

Utilizing the Empowerment of People-Owned Enterprises Economic Institutions

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ABSTRACT--Individuals Owned Enterprises as a partnership can possibly develop and create in the event that it can adjust to essential business law. Business begins from advertise that implies no market, no business. In this way, People-Owned Enterprises model methodology starts with advertise the board both broadly and universally or exchange as a significant exertion to deal with a powerful market. It is the business as well as enormous scope business that decides the nature of crude material supplies sourced from makers (rancher gatherings, anglers, skilled workers, and so on.), which is facilitated in the structure and the executive's arrangement of People-Owned Enterprises. Individuals Owned Enterprises as an establishment of monetary entertainers will empower expanded creation and efficiency as the premise of monetary development and comprehensive money related which is solid and reasonable. A comprehensive economy and account lifts individuals or society from the base of the pyramid position. The nation's financial strategy and even governmental issues have not been benevolent to the general public. In addition, the limit of neighborhood authorities to manufacture a comprehensive people's economy is still constrained. Other than physical and non-physical framework including the board abilities from the legislature and nearby networks is restricted.

Keywords-- People-Owned Enterprises, dynamic market, society, government, local community

I. INTRODUCTION

Corporatization of cooperatives and Small and Medium Enterprises as People's Owned Enterprises is a solution to the structural weaknesses of cooperatives, small and micro businesses to become economic agents who have a position that is aligned with other business entities in accordance with the Pancasila economic empowerment strategy. This alignment is not only because it is structured in the form of the same legal entity (limited liability company), but also has a bargaining position to synergize and cooperate with Big Business because:

1. Have economies of scale according to the principle of efficient business management;
2. Production is adjusted to the market or industry needs of users of raw materials supplied from People-Owned Enterprises members;
3. Become a professionally managed business organization so it has the existence of sustainable growth materials;

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4. The presence of People-Owned Enterprises is a solution for providing quality raw materials for large industries on an ongoing basis;

5. The partnership between People-Owned Enterprises and Big Business was created because both of them needed each other and could work together and could communicate in the same wave;

6. People-Owned Enterprises in the agricultural sector accesses inclusive funding sources to increase productivity as well as national food security.

People-Owned Enterprises as a corporation can only grow and develop if it can adapt to fundamental business law. Business starts from market that means no market, no business.

II. PEOPLE'S OWNED ENTERPRISES (POR)

Based on limited research and empirical experience in managing state, foreign and national private business entities, we have compiled a People-Owned Enterprises model. From this model it can be seen that micro enterprises & small holders / producers belonging to Small and Medium Enterprises through farmer groups or cooperatives can directly access markets and finance through the corporate structure of a People's Owned Enterprise, thus micro entrepreneurs or farmers will get guarantee market with market prices that occur through parallel negotiations between People-Owned Enterprises and industry or Big Business.

This model gives birth to mutual benefit between industry & trade and People-Owned Enterprises which represent Small and Medium Enterprises because

- The industry is guaranteed the supply of raw materials according to the quantity and quality needed;
- State-Owned Enterprises receive market guarantee at prices that occur fairly in accordance with market development;
- Industry / Trade and People-Owned Enterprises work together to create added value through high levels of efficiency and productivity, as a basis for national competitiveness.

Monopolistic practice of the industry as the sole buyer of hundreds or even thousands of micro and small businesses ended with the presence of People-Owned Enterprises which has bargaining power towards large industries / traders. Thus, monopoly deal with monopsony which logically business will produce mutually beneficial price through deliberation to reach consensus. Here is the concept of joint effort with the principle of kinship in accordance with the spirit of Pancasila democracy economic.

People-Owned Enterprises which the shares are owned by small producer groups (can be in the form of cooperatives) has the characteristics of a modern corporation with a modern position and management structure as well. Essentially:

- **Economy of scale** –production and supply from small business groups (farmers, fishermen) joined in a supply chain that economically has a scale that meets the needs of the industry. Through the efficiency of unit costs can be reduced for the benefit of small business groups. The combination of large productivity, quality that is not in accordance with market specification and "pengijon" control makes micro businesses, especially in the agricultural sector remain entrenched in the bottom of the pyramid. A special People's Business Financing Institute

is needed and is focused on financing Small and Medium Enterprises through the corporate setting of People-Owned Enterprises.

- **Marketing and Quality Assurance** –The key to sustainable market acceptance is quality assurance or quality determined by the market or the buyer, in this case the industry or wholesaler. Assistance and quality control from the industry will guarantee a significant or better price formation. Likewise an increase will be created, a combination of increasing prices and productivity can increase the income of small businesses, farmers for example, very significantly. Moreover, the possibility of land expansion from existing farmers and new economic actors born from the existence of People-Owned Enterprises.

- **Financing & Insurance** –this is the main key to the success of the development of Small and Medium Enterprises. Individually, it is almost impossible for these small / micro businesses to obtain adequate funding sources. Not bankable, and do not have access to institutions that also have a variety of sources. The choice is to access or be accessed by *pengijon* that is not very high cost,

But it also binds them to sell at the price determined by the lender. The combination of low productivity, quality that is not in accordance with market specification and "*pengijon*" control makes micro businesses, especially in the agricultural sector remain entrenched in the bottom of the pyramid. A special People's Business Financing Institute is needed and is focused on financing Small and Medium Enterprises through the corporate setting of People-Owned Enterprises.

- **Procurement & Logistic**, to periodically produce the economy, the means of production and raw materials (seeds, fertilizer) People-Owned Enterprises are needed to obtain the best price and quality. Through the provision of efficient logistics (warehouses, tools and transportation), the need for production can be carried out with crucial punctuality for the production of seasonal patterned plants.

- **Management & Capacity Building**, People-Owned Enterprises' sustainability and credibility with its stakeholders (shareholders, industry, customers, financial sources, government and public) is determined by its management competence. Therefore, skill and management system must be professional of any size. People-Owned Enterprises management must be built in line with the system and management capacity of large businesses. Therefore, capacity building must function effectively, referring the skilled management personnel in the area, where most People-Owned Enterprises are domiciled.

- **Processing & Information Technology** –the number of micro-economic actors who then joined in the business (cooperatives) ultimately must be accessed and connected with the use of information and communication technology (ICT) which is appropriate. Thus the data collection, sale and purchase transactions can be carried out quickly and accurately.

III. JOINT EFFORT OF THE PRINCIPLE OF KINSHIP

The corporationization of Small and Medium Enterprises -Cooperatives into People's Owned Enterprises enables cooperation between two economic groups on the principle of mutual benefit. People-Owned Enterprises can increase the bargaining power of small producers after being structured in a corporate setting that allows to synergize with large agencies (Foreign-Owned Enterprises, Private Owned Enterprises, State-Owned Enterprises) to achieve a business economy based on efficiency and high productivity. Of course the process towards cooperation based on positive synergy requires a continuous learning curve. It is not easy for small businesses - farmers for example - to work with the discipline of living up to the meaning of efficiency while trusting their business partners to work together mutually. People-Owned Enterprises must be able to act as an educational institution that has the trust of stakeholders. Conversely, large businesses or industries must learn and treat their business partners (POE) as economic institutions needed to support their competitiveness through the supply of raw materials that are orderly, planned, certain, cost effective and good quality.

Large businesses in the industrial and plantation sectors for instance, can provide counseling and assistance to increase productivity and quality that ultimately support their own competitiveness.

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The essence of the implementation of the Pancasila economy as well as Article 33 of the 1945 Constitution is a culture of togetherness based on trust and mutual benefit. This also becomes the economic foundation that must become the nation's competitiveness resources.

IV. INCLUSIVE ECONOMIC INSTITUTION

People's Owned Enterprises as an inclusive economic institution need support from stakeholders, especially the government. Not only because People-Owned Enterprises is a new economic agency, but also because it is in this institution that lives around 170 million or 70% of Indonesia's population (from the Ministry of Cooperatives and Small and Medium Enterprises data in 2012, the number of workers is 107.659.509, assuming an average life passenger of 0,5 people for each worker). Therefore, the government is obliged to build infrastructure, including issuing and overseeing rules that favor the People-Owned Enterprises, providing a focused and systematic source of funding as well as providing incentives to large businesses or industries to build equal and democratic partnership.

The partnership model and the role of the Supporting Institutions, which are outlined in Figure 1, reflect the concept of Indonesia Incorporated, which can combine all the strengths of economic agents that reach all sectors and all regions. People-Owned Enterprises as an institution of economic actors will encourage increased production and productivity as the basis of economic growth and inclusive financial which is strong and sustainable. An inclusive economy and finance lifts people or society from the bottom of the pyramid position.

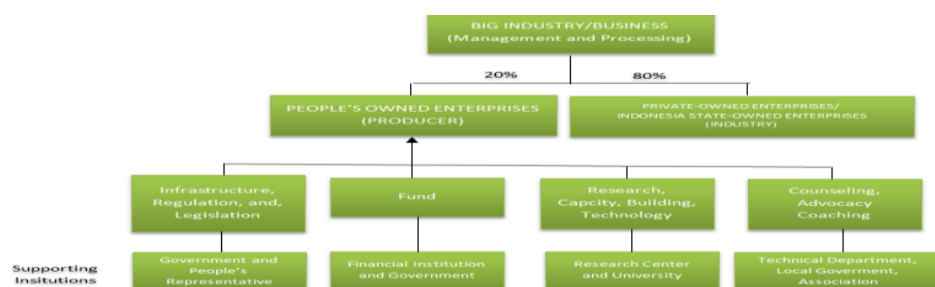


Figure 1: The partnership model and the role of the Supporting Institutions

Bojonegoro Regency is classified as rich with energy sources in form of oil & gas. There are at least two oil giant companies (ExxonMobil and PetroChina) that are exploring the natural wealth in Bojonegoro, but 29% of the population still lives below the poverty line. Renewable resources (agriculture, livestock) which are the basis of life for most people have not been able to provide added value for prosperity and justice in an inclusive manner.

V. CONCLUSION

The narrative above is a national phenomenon that we encounter throughout the autonomous regions of the Republic of Indonesia which is "rich" in natural resources. Nationwide economic characteristics are based in the plantation, agriculture, fisheries, animal husbandry, even creative and handicraft industries in the region. Regrettably, even the financial sector which should be able to support the development of an inclusive economy is still patterned exclusively. Circulation of money is estimated at 60% in the capital city of Jakarta, 30% in other big cities, and only 10% circulates in areas where society economic resources are located. So it is not surprising that many Regional Development Banks also channel surplus funds to financial institutions in the capital, a condition that is quite ironic. Only with an inclusive economic and financial politics by leveraging the empowerment of People-Owned Enterprises economic institutions will this inclusive economic growth that is pro-people be created equitably and sustainably.

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