

ANALYSIS OF CREDIT RELAXATION AND LEGAL PROTECTION PROVIDED BY THE GOVERNMENT TO MSMEs DURING THE COVID-19 PANDEMIC

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Abstract

This research aims to analyze the government's role in helping micro, small and medium enterprises (MSMEs) and legal protection for MSMEs provided by the government due to the impact of the Covid-19 pandemic. This research uses normative juridical research. The approach used in this research is the statutory approach which examines the regulations or laws related to the legal issues under study. The results of the analysis show that the government's efforts to ease the burden on the victims of Covid-19 are in the form of credit relaxation policy. The targets are those who previously had to apply for relief at the bank. The government solution is in the form of credit relaxation policy by lowering interest rates, increasing loans and converting loans into equity, extending the term of the loan, reducing the principal, increasing the credit limit and reducing interest arrears on loans.

Keywords: Credit Relaxation, Legal Protection, Micro Small and Medium Enterprises

1. INTRODUCTION

Indonesia cannot be separated from the effects of Covid-19. From March 2020 to September 2020 to be precise, Covid-19 entered the Indonesian market. According to records, in 2020, September the tenth to be exact, the number of confirmed Covid-19 cases has doubled to 3,861. The increase in confirmed cases during Covid-19 greatly affected various sectors in Indonesia, including the economic sphere (Soetjipto, 2020). In the economic field, the era of the Covid-19 pandemic has had an impact on the level of public consumption (Pakpahan, 2020). The low level of consumption causes a decrease in real national income which has an impact on slowing down Indonesia's economic growth (Basmar et al., 2021).

In fact, Indonesia's economic growth is currently declining. Media Katadata disclosed on Thursday, 16 July 2020, Asia Insight Conference 2020: Sailing in a Brave New World, Piter Abdullah Redjalam as Research Director CORE or Center for Economic Reform said that on the threshold of economic recession, Indonesia's economy greatly slumped during the Covid-19 pandemic going on. These economic difficulties should inspire new habits.

According to Arianto (2020), one of the main pillars of Indonesia's economic development is MSMEs, this is based on the important role of MSMEs, especially in terms of economic resilience to vacancies for work. According to data from the Agency with Statistical Information Authority (BPS), there were 64 million MSMEs throughout Indonesia, accounting for 99,9% of companies engaged in supporting the Indonesian economy. Due to the decline in economic conditions, this also had an impact on the banking industry/sector. Based on data published by the OJK, the number of bad loans has increased

since March 2020 (Supeno & Hendarsih, 2020). The category of debtors (Col-2 loans) who are in arrears for at least 1-2 months has increased sharply to 27,3% (year on year). The number of non-current and non-performing loans increased to 19,10%.

It can be seen from various research results that there are still limitations for MSEs to enter the bank. The problem is that the identity of the debtor is limited for micro businesses or does not exist at all or does not meet the technical requirements of the bank system. According to Sukino in Putri (2022), in relation to economic growth, actually the sectors or production activities obtained from the state have increased. For example, the production of goods from manufacturing companies, factories and industries has increased, infrastructure equity has increased, state public facilities have increased in the form of an increase in the number of educational foundations, and production has increased capital goods.

In light that Indonesia has a large number of MSMEs, the government is participating in various plans to prepare the National Economic Recovery Plan for the revitalization of MSMEs in Indonesia. As said by Oey-Gardiner & Abdullah (2021) regarding the national economic recovery plan is optimistic and hopes to restore the Indonesian economy. As a result of the Covid-19 pandemic, the Indonesian economy is currently weakening.

Regarding the case of limited funds due to the Covid-19 pandemic, small, medium and micro businesses need the support of financial institutions such as banks. Likewise, according to Sri Susilo's findings, to find out MSMEs in the channel for obtaining bank fees so that they continue to increase, including other non-bank financing sources, such as venture capital and credit guarantee institutions (Herdinata & Pranatasari, 2019).

After the entry into force of the POJK Law No 11/2020, Article 2 (1) and (2) explains that the stimulus is given to debtors who feel empowered by the effects of Covid-19. Regulations regarding these policies and asset quality regulation and credit restructuring. Then, paragraph one of Article five stipulates that credit quality or restructuring financing was determined to be current due to credit restructuring.

POJK No. 11/POJK.03/2020 explains the government's efforts to ease the burden on people affected by Covid-19 in the form of credit relief. This credit relief is for people who previously had to submit a request for relief in advance from the bank. Relief in the form of lowering interest rates, adding credit facilities and converting credit into equity participation, extending credit terms, reducing credit principal, adding credit facilities and reducing loan interest arrears (Satradinata & Muljono, 2020)

From the research results Pratiwi (2020) stated that the Government had issued several policies related to the economic slowdown due to the Covid-19 outbreak, namely by providing incentives in the tourism sector, increasing joint leave days, and reducing debt payments for MSMEs. In addition, the Government opened a call center to receive reports and complaints from cooperatives and MSMEs affected by the Covid-19 outbreak. The House of Representative or also known as DPR, with its supervisory function needs to encourage the government to take advantage of this geographical advantage as an opportunity if the government builds MSME points in Covid-19 free areas, especially if the aim is for exports. In addition, the government also needs to provide a stimulus to maintain people's purchasing power in the midst of this crisis so that the benefits provided to the economy can be felt.

Besides, Pasaribu (2022) stated that the government provides legal protection in the form of assistance such as Productive Presidential Assistance for Micro Enterprises

(BPUM), Proposals for Government Assistance for Beginner Entrepreneurs in 2021, Revolving Loans, and Places and Promotion of Micro Enterprises to awaken and assist Micro Enterprises in dealing with the impact of the Covid-19 pandemic.

Starting from this statement, the purpose of the author's research article was to analyze the government's role in helping micro, small and medium enterprises (MSMEs) and legal protection for MSMEs provided by the government due to the impact of the Covid-19 pandemic.

2. RESEARCH METHOD

This research makes use of normative research in the legal system. This research employs a methodology known as normative juridical research. Normative research is a sort of legal research. The problem-solving strategy that was utilized in this research was the statutory approach (Statute Approach), which investigates the regulations or regulations that are associated with the legal concerns that are being researched. The kind of data collecting that was utilized was called a literature research, and its primary focus was on the substance or legal regulations that control the law of underhanded credit arrangements in banking.

3. RESULT AND DISCUSSION

3.1. Credit relaxation provided by the Government to MSMEs during the Covid-19 pandemic

Based on an analysis of a country's economic growth rate, the analysis can provide an analysis of the country's taxation and development plans. This analysis was carried out specifically for local governments. Conversely, if conditions of weak economic growth can be used as a basis for receiving external or international assistance from the World Bank or countries that seeks to cooperate and provide assistance. For business actors, economic growth can be used as a reference to determine product quality and quantity, resources used, and future product marketing plans.

The Corona virus or Covid-19 has affected numerous sectors, including the economic world. The impact on the economy is felt by the public, who are required to pay in installments to the bank. Based on the law, the contract between the debtor and the bank stipulates the relationship between the debt and the claim, and the debtor is obliged to return the loan obligation from the bank with the terms and date of payment: loan for a material contract or individual guarantee agreement (Article 1154, Article 1178 (1) of the Civil Code, law number 4 in section twelve of 1996, law number forty-two section article 33 of 1999. The current President of Indonesia, Joko Widodo, took the initiative to offer preferential treatment to informal workers, in the form of one year credit payments and reduced interest. The convenience provided by the OJK facilitates loans given to commercial participants with loans of less than ten billion rupiah. These policies include:

- 1) Interest rate reduction
- 2) Increase the loan limit
- 3) Changing the form of credit into equity participation
- 4) Extend the credit maturity period

- 5) Reducing the nominal loan / credit
- 6) Increase the credit term limit and reduce interest in arrears.

However, this does not mean that all people will receive credit relief, instead they must go through the procedures prescribed by Financial Services Authority or refers to OJK. In this case, credit relaxation application and attachment of required documents should be approved. As stated in Financial Services Authority regulation or POJK number 3 in Article 2 and Article 11 in 2020 that the use of national economic stimulus measures as a clinical policy as a form of overcoming the impact of the corona virus 19.

Regulations made by the OJK in Article 2 paragraph number 11 published in 2020 view the national economic stimulus as a countercyclical policy against the impact of the spread of the Corona Virus Disease in 2019, which stipulates that banks can apply regulations to support the economic growth of affected debtors, including spreads for debtors. Besides, there was an explanation in terms such as in paragraph one of Article two, namely this article was not mandatory, rather based on the Financial Services Authority Regulation to choose whether to grant concessions to debtors.

3.2. Legal Protection Provided by the Government to MSMEs during the Covid-19 Pandemic

Public protection has many aspects, the 1945 Constitution of the Republic of Indonesia states that it protects its citizens from a legal standpoint. This can be seen in the provisions of equal legal status. Therefore, legal protection refers to everything that allows people to exercise and defend their rights determined by law. There were two types of public legal protection that focus on government action, namely: Preventive legal protection (prevention)

- 1) Preventive legal protection, provides an opportunity for the public to submit clear objections. Hence, preventive protection.
- 2) Repressive legal protection (coercion), means that in the sense of repressive protection in essence was to resolve problems or disputes, the public has the opportunity to raise objections after a certain government decision has had an effect.

Article 1132 of the Civil Code provides for the possibility of excluding other creditors from priority. According to the Civil Code in section 1133, priority creditors are people who enjoy privileged rights to receivables, pawns and mortgages. The type of collateral held by the creditor will affect the position of the creditor.

However, the parties to the contract should also pay attention to the rules of the contract, so that it is actually carried out by the parties, the aim of the contract is to achieve and materialize, so that neither party loses out. After the outbreak of Covid-19, if a debtor is considered capable and has no difficulty fulfilling his obligations to the bank, he should be wary of repaying the installments that have been owed. Hence, reaching an agreement will not be hindered as a result of its implementation. An agreement was a legal relationship with legal consequences, namely that both parties who conclude the agreement have obligations and rights. If one party fails to carry out its obligations, the other party can file a lawsuit.

The provisions regarding special guarantees in Chapter 2 of the Civil Code determine the amount of the loan that will be provided for interest payments and guarantees that the

borrower's property with an estimated value can be used as collateral. In accordance with the loan agreement, and supported by special agreement supporting documents. If the debtor cannot pay off the debt, the things mentioned above can be sold and returned to the lender in an alternative way.

The World Bank does not impose a credit limit on implementing restructuring regulations. In the word “may”, means the clause is not mandatory, but provides information as to whether credit relaxation can be granted to debtors under the Financial Services Authority Regulations as the option. Due to the fact that Covid-19 affects directly or indirectly on the economy as a whole, not only debtors but also creditors (banks).

After the execution of OJK regulation number 11 which was issued in 2020, Article 2 paragraph (1) and paragraph (2) explains that banks can implement policies to support the economic growth of debtors who have been harmed by Covid-19 by relaxing credit/credit restructuring. Then, Article 5 paragraph (1) stipulates that due to a reorganization, the quality of credit or financing after the reorganization is determined to be up-to-date. This was one of credit relaxation case in the midst of the corona pandemic.

In this regard, it is hoped that the government can provide regulatory clarity and banking capacity in formulating new policies to respond to the Covid-19 outbreak. It is also hoped that this condition will not be used by debtors if they do not pay their installment obligations to the bank. The debtor must also realize that if he has the capacity and does not experience obstacles in fulfilling his obligations to the bank, he can pay off the installments that are due. This is because the adverse impact of Covid-19 has affected the economic sector. In this arrangement, state-owned banks are specifically provided, not non-government banks, because only the government can issue funding for state-owned/state-owned banks to apply for loan facilities.

4. CONCLUSION

MSMEs are one of the economic pillars of developing countries in Indonesia. Therefore, the importance of MSMEs to the economy cannot be overstated. As part of its response to the struggles faced by those impacted by Covid-19, the government has released OJK Regulation Number 11, which details the reduction of credit relaxation. However, credit relaxation policy are only applicable to individuals who have previously submitted an application. Some examples of steps taken to mitigate the impact of the risk are lowering interest rates, boosting credit lines, turning credit into included capital, adjusting credit maturities, decreasing loan amounts, increasing credit time limitations, and decreasing interest arrears.

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