

Implementation of Micro, Small, and Medium Enterprises based on Pancasila Values

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Abstract.

A people's economic system is a democratic and just form and process of economic development that encourages the participation of the people as capital owners and controllers of the country's economic cycle. Essentially, a people's economy aims to achieve a prosperous and prosperous Indonesia. To achieve this goal, the government, through President Joko Widodo, signed Government Regulation No. 7 of 2021 concerning the facilitation, protection, and empowerment of micro, small, and medium-sized cooperatives. The purpose of this regulation is to provide MSMEs with the facilitation, protection, and empowerment to achieve prosperity and well-being. Especially in Samarinda, has Government Regulation No. 7 of 2021 concerning the facilitation, protection, and empowerment of micro, small, and medium-sized cooperatives become the answer for MSMEs.

Keywords : People's Economic System; Ease of MSMEs; Pancasila

1. INTRODUCTION

The state, as the holder of the people's mandate, should play a major role in building the people's welfare (Suryaningsi, 2018). Therefore, the state is responsible for poverty, injustice, greed of entrepreneurs, and even stupidity that occurs in society. In the history of the nation, it was the common people who supported the struggle for independence against the colonialists. During times of crisis, the people's economic sector maintains the nation's survival due to its ability to absorb employment opportunities and reduce social tensions (Ashari, 2020). In our view, the people's economy is one of the pillars in

elevating the nation's dignity and status. This means that economic independence will impact many aspects; social relations full of noble values will be manifested in every aspect of life, and nationalism will grow and develop along with the progress of nations (Suryaningsi & Muhazir, 2020).

In fact, the people's economy cannot stand on its own if it is not supported by other pillars, especially politics that sides with the needs of its people. An advanced people's economy will make the social environment more friendly to the business world and expand the consumer base with high purchasing power (Aditiya, 2016). Therefore, according to Adi Sasono, correction of injustice must be driven not to destroy large companies (Muksin,

2020). The understanding of the people's economy is not against big things, what is questioned is the tendency of monopoly that creates a high-cost economy and burdens for the consumer people, because the lack of competition in the people's economic process is aimed at overcoming injustice and mass poverty that have been the source of social tensions so far. The struggle to build a people's economy is directed towards the formation of a middle class as the majority of the nation's society that supports true, sustainable development and the basis for the formation of a democratic society (Muallimah, 2018; Suryaningsi, 2016a).

The people's economy is the opposite of the colonial-capitalist economy built by the Dutch VOC for 350 years, the result of which was the instilling of poverty in the country. People's economy is the basis for developing the Indonesian economy. The basis of the Indonesian economy is the people, consisting of farmers, small and medium traders and workers. Its potential lies in natural resources and human resources. The goal of a People's Economy is for all citizens to be productive and have the ability to develop their potential, thereby freeing themselves from poverty, injustice, and the nation's dependence on foreign parties. The concrete realization of a People's Economy will prepare and implement development conditions that include the people from the outset, from local to national levels. Referring to the fourth principle of Pancasila, the term "people's" certainly implies democracy.

People's economy is a democratic economy or economic democracy. We can see further explanation in the explanation of Article 33 of the 1945 Constitution, in this article the basis of economic democracy is stated, production is carried out by all for all under the leadership or ownership of members of society (Suryaningsi, 2016b). It is the prosperity of society that comes first, not the prosperity of individuals (1945 Constitution, Article 33). Based on the sentence fragment, people's economy or economic democracy can be understood easily. A people's economy is an economic situation in which various economic activities are carried out by involving the participation of all members of society, the results of which are enjoyed by all members of society, while the organizers of these economic activities are also under the control or

supervision of members of society. The people's economy is the opposite of the colonial-capitalist economy built by the Dutch VOC for 350 years, the result of which was the instilling of poverty in the country. People's economy is the basis for developing the Indonesian economy.

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A People's Economic System is a democratic and just form and process of economics that can encourage the participation of the masses as capital owners and controllers of the country's economic

cycle (Suryaningsi, 2020). Many experts and specialists describe a system as a holistically integrated entity consisting of parts, and each part has its own characteristics and boundaries. A system is essentially a large organization that connects various subjects/objects and institutional devices in a certain order (Yulianti, 2016).

The people's economic system has several goals and functions, including: to free society from the oppression of the oligarchy of capital owners; to make the people the subjects of the economy and with the function of increasing community participation in national capital ownership; to increase community participation in controlling the running of the national economy; to increase mutual cooperation in the implementation of the national economy (Al Anshori, 2021).

Samarinda City itself, as the capital of East Kalimantan Province, has a significant number of MSMEs, particularly in the micro and small enterprise (MSE) scale. Based on the 2016 Economic Census, Samarinda City has the largest number of business units in East Kalimantan Province, namely 83,713 business units (source provided). Of the 83,713 business units, 96% or 80,364 business units in Samarinda City are micro and small businesses, while the rest are medium and large businesses (MSEs). Several business unit sectors are divided into several, including trade, industry, various businesses and services, and various non-formal sectors. This is in line with the development priorities of Samarinda City, namely poverty eradication efforts carried out through activities based on community economic empowerment through the development of MSEs (BPS Samarinda City, 2017). By developing MSMEs, it is hoped that a participatory economic system can be encouraged, which is expected to increase the capacity and empowerment of the wider community.

Through the Cooperatives and SMEs Office, the Samarinda City Government has undertaken various methods and efforts to empower MSMEs in Samarinda City. The Cooperatives and SMEs Office has developed new business units by conducting business meetings between MSMEs and banking partners to increase the number of MSMEs in Samarinda City. The Samarinda Cooperatives and SMEs Office provides guidance including activities to improve

the quality of MSMEs through *training*, *marketing* MSME products, and guidance and facilitation of information assistance in providing bank credit through KUR (People's Business Credit) in Samarinda City. However, in its implementation, several obstacles/problems are often encountered so that the planned program does not run effectively. There are several factors that cause this to happen, namely the lack of funds or costs that limit the procurement of training activities, inadequate human resources for extension workers who have not been able to provide MSME assistance, limited management and production technical capabilities, and marketing difficulties.

On February 3, 2021, President Joko Widodo signed Government Regulation (PP) Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. This PP regulates the facilitation, protection, and empowerment of MSMEs, including changes in criteria to ensure they are appropriate and adaptable to current conditions.

Indonesia experienced an economic crisis in 1997, which began with a depreciation of the rupiah against the US dollar and a monetary crisis that impacted the Indonesian economy. The subsequent global economic crisis further worsened Indonesia's economic situation. However, only the MSME sector was able to survive during the crisis. This shows that MSMEs are productive businesses to be developed as supporters of macro and micro scale economic development in Indonesia.

The weaknesses faced by MSMEs are complex and encompass several indicators, some of which are closely related: a lack of capital, both in terms of quantity and sources, a lack of managerial skills and limited operational skills. Furthermore, unfair competition and the impact of a weak economy have also limited business opportunities. Indonesia will face the ASEAN Economic Community (AEC) and a free market, and therefore, MSMEs must be able to compete in a free market.

Government Regulation Number 7 of 2021 plays a role in facilitating, protecting, and empowering cooperatives and micro, small, and medium enterprises (MSMEs). Articles 19 to 22 address the protection and empowerment of cooperatives, while Article 33 addresses the facilitation, protection, and empowerment of micro and small enterprises. Government Regulation Number 7 of 2021 plays a significant role in facilitating, protecting, and empowering

cooperatives and micro, small, and medium enterprises.

In Article 35 paragraph 3 (PP) Number 7 of 2021, micro and small businesses have the following criteria: a. Micro businesses have business capital of up to a maximum of IDR 1,000,000,000.00 (one billion rupiah) excluding land and buildings for business premises; b. Small businesses have business capital of more than IDR 1,000,000,000.00 (one billion rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion rupiah) excluding land and buildings for business premises; and c. Medium businesses have business capital of more than IDR 5,000,000,000.00 (five billion rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises. In Article 35 paragraph 4, Micro and small businesses have the following annual sales criteria: a. Micro Enterprises have annual sales results of up to a maximum of Rp2,000,000,000.00 (two billion rupiah); b. Small Enterprises have annual sales results of more than Rp2,000,000,000.00 (two billion rupiah) up to a maximum of Rp15,000,000,000.00 (fifteen billion rupiah); and c. Medium Enterprises have annual sales results of more than Rp15,000,000.00 (fifteen billion rupiah) up to a maximum of Rp50,000,000,000.00 (fifty billion rupiah).

2. LITERATURE REVIEW

2.1 The Concept of Micro, Small, and Medium Enterprises (MSMEs)

MSMEs are defined as independent productive business units carried out by individuals or business entities across all economic sectors. According to Law No. 20 of 2008, later updated by Law No. 11 of 2020 (Job Creation Law) and Government Regulation No. 7 of 2021, MSME classification is now determined based on business capital and annual sales turnover.

In academic literature, MSMEs are recognized as the backbone of the national economy due to their high capacity for job creation, their contribution to Gross Domestic Product (GDP), and their inherent flexibility in navigating economic crises compared to large-scale corporations.

2.2 The Philosophy of Pancasila Economic System

The Pancasila Economic System (PES) is an economic framework rooted in the noble values of

the Indonesian nation. According to Mubyarto (2000), further developed in contemporary literature, PES is characterized by five primary pillars:

- a. Economic activities driven by economic, social, and moral incentives.
- b. A strong collective will toward social equity (egalitarianism).
- c. Prioritization of national economic resilience (economic nationalism).
- d. Cooperatives as the pillar of the economy (Sokoguru Perekonomian).
- e. A balance between national planning and decentralized implementation.

2.3 Implementation of Pancasila Values in MSMEs

The implementation of Pancasila values in the business world is not merely a matter of corporate ethics but functions as a governance model. Recent literature synthesizes these implementations as follows.

First Sila (Divinity/Moral Ethics). Emphasizes honesty, transparency, and moral accountability. Literature suggests that the "religiosity factor" of MSME owners positively influences consumer trust and long-term business sustainability.

Second & Fifth Sila (Humanity and Social Justice). Manifested through the protection of labor rights and the creation of non-discriminatory work environments. MSMEs tend to adopt a "kinship-based" management style that is more humane and empathetic than rigid corporate structures.

Third Sila (National Unity). Realized through the spirit of "Buying Local" and prioritizing domestic raw materials to strengthen the national supply chain.

Fourth Sila (Democracy/Deliberation). Implemented in decision-making patterns that prioritize deliberation and consensus (Musyawarah mufakat), involving employees in the business development process.

3. METHOD

The data collection method used in this study is the questionnaire method. The researchers used two respondents as a sample. The questionnaire distribution process was carried out by giving one questionnaire to respondents who owned MSMEs online using the Self-Administered Questionnaire technique. The Self-Administered Questionnaire technique is a data collection method that covers a specific area, making it easier for researchers to gather all the necessary data in a relatively short

time. This research was conducted online via Google form.

4. RESULT AND DISCUSSION

Based on my research, which used a questionnaire as a data collection method, I used two MSME respondents as a sample. In this study, the researcher distributed a *Google Form* to solicit opinions regarding Government Regulation No. 7 of 2021, asking whether it aligns with Pancasila values and provides fairness for MSMEs.

- First Responder

According to the first respondent, Government Regulation No. 7 of 2021 aligns with Pancasila values because it includes various policy regulations on business establishment facilitation, licensing, facilities, access to financing, access to the supply chain, and market access for cooperatives and Micro, Small, and Medium Enterprises. Furthermore, according to the first respondent, Articles 35-36 stipulate that the classification of Micro, Small, and Medium Enterprises is based on business capital or annual sales revenue. The business capital criteria are applied to the grouping of new Micro, Small and Medium Enterprises that are about to be established, this is after the Government Regulation on Micro, Small and Medium Enterprises comes into effect. Meanwhile, the annual sales criteria are used to classify Micro, Small, and Medium Enterprises (MSMEs) that existed before the Government Regulation came into effect. It's crucial for entrepreneurs to understand regulatory developments related to their businesses. He believes that understanding the latest regulations, in addition to demonstrating awareness of their surroundings, can inform future steps. This means that Government Regulation No. 7 of 2021 is the answer for MSMEs.

- Second Respondent

The second respondent stated that Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises is in accordance with the values of Pancasila. Specifically, regarding the fifth principle, namely social justice for all Indonesian

people, the second respondent believes that Government Regulation Number 7 of 2021 can be the answer for Micro, Small, and Medium Enterprises (MSMEs), as it provides facilities, protection, and empowerment for cooperatives and MSMEs. He believes that, as with the existence of MSMEs within the country, we must certainly support them so that they can help advance the nation's economy in all circles, thereby creating prosperity. in accordance with the goals of our country.

Fourth paragraph In the preamble to the 1945 Constitution of the Republic of Indonesia, there is a formulation of the state's foundation, namely Pancasila. From a juridical-constitutional perspective, Pancasila is a formulation in Indonesian positive law that is valid, applicable, and binding on all state institutions, community institutions, and every citizen, without exception. The Preamble to the 1945 Constitution of the Republic of Indonesia contains the formulation of Pancasila. From a positive legal perspective, the preamble is a high-ranking law that cannot be changed. Therefore, for all state administrators, Pancasila as the foundation of the Indonesian state is permanent and binding.

The Indonesian nation as the basis of the state (ground norm), it is proven that Pancasila is one of the media for unifying/strengthening social, national and state life in Indonesia. The five principles contained in the Pancasila values are sufficient as the foundation of state life in Indonesia. In a society or state, norms are always a tiered arrangement, like a pyramid. In the opinion of Adolf Merkel and Hans Kelsen, every legal rule is a composition of rules (*stufenbau des Recht*). In his "*stufentheorie*" Hans Kelsen stated that at the top of the "*stufenbau*" there are basic rules of a national legal system which are fundamental rules. These basic rules are called "*ground norms*" which are legal principles that are abstract, general and hypothetical (Suryaningsi, 2020).

In Hans Naviaski's view, in a country with a unified legal order, there is a supreme rule, which has a higher status than the constitution. On the basis of these higher rules, a constitution was formed. The highest principle for unifying the state legal system is called *staatsfundamentaln*orm, which is Pancasila for the Indonesian nation. The essence of the state's fundamental norms is a prerequisite for formulating a constitution, as they were born first and are the direct source of a nation's historical

will and collective decision-making.

The Indonesian nation, in every aspect of social life, must implement Pancasila as its fundamental norm, both within the nation and state. Pancasila must become a way of life for every Indonesian. Economic, social, cultural, legal and every aspect of life must always be based on the values contained in each principle of Pancasila (Suryaningsi, 2016c).

As a manifestation of Pancasila entrepreneurship, it is essential to pay attention to business ethics and be grounded in the concept of Good Governance. Good governance has two meanings: first, values that uphold the wishes/desires of the people, and second, values that enhance the people's ability to achieve national goals. Second, functional aspects of effective and efficient governance in carrying out its duties to achieve goals.

Business actors must also have good business ethics, this is to prevent moral hazard in the company. Examples of cases such as Enron, WorldCom, Barings, Lapindo, and others show that business ethics are not given enough attention in business. Ethics are the standards of moral behavior that are accepted by society as right versus wrong. Ethics is the study of right and wrong and the morality of choices made by individuals, while business ethics is the application of moral standards to business situations.

Ethics is a critical and fundamental thought about moral teachings and views. Ethics is a science that discusses how or how we should take a responsible attitude in dealing with various moral teachings (Suryaningsi, 2016b). Ethics itself is divided into two, general ethics and special ethics. General ethics questions the principles that apply to every human being, while special ethics discusses these principles in relation to various aspects of human life.

The special ethics itself is divided into two, individual ethics which discusses human obligations towards oneself and social ethics which discusses human obligations towards other humans in social life, which is the largest part of special ethics. Pancasila is called the philosophical basis of the state, the Filosofische Grondslag of the state has the consequence that in every aspect of state administration must be in

accordance with the values of Pancasila.

This includes all laws and regulations in the country, government and other aspects of state. The state is a social institution for living together. A nation will thrive and thrive when it has a philosophical foundation as a source of values of truth, goodness, and justice.

Pancasila as the philosophical basis of the state is essentially a source of values for the Indonesian nation and state. Therefore, all aspects of state administration are based on and encompassed by Pancasila values (Suryaningsi, 2016a). So that Pancasila as the philosophical basis of the state is essentially the spiritual basis of the state. (Prof. DR. Kaelan. MS, Philosophy of Pancasila,) Meanwhile, from the detailed explanation of the values contained in Pancasila, among others, it is explained in the principle of social justice for all Indonesian people, it is stated: - Maintaining a balance between rights and obligations - Respecting the rights of others - Like to provide assistance to others so that they can stand alone - Not using property rights for businesses that are extortionate against others and that are contrary to or detrimental to the public interest.

The 1945 Constitution is the essence of development in Indonesia and is actually the embodiment of the spirit of the goals of the Indonesian state. Meanwhile, the values of Pancasila are the essence of sustainable development itself. The fourth paragraph of the Preamble to the 1945 Constitution actually contains provisions for each Pancasila principle, which are further elaborated in the articles within the body. This means that the articles within the body certainly embody the spirit embodied in the preamble to the 1945 Constitution itself.

Pancasila is the philosophical foundation of the state or state ideology contained in the Preamble to the 1945 Constitution. The basic formulation of *the legal ideals* of the Republic of Indonesia is another term for the Pancasila formulation. Based on the ideals that existed in society (*volksgeemenschapside*) before the nation was founded, it naturally had to be formulated.

As we know, an ideal law has an institutional function to determine the principles of law, otherwise the law will lose its meaning and significance as law, and it also has a function to determine whether a law is actually fair or not. Likewise, if Pancasila is a legal ideal, the values contained in Pancasila have a constitutional function

to determine whether the Indonesian legal system is the correct legal system. The laws used in Indonesia are fair and unfair laws.

Government Regulation No. 7 of 2021 has fulfilled the requirements of conformity with Pancasila values as a philosophical basis. A country that has a personality in accordance with the values of Pancasila so that it is hoped that all human actions will be in line, so that it can then be used as a State Ideology.

5. CONCLUSION

Pancasila is a philosophical foundation of a Weltanschauung proposed by Bung Karno before the BPUPKI session on June 1, 1945, as the foundation for the Indonesian state. The values of Pancasila are broadly contained in its five principles: First, the values of divinity. Second, human values. Third, the values of unity. Fourth, people's values. Fifth, the values of justice. These Pancasila values must be implemented in national and state life. In accordance with Pancasila values. Government Regulation Number 7 of 2021 is in accordance with Pancasila values. This refers to the principle that regulatory formulation must meet legal, philosophical, and social standards.

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