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Case Study in the Indonesian Banking Sector: Implementation of the Policy on the Use of Collateral in the People's Business Credit (KUR) in the Coordinating Minister of Economic Regulation Number 7 of 2024

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Abstract: This research aims to be a Case Study in the Indonesian Banking Sector: Implementation of the Policy for Using KUR People's Business Credit Collateral in Permenko Perekonomian Nomor 7 Tahun 2024 . The research background arises from the need to understand the implementation and impact in practice of credit protection policies in the banking sector. These findings provide insight for practitioners, academics and regulators regarding the implementation of the Collateral Use Permenko Perekonomian Nomor 7 Tahun 2024 Policy of Coordinating Minister for the Economy Number 7 of 2024 concerning People's Business Credit.

Keywords: Credit collateral, Councing Minister Of Economy Regulation, KUR People's Business Credit.

INTRODUCTION

A philosophical thesis in the legal context refers to an in-depth and analytical study of philosophical aspects related to law. This may include considerations of the sources of law, human rights, justice, legal morality, or the interpretation of legal theories such as legal positivism or legal naturalism. Such a thesis attempts to answer fundamental philosophical questions about law and existing legal systems.

In this writing using Deductive Writing, where Deductive Writing is an approach in writing or argument in which the writer uses premises or general statements to then draw conclusions or make more specific generalizations. This approach is often used in academic, scientific, and argumentative writing. The deductive process begins with a general premise or theory that is accepted as true, then applied to a specific situation or case to reach a more detailed or specific conclusion. This approach emphasizes formal logic in which the resulting conclusion is considered true if the premises are true and the logical reasoning is consistent.

The background of the problem of implementing the policy on the use of People's Business Credit (KUR) Collateral in the Coordinating Minister for the Economy Regulation Number 7 of 2024 can include the complexity or ambiguity in the requirements stipulated in the policy which can make it difficult for small and micro business actors to meet the criteria for obtaining KUR credit collateral. This can hinder their access to the sources of funds needed for business development. And also related to Compliance with Financial Capacity: Not all financial institutions may have the capacity or desire to implement the KUR credit collateral policy in the manner mandated by the Coordinating Minister for the Economy Regulation. This can affect the availability of credit needed at the local level, especially in areas with limited access to formal financial institutions.

Then, Use of Collateral in People's Business Credit (KUR) There are two provisions that regulate which are different from each other. namely the provisions on the use of Collateral for People's Business Credit (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 with Banking Law 10 of 1998 concerning Banking. In addition, financial transactions in the banking sector are crucial activities that support economic growth and social empowerment. In addition to acting as a fundraiser, banks provide loans to individuals, companies, or other entities with certain conditions such as total capital, interest rates, administration fees, and payment terms.

Credit plays an important role in facilitating economic activities, such as providing business capital, financing the purchase of a house or vehicle, and meeting various financial needs. The credit distribution process involves evaluating credit risk, where banks must ensure the eligibility of borrowers and manage the risks that may arise.

Lenders and borrowers benefit from this loan agreement because it provides legal protection. If there is a dispute or problem in the future, both parties are able to seek legal assistance by providing evidence in the form of a loan contract. This agreement acts as a guide for both parties, controlling their rights and obligations clearly. In addition, the existence of this contract also strengthens the understanding and trust between the financial provider and the beneficiary of the loan.

METHODS

Types of research

This type of research is qualitative research, a methodological approach that focuses on a comprehensive understanding of the phenomena being studied. In qualitative research, researchers collect descriptive data that cannot be measured numerically. This method allows researchers to explore the complexity of a particular situation or context by understanding the meanings and interpretations offered by participants or research subjects. Through observation and content analysis, qualitative research aims to gain an in-depth understanding of the various dimensions of the research topic.

The main advantage of this type of qualitative research is its ability to detail the context, dynamics, and subjective interpretations of informants. Although it does not produce measurable statistical generalizations, qualitative research provides valuable and in-depth insights that can contribute to the theoretical and practical understanding of a phenomenon or research problem.

Thus, this type of research is the right choice to explore the legal aspects in the implementation of the policy on the use of People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024. The main advantage of this type of qualitative research is its ability to detail the context, dynamics, and subjective interpretations of informants.

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understanding of a phenomenon or research problem. Thus, this type of research is the right choice to explore the legal aspects in the implementation of the policy of using People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024.

Data Collection Sources and Methods

In this study, the data collection scheme was implemented through literature studies and official publications. The regulations that form the basis for the implementation of the policy on the use of People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 are the main sources in this study, which control the systematization and compliance with the decisions that have been made. In addition, this study uses an in-depth approach to understand the context, views, and subjective understandings related to the implementation of data protection policies in the company. The data for this study were obtained through direct observation and the author's experience while working at Bank Mandiri until now.

With internal observation, the author is able to describe the implementation practices of the policy of using People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 in the bank's work environment and understand the application of the Data Protection Law in the context of the organization. The use of direct observation techniques in banks provides additional information regarding the privacy practices applied, related to data protection as an important source of information for this study.

Data Validation Techniques

Data validity techniques refer to the process of ensuring that the data used in a study or analysis is valid and reliable. This study applies the regulatory construction validity technique to ensure that the indicators used in measuring the Implementation of the Policy on the Use of Collateral for People's Business Credit KUR in the Coordinating Minister for the Economy Regulation Number 7 of 2024 in accordance with the relevant legal definitions. Reliability is a primary focus by ensuring consistency in the collection and analysis of various relevant legal sources.

Data validity techniques are a critical aspect in research that ensures the data used is valid and reliable. In the context of this research which applies the regulatory construction validity technique, the main focus is to ensure that the indicators used to measure the Implementation of the Policy on the Use of Collateral for People's Business Credit (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 are in accordance with the relevant legal definition. This means that every parameter or measure used must be in accordance with the regulatory framework set out in the Coordinating Minister's Regulation, and reflect the objectives and scope of the legally implemented policy.

Data reliability is also a major focus in ensuring consistency and reliability in the process of collecting and analyzing data from various relevant legal sources. This includes steps such as verifying and validating the accuracy of the legal information used, as well as ensuring that the interpretation of regulations and their implementation are consistent with applicable provisions.

Thus, the technique of regulatory construction validity in this study aims to build a strong foundation in evaluating how the KUR collateral policy is implemented in accordance with applicable regulations, as well as to produce reliable analysis results that have significant contribution value in the context of public policy and economic development.

Data Analysis Techniques

The data analysis technique used in this study uses a qualitative analysis approach. The data analysis technique begins with detailed observation of the objects and subjects observed. The collected data is then analyzed by looking for patterns, themes, and variations in personal data protection practices across various organizational contexts.

In addition, it is continued with the identification of written policies and their implementation in practice. Furthermore, the findings from this direct observation are integrated with relevant literature and conceptual frameworks, helping to formulate strong conclusions regarding the legal aspects of the implementation of the policy on the use of People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024

In addition to ensuring the validity of the data through regulatory construction techniques, this study also continues by identifying the policies stated in the Coordinating Minister for the Economy Regulation Number 7 of 2024 and how these policies are implemented in practice. This process involves direct observation to observe how the KUR collateral policy is implemented in the field, including interactions between banks, borrowers, and other related institutions such as the Financial Services Authority (OJK).

The findings from this direct observation are then integrated with relevant literature and a previously designed conceptual framework. This integration aims to draw strong conclusions regarding the legal aspects of the implementation of the policy of using People's Business Credit Collateral (KUR) in accordance with the provisions in the Coordinating Minister for the Economy Regulation Number 7 of 2024.

In this way, the research does not only rely on secondary data or theory alone, but also strengthens its results through direct observation and in-depth literature review, to provide a comprehensive understanding of how this policy functions in the relevant practical and legal context.

RESULTS AND DISCUSSION

General description

Some relevant legal theories used to discuss this research are:

1. Legal Certainty Theory: Investigating the rights and responsibilities of creditors in relation to debtors, including the right to collect credit and the process of taking over collateral.
2. Legal Benefit Theory: Discusses the bank's obligations in managing risk, both from a legal and operational perspective. The legal benefit theory is a concept in legal science that states that the law must provide real benefits to society. There are several versions of this theory, but the essence is that law must be able to answer social needs and goals effectively. This theory emphasizes that law should not only function as a rule, but also as an instrument to create justice, security, and welfare for society.
3. Theory of legal justice: can help explain the concept of sanctions imposed in the Coordinating Ministerial Regulation:

1. Distributive Justice: This theory is concerned with the fair distribution of benefits and burdens among members of society. In the context of KUR regulations, sanctions against distributors who request additional collateral can be seen as an effort to ensure that the benefits of the KUR program are distributed fairly, namely so that KUR recipients are not disadvantaged or charged unfair additional fees.
2. Procedural Justice: This principle concerns the way decisions are made and the application of fair laws. In this case, the sanctions imposed must be based on clear and transparent procedures, so that KUR distributors can understand the consequences of their actions in requesting additional collateral.

3. Restorative Justice: The focus of this theory is to restore the losses or injustices that have occurred. Sanctions such as not paying interest subsidies or KUR margins to distributors who request additional collateral can be seen as restorative efforts to restore balance in the KUR program, by ensuring that KUR recipients who should receive assistance according to the regulations are not disadvantaged.

By basing these sanctions on the theory of legal justice, this type of regulation is expected to achieve the goal of providing fair and equal protection to all parties involved in the KUR distribution system, as well as promoting the responsible use of public resources for the common welfare.

The definition of collateral according to banking law theory is a right given by the debtor to a bank or financial institution as collateral for a loan given. This collateral can be in the form of valuable assets such as houses, land, property , vehicles, or other securities, which can be used by the bank to guarantee repayment of the loan if the debtor is unable to fulfill his obligations.

Research Data

Qualitative research on the Implementation of the Policy on the Use of Collateral for People's Business Credit (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 involves a total of descriptive and in-depth data. A number of primary data sources are related documents.

Furthermore, direct observation of the practices implemented at Bank Mandiri related to personal data management is a very valuable source of information. This observation covers the entire process, from data collection, storage, to processing. With this approach, the research does not only focus on interpreting the text of the law, but also explores its application in the real context of the banking work environment.

This data was obtained at Bank Mandiri Bondowoso Prajekan branch, debtors who became write-offs/WO/ Writeoffs in June 2024 were: People's Business credit write-offs (with a credit ceiling below 100 million) A credit ceiling of IDR 2,779,300,000 with a remaining debit of IDR 705,596,873, the number of debtors was 28 people.

The process of writing off or writing off credit occurs when the bank recognizes that a number of credits cannot be recovered or fully paid by the debtor. This can be caused by various factors, such as the debtor's inability to pay, unsuccessful restructuring, or failure in credit recovery efforts.

Analysis of Research Results

Bank Mandiri has established internal policies and procedures that serve as a basis for implementing the policy on the use of People's Business Credit (KUR) Collateral in Coordinating Minister for the Economy Regulation Number 7 of 2024 . Good implementation of this policy can be seen in Bank Mandiri's daily practices in managing credit, which includes steps to implement it in its daily activities.

At Bank Mandiri there are several products related to credit, including:

1. Home Ownership Credit (KPR): a credit facility provided to finance the purchase or construction of a house or property. The goal is to enable individuals or families to own a home more affordably by paying in installments. The terms of this credit involve the terms of property ownership documents and the ability to pay installments.
2. Motor Vehicle Credit (KKB): credit provided to finance the purchase of new or used motor vehicles. The goal is to help consumers to have a private vehicle with an installment payment system. The terms of this credit involve vehicle ownership documents or invoices and other terms depending on bank policy.

3. Mandiri Multipurpose Credit: a credit facility provided for various purposes, such as home renovation, education, or other consumer needs. The goal is to provide flexibility in the use of funds according to needs without having to explain their use in detail. The terms of this credit usually involve identity document requirements and other collateral depending on the amount of credit requested.
4. People's Business Credit (KUR): credit given to small and micro businesses with low interest to help increase their business capacity. The goal is to encourage the growth of small and micro businesses as a strong economic base at the local level. Requirements: There are special requirements that must be met by small and micro businesses in accordance with applicable provisions.
5. Investment Credit: a credit facility provided for investment purposes in developing a business or business project. This credit supports entrepreneurs or companies in planning and implementing investments for long-term business growth. The terms of this credit involve investment project analysis, collateral, and other conditions set by the bank to ensure the success of the investment.

Each of the above credit products has different features, objectives, and requirements according to the needs and profiles of the borrowers. While KUR can be briefly explained as follows: People's Business Credit (KUR) at Bank Mandiri is a credit program aimed at supporting small and micro businesses in Indonesia.

Here are some important points related to the People's Business Credit KUR at Bank Mandiri:

a. Objective: KUR aims to increase access to financing for small and micro businesses, so that they can develop their businesses further.
b. Borrower Requirements: KUR can be applied for by small and micro businesses that have been operating for at least 6 months and have valid business legality. Borrowers must meet administrative requirements and have a clear business plan.
c. Credit Amount: The KUR credit amount can be adjusted to business needs, with a maximum limit set by Bank Mandiri.
d. Interest and Term: KUR has a low interest rate, in accordance with the policies set by the government and banks. The credit installment payment period can also be adjusted to the borrower's ability and needs.
e. Benefits: Has lower interest compared to other credit products, making it more affordable for small and micro businesses. Provides easier access to financing to increase production, expand markets, or develop the business as a whole.

KUR at Bank Mandiri is one of the bank's initiatives to support the small and micro business sector as part of efforts to encourage inclusive and sustainable economic growth in Indonesia. Credit collectability is a term used to measure how good or bad the quality of payments from borrowers to credit provided by banks is.

In the context of credit, the term collectability is known. Collectability of 5 credits at Bank Mandiri, this refers to the evaluation and management of credit payments for the five types of credit products mentioned earlier, namely KPR, KKB, Multipurpose Credit, KUR, and Investment Credit. In general, the factors that are the focus in measuring credit collectability include:

1. Payment Timeliness: How timely the borrower makes installment payments according to the agreed schedule.
2. Portfolio Quality: Evaluation of the overall quality of the credit portfolio for each product type. This includes the number of non-performing loans and the level of credit risk faced. Starting from Collectability 2,3,4,5 and WO/Wrightoff or other than collectability 1 smooth
3. Collectability Process: Steps taken by the bank to handle problematic loans, including recovery efforts and management of bad loans.

4. Risk Management: Management of risks related to the granting of credit, including appropriate credit analysis processes prior to granting credit and ongoing monitoring of credit performance.
5. Policies and Procedures: Internal policies and procedures implemented by Bank Mandiri in managing credit collectability, including setting credit limits, setting interest rates, and other risk management measures.

By monitoring and managing credit collectability effectively, Bank Mandiri can ensure the stability and security of its credit portfolio, and provide better service to customers by minimizing possible credit risks. From the data, :

This data was obtained at the Bondowoso Prajekan branch then decreased to WO In June 2024 there was a write-off of KUR Under 100 million People's Business credit of Rp. 2,779,300,000 Credit ceiling of Rp. 705,596,873 With a total of 28 Debtors. This shows that the bank experienced significant losses from the loan, which may have been caused by default or economic difficulties of the debtor. This action reflects the bank's efforts to manage credit risk by writing off loans that cannot be recovered from its asset list.

This data provides an overview of the challenges faced in managing People's Business Credit in the area, as well as the importance of effective credit risk management in preventing greater losses for banks. This data provides a clear overview of the challenges faced in managing People's Business Credit (KUR) at the Bondowoso Prajekan Branch, especially related to the write-off cases that occurred.

The write-off process is an extreme step taken by banks when creditors are no longer able to pay off their obligations, which can be caused by factors such as business failure, difficult economic conditions, or other problems. In this case, the number of debtors affected by the write-off process reached 28 people with a significant total credit ceiling, reflecting the level of risk that needs to be carefully managed by the bank.

The importance of effective credit risk management is a key point raised from this data. Banks must ensure that the credit distribution process is carried out wisely by conducting in-depth risk analysis of prospective borrowers. In addition, good credit portfolio management is also included in the strategy to reduce the possibility of write-offs in the future.

This involves close monitoring of creditor performance, implementation of effective recovery strategies in the event of late payments, and transparent policies related to handling problem loans. Thus, this data not only provides a picture of the current condition, but also serves as a call to continue improving credit risk management practices in order to reduce losses and maintain financial sustainability for banks.

Discussion

Before discussing credit collateral in KUR which is related to its relevance to the theoretical basis of legal certainty, legal benefits and the theory of legal benefits, we first convey that there is a legal interpretation contained in the Banking Law Number 10 of 1998 and also in the Coordinating Minister for the Economy Regulation Number 1 of 2023 which has been revised to Coordinating Minister Regulation 7 of 2024 .

In Article 1 number 23 of Banking Law number 10 of 1998 it is stated 23: Collateral is additional security submitted by the Debtor Customer to the bank in order to provide credit or financing facilities based on Sharia Principles. and in Article 12 paragraph (1) it is stated: Commercial Banks can buy part or all of the collateral, either through auction or outside of auction based on voluntary submission by the collateral owner or based on the power to sell outside of auction from the collateral owner in the event that the Debtor Customer does not fulfill his obligations to the bank, with the provision that the collateral purchased must be disbursed as soon as possible.

Meanwhile, in the Coordinating Minister for Economic Affairs Regulation Number 1 of 2023 which has been revised to Coordinating Minister Regulation 7 of 2024, Article 14 number (5) states: In the event that the KUR Distributor requests additional collateral for KUR with a loan ceiling of up to IDR 100,000,000.00 (one hundred million rupiah) as referred to in paragraph (3), the KUR Distributor will be subject to sanctions in the form of KUR Interest Subsidies/Margin Subsidies not being paid to the KUR Recipient concerned. We will discuss both legal bases based on the legal theory of legal certainty, the theory of legal justice and the theory of legal benefit.

According to Hans Kelsen: the theory of legal certainty is a principle underlying a good and stable legal system. Kelsen stated that legal certainty is essential to maintaining justice and social order in society. He emphasized that the law must be predictable and consistent, so that individuals can regulate their behavior according to the applicable rules without confusion or doubt.

Kelsen's approach to legal certainty is also related to a hierarchically organized legal structure, where the highest law (grundnorm) is the basis for all lower laws. Thus, legal certainty is realized through a clear and orderly hierarchy of legal norms, ensuring that all legal decisions are based on predictable and consistent rules.

In the context of credit, the principle of legal certainty put forward by Hans Kelsen has important relevance. Here are some important points that can be connected:

1. Predictability in Credit Policy: Obvious gaps in credit policy can affect legal certainty. If credit terms and conditions change suddenly or are inconsistent, this can create uncertainty for borrowers, banks, and other related parties.
2. Consistency of Law Enforcement: Gaps in law enforcement of credit rules can undermine public confidence in the legal system. These gaps can lead to uncertainty about whether credit will be granted or not, as well as how the law applies to credit defaults.
3. Protection for Borrowers and Lenders: Consistent and predictable policies in credit allow protection for both borrowers and lenders. Borrowers can clearly understand what is expected of them in terms of loan repayment, while lenders can better calculate risks.
4. Social and Economic Impacts: Legal certainty in credit also has significant social and economic impacts. It helps support economic stability by ensuring that credit arrangements do not arbitrarily hinder business growth and economic initiatives.

Thus, the principle of legal certainty initiated by Hans Kelsen is not only important in the general context of the legal system, but also in the context of credit for maintaining stability, justice, and social order in society.

The theory of legal certainty according to Hans Kelsen has a significant relationship with unsecured credit, especially in the context of justice, order, and legal stability needed to ensure protection for all parties involved. Here are some of the relationships:

1. Predictability of Terms and Conditions: Unsecured loans often involve parties who have little or no collateral. In this case, legal certainty ensures that the terms of the loan, such as interest rates, terms, and repayment requirements, are clearly predictable to the borrower. This helps prevent misunderstandings or uncertainties that can arise from inconsistent interpretations of credit rules.
2. Consistency in Law Enforcement: Gaps or inconsistencies in law enforcement regarding unsecured credit can create legal uncertainty and doubt. This can hinder fair access and harm borrowers who are actually eligible for credit. Therefore, legal certainty is needed to ensure that the credit assessment process and treatment of borrowers are consistent and predictable.
3. Protection for Borrowers: In the context of unsecured credit, borrowers are often more vulnerable to changes or inconsistent interpretations of legal rules. Legal certainty helps protect borrowers by ensuring that their rights are respected and that they are not subject to unfair or unclear terms.

4. Risk and Fairness Considerations: For lenders, legal certainty allows them to better assess the risks involved in providing unsecured credit. They can be confident that their risk assessments are consistent with the existing legal framework and that they can take lawful steps in the event of default or other issues.

Thus, the principle of legal certainty adopted by Hans Kelsen is not only relevant in building a strong legal system in general, but is also very important in the context of unsecured credit to maintain consistency, fairness, and stability in the relationship between lenders and borrowers.

In Article 1 number 11 of Banking Law number 10 of 1998, it is stated that credit is the provision of money or bills that can be equated with it based on an agreement or loan agreement between banks and other parties that requires the borrower to repay the debt after a certain period of time with the provision of interest.

Article 1 number 11 of Banking Law Number 10 of 1998 defines credit as the provision of money or bills that can be equated with it, based on an agreement or loan agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time with the provision of interest.

The relationship between the theory of legal certainty according to Hans Kelsen and this definition can be explained as follows:

1. Predictability and Consistency: A clear and specific definition of what constitutes credit in the context of banking law provides predictability to all parties involved, including banks and borrowers. This is in line with the principle of legal certainty that legal rules and definitions must be clear and understandable to everyone, so as not to cause confusion or doubt in interpretation.
2. Protection for Parties Involved: Legal certainty in the definition of credit helps protect the rights and obligations of both lenders (banks) and borrowers. Banks can ensure that the credit granting process is carried out in accordance with applicable laws, while borrowers can clearly understand their obligations in repaying debts in accordance with the agreed terms.
3. Implementation of Rules and Fairness: A clear definition of credit also allows for a more fair and consistent application of legal rules. This is important in maintaining social and economic order in society, as well as encouraging the development of a stable and reliable banking system.

Thus, the theory of legal certainty according to Hans Kelsen not only strengthens the legal basis for the definition of credit in the Banking Law, but also provides the necessary framework to ensure that the relationship between banks and borrowers is fair, transparent and predictable.

In addition, in Article 1 number 23 of Banking Law number 10 of 1998 it is stated: Collateral is additional security submitted by the Debtor Customer to the bank in order to provide credit or financing facilities based on Sharia Principles.

The theory of legal certainty according to Hans Kelsen refers to the principle that legal rules must be clear, predictable, and applied consistently to maintain justice and order in a legal society. In the context of the definition of collateral contained in Article 1 number 23 of Banking Law Number 10 of 1998, its relationship with Kelsen's theory can be explained as follows.

First, a clear definition of collateral as additional security submitted by debtor customers to banks provides legal certainty to all parties involved in credit or financing transactions. Banks as credit providers can clearly determine the types of collateral accepted and the procedures for assessing and handling them in accordance with applicable legal provisions. This ensures that the credit granting process is carried out in a measurable and predictable

manner, thereby reducing the risk of confusion or uncertainty in the interpretation and application of laws related to collateral.

Second, legal certainty is also important in maintaining fairness between the debtor customer and the bank. A clear definition of collateral allows the debtor customer to understand exactly what is expected of them in providing additional collateral to obtain credit or financing. It also provides assurance to debtors that the process of assessing and handling collateral will be carried out in accordance with fair and transparent legal standards. Thus, the theory of legal certainty according to Hans Kelsen supports a stable and reliable banking system, where the relationship between debtors and banks is based on the principle of justice and consistent legal order: Theory of Legal Benefit, Theory of Legal Justice, Theory of legal justice.

Article 1 paragraph (2) of Banking Law Number 10 of 1998 defines a bank as a business entity that collects funds from the public in the form of savings and redistributes them to the public through the provision of credit or other means. The purpose of this activity is to support economic growth and improve the welfare of society as a whole. In other words, the main function of a bank is as an intermediary in the financial activities of the community, which not only manages savings funds, but also provides access to credit and other financial services to advance the economy as a whole.

Law of the Republic of Indonesia No. 7 of 1992 concerning banking, in Chapter I Part I number 12, defines credit as the provision of money or paper money that is assumed to be equivalent based on a contract or loan agreement between the bank and another party. In this contract, the other party is required to return the total money or paper money that was borrowed along with interest, commission, or profit sharing after a certain period of time. This definition describes credit in the context of banking law in Indonesia, including the process of providing funds and the responsibility to return the loan along with additional costs that have been agreed upon.

In addition, according to Article 10, Article 1 of the 1998 Banking Law, credit or loans are defined as the provision of money or bills that are assumed to be equivalent, based on a loan agreement between the bank and another party, where the borrower is obliged to repay the loan after a certain period of time by paying interest.

The banking law when associated with the theory of legal justice is as follows. According to Satjipto Rahardjo (2000) in the book "Justice: Legal Theory in Society", the concept of legal justice includes several important aspects:

1. Distributive Justice: Refers to the fair distribution of resources and wealth in society. This means that each individual or group should receive a fair share of the wealth and resources available.
2. Procedural Justice: Relates to fair and transparent legal processes. This includes the right to equal treatment before the law, as well as protection against abuse of power or unfair legal procedures.
3. Restorative Justice: Focuses on restoring relationships and social balance after conflict or crime. This approach prioritizes reconciliation and healing over punishment alone. This book provides an overview of how these concepts are applied in the context of Indonesian society, as well as the challenges faced in efforts to achieve better legal justice.

According to Banking Law Number 10 of 1998, credit is the transfer of money or paper money that is assumed to be equivalent, as stated in Article 10 Paragraph 11 of the Law. This refers to the process by which a bank provides a loan of money or debt to a borrower based on a contract or agreement, which requires the borrower to repay the loan with interest after a certain period of time. This emphasizes the need for clarity in the loan agreement to ensure compliance and security in banking practices.

Coordinating Minister for Economic Affairs Regulation Number 1 of 2023 which has been revised to Coordinating Minister Regulation 7 of 2024 Article 14 number (5) states: In

the event that the KUR Distributor requests additional collateral for KUR with a loan ceiling of up to IDR 100,000,000.00 (one hundred million rupiah) as referred to in paragraph (3), the KUR Distributor will be subject to sanctions in the form of KUR Interest Subsidies/Margin Subsidies not being paid to the KUR Recipient concerned.

The regulations mentioned regarding sanctions against KUR distributors who request additional collateral under certain conditions can be linked to the concept of legal benefit theory, especially in the context of protecting the economic and social interests of the community.

1. Consumer Protection: The regulation aims to protect KUR (People's Business Credit) recipients from KUR distributors who may request additional collateral for loans with a certain ceiling. By not paying interest subsidies or KUR margins to distributors who request additional collateral, KUR recipients are protected from the possibility of a disproportionate increase in financial burden.
2. Efficiency in Credit Distribution: From an economic perspective, this policy supports efficiency in credit distribution by ensuring that KUR distributors do not apply additional requirements that could potentially limit KUR recipients' access to the funds they need for their businesses.
3. Strengthening Social Justice: This concept also reflects the principle of social justice, where regulations are directed to ensure that economic assistance and facilities are available fairly to the entire community, including those who need access to KUR.

In the book "Justice: Legal Theory in Society" by Satjipto Rahardjo (2000) it is stated: , the theory of legal utility or "utilitarianism" refers to the view that the main purpose of law is to achieve benefits or happiness for as many individuals as possible in society. The following is a further explanation of the theory of legal utility according to Satjipto Rahardjo's perspective:

1. Purpose of Law: According to Rahardjo, law should aim to achieve overall social benefits. This means that legal policies and court decisions should not only take into account the interests of certain individuals or groups, but also their impact on society more broadly. Thus, law should contribute positively to creating more just and prosperous social conditions.
2. Evaluating Consequences: The utilitarian approach to law emphasizes the importance of evaluating the consequences of a legal action or policy. This means that legal decisions should be carefully considered based on their impact on social welfare and justice. The choices made should produce the maximum benefit or most beneficial to society as a whole.
3. Criticisms and Challenges: Although the utility theory of law offers a framework that focuses on social welfare, there are criticisms raised against this approach. One of the main criticisms is the difficulty in accurately measuring and predicting the impact of a legal policy in the long run. In addition, there are ethical questions about how to balance individual interests with collective interests in the legal context.

Thus, in "Justice: Legal Theory in Society," Satjipto Rahardjo outlines how the theory of legal utility can be a basis for formulating more effective and just legal policies in the context of Indonesian society.

If we relate the decision of Permenko 7 of 2024 to the theory of legal justice put forward by Satjipto Rahardjo in his book "Justice: Legal Theory in Society" (2000), there are several relevant aspects to note. According to Rahardjo, justice in law includes aspects of fair and equal treatment for all individuals, without discrimination or unfair bias. In the context of Permenko 7 of 2024, it is important to ensure that decisions taken by the government are not only formally fair, but also provide equal protection and opportunity for all parties affected. This includes aspects of transparency in the decision-making process as well as clarity in the criteria used.

In addition, Rahardjo's theory of legal justice emphasizes the importance of substantial justice, where legal decisions not only follow formal procedures, but also provide substantively fair and just results.

In the context of Permenko 7 of 2024, this refers to the need to ensure that the resulting policies not only meet formal requirements, but are also able to provide balanced benefits for all parties involved. Equality of access to resources and legal protection is also an important part of the implementation of legal justice according to the theory put forward by Rahardjo. Therefore, the evaluation of the implementation of the Permenko needs to pay attention to these aspects to ensure that the decisions taken meet the standards of legal justice desired in society. In the theory of legal benefits, such regulations are seen as a tool to achieve broader social goals, such as improving the economic welfare of society, protecting small consumers, and regulating economic activities for the common good. Thus, the sanctions imposed on KUR distributors who request additional collateral can be understood as part of an effort to optimize the overall benefits of the law in the economic and social context. the relationship between the implementation of the policy on the use of People's Business Credit (KUR) Collateral in the Coordinating Minister for the Economy Regulation Number 7 of 2024 with "Justice: Legal Theory in Society," Satjipto Rahardjo (2000).

In detail, the relationship between the implementation of the policy on the use of People's Business Credit Collateral (KUR) in the Coordinating Minister for the Economy Regulation Number 7 of 2024 with "Justice: Legal Theory in Society," Satjipto Rahardjo (2000) is as follows:

In the book "Justice: Legal Theory in Society" by Satjipto Rahardjo (2000), the theory of legal utility or utilitarianism is discussed as one of the important approaches in understanding the purpose and function of law in society. Satjipto Rahardjo refers to utilitarianism as a view that prioritizes achieving maximum benefit or happiness for as many individuals in society as possible through the legal system.

Utilitarianism in this context emphasizes that legal decisions should be evaluated based on their impact on overall social welfare. This approach views that the primary purpose of law is to achieve the most beneficial outcomes for society as a whole, not just to satisfy the interests of a particular individual or group. In this case, law is expected to play a role in creating more just and sustainable social conditions.

However, as expressed by Rahardjo and also critics from various perspectives, the utilitarian approach in law is not free from challenges, such as the difficulty in measuring welfare objectively, as well as the risk of sacrificing minority interests for the sake of the majority. Therefore, the discussion of utilitarianism in "Justice: Legal Theory in Society" provides an important basis for thinking in developing more effective and just legal policies in the context of Indonesian society.

Regarding the principle of legal utility One of the famous figures in developing the theory of legal utility is Roscoe Pound. Pound is an American legal expert who argued that the main function of law is to create a sense of justice in society. The theory of legal utility that he developed emphasizes the importance of law in responding to social needs and goals, not just as a mere formal rule.

According to Hikmahanto Juwana (2017) Economic Analysis of Banking Law. Journal of Law & Development. Vol 28, it is stated: That the legal regulations governing the banking world are still considered less than optimal in banking activities. Public funds collected in banks have not been maximally protected by applicable laws, because there are still loopholes for misuse by bank owners. Legal protection is very much needed as the main means to overcome these problems. Hikmahanto Juwana, an Indonesian legal expert, has developed various views and theories regarding banking law in Indonesia. Some of his ideas and contributions include:

1. Legal Protection for Customers: Hikmahanto Juwana highlighted the importance of legal protection for customers in banking transactions, including the bank's obligation to maintain the confidentiality of customer information and comply with the principle of prudence in carrying out its operations.
2. Banking Regulation: He also wrote about the need for good regulation in the banking industry to maintain stability and public confidence in banking institutions. This includes thinking about the harmonization of national and international law in the context of global banking.
3. Law Enforcement: Hikmahanto Juwana also considers the law enforcement aspects in banking cases, including the importance of transparency and accountability in banking governance.
4. Economic Aspect: In addition, he often includes economic views in his analysis of banking law, emphasizing the importance of the role of banking in national economic development.

Related to the theory of legal justice, there are several theories of legal justice developed by various figures and schools of thought in legal science. Some of them include:

1. Aristotle's Theory of Justice: Aristotle stated that justice is a virtue that lies in the middle, namely between greed and stupidity.
2. Utilitarianism Theory: Utilitarianism assesses justice based on the consequences or outcomes of a legal action on the happiness and welfare of society as a whole.
3. Retributivism Theory: This theory focuses on the idea that punishment should be proportionate to the crime committed by the perpetrator.
4. Rawls' Theory of Justice: John Rawls developed a theory of justice as fair equality, which emphasizes the principles of basic equality and distributive justice.
5. Restorative Justice Theory: This theory emphasizes restoration and reconciliation between the offender, victim, and community, as an alternative to the traditional punitive approach.

Each theory of legal justice has its own approach and principles in determining what is considered fair in the context of law and society. Permenko 7 of 2024 regulates the implementation of the use of collateral, which can be linked to the theory of legal justice in "Legal Politics in Indonesia" by Prof. Mahfud MD as follows:

1. Process Justice: According to Mahfud MD's theory, justice in the legal process demands that every party involved in the use of collateral must be treated fairly and equally before the law. The implementation of Permenko 7 of 2024 must ensure that the collateral handling process is carried out with transparency, fairness, and without discrimination.
2. Substantial Justice: Mahfud MD's theory also highlights the importance of substantial justice, namely justice in the results or consequences of the use of collateral. The Coordinating Ministerial Regulation must accommodate the protection of the rights of the parties involved in the collateral, such as the rights of the collateral provider and the collateral recipient, and avoid any inequality that may arise in its implementation.
3. Social Justice: This aspect refers to how the policy on the use of collateral in Permenko 7 of 2024 can make a positive contribution to social justice. This means that the regulation on collateral must be designed to support access to justice for all parties, including those who may have economic limitations or access to legal information.
4. Legal Reform: In the context of implementing Permenko 7 of 2024, Mahfud MD will probably emphasize the importance of legal reform to fix weaknesses in the collateral use system. This reform can be in the form of increased regulation, more effective law enforcement, or strengthening mechanisms for protecting individual rights.

By applying the principles of legal justice adopted by Mahfud MD, the implementation of Permenko 7 of 2024 is expected to strengthen legal protection and justice for all parties involved in the use of collateral in Indonesia.

CONCLUSION

1. The purpose of the Coordinating Minister for Economic Affairs Regulation Number 7 of 2024 concerning the collateral policy for People's Business Credit (KUR) is to increase access to capital for small and micro businesses in Indonesia. By providing credit collateral, the aim is to provide protection to banking financial institutions including bank employees who provide loans to this sector, so that they are more willing to provide loans with lower interest rates and easier requirements, which can ultimately encourage economic growth at the local and national levels.
2. Therefore, providing credit collateral in the People's Business (KUR) policy aims to reduce the risk of loss for financial institutions, which in turn increases their confidence in providing loans with more favorable terms for small and micro business actors. Thus, this policy is expected to stimulate local and national economic activity by increasing accessibility to business capital.

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