

# Study of Licensing Regulation in Bangkalan Regency in Improving Micro Business

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## ABSTRACT

The research purpose was to obtain comprehensive information about the regulations and efforts of the Bangkalan Regency Government after the enactment of Presidential Regulation Number 98 of 2014 concerning Licensing for Micro and Small Enterprises. The data were obtained through in-depth interviews with the Officials of Investment and One Stop Services Agency as well as UMK Batik Tanjung Bumi actors. In addition, a document study of Bangkalan Regency local regulations (Perda) related to licensing was also used. Data analysis was carried out using qualitative analysis through three activity lines, namely data reduction, data test, and conclusions drawing. The results showed that the Bangkalan Regency Government actions after the enactment of Presidential Regulation Number 98 of 2014 has not yet issued Regent Regulation (Perbup) concerning the delegation for granting IUMK to the sub district head or Regent Regulation concerning guidelines for granting IUMK. The inhibiting factors in the implementation of Presidential Regulation Number 98 of 2014 is the need of Trading Business License (SIUP) documents in addition to the Business Identification Number (NIB) for the UMK, the absence of sanctions, contradictions and unclear authority of the Regent and the Sub district head in the Presidential Regulation Number 98 of 2014 and Minister of Home Affairs Regulation Number 83 of 2014. Efforts made by the Bangkalan Regency Government in overcoming the increasing licensing services for UMK are by implementing Electronically Integrated Business Licensing System using the legal basis of Government Regulation Number 24 of 2018 which regulates the fee payment in obtaining licenses, which is different from the provisions of Presidential Regulation Number 98 of 2014 and Minister of Home Affairs Regulation (Permendagri) Number 83 of 2014 which regulates the granting of IUMK is free of charge.

**Keywords:** License, Micro Business, Presidential Regulation Number 98 of 2014.

## 1. INTRODUCTION

Indonesia already has regulations that regulate UMK, namely Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (UMKM Law). Article 7 of the UMKM Law stipulates that (1) The Government and Local Governments foster business climate by establishing laws and regulations and policies covering the following aspects: a. funding; b. facilities and infrastructure; c. business information; d. partnership; e. business license; f. business opportunities; g. trade promotion; and h. institutional support; (2) The business world and the community actively participate in helping to grow the business climate as referred to in paragraph (1). Furthermore, Article 12 of the UMKM Law regulates aspects of business licensing aimed at: (a) simplifying the procedures and types of business licensing with one stop service system; and (b) free the licensing fees for micro businesses and provide relief for licensing fees for Small

Businesses. Further provisions concerning the requirements and procedures for applying business license are then regulated in Government Regulation Number 17 of 2013.

In order to encourage local economic growth, Presidential Regulation Number 98 of 2014 was issued concerning Licensing for Micro and Small Enterprises. The Presidential Regulation was then followed up with Minister of Home Affairs Regulation Number 83 of 2014 concerning Guidelines for Granting Licenses to Micro and Small Enterprises [9] This Presidential Regulation stipulates that it is necessary to empower Micro and Small Enterprises actors. The empowerment is carried out by giving licenses to Micro and Small Enterprises actors in simple way through the license's issuance in one sheet form and easy access in their services by bringing the implementation of one stop services closer to Micro and Small Enterprises actors. In order to bring the one-

stop integrated service provider closer, it is necessary to delegate authority to the regency/city local apparatus that the closest to Micro and Small Enterprises actors.

In this regard, it is important to conduct research on licensing regulations in Bangkalan Regency in increasing the UMK Batik Tanjung Bumi after the enactment of Presidential Regulation Number 98 of 2014 [11]. Whether the Presidential Regulation is followed up by the local government or not, considering that business licensing is one aspect that under the Local Government authority, and if followed up, is the regulatory mechanism by the local government in line with the philosophical basis for the issuance of the Presidential Regulation which is the implementing regulation of UMKM Law, what are the inhibiting and supporting factors to the delegation of authority to the district apparatus that the closest to Micro and Small Enterprises actors and what efforts have been made in order to improve licensing services for Micro and Small Enterprises.

## **2. RESEARCH METHOD**

This research was descriptive qualitative research. In descriptive qualitative research, the individuals being studied were placed as research subjects and try to understand the subjects both individuals and institutions as a whole and do not try to narrow them down into separate variables or become hypotheses [1]. The research was conducted in Bangkalan, with the consideration that research on licensing regulations for Creative Industry UMK in Bangkalan as far as the researcher knows has never been done. The UMK that become the research focus are Batik Micro Enterprises in Tanjung Bumi Sub District. The method chosen to determine informants is the snowball sampling model, which is finding informants from the information provided by previous informants. The data obtained were analyzed using three activity lines, namely data reduction, data test, and conclusions drawing.

## **3. RESULT AND DISCUSSION**

### ***A. Bangkalan Regency Government Actions After the Enactment of Presidential Regulation Number 98 of 2014***

Based on data from Bangkalan in Figures, it can be seen that the composition of small and medium enterprises category only, while the number of micro-enterprises was not listed. The number of micro-enterprises was not listed in Bangkalan statistical data because micro-enterprises are rapidly changing. Data on micro-enterprises is difficult, because micro-enterprises develop according to the seasons. Today they are trying to sell meatballs, then 3 months later he try to work in agriculture. So the dynamics of micro-enterprises are

very fast, interview with Hary Sofianto, Head of the Micro Business Facilitation Section, Cooperatives and Micro Business Agency of Bangkalan on July 31, 2019.

Based on the business category, the number of UMK Batik in Tanjung Bumi Sub District was 1762 units, which can be detailed as follows: the number of micro-entrepreneurs in Tanjung Bumi batik was 1,227 units or 69.64% of the number of batik entrepreneurs, the number of small business actors was 523 units or 29.68% of the total number of batik entrepreneurs, and the number of medium enterprises of 12 units or 1.57% of the total number of batik entrepreneurs.

Concerning the development of licensing in Bangkalan Regency, data obtained on the number of Micro Trade Licenses (SIP) at the Investment and One Stop Services Agency (2018) that: in 2013 (101 SIP), 2014 (101 SIP), 2015 (145 SIP), 2016 (118 SIP). Based on the licensing data, it appears that there are batik business actors who apply for licenses in the form of Industrial Registration Certificates. Based on the study of the document, it can be seen that the business actors who register the license are included in the small category of batik business actors, namely those who have a net worth of more than Rp. 50,000,000.00 (fifty million rupiah) up to a maximum of Rp. 500,000,000.00 (five hundred million rupiahs) excluding land and buildings for business premises; or have annual sales of more than Rp. 300,000,000.00 (three hundred million rupiah) to maximum of Rp. 2,500,000.00 (two billion five hundred million rupiah) (Article 6 of the UMKM Law).

The issuance of Presidential Regulation Number 98 of 2014 regulates the need for granting licenses to Micro and Small Enterprises actors (UMK) in simple way through the licenses issuance in the one sheet form, as well as ease of access in their services by bringing the implementation of one stop services closer to UMK actors through the delegation of authority to regency / city apparatus that closest to UMK actors. This is in accordance with the concept of Indonesian legal state based on the values contained in Pancasila and the Preamble to the 1945 Constitution of the Republic of Indonesia [2] and the main goal to be achieved by the Indonesian nation is the realization of a just and prosperous society, both materially and spiritually based on Pancasila [3]. This delegation was then elaborated by Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 83 of 2014 concerning Guidelines for Granting Micro and Small Enterprises Licenses (IUMK) for Micro and Small Enterprises Actors (PUMK) (hereinafter referred to as Minister of Home Affairs Regulation Number 83 of 2014). According to Article 4 paragraph (1) of Presidential Regulation Number 98 of 2014 it is stated that the Sub district head is the IUMK implementer who gets the delegation of authority from the Regent/Mayor. However, to this day there has been no authority delegation from the

Bangkalan Regency Government to the sub districts to carry out the implementation of one stop services for UMK, interview results with officers in Tanjung Bumi Sub District on July 30, 2019. This is in accordance with the concept of the state law, so that the implementation of economic development responsibility is not only borne by the Central Government, but also becomes the responsibility of local government in accordance with the authority attached to them based on the decentralization principle [4].

Thus, in Bangkalan Regency, there has been no delegation of licensing implementation from regency to sub district as mandated by Presidential Regulation Number 98 of 2014 jo. Minister of Home Affairs Regulation Number 83 of 2014. Furthermore, Article 4 paragraph (2) of Presidential Regulation Number 98 of 2014 stipulates that IUMK implementers can be delegated to the Ward/Village Head by considering local characteristics. To support the implementation of the IUMK, data collection on Micro and Small Enterprises actors is carried out by the Ward/Village Head in their working area (Article 4 paragraph (4)). As for the data collection, the village also feels that there has been data collection from the district, not the village that collects data for reported to the sub district. We have not received information about the existence of the IUMK, but when it comes to collecting data on the UMK, yes, there has been data collection, but it was requested from the regency not from the sub district, interview results with Aspiriyanto, Secretary of Tanjung Bumi Village on July 30, 2019. The no socialization of Micro and Small Enterprises Licenses (IUMK) was also strengthened by the results of an interview with Hj. Fauziyah, a micro batik business actor in Paseseh Village, Tanjung Bumi Sub District, who states that she had never received socialization from the Sub District or village concerning IUMK, interview on 30 July 2019. Whereas the role of government is expected to be the front guard in providing services primarily to further improve service performance in the field of investment licensing service [5].

The absence of regent regulation concerning the delegation of license administration which aims to provide convenience for Micro and Small Enterprises licenses (IUMK) does not only occur in Bangkalan, but also in other regencies in East Java. Especially in Madura, of the 4 regencies only Pamekasan Regency has implemented the mandate of Presidential Regulation Number 98 of 2014 in conjunction with Minister of Home Affairs Regulation Number 83 of 2014. The Regent of Pamekasan has issued Regent Regulation Number 23 of 2015 concerning Delegation of Authority of the Regent to the Sub District head concerning the Granting of Micro and Small Enterprises Licenses.

Suhayati research results shows that in Bantul Regency, the Special Region of Yogyakarta, has also

issued Bantul Regent Regulation Number 81 of 2015 concerning Delegation of Licensing Authority for Micro and Small Enterprises. Bantul Regent regulation contains the provision of facilities in empowering UMK through the Sub District Integrated Administrative Service (PATEN) program. Every UMK actor is required to have IUMK which also applies as Nuisance License [6].

### ***B. Inhibiting Factors for Implementation of Presidential Regulation Number 98 of 2014***

Monika Suhayati states that license is state administration decision that allows an act that is generally prohibited, but is allowed and is concrete [6]. In Bangkalan Regency, the application of electronically integrated licensing system still uses the legal basis of Government Regulation Number 24 of 2018 where the Government Regulation regulates the fee payment. Article 20 letter d stipulates that the executor of business licensing is subject to fee payment. This is certainly contrary to the spirit of the issuance of Presidential Regulation Number 98 of 2014 which aims to empower UMK in developing their businesses. Article 3 Paragraph (4) Presidential Regulation Number 98 of 2014 states that the granting of IUMK to UMK is exempted or given waivers without being subject to fees, levies, and/or other levies. Likewise, Minister of Home Affairs Regulation Number 83 of 2014, in Article 9 paragraph (6) it is stated that the granting of IUMK to UMK is not subject to fees, levies and/or other levies. These are the things that hinder UMK actors from being reluctant to register for licenses for their businesses because there are still provisions concerning fee payment.

In the Guidelines for Business Licensing Through the OSS System issued by the Bangkalan Regency Government (Investment and One Stop Services Agency 2018), it is regulated that the requirements for applying for licenses are (1) cover letter from RT (neighborhood association) or RW (community association), KTP (Identity card), KK (family card), 2 sheets of recent color photographs of 4x6 cm; (2) In addition, other registration documents are required, namely NPWP (Tax Payer Number) and proof of Employment BPJS and Health BPJS membership registration, and business licenses, for example, for a business license in the trade sector, Trading Business License (SIUP) is required. The requirement of other registration documents in the form of business license for micro-enterprises is certainly burdensome. Thus, what is expected by the Government is not realized in Bangkalan Regency.

Another thing that becomes an inhibiting factor for UMK actors to process licenses is the provision that SIUP still required in addition to NIB. As stipulated in the guidelines issued by the Investment and One Stop Services Agency that other registration documents are still required, namely Business Licenses, for example, for

business license in the Trade sector, Trading Business License (SIUP) is required. This has implications for UMK actors to register for licenses for their businesses. Whereas in the Minister of Cooperative and Small Medium Enterprises Regulation Number 02 of 2019 it was determined that after the UMK actors obtained the NIB, the OSS Institution simultaneously issued the IUMK. This IUMK is the legality for person or business actor in the form of Micro and Small Enterprises license and in the single sheet form. If it is still required to have another SIUP for UMK then this is counterproductive with the aim of granting IUMK which is regulated by Presidential Regulation Number 98 of 2014. In fact, the requirements for the issuance of SIUP are still considered complicated due to the difficulty of fulfilling the required documents [7]

These things become inhibiting factors that cause people to be reluctant to apply for licenses. Based on the interview results with Hj. Zamsiyeh, businessman in Telaga Biru village, states that she want to apply for license for her business but it not continued because it turns out that there are many requirements, such as having to pay BPJS membership fees. According to the current BPJS rules, all family members must be registered by BPJS and it is burden for her because she has many family members, interview on 30 July 2019.

The absence of sanctions in Presidential Regulation Number 98 of 2014 is also become inhibiting factor for the implementation of Presidential Regulation. Regulations concerning guidance and supervision are already in Article 5 of Presidential Regulation Number 98 of 2014, however, the function of guidance and supervision that is not followed by the existence of sanctions for those who violate the laws and regulations will not have coercive power, means that the legislation becomes difficult to enforce. Thus, the inclusion of provisions on sanctions in Presidential Regulation Number 98 of 2014 is important because it is to increase compliance of regulated parties.

In addition, the implementation of IUMK granting in this Presidential Regulation has encountered obstacles due to the contradiction between Presidential Regulation Number 98 of 2014 and Minister of Home Affairs Regulation Number 83 of 2014. Presidential Regulation Number 98 of 2014 regulates the Regency as the authority owner in granting Micro and Small Enterprises licenses to delegate the authority to grant the license to the regency/city local apparatus that the closest to Micro and Small Enterprises actors, and this Presidential Regulation also gives the Governor the authority to provide guidance and supervision of IUMK to the Regent/Mayor. While Minister of Home Affairs Regulation Number 83 of 2014 stipulates that the IUMK granting is carried out by the Sub District head, the Regent conducts guidance and supervision on the implementation of IUMK granting activities in his area,

Guidance and supervision are also carried out by the Sub District head on the implementation of IUMK granting in his area. The existence of contradictory rules and unclear authority of the Regent with the Sub District head in Presidential Regulation Number 98 of 2014 and Minister of Home Affairs Regulation Number 83 of 2014 are factors for not implementing the delegation of licensing authority.

### ***C. Bangkalan Regency Government Efforts in Improving Licensing Services for Micro Enterprises (UMK)***

With the enactment of Presidential Regulation Number 98 of 2014 concerning Licensing for Micro and Small Enterprises, the Ministry of Home Affairs followed up by issuing Minister of Home Affairs Regulation Number 83 of 2014 concerning Guidelines for Granting Micro and Small Enterprises Licenses. The regulation serves as guideline for the government to issue business licenses for Micro and Small Enterprises (IUMK) for Micro and Small Enterprises actors (PUMK).

This guideline is effort by the central and local governments to empower Micro and Small Enterprises in a synergistic manner through the establishment of laws and regulations and policies in various aspects of economic life so that Micro and Small Enterprises get the widest possible side, certainty, opportunity, protection and business support. The principle of granting Micro and Small Enterprises licenses according to Minister of Home Affairs Regulation Number 83 of 2014 is a simple, easy, and fast procedure so that there is legal certainty and convenience in business. This is implementation of welfare state in which the state provides protection to the community, especially the weak groups such as the poor, disabled, and unemployed [8]

In Bangkalan, it turns out that there has been no delegation of authority from the Regent to the Sub District / Ward/Village Head to examine the IUMK registration file as well as to grant the IUMK. This is in accordance with the interview results with Syaiful Rohman as Head of the General Sub-Section of the Investment and One Stop Service Agency of Bangkalan Regency who states that in order to increase awareness to apply for licenses for micro-enterprises, there had been socialization about online licensing, interview results on July 30, 2019. Concerning the function of the Sub District in the administration of licenses, up to now it is only to provide a cover letter for business actors who will carry out licensing arrangements at the Investment and One Stop Service Agency.

The Bangkalan Regency Government efforts in the context of accelerating and increasing investment and business are by implementing electronically integrated business licensing service as regulated in Government

Regulation Number 24 of 2018 concerning Electronically Integrated Business Licensing Services. Article 88 paragraph (1) of Government Regulation Number 24 of 2018 states that in the context of implementing this Government Regulation, ministers and heads of institutions shall prepare and stipulate Business Licensing Standards in their respective sectors in accordance with the provisions of laws and regulations. As the implementation of these provisions, related to Micro, Small and Medium Enterprises (UMKM), the Minister of Cooperatives and Small and Medium Enterprises Regulation Number 02 of 2019 concerning Electronically Integrated Business Licensing is issued in the Micro and Small Enterprises Sector.

Presidential Regulation Number 98 of 2014 in conjunction with Minister of Home Affairs Regulation Number 83 of 2014 stipulates that the implementation of license registration is that Micro and Small Enterprises Actors (PUMK) register IUMK to the Sub District head by completing and submitting the registration file to the Sub District head. Next, the Sub District head will check the IUMK registration file. The IUMK registration file that has met the requirements becomes the basis for granting the IUMK. In the event that the IUMK registration file does not meet the requirements, the Sub District head returns the file to be completed. The return is submitted to PUMK no later than 1 (one) working day from the date of receipt of the registration application letter. The Sub District head will provide the IUMK in the one sheet form,[9].

In Bangkalan Regency, with the issuance of Cooperative and Micro Small Medium Enterprises Minister Regulation Number 2/2019, UMK actors who apply for permission must access the OSS page to obtain a user account. UMK actors register in OSS using the user account. Registration is done by filling in the data as listed on the OSS page. Furthermore, OSS issues a Business Identification Number (NIB) for UMK actors who have filled in complete data. After the UMK actors obtain the NIB, the OSS Institution simultaneously issues the IUMK. This IUMK is used by UMK actors to carry out business activities and apply for commercial or operational licenses. All forms of IUMK services are free of charge [10].

#### **4. CONCLUSION**

Bangkalan Regency Government actions after the enactment of Presidential Regulation Number 98 of 2014 has not issued Regent Regulation concerning the delegation of IUMK granting to Sub District heads or Regent Regulation concerning guidelines for granting IUMK. Efforts made by the Bangkalan Regency Government in improving licensing services for UMK by implementing Electronically Integrated Business Licensing System which is different from the provisions of Presidential Regulation Number 98 of 2014 and

Minister of Home Affairs Regulation Number 83 of 2014 which regulates the granting of IUMK free of charge.

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