



**INVESTMENT OPPORTUNITIES: MEASURING THE POTENTIAL OF
ISLAMIC COOPERATIVES AND VILLAGE-OWNED ENTERPRISES**

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ABSTRACT

Indonesia is currently developing a variety of creative economies. The great potential in the Indonesian economy that still needs to be optimized is Village-Owned Enterprises (BUMDes) and Sharia Cooperatives. Besides. This is because Indonesia has 83,971 villages by 2023, a high Muslim population, the average age of the population is productive age, the culture of Indonesian citizens who live socially, the need for high capital sources and the need for micro-investment is still high. This research was conducted to obtain a clear picture of the potential of Islamic cooperatives and BUMDes in Indonesia. The method used in this research is descriptive quantitative method. The data used to examine Islamic cooperatives is sourced from the Financial Services Authority accompanied by case studies. While BUMDes data uses a sample of 632 BUMDes spread throughout Indonesia. The results of this study show that the growth of Islamic cooperatives is visible in terms of assets, market share and turnover. On the other hand, the level of Islamic financial literacy in Indonesian society is also growing rapidly. In addition to sharia cooperatives, BUMdes also have great potential. The development of BUMDes can be measured from the growth of BUMDes' turnover value. Some BUMDes have a turnover of up to tens of billions of rupiah. For the community and government, investing or cooperating in the sharia cooperative and BUMDes sectors is a wise decision. This is because such decisions can provide future profit opportunities while creating a large domino effect for the community and the country.

Keywords: Investment, Village-Owned Enterprises, Cooperatives, Sharia, Potential

A. INTRODUCTION

The Central Bureau of Statistics (BPS) reported that Indonesia's economic growth in 2019 reached 5.02%, which did not meet the government's target of 5.2%. In addition, the growth rate also decreased compared to 2018 which amounted to 5.17% and 2017 which amounted to 5.07%. In the fourth quarter of 2019, economic growth was even recorded quite low, at only 4.97%. BPS revealed that Indonesia's low economic growth was caused by a slowdown in several economic sectors, a decline in household consumption and weakening purchasing power. In the fourth quarter of 2019, household consumption fell by 4.97%.

The year 2023 was a challenging period for the Indonesian economy. Economic growth slowed to 5.05 percent, slightly below the 5.31 percent growth of the previous year. (Sipayung, 2024). The potential for a global economic slowdown and geopolitical risks remain high. It is estimated that the United States economy will experience a soft landing, while Europe is stagnating. China, as Indonesia's main trading partner, is also experiencing a slowdown. The development of the Fed's interest rate policy also needs to be anticipated by Indonesia. The Russia-Ukraine war continues and the number of Covid-19 cases is increasing worldwide although it has not caused a global health emergency situation. Geopolitical tensions between the US and China are also increasing.

The trade balance surplus in the past two years has proven to be an important pillar for the external resilience of our economy. However, slowing global economic growth leading to

falling commodity prices and weakening exports has put pressure on the domestic economy. Hence, there is a need for anticipatory measures to mitigate its negative impact domestically.

Capital and the creative economy can be a solution to the nation's economic problems. Easy and affordable capital can be directed to MSMEs and low-income communities. Meanwhile, the creative economy can maximize local wisdom which is also closely related to the unique geographical conditions of Indonesia.

According to the *Economie Journal* from Sunan Ampel Surabaya State Islamic University, before the Covid-19 pandemic there were around 92.7 percent of businesses that were in good or very good condition. While only 1.0 percent were in bad or very bad condition. However, after the pandemic, the percentage of businesses in poor or very poor condition increased to 56.8 percent. (Joko Nurcahyo, 2022). Surveys from institutions such as BPS, Bappenas, and the World Bank also show that the pandemic has caused many MSMEs to face difficulties in repaying loans or difficulty in paying bills for electricity, gas, rent, and employee salaries. Some of them have also been forced to lay off workers. (Utomo & Pratama, 2024)

As many as 52.4 percent of MSME players ran out of cash and savings, leaving them with no capital to continue their business. Meanwhile, another 32.8% only have spare funds for the next month. To fulfill the working capital needed to bounce back from their business decline, MSME players have different ways. As many as 39 percent of MSME players borrowed from family and relatives, 24.6 percent of MSME players used their own funds, 10.5 percent borrowed from Non-Bank Financial Institutions and only 1 percent managed to obtain loans from banks.

In the midst of the complexity of the globalization era, the existence of economic alternatives based on Sharia principles is increasingly relevant. One such alternative is the Sharia cooperative. These cooperatives operate based on Sharia values, creating a sustainable and fair economic system. (Prudential Syariah, 2022).

Sharia Cooperatives offer a variety of financing products in accordance with Sharia principles, such as productive financing and working capital for members who want to develop their businesses. The financing system is fair and not burdensome, as it is free from interest and penalties.

An understanding of Sharia cooperatives, including their principles, business models, and advantages, is essential for Indonesians to build a just and sustainable economy. Sharia cooperatives present a solution that is in line with Islamic values in addressing economic injustice and creating an ethical business environment.

In terms of operations, Islamic cooperatives apply the principles of prudence and strict transparency. Every product and service offered must go through an evaluation and approval process from the Sharia Supervisory Board, which ensures that all transactions carried out by members are strictly in accordance with sharia principles. Transparent fund management and clear distribution of business results are the advantages of Islamic cooperatives, which are difficult to find in conventional financial institutions. (HM Sholeh Wafie, 2024).

In addition to providing spiritual and financial benefits, Islamic cooperatives also play an important role in empowering the people's economy. Through various productive financing programs, Islamic cooperatives contribute to the development of micro, small and medium enterprises (MSMEs), which are the main pillars of the national economy. This is in line with the social mission of Islamic cooperatives to create shared prosperity and economic equity.

Indonesia is currently developing a variety of creative economies. One of the great potentials in the Indonesian economy that still needs to be optimized is Village-Owned Enterprises (BUMDes). This is because in Indonesia there are thousands of villages with unique potential and diverse natural conditions. Indonesia has 83,971 villages in 2023.

Indonesia has a very stunning natural beauty that is spread throughout the province. This natural beauty can be a tourism potential that can attract the attention of local and foreign

tourists. Tourism in Indonesia still has a lot of potential that can be developed and become a massive economic driver.

By mid-2023 the number of BUMDes in Indonesia will reach 60,417 with 16,558 already incorporated. (Zubi Mahrofi, 2023). This is encouraging because the opportunity to develop BUMDes from various aspects is increasingly open. The number of BUMDes increased from 2021, which amounted to 57,288. In 2022 the number of BUMDes reached 60,417 and 6,583 joint BUMDes. In 2022, 12,285 BUMDes are already legal entities.

The research was conducted to obtain a clear picture of the development of sharia cooperatives and BUMDes in Indonesia. This needs to be done because the domino effect of the activities and existence of these two types of institutions is quite significant for the Indonesian economy. Another reason why this research was conducted is that the potential for the development of Islamic cooperatives and BUMDes is quite large in Indonesia.

The results of this study will provide an overview of the potential of sharia cooperatives and BUMDes in Indonesia. This research will try to describe the conditions and efforts that can be made to support these two sectors if they have potential. This research also compares the potential of sharia cooperatives and BUMDes and provides alternatives on efforts that can be made after making the comparison.

Sharia cooperatives are often referred to as Sharia Savings and Loan and Financing Cooperatives (KSPPS) or Sharia Savings and Loan and Financing Units (USPPS). The business activities of this cooperative are quite extensive, including savings and loans and financing based on sharia-based muamalah contracts. In addition, Islamic cooperatives can also manage zakat, infaq, sadaqah, and even waqf if possible.

If the Islamic cooperative is not only engaged in Islamic financial business but also manages zakat, infaq and sadaqah, then the institution is known as Baitul Maal wat Tamwil (BMT). However, if it only focuses on Islamic financial business, the institution is called an Islamic cooperative. The implementation of sharia cooperatives in Indonesia is regulated by the Regulation of the Minister of Cooperatives and Small and Medium Enterprises (KUKM) Number 16/Per/M.UKM/IX/2015 on Sharia Savings and Loan and Financing Business Activities by Cooperatives.

Sharia cooperatives are a form of legal entity consisting of people or cooperative legal entities by basing their activities on sharia principles as well as a people's economic movement based on family principles. Sharia cooperatives aim to prosper their members, including individuals and cooperative legal entities, and are jointly controlled by all members with each member having equal voting rights in every decision made by the cooperative. Islamic cooperatives are engaged in financing, investment, and savings in accordance with the profit-sharing pattern (sharia), as part of the business activities of the cooperative concerned. The distribution of cooperative profits (commonly called Sisa Hasil Usaha or SHU) is calculated based on the member's share in the cooperative.

Sharia cooperatives also have basic principles which include membership is voluntary and open, decisions are made by deliberation and implemented consistently and consistently, management is carried out transparently and professionally, the distribution of the remaining results of the business is carried out fairly in accordance with the amount of business services of each member, the provision of capital services is carried out in a limited and professional manner according to the profit sharing system, and honest, trustworthy, and independent. Sharia cooperatives in carrying out their activities are based on Islamic sharia principles, such as membership is voluntary and open, decisions are made by deliberation and implemented consistently and consistently, management is carried out transparently and professionally, the distribution of the remaining results of the business is carried out fairly in accordance with the amount of business services of each member, the provision of capital services is carried out in

a limited and professional manner according to the profit sharing system, and honest, trustworthy, and independent.

Islamic cooperatives also have a role in improving the people's economy, by upholding the principles of Islamic economics, such as wealth is a mandate of Allah SWT which cannot be owned by anyone absolutely, humans are given freedom in muamalah as long as they do not violate sharia provisions, humans are representatives of God and prosperous on earth, uphold justice and reject every form of ribawi and concentration of economic resources in a handful of people or groups of people only. Sharia cooperatives also have a legal basis based on the Al-Qur'an QS. Al-Baqarah (2): Verse 275, which explains that Allah has legalized buying and selling and forbidden usury. In the implementation of its activities, Islamic cooperatives also have a dual role as a business institution (tamwil) and as a social institution to collect, manage, and distribute zakat, infaq / alms, and waqf funds.

In empowering members, Islamic cooperatives also have efforts to empower members through training and optimal development of human resources, economic resources, and information resources. Overall, Islamic cooperatives have a goal to prosper their members, are engaged in financing, investment, and savings, have basic principles which include voluntary and open membership, have a role in improving the people's economy, have a legal basis based on the Qur'an, have a dual role as a business and social institution, have a research paradigm, have data sources derived from interviews and literature studies, and have efforts to empower members through training and resource development.

Badan Usaha Milik Desa (BUMDes) is a business entity established by the village and domiciled in the village, all or most of whose capital comes from the village, which is depreciated to improve the welfare of the village community and strengthen the village economy. BUMDes is one form of village economic institution that aims to manage village assets, develop village businesses, provide services, and distribute profits for the welfare of the village community. The implementation of BUMDes is based on several legal foundations, namely:

1. Law Number 6 Year 2014 on Villages.
2. Government Regulation No. 43/2014 on the Implementation of Law No. 6/2014 on Villages.
3. Regulation of the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 20/2018 on the Procedures for Establishment, Management, and Supervision of Village-Owned Enterprises

The establishment of BUMDes has several objectives. The objectives of establishing BUMDes include improving the welfare of the village community, strengthening the village economy, increasing village own-source revenue (PAD), creating jobs for the village community and improving the quality of life of the village community.

BUMDes can run various types of businesses, including businesses providing goods and services, village natural resource management businesses, savings and loan businesses, trading businesses, financial service businesses and tourism businesses. BUMDes are established and managed based on principles including partiality to the interests of the village community, sustainability, efficiency and effectiveness, accountability, transparency, democracy, the role and challenges of BUMDes. BUMDes are expected to play an important role in village development, including increasing the income and welfare of village communities, strengthening the village economy, increasing PAD, creating jobs, and improving the quality of life of village communities.

Despite its great potential, BUMDes also face several challenges. These challenges include lack of competent human resources, lack of capital, lack of access to markets, lack of public understanding of BUMDes and weak BUMDes institutions. The future of BUMDes in Indonesia is still very good. This is supported by several factors, namely government support through regulations and policies, increasing public awareness on the importance of BUMDes

and the increasing number of villages establishing BUMDes. In order for BUMDes to develop and reach its full potential, efforts are needed such as increasing the capacity of BUMDes human resources, increasing BUMDes capital. Increased BUMDes access to markets, increased community understanding of BUMDes and BUMDes institutional strengthening.

B. RESEARCH METHODS

This research uses descriptive quantitative research methods. Descriptive quantitative method based on Arifin et al., (2023) is an approach in research that focuses on collecting and analyzing data in the form of numbers to describe, explain, or summarize the phenomenon being studied. This method is used to measure and compare the potential of the two institutions based on quantitative data.

This research will collect quantitative data from various sources. The data includes financial statements, number of members, level of community participation, turnover, and operational performance of Sharia Cooperatives and Village-Owned Enterprises (BUMDes) in Indonesia. The data in this study is secondary data. The data used to examine Islamic cooperatives is sourced from the Financial Services Authority accompanied by case studies. While the BUMDes data uses a sample of 632 BUMDes spread throughout Indonesia.

Once the data was collected, descriptive quantitative methods were used to describe the characteristics or conditions of the two entities. The potential calculations used in this study are the average and growth of various financial data. Furthermore, identification can be made of the growth potential, challenges and opportunities of the two entities based on the data that has been analyzed. Using a descriptive quantitative method, this study is not only able to statistically illustrate the differences between Sharia Cooperatives and BUMDes, but also provide empirical insights into their potential in supporting the local economy in Indonesia.

C. RESEARCH RESULTS AND DISCUSSION

Based on experiences in several developing countries, microfinance has proven to be one of the effective tools in reducing poverty in those countries. Following the success of Grameen Bank in Bangladesh, the microfinance revolution has spread widely in many developing countries. Related literature shows that microfinance has a positive impact on poverty reduction, making it an effective tool in many countries such as Bangladesh, Bolivia, and others.

Like BUMDes, sharia cooperatives have great potential as drivers of the Indonesian economy. This is due to the high Muslim population, the average age of the population is productive age, the culture of Indonesians who live socially, the need for high capital sources and the need for micro-investment is still high. The concept of Islamic finance in Indonesia also has good potential.

Pew Research Center in 2011 published that the world's Muslim population increased by 35% and is expected to reach 2.2 billion by 2030. Indonesia has the largest Muslim population with 209,120,000 people (87.2%), hence the economic empowerment of communities at the rural level through the establishment of Sharia Cooperatives is urgently needed. This can help drive the economy in a fair manner. Attention to Sharia Cooperatives began to increase with the growth of BMT (Baitul Maal wat Tamwil) in Indonesia, which was first pioneered by BMT Bina Insan Kamil in Jakarta in 1992. This BMT was able to make a significant contribution to the economy of the lower classes, especially for micro-entrepreneurs.

In 2021, the number of sharia cooperatives in Indonesia reached 150,223 outlets. By December 2022, there will be 3,912 sharia savings and loan and financing cooperatives (KSPPS) with 4.6 million members and total assets of 20.67 trillion rupiahs. (Iwan Rudi Saktiawan, 2023). The number of KSPPS at the end of 2022 increased compared to 2021, which amounted to 2,253 units. In addition to data on Islamic cooperatives, there is still data on Baitul Maal Wa Tamwil (BMT) which is similar or can be categorized as an Islamic cooperative. In 2020, the

number of BMTs throughout Indonesia is estimated to reach 3,043 units with total assets of IDR 1.5 trillion. Data on the number of BMTs and their assets is quite difficult to find.

The development of sharia cooperatives in Indonesia is currently showing significant growth. Based on data from the Ministry of Cooperatives and SMEs (Kemkop UKM) in 2017, the number of Islamic savings and loan cooperatives (KSPPS) and Islamic savings and loan financing units (USPPS) has reached 3,805 units, or around 4.78% of the total 79,543 savings and loan cooperatives. At that time there were 1,097 KSPPS units and 2,163 USPPS units.

The business volume of (KSPPS) and (USPPS) in 2017 was IDR 4.71 trillion. (Tety Polmasari, 2018). According to the Islamic financial literacy survey by the Financial Services Authority (OJK) in 2016, the Islamic financial literacy index in Indonesia was 8.11%. The province with the largest literacy index is East Java, with a percentage of 29.53%.

In 2024, the results of the National Survey on Financial Literacy and Inclusion (SNLIK) showed that the financial literacy index of the Indonesian population reached 65.43%. The financial inclusion index reached 75.02%. Meanwhile, the sharia financial literacy index of the Indonesian population is 39.11% and the sharia financial inclusion index is 12.88%. These results increased rapidly compared to the 2016 survey year.

In 2018, the best KSPPS in Indonesia was located in East Java, namely KSPPS BMT UGT Sidogiri. The Minister of Cooperatives and SMEs stated that BMT UGT Sidogiri played an important role in increasing the national Cooperative GDP, which reached 4.48%. (Hilal et al., 2022). It has won The Best Islamic Micro Finance award from Karim Consulting Indonesia for two consecutive years thanks to its professional cooperative management. BMT UGT Sidogiri's performance continues to increase every year, with the remaining profit from operations (SHU) in 2018 reaching Rp71.775 billion and total assets of Rp2.254 trillion.

Until mid-2019 BMT UGT Sidogiri had reached the highest turnover of Rp 16 trillion in 2016 and had assets worth Rp 2.3 trillion. Aside from East Java, this sharia-based cooperative also has branches in 11 other provinces, including Kalimantan and Riau Islands. BMT UGT Sidogiri's initial capital when it was founded in 2000 was Rp 119 million.

Islamic economics and finance in Indonesia, which includes Islamic banking, Islamic capital markets, insurance, pension funds, financing institutions, and other Islamic financial services institutions, continues to show progress. By the end of December 2023, the total assets of the Islamic financial industry (excluding Islamic stock capitalization) had reached Rp2,582.25 trillion, with positive growth of 9.04% (yoy) from the previous Rp2,368.24 trillion (Otoritas Jasa Keuangan, 2023).

The positive performance and resilience of Islamic financial services institutions are recognized globally, with Indonesia maintaining its 3rd place ranking in the Islamic Finance Development Indicator (IFDI) 2023. In the Global Islamic Fintech Index 2023, Indonesia is also in 3rd place. In addition, Indonesia's Green Sukuk has won 15 awards from various international institutions for its positive impact on the environment. These policies and progress are fully outlined in LPKSI 2023.

Globally, the Islamic finance industry reached total assets of USD4.5 billion, with 11% growth by 2022. Almost all sectors in the industry recorded positive growth, except for the Islamic Funds sector which experienced a slowdown. Nevertheless, the Islamic finance industry is projected to continue to grow and is estimated to reach USD6.7 billion by 2027.

As one of the countries with the largest Islamic finance industry, Indonesia ranks 7th in the world. Indonesia's Islamic finance industry has also achieved 3rd place in the Islamic Finance Development Indicator 2023, as published in the Islamic Finance Development Report 2023. In addition, Indonesia is also in 3rd place in the Global Islamic Economy Indicator Score, with Islamic finance as one of the indicators.

In an effort to maintain the momentum of economic growth, Indonesia's Islamic financial services sector also continued to record significant growth. This growth was driven by good

performance in each sector. Islamic banking grew by 11.21% (yoy). The Islamic capital market increased by 7.43% (yoy). The Islamic non-bank financial industry (IKNB), which consists of PPDP and Islamic PVML, grew significantly by 12.98% (yoy). This achievement shows the increasing role of the Islamic financial industry in supporting national economic development, with a market share that now reaches 10.95%.

The performance of the Sharia Financing Company Industry, Sharia Venture Capital Companies, Sharia Microfinance Institutions and Other Sharia Financial Services Institutions (Sharia PVML) as of December 2023 was observed to be good and stable. This is reflected in the growth of total assets of Sharia PVML which has increased (19.38% yoy) to Rp102.87 trillion, while in 2022 it amounted to Rp86.17 trillion. The largest increase in Sharia PVML assets in Sharia Financing Companies experienced an increase (39.04% yoy) to Rp30.42 trillion, while in 2022 it amounted to Rp21.88 trillion. Furthermore, Sharia secondary housing finance companies (PPSP) also experienced an increase in assets of (38.76% yoy) to Rp 5.37 trillion, while in 2022 it amounted to Rp 3.87 trillion. Then Sarana Multi Infrastruktur Syariah which experienced an increase (29.47% yoy) to Rp9.05 trillion, while in 2022 it amounted to Rp6.99 trillion.

By the end of 2023, the market share of the Sharia PVML industry reached 10.48%, compared to the total assets of the PVML industry of IDR 981.38 trillion. The market share of the PVML industry increased by 1% from 9.48% in December 2022. Sharia PVML assets grew 19.38% (yoy) to IDR102.87 trillion in December 2023, up from IDR86.17 trillion in December 2022. This asset growth occurred in various sectors, including Sharia Financing Companies grew by 39.04%, Sharia Pawnshops grew by 22.49%, Sharia P2PL Fintech grew by 3.78%, Sharia Venture Capital Companies grew by 1.75%, Sharia MFIs grew by 3.84%, Secondary Housing Companies grew by 38.76%, SMI Companies grew by 29.47%, and PNM Companies grew by 10.07%.

The number of Sharia PVML players until the end of 2023 was recorded at 133 entities, consisting of 99 full sharia entities and 34 sharia business units. However, the number of Sharia PVML actors experienced a slight decrease of 0.75% (yoy) compared to 2022 which recorded 134 entities. Until the end of 2022, the performance of the Islamic IKNB sector showed improvement. Sharia IKNB recorded positive growth, marked by an increase in assets of 21.27%, from Rp120.61 trillion to Rp146.267 trillion. Sharia IKNB assets were dominated by Specialized Sharia Financial Institutions (39.26%), followed by Sharia Insurance (30.87%) and Sharia Financing Institutions (22.63%). (Otoritas Jasa Keuangan, 2022).

Sharia IKNB players can generally operate fully with sharia principles (full fledged) or as a Sharia Business Unit (UUS). By the end of 2022, there were 211 Sharia IKNB business actors, consisting of 121 companies operating fully with sharia principles and 90 sharia business units. The decrease in the number of entities occurred mainly in sharia units in the insurance sector and finance companies.

Table 1. Development of the Number of Sharia IKNB Actors in 2021-2022

Industry	2021		2022	
	Full	UUS/PIS	Full	UUS/PIS
Sharia Life Insurance	7	23	8	21
Sharia General Insurance	6	19	6	19
Sharia Reinsurance	1	3	1	3
Islamic Finance Company	5	28	4	27
Islamic Venture Capital Company	4	2	5	2
Sharia Infrastructure Financing Company	-	1	-	1
Sharia Pension Fund	4	6*	4	6*
Sharia Guarantor Company	2	7	2	7

Sharia Pawnshop Company	2	1	3	1
Indonesia Export Financing Agency (LPEI) Sharia	-	1	-	1
Sharia Secondary Housing Financing Company (PPSP)	-	1	-	1
Permodalan Nasional Madani Syariah	-	1	-	1
Sharia Information Technology-based Money Lending and Borrowing Services (P2PL)	7	-	7	-
Islamic Microfinance Institutions	82	-	81	-
Total	120	93	121	90

Source: Financial Services Authority, 2022

Table 2. Total Assets of Sharia IKNB 2018-2022 (billion Rupiah)

Industry	2018	2019	2020	2021	2022	Growth 2018-2022
Sharia Life Insurance *)	34.276	37.887	36.166	34.613	34.948	0,49%
Sharia General Insurance *)	5.459	5.817	6.019	6.560	7.788	9,29%
Sharia Reinsurance *)	1.863	2.091	2.098	1.971	2.411	6,66%
Sharia Financing Company	22.179	20.016	15.331	16.790	21.879	-0,34%
Shariah Venture Capital Company	1.277	2.734	2.696	3.273	4.229	34,91%
Sharia Infrastructure Financing Company	2.301	4.446	3.877	3.464	6.992	32,03%
Sharia Pension Fund (Including Financial Institution Pension Fund Investment Package)	3.388	3.945	7.996	9.116	9.856	30,59%
Sharia Guarantor Company	1.376	2.225	3.049	4.450	5.089	38,68%
Sharia Pawnshop Company	7.783	11.253	10.670	8.684	11.141	9,38%
Indonesia Export Financing Agency (LPEI) Sharia	14.660	13.383	14.041	9.471	8.876	-11,79%
Sharia Secondary Housing Financing Company (PPSP)	1.914	1.676	3.824	2.588	3.872	19,37%
Permodalan Nasional Madani Syariah	-	-	9.854	18.981	28.441	69,89%
Islamic Microfinance Institutions	278	468	500	567	600	21,20%
Sharia Information Technology-based	2	51	75	74	134	175,27%

Money Lending and
Borrowing Services
(P2PL)

Total 96.757 105.990 116.194 120.609 146.257 22,28%

Source: Financial Services Authority, 2022

Table 3. Market Share of Sharia IKNB in 2021-2022 (billion Rupiah)

Industry	2021			2022		
	Assets IKNB Sharia	IKNB Assets	Market Share (%)	Assets IKNB Sharia	Assets IKNB	Market Share (%)
Sharia Life Insurance *)	34.613	631.693	5,48%	34.948	617.628	5,66%
General Insurance and Sharia Reinsurance *)	8.530	222.830	3,83%	10.199	236.949	4,30%
ASN, TNI/POLRI, General Passenger and Road Traffic Accident Insurance	-	137.058	0,00%	-	163.870	0,00%
BPJS (Social Insurance)	-	651.445	0,00%	-	757.954	0,00%
Sharia Financing Company	16.790	433.108	3,88%	21.879	487.919	4,48%
Sharia Venture Capital Company	3.273	21.268	15,39%	4.229	25.940	16,30%
Sharia Infrastructure Financing Company	3.464	129.135	2,68%	6.992	133.898	5,22%
Sharia Pension Fund	2.151	329.546	0,65%	2.884	345.557	0,83%
Sharia Guarantor Company	4.450	36.904	12,06%	5.089	39.118	13,01%
Sharia Pawnshop Company	8.684	66.972	12,97%	11.141	75.281	14,80%
Indonesia Export Financing Agency (LPEI) Sharia	9.471	89.095	10,63%	8.876	87.034	10,20%
Sharia Secondary Housing Financing Company (PPSP)	2.588	33.747	7,67%	3.872	32.939	11,75%
Danareksa	-	2.782	0,00%	-	-	-
Permodalan Nasional Madani	18.981	43.522	43,61%	28.441	46.559	61,09%
Support Services	-	14.799	0,00%	-	17.496	0,00%
MicroSharia Financial Institution	567	1.384	40,98%	600	1.456	41,23%
Sharia P2P Lending Fintech	74	4.060	1,83%	134	5.513	2,42%
Total	113.638	2.849.349	3,99%	139.284	3.075.111	4,53%

Source: Financial Services Authority, 2022

According to the financial report at the end of 2022, the total assets of Islamic financing institutions reached IDR 33.10 trillion. These assets consist of assets of Islamic finance companies amounting to IDR 21.88 trillion (66.10%), assets of Islamic venture capital companies amounting to IDR 4.23 trillion (12.78%), and assets of Islamic infrastructure financing companies amounting to IDR 6.99 trillion (21.12%).

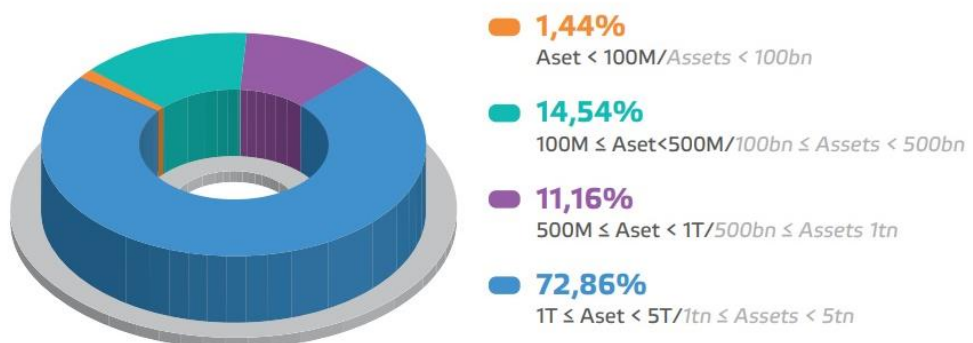
Throughout 2022, there was a revocation of business license for one pure sharia company and one sharia business unit. As a result, the number of Islamic finance companies by the end of 2022 was 31. This is illustrated in Figure 1. Of the 31 Islamic finance companies, six of them have assets above IDR1 trillion, and these six companies account for 72.86% of the total assets of Islamic finance companies, amounting to IDR15.94 trillion. This is illustrated in Figure 2, which shows the category of Islamic finance companies based on assets in 2022.

Figure 1: Number of Sharia Financing Actors 2018-2022



Source: Financial Services Authority, 2022

Figure 2: Category of Islamic Finance Companies by Assets in 2022



Source: Financial Services Authority, 2022

Based on December 2022 data, the assets, liabilities, and equity of Islamic finance companies experienced a significant increase compared to the previous year, growing by 30.31%, 34.96%, and 23.79%, respectively. The business activities of Islamic finance

companies include investment financing, service financing, and sale and purchase financing. According to the December 2022 financial report, net receivables of Islamic finance companies increased by IDR5.10 trillion, or 37.65% higher than in 2021, increasing from IDR13.56 trillion to IDR18.66 trillion. These receivables are still largely dominated by sale and purchase financing with sharia principles, reaching 85.27% of total Islamic financing receivables in 2022. All of this information is contained in Figure 3.

Figure 3: Assets, Liabilities and Equity of Islamic Finance Companies in 2021 - 2022 (trillion Rupiah)



Source: Financial Services Authority, 2022

Sharia cooperatives can be categorized as Sharia Microfinance Institutions. The value of assets of Islamic Microfinance Institutions continued to grow from 2018 to 2023 as listed in Table 2. Based on data for these 5 years, the average growth in assets of Islamic Microfinance Institutions was 17.09%. If using average growth, by the end of 2024 the assets of Islamic Microfinance Institutions are predicted to increase to 822.55 billion rupiah.

The existence of BUMDes has a positive impact on the economic and social sectors (Arindhawati & Utami, 2020). On the economic front, a BUMDes helps reduce unemployment in the village, improves the welfare of employees working there, contributes 40% of its net profits as Village Original Revenue, provides loans for community business development, and requires each Family Card to save money by collecting used goods that still have economic value to be purchased by the BUMDes.

In the social sector, BUMDes' contributions include the provision of BPJS assistance for the underprivileged, funeral compensation, procurement of wifi in each RW, funds for mosques, environmental development, the one house one toilet program, road infrastructure development, skills training, and the one Family Card one Bachelor program by providing monthly assistance, for example Rp 300,000. These contributions make the community see that BUMDes plays a role in improving their welfare.

Several BUMDes were used as samples in this study. The criteria for the BUMDes that we sampled were BUMDes whose data was published on the internet. Based on data collected from various sources, we found 20 BUMDes whose data is published on the internet. These BUMDes include those from Ponggok Village Klaten, Tlogo Village Klaten, Ceper Village Klaten, Manjungan Village Klaten, Sungai Nibung Village in Tulang Bawang, Tirtonirmolo Village Bantul, Tajun Village Buleleng Regency, Karang Kandri Village Cilacap Regency, Rokan Hulu Village Kampar Regency, Bleberan Village Gunung Kidul Regency, Landiri Village Bangli Regency, Pakisan Village Buleleng, Kedungprimpen Village Bojonegoro,

Tunjung Village Buleleng, Panggunharjo Village Bantul, Serang Village Purbalingga, Kutuh Village Badung, Sidowayah Village Klaten, Gedongarum Village Bojonegoro and Kemas Village Boyolali Regency.

In addition to the 20 BUMDes mentioned, there is also data on the combined turnover of 643 BUMDes food business units in Riau Province. For additional information, there are 16,155 food business units from BUMDes spread across Indonesia. Until the end of 2021, the existence of BUMDes in Indonesia has absorbed 100,911 workers with a turnover of IDR990.5 billion in one year.

Table 4. Data on BUMDes in Pongkok, Tlogo, Ceper and Manjungan Villages

Description	Waste BUMDes Tirta Mandiri	BUMDes Mukti Sejahtera	BUMDes Telaga	BUMDes Gerbang Emas	BUMDes Mahanani
Year Established	2009	2015		2017	2015
Legal Basis	Perdes No. 6 Year 2009	Perdes No. 4 of 2015	Parking at TWC, Toilets at TWC,	Perdes No. 2 Year 2017	Perdes No. 3 of 2015
Type of Business Activity	Tourism, Fisheries, Culinary Village Store/Minimarket, Clean Water Management, Procurement of Goods and Services	Credit Center, Productive Business Credit, PPOB Services, Land Rent, Non-Cash Food Assistance Distribution (BPNT)	Grocery and Photocopy Shop, Grocery Store, Educational Park, BNI46 Agent, Non-Cash Food Assistance Distribution (BPNT)	Management, Grocery Store, Educational Park, BNI46 Agent, Non-Cash Food Assistance Distribution (BPNT)	Umbul Susuhan, Car and Motorcycle Wash, Fishery.
Last Year Turnover (2019)	Rp.16,400,000,000	Rp.565,599,000		Rp.80,000,000	Rp.1,500,000,000
PADes contribution	40%	40%		-	50%
Contribution to Community Welfare	Employment opportunities for the Pongkok Village Community, Infrastructure Development of village process roads, village roads, farming roads and roads connecting Pongkok Village tourism objects, Social activities such as providing BPJS compensation, skills training/motivatio	Employment opportunities for the Tlogo Village Community, Credit facilitates the community in developing businesses and mandatory savings for each borrower.	Employment opportunities for the Ceper Village Community, Giving economic value to unused goods and used as savings (mandatory for each Family Card)	Employment opportunities for the Ceper Village Community, Giving economic value to unused goods and used as savings (mandatory for each Family Card)	Employment opportunities for the Manjungan Village Community, BPJS assistance for underprivileged people, Condolence money, Procurement of wif every RW, Remuneration for hansip who are in charge of regulating the road every morning, Funds for every mosque in Manjungan

nal training, routine village- level recitation, one house one toilet program, one Family Card one Bachelor program.	Village, Development of the surrounding environment (environment outside Manjunan Village)
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Source: Arindhawati AT, Utami ER (2020)

The next BUMDES that serves as an example is BUMDES Nibung Gemilang established on September 20, 2017 with a POS APMS business unit engaged in the sale of diesel fuel and gasoline. The establishment of the POS APMS business unit was driven by the long distance between Sungai Nibung Village and the nearest gas station. To support the implementation of the program, the village government allocated capital of IDR 42,000,000 for the establishment of the BUMDes. (Rahayu & Febrina, 2021). This capital participation fund was used to purchase operational support equipment for the POS APMS and to purchase one premium oil tank. (Hidayah et al., 2023)

The Sungai Nibung village government is very concerned about Village-Owned Enterprises after the birth of the Village Law. The Sungai Nibung village government provides support in the form of regulations and additional capital for the APMS POS Unit of 42,000,000. This additional capital is in line with regulations on Village Economic Enterprises (UED-SP) contained in PERBUP number 71 of 2017. Through the PERBUP, the capital disbursement of 1,043,388,284 can be carried out.

Table 5. Ongoing and Planned Business Sectors by BUMDes in Sungai Nibung Village

Business Unit Name	Product/Activity Implemented
USP	Save and borrow
POM APMS	Sales of diesel fuel and gasoline
Farmer Partners	Fertilizer and Pesticide Sales
LPG Base	3KG LPG Sales
My village	TOP UP sales of digital products, electricity tokens, credit, BPJS, etc.)
Graha Nibung Gemilang	Sales of Building Materials

Source: Rahayu S, Febrina R (2021).

As of April 9, 2017, there are 10 Village-Owned Enterprises (BUMDes) that have the largest turnover of all villages in Indonesia. (Yudi Rahmat, 2017). The top position is held by BUMDes Tirta Mandiri in Ponggok Village, Klaten Regency, which has a turnover of IDR 10.3 billion. If the 58.4 million village workforce earns an average of IDR 2 million per month, there will be IDR 116.8 trillion of money circulating in the village. This means that every year there will be Rp1,402 trillion circulating in the village.

The high turnover of money in the village will increase economic activity in the village. If village economic activity increases (Zaman & Pratama, 2023), it will have a positive impact

on improving the economy in underdeveloped peripheral areas. Economic growth in the village will affect national economic growth.

The second position for BUMDes with the largest turnover until the end of 2016 is BUMDes in Tirtonirmolo Bantul village with a savings and loan business that has a turnover of Rp8.7 billion. The third position is BUMDes Mandala Giri Amerta in Tajun Village, Buleleng Regency with a savings and loan business that has a turnover of Rp.5.1 billion. The fourth position is BUMDes Karang Kandri Sejahtera Karang Kandri Village, Cilacap Regency with a PLTU Supplier business that has a turnover of Rp3 billion. The fifth position is BUMDes Bangun Jaya of Rokan Hulu Village, Kampar Regency with a plantation and savings and loan business whose turnover is Rp.3 billion. The sixth position is BUMDes Sejahtera Bleberan Village, Gunung Kidul Regency with a business type of tourism services of Rp.2 billion. The seventh position is BUMDes Bulan Purnama of Landiri Village, Bangli Regency with a type of livestock business that has a turnover of Rp.1.6 billion. The eighth position is BUMDes Kayasari Desa Pakisan Buleleng with a turnover pompanization business of Rp.1.4 billion. The ninth position is BUMDes Sri Sedani village Kedungprimpem Bojonegoro with a Terop Rental business that has a turnover of Rp.1.3 billion and the tenth position is BUMDes Tunjung Mekar Village Tunjung Buleleng with a savings and loan business, electricity generation and a grocery store that has a turnover of Rp.1.3 billion.

By the end of 2019, there were 12 BUMDes that managed to record billions of rupiah in turnover (FW Hermawan, 2020). The first BUMDes is Kutuh Village BUMDes, which managed to record the largest turnover of IDR 50 billion in 2019. This BUMDes has nine business units, including the Village Credit Institution (LPD), Pandawa Beach Tourism Area, Gunung Payung Cultural Park, Paragliding Area, Kecak cultural arts, as well as various village services such as health and insurance services, educational tourism services, and customary village panyukerta services. (Ariyani et al., 2022; Pratama & Muhlisin, 2023)

The second BUMDes is BUMDes Tirta Mandiri from Ponggok Village, Polanharjo District, Klaten Regency, which recorded a turnover of Rp 12.6 billion in 2017 and increased to Rp 16.4 billion in 2019. Its business units include Umbul Ponggok, fish pond rental, meeting hall rental, event organizer, and minimarket.

Next, there is BUMDes Tajun from Kubutambahan Subdistrict, Buleleng Regency, Bali. Focusing on the clean water sector, savings and loans, and market management, this BUMDes recorded a turnover of almost Rp 10 billion in 2017. The fourth BUMDes is BUMDes Tirtonirmolo Bantul, which is engaged in the savings and loan business, with a turnover of Rp 8.7 billion. The fifth BUMDes is BUMDes Panggung Lestari from Panggunharjo Village, Sewon, Bantul, Yogyakarta Special Region. This BUMDes manages several business units, including household waste management, used cooking oil processing, nyamplung oil processing, Kampong Mataraman educational tourism, and a village supermarket. In 2019, BUMDes Panggung Lestari recorded a turnover of Rp 5.1 billion.

Next, BUMDes Serang Mandiri Sejahtera from Serang Village, Karangreja District, Purbalingga, Central Java. Established in 2010, this BUMDes is engaged in tourism, agriculture and microfinance. In 2019, they achieved revenues of almost Rp 4 billion. The seventh BUMDes is BUMDes Karang Kandri Sejahtera from Karang Kandri Village, Cilacap Regency, Central Java. This BUMDes is engaged in supplying PLTU and has a turnover of Rp 3 billion. In eighth place is BUMDes Bangun Jaya from Rokan Hulu Village, Kampar Regency, Riau, which has a plantation and savings and loan business with a turnover of Rp 3 billion.

BUMDes Sri Sedani from Kedungprimpem Village, Kanor Subdistrict, Bojonegoro, came in ninth place. This BUMDes is engaged in water pump rental, tent rental and savings and loans. In 2019, BUMDes Sri Sedani managed to achieve a turnover of Rp 2.5 billion. Next, BUMDes Sejahtera from Bleberan Village, Playen District, Gunungkidul. Its tourism service business generates a turnover of Rp 2 billion. The eleventh BUMDes is BUMDes Bulan Purnama from

Landiri Village, Bangli Regency, Bali with a livestock business unit and a turnover of Rp 1.6 billion.

Finally, BUMDes Tunjung Mekar from Tunjung Village, Buleleng Regency, Bali, was placed twelfth. This BUMDes has business units for savings and loans, electricity payments, and a grocery store. The turnover of BUMDes Tunjung Mekar is reported at IDR 1.3 billion. In 2021, Jaya Tirta Village-Owned Enterprise (BUMDes), Gedongarum Village, Kanor Subdistrict, Bojonegoro Regency became the representative of Bojonegoro Regency in the East Java Provincial level competition. Until the end of 2020 BUMDes Jaya Tirta was able to generate the highest revenue of IDR 4.1 billion. (Afifah, 2021; Pratama et al., 2022).

In 2022, the Riau Provincial Government awarded certificates to 643 Village-Owned Enterprises (BUMDes) with food business units in Riau Province. These 643 BUMDes are claimed to have the largest turnover in Indonesia with a value of Rp149 billion. Each BUMDes in Indonesia has a variety of business units, but the most numerous is the food business unit at 16,155 BUMDes. By the end of 2021, BUMDes in Indonesia had absorbed 100,911 workers with a turnover of IDR990.5 billion in one year.

BUMDes Sinergi, located in Sidowayah Village, Polanharjo District, Klaten Regency, is able to book a turnover of up to Rp3 billion throughout 2022. (Gigih Windar Pratama, 2023). Village-owned enterprises (BUMDes) are still the foundation for economic activities at the village level. According to Hartoyo, Director of BUMDes Sinergi, BUMDes Sinergi can utilize potential so that it continues to grow. As much as 40 percent of the 2022 profits have been given to add to the village government treasury. In 2023 their target turnover is 5-6 billion rupiah.

The same statement was also made by the Head of Finance of BUMDes Karya Lestari Manunggal, Muhammad Khairul Rais. BUMDes Karya Lestari Manunggal is located in Kemas Village, Sawit District, Boyolali Regency. Rais said that currently the BUMDes Karya Lestari Manunggal has a turnover of IDR 900 million per year and 30 percent of the turnover is given to the village government. He said the turnover before the pandemic was higher, reaching up to Rp1.5 billion per year.

In 2022, the Riau Provincial Government awarded certificates to 643 Village-Owned Enterprises (BUMDes) with food business units in Riau Province. (Amin, 2022). These 643 BUMDes are claimed to have the largest turnover in Indonesia with a value of Rp149 billion. Each BUMDes in Indonesia has various business units, but the most numerous is the food business unit at 16,155 BUMDes. By the end of 2021, BUMDes in Indonesia had absorbed 100,911 workers with a turnover of IDR990.5 billion in one year.

From the 662 BUMDes whose data has been shared on the internet, it can be seen that the highest aggregate turnover of all BUMDes samples is IDR 268,745,559,000. While the highest average turnover of BUMDes is IDR 405,960,058. If the total number of BUMDes in 2023 is 60,417 multiplied by the highest average turnover of IDR 405,960,058, the potential turnover of all BUMDes in Indonesia is IDR 24,526,888,879,309. If this average is multiplied by the total number of villages of 83,971, the potential turnover is IDR 34,088,872,106,932.

Communication and socialization between BUMDes managers and the community is very important, as transparency and accountability in BUMDes management builds community trust that BUMDes can bring change and improve village welfare. Assistance in preparing financial reports in accordance with applicable standards is also required. Professionalism is needed for BUMDes managers, especially as there are personnel or staff who work part-time and have other jobs outside of BUMDes. In addition, BUMDes management training is needed for staff to improve institutional performance, as problems often arise from suboptimal human resources.

D. CONCLUSIONS AND SUGGESTIONS

Based on the description in the discussion, it can be concluded that Islamic cooperatives have good potential in the future. The growth of Islamic cooperatives can be seen in terms of

assets, market share and turnover. On the other hand, the level of Islamic financial literacy in Indonesian society is also growing rapidly. In addition to sharia cooperatives, BUMDes also have enormous potential. The development of BUMDes can be measured from the growth of BUMDes' turnover value. Some BUMDes have a turnover of up to tens of billions of rupiah. For the community and government, investing or cooperating in the sharia cooperative and BUMDes sectors is a wise decision. This is because such decisions can provide future profit opportunities while creating a large domino effect for the community and the country.

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