

RECONCEPTUALIZATION OF EMPOWERMENT PRINCIPLES BY BANKING IN SUPPORTING SMALL AND MEDIUM ENTERPRISES ACCORDING TO LAW NO. 20 OF 2008 CONCERNING SMES

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Abstract

In the economy, Small and Medium Enterprises (SMEs) are the business groups that have the largest number of business actors. In addition, this group has proven to be resistant to various kinds of shocks from the economic crisis. It is very important to strengthen the SME group that involves many parties because the SME sector contributes greatly to employment. The criteria for businesses included in SMEs have been regulated under the legal umbrella based on the law, especially Law No. 20 of 2008 concerning SMEs. This study aims to determine the role of banking in empowering SMEs by using the empowerment principle as stated in Law No. 20 of 2008 concerning SMEs. Law No. 20 of 2008 concerning SMEs provides a foundation and an important role for banks and financial institutions in funding and empowering SMEs. In accordance with the principle of empowerment, a broader effort is needed to foster a business climate by establishing laws and policies covering aspects of funding. From an empowerment perspective, banks indirectly play a role in driving the community's economy by channeling funds to the real sector in society. Further, the development of the SME sector will be able to absorb more workers, improve the welfare of the working community the workforce, reduce unemployment, and ultimately alleviate poverty.

Keywords: *Reconceptualization, Empowerment Principle, SMEs, Bank*

Abstrak

Dalam perekonomian, Usaha Kecil dan Menengah (UKM) merupakan kelompok usaha yang memiliki jumlah pelaku usaha terbesar. Selain itu, kelompok ini terbukti tahan terhadap berbagai macam guncangan akibat krisis ekonomi. Penguatan kelompok UKM yang melibatkan banyak pihak ini sangat penting karena sektor UKM memberikan kontribusi besar dalam penyerapan tenaga kerja. Kriteria usaha yang termasuk dalam UKM telah diatur dalam payung hukum berdasarkan undang-undang, khususnya Undang-Undang Nomor 20 Tahun 2008 tentang UKM. Penelitian ini bertujuan untuk mengetahui peran perbankan dalam pemberdayaan UMKM dengan menggunakan prinsip pemberdayaan sebagaimana tertuang dalam UU No. 20 Tahun 2008 tentang UMKM. Undang-Undang Nomor 20 Tahun 2008 tentang UKM memberikan landasan dan peran penting bagi bank dan lembaga keuangan dalam pembiayaan dan pemberdayaan UKM. Sesuai dengan asas pemberdayaan, diperlukan upaya yang lebih luas untuk menumbuhkan iklim usaha dengan menetapkan peraturan perundang-undangan dan kebijakan yang mencakup aspek pendanaan. Dari sisi pemberdayaan, dengan menyalurkan dana ke sektor riil di masyarakat, secara tidak langsung bank berperan dalam menggerakkan perekonomian masyarakat. Selanjutnya, pengembangan sektor UKM akan mampu menyerap lebih banyak tenaga kerja, meningkatkan kesejahteraan masyarakat pekerja dalam angkatan kerja, mengurangi pengangguran dan pada akhirnya mengentaskan kemiskinan.

Kata kunci: *Rekonseptualisasi, Prinsip Pemberdayaan, UKM, Bank*

A. Introduction

Small and Medium Enterprises (SMEs) are business activities managed by small entrepreneurs with small capital but significantly contribute to the national economy. Based on Law No. 20 of 2008, Small and Medium Enterprises (SMEs) are businesses that aim to grow and develop their business in order to build a national economy based on a just economic democracy. In practice, SMEs usually take advantage of all local support in the form of natural resources and local human resources. To minimize costs for import activities and maximize export activities. MSMEs also include economic weapons for developing countries to increase the country's income.¹

Micro enterprises are included in an important part of SMEs, which have a fairly important role in building the economy in Indonesia. It was proven that when the economic crisis hit Indonesia, the government relied heavily on the role of SMEs to minimize the negative impact of the economic crisis. When the economic crisis occurred, many sectors experienced growth at reduced output. At least two factors played a very important role at that time in reducing the negative effects of poverty. First, the growth of economic activities in the informal sector absorbs many workers who are laid off due to layoffs (termination of employment) from the formal sector and provides an additional source of income for workers. Second, many government programs exist to reduce poverty. Some of these government programs are the National Program for Family Hope (*PKH*), which focuses on education and health, and the National Program for Community

Strengthening (NPCS/PNPM), which emphasizes business development².

Law No. 20 of 2008 concerning SMEs emphasizes the importance of empowerment as an effort by the government, regional governments, the business, and society in a synergistic manner in the form of climate and business development for micro, small and medium enterprises so that they are able to grow and develop into strong and independent businesses. These SMEs play an important role in the Indonesian economy. Based on Law No. 17 of 2007 concerning the 2005-2025 National Long-Term Development Plan (*NLTDP/RPJPN*), it states that increasing the competitiveness of SMEs in various regions in Indonesia so that they become an integral part of economic activity and strengthen the domestic economy, implying that SMEs play a very important role in economic growth, both nationally and regionally. SMEs in their development often experience obstacles and difficulties in starting and running their business; this difficulty usually comes from the lack of funds to be used as additional capital in running their business. Many business actors experience limited capital or difficulty accessing sources of capital. This has become a classic obstacle that entrepreneurs face when starting or developing a business. One of the factors that cause these problems is the difficulty of obtaining sources of capital from financial institutions.³ Various efforts to strengthen the SME sector continue to be carried out, both by the government as a policy maker, financial institutions such as banks which are quite concerned about SMEs, as well as the public, who are directly the driving wheel as a source of business activity.⁴

¹ Sulastri, Lilis. *Manajemen Usaha Kecil Menengah*. Bandung: UIN Sunan Gunung Djati Bandung, 2016.

² Tambunan, Tulus TH. "Peran usaha mikro dan kecil dalam pengentasan kemiskinan di daerah." *Jurnal Bina Praja: Journal of Home Affairs Governance* 4, no. 2 (2012): 73-92; Kurniawan, Ferry Duwi, and Luluk Fauziah. "Pemberdayaan Usaha Mikro Kecil dan Menengah (UMKM) dalam Penanggulangan Kemiskinan." *JKMP (Jurnal Kebijakan dan Manajemen Publik)* 2, no. 2 (2014): 165-176; Andiny, Puti, and Nurjannah Nurjannah. "Analisis pemberdayaan usaha

mikro kecil dan menengah (UMKM) sebagai upaya penanggulangan kemiskinan di kota langsa." *Jurnal Serambi Ekonomi dan Bisnis* 5, no. 1 (2018): 31-37.

³ Maryama, Siti. "Kendala Usaha Mikro Dalam Mengakses Kredit Usaha Rakyat (KUR)." *Liquidity: Jurnal Riset Akuntansi dan Manajemen* 4, no. 1 (2015): 64-72.

⁴ Jenita, Jenita. "Peran Lembaga Keuangan Mikro Syariah Dalam Pemberdayaan Ekonomi Masyarakat Kecil Menengah." *Al-Masraf: Jurnal Lembaga Keuangan dan Perbankan* 2, no. 2 (2017): 177-191;

In an effort to support sustainability and improve the implementation of the SME economy, banking institutions have shown rapid development in line with the progress of SMEs in Indonesia and other economic developments, as well as in line with the increasing demands of the public for strong and healthy banking services. According to Law No. 2008, banks and financial institutions empower SMEs, especially in funding and guaranteeing content. Therefore, the relationship between banking and SMEs is very important to note. SMEs are businesses with small capital managed by small entrepreneurs; SMEs are very vulnerable because they are constrained in the capital. This article aims to reconceptualize the empowerment principle as stated in Law No. 20 of 2008 concerning SMEs by taking the role of the banking sector.

B. Research Method

This study used the descriptive qualitative method. The research method used is the literature study method, a series of activities related to collecting library data, reading, recording and processing research materials. The four main characteristics of literature study research are: First, that researchers deal directly with text (manuscripts) or numerical data, not with direct knowledge from the field. Second, library data is "ready to use" meaning that researchers do not go directly to the field because researchers deal directly with data sources in the library. Third, that library data is generally a secondary source, in the sense that researchers obtain materials or data from second hand and not original data from first data in the field. Fourth, that the condition of library data is not limited by space and time. Based on the foregoing, data collection in research is carried out by examining and/or developing several library materials such as journals, books, and documents (both in print and electronic form) as well as other data and

or information sources that are deemed relevant to the research or study.⁵

C. Result and Discussion

Banks are very important in people's lives in the SME sector. Banks, as financial institutions, act as public financial intermediaries between parties who have excess funds and those who need funds. Banks play an important role in maintaining the stability of the country's economy. It is like the provisions stipulated in Article 23D of the 1945 Constitution, which states that the state has an independent central bank and the authority and responsibilities are regulated separately in a law. In conducting its business, the bank is based on economic democracy by using the principle of prudence. In the provisions of Article 4 of Law No. 7 of 1992 concerning Banking, it is explained that banks aim to support the implementation of national development in the context of increasing equity, economic growth, and national stability to increase the welfare of the people at large. Banking is one of the agents of development in a country's economy because the main function of banking is as an intermediary financial institution. According to Law No. 10 of 1998, banking functions to collect and distribute public funds. Banks need to pay more attention to financing the activities of the national economic sector with priority, namely cooperatives, small and medium entrepreneurs, and various groups of people without discrimination so that it can strengthen the structure of the national economy.

SMEs need the role of banking to overcome the constraints they experience. According to Law No. 2008, banks and financial institutions play an important role in empowering SMEs, especially in the guaranteed content. Law No. 2008 stipulates that loans are the provision of loan guarantees for SMEs by credit guarantee institutions as support to increase the opportunity to obtain loans to strengthen their capital. The bank is a

Jenita, Jenita. "Peran Lembaga Keuangan Mikro Syariah Dalam Pemberdayaan Ekonomi Masyarakat Kecil Menengah." *Al-Masraf: Jurnal Lembaga Keuangan dan Perbankan* 2, no. 2 (2017): 177-191.

⁵ Creswell, John W. *Research design: pendekatan metode kualitatif, kuantitatif, dan campuran*. Yogyakarta: Pustaka Pelajar, 2016.

business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of the people at large. Banks play an important role in maintaining the stability of the country's economy. In conducting its business, the bank is based on economic democracy by using the principle of prudence. The main function of the bank is as a collector of public funds and as a distributor of public funds. In the provisions of Article 4 of Law No. 7 of 1992 concerning Banking it is explained that banks aim to support the implementation of national development in the framework of increasing equity, economic growth and national stability towards increasing the welfare of the people at large. Banking as one of the means that has a strategic role in harmonizing and balancing the development trilogy. This strategic role is mainly due to the main function of the bank as a vehicle that can collect and distribute public funds effectively and efficiently, which on the basis of economic democracy supports the implementation of national development in the context of increasing the distribution of development and its results, economic growth, and national stability. towards improving the standard of living of the people.⁶

In Article 4 of Law No. 7 of 1992 concerning Banking, it is stated that Indonesian banking aims to support the implementation of national development in the context of increasing equity, economic growth, and national stability in the direction of increasing the welfare of the people at large. Banking as one of the facilities that have a strategic role in harmonizing and balancing the development trilogy. This strategic role is mainly due to the main function of the bank as a vehicle that can collect and distribute public funds effectively and efficiently, which, based on the principle of economic democracy, supports the

implementation of national development in order to increase equitable distribution of development and its results, economic growth, and national stability. towards increasing the standard of living of the people.

Article 8 of Law No. 2008 regulates the funding aspect. In more detail, funding is aimed at expanding funding sources and facilitating Micro, Small and Medium Enterprises to be able to access credit from banks and non-bank financial institutions. Article 8(b) states that funding is to increase the number of financial institutions and expand their network so that they can be accessed by Micro, Small and Medium Enterprises. In addition, funding is aimed at providing convenience in obtaining funding in a fast, accurate, inexpensive and non-discriminatory manner in providing services in accordance with statutory provisions. Funding is also to assist Micro and Small Enterprises to obtain financing and other financial services/products provided by banks and non-bank financial institutions, both those using the conventional system and the sharia system with guarantees provided by the government.

Taking into account the strategic role of banking institutions in achieving national development goals, it is necessary for banking institutions to have effective guidance and supervision based on a solid foundation so that banking institutions in Indonesia are able to function efficiently, soundly, fairly and be able to face competition. increasingly global. In an effort to support sustainability and increase the implementation of development, banking institutions have shown rapid development in line with the progress of development in Indonesia and economic development, especially in helping MSME capital, and in line with the increasing demands of the community's need for strong and healthy banking services.⁷

⁶ Dewantara, Reka. "Rekonseptualisasi Asas Demokrasi Ekonomi Dalam Konstitusi Indonesia." *Arena Hukum* 7, no. 2 (2014): 195-209; Birowo, A. T. "Pembangunan Ekonomi yang Berdasarkan Demokrasi Ekonomi." *Agro Ekonomi* 27, no. 12: 10-17.

⁷ Maryati, Sri. "Peran Bank Pembiayaan Rakyat Syariah dalam Pengembangan UMKM dan Agribisnis Pedesaan

di Sumatera Barat." *Economica: Jurnal Program Studi Pendidikan Ekonomi STKIP PGRI Sumatera Barat* 3, no. 1 (2014): 43021; Perdagangan, Kementerian. "Analisis peran lembaga pembiayaan dalam pengembangan UMKM." *Pusat Kebijakan Perdagangan Dalam Negeri* 90 (2013).

Banks as financial institutions act as public financial intermediaries between parties who have excess funds and those who need funds. The position of banking in the economy is very strategic. The importance of the role of banks in the economy and the high level of public trust that must be maintained have caused banking to become the industry with the most stringent regulations. Every provision made for the banking industry will ultimately lead to one goal: producing a healthy, strong and stable banking system. This is so that the banking sector can play an important role in supporting the economy, one of which is SMEs.

Thus, the community through micro-enterprises, small-scale businesses, and medium-sized businesses that need financial assistance for business capital, is helped by the presence of banks in the community. Moving the wheels of the community's economy in the real sector will automatically help accelerate national development. The development of physical facilities and infrastructure for the public is also helped by the availability of fresh funds through banks. Contractors, both government and private, who need funds to work on development projects can apply for loans from banks. Thus, banks have a very important and strategic role in supporting the SME economy.⁸

Article 22 of Law No. 20 of 2008 concerning SMEs states that in order to increase sources of financing for Micro and Small Enterprises, the government is making efforts to develop sources of financing from bank credit and non-bank financial institutions, develop venture capital institutions, and institutionalize factoring transactions, increase cooperation between Micro Enterprises and Small Enterprises through savings and loan cooperatives and conventional and sharia financial service cooperatives and development of other sources of financing in accordance with statutory provisions.

Then, Article 23 (1) of Law No. 20 of 2008 states that in order to increase access for

Micro and Small Enterprises to sources of financing as referred to in Article 22, the Government and Regional Governments to grow, develop and expand the network of non-bank financial institutions, grow, develop, and expanding the reach of credit guarantee institutions; and provide convenience and facilitation in fulfilling the requirements to obtain financing. In this context, Law No. 20 of 2008 states that the business world and the community actively participate in increasing access for Micro and Small Enterprises to loans or credit as referred to in paragraph (1) by increasing the ability to prepare business feasibility studies, increasing knowledge about the application procedure credit or loan; and improve technical and managerial understanding and skills of the business.

Banks play an important role as facilitators in all SME economic activities. The existence of banking industry in Indonesia has experienced a significant increase and development in this short period of time. Product innovation, service improvement, and network development show positive trends from year to year. In fact, the spirit to accelerate is also reflected in the many banks that carry out corporate actions. Banks play an important role in encouraging the growth of SMEs in accordance with government regulation POJK No. 11 of 2020 to encourage SME growth. Banks can provide financing loans or other new provision of funds to debtors, including micro, small and medium business debtors. Banks as community intermediary institutions that have capital with those who need capital are required to be able to carry out their activities. Banking plays a strategic role in Indonesia's economic development. Banking must quickly adapt by making creative and innovative strategies. The challenges faced need to be turned into an opportunity for the better.⁹

SME financing is financing provided by financial institutions or business-based banks, meaning that the capital is rolled over for working capital. Bank financing for SMEs

⁸ Lubis, Irsyad. *Bank dan Lembaga Keuangan*. Medan: USU Press, 2010.

⁹ Winarto, Wahid Wachyu Adi. "Peran Fintech dalam Usaha Mikro Kecil dan Menengah (UMKM)." *Jesya*

(*Jurnal Ekonomi Dan Ekonomi Syariah*) 3, no. 1 (2020): 61-73.

reflects concern for increasing financial inclusion through finance.¹⁰ One of these financing products is KUR (People's Business Credit), which is one of the government programs given to SMEs engaged in productive business sectors such as agriculture, fisheries, marine, industry, forestry, and financial services. Savings and loans for working capital and investment financing. Naawai & Shariff mentioned that microfinance could help micro-entrepreneurs to improve their business.¹¹ The bank distributes government programs, namely People's Business Credit (KUR), to encourage SME actors by helping customers who have received a disbursement of financing funds by providing relaxation or relief in paying installments. The financing process can be simplified for customers who wish to apply for financing.¹²

D. Conclusion

Banks play an important role as facilitators in all SME economic activities. The banking industry in Indonesia has experienced a significant increase and development in this short period. However, the principle of empowering SMEs has not yet become a key part of bank business activities. Law No. 20 of 2008 concerning SMEs provides a foundation and an important role for banks and financial institutions in funding and empowering SMEs. In accordance with the principle of empowerment, a broader effort is needed to

foster a business climate by establishing laws and policies covering aspects of funding, facilities and infrastructure, business information, partnerships, business licensing, business opportunities, trade promotions, and institutional support.

As community intermediary institutions that have capital with those who need capital, banks must be able to carry out their activities. Banking has a strategic role in Indonesia's economic development. Banking plays a very important role in helping SMEs who experience capital constraints through credit loans. Most SME actors choose bank loans as a source of funds for business development. Some important reconceptualizations to serve as a reference are the importance of aligning SME funding needs with the procedural aspects requested by banks and financing institutions. Here, the role of society and business needs to be involved more actively to improve the administrative capabilities of SMEs. Meanwhile, from the other side, the principle of empowerment requires banks to be able to facilitate access to credit for SMEs through innovation. Further regulations regarding empowerment in the SMEs Law need to be synergized and formulated in other regulations. From an empowerment perspective, banks indirectly play a role in driving the community's economy by channeling funds to the real sector in society.

¹⁰ Obaidullah, Mohammed, and Hajah Salma Haji Abdul Latiff. "Islamic finance for micro and medium enterprises." *Islamic Research & Training Institute Islamic Development Bank, Centre for Islamic Banking, Finance and Management Universiti Brunei Darussalam* (2008); Usman, Abubakar Sadiq, and Rosmaini Tasmin. "The role of Islamic micro-finance in enhancing human development in Muslim countries." *Journal of Islamic Finance* 5, no. 1 (2016): 053-062.

¹¹ Nawai, Mrs Norhaziah. "The Importance of Micro Financing to the Microenterprises Development in Malaysia's Experience." *Asian Social Science* 7, no. 12

(2011); Chin, Othman, and Maisyarah Mohd Nor. "Does the micro financing term dictate the performance of micro enterprises?." *Procedia economics and finance* 35 (2016): 281-286.

¹² Angraini, Dewi, and Syahrir Hakim Nasution. "Peranan kredit usaha rakyat (KUR) bagi pengembangan UMKM di Kota Medan (studi kasus Bank BRI)." *Ekonomi Dan Keuangan* 1, no. 3 (2013); Sujarweni, V. Wiratna, and Lila Retnani Utami. "Analisis Dampak Pembiayaan Dana Bergulir KUR (Kredit Usaha Rakyat) Terhadap Kinerja UMKM (Studi Kasus di Daerah Istimewa Yogyakarta)." *Jurnal Bisnis dan Ekonomi* 22, no. 1 (2015).

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