

The Effectiveness of Regulation on Macro and Micro Business in Central of Sulawesi (Case Study: PT. JasaRaharja)

Heru Wardoyo¹, Maisa², Irmawaty Ambo³

^{1,2,3}Universitas Muhammadiyah Palu, Palu, Central of Sulawesi, Indonesia

Abstract: *The research aimed to investigate the effectiveness of the regulation on macro and micro business in central Sulawesi and it focused on the PT JasaRaharja as a case study. The type of research is qualitative approach meanwhile descriptive analysis used to describe the data and information. Moreover, the respondent was the macro businesses, SMEs. The technique of collecting data was using questionnaires and interview guides and documentation guidelines. Qualitative analysis techniques through reasoning and legal arguments. The results showed the pattern of the partnership as a means of empowerment of micro, small and medium business actors are not yet effective for achieving its objectives because only have the right character is optional and not imperative. Characters products pandect ineffective partnership pattern to realize the philosophy of genuine partnership between actors' effort.*

Keywords: Law Partnership, Macro Business Actor, Micro Business Actor, Small and Medium Business

1. Introduction

The concept of sustainable development issues on the Micro, Small and Medium Enterprises has been rising more intensively during this year. The problems happened due to the improvement of the quality of life the community and Development of information and communication technology[1]. The intensive competition of enterprises has benefit to gain more wealth for the businessman. This demand requires the improvement of the effectiveness of the Micro, Small and Medium Enterprises in the global business issues.

The competitive environment in most countries and companies has changed as production has become more technology-based and knowledge-based, while the competition has been globalizing and evolving into more innovation-based[2], [3].

To survive in today's global market economy and achieve long-term success, companies are required to adapt and continue to innovate to overcome the intense competition and in line with changes in market demand [4]–[7].

If we look at more deeply into the concept of the sustainable development, we can see the economic issues has become the primary issues that the community of the Micro, Small and Medium Enterprises uses the approach to creating better competition and efficiency of the Micro, Small and Medium Enterprises to improve their business environment. It can be seen from the Legal substances that have regulated in Law Number 20 The year 2008 on Micro, Small and Medium Enterprises is the empowerment of micro, small and medium enterprises (SMEs) by large-scale enterprises through a partnership. Moreover, the emergence of these laws one legal issue for SMEs in Indonesia are numerous but not yet carried out a detailed analysis of their compliance in implementing the legislation [8], [9].

Similarly, entrepreneurs have not known the extent of adherence to the law against the perpetrators of SMEs as the purpose of provisions of law. Some of the challenges SMEs that need the attention of government, among others, SMEs cannot meet the demands of the market that cannot expected to be a provider of services and production in the community. These conditions will affect SMEs become one of the service providers and production in the structure of the national economy [10]–[12]. Furthermore, SMEs business actors will be out of the market economy system. Therefore, they will not be able to become partners again, and institutional service providers and production, which ultimately lose business sector and the government have become a burden.

Sustainability thinking is based on the needs of the society to distribute the risks, losses, and gains from a company doing business more fairly. It is a business view where corporate decisions do impact not only other businesses but also other sectors that comprise society, political and civil society. This responsibility towards a business impact on society means that the stakeholders of a firm have to be integrated into the organizational picture SMEs.

Law No. 5 of 1999 is a legal product used as the basis for the perfect competition in the market in order to realize the perfect competition market or at least approach the perfect competition market. The realization of competition in the market will bring innovation, creativity and efficiency this will create economic efficiency, if economic efficiency has been realized then the consumer is the party who will benefit

The Micro, Small and Medium Enterprises or SMEs also need to become increasingly aware of the legal standing of the Government penetration regarding the Law. Therefore, there is a need to see more intensively the Micro, Small and Medium Enterprises Regulation and their approaches to improve the quality of Micro, Small and Medium Enterprises and the impact of the regulation in their community.

2. Method

This study uses qualitative research type. Respondents in this study are macro businesses, SMEs. The technique of collecting data using questionnaires and interview guides and documentation guidelines. Qualitative analysis techniques through reasoning and legal arguments [13].

We chose to hold all interviews for extensive in-depth interviews. This data collection method is usually criticized for being time-consuming, and resource demanding as the amount of collected data is very high and unstructured. The researchers were interested in the interviewees' opinions and perceptions and because of the small sample of interview partners, it decided that this form of data collection was the most suitable [16]. That is why we are focusing on the small sample as the PT.JasaRaharja Company.

The advantages of such an open interview are that "the interview can proceed at its own pace, in a conversational style. Thus, the interviewee guided, but also permitted and even encouraged by the interviewer to make detours" [14]. Open interviews enable a wide spectrum of information input, they do not narrow the area of answers that can possibly receive [15]. The use of an interview guideline also in open interviews makes sure that all topics of interest covered during the interview, if the interview partner does not cover all aspects by itself. Open interviews have the advantage that the interview can held as a conversation with issues coming up in a natural order [16].

Open interviews are most comfortable to carry out in a face-to-face situation [16]. Personal attendance creates a more intimate atmosphere in which it might be easier to talk naturally. It is also easier to sense from mimics and gesticulations where follow-up questions can help to go in-depth on specific topics and where the interview object feels uncomfortable. The face-to-face interview is also helping to receive honest answers. [16], as well as [14], suggest that it is easier for an interviewed person to lie when interviewed via telephone.

The disadvantage of performing interviews face-to-face is the so-called interview effect. It says that the researcher's presence, gesticulations, and mimics can affect the respondent [16]. In our interview, we tried to follow the rules for interviewing behavior. We used introduction phrases, introduced ourselves and the purpose of our thesis to the

interview object. We used confirmative phrases that do not suggest opinion and tried to be friendly and kept a topic-related interest.

3. Result and Discussions

3.1. Legal Compliance

Companies have power because of their command of significant resources. That means that they must "recognize the importance of maintaining good relationships with their stakeholders to experience outstanding long-term performance" [17]. Moreover, the relationships between a firm and its suppliers and other stakeholders are latent and do always exist. It is only that either one of those two, depending on their strategies, needs, wishes and/or expectations, must activate the potential relationship [18]. Maintaining positive stakeholder relationships involves the establishment of constructive and positive relationships with stakeholders [17].

The law that was introduced by the government should inhere with local SMEs obedience for their compliance as can be seen on the indicators below:

3.1.1. Obedience Law

The law, which is imperative as these provisions contain legal norms that should impose on legal subjects (the larger one. Normatively, the law also regulates the possibility of proficiency by large corporations. Large-scale companies that want to control SME business actors or falsify the name of SMEs not allowed except in the form of partnerships. The rule of law and the legal character of legislation governing the broad pattern of business partnerships with SMEs appear in the following table. To determine the kind of the rule of law and the legal character of the legislation that governs the pattern of extensive business partnerships with SMEs appear in the following table [19].

Name Regulation Legislation, Legal Regime and the Rule Type Associated with Positive Law as Being Government policy towards SME Empowerment is being in Indonesia. The qualification of the nature of the kind of legal norms legislation on big business, micro, small and medium-sized as follows:

Table 1: National Regulation

No	Number/year	Name of Regulation Legislation	Existence of Regulation	Rule type
1.	9/1995	Small business	Regulation	Optional
2.	20/2008	About Micro, Small and Medium Enterprises	Constitution	Imperative
3.	44/1997	Government regulations	Government regulation	Optional
4.	32/1998	Creation and Development of Small Enterprises SME economy	Government regulation	Optional
5.	10/1999	Medium Business Empowerment	Presidential Instruction	Optional
6.	127/2001	Sector / Business Type Reserved for Small Business and Sector / Type of Business is Open for business or Large Medium-Term Partnership	Presidential Decree	Optional
7.	56/2002	renewal character of Small and Medium Business Credit	Presidential Decree	Optional
8.	Ministerial regulation of BUMN No.56/MBU/2007	Partnership Program for State Owned Enterprises with Small Business and Community Development Program	Regulation of the Minister of State Enterprises	Optional

The table shows that all the statutory provisions governing the pattern of partnerships among businesses, in general, is optional and only one that is imperative. Moreover, character types are voluntary legal rules cannot have expected to be a reference in the empowerment of SMEs with large-scale enterprises through a partnership.

3.1.2. Legal Awareness

Legal awareness is an essential indicator of the effectiveness of the law. Legal consciousness contains constituents that refer to the quality of obedience or compliance with the law subject to the provisions of law which is reflected in the legal culture. Cultural factors and attitudes of law are the response of the public and business climate created by the law of small and medium businesses. The higher the quality of public awareness higher the quality of the applicability of the rule of law itself.

Some factors that affect the law cultivation, namely, among others, to the businesses themselves [9], [12], [20]. The results showed that in general, both large enterprises and SMEs have behaviors that are less qualified. Data obtained from the respondents that the quality of the behavior of SMEs is quite right just 20%, while 26-54% is not good. Therefore He, therefore, less support of a partnership or a partnership arrangement not only voluntary is imperative. The nature of the legal character making the partnership is not a legal obligation for businesses, including the repayment of the loan considered to SMEs is not a legal requirement.

3.2. Businessmen

The Development Community recognizes the critical importance of domestic private sector development as key to driving economic growth and achieving the MDG of poverty reduction. Growing the SME sector in developing countries leads to broad-based growth, job creation, economic stability, and a more flexible economy. SMEs are also risk takers and provide innovation and an entrepreneurial approach in the commercial sector. They are a critical engine for private sector-led growth and are increasingly important from an environmental perspective.

3.2.1. Obedience Law of Large Business Executors

The number of businesses that were targeted research of 1024 businesses. Many businesses demonstrate the opportunities for SMEs to get help through a partnership with the statutory provisions of MSMEs. The results showed that the number of business units financed by large-scale enterprises (PT. JasaRaharja) a total of 33 business units. Moreover, the union the most business assistance through a partnership capital is traded (14 business units) while the smallest travel services, savings and loans and fishery each 1 unit. The granting of financial aid to business units showed large businesses must obey the laws and regulations. Thus, though overall, when viewed from the side optimization, help is not optimal because of the results of the optimization of respondents only 24% while the states have not succeeded in 20 to 56%.

The partnership scheme is not optimal due to some laws and regulations of its normative character was mostly facultative should be imperative. SMEs interpret the law is not a legal

obligation but merely construed as a right and not a legal requirement[21], [22].

3.2.2. Obedience Law Actors SMEs

The number of SMEs that are at the study site as much as 1991. Many these businesses show that most SMEs are micro-businesses (993), a small business agent (905) and medium businesses (913). About compliance SMEs in implementing legislation, a partnership between businesses showed less efficient results for the respondent to respond repayment of loans granted to the perpetrators of large-scale enterprises SMEs payment is not adequate. The results showed a 54% less current, 16% doubtful and substandard returns only 22%. According to the table above, the repayment of loan quality trained partners PT. JasaRaharja with small businesses in the city of Palu classified 22% Fluent, Substandard 54%, 16% and 8% doubt jammed. Lack of legal compliance SMEs regarding loan repayment complicates the legal effectiveness of a partnership so that the goal of legislation challenged UMPM empowerment has not been able to realize the pattern of genuine partnership between the businesses of SMEs to large-scale enterprises in the province of Central Sulawesi.

4. Conclusions

That the partnership arrangements as a means of empowerment of micro, small and medium-sized business operators are not yet sufficient that the goal is not reached. Ineffectiveness of partnership law is caused due to its right character is optional. The legal character cannot realize the true philosophy of partnership is the creation of a relationship of mutual need and benefit in the management of economic resources. Also, the low legal awareness of entrepreneurs both large-scale enterprises as well as micro, small and medium-sized businesses have not been able to support the empowerment of SMEs as a culture not yet a good law because of the legal character of law crustaceans more voluntary.

References

- [1] A. Berry, E. Rodriguez, and H. Sandee, "Small and medium enterprise dynamics in Indonesia," *Bull. Indones. Econ. Stud.*, vol. 37, no. 3, pp. 363–384, 2001.
- [2] A. Szirmai, W. Naudé, and M. Goedhuys, *Entrepreneurship, innovation, and economic development*. Oxford University Press, 2011.
- [3] L. Mytelka and F. Farinelli, "Local clusters, innovation systems and sustained competitiveness," *UNU/INTECH Discuss. Pap.*, no. 2005, 2000.
- [4] H.-K. Ellonen, A. Jantunen, and O. Kuivalainen, "The role of dynamic capabilities in developing innovation-related capabilities," *Int. J. Innov. Manag.*, vol. 15, no. 3, pp. 459–478, 2011.
- [5] A. Brem and K.-I. Voigt, "Integration of market pull and technology push in the corporate front end and innovation management—Insights from the German software industry," *Technovation*, vol. 29, no. 5, pp. 351–367, 2009.
- [6] E. Cefis and O. Marsili, "A matter of life and death: innovation and firm survival," *Ind. Corp. Chang.*, vol. 14, no. 6, pp. 1167–1192, 2005.

- [7] P. Den Hertog, W. Van der Aa, and M. W. De Jong, "Capabilities for managing service innovation: towards a conceptual framework," *J. Serv. Manag.*, vol. 21, no. 4, pp. 490–514, 2010.
- [8] H. L. A. Hart, J. Raz, P. A. Bulloch, and L. Green, *The concept of law*. Oxford University Press, 2012.
- [9] H. Kelsen, *General theory of law and state*, vol. 1. The Lawbook Exchange, Ltd., 1945.
- [10] H. C. Kelman, "Compliance, identification, and internalization three processes of attitude change," *J. Conflict Resolut.*, vol. 2, no. 1, pp. 51–60, 1958.
- [11] G. Van Den Steenhoven, *Leadership and law among the Eskimos of the Keewatin district, Northwest Territories*. Excelsior, 1962.
- [12] A. Toffler and T. Alvin, *The third wave*. Bantam books New York, 1981.
- [13] L. Loevinger, "Jurimetrics: The methodology of legal inquiry," *Law Contemp. Probl.*, vol. 28, no. 1, pp. 5–35, 1963.
- [14] N. Johns and D. Lee-Ross, *Research methods in service industry management*. Cengage Learning EMEA, 1998.
- [15] A. Bryman and B. Burgess, *Analyzing qualitative data*. Routledge, 2002.
- [16] D. I. Jacobsen, G. Sandin, and C. Hellström, *Vad, hur och varför: om metodval i företagsekonomi och andra samhällsvetenskapliga ämnen*. Studentlitteratur, 2002.
- [17] S. Waddock, "Building the institutional infrastructure for corporate social responsibility," *Corp. Soc. Responsib. Initiat. Work. Pap.*, vol. 26, 2006.
- [18] C. Grönroos, "Keynote paper From marketing mix to relationship marketing-towards a paradigm shift in marketing," *Manag. Decis.*, vol. 35, no. 4, pp. 322–339, 1997.
- [19] B. Malinowski, *Crime and custom in savage society*, no. 210. Rowman & Littlefield, 1926.
- [20] D. Lloyd, *The Idea of Law*. New York: Penguin Books, 1991.
- [21] L. M. Friedman and G. M. Hayden, *American law: An introduction*. Oxfordshire, United Kingdom: Oxford University Press, 2017.
- [22] J. Raz, *The authority of law: essays on law and morality*. Oxford University Press on Demand, 2009.