

THE BENEFITS OF PEOPLE'S BUSINESS CREDIT TO UMKM VIEWED FROM THE PERSPECTIVE OF ECONOMIC LAW

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Abstract: PERMENKO No. 1 year 2023 on Kredit Usaha Rakyat (KUR) is the foundation for the implementation of the program that supports the growth of the Micro, small, and Medium Enterprises (UMKM) sector. With the dominance of UMKM in the economic structure, the KUR program was initiated based on presidential instruction No. 6 of 2007, followed by an MoU between the government, guarantee institutions, and banks. KUR, run by certain banks, such as BRI, BNI, and Mandiri, gets unbankable UMKM. PERMENKO No. 1 year 2023 stipulates a maximum interest rate of 6%, a loan period of up to 7 years, and allows multiple loans subject to collectibility requirements. With a focus on UMKM that have difficulty accessing capital, the KUR program has succeeded in achieving effectiveness with the realization of reaching IDR 175,73 trillion as of September 2023. Although obstacles remain, such as the assumption of urbanicity and the unpreparedness of Micro business, KUR provides easier access to financing at low interest rates, accelerating the economic growth of UMKM.

Keywords: UMKM, KUR, Business.

INTRODUCTION

Micro, Small, and Medium Enterprises (UMKM) play a vital role in Indonesia's economic growth. During the economic crisis in 1998, the government relied on UMKM to mitigate the negative impact of the crisis. According to data from the central Bureau of Statistics in the UMKM business profile supported by LPPI and Bank Indonesia in 2015, it was involved that after the 1997-1998 economic crisis, the number of UMKM did not decrease, but instead increased. Until 2012, UMKM managed to empower between 85 and 107 million workers. At that time, the total number of entrepreneurs in Indonesia reached 56,539,560 units, of which around 99.99% were UMKM (around 56,534,592 units), while the remaining 0.01% or 4,969 units were large businesses (Ulfa & Mulyadi, 2020).

Wahyuni (2005) indicates that Micro, Small, and Medium Enterprises (UMKM) are an interesting issue to be considered and addressed. This is due to several reasons; 1) the ability of UMKM to survive during the economic crisis in Indonesia, 2) the level of government attention to the UMKM sector is still low, 3) the large number and wide distribution of UMKM throughout the place, potential in labor absorption, and, 4) the significant role of UMKM in contributing to national economy. Partono and Soejodono (2004) state that UMKM has a vital role as a provider of livelihood for the people of Indonesia (Riawan & Kusnawan, 2018).

Although UMKM are mentioned as one of the crucial contributors to the economy, in practice these entrepreneurs are not free from various obstacles and obstacles in developing their business, namely in the aspect of capital. Not a few UMKMs have difficulty getting access to loans in order to develop their business. UMKM must be maintained for the sustainability of the country's economic progress. Steps to improve access to financing sources have been taken through the provision of credit guarantees to UMKM through the people's Business Credit (KUR) program. On November 5, 2007,

the president launched the KUR program, with BRI, BNI, and Mandiri banks appointed as the first stage KUR implementers, while Perum Jamkrindo and PT Askrindo were appointed as guarantor companies based on the decree of the coordinating Minister of economic affairs number 170 of 2015.

The KUR program is guaranteed by the government to make it easier for people to get credit at low interest rates, but borrowers are still required to return funds in accordance with the agreed credit contract agreement (Handayani et al., 2018).

LITERATURE REVIEW

The theoretical framework refers to concepts that are abstractions from thoughts or reference bases which basically to make a conclusion about social dimensions that are considered relevant for research. The function of theory in this research is to provide direction or guidance and explain the observed symptoms. Whether it describes justice or not, the theory applied as the middle Theory is the theory of justice. The theory is expected to be able to analyze legal regulations, especially related to the government's contribution in channeling people's business credit funds to micro, small and medium enterprises. (Ade Komarudin, *Politik Hukum Integratif UMKM*, (Jakarta : RMBooks, 2014), n.d.).

In relation to this according to his concept of justice, it's important to consider the view proposed by Gustav Radbruch. According to law, the law can be divided into three aspects;

- a. Limited Justice, Which Refers To Equal Rights Before The Law For All Individuals.
- b. The Goal Of Justice, Or Finality, Determines The Substance Of The Law Because The Substance Of The Law Should Be In Accordance With The Goal To Be Achieved.
- c. Legal Certainty Or Legality, Where This Aspect Ensures That The Law Acts As A Rule That Must Be Followed.

Radbruch's understanding of justice is inseparable from Aristotle's view that classifies justice into distributive justice and commutative justice. Distributive Justice addresses how the state or society distributes justice to individuals based on their position or standing. While commutative justice includes the concept that individuals should be treated equally in the eyes of the law, or Equality Before The Law.

For philosophers such as Aristotle's, justice is considered the most important policy value. If translated from the perspective of experts on justice, the appropriate concept of justice is justice derived from Pancasila, especially in the fifth principle, which emphasizes "Social justice for all Indonesian People." This concept of justice is not only in accordance with the principle of the welfare state adopted by Indonesia and the legal basis for national economic development, as stipulated in article 33 of the 1945 Constitution of the Republic Indonesia.

This justice is also a moral value of law and a standard for the applicable legal system. This means that laws and policies related to Micro, small, and Medium Enterprises, both existing and those that will be made, are expected to increase the competitiveness of UMKM in the area of economic liberalization, so that the main goal of national development, namely the welfare and prosperity of the Indonesian people can be realized. The theory of the welfare state has its roots in the 18th century when Jeremy Bentham argued that government are responsible for ensuring the greatest happiness of as many of their citizens as possible.

This means that the government has an obligation to create as much happiness as possible for the largest number of citizens. In essence, a welfare state holds the state responsible for the welfare of its people. This concept is in accordance with the guidelines formulated in the fourth paragraph of the Preamble of the 1945 Constitution of the Republic Indonesia, which is then elaborated in a more specific context, where the provision confirms that the state, or government, was formed with the aim of protecting the entire Indonesian nation and the entire Indonesian blood spill, as well as improving

public welfare, improving people's knowledge, and playing a role in realizing world order based on the principles of independence, lasting peace and social justice. It's commonly understood that within a state there is a reciprocal relationship between the state and its citizens.

Legal protection will be a right for every citizen, which refers to legal protection efforts given to legal subjects in various forms, both in aspects to prevention and law enforcement actions, both in oral and written form. (Iskandar Putong, *Pengantar Ekonomi Mikro Dan Makro*, (Jakarta : Fakultas Ekonomi Universitas Indonesia, 2003), n.d.)

RESEARCH METHOD

The approach applied in this research is an empirical normative approach, which refers to legal analysis that not only focuses on the legal text itself (law in the book) but also on its implementation in society (Soemitro, 1990). Data sources are the origin and type of data used in a study. In this research, various data sources were used: primary data, secondary data, and tertiary data. These sources provide information and explanations of the underlying legal material and information derived from pre-existing legal materials. In the process of collecting information, the researcher is an interview technique.

The data collected was then processed using a qualitative descriptive approach, both in oral and written form produced by the observed subjects. The main characteristics of this data are its unaltered authenticity and the use of a systematic approach and can be accounted for in its truth.

RESULTS AND DISCUSSION

1. PERMENKO No. 1 Year 2023 Guidelines For The Implementasi Of People's Business Credit Supporting The Growth Of The Micro, Small, Medium Enterprises Sector Through The Provision Of People's Business Credit

According to data from the ministry of cooperatives and UMKM in 2018, there were 64,133,354 Micro and small business that were able to absorb a workforce of 112,757,796 people. They also contributed 42.85% of the Gross Domestic Product in that year. The data shows that the dominance of economic activities of micro and small business actors reaches 99.89% in the economic structure.

Based on Presidential Instruction 6/2007 on the policy of Accelerating Real Sector Development And Empowerment of micro, small, and medium enterprises, in November 2007 the implementation of the people's business credit program began. The implementation of people's business credit program is based on a Memorandum of Understanding (MOU) between the government, guarantee institutions, and banks on 9 October 2007 regarding guarantees to UMKM and cooperatives.

The signing of the Memorandum of Understanding (MOU) shows the seriousness of the government, banks and guarantee institutions in implementing the people's business credit program. (*Penandatanganan MoU Menjadi Komitmen Pemerintah, Perbankan Dan Lembaga Penjamin Untuk Melaksanakan Program Kredit Usaha Rakyat*, n.d.)

Kredit Usaha Rakyat (KUR) is a credit or financing scheme that has potential but experience obstacles in meeting the requirements expected by banking institutions (not yet classified as bankable). Unbankability here refers to collateral requirements that do not meet bank standards because the value of the collateral is less than that required by the bank. Therefore, the KUR program is supported by a guarantee from the government through a guarantee agency.

The people's business credit (KUR) program is only available through banks appointed by the government, including: Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Mandiri, Bank Syariah Mandiri, Bank Tabungan Negara (BTN), and Bank Bukopin. In 2011, KUR distribution was expanded with the involvement of all regional development banks (BPD) throughout Indonesia. KUR is basically a financing

facility for working capital and investment purposes specifically provided for productive businesses through a credit guarantee program. Individuals, groups, or cooperatives can access this program with a maximum credit of Rp. 500 million. (Ardiansyah, 2015).

PERMENKO No 1 of 2023 concerning guidelines for the implementation of Kredit Usaha Rakyat as a legal umbrella in running the KUR program and regulates relatively low compared to other loan products accompanied by easier requirements compared to commercial loans.

The loan period for working capital businesses is a maximum of 3 years and can be extended up to 4 years and 5 years for investments which can be extended up to 7 years. KUR recipients can take out more than one loan simultaneously under the condition of current collectibility, in accordance with the conditions listed in article 19 paragraph 6 among others;

- a. KUR in the same KUR Distribution
- b. Home Ownership Loan
- c. Credit Card
- d. Warehouse Receipt Credit
- e. Two- Wheeled Vehicle Credit or Leasing for Productive Purposes
- f. Loans Secured by Retirement Decree, and
- g. Consumptions Credit for Household Needs from Banks or non Bank financial Institutions in Accordance with the definition in the statutory Regulations (Koordinator et al., 2022).

This allows UMKM to gain easier access to finance. Through the improvement or regulations related to KUR as outlined in PERMENKO NO 1 of 2023, especially in the aspect of interest rates that have decreased from previous years to a maximum of 6% it has significantly encouraged the growth of UMKM and has become a catalyst for the realization of a digit business loan interest rate regime. (Aristanto et al., 2020)

2. People's Business Credit Encourages The Growth Of Micro, Small, And Medium Enterprises In The Perspective Of Economic Law First Subheading (Result)

Tambunan (2012;22) states that Micro, small, and Medium Enterprises (UMKM) are independent productive business units, which can be run by individuals or business entities in various economic sectors. In general, the difference between Micro Enterprises (UMi), and Medium Enterprises (UM) is based on the initial value of assets (Excluding land and buildings), as well as turnover or the number of permanent employees. Overall, micro, small and Medium Enterprises (UMKM) refer to business activities that produce goods and services by utilizing the main raw materials from natural resources, expertise and traditional artistic wealth in the local area. The characteristics of UMKM include the availability of easily available raw materials, easy use of technology, and basic skills that are generally passed down from generation to generation. UMKM have a tendency to absorb significant labor, have broad market access, the majority of their products are absorbed in the local or domestic market with the potential for export, some of which have local artistic and cultural characteristics, and economically empower economically weak local communities and provide significant benefits. (Halim, 2020)

Micro and Small Enterprises absorbed an estimated play an important role in the national economic structure, especially in employment and contribution to Gross Domestic Product, both at the regional and national levels. This crucial role can be seen from the dominance of the number of micro and small enterprises which reached 59,644,009 or 99.91% of the total 59,697,827 business actors in 2017. Micro and small enterprises absorbed an estimated 93,533,767 workers, accounting for about 96.9% of the total workforce engaged in various business sectors Domestic Product Reached 57.89% in the same year. In various field investigations, a major problem that continues to plague micro and small business enterprises seems to be the need for capital. Constraints in capital acquisition have been a major factor in the failure of micro business in many parts of the world.

According to Bambang Ismawan(2003), Micro Enterprises generally receive little attention and are considered to have no potential in obtaining funds from formal financial institutions, resulting in their economic growth only reaching subsistence levels. Micro enterprises are often deemed unqualified as viable borrowers by banks due to lack collateral, perceived to have low repayment capacity, tend to have minimal savings habits, and access to formal sources of funds is limited, leaving most of them to rely on their own capital. According to research by Bank Indonesia(2005),most UMKM (64.6%) need access to credit, but the majority of sources of financing for micro and small enterprises still come from personal and family capital. UMKM face several obstacles in obtaining loans from banks, such as high interest rates and difficulties in meeting collateral requirements.

On the banking side, there are concerns regarding the unpreparedness of micro and small enterprises in terms of business feasibility, including financial, marketing, and labor aspects. The government understands the challenges faces by micro and small enterprises,especially in terms of access to capital. Strategic efforts are needed, including in the area of financing for micro and small enterprises. Therefore, one of the crucial elements in driving economic growth is maximizing the contribution of the financial sector by improving access to financing for micro and small business.(Aristanto, 2019)

In overcoming the constraints on access to funding,the government issued a program related to KUR in 2007 that specifically targeted UMKM regarding the expansion of access to financing. The number reached 3.18 million.(Saputra, 2023)The target data for 2023 has been approved by the government for the distribution of KUR financing as a whole, which is Rp.450 trillion.(Pemerintah Siapkan Pemutihan Bagi Pemohon KUR Yang Ditolak Sistem - Kompas, n.d.)

Effectiveness is an essential element to achieve the goals that have been set in an organization,activity, or program. It's said to be effective when the goals or objectives that have been set are successfully achieved. Wahyuni(2016) explains that effectiveness refers to the achievement of mutually agreed goals. Measurement of effectiveness in general, one of which includes the following aspects;

In its implementation, the people's business credit program provides easy access to process provide convenience to UMKM so that they can significantly encourage their business development(Interview UMKM) in addition, late payments experienced by debtors are not necessarily persecuted by the bank but handled first through consensus. This provides a sense of security for debtors when facing bad credit (Interview Bank BRI).

The banks themselves consider the KUR program to be effective in encouraging the development of UMKM be effective in encouraging the development of UMKM because the KUR requirements are much simpler than other conventional credit products such as BRI Simpedes, making the disbursement process easier(Interview Bank Mandiri) UMKM play the most crucial role in economic growth because they stimulate economic dynamism.

The flexible and agile capabilities of UMKM allow them to adapt to changes in the business environment better than large enterprises. Economic have long recognized that the small industrial sector is one of the hallmarks of economic success and growth. Small industries contribute to development in a variety of ways, such as creating jobs, facilitating labour force growth and urbanization, and providing flexibility and innovation to meet the needs of the economy as a whole

CONCLUSIONS AND SUGGESTIONS

Based on the results of research that has been conducted by researchers, the following conclusions can be conveyed:

In 2018 the UMKM sector had several large business, contributed significantly to the labor force and Gross Domestic Product, and dominated the economic structure. The

government responded to needs of this sector by launching the kredit usaha rakyat (KUR) program as a special credit scheme for unbankable UMKM. KUR is guaranteed by the government and provided by certain banks. In 2023, PERMENKO regulation No.1 set a maximum interest rate of 6% easing UMKM financial access and encouraging the growth of thr UMKM sector as well as low lending rates.

UMKM play an important role in Indonesia's economy, but capital remains a major constraint. The KUR program has helped overcome this obstacle and has proven effective in supporting the growth of UMKM. Efforts to continue to improve access to financing for UMKM is a positive step in supporting positive steps in national economic growth. Based on the above conclusions, the researcher among others:

The government should supervise and toghten the course of the people's Business Credit program because in practice there are still many creditors during the applications process who still ask for a building in the form of a house certificate and vehicle BPKB to the debtor, which is noy in accordance with PERMENKO No 1, and for the banks, it would be better to further improve services in providing KUR so that UMKM actirs are better helped.

As well for UMKM as sebtors to always maximize these business funds in orde to advance their business, not for other things. UMKM are also endeavored to pay on time so that it can be made easier to apply for further loans.

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