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# LEGAL ASPECTS IN PROMOTING THE DYNAMICS OF UPSTREAM INDRAGIRI HULU ECONOMIC DEVELOPMENT

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### **ABSTRACT**

The background of this research is a field experiment which finds that there are many emerging businesses and after observing there is a comparison of developing and undeveloped businesses. One of the things that affect it is the lack of capital and requires subsidized funds which of course will be difficult to obtain. The difficulty in finding additional funds is inseparable from the role of legal aspects in business. However, the purpose of this research is inseparable from the concept of management which shows the role of its impact on economic development in Indragiri Hulu. The research method uses qualitative methods which are described to look for issues of economic development and community difficulties in obtaining the legal standing of the business being run. This legal standing, of course, is based on licensing, the stages of which are poorly understood. The role of this legal standing can be conveyed to the general public, so that more and more businesses have businesses that have permits, so that in obtaining sources of funds for the development of the business concerned, and of course it can support the regional economy, especially the Indragiri Hulu Regency. As a result, government participation must be quantifiable, implying that the government considers the amount to which it intervenes in the economy in three ways: (1) as a regulator, (2) as a provider, and (3) as an entrepreneur. While the most essential purpose of the law is to give certainty in the conduct of economic transactions. The government's primary responsibility is to enforce the law. and the main function of law is social progress and better standards of life.

Keywords: Legal Aspects, Dynamics Upstream, Economy Development

#### **PRELIMINARY**

# **Background**

In reforming the Indonesian legal system, it is one of the regulations to achieve Indonesia's Vision 2030 which is a strategic thought and step, because without prioritizing the law as one of the main supporters to achieve the nation's prosperity, the efforts achieved will be in vain which has happened in the era of globalization. The new order. One of the provinces that is the

focus of this research is in Sumatra, namely Riau Province. The following is a detailed view of the data below:

Table 1 Gross Regional Domestic Product growth.

| Kategori PDRB (Lapus)  | Laju Pertumbuhan PDRB (Persen) |                                  |                       |                                  |                       |                    |
|--|--------------------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|--------------------|
|  | 2018                           |                                  | 2019                  |                                  | 2020                  |                    |
|  | Tahunan <sup>†‡</sup>          | Tahunan (official) <sup>↑↓</sup> | Tahunan <sup>†‡</sup> | Tahunan (official) <sup>†‡</sup> | Tahunan <sup>†‡</sup> | Tahunan (official) |
| A. Pertanian, Kehutanan, dan Perikanan                               | -                              | 3,72                             | -                     | 4,11                             | -                     | 4,81               |
| B. Pertambangan dan Penggalian                                       | -                              | -1,24                            | -                     | -0,94                            | -                     | -2,66              |
| C. Industri Pengolahan   | -                              | 3,82                             | -                     | 4,49                             | -                     | 1,07               |
| D. Pengadaan Listrik dan Gas   | -                              | 5,69                             | -                     | 3,82                             | -                     | 3,88               |
| E. Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur<br>Ulang       | -                              | 1,32                             | -                     | 1,66                             | -                     | 2,32               |
| F. Konstruksi  | -                              | 3,68                             | -                     | 3,91                             | -                     | -3,10              |
| G. Perdagangan Besar dan Eceran; Reparasi Mobil dan<br>Sepeda Motor  | -                              | 5,72                             | -                     | 4,59                             | -                     | -8,94              |
| H. Transportasi dan Pergudangan                                      | -                              | 2,92                             | -                     | 2,73                             | -                     | -18,54             |
| I. Penyediaan Akomodasi dan Makan Minum                              | -                              | 4,88                             | -                     | 4,74                             | -                     | -21,46             |
| J. Informasi dan Komunikasi  | -                              | 7,31                             | -                     | 7,43                             | -                     | 8,87               |
| K. Jasa Keuangan dan Asuransi  | -                              | 3,04                             | -                     | 0,56                             | -                     | 3,49               |
| L. Real Estate   | -                              | 2,97                             | -                     | 3,09                             | -                     | 1,73               |
| M,N. Jasa Perusahaan   | -                              | 5,49                             | -                     | 5,61                             | -                     | -22,04             |
| O. Administrasi Pemerintahan, Pertahanan dan Jaminan<br>Sosial Wajib | -                              | 0,64                             | -                     | 1,06                             | -                     | -1,45              |
| P. Jasa Pendidikan   | -                              | 5,15                             | -                     | 5,27                             | -                     | 1,89               |
| Q. Jasa Kesehatan dan Kegiatan Sosial                                | -                              | 5,85                             | -                     | 9,52                             | -                     | 11,26              |
| R,S,T,U. Jasa lainnya  | -                              | 7,46                             | -                     | 7,12                             | -                     | -17,52             |
| Produk Domestik Regional Bruto                                       | -                              | 3,49                             | -                     | 3,78                             | -                     | -0,12              |

Source: Indragiri Statistic Board, 2021

In this case, fluctuating growth is seen and it is interesting to discuss. This is because in terms of data, what is interesting is in the categories of mining and quarrying, wholesale and retail trade, transportation and warehousing, provision of accommodation and food and drink, corporate services, government, defense and Mandatory Guarantees, as well as other services with negative proportions. In analyzing the function of law in economic development, it is important to understand the function of law in society. After that, then activities with legal functions in economic development.

Quoted from Article 33 paragraph (4) of the 1945 Constitution of the Republic of Indonesia states that, "The national economy is organized based on economic democracy with the principles of togetherness, efficiency, justice, sustainability, environmental insight, independence, and by maintaining balance in large business activities, medium, and small in the pattern of business partnerships. The concept of the Indonesian national economy is also contained in the Indonesian constitution with the principle of kinship. This can be seen in Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, the sovereignty of the people and the morality of Pancasila. This is the era of globalization and of course this will affect free trade internationally. The challenge that exists is how our society can still follow the flow of globalization but remain in the corridor of the people's economy which has been conceptualized in the state constitution even though it is trying to develop economics. The law

in this case has its own share in efforts to grow the regional economy of Indragiri Hulu Regency

in order to achieve economic development.

In short, the main task of law in the economic field is to always maintain and create safeguards

so that the implementation of economic development will not sacrifice the rights and interests

of the weak. Only in this way will the law continue to have a strategic role in economic

development. The role of law in economic development is so important, not only in solving

problems that arise, but more importantly in laying the foundations of development itself.

**Research Problem Formulation** 

Based on the background description above, The research problem can be formulated as

follow:

How are the legal aspects in encouraging the dynamics of Indragiri Hulu's economic

development?

Special purpose

The research objectives are proposed to analyze how the legal aspects in encouraging the

dynamics of Indragiri Hulu's economic development are.

**Research Urgency** 

To add rules and input for business actors and the local government of Indragiri Hulu Regency,

especially regarding the role of legal standing which in this case is the legal aspect in

encouraging the dynamics of Indragiri Hulu's economic development.

LITERATURE REVIEW

**Legal Aspects** 

In analyzing the function of law in economic development, it is important to understand the

function of law in society. After that, it is only associated with the function of law in economic

development as referred to in the study of this paper. Soemitro (1982) the law functions as a

protection for human interests, and therefore the law must be implemented.

Furthermore, Parsons in Soemitro (1982), the main function of law is to integrate, namely

reducing conflicts and facilitating the process of social interaction.

Suhardi (2012) The internal function of law itself is very influential in human life, especially

in economic life. Aquinas in Suhardi (2012) asserts in this context, that the function of law is

to seek the welfare of all mankind. The function here is as a framework in the form of rules

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that guide, provide guidelines for sanctions and tools for social life. The object is all aspects of human life in economic life.

Furthermore, Sihombing (2021) has a legal task in the economic field, which is primarily to be able to always maintain and create safeguards so that the implementation of economic development will not sacrifice the rights and interests of the weak. Only in this way will the law continue to have a strategic role in economic development. The role of law in economic development is so important, not only in solving problems that arise, but more importantly in laying the foundations of

development itself.

According to Ilmar (2009:9) The concept of the rule of law is closely attached as a constitutional basis that requires every citizen to obey the law and enforce the rule of law. You can imagine what if the law was never born in the midst of society. Of course, a nation will experience a state of chaos. The purpose of law in the form of legal certainty, justice and benefit will only be realized if people's lives have a set of legal rules.

## The Role of Law in National Development in terms of People's Economic Principles

Kusumo (2018) has the idea that there are several characteristics of the concept of economic democracy or people's economy, namely: first, the active participation of all levels of society, be it entrepreneurs/producers, consumers and even workers in the nation's economic activities must be protected. by the state through applicable law. Second, Efforts to fertilize small and micro businesses and reduce poverty and empower micro, small and medium enterprises (MSMEs), as well as cooperative business entities including attention to farmers and fishermen, are a priority in developing a democratic economic system or people's economy. Support for several population groups who are limited by circumstances can be done to increase their ability to take advantage of open access. Support by the government is very much needed through concrete efforts in the form and convenience of capital, market information, and appropriate technology.

Third, intervention by the government is needed to create a climate of fair business competition. Providing convenience to micro, small and medium enterprises, not on the basis of compassion, but rather to grow a competitive market so as to stimulate MSMEs to be able to always survive in carrying out economic activities. Fourth, prioritizing rural economic development, underdeveloped, frontier, and outermost areas and including other underdeveloped areas. It can also solve the problem of the booming urban population due to

urbanization. Empowered villagers will feel no need to migrate to big cities if in their

village/region economic growth can meet their needs.

Fifth, environmental sustainability is the next focus, namely by limiting excessive exploitation

of existing natural resources so that environmental sustainability is maintained. Environmental

issues become global issues, finding that the earth has been exploited too much without

thinking about environmental sustainability.

RESEARCH METHODS

Research methods

This study uses a normative legal research method, which is completely based on primary and

secondary legal materials in order to examine the problem using a statutory approach and an

analytical conceptual approach. Based on the existing legal materials, a descriptive analysis

was then carried out.

**Population and Sample** 

Consists of 30 legal success business units selected randomly (random sampling) and 10

businesses without permits are still running until 2021.

Variable

Legal aspects and Economic Development are variables that will be examined in this study.

Data

Primary data sources are data collected directly by researchers since the beginning of the

source. Primary data sources are obtained directly from entrepreneurs. The data is the result of

the process of observation and interviews conducted by researchers to entrepreneurs in

Indragiri Hulu. Secondary data sources are obtained from library sources both from books, as

well as documents related to research that will be investigated by researchers including

licensing data and other documents related to the research title.

Data analysis technique

Analysis of the data or information collected is done gradually. According to Miles &

Huberman, data analysis consists of three streams of activities that occur simultaneously,

namely: (1) data reduction; (2) data presentation; and (3) drawing conclusions or confirmations.

The reduction of data in this study mainly concerns the selection process, simplification,

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classification of gross data that has been obtained. This decrease was made since and after the field study, as presented by Sanapiah, the analysis of the data was done in a process. The process means that its implementation has started since the data collection is done and done intensively, that is, after leaving the field. Decreases are made gradually by summarizing the data and looking at the scattered themes. From the study crew, the researcher has done an initial analysis of the data obtained until all the data is collected until the end of the study.

In this research, data is presented through the structuring of a set of data into a reality. The information is given in the form of text, which is re-dispersed according to the source and then categorised according to issues and analytical needs. Finally, conclusions are reached based on data reduction and presentation performed at earlier stages. The knot is still loose in the early phases, and it is later summarized into a more comprehensive and rooted knot.

In this qualitative research, data analysis occurs both during data collecting and after the data gathering phase has ended. The author has examined the responses in the interview at the time of the interview.

#### RESULTS AND DISCUSSION

The rhetoric on rapid economic growth (developmentalism) leads to the accomplishment of fair public welfare distribution and the maintenance of socio-cultural morality, which is frequently lost, resulting in the symptoms of a multidimensional crisis as experienced by emerging nations. As a result, the role of law becomes more prominent. As a result, the efficient enforcement of economic law necessitates concentrated authority, which is an absolute need for enforcing power.

Based on the analysis, the rule of legal standing owned by businesses refers to the growth even sustain. The sustainability or growth can impact to economy growth. Observation is done toward the business in Indragiri Hulu. Talking about legal and illegal is not against the law but, it is talking about the business which has legal standing (license) or not.

Law can be defined as rules of behavior that can be enforced to regulate the relationship between humans and humans and their society. One of the important aspects in efforts to maintain human existence in society is to build an economic system that supports efforts to realize the purpose of life. A strong economic system is frequently dependent on a functioning trade and commerce system. Therefore, society needs a set of rules that can definitely be enforced to ensure the operation of the trading system (System of trade and commerce).

Firms are always associated with other parties and wish to safeguard companies that are managed honestly ("te goeder trouw"), highlighting the importance of a company's legality in commercial activities. The most essential aspect of a corporation or business entity is its legality, since legality is an identity that legalizes or certifies a corporate organization so that it is accepted by the community. The business's legality must be lawful in accordance with laws and regulations, where the company is protected or covered by numerous papers until it is legal in the eyes of the law. Corporate Legal Structures Company names, corporate brands, and trade business licenses are all forms of identity that help to legitimize commercial entities. While the benefits of the company's legality include legal protection, marketing, evidence of conformity with the law, facilitating a project, and facilitating commercial development. The amounts of firms formed without legalization is extremely damaging to other businesses who conduct their operations honestly.

In Indragiri Hulu, the business with license can contribute to the economy growth, such as tax and retribution. From the sources, it can contribute to the local government in order to build cooperation between business owner and government. The business with license also impacts to their own growth and sustainability. With its legal standing, the business can get additional capital to support the financial and develop the business. Limited access to capital from the bank is happened to non-license business. A lot of business without legal standing collapse and become looser when they compete with others. As a result, it becomes problem. No business, of course can cause jobless. Jobless will bring problem to economic growth in prosperity aspects.

License is an easy thing to get now with government application through OSS. Unfortunately, a lot of people still confused in understanding the process to get it. So they use third party (calo) and it cost lots of money.

Law and economics according to classical economic theory in ancient Greek myth, in principle, basically views economic principles as a separate field and cannot be combined with legal principles. The primary rationale for this viewpoint is that the focus or motivation of an economic action is similar to profit. Activities in the economic field require freedom in carrying out their activities, freedom to be creative and develop themselves in accordance with knowledge and skills dynamic will, so that efforts to obtain the maximum profit with the smallest capital can be achieved easily.

F. Friedmann's theory is one of the ideas that addresses the role of the state, which is permitted by law to support the dynamics of economic development activities. Suhardi Gunarto integrated Geelhoed and Zilstra (2002) into three typologies or types of the State's involvement in the name of law, namely:

- a) Using general and individual administrative law instruments, the state acts as a regulator (sturende) and a jury (referee);
- b) the state acts as the presterende (provider or provider) of the various needs of its citizens, which according to Zijlstra can be in the form of actions that are included in the typology of providing social benefits and other actions that lead to sociale rechtstaat. This role is referred to as de presterende by Geelhoed, and it falls under the area of state administration. Friedmann also states in his terminology that the function of this provider is the embodiment and major job of the State in the social welfare state system, as is the case in most western countries.
- c) The government's function as a businessperson or entrepreneur. The state does this through establishing state-owned enterprises (BUMN), which, in addition to serving as development agents, must be able to fund their operations independently (not from the government budget) and give benefits to the state by paying income taxes like other commercial organizations.

Economic progress, on the other hand, requires a solid legal foundation. The economy is the backbone of people's well-being, and science is one of the nation's pillars of development, but law is the institution that ultimately determines how people's well-being may be shared evenly, how social justice can be achieved in people's lives, and how science advances. Many people can benefit from technological advancements.

#### **CONCLUSION**

This knowledge on the importance of legal standing may be disseminated to the general public, allowing more and more enterprises to get licenses, allowing them to access funding for business development and, of course, supporting the regional economy, particularly in the Indragiri Regency area.

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