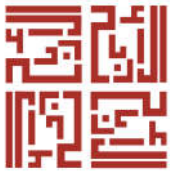
and it is not easy to punish the heresy of *ḍalālah* on new matters. Every Islamic case the newly emerging must be verified through two perspectives, whether classified as *'asanah* or *'alālah*. With this understanding of Islam the NU and NW also hold to the rules:

These Islamic characteristics are shared by the majority of Central Lombok people until now. Likewise, BUMDes managers embrace Islam with the same characteristics. Therefore, this kind of Islamic characteristics will not hinder the management of BUMDes in sharia. Sharia will not deter when BUMDes will manage the tourism sector that accentuates local culture and traditions that live in the midst of the community. Existing local culture and traditions can acculturate and assimilate to Islamic values so that they can be formed into religious tourism. Likewise with various transaction agreements in conducting business, BUMDes can use various types of contracts that have been verified in the discussion of *muamalah fiqh* through fatwas from the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). Thus, the management of BUMDes in sharia is not an impossible thing to do. From the perspective of Islamic soiso-cultural, it is very supportive, as well as the operational tools of the covenant that can be used are also available.

#### **BUMDes Management Principles in Regulation**

The government has tried to improve the economy of rural communities through various programs, PNPM is one of them. PNPM is an implementation of (P2KP) and (P3DT) which were previous empowerment programs (Stamboel, 2012). Ideally, PNPM can be managed well with easy supervision and evaluation because it is an integration of the two previous programs. Therefore, for stake holders, PNPM is no stranger. But the reality is not the case. Mudrajad Kuncoro presented the results of Bappenas's evaluation that PNPM had not reached the poor as a whole. Vulnerable and marginalized communities have also not been touched so that they have not been able to feel the economic benefits of PNPM (Kuncoro, 2013).

The failure of various programs that were previously carried out is inseparable from the various factors surrounding it. One of them is lack of



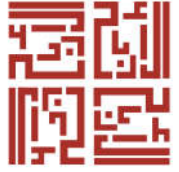
focus in dealing with various economic problems that are entwined in rural areas. The planned economic system does not lead to sustainable economic development for rural development. This momentum triggered the issuance of Law No. 6 of 2014 concerning Villages. This law was then followed by Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 4 of 2015 concerning Establishment, Management and Management, and Dissolution of Village-Owned Enterprises. Establishment of Village Owned Enterprises (BUMDes) is intended as an effort to accommodate all activities in the economic sector and / or public services managed by the Village and / or cooperation between villages (Permendesa No. 6 Year 2015). The existence of BUMDes can also reduce the role of middlemen in monopolizing the economy in rural areas.

The types of businesses that may be run by BUMDes are explained in the Permendesa and their scope is very broad. BUMDes may do any business as long as it does not negatively impact BUMDes and the wider community. Whereas the operational system of BUMDes management is not mentioned explicitly so that BUMDes has the opportunity to be managed both syariah and conventionally. The distribution of business results obtained can be regulated based on the Statutes / By-Laws prepared through village deliberations (MUSDes). This means, there is no obstacle in regulation BUMDes are managed syariah. Only the deciding factor is the political will of the actors who play a role in determining the direction of BUMDes management through MUSDes.

### **Theoretical in Islam**

Al-Mawardi in *al-Aḥkām al-Sultāniyyah* states, a leader is like a prophet who always acts for the benefit of the people (Al-Mawardi, n.d.). Leaders who have a strong religious commitment, when making policies will rely on the benefit of society. As in the rules of *fiqh al-siyasah* stated:

The benefit here is not only the benefit in the economic field but also the benefit of religion. The benefit is not only looking at the final result but the process to achieve it is also in line with Islamic regulations. In the context of



economic and financial institutions, the contracts used must be in accordance with sharia. A Muslim in managing economic institutions must hold to what is the Shariah provisions. Thus, the benefit will be present according to what is the desire of sharia.

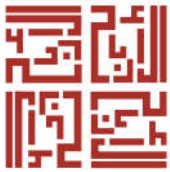
Leaders with strong religious motivation will have an impact on the institution they lead. Machiavelli states, religion occupies a strong position to determine whether or not an institution (Machiavelli, 1998). An institution, including an economic institution, will become a *maṣlaḥah al-‘āmmah* when it is led by people who have a firm commitment to the teachings of their religion. Max Weber in the case of Protestants proves this thesis. According to him, there is a strong correlation between religious commitment and socioeconomic welfare (Weber, 2001).

In the context of this research, BUMDes as an economic institution when managed professionally and fairly can be part of efforts to improve the economy in the local sphere (Ridlwan, 2015). The role and response of policy makers and implementers largely determines outcomes (Budiono, 2015). Therefore, the management of BUMDes in a professional and fair manner, as expected will have the potential to emerge from managers who have a strong religious commitment. Strong religious commitment to someone will make it more trustworthy in carrying out their obligations. He will run it according to the religious guidance he believes.

## Methods

### Types of Research

This type of research is a descriptive-analytical study with a qualitative paradigm. Data collection methods using questionnaires and unstructured interviews. The data used in this study are primary data. The population of this study is the BUMDes manager in Central Lombok with a sample of 52 people. The questionnaire was prepared using Google Form. Questionnaire data collection techniques are carried out by distributing questionnaires online through the Whatsapp Group BUMDesa Gumi Tastura (WA Grup



managing BUMDes throughout Central Lombok) and the private network of BUMDes managers. Interviews were conducted face-to-face and teleconference through cellular networks.

### **Data Analysis**

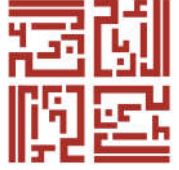
The qualitative data analysis process adopted a technique developed by Strauss and Corbin. Strauss and Corbin use three methods in analyzing qualitative data. The three steps are (1) open coding which includes: breaking down (detailing the completeness of the data), examining (checking), comparing (comparing), conceptualizing (explaining local concepts), and categorizing (categorizing data); (2) axial coding in which there is a grounded theory paradigm model. This stage includes the process: the conditions of cause - phenomenon - context - conditions supporting and inhibiting - the strategy of interaction and action - the consequences; (3) selective coding which produces conclusions which are then appointed as general design (Basrowi & Suwandi, 2008).

### **Results and Discussion**

Village-Owned Enterprises (BUMDes) have a lot of standing in the villages. BUMDes has given a new color to the economy in rural areas. Its existence as a financial manager and also as a business institution, in its journey to experience various dynamics. There are BUMDes who have demonstrated their existence as pillars of sustaining the community's economy and some have not felt significant benefits by the community. Research conducted by Anggraeni, showing the existence of BUMDes is undeniably has made changes in the economic and social fields. This change is mainly in the Village Original Revenue sector (Anggraeni, 2016).

On the different side, the existence of BUMDes has not yet become the proper solution for the people's welfare. This is due to the injustice in the distribution of BUMDes benefits felt by the community. This injustice is in the form of distribution of BUMDes funds which are still selectively logged. BUMDes funds are mostly channeled to village communities outside the



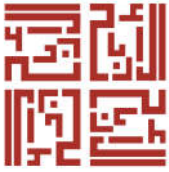


administrative village where the BUMDes are located. Even more sad, the distribution of BUMDes funds is given to those who have a special relationship with the BUMDes manager. Based on this fact, the surrounding community (closest to BUMDes) does not feel the economic benefits from the BUMDes existence.

Research by Ramadana, Ribawanto, and Suwondo released the results that BUMDes have not contributed to the increase in Village Original Revenues (PADes). BUMDes managers still need training to improve skills in managing BUMDes. In addition, according to this research, the performance of BUMDes managers needs to get maximum supervision because it is not consistent with the BUMDes vision. All of the business units that are being run are not going well so they cannot support village data collection (Berlian Ramadana & Ribawanto, n.d.)

Looking at the results of the above research, there are two problems that have contributed to the BUMDes' contribution not being maximized, professionalism and low religiosity. In the view of Islamic economics, professionalism is very important. A business if not managed by people who are experts, it will be destroyed. Even professionalism is not enough to guarantee a business will run well, it needs another side such as the level of religiosity. High religious awareness in managing a business can be a controller and motivation to work professionally and seriously.

Economic actors who have the nature of *ihsan* for example, he will work professionally. The nature of this *ihsan* will give birth to humanistic behavior, where someone will put their obligations first and give other people's rights. Even in the Shihab language, people who apply *ihsan* values will carry out obligations beyond their supposed obligations and will take away less of their true rights. Likewise with other people, he will not burden people beyond their obligations and give other people's rights more than they should (Shihab, 2009). The nature of this *ihsan*, in the study of social philosophy is called moral *altrius*, in which a person is concerned with others rather than himself (Djafar, 2007). In the perspective of the person who applies the nature of *ihsan*, the other person is himself; to do bad and hurt others is to



do bad and hurt yourself. Thus, the nature of *ihsan* (moral altrius) when it becomes a philosophy that is held then a person will become professional, fair, and trustworthy in carrying out economic activities.

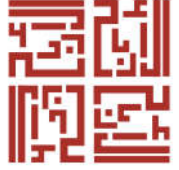
### **Religious Organization Affiliation BUMDes Manager**

There are a number of religious organizations affiliated to Islamic societies in Central Lombok, the most prominent being Nahdlatul Ulama (NU), Muhammadiyah, and Nahdlatul Wathan (NW). These three organizations are religious organizations whose mass numbers are quite dominant. At the national level, a large mass makes this organization an important pillar for the progress and sustainability of Indonesia. The existence of this organization, if not excessive, becomes a barometer for the progress and decline of Indonesia simultaneously in Ethernet. The moderate ideology it promotes makes it synergistic with the plural character of the Indonesian nation.

Moderate ideology has an inclusive character in seeing everything. It's not easy to phobia with something new. Not skeptical to synergize the transcendent and the profane. This ideology is an ideology that is widely held by BUMDes managers in Central Lombok. Therefore, BUMDes managers are not exclusive in seeing all developments in science, including the existence of sharia financial management. Religious views are important as lighters in the development of science. The transformation of science will be massive if it is supported by ideologies and living traditions where science is developing (Pradja, 2015). Therefore, the moderate religious guidance that is embraced by the BUMDes manager is actually the main capital as the future driver of the Syariah BUMDes in Central Lombok.

**Tabel 1. Religious Affiliation of BUMDes Managers in Central Lombok**

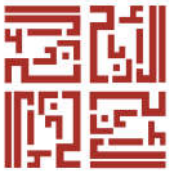
<b>Religious Organizations</b>	<b>Afiliation (%)</b>
Nahdlatul Ulama	30
Nahdlatul Wathan	30
Muhammadiyah	0
Wahabi/Salafi	0
Lainnya	40



Data table 1 collected from questionnaires that are scattered shows the affiliations of religious organizations managing BUMDes in Central Lombok. Table 1 shows BUMDes managers affiliated to NU and NW each 30% of the total respondents. This data indicates a great opportunity for the development of sharia-based BUMDes in Central Lombok. As a matter of fact, it is shown from various data that NU and NW are religious (mass) organizations that both support the existence and development of sharia-based financial systems in Indonesia. NU itself is an organization that houses many sharia-managed financial institutions, one of which is BMT NU.

In addition, NU has a figure, Ma'ruf Amin, who is the driving force for developing the Islamic economy in Indonesia. Ma'ruf Amin, for his dedication has received various academic and non-academic awards from several Islamic universities and institutions in Indonesia. In 2012, Ma'ruf Amin was awarded an Honorary Doctorate (*honoris causa*) by the State Islamic University (UIN) Syarif Hidayatullah Jakarta with scientific oration on Islamic Economics Law Reform in the Development of Contemporary Financial Products: Transformation of Muamalat's Jurisprudence in Sharia Economic Development; In 2017, Ma'ruf Amin was again awarded an academic degree by the State Islamic University (UIN) Maulana Malik Ibrahim Malang. This time, Ma'ruf Amin was confirmed as a professor (*professor honoris causa*) in the field of Economic Muamalat Sharia with scientific orations on Islamic Legal Solutions (*Makharij Fiqhiyyah*) as a Driver for the New Flow of Sharia Economy in Indonesia (*DSN-MUI Fatwa Contribution in Laws and Regulations Republic of Indonesia*). Do not stop there, in 2020, Ma'ruf Amin was pinned as the Father of Islamic Economics by the State Islamic University (UIN) Sultan Syarif Kasim Riau.

NW also has a role in supporting the development of sharia-based financial systems such as NU. Muhammad Zainul Majdi, PBNW Chairman and also the Governor of NTB for two periods (2008-2013 and 2013-2018), at the end of his position as Governor of NTB adopted a policy of changing the NTB Bank, from conventional to Bank NTB Syariah. This is the commitment of two NU and NW figures in order to fully support the development of sharia-based



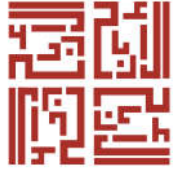
financial management systems in Indonesia. Therefore, affiliated to religious organizations, the BUMDes manager in Central Lombok has a strategic position as an ambassador for sharia economy in Indonesia. It can be said logically there are no obstacles. They as nahdliyin and abituren (the term nahdliyin for NU followers and abituren for NW followers) will certainly not be at odds with the understanding and enthusiasm of the figures who become patrons in their respective organizations. Patronase dalam tradisi kedua oraganisasi ini sangat kuat (Turmudi, 2004).

The position of the kiai and the teacher is always a reference in religion. Fatwas and opinions become a reference in the scope of the organization. The central position of the kiai and master is what makes his position important. His step in practicing the teachings of his religion became a role model for his followers.

Other BUMDes managers, as in table 1 as many as 40% do not have affiliated religious organizations (other). However, as long as the observations made by researchers, in fact their Islamic characteristics are not much different from Islamic traditions that live in the body of NU and NW. Their Islamic characteristics are similar to Islamic characteristics in NU and NW, which are moderate and inclusive. The similarity in the Islamic characteristics of BUMDes managers is actually a signal of the great future of BUMDes in Central Lombok being managed with a system based on sharia.

#### **Islamic Commitment: Understanding and Practicing BUMDes Managers of Islamic Values**

Religion, essentially is the dialectic between the sacred and the profane. Religion in true nature is the handle (guidance) for humans, so religion itself must have an absolute truth value. Relative truth values are impossible to hold on to because they will only bring people to absurdity (Lubis, 2010). Islam as a religion based on revelation and hadith, by followers (Muslims / Muslims) is believed to be a religion that has an absolute truth value. A Muslim in carrying out his life will hold to Islamic values which are believed to be truth values.

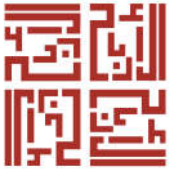


The truth value of Islam is formed in the soul of a Muslim through faith and knowledge. Faith, in Madjid's view, will encourage a Muslim to do good as a medium to gain the pleasure of Allah. While knowledge is a medium for someone to find the most effective way to encourage him to do good. In other words, faith and knowledge can make a person good and at the same time know how to do it right (Madjid, 2004). Therefore, for a Muslim an understanding of the value of truth (read: Islam) will be a clue for him to practice the commands and obey the prohibitions.

Faith is not limited to recognition but must be accompanied by pronouncement and deeds. Every believer must admit that what he believes is true. This justification is the work of the heart. The heart is basically not a medium of emotion. The heart is a specific potential of thought which is a spiritual organ that distinguishes humans from other creatures (Murata & Chittick, 1997). The potential thought possessed by someone, in Islam, is a medium for studying Islamic teachings as the implementation of faith in deeds ('charity). Its implementation can be manifested through an understanding of Islamic Jurisprudence. Islamic Jurisprudence which is one of the fields of science in Islam is very important to be known by every Muslim. Through the science of Jurisprudence, a Muslim can know the details of the commands and prohibitions.

Islamic Fiqh has several parts, one of which is fiqh muamalah (al-iqtishad). At present, muamalah fiqh is a branch of fiqh which is still an object of continuous development. Muamalah fiqh is in the spotlight because it deals with issues of economic issues that continue to develop rapidly, especially in the industrial era 4.0 as it is today. Knowledge and understanding of fiqh muamalah well will be one of the determinants of whether economic activities are carried out in accordance with Islam (read: sharia) or vice versa.

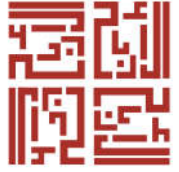
People who have faith and knowledge who have good knowledge and understanding of fiqh muamalah (economics), are supposed to practice their knowledge. Practicing knowledge in Islam is an obligation that must be done by every Muslim. This obligation is no exception when managing finance in economic institutions such as BUMDes. BUMDes which is currently booming



as one of the economic institutions in rural areas is deemed necessary to be managed sharply. BUMDes as an independent economic institution, has a very strategic position as a financial institution for economic empowerment in rural areas. Fair and transparent management is one of the keys to realizing this role. In the Islamic economic system, justice and transparency are the main principles so it is very supportive for the realization of the BUMDes function as a "soko penggerak ekonomi" in rural areas. Therefore, the manager of the BUMDes and related stake holders have an important role in determining the future of BUMDes to be managed in a sharia way.

Based on the data collected, the Islamic knowledge and understanding of BUMDes managers in Central Lombok is quite good. The majority of them have very good understanding and practice of the pillars of faith. A good understanding and practice of the pillars of faith is very important for a Muslim. The commitment of a Muslim's faith becomes a parameter of his Islamic quality. Faith is not only confession but also seen from words. When a person expresses his faith he will automatically admit it through words. At the same time, utterance must also be accompanied by concrete actions in the reality of its Islam. Faith without real action will only be empty message. Someone who is only good at saying and theorizing but in actions not in line with what is said then in social life, this becomes a problem. Society does not respect this kind of person. In the Qur'an, Allah expresses His displeasure with these people (see QS al-Shaff: 3).

The knowledge and understanding of BUMDes managers about Islam from the aspect of Islamic law (fiqh) is also quite good. 61.1% of all respondents had very good knowledge and understanding of fiqh, 33.3% with quite good knowledge and understanding, and 5.6% with poor knowledge and understanding. Knowledge and understanding of fiqh is one of the factors for a Muslim in carrying out orders and avoiding the prohibitions in Islam. Through the science of Jurisprudence, a Muslim can know which things are allowed and which are forbidden. In economic activities too. Because of economic activity, it is ontologically part of fiqh.



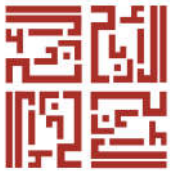
Therefore, people who have knowledge and understanding of fiqh by themselves in economic activities will not get out of the fiqh domain.

Knowledge and understanding of fiqh that is more specific, muamalah fiqh relating to the banking world, according to data collected, there are 33.3% with very good knowledge and understanding, 61.1% good enough, and 5.6% less good . The knowledge and understanding of BUMDes managers on muamalah fiqh and fiqh in general crossed the percentage between the two. Nevertheless, it can be said that their knowledge and understanding is quite good. This data actually shows a strong indication that BUMDes in Central Lombok have the opportunity to be managed in sharia.

Based on the data described above, it shows that the majority of BUMDes managers in Central Lombok have good Islamic knowledge and understanding as seen from the three indicators above. A good understanding and practice of the pillars of faith and Islam will make the managers of BUMDes in their daily lives, including economic activities, stick to the principles of Islamic economics they know; through his knowledge and understanding of fiqh in general and muamalah fiqh specifically will make it has a basis for managing BUMDes in sharia. Thus, based on this indicator, then for the following periods, Sharia-based BUMDes in Central Lombok will not be difficult to find their habitat.

Based on the data described above, it shows that the majority of BUMDes managers in Central Lombok have good Islamic knowledge and understanding as seen from the three indicators above. A good understanding and practice of the pillars of faith and Islam will make the managers of BUMDes in their daily lives, including economic activities, stick to the principles of Islamic economics they know; through his knowledge and understanding of fiqh in general and muamalah fiqh specifically will make it has a basis for managing BUMDes in sharia. Thus, based on this indicator, then for the following periods, Sharia-based BUMDes in Central Lombok will not be difficult to find their habitat.

### **BUMDes Manager's response to Islamic banks and their products**



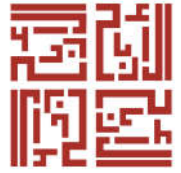
At present, the Islamic Financial Institution (LKS) is an element of the rapidly developing Islamic economy. LKS in Indonesia seems to find their true habitat. Imagine, the Muslim population is 87% of the 220 million population of Indonesia. This is the largest market for LKS in the world. Muslim population in Indonesia has experienced a fairly good standard of living, where the middle class and above is increasing in number. It is these who will later determine the fate of Indonesia in the future (Amin, 2017).

Statistics of the Financial Services Authority (OJK) shows, as of January 2020, Sharia Commercial Banks (BUS) amounted to 14 BUS with 480 Branch Offices (KC), 1246 Supporting Branch Offices / Sharia Service Units (KCP / UPS), and 196 Cash Offices (KK). Sharia Business Unit (UUS) also experienced growth with a total of 20 UUS and has 160 Branch Offices (KC), 164 Sub-Branch Offices / Sharia Service Units (KCP / UPS), and 62 Cash Offices (KK). Likewise, the Syariah People's Financing Bank (BPRS) grew rapidly with a total of 168 Operational Headquarters and Cash Offices (KK) totaling 286 units. There are 3,001 units of Mandiri and ATM TUS (ATM) throughout Indonesia. While in the labor sector, which is absorbed in the BUS and UUS work units to date amounted to 54,930 workers and 6,709 workers in the SRB sector (OJK, 2020).

The development and growth of LKS in Indonesia cannot be separated from the role of the National Sharia Council - Indonesian Ulema Council (DSN-MUI) which proactively responds to developments and economic-business changes that occur. Where every LKS in its operations must be in line with the principles of financial and sharia institutions. In terms of sharia principles, each LKS must refer to the fatwa produced by DSN-MUI. DSN-MUI has issued no less than 130 fatwas about LKS and its products. The existence of fatwa so far has been very instrumental in developing LKS in Indonesia.

Ma'ruf Amin, in his scientific oration on the awarding of honoris causa doctorate in the field of sharia economic law, revealed that the role of fatwa as a driving force for the development of LKS is very large. The impact is not only the rapid development of the worksheet but the fatwa is also driving the birth of Law No. 21 of 2008 concerning Sharia Banking in Indonesia (Amin,

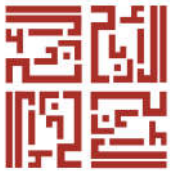




2017). The enactment of this law gives more opportunities for financial institutions to be managed in a sharia manner because they have a strong and binding legal umbrella. Thus, LKS has two legitimacy at the same time, fatwa as legitimacy in terms of sharia and law as the legitimacy of regulations in a rule of law. These two handles become the dominant factors for the rapid development of LKS in Indonesia.

The knowledge of BUMDes managers about the contracts used in Islamic bank products can be known from their responses to several questions asked. Questions related to Islamic bank products and services were asked, 27.8% answered knowing it very well and 61.1% answered knowing it very well. This knowledge cannot be separated from the development of LKS, both banks and non-banks, such as cooperatives and Bait al-Mal wa al-Tamwil. Likewise, the services of Islamic banks that have been spread in several locations that are easily accessible, although not as much as those of conventional banks. While those who answered with poor knowledge were 11.1% of respondents. This means that managers of BUMDes in Central Lombok have good knowledge of the products and services offered by Islamic banks. Likewise with their knowledge of the contracts used in products and services in Islamic banks. 22.2% of respondents know and understand it very well, 66.7% understand and know it very well, and 11.1% have poor knowledge.

BUMDes managers have different perceptions of the implementation of the contract in Islamic banks. 22.2% stated that the implementation of the contract in sharia banks was very compatible with sharia. 55.6% stated that it was appropriate, and 22.2% stated that it was not yet in accordance with sharia because in practice it was not in accordance with the theory. Meanwhile, when the contracts used are associated with usury, is it free from usury, the majority of respondents, which is as much as 70% of respondents stated that the contract used in Islamic banks does not contain the element of usury. They view that the contract model used in practice is in accordance with sharia. The views of the BUMDes manager are obtained from observations, understandings, and some are indeed based on experience as a

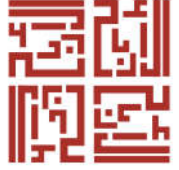


customer of an Islamic bank. They did not see any usury elements in the implementation of the contract that was used. Nevertheless, there are as many as 30% of respondents disagree with the response of 70% BUMDes managers as above.

According to them, the implementation of the contract used in Islamic banks is not fully in accordance with sharia and is free from usury. One case, when there was a conversion of the West Nusa Tenggara BPD (Bank NTB) to the West Nusa Tenggara Syariah BPD (Bank NTB Syariah), the customer was not confirmed by the bank for mutation of accounts from conventional to sharia. Customers consider this to be not elegant because they do not know what contract model is used for their account after the conversion is done. In fact, according to the confessor, one of them, when this was confirmed, the bank only answered that it was automatic and the contract used was the profit sharing contract. As a customer and owner of funds, the answers from the bank do not reflect sharia. As the owner of the funds, the customer should be involved in forming a new contract. Because in a contract the contract must involve the relevant parties for approval. The involvement of two parties in a contract is a necessity because from there will be known the element of willingness (*taradhi*) between the two parties (Djamil, 2012). Both parties must know and understand all the clauses in the contract. So that in the future no one feels they are not getting the right information.

### **BUMDes Arguments Are Not Shariah Managed**

BUMDes in Central Lombok, from data obtained by researchers, only one BUMDes is managed in a sharia way. Sharia managed means that in operation it uses terms or contracts contained in *muamalah fiqh*, as is commonly used in Islamic banks. In addition, the AD / ART also explained that the BUMDes referred to the sharia system in its operations. Apart from that, using the conventional system means using the interest system in providing credit to customers. Interest system in the view of the majority of scholars is categorized as usury. *Riba* in the view of *ulama* is the existence of added value from the principal capital that is not obtained through legitimate means

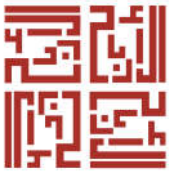


according to sharia (Suhirman, 2015). The legitimate way according to sharia is the use of agreements agreed upon by the ulama such as mudharabah, ijarah, murabahah, al-ijarah al-maushufah fi al-dzimmah, and so forth.

BUMDes managers have several arguments why the BUMDes they manage do not use the sharia system as their operational basis. The underlying factors are because they do not understand sharia management. Some of them are not ignorant about contracts that can be used. Theoretically they know and understand in general about the contracts commonly used in Islamic banks through social media and electronics. They lack technical understanding. His ignorance is more about the way of practice in its operations in detail. They worry when in practice they cannot implement it according to theory so that it can pose a risk in the BUMDes business they manage. This concern is a natural thing because they are given the mandate to manage business entities whose capital sources are village funds. This village fund must be managed carefully because there are many interested parties to make an issue of it. What's more, on average, they are the first managers or early pioneers.

Different factors are also caused because they are not approved by the village head and the forum in the Village Deliberation (Musdes). Forum approval, such as the Village Deliberation, is a mechanism in the establishment and determination of the BUMDes operational system. The operational system must be clearly contained in the Statutes / Ruman Stairs Budget (AD / ART). Whether to use the sharia system or not, when the forum does not approve it must use the system as recommended by the forum. However, of the few respondents who were sampled in this study, only 11.1% experienced this problem while others did not.

Another reason is related to their perception of sharia management. According to some of them, sharia management is no different from the usual, conventional management model. In their view, the benefits that can be obtained are the same, depending on how professional the management is. Some even consider sharia management more risky to suffer losses. Profitability is less competitive than conventional systems. Indeed, when

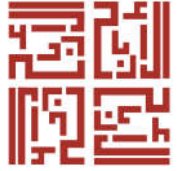


viewed from the side of certainty in obtaining profits, conventional systems are more promising. The results of research in several countries indicate that, Islamic banks are still below conventional banks with accumulated profits. This fact is undeniable, because the conventional bank market is wider. He can enter all business sectors and businesses. In contrast to Islamic banks which can only reach markets or sectors that are considered halal in Islam (Fachrudin, 2018).

### **Conclusion**

This study concludes that the organizational affiliation and character of moderate Islam is the Islamic way adopted by BUMDes managers in Central Lombok. The character of moderate Islam indicates a great opportunity for BUMDes to be managed in a sharia way. The character of moderate Islam (Islam Wasathiyah) is a great opportunity because moderate Islam is open to changes. Not rigid in looking at every change. The more so, the changes and innovations that occur in muamalah are the realms of fiqh which must always develop. The muamalah field must continue to innovate to adapt to situations and conditions that continue to evolve and change. Likewise in terms of the Islamic commitment of the BUMDes manager. The majority of managers have a good commitment to the practice of Islamic fundamental teachings. A good commitment to the value of truth that someone believes will lead him to hold and live the values of truth that he believes. These two factors indicate the existence of a pretty good future for BUMDes to be managed syariah in Central Lombok.

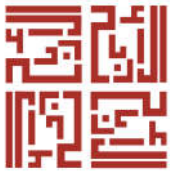
The response of the BUMDes manager to Islamic banks and their products, based on the data obtained is quite good. The majority of them know and understand the products and contracts used in Islamic banks. The majority of BUMDes managers are of the opinion that the implementation of the contracts used by sharia banks is in accordance with sharia and is free from usury. However, the contracts they value are in accordance with sharia and are free from the element of usury they do not implement in the BUMDes they manage. Because on the one hand, the majority of them claimed that the



savings and loan business carried out in the BUMDes that they managed was not included in the *riba* category even though they used the interest system to make a profit. Then this becomes a contradiction between what is known and understood and what they practice. Thus, from this response the future of Sharia-based BUMDes will still be a matter of time. BUMDes argumentation that is not managed *syariah* is also an obstacle. The main obstacle is the perception of BUMDes managers that the non-sharia system is more profitable (*al-istirbah*) than the sharia system. This means that profitability is more important than sharia values. This has become a fundamental, it needs intense and serious education on Islamic financial management systems.

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