

Principles for Responsible Investment as a Form to Support the Regulation of the Micro, Small and Medium Enterprises Sector in Indonesia

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By referring to the data of the Capital Investment Coordination Board throughout the year 2018, the realisation of foreign capital investment (Penanaman Modal Asing or PMA) has reached a value of 293,7 trillion rupiahs. Java Island is still categorised as one of the biggest foreign capital investment destinations compared to other destinations. Meanwhile, the tertiary sector (i.e., sectors of electricity, gas and water; construction; commerce and reparations; hotels and restaurants; transport, warehousing and telecommunications; housing, industrial areas and office space; and other services) are recorded as much more superior to the primary and secondary sectors. However, there have been significant worries about the emerging foreign capital investment that will subsequently contribute to the downfall of the sectors of micro, small and medium enterprises (Usaha Mikro Kecil dan Menengah or UMKM) in Indonesia. In contrast, the change of Investment Negative List (Daftar Negatif Investasi or DNI) does not affect the development of UMKM because the rate of competitiveness between domestic and foreign investment is basically different. The efforts to balance between PMA and the development of UMKM should be based on the Principles for Responsible Investment (PRI). Some related principles, such as society, environment, and government should be a concern for the foreign investors in PMA. This article tries to analyse the regulations either in the region or nationally, in order to foster an easy climate of business (ease of doing business) and to protect UMKM by accommodating PRI in regulation formations especially for PMA. The first issue focused on the national regulation

formations, while the second issue stressed the local regulation analysis, especially in Java island, which has more foreign investment.

Key words: *Foreign capital investment, responsible investment, government, national and local regulation.*

Introduction

David C. Kohen, Harvard Business School Professor, in his book “When Corporation Rule the World” quoted by Harmanto Edy Djatmiko, said that the business world will continue to develop into the most powerful institution on the planet (Triastity, 2012). But it seems the aforementioned postulate is not absolute. This is evident from the crisis that hit Indonesia in 1997. The crisis began with the crisis of the rupiah exchange rate against the US dollar and the monetary crisis that had an impact on the Indonesian economy that was experiencing a recession (Anggraini & Nasution, 2013). This is a very important lesson for Indonesia to consider; that national economy will not continue to develop on its own but still needs government help in this. Moreover, a strong and firm economic development is also needed to help keep the national economy stable in any situation that occurs.

When an economic crisis hits the world, it automatically worsens economic conditions, both globally and also in Indonesia. The recent crisis occurred in the period from 1997 to 1998, in terms of the economy sector, only the MSME sector (Micro, Small and Medium Enterprises) was able to firmly remain established. MSMEs are still in the spotlight because the existence of MSMEs has proven their ability to survive and become an economic engine, especially after the economic crisis (Millati, Utama, & Ardianti, 2017). In Indonesia, most MSMEs are labour-intensive companies, which is why this business sector is the largest source of employment (Handriana, 2016). Data from the Central Statistics Agency, released after the economic crisis, stated that the number of MSMEs remained still, yet even increased in full growth, able to absorb 85 million to 107 million workers by 2012 (Suci, 2017). Based on the latest data, this sector has a number of businesses, reaching around 51.3 million units, from which also means contributing up to 99%, 90.900.000 jobs (97%), contributing to GDP for IDR 2.609 trillion (55.6%), and also adding to foreign exchange in the amount of Rp183,8 trillion (20%) (Almustofa, 2011). This phenomenon shows that MSMEs are a productive effort to be developed in order to support macro and micro economic development in Indonesia, which will also influence other sectors to develop (Hafni & Rozali, 2015).

Experiencing MSMEs as one of the entities that highly contributes to the Indonesian Economy, the government has made MSMEs one of the focuses under the Indonesian Government’s current development programs, starting from programs that aiming to trigger new MSMEs development and also supporting current MSMEs businesses. For example, the program "One Million Domain Names and 1000 Startup Moves," "0,5% Tax for UMKM,"

"Free Permits for MSMEs," and other related micro programs. One program carried out by the government to develop MSMEs is through investment for MSMEs. Pursuant to Article 24 of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (hereinafter referred to as the UMKM (MSME) Law), the Law instructs the Government and Regional Governments to empower Medium Enterprises in the field of financing and becoming guarantees. Those means allow facilitating and encouraging both working capital financing and investment increases through expansion of sources and patterns of financing, easier access to capital markets, and other financing institutions. Thus, from the article, it can be seen that there is legal politics related to investment policies for the development of MSMEs in Indonesia. As a comparison, in Malaysia, Small and Medium Enterprises (SMEs) play a vital role also in the Malaysian economy. They are considered to be the backbone of industrial development in the country. However, the developments, challenges and prospects of SMEs in accepting the life cycle thinking perspectives have not been investigated thoroughly (Ang & Ismail, 2014).

Although the legal politics related to investment for MSMEs as regulated in Article 24 of the UMKM Law aims to develop MSMEs, the government still needs to regulate the specified boundaries related to the development of MSMEs in Indonesia. For the sake of the development of MSMEs, it is important to prevent the related investment from ignoring the environmental, social, and related impacts of the existing arrangements. Also, it is necessary to protect the development of MSMEs in case they become an illegal justification for the government to practice any policies and actions by regulating specific limitations and boundaries. In order to guarantee legal politics related to investment for MSMEs that run proportionally with regard to the development of MSMEs and still consider the existing environmental, social and regulatory arrangements, Principles for Responsible Investment needs to be accommodated in legal politics related to investment policies for MSMEs. Based on those background aspects, there are two issues that should be analysed:

1. What are the Principles for Responsible Investment?
2. How are the Principles for Responsible Investment arrangements related to investment for MSMEs in Indonesia?

Research Methods

This paper carries out research in the form of a legal argument by focusing on the main characteristics of studying the implementation of a case, accompanied by arguments/ legal considerations made by law enforcers, as well as the interpretation behind the implementation (Van Hoecke, 2001). This research is conducted by using normative research. Normative research is a type of research that places the law as a building system of norms, which consists of principles, norms, rules of law and regulations, court decisions, agreements and

doctrines (teachings) (Sonata, 2014). This normative research is carried out by reviewing and analysing statutory regulations or other legal materials relating to the Principles for Responsible Investment in Indonesia (Mandasari, 2014).

This research also uses a statute approach and conceptual approach. The statute approach is carried out by examining all laws and regulations relating to legal issues that are handled, so that legislation ratios, ontological bases and philosophical foundations related to the Principles for Responsible Investment in Indonesia are known. In Indonesia, the government has regulated several laws regarding Principles for Responsible Investment in Indonesia, such as Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, Law Number 25 of 2007 concerning Investment, Law Number 8 of 1995 concerning Capital Market, Presidential Regulation Number 44 of 2016 concerning Negative Investment List and so on. The approach is a conceptual approach that moves from the views and doctrines that develop in law (Barus, 2013). This approach was carried out with an understanding of the concepts put forward by the experts found in various literatures, especially those related to the Implementation of Principles for Responsible Investment in Indonesia.

Analysis of the data used in this study is descriptive qualitative, which is processing data obtained through literature studies, literature and analysis of MK decisions so that accurate information can be obtained, then can be described in words or sentences so that conclusions can be drawn from general to specific (Nugraha & Katherina, 2019).

Discussion

Doctrine of Principles for Responsible Investment

According to Ida Bagus Rahmadi Supancana, investment is defined as: "An activity carried out by both natural persons and legal entities (juridical person), in an effort to increase and or maintain the value of capital, both in the form of cash (cash money), equipment, immovable assets, intellectual property rights, and expertise" (Supanca, 2006; Khidmat, Wang, & Awan, 2019). In relation to management, investment can be divided into two, namely direct investment and indirect investment (Indirect Investment) (Mudjiyono, 2012).

Direct Investment is such investment in the form of the establishment of a company which is initially managed by the investor itself, the profits and losses are borne alone and usually require a long period of time, the return of capital in unlimited time. Indirect investment (indirect investment) is investment in other companies that have been established by purchasing shares of other companies, in the hope of getting a share of the company's profits in the form of dividends (Yulia, 2016). Regarding the Principles for Responsible Investment, this applies to both direct investment and indirect investment.

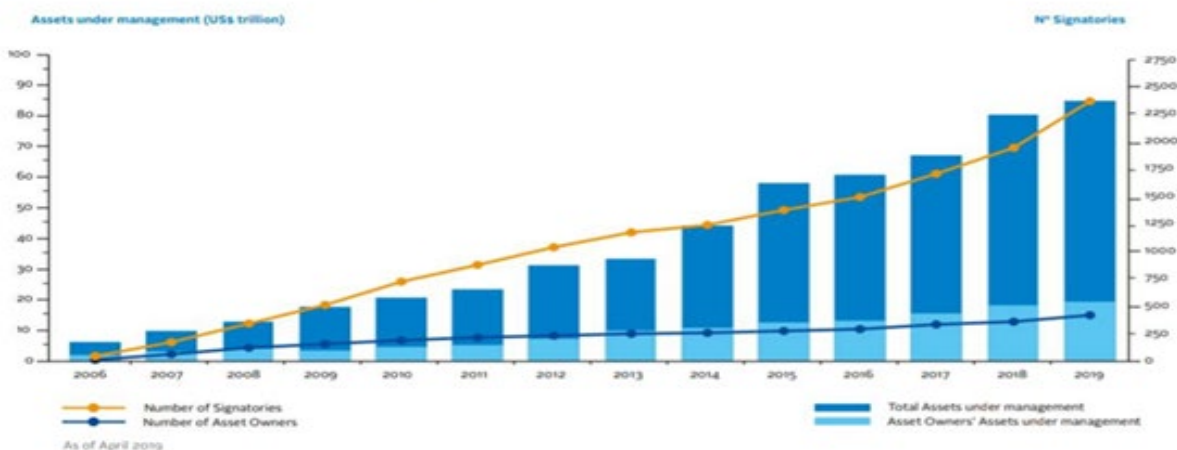
To support responsible investment in global coverage, the United Nations Secretary has arranged six principles of responsible investment. In 2005, United Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, inter-governmental organisations and civil society.

The Principles were launched in April 2006 at the New York Stock Exchange. Since then, the number of signatories has grown from 100 to over 2.300. as seen from the feature below:

Figure 1. Responsible Investment: An Agenda Gathering Momentum

RESPONSIBLE INVESTMENT: AN AGENDA GATHERING MOMENTUM

The PRI has grown consistently since it began in 2006:



Many peoples' interest in responsible investment is being driven by: (PRI, 2019)

- Recognition in the financial community that environmental, social and governance (ESG) factors play a material role in determining risk and return;
- Shareholders are becoming more concerned about ESG issues because socially irresponsible firms may face potential litigation costs or a loss of reputation and thus destroy long-term shareholder value. Investors can play an important role to safeguard their assets while contributing towards social change by investing in companies with good track records in ESG (Sultana et al., 2017);
- Understanding that incorporating ESG factors is part of investors' fiduciary duty to their clients and beneficiaries;
- Concern about the impact of short-termism on company performance, investment returns, and market behaviours;

- Legal requirements protecting the long-term interest of beneficiaries and the wider financial system;
- Pressure from competitors seeking to differentiate themselves by offering responsible investment services as a competitive advantage;
- Beneficiaries becoming increasingly active and demanding transparency about where and how their money is being invested; and
- Value-destroying reputational risk from issues such as climate change, pollution, working conditions, employee diversity, corruption, and aggressive tax strategies, in a world of globalisation and social media.

Referring to the information above, it can be concluded that there are so many parties who approve this principle because of its concern. By its concern means, these principles are not only grounded in businesses' profits, but also investment understanding over the implications of environmental, social and governance. The six principles initiated were:

- A. Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- B. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- C. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- D. Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- E. Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- F. Principle 6: We will each report on our activities and progress towards implementing the Principles.

In signing the Principles, investors publicly committed to adopting and implementing them, where consistent with our fiduciary responsibilities. Investors who signed these principles also commit to evaluate the effectiveness and improve the content of the Principles over time. Investors who signed these principles believe this will improve their ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

There are possible actions that can be taken in realising these six principles for responsible investments, among others:

- A. Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

- Address ESG issues in investment policy statements.
 - Support the development of ESG-related tools, metrics, and analyses.
 - Assess the capabilities of internal investment managers to incorporate ESG issues.
 - Assess the capabilities of external investment managers to incorporate ESG issues.
 - Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.
 - Encourage academic and other research on this theme.
 - Advocate ESG training for investment professionals.
- B. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Develop and disclose an active ownership policy consistent with the Principles.
 - Exercise voting rights or monitor compliance with voting policy (if outsourced).
 - Develop an engagement capability (either directly or through outsourcing).
 - Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
 - File shareholder resolutions consistent with long-term ESG considerations.
 - Engage with companies on ESG issues.
 - Participate in collaborative engagement initiatives.
 - Ask investment managers to undertake and report on ESG-related engagement.
- C. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative).
 - Ask for ESG issues to be integrated within annual financial reports.
 - Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
 - Support shareholder initiatives and resolutions promoting ESG disclosure.
- D. Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Include Principles-related requirements in requests for proposals (RFPs).
 - Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate).

- Communicate ESG expectations to investment service providers.
 - Revisit relationships with service providers that fail to meet ESG expectations.
 - Support the development of tools for benchmarking ESG integration.
 - Support regulatory or policy developments that enable implementation of the Principles.
- E. Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
 - Collectively address relevant emerging issues.
 - Develop or support appropriate collaborative initiatives.
- F. Principle 6: We will each report on our activities and progress towards implementing the Principles.
- Disclose how ESG issues are integrated within investment practices.
 - Disclose active ownership activities (voting, engagement, and/or policy dialogue).
 - Disclose what is required from service providers in relation to the Principles.
 - Communicate with beneficiaries about ESG issues and the Principles.
 - Report on progress and/or achievements relating to the Principles using a comply-or-explain approach.
 - Seek to determine the impact of the Principles.
 - Make use of reporting to raise awareness among a broader group of stakeholders.

Regarding the ESG factor referred to in the principles for responsible investment are:

Environmental

- climate change – including physical risk and transition risk
- resource depletion, including water
- waste and pollution
- deforestation

Social

- working conditions, including slavery and child labours
- local communities, including indigenous communities
- conflict
- health and safety
- employee relations and diversity

Governance

- executive pay
- bribery and corruption
- political lobbying and donations
- board diversity and structure
- tax strategy

Although these principles are similar to socially responsible investment (SRI) or impact investing, these principles are different. Responsible investment principles do have similarities with such investment approaches as: socially responsible investing (SRI), impact investing, sustainable investment, ethical investment, green investment, etc. Neo-classical economics assumes that investors care about two characteristics of their investment decisions, i.e. the investment's expected risk and its expected return (Hickman, 1999). From the perspective of responsible investment, SRI is not only focused on the risk-return relationship of an investment but also the impact of the investment on society.

Crucially, however, while these approaches seek to combine financial return with a moral or ethical return, responsible investment can and should be pursued even by the investor whose sole purpose is financial return, since it argues that to ignore ESG factors is to ignore risks and opportunities that have a material effect on the returns delivered to clients and beneficiaries. Also, many of these investment approaches target specific themes, such as focusing solely on environmental issues, whereas responsible investment is a holistic approach that aims to include any information that could contain significant materials to boost investment performance.

Application of the Doctrine of Principles for Responsible Investment in Investment for MSMEs in Indonesia

In accordance with the Indonesian People's Consultative Assembly Resolution TAP MPR NO. XVI/MPR-RI/1998 on Political Economy in the context of Economic Democracy, Micro, Small and Medium Enterprises need to be empowered as an integral part of the people's economy which has a strategic position, role and potential to realise a more balanced, developing, and just economic system for the Indonesian People. In its development, the definition of MSMEs was made through Law Number nine of 1999 which was later amended by the Law on MSMEs (current Laws). In the MSME Law, the definitions of MSMEs are as follows:

- A Micro-business is a productive business owned by individuals and / or individual business entities that meet the criteria for Micro-Business as stipulated in this Law.

- A Small business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part of either directly or indirectly from Medium or Large Businesses that fulfil criteria for Small Business as referred to in this Law.
- A Medium-sized business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly with Small or Large Businesses with the amount of wealth net or annual sales proceeds as stipulated in this Law.

Meanwhile, according to Article 6 of Law No. 20 of 2008, MSME criteria in the form of capital are as follows:

- 1) Criteria for Micro Enterprises are as follows:
 - i. have a net worth of at most IDR 50.000.000,00 (fifty million rupiahs) excluding land and buildings of business premises; or
 - ii. have annual sales of a maximum of IDR 300.000.000,00 (three hundred million rupiahs).
- 2) Criteria for Small Businesses are as follows:
 - i. have a net worth of more than IDR 50.000.000,00 (fifty million rupiahs) up to a maximum of IDR 500.000.000,00 (five hundred million rupiahs) excluding land and buildings of business premises; or
 - ii. has annual sales of more than IDR 300.000.000,00 (three hundred million rupiahs) up to a maximum of IDR 2.500.000.000,00 (two billion five hundred million rupiahs).
- 3) Criteria for Medium Business are as follows:
 - i. have a net worth of more than IDR 500.000.000,00 (five hundred million rupiahs) up to a maximum of IDR 10.000.000.000,00 (ten billion rupiahs) excluding land and buildings of business premises; or
 - ii. has annual sales of more than IDR 2.500.000.000,00 (two billion five hundred million rupiahs) up to a maximum of IDR 50.000.000.000,00 (fifty billion rupiahs).

After learning about the criteria of any business included in the MSME, it will be examined in relation to investment-related policies for MSMEs in Indonesia. Will be seen regarding investment policies for ESG-related MSMEs in Indonesia:

A. Environmental

Regarding responsible investments for MSMEs related to the environment, there is a passion for implementing Sustainable Finance in Indonesia. In the Law on MSMEs as the foundation of regulations related to MSMEs, there are several rule points that are closely related to the implementation of Sustainable Finance in Indonesia. This can be seen in Chapter II of the

Principle and Objectives of Article 2 letter (f) which stipulates that Micro, Small and Medium Enterprises are environmentally sound. In the explanation of Article 2 paragraph (f) of the UMKM Law, it is explained that what is meant by "environmentally sound principles" is the principle of empowering Micro, Small and Medium Enterprises which is carried out while paying attention to and prioritising environmental protection and maintenance. This shows that, although for the sake of the welfare of MSMEs, it does not necessarily eliminate the obligation of MSMEs to preserve the environment. In fact, there are incentives for companies that carry out their activities in preserving the environment (vide Article 20 section d MSMEs Law).

Providing incentives for environmentally friendly MSMEs also began to be implemented by other countries in Southeast Asia. Malaysia, for example, becomes the first country in the ASEAN region to anticipate the issue of non-ecofriendly MSMEs. One of the policies taken by Malaysia, which is believed to provide enough stimulator for MSMEs to become environmentally friendly MSMEs is by offering an environmentally friendly soft loan program called the Green Technology Finance Scheme (GTFS). The total funds provided are worth 1.5 billion ringgit intended for investment loans for MSMEs that plan to implement environmentally friendly businesses. The scope of activities funded includes: (1) Reducing greenhouse gas emissions, (2) Safe for use and promoting a healthy and improved environment for all forms of life, (3) Conserving the use of energy and natural resources, and (4) Promotes the use of renewable resources. In channeling these funds, the target of the Malaysian government will work in collaboration with the Malaysian Green Technology Center (PTHM).

When compared with Indonesia, it is known that there is no program related to soft loans for MSMEs that are environmentally friendly. Until the end of 2012, there were no banking institutions that specifically had products or self-funded credit schemes for MSMEs that were environmentally oriented. The absence of a financing scheme for MSMEs to be environmentally friendly is caused by several factors such as:

- a) There are no regulations that become a reference for banks to make loans or loans that are environmentally friendly.
- b) There needs to be special preparedness to run environmentally friendly loan products such as clear technical criteria in evaluating prospective debtors.
- c) Banking institutions need to involve or cooperate with third parties who can become assessors as well as observers (assessors) for the implementation of environmentally friendly activities carried out by prospective debtors.
- d) The needs of MSMEs for funding both for working capital and investment can now be covered by various loan schemes that have been owned by banking institutions, such as

micro business loans, multi-purpose micro business loans or other commercial loans, and also People's Business Credit (KUR).

- e) Especially for MSE development, banking institutions in general already have an Community Development Partnership Program (PKBL) whose funds are sourced from the Bank's CSR program.
- f) Some banks specifically have programs that are "claimed" as environmentally oriented activities that are channeled through CSR programs including:
 1. Provision of facilities and infrastructure to support the procurement of clean water in areas that are still experiencing water difficulties.
 2. Development of renewable energy that aims to provide energy alternatives for regions that have not been electrified and help develop public access to electricity and energy.
 3. Planting trees on critical land to revitalise Indonesia's earth, supporting government programs for planting one billion trees and as a natural disaster prevention measure.
 4. Planting and maintaining mangroves in coastal areas with the aim of preventing abrasion.
 5. Procurement of city parks that combine the concepts of greening, education, and economics that aim to provide green open land and provide recreational and educational facilities for the community.
 6. Development of ecotourism with the aim of empowering people in the field of tourism and maintaining the beauty of the environment.

B. Social

Regarding investments that are responsible for MSMEs related to social indicators, it must be seen that MSMEs are the business entities that absorb the most labour. This, for example, can be seen in the Organisation of Economic Cooperation Development (OECD) Survey, which shows that the Micro, Small and Medium Enterprises (MSMEs) sector absorbs the most workers in Indonesia. This sector absorbs 70.3 percent of the workforce. OECD Secretary General Angel Gurría said, MSMEs in Indonesia which have a workforce of less than 20 people covered 76.3 percent in 2016 or higher than other OECD countries. Although MSMEs in Indonesia absorb a large number of workers, those who cannot escape are related to the protection of workers who work for MSMEs. This is caused, because referring to the definition of small businesses and medium-sized businesses which are regulated in the MSME Law, the founders or SMEs are also categorised as entrepreneurs. This can be seen from the definition of the entrepreneur contained in Article 1 number 5 of the Labour Law:

Entrepreneurs are

- a. An individual, partnership or legal entity that runs a self-owned company;
- b. An individual, partnership, or legal entity that independently runs a company not his property;

- c. Individual, partnership or legal entity residing in the company as referred to in letter a. and b. domiciled outside the territory of Indonesia.

Meanwhile, people who work in the SME field by receiving wages or other forms of compensation are referred to as workers (vide Article 1 number 3 Law Number 13 Year 2003 regarding Labour). SMEs, whether individuals or business entities that employ workers are referred to as entrepreneurs. This means that SMEs are also well-known entrepreneurs in the Labour Law. Between SME workers and SMEs or people running an SME business as an entrepreneur there is a working relationship, namely the relationship between employers as employers and workers / labourers based on work agreements, which have elements of employment, wages, and orders. Thus, Law Number 13 of 2003 concerning Labour (hereinafter referred to as the Labour Law) applies to SME workers.

One of the juridical consequences of MSMEs Law enforcement to the Labour Law is related to Minimum Wages. The minimum wage which, in fact, is generally regulated in the Labour Law, is also applied to MSME workers (vide Article 88 para (3) Law Number 13 Year 2003 regarding Labour), for example, the Pekanbaru City Labour Office (Disnaker) issued a strong warning to 21 medium and small companies that paid their workers under the City Minimum Wage (UMK) provisions. The Head of the Department of Labour in Pekanbaru explained that the wages of workers based on the Pekanbaru 2012 MSE should be IDR 1.25 million per month. But it was discovered that these MSME companies were providing salaries below the stipulated Minimum Wage. Violations of this can be subject to sanctions as stipulated in Article 90 of the Labour Law, where the sanctions are a minimum of one year's imprisonment and a maximum of four years. Even though the company is considered as MSMEs, it cannot be a justification for violating these rules.

C. Governance

Although it has been described previously, that MSMEs contribute large GDPs and absorb a lot of labour, that does not mean that in order to establish as many MSMEs as possible, there are no conditions that must be met. There are still arrangements related to permits in order to establish MSMEs. This is also in accordance with Article 7 letter (e) of the UMKM Law, where one form of regulation related to MSMEs is licensing. But indeed, because MSME entities are different small entities (especially micro and small businesses) with business entities that are not SMEs, special treatment is needed regarding licensing that cannot be equated with business entities that are not MSMEs. This is in accordance with the theory of justice proportionality delivered by Aristototle, in the book Aristotle's Nicomachean Etchisetchis, where justice consistency in treating equal, unequal, unequally, in-proportional of their inequality (Wacks, 1995; Notohamidjojo, 1971). Hence, proportional justice for micro and small businesses, in which includes small business entities, should be given easy

licensing. This convenience can be seen in Article 12 of the UMKM Law, which explains that:

(1) The aspect of business licensing as referred to in Article 7 paragraph (1) letter e is intended for:

- Simplifying procedures and types of business licensing with a one-stop integrated service system; and
- Freeing up licensing fees for Micro Enterprises and providing licensing fees for Small Businesses

In order to enact these regulations, in accordance with the authority attribute in accordance with Article 7 paragraph (2), related to further regulation regarding Licensing of MSMEs, regulated in Presidential Regulation Number 98 of 2014 concerning Licensing for Micro and Small Businesses. If you want to apply for a UMKM permit, you can take care of the IUMK. Micro and small business licenses (IUMK) are a sign of legality to a particular person or business actor / activity in the form of a micro and small business permit filled in one-sheet form. Regarding IUMK fees, they can be released or given waivers without being charged fees, and / or other levies.

In order to develop existing MSMEs, the government is also actively developing according to Article 2 of Government Regulation Number 17 of 2013 concerning the Implementation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. The development carried out, divided by 2, namely: (vide Article 3 para (2) Presidential Regulation Number 98 Year 2014)

a) Facilitation of business development; and

The facilitation of business development was carried out by the Central Government and the Regional Government. This facilitation is in the fields of production and processing, marketing, human resources, and design and technology for MSMEs. (vide Article 4 Presidential Regulation Number 98 Year 2014).

b) Implementation of business development

The development is carried out by: (vide Article 4 Presidential Regulation Number 98 Year 2014).

- Data collection, identification of potential, and problems encountered;
- Preparation of development and development programs according to the potential and problems faced;
- Implementing development and development programs; and
- Monitoring and controlling the implementation of the program.



Conclusion

As aforementioned, it can be concluded that the six principles for responsible investment which are to be achieved by PIR are related to the protection of Economic, Social and Governance concerns. In Indonesia, in order to realise these responsible investments, even though these entities are MSMEs, the Indonesian government continues to implement investment policies that are accountable to MSMEs. Practically speaking, those are proportionally applied adjusted based on subjects; MSMEs and Non MSMEs. As seen from the investment policy that is responsible for the environment, where the Indonesian government continues to provide permits related to the environment, but also provides facilities and incentives for MSMEs whose activities are environmentally friendly. In the social field, furthermore, even though MSMEs are entities that absorb a large number of business' workers in Indonesia, but still MSMEs are required to apply the stipulated Working Minimum Wage/ Regional Minimum Wage. Contrasting to the understanding that, since it is considered micro and small business, employers are paid unjustly. In the field of governance, even though MSMEs make a big contribution to the Indonesian Economy, its growth and development needs to be well-supervised by the government, by the means that its registration and licensing requirements should be strictly ruled. However, there are facilities for MSMEs licensing which are distinguished from ordinary business entities, for the sake of government specialised treatment for MSMEs.



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