

The Role of Securities-Based Crowdfunding in Advancing the Local Economy for Small and Medium-Sized Enterprises (SMEs)

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ABSTRACT

This article conducts an analysis of securities-based crowdfunding (SCF) as an alternative funding source outside traditional banking institutions. It explores whether the primary objective of SCF in Indonesia is indeed to advance the economy of the people, particularly focusing on Small and Medium Enterprises (SMEs). The article presents various perspectives on the concept of collective funding, where a group of contributor's finance SME and startup projects, enabling these ventures to operate and progress. This approach aligns with the principles of a people-centered economy, which is characterized by an economy of the people, by the people, and for the people. The aim is to foster the people's economy, imbued with the characteristics of the Indonesian society which is religious and believes in sharing prosperity with others, as mandated by Article 33 of the 1945 Constitution of the Republic of Indonesia.

Keywords:

Securities
Crowdfunding; Small
and Medium-Sized
Enterprises;
Alternative Financing;
Startup Funding;
People-Centered
Economy.

INTRODUCTION

In Indonesia, the rapid development of technology, information, and telecommunication (ICT) has catalyzed a significant shift, leading to technological convergence. This shift is pivotal in the telecommunications industry and businesses, fundamentally altering their dynamics. This convergence encompasses not only technological shifts but also changes in business structures and patterns. Importantly, it has a profound influence on the daily lives of society. Because of these developments, the long-term priorities set for the period from 2005 to 2025 are focused on establishing a democratic Indonesia grounded in the rule of law. A key aspect of these priorities is the enhanced role of communication and information, which is crucial for the intellectual development of the populace, especially in the political sphere.

The concept of convergence is integral to understanding these changes. It is a process that bridges the gap between technological change factors and direct economic improvement factors. Convergence is characterized by the integration of two or more products or services, which were previously offered by separate corporate entities, into a single corporate offering (Budhijanto, 2013). As ICT advances, the Indonesian legal system faces the unavoidable challenge of adapting to this convergence. Its primary goals are to ensure economic efficiency and effectively address the legal challenges that emerge from this technological and corporate integration.

In the digital information technology era, a key development in the investment sector is the rise of digital finance innovations, especially securities crowdfunding (SCF). This innovative service, which facilitates funding through technology-based stock offerings, was officially launched on January 4, 2021. The inauguration, led by Wimboh Santoso, Chairman of the OJK Board of Commissioners, coincided with the 2021 opening of the Indonesian Stock Exchange. SCF has been instrumental in increasing public participation in the capital market by providing a swift,

straightforward, and economical funding solution. It specifically caters to the younger generation and small and medium-sized enterprises (SMEs), including those not traditionally bankable and those partnering with the government. In the future, SCF aims to collaborate with the government to finance SMEs that deliver significant goods and services to the government. Presently, government procurement involving SMEs amounts to around IDR 74 trillion and includes participation from about 160,000 SMEs (Prabowo, 2021).

The SCF sector in Indonesia has experienced significant growth. As per the Financial Services Authority (*Otoritas Jasa Keuangan* - OJK) report, SCF raised a total of IDR 507.20 billion between early 2022 and June 3, 2022. This represents a 22.75% increase over the IDR 413.19 billion raised in 2021. Back in 2018, the SCF industry in Indonesia started with approximately 1,380 investors, a number that dramatically increased to 111,351 by mid-2022, supported by 10 OJK-licensed providers or platforms (Annur, 2022). As of August 31, 2023, SCF had collected IDR 951.2 billion in funds, with involvement from more than 10 providers authorized by the OJK, 439 issuers, and a total of 159,408 investors (Ramadhani, 2023).

Securities Crowdfunding (SCF) offers significant funding avenues, bringing hope to aspiring entrepreneurs facing capital shortages. Initially termed Equity Crowdfunding (ECF) in Indonesia, SCF fell under the regulation of POJK (*Peraturan Otoritas Jasa Keuangan*) Number 37/POJK.04/2018, governing Fundraising Services through Technology-Based Stock Offerings. On December 10, 2020, this regulation was annulled, making way for the introduction of POJK Number 57/POJK.04/2020, which formally recognized Securities Crowdfunding. Subsequently, POJK Number 16/POJK.04/2021 updated this regulation, amending the Financial Services Authority Regulation Number 57/POJK.04/2020 related to Securities Offerings via Technology-Based Fundraising Services.

In the context provided, this study delves into various perspectives on Securities Crowdfunding (SCF) services as an alternative funding avenue for SMEs and startups in Indonesia. Its overarching objective is to foster a people-centered economy and assess its alignment with the fundamental principle of kinship within the framework of Indonesia's community-based economy. Furthermore, this research offers comprehensive insights into the core of crowdfunding, the intricacies of SME and startup business models, and the distinct characteristics of Indonesia's community-based economy. Within this context, the study also identifies legislative gaps that warrant further refinement and examination.

METHOD

In this study, we employ a normative legal research approach focused on the fundamental elements of law to evaluate theories, concepts, and legal principles related to crowdfunding within the Indonesian legal framework (Atmojo & Fuad, 2023). We conduct a literature review or bibliographic study of primary and secondary legal sources. The primary legal sources, holding the highest authority and direct influence in shaping legal regulations, include Laws, Government Regulations, and court decisions. The Financial Services Authority Regulation (POJK) of the Republic of Indonesia Number 16/POJK.04/2021, regarding Amendments to the Financial Services Authority Regulation Number 57/POJK.04/2020 concerning Offering Securities through Information Technology-Based Fundraising Services, serves as our primary reference (OJK, 2021).

In this study, we undertake a philosophical examination of the concept of a people's economy within the context of securities-based fundraising activities. We consider this concept highly pertinent as a foundational framework for reasoning, given its close alignment with the principles of crowdfunding, which prioritize supporting innovation over burdening investors with the constant pursuit of profit generation. Moreover, our research relies extensively on secondary legal sources, including books, journals, proceedings, and expert opinions, to interpret, explain, or provide comprehensive guidance on the primary legal sources we employ. While secondary sources do not have a direct role in shaping the law, they play a significant role in enhancing our understanding and facilitating the application of legal principles derived from primary sources (Astuti & Perwiro Atmojo, 2022). For our data analysis, we have chosen to adopt a descriptive qualitative analysis approach, allowing us to delve deeply into the subject matter and provide a nuanced perspective.

RESULTS AND DISCUSSION

Securities Crowdfunding (SCF) can be considered a tangible embodiment of financial technology (fintech) that seamlessly blends technology with the financial sector. The concept of SCF was developed with the primary objective of enhancing access to capital for individuals who encounter difficulties in securing business funding. While it is acknowledged that financial institutions, such as banks, offer various types of loans to small and medium-sized enterprises (SMEs) without necessitating collateral, it cannot be overlooked that these institutions inherently aim for profitability. Generally, loans extended to SMEs anticipate relatively high returns. For instance, Bank BRI offers the *Kredit Usaha Rakyat* (KUR) – a soft loan credit program with an annual interest rate of 6% (B. R. Indonesia, 2024), which is comparable to Bank Mandiri's 6% interest rate (Mandiri, 2024). This, at times, makes SME entrepreneurs hesitant to leverage business credit opportunities. This reluctance may stem from a lack of understanding of bank loan application procedures, including requirements such as financial reports from business operations and a shortage of assets that can serve as collateral to secure credit.

Even though soft loan programs like *Kredit Usaha Rakyat* sometimes do not necessitate collateral or asset guarantees, it can still be challenging to successfully navigate the credit disbursement stage. This process often involves thorough field surveys and selection, ultimately leading to many small businesses in dire need of funding encountering difficulties in obtaining credit. The challenge of disbursing credit to small and medium-sized enterprises is not unique to Indonesia but has also been observed in research conducted by Koh, Mao-Clark, and DeFranco (2023). Their study highlights that African-American entrepreneurs sometimes face significant difficulties in securing funds from conventional financial institutions. Funding projects for restaurants owned by African-American individuals often encounter substantial challenges in obtaining financing compared to their counterparts from non-African-American groups. However, following the emergence of the Black Lives Matter movement and the support from platforms like Kickstarter for this movement, there has been a significant increase in the interest of African-American restaurant owners in obtaining funding through crowdfunding projects (Koh et al., 2023).

Another narrative unfolds regarding funding challenges, ultimately resorting to crowdfunding strategies as an alternative. For instance, Ghazwan Hassna's (2022) research in the United Kingdom demonstrates the construction of online funding

communities based on shared goals, ideologies, enthusiasms, or interests in specific funding activities. The findings from this research suggest that entrepreneurs should not solely focus on the number of users when making decisions about Equity Crowdfunding (ECF). Moreover, entrepreneurs should adopt a selective approach rather than mass targeting when designing and launching their crowdfunding campaigns. This implies dedicating sufficient time and effort to accurately identify and target funding in alignment with specific goals and interests within their crowdfunding campaigns.

Unfortunately, in reality, submitting a funding proposal to achieve a specific goal is not straightforward. Applying for funding from conventional financial institutions like banks requires more than enthusiasm, shared aspirations, and principles of solidarity. Such financial institutions still demand collateral assets as loan security. Therefore, crowdfunding emerges as an alternative funding solution with fewer stringent requirements. However, there are instances of entrepreneurs who may lack wisdom and responsibility after successfully securing funding from the public.

Ghazwan Hassna (2022) also emphasizes that entrepreneurs seeking funding for their ventures must be more diligent in formulating their propositions and ensuring alignment with the goals and interests of the funding. By making better choices regarding the vision and mission they aim to achieve and the approach they take when interacting with their crowdfunding community members. Apart from aiming to increase the chances of entrepreneurs' crowdfunding success, another goal is the moral responsibility towards supporters in achieving the promoted aspirations. This is particularly crucial if the crowdfunding is in the form of equity, such as ECF. The success of a project does not solely rest on the project's execution but heavily relies on the continuity of the business established. It is vital to remember that in contexts such as ECF, funders should not be viewed solely as donors but as shareholders with significant interests in the business's development.

In another study by Massimiliano Barbi and Marco Bigelli (2017), they show that crowdfunding can serve as a crucial and effective initial funding source for new ventures and assist successful projects in accessing alternative forms of financing. For example, successful campaigns on ECF platforms may be supported by government policies implemented in several European Union countries. Although these policies currently target all startups in one or more EU countries, industries considered strategic, or only for ECF initiatives, if pursued seriously, these policies are expected to stimulate capital market growth for new companies, reduce funding barriers, and ultimately, promote macroeconomic growth (Barbi & Bigelli, 2017).

Concepts of Securities Crowdfunding

The advent of digital technology has fundamentally led to innovations across various domains, including the financial sector, globally recognized under the umbrella of financial technology (fintech), as also evident in Indonesia. In Indonesia, these innovations manifest as equity crowdfunding services, now commonly referred to as securities crowdfunding (SCF). Equity crowdfunding denotes the practice of raising funds from a vast number of individuals to finance a project or venture, predominantly conducted via the internet. This concept of crowdfunding is a derivative of the previously popularized term "crowdsourcing," indicating a progression from microcredit initiatives.

The term "crowdsourcing" was coined by Jeff Howe (2006), merging "crowd" and "outsourcing" to describe a concept where a large group of people can openly contribute. Presently, numerous growing companies are adopting this business model. Crowdsourcing provides an economical means for companies to gather contributions from the public, with the potential to solve problems or generate innovative ideas. This concept is not novel; it has been in existence since the 18th century when the British Government utilized crowdsourcing in transoceanic navigation efforts to determine a ship's longitude at sea. The objective was to ascertain the ship's position and prevent tragedies. In response to this challenge, the British Parliament in 1774 offered a substantial monetary reward to anyone who could develop an accurate method for determining longitude at sea (Baillie, 1951). Although no one claimed the full-prize, hundreds participated and received compensation for their proposals, marking the genesis of marine chronometer science. This period is considered the inception of the crowdsourcing concept we recognize today.

Crowdfunding is defined as an internet-based funding method designed to realize initiatives by collecting financial contributions from a large number of individuals distributed online within a specified timeframe (Barthelemy, 2019). The Securities Crowdfunding (SCF) model serves as an alternative funding source for Small and Medium Enterprises (SMEs) by incorporating a collective investment approach to offer securities. This mechanism provides a platform where investors and fund-seekers converge through digital platforms or applications, enabling investors to purchase and acquire ownership of various securities, including stocks, bonds, or *sukuk*.

This form of crowdfunding distinguishes itself from traditional crowdfunding by typically offering backers products or services in return for their contributions within the SCF model. Financial authorities often regulate Securities Crowdfunding to safeguard investors and uphold market integrity. Within the SCF model, investors receive a portion of shares or ownership in the company in exchange for their investment. This allows businesses to raise capital without incurring debt, and investors stand to gain financially if the company succeeds in generating profits from its operations.

The concept of crowdfunding represents an effort to garner financial support from a group of people (the crowd) through an internet platform by promoting a business project to be funded by the public. Once the promoted or campaigned project is completed or reaches the expected funding amount, the investors or crowd receive rewards for the funds they have contributed to the crowdfunding effort. All these concepts exist within the crowdfunding ecosystem, which involves three parties: the project owners in need of funds (creators, also known as issuers or fundraisers), the fund providers (funders), and the organizing parties (platforms). The internet plays a crucial role in connecting those in need of funds (fundraisers) and those with funds (funders) to finance a business project (Shneor, Zhao, & Flåten, 2020).

The concept of offering securities through technology-based crowdfunding services represents the provision of securities offering services. These services are conducted by issuers to sell securities directly to investors through an open electronic system network. Securities, in this context, encompass various financial instruments such as debt recognition certificates, commercial papers, stocks, bonds, debt certificates, collective investment contract participation units, futures contracts on securities, and any derivatives of securities (OJK, 2020).

Fundraising in Securities Crowdfunding (SCF) adheres to regulations set by the Financial Services Authority (Otoritas Jasa Keuangan - OJK) designed to protect investors and maintain market integrity. The OJK issued Regulation Number 16/POJK.04/2021, amending the Financial Services Authority Regulation Number 57/POJK.04/2020 on Offering Securities through Technology-Based Crowdfunding Services (Securities Crowdfunding). This amendment aims to provide legal certainty by addressing licensing requirement issues for crowdfunding organizers. These issues arise due to regulatory discrepancies related to the operation of private electronic systems, which are required to register with the ministry responsible for communication and informatics.

Specifically targeting funding for Small and Medium Enterprises (SMEs) and startup companies in the capital market sector, SCF operates under the General Provision of POJK Number 57/2020. However, public offerings in SCF do not constitute public offerings as regulated under Law Number 8 of 1995 (Capital Market Law). Organizers conducting public stock offerings must obtain permission from the OJK within a maximum period of 12 months, with a maximum funding limit of IDR 10 billion. An issuer is considered a public company, as per the Indonesia Capital Market Law (OJK, 2021), if the number of shareholders exceeds 300 parties and the issuer's paid-up capital exceeds IDR 30 billion.

The Fundamental of SMEs and Startup Businesses

The Small and Medium Enterprises (SMEs) play a strategic role in national economic development, a fact underscored by their prominent role in Indonesia's National Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional* - RPJPN) for 2005-2025. This plan aims to strengthen the nation's competitive edge and includes policies for enhancing the domestic economy based on the competitive advantages of each region, moving towards competitive excellence. The development of SMEs stands as a critical measure in this endeavor (OJK, 2018). Furthermore, within the context of SMEs, the term "Small" is often further detailed into a more foundational level, referred to as "micro." Therefore, the designation of Micro, Small, and Medium Enterprises (MSMEs) is frequently used, although the term SME inherently encompasses the concept of micro itself (Atmojo, Kasih, & Chandra, 2020).

To delve deeper into micro enterprises, they are defined as productive businesses owned by individuals or individual business entities that meet the criteria of having a net worth of more than Rp. 50 million. These micro enterprises categorize as standalone productive economic businesses conducted by individuals or business entities not affiliated as subsidiaries or branches owned, controlled, or part of, directly or indirectly, medium or large businesses that meet the criteria of having a net worth of more than Rp. 50 million, up to a maximum of Rp. 500 million (Indonesia, 2008). Furthermore, medium enterprises are defined as standalone productive economic businesses conducted by individuals or business entities not affiliated as subsidiaries or branches owned, controlled, or part of, directly or indirectly, Small or Large Enterprises. Medium enterprises possess a net worth of more than Rp. 500 million, up to a maximum of Rp. 10 billion (OJK, 2020).

The national development efforts through SMEs are elucidated in the General Explanation of the SME Law as business activities capable of creating extensive employment opportunities and providing equitable economic services to the community. SMEs also play a role in the income distribution process, stimulate

economic growth, and maintain national stability. Additionally, SMEs are one of the main pillars of the national economy that require maximum support, protection, and development. This is implemented as a clear commitment to the economic business groups of the people, without sidelining the roles of Large Enterprises and State-Owned Enterprises. Despite SMEs proving their role in the national economy, there are various internal and external barriers and obstacles that need to be overcome in terms of production and processing, marketing, human capital, design and technology, capital, and business climate.

Small and Medium Enterprises (SMEs), as legal entities, are subject to corporate law regulations because they exist to conduct business activities that can generate profits for SME stakeholders. In operating their businesses, SMEs must take the form of a business entity in accordance with legislation. This is crucial to ensure that all parties involved in business dealings with SMEs have clear legal standing, especially for third parties related to SMEs, enabling them to obtain legal protection. A common challenge faced by SMEs is the limitation of business capital, which has been a primary reason for impeding SME development in Indonesia (Nasution, Nasution, Rasjidi, & Subianto, 2023). Funding service operators for business entities in Indonesia, as per POJK 57/2020, can take the form of a legal entity or another type of business entity issuing securities through Crowdfunding Services. The business entities referred to in the Government Regulation in Lieu of Law (Perppu) Number 2 of 2022 on Job Creation are business entities, whether incorporated or unincorporated, established within the territory of the Republic of Indonesia and conducting business or activities in certain fields.

Meanwhile, other business entities include limited partnerships (Commanditaire Vennootschap - CV), general partnerships, and civil partnerships (OJK, 2020). Corporate entities like Limited Liability Companies (PT) are regulated under Law No. 40 of 2007 and further detailed in Article 109 of the Job Creation Perppu, stating that a corporation is a capital association established based on an agreement, conducting business activities with a capital divided into shares, or an individual legal entity meeting the criteria for micro and small businesses as per applicable laws (Indonesia, 2022). The capital criteria for SME corporations do not require a fixed base capital, as the amount of base capital is determined by the founders of the corporation (Indonesia, 2021).

Furthermore, other legal entity forms such as Cooperatives are also encompassed within the Law. A cooperative is a business entity consisting of individuals or cooperative legal entities operating based on cooperative principles and also serving as a people's economic movement with a foundational principle of kinship (Indonesian Law Number 1992 concerning cooperatives). Other business entities formed as limited partnerships (CV) are regulated in Articles 16-35 of the Commercial Code, explaining that a CV is a partnership formed with one or more founders as partners fully liable for the partnership, while there are one or more persons acting as capital lenders, as regulated in Articles 19-21 of the Commercial Code. Other unincorporated business entities like general partnerships are regulated in Articles 16 and 18 of the Commercial Code. A firm is a partnership established to conduct business under one common name, where each partner is jointly and severally liable for all obligations made by the partnership. Similarly, civil partnerships, regulated in Articles 1618-1652 of the Civil Code, are agreements where two or more people agree to partner to share the profits generated from the agreement.

People-centered Economy in Indonesia

At its core, a people-centered economy originates from the interests of the populace, operates based on these interests, and fundamentally serves them. This economic principle is a direct manifestation of Indonesian local wisdom, as stipulated in Article 33 of the 1945 Indonesian Constitution. This article dictates that the economy should be organized as a collective endeavor grounded on the principle of kinship. Within this framework, the state controls vital production sectors and the basic needs of society. Furthermore, the state also holds sovereignty over land, water, and natural resources contained within, ensuring their utilization maximizes public prosperity (Constitutional Court of Indonesia, 2016). Article 33 of the Indonesian Constitution underscores the importance of popular sovereignty in the economic context, with the state playing a central role in the development process.

According to Prof. Gunawan Sumodiningrat, the people's economy system plays a significant role for the state in controlling and advancing the people's economy with the aim of achieving public welfare. The daily practice of the people's economy can be observed among individuals engaged in agriculture, home-based industries, crafts, services, livestock, fisheries, and various other sectors. Economically, they have implemented the principles of the people's economy by operating an independent, flexible system that is in harmony with the environment, culture, and social norms. This approach helps in avoiding significant conflicts and demonstrates resilience. Such a simple economic system is often underestimated by proponents of capitalist economies due to its small scale and the difficulty in determining profit and loss over a specific period (Sumodiningrat & Hastangka, 2021).

In Indonesia, proponents of capitalist economics, along with a significant portion of economic policymakers, at times, overlook the fundamental principle that the nation's economy should prioritize the well-being of its people. The fabric of Indonesian society is deeply rooted in religious values, making it advisable for the economic system not to forcibly embrace foreign models that contradict the nation's unique character and ethos. Rather than solely pursuing financial metrics like profit and loss, Indonesia's grassroots economy places a greater emphasis on alternative values such as kinship, brotherhood, mutual cooperation, community spirit, and a shared sense of destiny. This approach fosters a partnership-based cooperation model imbued with solidarity, reminiscent of cooperative principles (Sumodiningrat & Hastangka, 2021).

During the financial crisis of 1998, Small and Medium Enterprises (SMEs) in Indonesia displayed remarkable resilience and growth, highlighting their pivotal role in the national economy. This role is explicitly recognized in Article 33, paragraph (4) of the Constitution of the Republic of Indonesia, which underscores SMEs as an integral component of the national economy with the potential to enhance societal welfare (Constitutional Court of Indonesia, 2016).

A critical aspect of the communal business principle, as outlined in Article 33 of the 1945 Constitution, is the delicate balance between cooperation and efficiency within the context of competition. These elements must harmonize within society. The absence of competition in the presence of cooperation can lead to the neglect of individuality in favor of imposed collectivity, potentially resulting in an authoritarian system. Conversely, an excessive focus on competition can lead to destructive rivalry, undermining the communal harmony envisioned by Article 33, paragraph (4) of the 1945 Constitution, which advocates for equitable economic principles.

This principle calls for a comprehensive approach to state governance, including the careful balance of individual interests and collective needs in societal life, as well as ensuring fairness between competition and cooperation. In essence, while avoiding inefficiency is essential, it is equally vital to ensure that wealth is distributed fairly and efficiently, in a manner that is both effective and just (Asshiddiqie, 2016).

The people-based economy is fundamentally structured as a collective endeavor based on familial principles, and this concept can be understood through three interpretations: a narrow understanding, a broad understanding, and the understanding of collective endeavor as a principle itself.

The narrow interpretation of collective endeavor relates to cooperatives as a form of collective business. However, it is important to note that the economic structure need not always align with the concept of cooperatives as a specific business entity form. On the other hand, the broad interpretation encompasses the collective efforts of all Indonesian people in the economic field. This includes not only various business forms but also economic actors, such as state-owned enterprises (SOEs), private companies, cooperatives, and individual producers, distributors, or consumers, regardless of whether they operate individually or within groups, organizations, or legal entities formed as associations.

The principle-based understanding of collective endeavor reflects a cooperative spirit similar to that found in cooperatives but does not exclude other business forms such as limited companies and SOEs from being considered appropriate. In practice, cooperatives as business entities may not always fully apply cooperative principles. Thus, any business form can be deemed fitting as long as it embodies a cooperative spirit (Asshiddiqie, 2016).

As established in the People's Consultative Assembly Decree Number VI/MPR/1999, the objective of the people-based economy is to empower all national economic forces, particularly small and medium enterprises (SMEs) and cooperatives. This empowerment is achieved by developing a fair market economic system that relies on productive, independent, advanced, competitive, environmentally conscious, and sustainable natural and human capital. The policy direction of the people-based economy is grounded in equitable market mechanisms, healthy competition principles, economic growth, and values such as fairness, social interest, quality of life, environmental awareness, and sustainability. This aims to ensure equal opportunities in business or employment, protect consumer rights, and provide fair treatment for all members of society.

To determine the appropriate legal or business entity form for SMEs within the people-based economic system, one can draw inspiration from the ideas of Robert Owen (1816), as presented in his work "A New View of Society: An Essay on the Formation of Human Character." Owen, a textile factory owner, envisioned improving workers' living standards by increasing wages, reducing working hours, providing pensions, and housing. He also established consumer cooperatives in the form of shops selling daily necessities. Owen's vision promoted shared ownership by the people or the state, with the goal of maximizing societal benefits, especially for workers. Owen emphasized the critical role of humans in production.

The cooperatives established by Owen brought positive changes to the economic lives of workers by providing full control over asset ownership and profits for the prosperity and welfare of the company, rather than for specific individuals or groups. Owen's ideas influenced the Cooperative Movement in Europe, gaining

support from various worker groups and sparking a trend across capitalist economies such as Germany, Sweden, Denmark, and France.

While Robert Owen's socialist concepts may not be entirely applicable in Indonesia, his ideas can provide support to the lower-middle-class individuals striving to maintain and develop their businesses and improve their quality of life, at least until they can transition from the middle-income category (Tanjung et al., 2022).

Revisiting the discourse on the role of law in regulating technology, it is imperative to ensure responsible technology deployment in alignment with existing legal frameworks. The evolution of laws must keep pace with technological advancements to effectively address emerging challenges. Professor Mochtar Kusumaatmadja, in his seminal work on Development Law Theory, emphasizes the pivotal role of law as an instrument for societal transformation. This theory advocates for law to actively facilitate societal progression towards improvement, particularly in the context of national development. In Indonesian society, the role of law extends beyond providing certainty and order; it is anticipated to function as a mechanism for driving social change, guiding human activities towards the goals set by development and transformation initiatives (Kusumaatmadja, 1986).

The emergence of Equity Crowdfunding (ECF) in Indonesia directly stems from advancements in information technology within the financial services sector. While technology democratizes access to financial products, making them more inclusive, it concurrently elevates the complexity of financial products in terms of regulation and supervision. The growth of the financial sector is expected to catalyze the expansion of other sectors through capital accumulation and technological innovation, facilitating fund mobilization and offering platforms for entities in need of financial resources through diverse financial instruments. This projection is anticipated to stimulate economic growth.

Equity Crowdfunding (ECF) services are expected to widen access to financing for small and medium-sized enterprises (SMEs) and startup companies, enabling them to secure funding via Pre-Capital Markets. However, it has become evident that Equity Crowdfunding does not entirely meet the financing needs of SMEs and startups, primarily due to the fact that the legal structures underpinning these enterprises do not universally adopt the limited company form. Consequently, Financial Services Authority Regulation No. 37/POJK.04/2018 concerning Fundraising Services Through Information Technology-Based Share Offerings (Equity Crowdfunding) has not been fully utilized by SMEs as a source of funding.

Expanding the scope of issuers within Fundraising Services and extending the range of Fundraising Services to include offerings of securities other than equity-type securities, such as shares, necessitates the replacement of Regulation No. 37/POJK.04/2018 and the issuance of a new Financial Services Authority Regulation on Securities Offerings Through Information Technology-Based Fundraising Services. The forthcoming offerings under Information Technology-Based Fundraising Services, now referred to as Securities Crowdfunding (SCF) (OJK, 2020), signify a forward-thinking approach.

We contend that the strategy employed by the Financial Services Authority (OJK) and, specifically, the Indonesian government in providing alternative financing avenues to community enterprises is prudent. The reality is that not all community enterprises in Indonesia can effectively access banking credit, partly due to a lack of

collateral assets for credit guarantees. Consequently, we maintain that Securities Crowdfunding represents an efficient and innovative solution.

CONCLUSION

The concept of raising funds through Securities Crowdfunding (SCF) as an alternative financing method for Small and Medium Enterprises (SMEs) represents a significant step towards fostering economic growth that benefits society. The SCF regulations outlined in POJK 37/2018 and POJK 57/2020 aim to assist startups and SMEs in obtaining financing before entering the capital market, with the objective of accelerating economic growth. This principle aligns with the concept of a people's economy, where the economy is by the people, for the people, and sourced from the people, as regulated in Article 33 of the 1945 Constitution of the Republic of Indonesia. However, we have identified a deficiency in The Financial Services Authority Regulation (POJK) of the Republic of Indonesia Number 16/POJK.04/2021, which amends the Financial Services Authority Regulation Number 57/POJK.04/2020 regarding the Offering of Securities through Information Technology-Based Fundraising Services. This deficiency pertains to the types of legal entities of issuer businesses allowed to participate in SCF campaigns. According to Financial Services Authority Regulation (POJK) Number 57/POJK.04/2020, Article 47 states that entities eligible to become securities issuers in SCF may take various forms, including legal entities or other business entities.

These securities issuers in Article 47 are generally categorized into three groups: equity securities (such as stocks), debt securities or sukuk (Sharia-compliant bonds), and debt securities convertible into stocks. However, the regulations concerning the types of legal entities permitted to issue stocks, bonds, or convertible debt securities have not been thoroughly explained. Without a clearer definition, the implementation of fundraising has the potential to become contradictory in the future. Therefore, it is crucial to pay special attention, particularly to issuers that do not take the form of a Limited Liability Company (PT), such as cooperatives, foundations, individual business entities, firms, or Commanditaire Vennootschap (CV). The regulation regarding the types of legal entities must undergo more in-depth scrutiny and alignment with the principles inherent in fundraising itself. It is essential to determine the purpose of this fundraising, whether it is for profit or non-profit. The government should categorize the fundraising's purpose, as not all fundraising necessarily needs to take the form of Securities or Equities Crowdfunding.

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