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EFFECTIVENESS OF THE IMPLEMENTATION OF LEGAL REGULATIONS ON PEOPLE'S BUSINESS CREDIT ON THE INCREASE OF MICRO, SMALL, AND MEDIUM ENTERPRISES (Case Study of PT Bank Mandiri Binjai Branch)

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Abstract

People's Business Credit (KUR) is a government policy aimed at expanding access to financing for Micro, Small and Medium Enterprises (MSMEs). Even though it is supported by various regulations, the implementation of KUR still faces problems, especially regarding the application of the precautionary principle, understanding additional collateral, and the effectiveness of legal protection for debtors. This research aims to analyze the effectiveness of the implementation of KUR legal regulations at PT Bank Mandiri Binjai Branch, its conformity with statutory provisions, and the effectiveness of its implementation based on Soerjono Soekanto's theory of legal effectiveness. The research uses empirical juridical methods with a descriptive analytical approach. Primary data was obtained through interviews and observations, while secondary data was obtained through literature study of relevant laws and regulations, books, journals and literature. The research results show that the implementation of KUR at PT Bank Mandiri Binjai Branch is in accordance with Law Number 10 of 1998 concerning Banking, Law Number 20 of 2008 concerning MSMEs, Government Regulation Number 7 of 2021, and Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024. The application of the precautionary principle is carried out through business feasibility analysis, field surveys, credit history checks, and the application of moral obligations that are not categorized as collateral. additional. Based on the analysis of legal effectiveness theory, the implementation of KUR regulations has been effective from the aspects of law, law enforcement, facilities, society and culture, although increased socialization is still needed to strengthen public understanding of KUR provisions.

Keywords: Legal Effectiveness, People's Business Credit, Legal Protection, Prudential Principle; MSMEs.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian national economy, making a significant and strategic contribution. According to data from the Ministry of Cooperatives and SMEs in 2024, the number of MSMEs in Indonesia has reached more than 66 million, contributing 61.07 percent to the national Gross Domestic Product (GDP) and employing up to 97 percent of the total national workforce. (Ministry of Cooperatives and SMEs, 2024). Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises serves as the primary basis for regulating MSMEs, which was later strengthened by Law Number 11 of 2020 concerning Job Creation and its implementing regulations, namely Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. (PP No. 7 of 2021) The Job Creation Law introduced a number of regulatory simplifications in the areas of business licensing and MSME financing, aimed at encouraging massive growth in the small business sector. As a concrete response to MSME capital constraints, the Indonesian government launched the People's Business Credit (KUR) program in 2007, based on Presidential Instruction No. 6 of 2007 concerning the Policy for Accelerating Real Sector Development and MSME Empowerment. The KUR program is a government policy aimed at expanding access to financing for MSMEs. The program's implementation is regulated by various laws and regulations, including the Banking Law, the MSME Law, and the Coordinating Minister for Economic Affairs Regulation concerning KUR Implementation Guidelines. In practice, there are still differing perceptions regarding the application of these provisions, as some people assume that banks still require collateral, while banks explain that the form applied is a moral obligation, not additional collateral. This situation is interesting to analyze to determine whether the implementation of KUR complies with applicable legal provisions. The operational technical provisions for KUR

distribution are stipulated in Coordinating Minister for Economic Affairs Regulation No. 7 of 2025 (Amendment to Coordinating Minister for Economic Affairs Regulation No. 1/2022) and updated through Coordinating Minister for Economic Affairs Regulation No. 1 of 2026. Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2026 concerning Guidelines for the Implementation of People's Business Credit (KUR) is stipulated to strengthen the financing ecosystem for Micro, Small, and Medium Enterprises (MSMEs). In the realm of banking law, KUR distribution cannot be separated from the obligation of distributing banks to apply the prudential banking principle as mandated in Article 2 and Article 29 paragraph (2) of Law Number 10 of 1998 concerning Banking. The application of the prudential principle is emphasized through Financial Services Authority Regulation (POJK) Number 40/POJK.03/2019 concerning Asset Quality Assessment of Commercial Banks which requires banks to conduct an in-depth analysis of the debtor's eligibility before disbursing credit. (OJK Regulation No. 40/POJK.03/2019) On the other hand, legal protection for MSME debtors in KUR credit agreements is guaranteed by Law Number 8 of 1999 concerning Consumer Protection and OJK Regulation Number 6/POJK.07/2022 concerning Consumer and Community Protection in the Financial Services Sector, which prohibits the inclusion of standard clauses that are detrimental to consumers unilaterally.

The realization of KUR disbursement in North Sumatra in 2024 reached IDR 14.3 trillion, but KUR penetration among the total number of MSMEs only reached around 18.2 percent, far below the ideal target of 35 percent set by the government. This situation indicates structural issues in KUR implementation at the provincial level that require further identification and analysis. More specifically, Binjai City, as one of the cities within the Mebidangro National Strategic Area (Medan Binjai Deli Serdang Karo), has demonstrated significant MSME growth dynamics in line with regional development and economic activity. Previous studies have discussed the effectiveness of People's Business Credit (KUR) distribution, regulatory barriers, and legal protection for MSME debtors, but have not integrated analysis of the application of banking prudential principles, the effectiveness of legal protection in KUR credit agreements, and implementation barriers specifically at PT Bank Mandiri Binjai Branch. Therefore, this study is important to fill this research gap through a comprehensive legal analysis of the implementation of People's Business Credit (KUR). It is hoped that it can provide policy recommendations that support the optimization of the KUR program as an instrument for empowering MSMEs in Indonesia**.** Based on the review of previous research, there is a significant and unanswered research gap, namely a comprehensive analysis that integrates two aspects simultaneously: (1) the implementation of the principle of banking prudence in the distribution of KUR in relation to the real effect on increasing MSMEs; and (2) mapping regulatory barriers, legal understanding of business actors, and the effectiveness of legal protection in KUR credit agreements specifically at PT Bank Mandiri Binjai Branch. No previous research has examined these two aspects in an integrated manner and based on case studies on the same object and location. This research is here to fill this gap.

LITERATURE REVIEW

1. Theory of Legal Effectiveness

The theory of legal effectiveness is used to measure the extent to which a legal norm can function and have a real impact on society. According to Soerjono Soekanto, legal effectiveness is influenced by five interrelated factors: legal factors, law enforcement, infrastructure and facilities, society, and culture (Soekanto, 2014). In this study, these five factors are used to analyze the effectiveness of the implementation of the People's Business Credit (KUR) regulations at PT Bank Mandiri Binjai Branch, thus providing an analysis that is not only normative but also empirical regarding KUR implementation.

2. Theory of the Prudential Banking Principle

The prudential principle is a fundamental principle in Indonesian banking law, requiring banks to maintain the soundness and security of their business activities, as stipulated in Law Number 10 of 1998 concerning Banking (Usman, 2022). Its implementation is realized through credit analysis based on the 5C principle (Character, Capacity, Capital, Collateral, and Condition of the Economy) (Kasmir, 2023). Although additional collateral is not required for Micro KUR loans up to a certain limit, banks are still required to apply the 5C principle as stipulated in POJK No. 40/POJK.03/2019. This theory is used to assess whether the application of prudential principles in KUR distribution has been carried out proportionally without reducing access to financing for MSMEs.

3. Legal Protection Theory

The theory of legal protection explains that the law guarantees the rights and obligations of every legal entity

to create certainty, justice, and benefit. According to Philipus M. Hadjon, legal protection consists of preventive protection through the establishment of legislation and repressive protection through dispute resolution mechanisms (Hadjon, 2014). In the legal relationship between banks and KUR debtors, this protection is realized through various regulations governing the rights and obligations of the parties. This theory is used to analyze whether the implementation of the People's Business Credit (KUR) at PT Bank Mandiri's Binjai Branch has provided balanced legal protection for both banks and MSMEs.

4. The Concept of People's Business Credit (KUR)

People's Business Credit (KUR) is a government financing program aimed at increasing access to financing for MSMEs with productive businesses but who do not yet meet commercial credit requirements. The implementation of KUR is regulated by Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2023, as amended by Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024, which regulates the target recipients, types of financing, credit ceilings, interest rates, guarantees, restructuring, and disbursement procedures. One manifestation of the government's support is the provision that Micro KUR loans up to a ceiling of IDR 100,000,000 do not require additional collateral, but still prioritizes the principle of prudence. This concept serves as the basis for assessing the compliance of KUR distribution implementation at PT Bank Mandiri's Binjai Branch with statutory provisions.

5. The Concept of Moral Obligation in KUR Distribution

Moral obligation is a debtor's moral commitment to fulfill credit repayment obligations based on trust, good faith, and responsibility. Therefore, it cannot be equated with additional collateral under collateral law. Its application does not conflict with the provisions of Coordinating Minister for Economic Affairs Regulation Number 3 of 2024, which eliminates the requirement for additional collateral for Micro KUR, as banks are still required to apply the principle of prudence through an analysis of the debtor's character, business capacity, and commitment. This concept is used to analyze the compliance of the practice of implementing moral obligation in KUR distribution at PT Bank Mandiri, Binjai Branch, with applicable legal provisions and banking prudential principles.

METHOD

This research uses an empirical juridical method with a descriptive analytical approach to examine the legal regulations for People's Business Credit (KUR) and its implementation at PT Bank Mandiri, Binjai Branch (Soerjono Soekanto & Sri Mamudji, 2015). The research data consists of primary data obtained through interviews with the bank and observations on the implementation of KUR, as well as secondary data obtained through library studies in the form of laws and regulations, books, scientific journals, previous research results, and relevant literature. Data collection was carried out through interviews, observations, documentation, and library studies. Furthermore, the data were analyzed qualitatively using descriptive analytical methods through a comparison between the implementation practices of KUR at PT Bank Mandiri Binjai Branch and the provisions of applicable laws and regulations, then analyzed using Soerjono Soekanto's theory of legal effectiveness to assess the suitability of the implementation and effectiveness of the implementation of the People's Business Credit regulations.

RESULTS AND DISCUSSION

1. Effectiveness of the Implementation of Legal Regulations for People's Business Credit (KUR) at PT Bank Mandiri Binjai Branch

People's Business Credit (KUR) is a government policy instrument aimed at expanding access to financing for Micro, Small, and Medium Enterprises (MSMEs). This program was established as a form of government intervention to address limited access to capital, which has been a major obstacle to MSME development. KUR distribution is not only viewed as a banking business activity, but also as an implementation of state policy to improve community welfare through empowering the productive business sector. The program's implementation must be guided by the provisions of laws and regulations governing banking, MSME empowerment, and technical guidelines for the implementation of People's Business Credit.

Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking serves as the primary legal basis for the implementation of banking activities in Indonesia. Article 2 stipulates that banking business activities are carried out based on economic democracy using the prudential banking principle. This

provision implies that every bank is required to conduct all its business activities prudently to maintain the stability of the banking system while protecting the public funds entrusted to the bank. The principle of prudence is applied not only to the management of public funds but also forms the basis for all credit granted to customers.

Article 8 of Law Number 10 of 1998 stipulates that before granting credit, banks must have confidence, based on a thorough analysis, in the good faith, capacity, and ability of prospective debtors to repay their debts in accordance with the agreement. This provision places a legal obligation on all lending banks to conduct an objective assessment of each prospective debtor. This analysis aims to minimize the risk of non-performing loans while ensuring that disbursed funds are truly utilized by debtors capable of running their businesses productively.

Article 29 paragraph (2) of Law Number 10 of 1998 emphasizes banks' obligation to maintain bank soundness by applying the principle of prudence in all their operational activities. These regulations demonstrate that credit cannot be granted solely based on business considerations, but must also consider the security of bank funds, asset quality, the debtor's capacity, and potential risks that may arise during the financing period. These provisions serve as the legal basis for all KUR (People's Business Credit) distributing banks, including PT Bank Mandiri Binjai Branch, in conducting credit analysis on each prospective borrower.

Regulations regarding the empowerment of micro, small, and medium enterprises are further regulated in Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. This law guarantees that the government is obligated to create a conducive business climate by providing easy financing, business mentoring, increasing the capacity of entrepreneurs, and expanding access to financial institutions. The People's Business Credit Policy is one concrete example of implementing this law's mandate, as it provides opportunities for MSMEs to obtain financing from banking institutions at lower interest rates than commercial loans.

Provisions regarding MSME empowerment are further strengthened through Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. This government regulation regulates various forms of government support for MSMEs, one of which is facilitating access to financing from banks and other financial institutions. This policy demonstrates that the government not only provides legal protection to MSMEs but also provides financing instruments to enable them to increase their business capacity.

Regulations specifically governing the implementation of Micro Business Credit (KUR) are contained in Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2023 concerning Guidelines for the Implementation of Micro Business Credit (KUR), as amended by Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024. This regulation serves as an operational guideline for all banks distributing People's Business Credit (KUR) in Indonesia. The scope of the regulations covers KUR recipient requirements, financing types, credit ceilings, interest rates, guarantees, credit restructuring, and the KUR distribution mechanism.

A key provision in Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024 stipulates that Micro Business Credit (KUR) with a financing ceiling of up to IDR 100,000,000 does not require a loan. Additional collateral. This policy represents the government's support for micro-enterprises, which have previously struggled to obtain credit due to a lack of assets to serve as collateral. The primary objective of eliminating the requirement for additional collateral is to expand access to financing, allowing productive businesses to continue obtaining capital despite limited assets.

The provision regarding the exclusion of additional collateral should not be interpreted as requiring banks to provide credit to every applicant without conducting a feasibility analysis. The principle of prudence, as stipulated in the Banking Law, remains the primary basis for the provision of People's Business Credit (KUR). Banks retain the authority to assess the debtor's character, repayment capacity, business conditions, business prospects, and potential risks during the financing period. This analysis serves as legal protection for the bank's interests while ensuring the continuity of the KUR program, ensuring its healthy operation.

Interviews with representatives from PT Bank Mandiri's Binjai Branch indicate that the implementation of the People's Business Credit program adheres to all provisions stipulated in Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024. The credit disbursement process begins with an administrative examination, verification of the prospective borrower's identity, a business location survey, a business capability analysis, a credit history check through the Financial Information Services System (SLIK), and an assessment of the prospective KUR recipient's business prospects. All these stages are carried out before the bank makes a decision regarding approval or rejection of the loan application.

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Interviews also indicate that PT Bank Mandiri's Binjai Branch does not categorize collateral in the People's Business Credit program as additional collateral as defined in the law on property collateral. The bank explained that the collateral used in KUR disbursement practices is better understood as a moral obligation, namely the debtor's moral commitment to fulfill their obligations under the loan agreement. The existence of this moral obligation does not change the legal requirement that Micro KUR loans up to a ceiling of IDR 100,000,000 still do not require additional collateral, as stipulated in Coordinating Minister for Economic Affairs Regulation Number 3 of 2024.

The moral obligation concept implemented by PT Bank Mandiri's Binjai Branch is part of the implementation of the principle of prudence in lending. The moral obligation is not intended as material collateral that can be executed in the event of default, but rather as a form of the bank's confidence in the debtor's sincerity in running their business and fulfilling installment payment obligations. The application of this concept demonstrates that the bank continues to exercise its prudential function without neglecting the primary objective of the People's Business Credit program, which is to expand access to financing for micro-entrepreneurs who do not yet have assets to use as collateral.

Based on statutory provisions and interviews conducted at PT Bank Mandiri's Binjai Branch, the implementation of the legal provisions for People's Business Credit has essentially been carried out in accordance with applicable regulations. The bank has implemented the provision that no additional collateral is required for Micro KUR, while the moral obligation is implemented as a form of implementing the principle of prudence as required by Law Number 10 of 1998 concerning Banking. This practice demonstrates that the bank's internal policies do not conflict with KUR regulations, but rather serve as an instrument to ensure that financing is channeled to debtors who have good intentions and businesses that are worthy of being financed (Soekanto, 2014).

2. Analysis of the Compliance of the Implementation of the People's Business Credit (KUR) with Laws and Regulations Based on Interview Results at PT Bank Mandiri Binjai Branch

From a regulatory perspective, the implementation of the People's Business Credit (KUR) at PT Bank Mandiri Binjai Branch faces fundamental issues in the form of complexity and potential overlap between the various legal instruments governing KUR. The implementation of the People's Business Credit (KUR) in Indonesia is governed by a number of regulations, encompassing both general and technical rules. These regulations encompass provisions from laws, government regulations, and regulations drafted by the Financial Services Authority and relevant ministries, such as Government Regulation Number 7 of 2021 and Minister of Finance Regulation Number 25/PMK.05/2024. Furthermore, the Bank's internal Standard Operating Procedures (SOPs) also support this implementation. The complexity of these regulations can lead to differences in interpretation and application at each branch.

The success of a regulation is measured not only by the existence of the legal norms governing it, but also by the degree of conformity between the normative provisions and their implementation in the field. The empirical juridical approach holds that the effectiveness of a regulation can be determined through the implementation practices carried out by the implementing agency. This study focused on PT Bank Mandiri's Binjai Branch to determine whether the implementation of the People's Business Credit (KUR) program complies with the provisions stipulated in Law Number 10 of 1998 concerning Banking, Law Number 20 of 2008 concerning MSMEs, and Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024 concerning Guidelines for the Implementation of KUR.

Interviews with representatives of PT Bank Mandiri's Binjai Branch revealed that the KUR disbursement process begins with an examination of the administrative requirements submitted by prospective borrowers. The documents reviewed include personal identification, a Business Identification Number (NIK) or business certificate, and other supporting documents appropriate to the characteristics of the business. The administrative examination aims to ensure that prospective borrowers meet the requirements for KUR recipients as stipulated in Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024.

The next stage involves a field survey conducted by bank officers at the prospective borrowers' business locations. The survey aims to obtain an overview of the business's condition, the sustainability of its activities, its ability to generate revenue, and its future development prospects. Information obtained through surveys serves as the basis for credit analysts in determining business feasibility before making a credit decision. This process demonstrates that assessments are not solely based on administrative documents but also consider the actual conditions of the prospective borrower's business.

The field survey is an implementation of Article 8 of Law Number 10 of 1998 concerning Banking, which

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requires banks to have confidence in a borrower's ability to provide credit. This confidence cannot be established solely through examining administrative documents but must be supported by an analysis of actual business conditions. The practice of PT Bank Mandiri's Binjai Branch demonstrates that this requirement has been implemented through direct observation of prospective borrowers' businesses, ensuring objective credit decisions.

Credit history checks through the Financial Information Services System (SLIK) are also an important part of the credit analysis process. These checks aim to determine whether a prospective borrower has a history of problematic credit with other financial institutions. Information obtained from SLIK serves as an indicator in assessing the prospective borrower's character and level of compliance with previous credit payment obligations. These checks reflect the application of the prudential principle as required by the Banking Law.

The analysis of a debtor's character is conducted not only through administrative data and credit history, but also through direct interviews between bank officers and prospective borrowers. The bank explains that direct communication is necessary to determine the intended use of the funds, business experience, business management skills, and the prospective borrower's commitment to meeting installment payments. This assessment is part of the application of the Character principle within the 5C analysis concept, which is currently used in banking practice.

The analysis of business capacity is conducted by considering turnover, cash flow, operational costs, and the borrower's ability to generate sustainable profits. This assessment aims to ensure that the financed business is truly capable of generating sufficient income to meet its financial obligations. Fulfill installment payment obligations without disrupting business continuity. This approach demonstrates that the provision of People's Business Credit (KUR) still adheres to the principle of business feasibility, even though the program is a government policy aimed at expanding access to financing. Interviews also revealed that PT Bank Mandiri, the Binjai Branch, does not require additional collateral for applications for Micro People's Business Credit (KUR Mikro), with a financing limit of up to IDR 100,000,000. This explanation aligns with the provisions of Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024, which states that KUR Mikro does not require additional collateral. The similarity between normative provisions and field practice indicates that the implementation of this regulation has proceeded as intended by the policy makers.

The bank's explanation regarding the existence of moral obligation is a key finding in this study. The bank explained that moral obligation does not constitute additional collateral as recognized in collateral law, but rather represents the debtor's moral commitment to fulfill all obligations under the credit agreement. Moral obligation does not constitute material collateral that can be enforced if the debtor defaults. The moral obligation serves only to strengthen the bank's confidence in the debtor's good faith in conducting their business.

This understanding of moral obligation indicates that there are still differing public perceptions regarding the term collateral in Micro Business Credit (KUR). Some people assume that every document or commitment requested by the bank constitutes additional collateral. Interviews demonstrate that this perception is incorrect, as banks differentiate between additional collateral and moral obligation. Additional collateral is material security with economic value and can be used as collateral for debt repayment in the event of default. Moral obligation does not have this function and cannot be equated with additional collateral as referred to in Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024.

Analysis of the interview results indicates that the application of moral obligation does not conflict with the provisions regarding Micro Business Credit. The regulation only prohibits banks from requiring additional collateral for Micro Business Credit (KUR Mikro) up to a ceiling of IDR 100,000,000. This regulation does not eliminate banks' obligation to apply the principle of prudence in assessing the eligibility of prospective borrowers. Moral obligation is a form of bank confidence in the debtor's commitment to running a business without changing the status of People's Business Credit (KUR) as a loan that does not require additional collateral.

This implementation reflects the balance between the government's interest in expanding access to financing and the bank's interest in maintaining the quality of credit distribution. The bank's position as a financial intermediary institution still requires professional credit risk management. The government's policy regarding the elimination of additional collateral does not eliminate the bank's obligation to conduct a business feasibility analysis, but rather provides convenience for business actors who have previously been constrained by limited assets.

The alignment between the KUR distribution practices at PT Bank Mandiri Binjai Branch and statutory provisions demonstrates that regulatory implementation has been effective from a normative perspective. Provisions in the Banking Law concerning prudential principles are still implemented through business feasibility analysis,

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credit history checks, field surveys, and interviews with prospective borrowers. The provisions in Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024 concerning the elimination of additional collateral requirements have also been implemented as intended. This condition shows that the implementation of People's Business Credit at PT Bank Mandiri Binjai Branch does not conflict with applicable legal provisions, but has accommodated the government's goal of increasing access to financing for MSMEs while maintaining the application of the principle of prudence in banking activities (Hadjon, 2014).

3. Analysis of the Effectiveness of People's Business Credit Regulations Based on Soerjono Soekanto's Theory of Legal Effectiveness

The effectiveness of a law is not only determined by the existence of legal norms governing a particular sector, but also by the extent to which these norms can be implemented in real life. Soerjono Soekanto explains that the success of a law is influenced by five factors: legal factors, law enforcement factors, facilities or infrastructure factors, community factors, and cultural factors. These five factors are interrelated, so that weaknesses in any one factor can impact the effectiveness of a regulation's implementation. An analysis of the implementation of People's Business Credit at PT Bank Mandiri's Binjai Branch uses these five factors to determine whether the regulations governing the People's Business Credit (KUR) have been implemented effectively.

a. Legal Factors (Legal Substance)

Legal substance is the primary factor determining the effectiveness of a regulation. Regulations regarding People's Business Credit (KUR) essentially have a fairly comprehensive legal basis and are structured in a hierarchical manner. Law Number 10 of 1998 provides the basis for the principle of prudence in credit provision. Law Number 20 of 2008 regulates the empowerment of Micro, Small, and Medium Enterprises through easier access to financing. Government Regulation Number 7 of 2021 strengthens government policy in providing protection and empowerment for MSMEs. Coordinating Minister for Economic Affairs Regulation Number 3 of 2024 provides technical guidelines for the implementation of People's Business Credit (KUR), which must be complied with by all distributing banks. The comprehensiveness of these regulations demonstrates that the government has provided an adequate legal basis for the implementation of KUR. Provisions regarding KUR recipients, financing ceilings, loan interest rates, guarantees, loan restructuring, and oversight mechanisms have been detailed, providing legal certainty for both banks and the public. This legal certainty is one indicator that the substance of KUR regulations meets the requirements for effective implementation.

Interviews at PT Bank Mandiri's Binjai Branch revealed that the entire KUR distribution process is carried out in accordance with the provisions contained in Coordinating Minister for Economic Affairs Regulation Number 3 of 2024. Administrative requirements, business analysis, credit history checks, and the determination of the financing ceiling are carried out based on government-established guidelines. This situation demonstrates that, from a legal substance perspective, the People's Business Credit (KUR) regulation has served as a guideline for banks in disbursing credit to MSMEs.

The clarity of the legal substance is also evident in the provisions regarding the Micro Business Credit (KUR Mikro), with a limit of up to IDR 100,000,000, which does not require additional collateral. This provision provides certainty for micro-businesses who previously experienced difficulties obtaining financing due to a lack of assets to serve as collateral. Interviews indicate that this provision has been implemented by PT Bank Mandiri's Binjai Branch, resulting in no practices requiring prospective borrowers to submit additional collateral as a condition for obtaining KUR. This analysis indicates that the legal factors in the implementation of KUR can be said to be effective because the applicable regulations have clear norms, provide legal certainty, and can serve as guidelines for credit distribution at PT Bank Mandiri's Binjai Branch.

b. Law Enforcement Factors

Law enforcement in the implementation of the People's Business Credit program includes not only law enforcement officials in the narrow sense, but also all institutions authorized to enforce these regulations. PT Bank Mandiri, as the KUR disbursing bank, plays a crucial role in ensuring that all government-established provisions are consistently implemented in lending practices.

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Interviews indicate that officers at the Binjai Branch of PT Bank Mandiri carry out all stages of credit analysis in accordance with applicable operational standards. These include administrative completeness checks, field surveys, debtor character analysis, business capacity assessments, and audits through the Financial Information Services System before credit approval. This process demonstrates that bank officers do not grant credit solely based on a debtor's application, but rather through an analysis process aimed at maintaining the quality of financing. This analysis reflects the application of the prudential principle as required by Law Number 10 of 1998 concerning Banking. The prudential principle is not intended to make it difficult for the public to obtain credit, but rather to ensure that disbursed funds are actually utilized by business actors who have the ability to repay the loan as agreed. The application of this principle also serves to maintain the stability of banking institutions, ensuring that the level of non-performing loans remains within manageable limits. The research also shows that bank officers understand the difference between additional collateral and moral obligation. This understanding indicates that regulatory implementation is based on applicable legal provisions, not interpretations that conflict with government policy. Moral obligation is understood as a form of confidence in the debtor's good faith, not as additional collateral required for the provision of People's Business Credit (KUR).

An analysis of law enforcement factors indicates that the implementation of People's Business Credit (KUR) at PT Bank Mandiri's Binjai Branch has been carried out professionally and in accordance with statutory provisions. This situation demonstrates that law enforcement factors have supported the effective implementation of KUR regulations.

c. Facilities and Infrastructure Factors

Facilities and infrastructure are factors that influence the successful implementation of a regulation. Implementation of the People's Business Credit (KUR) program requires the support of information systems, technology, human resources, and adequate oversight mechanisms to ensure the effective credit distribution process.

Interview results indicate that PT Bank Mandiri's Binjai Branch has utilized the Financial Information Services System (SLIK) to conduct credit history checks for prospective borrowers. This system helps bank officers obtain information on the credit quality of prospective KUR recipients, thereby minimizing the risk of granting credit to borrowers with a history of problematic credit. This technology utilization accelerates the credit analysis process while improving the accuracy of decision-making. The availability of competent human resources in credit analysis is also a contributing factor to the success of KUR implementation. Bank officers not only review administrative documents but also conduct field surveys and direct interviews with prospective borrowers. This competence ensures that credit decisions are based on objective analysis and are appropriate to the prospective borrower's business conditions. The existence of these supporting facilities demonstrates that the implementation of the People's Business Credit (KUR) at PT Bank Mandiri's Binjai Branch is supported by adequate infrastructure, enabling effective implementation of the regulation.

d. Community Factors

Community factors are one of the elements that determine the effectiveness of the implementation of laws and regulations. The level of public understanding of the content of regulations will influence the successful implementation of government-determined policies. Well-drafted regulations will not achieve their objectives if the public, as legal subjects, does not understand their rights, obligations, and implementation procedures.

Interviews with representatives from PT Bank Mandiri's Binjai Branch indicated that most MSMEs were aware of the People's Business Credit (KUR) program, a financing facility with relatively low interest rates compared to commercial loans. This knowledge has driven increased public interest in obtaining additional business capital through the People's Business Credit (KUR). This situation indicates that the KUR program has been well-received by the public, particularly micro and small businesses that need access to financing.

The level of public understanding of the legal provisions governing KUR is still not fully unequal. Some prospective borrowers still assume that all types of bank loans require collateral in the form of land certificates, motor vehicles, or other assets. This perception has led some business owners to be reluctant to apply for KUR, even though the legal limit for KUR Mikro up to IDR 100,000,000 does not require additional collateral.

Interviews also revealed that some people still don't understand the difference between additional collateral and the moral obligation imposed by banks. Some prospective borrowers assume that any commitment requested by the bank constitutes collateral, as recognized in civil law. An explanation from PT Bank Mandiri, the Binjai Branch, emphasized that moral obligation is not additional collateral, but rather a form of the debtor's moral commitment to fulfill payment obligations in accordance with the terms of the credit agreement. This difference in understanding indicates that the socialization of the provisions of the People's Business Credit (KUR) program still needs improvement to avoid misunderstandings within the community.

PT Bank Mandiri, the Binjai Branch, has implemented socialization regarding the People's Business Credit program by providing information to prospective borrowers during the loan application process. This socialization has not fully reached all MSMEs because some people still obtain information about KUR from third parties, resulting in information that does not always align with statutory provisions. This situation indicates that the effectiveness of regulations from a community perspective has been effective, but further legal education is needed to improve public understanding of the KUR program.

e. Cultural Factors

Cultural factors relate to the values, customs, mindsets, and behaviors of a community in responding to the existence of legal regulations. Values that develop within a community can influence the level of compliance with legal provisions, including the implementation of People's Business Credit (Kredit Usaha Rakyat). Interviews indicate that some MSMEs still believe that obtaining financing from banks is a complicated process, takes a long time, and requires asset ownership as collateral. This view has been around for a long time and continues to influence some people's decisions not to apply for People's Business Credit, even though the government has provided various conveniences through the KUR (People's Business Credit) policy.

The community's culture of caution in borrowing is also a factor influencing the implementation of People's Business Credit. Some entrepreneurs choose to use personal capital or borrow from family because they feel safer than applying for financing from banking institutions. This situation indicates that cultural factors still influence the low utilization of financing facilities by some micro-enterprises. Changes in community mindsets are beginning to be seen with the increasing success of MSMEs that have benefited from People's Business Credit. Interviews indicate that borrowers who have received financing are able to increase their business capacity by increasing working capital, increasing merchandise inventory, and developing other business activities. This success has had a positive impact on the surrounding environment, leading to an increasing number of business owners utilizing the People's Business Credit (KUR) program as an alternative source of business financing.

Analysis of cultural factors indicates that the implementation of the KUR regulation has led to a shift in public behavior toward utilizing formal financial institutions as a source of business financing. This change has not been comprehensive, as some communities still maintain the habit of using informal financing sources. This situation does not indicate regulatory failure, but rather illustrates that cultural change requires a gradual process.

CONCLUSION

Based on the research and discussion regarding the implementation of the People's Business Credit (KUR) program at PT Bank Mandiri Binjai Branch, the following conclusions were reached.

1. The implementation of the KUR program at PT Bank Mandiri Binjai Branch has been carried out in accordance with applicable laws and regulations, specifically Law Number 10 of 1998 concerning Banking, Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, Government Regulation Number 7 of 2021, and Regulation of the Coordinating Minister for Economic Affairs Number 3 of 2024 concerning Guidelines for the Implementation of KUR. The principle of prudence is applied through a creditworthiness analysis based on the character, capabilities, business conditions, business prospects, and a review of the prospective borrower's credit history before granting KUR facilities. This implementation demonstrates that the KUR distribution process is not only oriented towards expanding access to financing for MSMEs but also adheres to the principle of prudence, as a bank's obligation to maintain the quality of credit distribution.

2. The effectiveness of the implementation of the People's Business Credit (KUR) regulation at PT Bank Mandiri Binjai Branch has been running well based on the results of interviews and analysis using Soerjono Soekanto's theory of legal effectiveness. Legal factors have provided certainty through clear regulations regarding the implementation of KUR. Law enforcement factors are reflected in the implementation of credit distribution procedures in accordance with applicable provisions. The facility and infrastructure factors are supported by the use of the Financial Information Services System (SLIK) and an adequate credit analysis mechanism. Community and cultural factors indicate that the People's Business Credit (KUR) program has provided benefits for MSMEs, although there is still a need to increase socialization regarding KUR provisions so that the public understands that KUR Micro up to a ceiling of IDR 100,000,000 does not require additional collateral. The practice implemented by PT Bank Mandiri Binjai Branch in the form of moral obligation cannot be categorized as additional collateral because it is only a form of moral commitment of the debtor in fulfilling credit payment obligations and does not have the characteristics of material collateral. This condition shows that the implementation of KUR at PT Bank Mandiri Binjai Branch is in accordance with the provisions of laws and regulations while still fulfilling the principle of prudence in banking activities.

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