

## ECONOMIC DEMOCRACY ON MICRO SMALL AND MEDIUM ENTERPRISES (UMKM) REGULATION IN INDONESIA

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### ABSTRACT

Nowadays, democracy and globalization development bring the effect on economic development and law forming process in every sector of country's life. One of those effects is bad and difficult impact for Micro Small and Medium Enterprises (UMKM) in establishing their business. This negative excess appears from cunning competition cases and world's monopoly without any tolerance towards small and medium local enterprises, both in domestic level and international level of business transaction. Indonesian government, through constitution Number.20 Year 2008 about Micro Small and Medium Enterprises, had attempted to protect and develop UMKM from many sectors, included the regulation. This is because in fact, UMKM has important role in Indonesia's economy life, moreover to create job opportunities and enterprise chance equity, solve the poverty and support national economy through tax payment, retribution, and other payments. In this paper will be explained about economic democracy opinion in case of UMKM regulation in Indonesia by focus topic : How is the implementation of economic democracy in UMKM regulation in Indonesia ?

Keywords : Economic Democracy, Micro Small and Medium Enterprises, Regulation of UMKM

### A. Introduction

Economic democracy is a concept established by founding fathers of Indonesia to find a shape of economic that is suitable to the character of Indonesian Nation. Economic reformation that is needed by Indonesia is reformation in economic system, that is renewing the regulation of economy implementation which is more guarantee economic equity through increasing the equity of developing result. Economic reformation needs normative base to made its strategy, policy, and program become guided.

The implementation's form of economic democracy concept is still being discussed and developed until now, because it is not easy to formulate an economic system that is unique for Indonesia, but it is still compatible with the development of this era. According to Sritua Arief, Juoro stated that economic democracy brought moral consequences, but particularly examined as an aculturation among politic, economy, and moral cultural. Politic system, economy, and moral cultural ork dinamically, balancedly, and don't subordinate one another so each of them has good interaction.<sup>1</sup>

Normative base of Indonesian's economic system established in Article 33 Constitution 1945. This article has been changed and developed more detailly after Amandemen was done. The former shape of Article 33 Constitution 1945 was:

- (1) Economy is formed as a collective effort based on kinship principle.
- (2) The branches of production that are important for the country and overbid public society's importance are overbeared by the country.
- (3) Earth and water and nature's wealth that is contained inside it are overbeared by the country and used for society's prosperity maximally.

After Amandemen done to this article, there are two addition article (4 and 5), they are:

- (4) National economy is held from the belt of economic democracy by the principle of equity, kinship, efficiency, continuously, environment conception, independency, and by keeping balance of moving forward and the unity of national economy.
- (5) More detail explanation about the implementation of this article will be regulated in the constitution.

Related to the result of this Amsndemen of Article 33 Constitution 1945, Mubyarto gave a note that the keeping of 3 former Article of this Article 33 is match by society's will. This article that is established by founding fathers, is bring the situation of socialism with the spirit of kinship, group, and collective rather than competition. However by addition of article 4, it becomes ambigue because this new article is a technique about sustaining and implementing the policy and programs of economic development. The thought behind this new article is the understanding of competition of free market that demand the notice of explicit system of free market system in the Constitution. The principle of equity efficacy in this new article 4 is difficult to be explained in its will and intention, since it merges 2 concept that are different even contradictive.<sup>2</sup> Mubyarto's sight above in rational enough since it can bear ambiguity due to law explanation which is *contradictio in terminis*.

It is normatively established that, after Amandemen of Constitution 1945, the form of our economy system is Economic democracy. However, the normativity of regulation in Constitution 1945 especially related to the means of economic democracy

<sup>1</sup> [www.kompasiana.com](http://www.kompasiana.com), *Demokrasi Ekonomi*, accessed on September 25<sup>th</sup> 2017, 08.00 WIB

<sup>2</sup> Risalah Sidang dan Naskah Komprehensif Perubahan UUD NRI Tahun 1945: Latar Belakang, Proses dan Hasil Pembahasan 1999 – 2002, Sekjend dan Kepaniteraan Mahkamah Konstitusi

and its implementation still needed to be discussed furtherly appropriate with the dynamic of Indonesian's economy in many sectors.

Economic democracy as the ideal insight of national economy can't be apart from reinforcement of democratic government that will be the regulator and guide of the implementation of national economy. Without strong government, it means it can distribute economic rights and obligation each economy equally, so the economy that is really democratic will be difficult to be implemented. Government has strategic rule to form and prevent negative aspect of economic democracy through regulation, policy, attitude, norm, and equity principle.

Edy Suandi Hamid stated that development process of national economy that up till now is established, actually has not revealed the result of democratisation process that is also established, but it is just "policy sweets" that is made by the government or legislative compromise, only for executive importance and is not made for society's importance. It means, democratization process that is being developed has not given maximal result yet for the live of economic life of the society as long as the real democracy mechanism is not being implemented and looked by the parties and government.<sup>3</sup>

By the other words, the real economic democracy has not being implemented yet in the Indonesian politics context now. Only by the real well implemented economic democracy, public can participate in the building and the implementation of the policies that affects themselves. Without this thing, so economic democracy that is implemented is only a formal and ceremonial democracy that is not only cost much budget, but also not guarantee the creation of effective government.

One of the issue related to the meaning of economic democracy is arrangement of small micro and medium trade (UMKM). The number of UMKM businessman in Indonesia is large compared to the other country, especially after 2014. The number of UMKM in Indonesia was increasing continuously from the year of 2015, 2016, until 2017 the number of UMKM businessman will still increase (UMKM data of 2015, 2016, 2017). This few past year, the population of citizens in the productive age was bigger than the job opportunities. It triggered especially to the young to create their own opportunities by run a business. Most of them are categorized as UMKM businessman. The data of Cooperation and Small Micro and Medium Trade Ministry in the year of 2014, there were about 75.8 million UMKM businessman in Indonesia. In the year of 2017 until few next year, it is predicted that the number of UMKM businessman in Indonesia will keep increasing.

Economic globalization and liberalization era will give bad and difficult impact for UMKM business in running their business. Romli Atmasasmita said that negative excess of this capitalism is appeared from the cunning competition cases and monopoly of trade world without any care to small and medium local businessman, in the domestic level or international level business transaction.<sup>4</sup> Besides, UMKM is difficult to get the same chance especially in market overbidding and capitalizing access that can be gotten in financing organization (banks). In the other hand, the big company can easily overbid the source of people economy and as the result, decrease the opportunities for small and medium business.<sup>5</sup>

Government has taken the effort to protect and develop UMKM from various sector, include the regulation. This is because UMKM has important role in the economic life of Indonesia. UMKM can create job opportunities and give the equity to the business opportunities largely. Besides, UMKM also participate in national economy through tax receiving, retribution and other revenue. UMKM is also looked as pioneer of national industry.

The law goals to give protection to the society in weak position, both weak in social, politics, and economy. Law protection in economy is only needed especially related to small business extinction in facing free competition. From law philosophy, the goal of protection to small business is to build economic equity, through business opportunity equity.

## B. Problems

Based on the explanation above, the formulas of problem in this paper are:

1. What is the mean and basic principle of economic democracy in Indonesia?
2. How is the implementation of economic democracy in UMKM regulation in Indonesia?

## C. Discussion

### 1. The Mean and Basic Principles of Economic Democracy in Indonesia

As the regulation in Article 33 Constitution 1945 before the Amandemen, the principle of our economic sustaining should follow "economic democracy".

The concept of economic democracy is not a new vocabulary in the discussion of Indonesian's economic system. In the year of 1930s, Mr. Soekarno had talked deeply about the concept of "socio-democracy", that is aculturation of politic democracy and economic democracy. According to Bung Karno, the real democracy was not limited on politic democracy but also should contain economic democracy.

<sup>3</sup> Edy Suandi, *Memperkuat Basis Demokrasi Ekonomi Melalui Pengembangan Ekonomi Rakyat* <http://edysuandi.staff.uui.ac.id>, accessed on September 20<sup>th</sup> 2017 08.10

<sup>4</sup> Romli Atmasasmita, 2012. *Teori Hukum Integratif, Rekonstruksi terhadap Teori Hukum Pembangunan dan Teori Hukum Progresif*, Genta Publishing, Yogyakarta .

<sup>5</sup> Didik J. Rachbini, 1995. *Ekonomi Pasar Sosial: Pilihan Ketiga (Pengalaman Ekonomi Jerman Barat)*, in *Relevansi Pasar Sosial bagi Indonesia*, Penerbit Cides, Jakarta.

In the almost similar time, Bung Hatta also discussed about this economic democracy. Economic democracy is “society-economy” or “the same-feeling economy and “the equity economy”. For Bung Hatta, economic system *laissez-faire*, by its spirit of free enterprise, was not suitable to the ideology of prosperity and equity society. That was because, in Bung Hatta’s sight, this system would cause the rich become richer and the poor become poorer.<sup>6</sup>

Bung Karno and Bung Hatta were not agree if the capitalism took over. The formula of this two main founding fathers of Republic Indonesia, and the other expert, was explained in article 33 constitution 1945 before Amandemen. Next, the explanation of Article 33 Constitution 1945 discuss there principle of economic democracy:

*“Economy based on economic democracy, prosperity to all people. That’s why the important production branches to the country and overbid society’s importance is overtaken by the country. If not, the production fell to the lord over’s hand and the society will be intimidated.”*

The term “economic democracy” appeared in the explanation of Article 33 Constitution 1945 which the definition refer to economic system in Indonesia. But the term “politic democracy” and moreover the term “democracy” itself is not found in any part of Constitution 1945 before Amandemen. Parable to the word democracy is public sovereignty. This is along by the definition of democracy that was stated by AS President Abraham Lincoln, that is governance of the people, by the people, and for the people. Refer to that definition, the main definition of economic democracy is the production by all for all, that contains the principle of participation and equity. In the language of Dawam Raharjo, Indonesian ontology Economy, is society democracy that based on social equity and people economy that organize sovereignty.<sup>7</sup>

Meanwhile, according to A. Simarmata, the term of economic democracy that explicetely placed in explanation of Constitution 1945, can be said as **same as people economy**. Explanation Article 33 Constitution 1945 said that people economy that is economic system where the production is done by all to all, and under the ownership of society member. Therefore, one of the pillar of economic democracy is the participation of all people in production activity.<sup>8</sup>

According to Mubyarto, people economy is democratic economy that is intended to prosperity of weak people.<sup>9</sup>

Meanwhile according to Zulkarnain, people economy is an economic system that should be followed according to our country’s philosophy, and party to people economy.<sup>10</sup>

Understanding about people economy can be viewed from two approach: first, economic activity approach from small scaled economic agent, that called people economy. Based on this approach, the mean of the use of people economy is empowering small scaled economy agent. Second, economic system approach, that is economic democraton or democratic development system, called participatory development. According to this second approach, than empowerment of people economy means to apply democratic principles in development. It means that people economy is economic system that involves all society stage in the process of development where all stages as the mover of the development.<sup>11</sup>

Meanwhile according to Salim Siagian, people economy is a activity of most people economy in a country or region where famously left compared to economy in related country or region averagely. In other definition said that people economy is indigeneous economy, not economic activity came from outside society (external economy). Therefore, what is meant by people economy is economy or economic development of a group of people that develops relatively slowly, along with the condition that happened to that people group.<sup>12</sup>

Explanation of Constitution 1945 said that business form or organization that is match to us is cooperation. Cooperation is recognized to describe the definition of “from all to all under the lead or ownership of citizen’s member” where people’s prosperity is considered to be more important, not importance of person.

Based on the explanation of definitions above, it can be concluded that the origin of economic democracy is a economy system that organize people’s sovereignty by involving all people stage in the process of development, related to equity aspect and based on equal market mechanism by the purpose to increase whole economic prosperity or majority of people.

Soeharto Prawiro Kusuma<sup>13</sup> explained that some characteristic and principle found in the concept of economic democracy are:

1. Maintenance of equity principle by caring to the weak.
2. Party to, empower, and protect the weak by all nation’s potency, especially government as its competence.
3. Create healthy business competition climate and market friendly intervention.
4. Empower people economic activity related to the effort to move suburbans economy.

<sup>6</sup> <http://www.berdikarionline.com/kembali-ke-demokrasi-ekonomi/> accessed on September 26<sup>th</sup> 2017, 20.30

<sup>7</sup> Dawam Raharjo, 2011. *Nalar Ekonomi Politik Indonesia*, IPB Press, Bogor, p.16

<sup>8</sup> A. Simarmata, 1998. *Reformasi Ekonomi*, Jakarta, Lembaga Penerbit Fakultas Ekonomi UI, Cet. Ke-1, p.117.

<sup>9</sup> Mubyarto, Reformasi Sistem Ekonomi: 1999. *Dari Kapitalis menuju Ekonomi Kerakyatan*, Yogyakarta: Aditya Media, , Cet.Ke-1, p.81

<sup>10</sup> Zulkarnain, 2006, *Kewirausahaan (Strategi Pemberdayaan Usaha Kecil Menengah dan Penduduk Miskin* Yogyakarta: Adicita Karya Nusa,), Cet Ke-1, p.98

<sup>11</sup> Ibid

<sup>12</sup> Majalah Usahawan No. 02 Th XXX Februari 2001

<sup>13</sup> Soeharto Prairo Kusumo, *Ekonomi Rakyat: Konsep Kebijakan dan Strategi*, Yogyakarta: BPFE, tth, p.4

5. Take the benefit and use land and all nature sources, forests, seas, water, air, and minerals. All must be maintained equally, transparent and productive by making priority to people's rights, include cultural people community rights to keep the life environment everlasting.

After four time Amandemen, finally it is regulated that the explanation of Constitution 1945 is no more being the part of Constitution 1945 itself. The important things that still being used are involved to the main part of the articles. Economic democracy principle that is stated in the explanation of Constitution 1945 before the Amandemen, finally is accommodated in Article 33 verse (4) as follow:

*"National economy is held from the belt of economic democracy by the principle of equity, kinship, efficiency, continuously, environment conception, independency, and by keeping balance of moving forward and the unity of national economy."*

It is clearly stated that there are difference between the sentence formulation which if it is being precised, it will result a fundamentally different meaning. Before the Amandemen, the sentence explicitly stated *"Economy based on economic democracy, prosperity for all people"*. Meanwhile after Amandemen the sentence became *"national economy is conducted based on economic democracy...."*

Therefore, normatively, according to the writer, now in Republic Indonesia country based on Constitution 1945 after Amandemen, economic democracy can't become philosophy of National Economy anymore, but "only" as a base of conducting national economy. However, the concept of economic democracy is still being kept.

Related to the basic principles of Indonesian economic democracy base on the rule of Article 33 verse (4) Constitution 1945, economic democraton principle for now are equity, kinship, efficiency, continuously, environment conception, independency, and by keeping balance of moving forward and the unity of national economy.

Meanwhile basic principles of economic democracy before Amandemen of Constitution 1945 are:

1. Kinship principle. In the explanation of Constitution 1945 it is stated that economy is arranged as a mutual effort based on kinship principle.
2. Equity principle. The implementation of people economy should bring equity in the community.
3. Income equity principle.
4. Balanced principle between individual importance and society importance.

## **2. Implementation of economic democracy in the regulation of UMKM in Indonesia**

Indonesian country is Law Country (*Rechtsstaat*). It is explicitly stated in article 1 verse (3) third Amandemen of Constitution 1945. The concept of Indonesia Law country based on the values contained in Pancasila and the opening of Constitution 1945, and not only in formal meaning, but also in material meaning. The goal of country's forming is not only to keep orderliness and safety, as the concept of night guard Country (*nachtwakersstaat*), but country also being demanded to actively participate in all aspect of life and people's living (*welfare state*). Country can't just be quiet by the reason it can't thrust its nose into people's business.

In 19<sup>th</sup> century, rejection to country's interference was strongly supported by the liberal slogan *"laissez faire, laissez aller"* or free market. This slogan was conveyed by Adam Smith who saw that this free market principle was along with the implementation of equity.<sup>14</sup> According to this liberal principle, by handing over this all activity and personal rights, then people's prosperity would be reached.<sup>15</sup> Country has no need to interfere in economic business. In the condition without interference, the Country will reach a maximal efficacy, because people will be pushed by invisible hand to work as hard as possible to reach the most satisfying result. The concept *laissez faire, laissez aller* in fact only gave benefit to the strong group of society, meanwhile the weak would be intimidated in their access of economy.

Individualism and liberalism principle since the beginning has been rejected by the founding fathers. Liberalism principle that follow personal principle is different from mutualism principle as wished by the constitution of Indonesia. Indonesian economic ideology hopes the implementation of mutualism principle, that is contradictive to individualism and liberalism ideology. That's the reason why this liberal concept doesn't match the value of ideology of Republic Indonesia Country.<sup>16</sup>

According to the theory of welfare country, the state will be responsible to the welfare of its people based on the value of mutualism and equity. The form of this country's responsibility is to do some intervention in the field of economy, especially in creating business equity and protect small business from any unfair competition business practice. This intervention can be done by publishing various regulation and constitution in the field of economy, especially related to UMKM.

Yuridisly, Republic Indonesia government has established Constitution Number 20 Year 2008 about UMKM and many of its regulation such as Government Rule Number 17 Year 2013 about Official Rule Constitution number 20 Year 2008. Beside aspect regulation, Indonesian government also formed structure from organization which its task and function are to guide and

<sup>14</sup> A. Sony Keraf, 1996. *Pasar Bebas, Keadilan dan Peran Pemerintah*; Penerbit Kanisius, p. 141

<sup>15</sup> Satjipto Raharjo, 2009. *Negara Hukum yang Membahagiakan Rakyatnya*, Genta Publishing, Mataram,

<sup>16</sup> Elli Ruslina, 2006, *Dasar Perekonomian Indonesia dalam Penyimpangan Mandat Konstitusi UUD Negara Tahun 1945*, Total Media, Jakarta, p.240 - 241

develop UMKM, that is Cooperation and UMKM Ministry. Meanwhile in the stage of region based on otonomy authority owned, it can shape Cooperation and UMKM organization to accomplish its workplan along with its task and function.

In consideration to think about Constitution Number 20 Year 2008 about UMKM stated:

- a) Equal and prosperate people based on Pancasila and Constitution 1945 should be formed through national economy development based on economic democracy.
- b) Society as the advice of Ket. MPR XVI/MPR-RI/1998 about Economic Politics in order of Economic Democracy, UMKM, should be empowered as a part of people economic integral, has a role and strategic potency to create equal and developed national economic structure.
- c) Empowerment of UMKM as stated in point b, to be hold entirely, optimally, and continuously through conducive climate development, giving business opportunity, support, protection, and development of business as large as possible, so it can increase the position, role, and potency of UMKM to create economic development, equity, and increasement of people's income, job opportunity creation, and poverty solving.

Article 1 Constitution Number 20 Year 2008 about UMKM stated the definition of UMKM as follow:

- 1) Micro business is productive business owned by person and/or personal company that meet the criteria of UMKM regulated by this Constitution.
- 2) Small business is productive economic business that stand itself, run by person or company that is not belong to subcompany and not the branch of owned company, overbidded, or become the part of Medium and Big Business directly or indirectly that meet the criteria of small business as meant by this constitution.
- 3) Medium business is productive economic business that satnd itself, run by person or company that is not belong to subcompany and not the branch of owned company, overbidded, or become the part of Small and Big Business directly or indirectly with the amount of its wealthy or annual profit match the regulation of this constitution.
- 4) Big business is productive economic business that is run by company with amount of its wealth or annual profit is bigger than Medium Business, that covers national business owned by state pr privat, joint venture, and foreign business that runs economic activity in Indonesia.
- 5) World business is Micro Business, Small Business, Medium Business, and Big Business that run economic activity in Indonesia and domiciled in Indonesia.

According to Article 6 Constitution Number 20 Year 2008 about UMKM criteria in field of capital are follow:

- 1) The criteria of Micro Business:
  - a. Has asset no more than Rp. 50.000.000,00 (fifty million rupiahs) not include land and office building; or
  - b. Has annual selling profit no more than Rp. 300.000.000,00 (three hundred million rupiahs)
- 2) The criteria of Small Business:
  - a. Has asset more than Rp. 50.000.000,00 and no more than Rp. 500.000.000,00 (five hundred million rupiahs) not include land and office building; or
  - b. Has annual selling profit more than Rp. 300.000.000,00 (three hundred million rupiahs) and no more than Rp. 2.500.000.000,00 (two billion and five hundred million rupiahs)
- 3) The criterion of Medium Business:
  - a. Has asset more than Rp. 500.000.000,00 and no more than Rp. 10.000.000.000,00 (ten billion rupiahs) not include land and office building; or
  - b. Has annual selling profit more than Rp. 2.500.000.000,00 (two billion and five hundred million rupiahs) and no more than Rp. 50.000.000.000,00 (fifty million rupiahs)

Constitution of UMKM has stated the purpose of UMKM as stated in Article 3: Micro, Small, and Medium Business intended to grow and develop its business in order to build national economy based on equal economic democracy.

Meanwhile the purpose of empowering UMKM are:

- a. Create national economic structure that is balanced, developed, and equal;
- b. Grow and develop the competence of UMKM become strong and independent business; and
- c. Indrease the role of UMKM in region building, job oportunities creating, income equality, economic grow, and solving people from poverty.

In the middle of this economic development, UMKM as a pillar of national economy from its quantity is not supported yet with proper quality development. The problems are the lack of productivity and competitiveness that cause a big discrepancy between UMKM and bis scale business. Productivity excalation is needed to support competitiveness UMKM to compete, in domestic or global economy scale.

UMKM as a part of people economy is important to be empowered. In globalization era, government should give support so its business can give opportunities in empowering people economy. If UMKM as a form of people economy is not given opportunity and less empowered, so it will have no competitiveness to face global economic power.

One of small business' difficulty in developing their business is the weakness of its business management and difficulty of getting capital. Ordinarily, UMKM also get difficulties in facing free market and globalization of economy. The limit of productive sources, technology, information, and market and UMKM access towards capital cause the difficulties to increase business capacity and develop competitive products.

UMKM problem of accessing capital mostly caused by its own limit from market, technology, and bad management.



Those factors cause low-believe from the banks and other financing organization to give capital support in the form of credits to UMKM. Besides, UMKM limit to provide collateral also make UMKM difficult to get credits from banks.

According to Ina Primiana, there are some main problems to UMKM about capitalizing, they are:

- a. Difficult access to bank because its limit in providing the requirements to be *bankable*. Actually Indonesian Bank has support UMKM much so they can get credits access from banks easier, but in fact not all UMKM can provide collateral requirements. It means there are more UMKM which are not covered.
- b. UMKM don't know how to get finance or capital from other source except bank that can support their finance.
- c. Unavailable of capital when an order comes. It means they need money fast to do the order. It is imposible to be granted by the banks, because credit submission in banks need long ting (about 2 – 3 months)<sup>17</sup>

UMKM access to get capital by credits from banks is difficult to obtain, due to technique and administrative requirements demanded by banks that are not able to be provided. The biggest troubling requirements is collateral demand, since not all UMKM have proper asset to be collateral.

Economic development actually goals to give economic rights of every people in the principle of equality and equity. Therefore, economic development that only tend to give profit to the strong should be corrected. The balance between strong and weak should be efforted through providing proper law equipment that gives opportunity to the weak group to obtain their economic rights.

This inbalanced condition cannot be endured continuously without governments' intervention. Conniving strategy with very minimal intervention can become a boomerang level playing of competition in the market is still not created yet.<sup>18</sup> If there is no access to every parties to partacipate and have the same opportunities in economic activity, then market will be manifested as economic seizing tool. Then, income discrepancy and unprosperity begin.

To solve some problems about capitalizing, Constitution Number 20 Year 2008 has established some steps and strategies that are formulated in Article 8:

- a) Enlarging financial source and fasilitate UMKM to access credits from banks and nonbanks financial organization;
- b) Enlarge the number of financing organization and expand the network so it can be accessed by UMKM;
- c) Make easy in obtaining finance fast and correctly, cheap, and undiscriminative in its service according to the regulation; and
- d) Help the owner of Micro business and Small Business to the other thing provided by banks and nonbank financial organization, both conventional and syari'ah with loan guarantee that is provided by Government.

Next, related the problem about financial for UMKM by involving Government and Local Government is regulated in Article 21 verse (1) and verse (4), Article 22, Article 23 verse (1), and Article 24.

Regulation of Article 21 verse (1) specially refered to micro and small business that contain the regulation that Government and Local Government provide finance for those business group. This article's regulation is unclear and unconcrete stated that the financial providing as obligation of Government and Local Government.

Article 21 verse (4) stated that beside Government and Local Government, business world also permitted to give bequest, effort foreign support, and effort other financial source for micro and small business. The word "permitted" that used in this article is ambiguous and unconcrete, and make understanding that Government, Local Government, and business world "may" and also "may not" give bequest, effort foreign support, and effort other financial source for micro and small business.

Then explanation Article 22 regulate about efforts to develop financial sources for Micro and Small Business by the Government. Those financial sources include bank and nonbank loaning, venture capital, receivable accounts, loaning cooperation, and other financial sources developing.

To develop access of Micro and Small Business towards finance, then Government and Local Government according to Article 23 verse 1 develop and expand the network of nonbank financial organization, expand the reach of loaning guarantee organization, and give easy requirement in obtaining finance.

Particularly explanation of Article 24 regulated empowerment of medium business. Government and Local Government do empowerment in the field of financing and loaning by increasing financial work capital, financial access through capital market and other financing organization, and developing loaning guarantee organization.

What is being regulated in some articles of Constitution Number 20 Year 2008 about UMKM above doesn't regulate clearlu and explicitly the role of Government and Local Government in providing capital for UMKM. Ideally, problem about financial or capital access which is a part of business development should be regulated clearly and operationally. Constitution Number 20 Year 2008 does't really answer how UMKM get capital oe financial access easily by considering characteristic of UMKM itself.

<sup>17</sup> Ina Primiana, 2009, *Menggerakkan Sektor Riil UKM dan Industri*, Alfabeta, Bandung, p.49

<sup>18</sup> Bustanul Arifin, Didik K.J. Rachbini, 2001, *Ekonomi Politik dan kebijakan Publik*, PT. Gramedia widia Sarana Indonesia, Jakarta, p.107

Besides, the clarity about collateral and loan guarantee that become the main problem is not explained concretely in this Constitution. One of UMKM's problem to get access credits or financing from banks is caused by unavailable of the collateral as one of the requirements needed to obtain credits or financing.

#### D. Conclusion and Suggestion

##### 1. Conclusion

- a. The origin of economic democracy is a economy system that organize people's sovereignty by involving all people stage in the process of development, as a realization of principle of Pancasila and Constitution 1945 and related to equity aspect and based on equal market mechanism by the purpose to increase whole economic prosperity or majority of people.
- b. The implementation of economic democracy in the regulation of UMKM Indonesia is the possibility for the country to do interference in economic field, especially in creating equity and protect small business from unfair competition business practice. However, Constitution number 20 year 2008 about UMKM doesn't regulate clearly and explicitly about central and regional government's rule in supporting capital for UMKM. Besides, the clarity about guarantee that become the main problem is not explained concretely in this constitution.

##### 2. Suggestion

- a. It is needed to make clearer and more explicit regulation about the rule of the government about the problem of financing access and capitalizing for UMKM based on economic democracy in people's sovereignty and equality.
- b. It is needed to make the concrete regulation about collateral and loan guarantee for UMKM to get credit access or financing from banks.

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