

■ Submitted: 12 Nov 2021

■ Revised: 26 Nov 2021

■ Accepted: 24 Dec 2021

THE ROLE OF LOCAL GOVERNMENTS IN EMPOWERING MSMES THROUGH THE PEOPLE'S BUSINESS CREDIT PROGRAM IN WEST JAVA PROVINCE (Study Based on Business Law)

Edi Sofwan¹, Haryono², Amiludin³ and Asmawi⁴

edisofwan85@gmail.com, haryono@unpam.ac.id, tsamanytrans@gmail.com, awihaber@gmail.com

¹Universitas Pamulang

Jl. Surya Kencana No. 1 Pamulang – Tangerang Selatan

³Universitas Muhammadiyah Tangerang

Jl. Perintis Kemerdekaan No 1/33 Cikokol Babakan Kota Tangerang

⁴Universitas Banten Jaya

Jl. Ciwaru II No. 73 Kota Serang-Banten

*Correspondence email: edisofwan85@gmail.com

ABSTRACT The purpose of this study is to find, describe, and analyze the role of local governments to empower MSMEs through the people's business credit Program in West Java Province. This by the Regional Government is solely for the benefit of the West Java people by empowering existing MSMEs, namely through the People's Business Credit Program, which was launched by the Central Government. This research is qualitative. This research was conducted with a descriptive approach because the results obtained from this study are expected to provide a comprehensive and systematic description of the role of the West Java Regional Government in empowering Micro, Small, and Medium Enterprises. The results of this research can be useful in developing Business Law, especially related to increasing MSME Empowerment, and applied in the form of providing People's Business Credit through national banks, with the hope that the Welfare of the People or the West Java Community through MSMEs will be realized soon. So that welfare is not only enjoyed by entrepreneurs who have a large capital, but also the community in general.

KEYWORDS: Role, Local Government, MSME Empowerment, people's business credit.

INTRODUCTION

Prosperity, welfare, and justice of the people are the ideals of the nation as stated in the Preamble to the 1945 Constitution, an ancestral mandate that still must be fought for and realized by all components of society. The main problem of the nation, one of which is how the economy grows but is also fair and equitable in society by the mandate of the 1945 Constitution. Without prosperity, welfare, and justice it is difficult to achieve, as well as social stability so that the potential for disharmony or disharmony will always arise.

Policies in the banking sector must provide equitable services so that they can increase the role of micro, small and medium entrepreneurs or prospective new entrepreneurs. The weaknesses of many Micro, Small, and Medium Enterprises or new entrepreneurs include limited access to credit due to lack of experience or lack of collateral. Since 2007 the government has taken a policy of distributing People's Business

Credit, which is required to be implemented to state banks or other banks appointed by the government, for example, the distribution of by Bank Mandiri, BRI, BNI, etc.

This people's business credit system is not new because banks have implemented what is called Small Industry Loans, with lower interest rates compared to credit in general. Because this system is very beneficial for MSMEs and justice in the financial sector, it must always be improved and continued by the government, especially local governments. To develop a conducive environment for financial inclusion, various government programs that relate to low-income communities should continue to be improved in quality, including the People's Business Credit program. Likewise, banking access and services need to be expanded to reach all corners of the country. (Windi Maulidina Lestari, Volume VI/ Number. 2/ July 2019)

As the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises, it is stated that: Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria of Micro Enterprises. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled or become a part either directly or indirectly of a medium or large business that meets the criteria for Small Business. . Meanwhile, medium-sized businesses are productive economic businesses that stand-alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled,(Fuad, 2009)

The Regulation of the Coordinating Minister for the Economy of the Republic of Indonesia as Chair of the Financing Policy Committee for Micro, Small and Medium Enterprises Number 11 of 2017 concerning Guidelines for the Implementation of People's Business Credit, states that: People's Business Credit is credit or financing for working capital and/or investment to individual debtors /individuals, business entities and/or business groups that are productive and feasible but do not have additional collateral or additional collateral is not sufficient. (Samiyono, 2020)

To become a source of job creation and income opportunities for the lower middle class, but also a source for them to fulfill their life needs, a strong role and commitment are needed by the Regional Government, especially West Java Province to encourage, empower and develop MSMEs to be more developed, progress, evenly in all areas. Including the ease of getting assistance in disbursing People's Business Credit.

By empowering MSMEs that are more advanced and developing in all aspects of life, so that business actors can freely create or create products that are creative and full of innovation. Thus, MSMEs also have a role in encouraging national economic growth.

MSMEs have an important role in promoting economic growth, creating job opportunities, and strengthening the export structure. MSMEs also have an important role in accelerating poverty reduction. MSMEs produce products that are then consumed by the lower middle class. One of the efforts to develop and empower MSMEs is to channel credit for them. The purpose of this research is also in the context of the program to channel people's business credit to develop and empower MSMEs in Indonesia in general and West Java Province in particular.

Indeed, the problem that is often faced by business people, especially MSMEs is the problem of funds or capital to develop and grow the business. They are generally

constrained if they will get a loan from a bank there must be a guarantee. This condition makes MSMEs unable to develop properly. For this reason, there need to be policies from the Government that are in favor of them. One of them is the People's Business Credit Program.

MSMEs are the biggest source of people's economic life. These MSMEs are in all regions, villages, and cities, and cover almost all types of existing business fields. The resilience of MSMEs as one of the pillars that can support the nation's economy has proven to be able to survive and compete during the economic crisis. The empowerment of MSMEs is very strategic because MSMEs have great potential in driving the economic activities of the community as well as being the main source of income for the majority of the community in improving their welfare.

The classic problem faced by MSMEs is the limited access to banking as one of the most important sources of capital. In 2009, only 12 percent of MSMEs had access to banking (Fuady, 2008). Banks are reluctant to open access to credit for MSMEs due to several considerations, including high administrative costs for selecting, distributing, monitoring, and collecting small-scale credit payments to MSMEs. (Wahid, 2014). The high risk of bad loans because MSMEs do not have experience in managing credit and do not yet have a good financial recording system, making it difficult for banks to select and assess the business feasibility of MSMEs; the small-scale credit guarantee system has not been established; Banks have operational limitations in serving small-scale loans to MSMEs because they feel bound and must follow the provisions of banking procedures. (Damayanti, 2015)

Banks also have a significant role in the provision or distribution of People's Business Credit funds to Micro, Small, and Medium Enterprises. State-owned banks are government-owned banks that have this role in the distribution. Bank Mandiri, BRI, BNI, etc. are banks that are trusted by the central and regional governments to channel people's business credit to MSMEs at the local and even village level.

The method used in writing this research is by using normative juridical and sociological juridical research methods or empirical legal research using primary data. Furthermore, the empirical approach to knowledge is based on the facts obtained from the results of research and observations in the field. (Mukti Fajar Nur Dewata, 2019)

The approach method in normative research is a problem approach by looking at existing regulations and norms, existing legal theories and provisions of applicable laws and regulations as well as the opinions of scholars and experts. The data used in this approach is secondary data through a literature study. Meanwhile, other things are done with a sociological approach to problems that occur in the field regarding phenomena and realities that have to do with the role of local governments in empowering MSMEs.

RESULT AND DISCUSSION

1. The Role of Local Governments in Empowering MSMEs through the People's Business Credit Program

West Java Province with an increasingly dense population, the need for job creation, the growth of new entrepreneurs and entrepreneurs who are competitive at the ASEAN Economic Community level, the Bandung City government participates in implementing the program to accelerate the creation of one hundred thousand new entrepreneurs in the city of Bandung with a target of thirty-five thousand new

entrepreneurs who are expected to add quality, creative and innovative human resources as a provision for entrepreneurship and can create jobs for themselves and others.

MSMEs are the backbone of the Indonesian economy. It was proven in the global economic crisis in 2008, as well as the current COVID-19 pandemic, which can affect the national economy. MSMEs can survive and become a determinant of the current stability of the national economy. Therefore, the West Java Regional Government continues to foster and empower this sector through various programs, such as the launching of 100,000 new entrepreneurs and the disbursement of the People's Love Credit.

The efforts of the West Java Regional Government through the head of the West Java Cooperative and MSME Service continue to foster and empower MSMEs so that MSME actors can present good and quality products, packaged properly so that they can be marketed competitively with other products without large costs. (Sunardi, 2015)

The benefit for the community from the 100,000 MSME online movement is that it provides several opportunities that can be utilized by MSMEs participating in the 100,000 MSME Go Online Movement, including the largest distribution of Small Business Loans people's business credit in 1x24 hours, the incorporation of BUMN Creative Houses (RKB), transformation from unbanked to banked (financial inclusion), as well as the opportunity to create a TIN simultaneously for all MSME actors who will be online. Until now, inclusion in Indonesia is still not optimal. Around 60% of the people do not have a bank account, including MSME actors. In addition, the distribution of people's business credit is also still low, namely, 4 million MSMEs compared to the total MSMEs in Indonesia, especially West Java.

Efforts to build national entrepreneurship by going online for 100,000 MSMEs. The online process is carried out by participants by visiting the location/tent of the new online MSME registration to check the completeness of the data and requirements before being processed into online MSMEs. Registration for SMEs Go Online can also be done by filling out an online form at <http://umkmonline.id> with the format of the name of the UMKM, Location, Product/Service offered.

Another benefit of the 100,000 MSMEs online movement, apart from getting a free domain (.id) and hosting, participants can also market MSME products that have been online in leading marketplaces, including Tokopedia, Bukalapak, Blibli, Elevania, and shopping. The online movement of 100,000 MSMEs Go online is expected to be able to accelerate Indonesia's vision to become "The Digital Energy of Asia" with an emphasis on the strength of National MSMEs that can become players in it.

Law Number 23 of 2014 concerning local governments has mandated local governments to be responsible for the empowerment and development of Micro, Small, and Medium Enterprises, as a non-service mandatory affair including People's Business Credit. The West Java Regional Government continues to make various efforts to improve the quality of MSMEs. One of them is access to financing assistance through Small Business Credit. Local governments play a role by providing loan interest subsidies so that the people's business credit loan interest for MSMEs is only 8-9 percent per year. The government continues to improve the quality of MSMEs through the Program Credit Information System. This system was built by the Director-General of Treasury of the Ministry of Finance which is the single database of prospective MSME debtors throughout Indonesia. With the Program Credit Information System, the Regional Government can

propose and present data on MSMEs that have the potential to be developed and obtain financing. Thus, banks that access this Program Credit Information System will have information about the priorities of the Regional Government regarding MSMEs that need to be financed through people's business credit.

Based on people's business credit realization data obtained from <http://kur.ekon.go.id> in June 2021 based on the latest updated data, the number of West Java people's business credit recipients is 384,487 Debtors, while the amount of money received by people's business credit debtors is from the entire region. West Java as much as Rp. 12,297,163,979,684. West Java is the third-largest recipient of people's business credit after Central Java and East Java.

2. The role of the Regional Government in encouraging Financial Institutions to provide Small Business Loans to MSMEs

Provisions for the distribution of people's business credit by banks have been regulated in such a way as to make it easier for small business actors to access it while at the same time increasing public financial literacy. Related to this, several requirements must be met, such as business licenses and financial reports which are one of the government's efforts to educate business actors, in addition to using financial products and services to develop their businesses.

According to data from the Financial Services Authority Regional 2 West Java, that people's business credit interest will decline by 12% in 2021 to 8-9%, the government has scheduled to lower credit interest rates to 7%. Thus, this gradual reduction in interest rates is expected to encourage MSME actors to develop their businesses. So far as of June 2021, people's business credit returns by debtors are still well maintained, as reflected in the Non-Performing Loan (NPL) ratio of 1.41%.

NPL is an indicator of non-performing loans, which are still below the threshold of 5%. The business sector that has the highest NPL is the construction sector with an NPL level of 5.38%. Based on the data, (old) people's business credit debtors who are still applying for people's business credit have a portion of 24.75% and 55.72% of the total people's business credit distribution accessed by new debtors.

The government also decided to increase the 2021 people's business credit ceiling from Rp. 253 trillion to Rp. 285 trillion. Overall, the realization of people's business credit distribution from January 2021 to June 2021 has reached 88.08 trillion rupiahs (32.63% of the 2021 target of Rp. 253 trillion) and was given to 2.28 million debtors so that the total outstanding people's business credit is 252 .92 trillion rupiahs with a Non-Performing Loan (NPL) rate of 0.71%. (Nasution, 2021)

The government has issued the Coordinating Minister for the Economy Regulation (Permenko) Number 11 of 2017 concerning Guidelines for the Implementation of people's business credit. This Permenko is a replacement for the previous regulation which was effective from January 1, 2018. The changes to the people's business credit policy regulated in the regulation include: A reduction in the interest rate from 9% to 7% effective per year; business group as a candidate for people's business credit recipients; special people's business credit scheme; multi-sector people's business credit scheme; setting the minimum portion of people's business credit distribution to the production sector; yarnen mechanism (credit payment after harvest) and grace period; change the term Retail people's business credit to Small people's business credit; micro people's

business credit ceiling for the production sector and outside the production sector; disbursement of people's business credit together with other permitted credits; the cost structure of the people's business credit placement of TKI;

The distribution of people's business credit performance per channel also shows a positive trend. The highest people's business credit distributors were achieved by BRI (96.2%), Bank Mandiri (93.1%), and BNI (65.6%). As for the distribution performance of Private Commercial Banks (24.9%) and BPD (31.2%)

Several changes to the people's business credit policy that will take effect from July 1, 2021, include: (Nasution, 2021)

- a. Changes to the unsecured people's business credit scheme from up to Rp. 50 million to up to Rp. 100 million. The people's business credit scheme is fixed, but for the Small people's business creditR scheme, the provision of an unsecured people's business credit value is added up to Rp. 100 million.
- b. Small people's business credit recipients can become BPJS Employment participants. This is to follow up on the Instruction of the President of the Republic of Indonesia Number 2 of 2021 concerning Optimizing the Implementation of the Employment Social Security Program.
- c. Arrangement of people's business credit Recipients in conjunction with other credits.

Addition of special people's business credit provisions for industry MSME, or other productive sector commodities that can be developed into special people's business credit. The previous provision was that people's business credit was specifically only for people's plantation commodities, people's livestock, and people's fisheries.

3. **Barriers and efforts in Empowering MSMEs through the People's Business Credit Program**

Central Bureau of Statistics in (Budisantoso, 2013) identify common problems or obstacles faced by MSMEs are (1) Lack of capital, (2) Difficulties in marketing, (3) Tight business competition, (4) difficulty in raw materials, (5) Lack of technical production and expertise, (6) Skills lack managerial, (7) lack of knowledge of financial management, and (8) less conducive business climate (licenses, rules).

The results of research collaboration between the State Ministry of KUKM and BPS in (Tambunan, 2012) inform that SMEs experiencing business difficulties are 72.47% and the remaining 27.53% have no problems. Of the 72.47% who experienced business difficulties, the identified difficulties were (1) Capital 51.09%, (2) Marketing 34.72%, (3) raw materials 8.59%, (4) Employment 1, 09%, (5) Transportation distribution 0.22% and (6) others 3.93%.

The dominant percentage of difficulties faced by MSMEs mainly includes capital difficulties (51,095). It was further stated that in overcoming their capital difficulties, 17.50% of SMEs increased their capital by borrowing from banks, the remaining 82.50% did not make loans to banks but to non-bank institutions such as Savings and Loans

Cooperatives (KSP), individuals, families, and others. . Meanwhile, the problems faced by MSMEs in obtaining business capital loans include (1) difficult submission procedures 30.30%, (2) not interested 25.34%, (3) MSME actors do not have collateral 19.28%, (4) MSMEs who do not know the procedure are 14.33%, (5) High-interest rates are 8.82%, (6) proposals are rejected 1.93%.

CONCLUSION

1. The efforts of the West Java Regional Government through the head of the West Java Cooperative and MSME Service continue to foster and empower MSMEs so that MSME actors can present good and quality products, packaged well so that they can be marketed competitively with other products without large costs. In addition, local governments need to collaborate with banks to provide assistance and convenience in distributing People's Business Credit, so that business actors are expected to develop well. The distribution of people's business credit performance per channel also shows a positive trend. The highest people's business credit distributors were achieved by BRI (96.2%), Bank Mandiri (93.1%), and BNI (65.6%). As for the distribution performance of Private Commercial Banks (24.9%) and BPD (31.2%)
2. Based on the data above, the biggest type of obstacle faced by MSME business actors is competition. Then the next obstacle or obstacle is capital, followed by marketing. These three obstacles are generally faced by business actors, especially MSMEs.

BIBLIOGRAPHY

- Budisantoso, T. (2013). *Bank Dan Lembaga Keuangan Lainnya*. Jakarta: Empat Salemba.
- Damayanti, M. (2015). *Program Kredit Usaha Rakyat (KUR) sebagai Alat Promosi Pengembangan UMKM di Indonesia*. Jakarta: Kertas Kerja TNP2K
- Fuad, M. (2009). *Pengantar Bisnis*. Jakarta: Gramedia Pustaka Utama.
- Fuady, M. (2008). *Pengantar Hukum Bisnis*. Bandung: Aditya Bakti.
- Mukti Fajar Nur Dewata, YA (2019). *Dualisme penelitian Hukum Normatif & Empiris*. Yogyakarta: Perpustakaan Siswa.
- Nasution, F. (2021). *KUR Tanpa Agunan Naik Menjadi Rp 100 Juta, Ini Perubahan Lengkap Kebijakan KUR Efektif 1 Juli 2021*. <https://medan.tribunnews.com>: Tribun Medan.com Akses 14 Agustus 2021, pukul 14:35.
- Samiyono, S., Edi Sofwan, ES, Handayani, HR, Haryono, H., & Walangitan, S. (2020). *HUKUM Bisnis dan Regulasi*.
- Sunardi. (2015). *Pengantar Bisnis*. Yogyakarta: CAPS (Pusat Layanan Penerbitan Akademik).

Tambunan, TT (2012). Ekonomi Indonesia. Bogor: Ghalia Indonesia.

Wahid, N. (2014). Keuangan Inklusif. Jakarta: Gramedia Popular Literature.

Windi Maulidina Lestari, A. (Volume VI/ Number 2/ July 2019). Implementasi Akad Murabahah Bil Wakalah Produk Pembiayaan Kredit Usaha Rakyat (KUR) Mikro IB Di Bank BRI Syari'ah KCP Majalaya. *Journal.unmer.ac.id*, 180-187.

Hukum Perdata dan Penjelasannya. Jakarta: Gramedia Press, 2013

Undang-Undang Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil, dan Menengah

Peraturan Presiden Nomor 14 Tahun 2015 tentang Komite Kebijakan Pembiayaan Usaha Mikro, Kecil, dan Menengah

Peraturan Presiden Nomor 19 Tahun 2015 tentang Perubahan Atas Peraturan Presiden Nomor 14 Tahun 2015 tentang Komite Kebijakan Pembiayaan Usaha Mikro, Kecil, dan Menengah

Peraturan Menteri Koordinator Bidang Perekonomian Nomor 11 Tahun 2017 tentang Pedoman Pelaksanaan KUR

Peraturan Menteri Keuangan Nomor 180 Tahun 2017 tentang Tata Cara Pembayaran Subsidi Bunga KUR