

การประเมินข้อบังคับนิติบุคคล ของสหภาพเครดิตในการเพิ่มทุน  
วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย  
Evaluation of Credit Union Legal Entity Regulations  
In Increasing MSMEs Capital

Endang SETYOWATI<sup>1\*</sup> and Ana KADARNINGSIH<sup>2</sup>

<sup>1</sup>University of Semarang, Indonesia

<sup>2</sup>University of Dian Nuswantoro, Indonesia

Corresponding author: wati.setyowibowo@gmail.com

Article history:

Received 28 July 2023

Revised 10 October 2023

Accepted 14 October 2023

SIMILARITY INDEX = 6.00%

## บทคัดย่อ

ประเทศไทยในปัจจุบันได้มีการประเมินข้อบังคับนิติบุคคลของสหภาพเครดิตในการเพิ่มทุน วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย ทั้งนี้ระดับธุรกิจขนาดเล็กต้องการความช่วยเหลือ โดยเฉพาะอย่างยิ่งในด้านทุน การมีอยู่ของสหภาพเครดิตสามารถช่วย วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย ได้อย่างแท้จริง โดยเฉพาะอย่างยิ่งในด้านการจัดหาเงินทุน แต่จนถึงขณะนี้ สถาบันการเงินที่มีสหภาพเครดิตยังคงอยู่ภายใต้กฎหมายฉบับที่ 25 ปี 1992 ว่าด้วยสหกรณ์ เนื่องจากไม่มีกฎหมายเป็นพิเศษที่เกี่ยวกับสหภาพเครดิต ดังนั้นการดำเนินการอย่างของสหภาพเครดิตจึงถือว่าเข้าเกณฑ์สำหรับสหกรณ์ออมทรัพย์ และสินเชื่อ

ปัญหาในการวิจัยครั้งนี้คือจะประเมินจุดยืนด้านกฎหมายเบียบของนิติบุคคลเครดิตที่มีการเพิ่มทุน วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย อย่างไร หลายสิ่งที่นำมาพิจารณาในการประเมิน ได้แก่ ชื่อ นิติบุคคลของเครดิตที่มีกฎหมายเบียบในอินโดนีเซีย โครงสร้างองค์กร รูปแบบการออม กิจกรรม กิจกรรมการศึกษา และทุน การประเมินนี้จะกำหนดกฎหมายเบียบใหม่ที่ควบคุมตำแหน่งของนิติบุคคลเครดิตที่มีกฎหมายเบียบโดยเฉพาะ เพื่อให้สหภาพเครดิตมีประสิทธิภาพมากขึ้นในการช่วยเหลือเงินทุนสำหรับ วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย การวิจัยนี้ยังคาดว่า จะพบการปรับปรุงกฎหมายเบียบของนิติบุคคลของสหภาพเครดิตที่เหมาะสม กับ วิสาหกิจขนาดกลาง และขนาดย่อม เพื่อการปรับปรุงเศรษฐกิจของอินโดนีเซียมากขึ้น

การวิจัยนี้ใช้การวิเคราะห์เชิงพรรณนาโดยพิจารณา แนวทางทางกฎหมายบรรทัดฐานเชิงประจักษ์ ข้อมูลหลักผ่านการสัมภาษณ์ผู้จัดการสหภาพเครดิต พนักงานของสหกรณ์และบริการ UMKM พนักงานสหกรณ์ออมทรัพย์และสินเชื่อ พนักงานธนาคาร และผู้ประกอบการในวิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย ส่วนข้อมูลทุกภูมิได้มาจากการสืบในห้องสมุด

**คำสำคัญ:** เครดิตที่มีกฎหมายเบียบ นิติบุคคล ทุน วิสาหกิจขนาดกลาง ขนาดย่อม และขนาดย่อย

## ABSTRACT

Indonesia is dominated by MSMEs at the micro business level which need assistance, especially in capital. The existence of Credit Unions really helps MSMEs, especially in providing capital. Until now, Credit Unions are still subject to Law Number 25 of 1992 concerning Cooperatives. This is because there are no specific regulations governing Credit Unions, so their existence is considered to fall within the criteria for savings and loan cooperatives.

The problem in this research is how to evaluate the regulatory position of Credit Union legal entities in increasing MSME capital. Several things that are taken into consideration in the evaluation include the name of the legal entity of the Credit Union in Indonesia, organizational structure, form of savings, activities, educational activities, and capital. This evaluation will formulate new regulations that specifically regulate the position of Credit Union legal entities, so that Credit Unions can be more effective in assisting capital for MSMEs. This research is also expected to find improvements in Credit Union legal entity regulations that are more appropriate for MSMEs in improving the Indonesian economy.

This research is descriptive analysis using an empirical normative juridical approach. Primary data through interviews with Credit Union managers, employees of the Cooperative and UMKM Service, savings and loan cooperative employees, banking employees and MSME players. Secondary data was obtained from library materials.

**Keywords:** Credit Union, Legal Entity, Capital, MSMEs

## 1. Introduction

Post-pandemic economic development must be able to provide motivation and encourage active community participation. Linkages and cooperation between actors in the context of economic activity, such as the government, private entities and all components of the state, must be maximized to achieve economic stability and growth. The private sector is one of the components of the country's economy and has a large role. The roles given by the private sector in the Indonesian economy include; increasing national production, creating new opportunities and jobs, reducing unemployment, increasing the country's foreign exchange sources, increasing state income through taxes, and achieving national prosperity. One component of the private sector that has a big influence is Micro, Small and Medium Enterprises (MSMEs). MSMEs are businesses carried out by individuals, households or business entities on a small scale. MSMEs can be classified based on the turnover received during the year, the amount of wealth and the amount of labor absorbed. MSMEs will be able to exist in the country's economy and be able to act as stabilizers and economic drivers, if MSMEs have strong and stable cash flow.

Based on data from the Indonesian Ministry of Cooperatives, Small and Medium Enterprises in 2023, the number of micro businesses in Indonesia is 62,106,900 businesses, which are divided into small businesses totaling 757,090 businesses, medium businesses totaling 58,627 businesses, and large businesses totaling 5,460 businesses. So far, MSMEs are considered capable of supporting 80% of domestic consumption (Melisa Siska Juminto, 2020). MSMEs dominate the economy in Indonesia, but these MSMEs need a lot of capital assistance to develop their businesses. One way the Indonesian government helps capitalize MSMEs is by providing capital through the banking sector by providing credit to MSMEs. Credit given to MSMEs has a special credit interest rate so that it does not burden MSMEs. But in reality, capital loans provided from the banking sector have not been able to help and are less effective for MSMEs. Several contributing factors include the large amount of trauma and experience of several banks in handling problematic loans, the existence of very strict Bank Indonesia regulations regarding providing credit to MSMEs, and several large banks having no experience in providing microcredit (Ashari, 2006).

Achieving a socially just economic system cannot be completely dependent on the market. Apart from that, we cannot completely depend on the government's efforts to deal with the helplessness and injustice that occurs in the business market (Michell Eko Hardian, 2013). In the current unstable market conditions, the most appropriate government effort is to make non-formal financial institutions more effective, in the form of Microfinance Institutions (LKM). Microfinance Institutions consist of two types, namely non-bank Microfinance Institutions and Bank Microfinance Institutions (Setyo Budiantoro, 2006). Examples of bank microfinance institutions (LKM) are BRI (Bank Rakyat Indonesia Village Unit), BPR (People's Credit Bank), and (BPD) Village Credit Agency. Meanwhile, examples of Non-Bank

Microfinance Institutions (LKM) include Baitul Mal Wattanwil, Savings and Loans Cooperatives, Credit Unions, and other financial institutions.

On the other hand, the growth of cooperatives to date is dominated by savings and loan cooperatives and real sector cooperatives. But the growth of cooperatives cannot produce significant additional value for the Indonesian economy. This is due to the cooperative's poor image in the eyes of the community. Many cooperatives are just nameplates but do not play a role in making MSMEs prosperous. The rise of fake cooperatives is very detrimental to society, resulting in an increase in bad credit. or fail to repay the loan. Savings and loan cooperatives, which are expected to charge lower interest rates than other financial institutions, actually charge high loan interest rates. Cooperatives are no longer helping MSMEs but trapping MSMEs with high interest rates.

Credit Union (CU) is a microfinance institution for distributing loans to the community. Credit Unions are increasingly developing because they are in great demand by the Indonesian people. Based on 2021 data, there are 800 credit unions in Indonesia, 6 pre-credit cooperative centers, and 31 credit cooperative centers with a total membership of 3,000,000 people (Adji Gutomo, 2018). Meanwhile, the total assets of Credit Unions up to 2017 were 30.65 trillion rupiah. The number of Credit Unions is estimated to increase by three trillion rupiah every year, so that the estimated number of Credit Unions in 2023 will reach 48.65 trillion rupiah (Cuco Indonesia, 2021). The existence of Credit Unions really helps business actors, especially in providing capital for MSMEs. The importance of the presence of Credit Unions and the rapid development with the increasing number of members joining, means that clearer regulations are needed.

Currently, Credit Union regulations are contained in Law Number 25 of 1992 concerning Cooperatives. This is because there are no specific regulations governing Credit Unions, so their existence is considered to fall within the criteria for savings and loan cooperatives. The fact is that credit unions and savings and loan cooperatives have differences, especially in the aspect of capital. Savings and loan cooperatives still receive assistance from the Government, while Credit Unions do not receive assistance from the Government or are independent. Apart from that, there are differences in the regulation of Credit Unions and Savings and Loans Cooperatives in terms of their legal entity form. Even though there are many differences between savings and loan cooperatives and Credit Unions, the rules for implementing Credit Unions are still the same rules as Savings and Loans Cooperatives, namely government regulation no. 9 of 1995. The Indonesian government should draft regulations regarding Credit Unions separately in accordance with the Model Law for Credit Unions. The Model Law for Credit Union is one of the international laws stipulated by the World Council of Credit Union (WOCCU) where Indonesia is a member of WOCCU. The existence of a Model Law for Credit Unions will make the legal entity status of Credit Unions legal and clear.

Based on the description above regarding the lack of clarity regarding Credit Union legal entities as financial institutions that provide capital for Micro, Small and Medium Enterprises (MSMEs), it is necessary to evaluate the rules governing the position of Credit Union legal entities in increasing capital for Micro, Small and Medium Enterprises in Indonesia. It is hoped that the research results from the evaluation of regulations on the legal status of Credit Union legal entities will provide material input to the Indonesian government in formulating special regulations regarding Credit Unions, especially providing capital to MSMEs.

### **Objective of the Study**

The objective of this research is expected to be to find improvements in Credit Union legal entity regulations that are more appropriate to be implemented in Indonesia, so that the development of MSMEs increases and national economic stability can be achieved.

## **2. Literature Reviews**

Credit cooperatives are an important segment of financial institution industry. One part of a credit cooperative is a credit union. Credit unions are important financial intermediaries and are non-profit organizations because only union members can provide loans or borrow funds. Credit Unions use a balanced approach, which means that Credit Unions are created to benefit both groups, namely the lending group and the loan recipient group. If the two groups try to optimize the interest rates of each group, then the credit union will experience pressure on interest rates so that operational costs will be kept to a minimum (Bauer, 2008). Credit unions as a nation's economic scale are an important determinant of government economic performance. Because the size of the loans distributed to the community by Credit Unions shows the development of the performance of micro, small and medium enterprises - MSMEs (Lu and Swisher, 2020).

Most people consider that Credit Unions are the same as other financial institutions such as banks, namely financial institutions which are an important means for saving and borrowing. But Credit Unions are different from banks, especially the unique characteristic of Credit Unions, namely maximizing benefits for their members. There are two distinct characteristics that differentiate credit unions from commercial banks. First, Credit union members must have a common bond as a form of affiliation to something groups both geographically. Second, the Credit Union is a tax-free financial institution. Because the members of the credit union act as owners because own shares or deposits in a credit union. In theory, tax exemptions help credit union members receive higher interest rates for owner shares and lower interest rates on loans for other members. These two characteristics of a Credit Union will increase efficiency and high competitiveness because it uses less non-interest income and focuses more on providing loans. (Stevenson, 2020).

Credit unions are democratically controlled institutions, because the directors and owners of the credit union are appointed and elected by its members. But concerns have been raised if members fail to exercise control over the credit union. Because credit union members can influencing organizational policies where each member has the same voting rights, making it difficult to find agreement between Credit Union members (Unda et.al, 2019). Credit Union is a savings and loan cooperative empowering its members through capital loans for the development of its members' businesses. But Credit Unions often have difficulty assessing the financial performance of their members who want to borrow for additional business capital ( Wardani et.al, 2023). Credit Union is a financial institution in the savings and loans sector or usually in known as a savings and loan cooperative. Credit Union business activities are collecting funds from members cooperatives by creating credit sources from and for members at relatively low interest rates. The aim is to help the community improve the economy and progress of its members' businesses through providing business capital (Beni et.al, 2022).

The definition of micro, small and medium enterprises (MSMEs) varies in each country. European countries define medium-sized businesses as having fewer than 250 employees and a maximum annual revenue of 50 million euros. Meanwhile, small businesses have less than 50 employees and a maximum annual income of 10 million euros. Lastly, micro businesses are defined as companies which employs less than 10 people and has a maximum revenue of 2 million euros (Dambiski Gomes de Carvalho et.al, 2021). MSMEs according to the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in Law Number 9 year 1995 is an entity businesses that have wealth or assets of 200 million rupiah. The criteria for MSMEs according to government regulation PP Number 7 of 2021 include, among others, Micro Businesses having a maximum business capital of one billion rupiah, Small Businesses. Small businesses have business capital between one billion rupiah to five billion rupiah and Medium Enterprises have business capital between five billion rupiah to 10 billion rupiah (Indika and Marliza, 2019).

Micro, Small and Medium Enterprises (MSMEs) in the Indonesian economy have strategic role in building national economic productivity. The business world developing requires MSME players to be able to contribute actively in economy. MSMEs have a role in economic growth and absorption labor. In order to strengthen this business sector, the Indonesian government issued Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) and refined with Government Regulation Number 7 of 2021 concerning Criteria MSMEs (Ferdian, 2023). MSMEs are businesses owned by individuals who are expected to earn money improve the country's economy. The supporting factors for the success and development of MSMEs include internet mastery, working capital, information financial and marketing strategy. Apart from that, factors inhibiting the development of MSMEs include capital, human resources, knowledge and competitiveness (Febriani and Harmain, 2023)

### 3. Materials and Methods

This research is a descriptive analysis, because it specifically aims to provide an overview and evaluation of the regulations on the position of Credit Union legal entities in assisting MSME capital. The approach method used in this research is an empirical normative juridical approach, where this research is carried out by examining applicable legal provisions and what happens in reality. This research looks at how this policy can be effective or not in providing financial solutions to MSMEs. Apart from that, it also examines the problems that occur in the field, which are related to this policy.

Researchers use purposive sampling, where the sample is part of the population (Sugiyono, 2012). This research uses primary data and secondary data. What is meant by primary data is data directly obtained in the field, through direct interviews with Credit Union managers, employees of the Cooperatives and MSMEs Department, employees of savings and loan cooperatives, banking employees and MSMEs. Data obtained directly from the public is called primary data (or basic data), while that obtained from library materials is usually called secondary data (Soekanto and Mamudji, 2011)

### 4. Empirical Results

Etymologically, credit union comes from the two words credit and union (Poerwodarminta, 1986). The word credit in Latin is credere which means mutual trust, while the word union (unio-unus) means group. So a Credit Union is a group of people who trust each other in a unifying bond who agree to save money, create joint capital, to be used (in the form of loans) among fellow members for productive purposes and mutual prosperity. The World Council of Credit Union emphasizes that credit unions are essentially "not for profit, cooperative institutions" namely cooperative institutions whose main purpose is not solely to seek profit, but to work together to achieve prosperity in living together. In fact, this has been further emphasized as "Credit Union not for profit, not for charity, but for service" (Lilik Agung, 2012).

The Credit Union movement was first initiated by Hermann Schulze-Delitzsch and Friedrich Raiffeisen in Germany (Johanes Tuwuh Saputro, 2014). Initially the Credit Union was founded with the background of overcoming the economic crisis that occurred in Germany, the impact of the harvest failure in 1846-1847 has now spread throughout the world. In Indonesia itself, this institution officially entered after the formation of the Credit Union Counseling Office (CUCO) or what is known as the Indonesian Credit Cooperative Coordinating Board (BK3I) in early January 1970 (Yogi Pusa, 2023). Nationally, Credit Unions in Indonesia are now no longer just financial institutions, but have become economic movement because of the magnitude and breadth of the impact it produces. The increasingly dominant existence of credit unions has now become a serious threat to the banking world. The Credit Union movement entered Indonesia in 1950, brought by several volunteers, including Karim Arbie

and friends who had set up savings and loan businesses according to the principles of F.W. Raiffeisen. The Indonesian government also ran credit cooperatives using the same system from 1955 to 1959. In the early 1960s, a disaster occurred where inflationary turmoil hit Indonesia. Many businesses operating in the savings and loans sector have become helpless, because they cannot fight the increasingly rapid inflation. Many cooperatives have turned around to become consumer cooperatives. Money is a medium that is used for speculation. Then F.W. style cooperatives. This Raiffeisen is not heard of again. In 1967, the economic drivers of society began to think about an economic concept that was suitable for the lower middle class. In this case, credit cooperatives are considered the most suitable to be implemented in Indonesia. Then the WOCCU (World Council of Credit Union) or World Council of Credit Cooperatives was invited to Indonesia, and in the meeting the possibility of developing the idea of Credit Unions in Indonesia was discussed as a means and vehicle for alleviating marginalized communities. As a follow-up, several people held periodic study cycles in Jakarta. Finally they agreed to form a forum called the Credit Union Counseling Office (CUCO) in early January 1970 led by K. Albrecht Karim Arbie, SJ., to lead its operational activities. In 1971 Drs. Robby Tulus was appointed as Managing Director.

In 1981, the National Conference on Indonesian Credit Cooperatives was held, where a new organization was formed called the Indonesian Credit Cooperative Coordinating Board (BK3I), with chairman Drs. Robby Sincere. Since then there has been a change in the name and nature of the organization. The Credit Cooperative Consultation Bureau (BK3) or Credit Union Counseling Office (CUCO) became the Indonesian Credit Cooperative Coordinating Body (BK3I) or Credit Union Coordination of Indonesia (CUCO Indonesia) and for regions it became BK3D (Regional Credit Cooperative Coordinating Body). CUCO's role is as the forerunner to the development of Credit Unions in various regions in Indonesia. CUCO provides many trainings in various regions to develop the Credit Union idea. Currently BK3D has changed its name to BKCU and BK3I has changed to Inkopdit. The first credit union established in Indonesia was the Kemuning Credit Union in Bandung, on December 7 1970. And ten months later the Swapada Credit Union was established, as the first credit union in Jakarta.

Article 33 of the 1945 Constitution (UUD) is the legal basis used in running the Credit Union. Meanwhile, Law Number 25 of 1992 concerning Cooperatives and Government Regulation Number 09 of 1995 regulates the Implementation of Savings and Loans Business Activities by Cooperatives as well as Minister of Cooperatives Regulation Number 11 of 2018 which regulates Savings and Loans Business Licensing. by the Cooperative. However, credit unions are not actually identical to savings and loan cooperatives or cooperatives in general. The Credit Union has the following principles: Self-help, Loyal friends, Education and awareness (Johanes Tuwuh Saputro. 2014). Credit Unions do not obtain capital from other institutions, but rather collect their funds through member savings and only provide loans to members with good character. In this case, the survival of the Credit Union is determined by

the members. Without the spirit of self-reliance, a Credit Union will not be able to survive for long. Many Credit Union members feel real benefits, both in rural and urban areas. Credit Unions can be institutions/institutions that encourage the democratization of material, intellectual and institutional capital. Lukas E. Sukoco.2014 The credit union concept is very different from other financial institutions. One of the differences is the credit value, where the Credit Union actually converts the credit value into assets and into capital called shares (Petrus, 2004).

Based on the large Indonesian dictionary, the word evaluation means assessment. Evaluation is a work process that produces information about how far an activity has been achieved, and how the achievement of this activity differs from certain standards. Apart from that, the purpose of evaluation is to determine whether there are differences in the achievement of activities with certain standards that have been set. The purpose of the evaluation is also to determine the benefits that have been obtained from the activity compared to the expected benefit targets. In today's modern law, the requirements to be included in the category of legal entity are as follows: assets that are not mixed or separated from the assets of other legal subjects, have elements of ideal goals and are in accordance with applicable laws and regulations, have interests itself in legal traffic, has an orderly management organization based on internal regulations and applicable laws and regulations, and is included in the list as a legal entity according to applicable regulations.

A state founded on law has four main principles, namely: the principle of legal certainty (het rechtszekerheidsbeginsel), the principle of equality (het gelijkeheidsbeginsel), the principle of democracy (het democratischebeginsel), and the principle that the government is formed to provide services to the community (het beginsal van de dienende overhead, governance for the people) (Edi Hudiata, 2017). Indonesia as a rule of law country is obliged to implement the principle of legal certainty. The principle of legal certainty is a principle in a legal state that prioritizes the basis of statutory regulations, propriety and justice in every policy of state administrators. Specifically, the principle of legal certainty can be interpreted as normative law based on applicable laws and regulations. The principle of legal certainty does not give rise to doubt (multiple interpretations) and is logical in the sense of being a system of norms with other norms so that they do not clash or give rise to norm conflicts resulting from uncertainty.

An effective law cannot be separated from analyzing the characteristics of two related variables, namely the characteristics or dimensions of the target object used (Barda Nawawi Arief, 2013). Legal effectiveness is a legal condition that is capable of realizing the circumstances or conditions expected by the law (W. Yudho and H. Tjandrasari,1987). So that Credit Unions can be more effective in assisting capital for MSMEs, evaluation is needed, including the establishment of special regulations that can provide a clear position as a legal entity. The evaluation in question is of course based on the ideal foundation of Pancasila, the

structural foundation of the 1945 Constitution, the mental foundation of loyalty to friends and personal awareness, as well as the operational basis. The operational basis of Credit Unions in Indonesia is Article 33 of the 1945 Constitution. The fundamental difference between Credit Unions and other financial institutions lies in their "spirit". Some of the basic differences are that credit unions prioritize building communities, while other financial institutions prioritize building the financial sector. In a credit union, the main asset is considered to be people, while in other financial institutions the main asset is money. Credit Union members are essentially the owners of the Credit Union, while in financial institutions outside the Credit Union, members are referred to as customers. The following are the differences between a Credit Union and a Savings and Loans Cooperative, so that it can be used as a basis for evaluation for creating regulations that provide legal entity status for Credit Unions. Some things that need further evaluation are as follows:

**a. Name of the legal entity of the Credit Union in Indonesia**

Credit Unions in Indonesia still use the name "Credit Union". According to Law Number 25 of 1992, there are no regulations regarding the name that must be used. However, if the name "cooperative" is not included then confusion will arise regarding the form of business entity of the Credit Union. For this reason, clarity regarding the name is needed, so that the public can understand it more clearly. Government Regulation Number 9 of 1995 concerning the Implementation of Savings and Loans Business Activities by Cooperatives clearly does not regulate Credit Unions. This regulation only regulates the form of savings and loan cooperatives and the form of cooperatives in which savings and loan activities are carried out. The Credit Union has fulfilled the requirements as a legal entity, in line with Molengraaf's opinion, a legal entity is basically a collective obligation and right of all its members, in which there are assets (Jimly Asshiddiqie, 2006).

**b. Organizational structure**

Savings and loan cooperatives are under the supervision of the Department of Cooperatives and MSMEs, while Credit Unions are under the supervision and coordination of an international organization called WOCCU. This shows that the organizational structure of savings and loan cooperatives is different from Credit Unions.

**c. Form of savings**

The forms of savings in savings and loan cooperatives are: principal savings and mandatory savings, while the forms of savings in Credit Unions are: principal savings, mandatory savings and special savings; namely, there is a combination of the system used by the cooperative and the banking system. This savings functions for members' special needs,

for example for property needs, and others. Where deposits in the form of savings will receive compensation from a financial system such as that in the banking system.

#### **d. Activity**

The activities of savings and loan cooperatives are only limited to savings and loan activities carried out by their members, whereas credit unions, apart from savings and loan activities, also have product and protection programs for members.

#### **e. Educational activities**

The Credit Union has routine educational activities in stages for its members, including Basic Education (Diksar), Financial Education, and so on. Prospective Credit Union members, before being designated as members, must complete basic education first. Meanwhile, in savings and loan cooperatives there are no educational activities aimed at their members.

#### **f. Capital**

In savings and loan cooperatives, capital consists of own capital and loan capital, and it is even possible to receive grants or assistance from outside parties. While Credit Unions are not allowed to receive assistance from outside parties, capital strength is obtained from their own capital. It is hoped that through evaluating the regulations on the legal status of credit unions, it will have a better impact. Because with clearer regulations, the Credit Union will be established as a legal entity that will be able to develop its functions and benefits, especially in providing capital for MSMEs.

### **5. Conclusion**

#### **5.1 Results Finding**

Credit Unions have a very important role in providing capital for MSMEs. In reality, credit unions are not the same as savings and loan cooperatives or cooperatives in general, but credit unions in Indonesia are identified with cooperatives. Article 33 of the 1945 Constitution of the Republic of Indonesia is the legal basis used in running Credit Unions in Indonesia. Apart from the 1945 Constitution, the legal basis for implementing Credit Unions is also regulated in Law Number 25 of 1992 concerning Cooperatives and Government Regulation Number 09 of 1995 concerning the Implementation of Savings and Loans Business Activities by Cooperatives, and Minister of Cooperatives Regulation Number 11 of 2018 concerning Business Licensing Savings and Loans by Cooperatives. To be more effective and efficient, it is necessary to evaluate the regulations governing the position of Credit Union legal entities. Several things that can be taken into consideration for evaluation include name of legal entity, organizational structure, form of savings, activities, educational activities, and capital.

## 5.2 Suggestions for Use in This Research

The government should immediately make regulations regarding the legal entity position of Credit Unions. Because effective laws will produce better economic conditions. If the Credit Union already has a clear position as a legal entity, then the Credit Union's membership will continue to grow, which of course will make capital turnover for MSMEs even greater.

## 5.3 Further Research

This research only uses a sample of micro, small and medium enterprises (MSMEs) in Indonesia. Apart from that, this research only evaluates credit union regulations in Indonesia. Future research can evaluate credit union regulations in other Southeast Asian countries such as Thailand, Malaysia, the Philippines. Samples for further research can use micro, small and medium enterprises (MSMEs) in Malaysia, Thailand and the Philippines.

## References

Ashari. (2006). **The Potential of Microfinance Institutions (LKM) in Rural Economic Development and Development Policies Center for Socio-Economic Analysis and Agricultural Policy**, [Online]. Retrieved May 7, 2023, from: <http://pse.litbang.deptan.go.id/download.php>.

Adji Gutomo. (2018). **Aset Credit Union**, [Online]. Retrieved May 7, 2023, from: <http://Pipnews.co.id/nasional/aset-koperasi-kredit-cu-se-indonesia-rp-30645-triliun/>.

Barda Nawawi Arief. (2013). **Capita Selecta Criminal Law**, Bandung: Citra Aditya.

Bauer, K. (2008). Detecting Abnormal Credit Union Performance. *Journal of Banking and Finance*, 32(4), 573-586.

Beni, S., Atlantika, Y. N., and Manggu, B. (2022). Credit Union Development at the Indonesian Credit Union Credit Cooperative Center 2015-2019, In **Proceedings of the National Seminar Annual Academic Seminar on Economics and Development Studies**, 5 : 226-231.

Cuco Indonesia. (2021). **Credit Union Counseling Office**. [Online]. Retrieved May 7, 2023, from: <https://cucoindo.org>.

Dambiski Gomes de Carvalho, G., Resende, L. M. M. D., Pontes, J., Gomes de Carvalho, H., and Mendes Betim, L. (2021). Innovation and management in MSMEs: A literature review of highly cited papers, *SAGE Open*, 11(4) : 21582440211052555.

Edi Hudiata. (2017). Legal Reconstruction of Sharia Capital Market Dispute Resolution: Strengthening Regulatory Aspects to Provide Legal Certainty, *Journal of Law and Justice*, 6(2). 297–316.

Febriani, S., and Harmain, H. (2023). Analysis of Inhibiting and Supporting Factors for the Development of MSMEs and the Role of the Asprindo Regional Management Board in the Development of MSMEs in North Sumatra During the Covid-19 Pandemic, *Al-Kharaj: Journal of Sharia Economics, Finance and Business*, 5(3) : 1275-1290.

Ferdian, T. (2023). Factors Affecting the Performance of Small and Medium Enterprises (MSMEs) in Tebo Regency, Jambi, *Ad-Deenar: Journal of Islamic Economics and Business*, 6(001), 117-130.

Indonesia Government Regulation Number 09. (1995). **The Implementation of Savings and Loans Business Activities by Cooperatives**.

Indika, M., and Marliza, Y. (2019). Efforts to Empower Micro, Small and Medium Enterprises (MSMEs) in Overcoming Poverty in Tugumulyo District, Musi Rawas Regency, **MBiA Scientific Journal**, 18(3), 49-66.

Johanes Tuwu Saputro. (2014). The Position of Cindelaras Tumangkar Credit Union in Law Number 25 of 1992 concerning Cooperatives. *Journal of the Faculty of Law*, Atma Jaya University, Yogyakarta

Jimly Asshiddiqie. (2006). Post-Reformation Development and Consolidation of State Institutions, **Secretariat General and Registrar of the MKRI**, Second printing. Jakarta.

Lilik Agung. (2012). **Credit Union: Vehicle to Prosperity Indonesian Model Social Business Practices**, Jakarta:Elex Media Komputindo.

Lu, W., and Swisher, J. (2020). A Comparison Of Bank And Credit Union Growth Around The Financial Crisis, **American Journal of Business**, 35(1), 25-44.

Lukas E. Sukoco. (2014). **Credit Union Good News For Everyone**, Yogyakarta:Taman Pustaka.

Michell Eko Hardian, (2013). The Role of Law in Empowering Credit Unions in West Kalimantan. **Nestor Master of Law Journal**, 3(5).95-101

Melisa Siska Juminto. (2020). **Adaptation of MSMEs during the New Normal, Jawa Pos.com**, [Online]. Retrieved May 7, 2023, from: <https://www.jawapos.com/opini/24/06/2020/daptasi-umkm-saat-new-normal>.

Poerwodarminta. (1986). **General Indonesian Dictionary**, Jakarta:Balai Pustaka.

Petrus. (2004). **Why a Credit Union? Seminar on Deepening the People's Economy**, Jakarta.

Regulation of the Minister of Cooperatives of the Republic of Indonesia Number 11. .(2018) **Licensing of Savings and Loans Businesses by Cooperatives**.

Setyo Budiantoro. (2006). **Draft Law on Microfinance Institutions: Don't Keep Financial Institutions Away from the Community**, [Online]. Retrieved May 17, 2023, from: [www.dilibrary.net/images/topics/RUU%20Lembaga%20Keuangan%20Mikro.pdf](http://www.dilibrary.net/images/topics/RUU%20Lembaga%20Keuangan%20Mikro.pdf).

Sugiyono. (2012). **Quantitative Qualitative Research Methods**, Bandung: Alfabeta, 120.

Soerjono Soekanto and Sri Mamudji. (2011). **Normative Legal Research, A Short Review**, Jakarta: PT Raja Grafindo Persada.

Stevenson, B. A. (2020). Determinants of Credit Union Benefits to Members, **Journal of Accounting and Finance**, 20(2).48-64.

Unda, L. A., Ahmed, K., and Mather, P. R. (2019). Board Characteristics And Credit-Union Performance, **Accounting and Finance Journal**, 59(4), 2735-2764.

Wardani, R. P., Hartanto, S., Wijanarko, T. A., and Wibowo, V. A. S. (2023). Assistance for Members of the Prima Danarta Surabaya Credit Union in Trading Businesses towards Transaction Recording and Taxation Skills, **Indonesian Community Servant Journal**, 3(1), 367-376.

W. Yudho and H. Tjandrasari. (1987). **The Effectiveness of Law in Society**, Jakarta: Law and Development Magazine, UI Press.

Yogi Pusa. (2023). **History of Credit Unions in Indonesia**, [Online]. Retrieved May 7, 2023, from: <https://www.kompasiana.com/www.yogipusa.com/552a760ef17e61bb10d623be/sejarah-kelahiran-credit-union-cu>