

# The Politics of Law of Structuring Modern Stores as An Effort to Protect Traditional Markets and Empowering Micro, Small, and Medium Enterprise in Malang City and Batu City, Indonesia

Yuniastuti\* Moh Yuhdi Nuruddin Hady

Faculty of Social Science, Universitas Negeri Malang, Jalan Semarang 5, Malang, Indonesia

## Abstract

There are three law issues in this research: how the Politics of Law of Structuring Modern Stores in Malang and Batu City, what efforts made by the Malang City government and Batu City government to protect Traditional Markets and empowering Micro, Small, and Medium Enterprise (SME), and what obstacles faced in structuring Modern Stores and empowering Micro, Small, and Medium Enterprise in Malang City and Batu City. This research is an empirical juridical legal research, and the data collection combines two techniques: literature review and field research by surveying some Modern Stores and Micro, Small, and Medium Enterprises (SMEs) in Malang City and Batu City, using three data collection procedures, which are observation, documentation, and in-depth interview. The research result found that the politics of law in the national context in relation with Structuring Modern Stores only based on Presidential Regulation No. 112 Year 2007 on the Structuring and Developing Traditional Markets, Shopping Centers, and Modern Stores. Therefore, the Regional Regulation No. 8 Year 2010 on the Industrial and Trade Business Execution which also regulates the licensing procedure for the establishment of Modern Stores was issued in Malang City. Even Batu City clearly stated about the Protection of Traditional Markets, Structuring and Supervising Shopping Centers and Modern Stores in the Regional Regulation No. 8 Year 2012. Both Regional Regulations also regulate modern store operational hours, the distance between modern stores, and the partnership with SMEs. The reality of the research result shows that there are many irregularities in the implementation of the rules in the Regional Regulations, especially in terms of modern store operational hours, the distance between modern stores, and the partnership with SMEs.

**Keywords:** Politics of Law, Structuring, Modern Stores

## Introduction

The rapid growth of Modern Stores in some regions, also in Malang City and Batu City, will slowly shut down Traditional Markets and wholesale outlet given the society's tendency to shop at Modern Store rather than at traditional market. It is very reasonable given some considerations, including Modern Stores are cleaner and the goods needed are more nearly complete in addition to its location that is easy to reach because Modern Stores exist in nearly every corner of the city. On the other side, the existence of Traditional Markets and wholesale outlet or grocery stores also needs to get serious attention, because in this sector, the economic cycle of little people takes place, given there are many little people who depend their economy on the small business that is usually owned by the family for generations. That is one of the characteristics of people's economy.

The people's economy is developed based on knowledge and the skills of the local community in managing the environment and their land for generations. The people's economy activity is done through its community needs-based traditional market. The economic activity is developed to help themselves and their community, so it does not exploit the existing natural resources. The implementation of people's economy in the society can be seen from the growing number of SMEs which grow rapidly by processing the natural resources (Wahjoedi: 2015, 78). With the rapid growth of Modern Stores that potentially shut down traditional markets and grocery stores, the role of central and local government in structuring the existence of Modern Stores is needed which is expected to be synergizes with small and medium enterprises.

Therefore, the central government has issued Presidential Regulation No. 112 Year 2007 on Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores to protect small and medium scale retailer, besides empowering traditional markets to grow and develop in harmony, mutual need, mutually strengthening, and mutual benefit. In fact, there are some weaknesses in the rules, especially in the aspect of supervision regarding the issuance of Modern Store license because the Presidential Regulation No. 112 Year 2007 gives the Regent/Mayor authority to issue the Modern Store Business License (IUTM/*Izin Usaha Toko Modern*). There is no clear parameter set by the region in issuing the IUTM.

Based on the reality above, this research is important to know how the politics of law of structuring Modern Stores in Malang City and Batu City, what efforts made by the Malang City government and Batu City government to protect Traditional Markets and empowering Micro, Small, and Medium Enterprise (SME), and what obstacles faced by the government. This research is expected to be a model for structuring Modern Stores in the effort to protect Traditional Markets and empowering Micro, Small, and Medium Enterprise (SME) in some regions.

## Research Problem

There are 3 (three) research problems in this research, that are: (1) How is the Politics of Law of Structuring Modern Stores in Malang City and Batu City?; (2) What are the efforts made by the Malang City government and Batu City government to protect Traditional Markets and empowering Micro, Small, and Medium Enterprise (SME)?; and (3) What are the obstacles in structuring modern stores and empowering Micro, Small, and Medium Enterprise (SME)?

## Review of Related Literatur

Satjipto Raharjo (2000: 352) defines politics of law as an activity of choosing a specific social purpose, as well as some ways to be used to reach the purpose in the society. Abdul Hakim Garuda Nusantara, as quoted by Imam Syaukani et al (2004: 31-32), describe politics of law as a legal policy that would be implemented or performed nationally by the government of a specific country. While Moh. Mahfud MD (2006: 9), simply defines politics of law as a legal policy that will be or has been performed nationally by the government, covering the meaning of how politics affect the law by viewing the configuration of the power behind the creation and the enforcement of the law itself. Based on the opinions above, what is meant by politics of law in this research is legal policy that is done by Central Government in the regulatory framework of Structuring Modern Store in its regulation aspect, and at Malang City Government and Batu City Government level, in order Structuring Modern Stores more technically that is related to the permission given to establish Modern Stores as an effort to protect traditional markets and empowering Small and Medium Enterprise (SME). The legal policy taken is Regional Regulation (*Perda*) that is related to Structuring Modern Stores or related to the permission of Modern Stores issued in Malang City and Batu City.

Modern store is a store with a self-service system, selling various items in retail that may be in the form of minimarket, supermarket, shopping center, hypermarket, or grocery store in the form of wholesale. The meaning of modern here is arranging the items based on the necessity that is grouped in the same section which can be chosen and taken by the buyers directly. This modernity is equipped with air conditioner, and professional clerks (Presidential Regulation No. 112/2007).

The existence of Modern Store in some regions, also in Malang City and Batu City, grows so rapidly and even it has been proliferated. This surely will gradually shut down the traditional markets and grocery stores. Thus, structuring the modern store is urgent to be performed immediately. Knowing that modern stores start proliferating, obviously it affects the existence of Traditional Markets or Grocery Stores that is hard to grow. However, in order to protect the existence of traditional markets and grocery stores, the central government has been issued Presidential Regulations (*Perpres*) No. 112 Year 2007 about Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores, that is basically to protect the retailer in small and medium scale, by empowering traditional markets to grow and develop in harmony, mutual need, mutual strengthening, and mutual benefit.

The Presidential Regulation No. 112 year 2007 has regulated several things very rigidly that substantially provides the foundation for structuring Modern Store, that are : (1) establishment location and requirements, (2) building area, (3) operational hours, (4) goods supply terms, (5) permission, and (6) developing and supervising traditional markets, shopping centers, and modern stores. This regulation is aimed at protecting and developing small business as an effort for small business to develop and grow. Thus, the competition between Modern Stores or between Modern Store and Traditional Market as well as grocery store is expected to be able to protect the society, especially for Traditional Markets and grocery stores. The problem is that whether Presidential Regulation No. 112 year 2007 has been well-implemented by the regional government as the field executor, especially those who are authorized by Presidential Regulation 112/2007 in terms of giving the operational permission for Modern Stores, so their existence will not harm the traditional market and SME. Basically, the purpose of this regulation is good, but there is still weakness in its implementation, mainly related to the difficulty in implementing and supervising the Presidential Regulation No. 112/2007.

According to Sony Leksono (2006: 151), the role and the function of a market are as a transaction place to reduce the asymmetric information, press the transaction cost, and increase the trust. Market, through the price mechanism, is expected to be a way to solve the main economic problems that are production, consumption, and distribution. Ideally, the market mechanism is viewed as the most trustworthy, effective, and efficient. Because the essence of market is transaction, thus market should be able to eliminate anything that disturbs the smoothness of the transaction. That is why Presidential Regulation No. 112 Year 2007 about Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores is issued. This is a way to protect the traditional market from unhealthy and unbalanced competition due to the proliferation of modern stores in the city. This is relevant to what is said by Mubyarto (1994: 21) that the economic justice appears to be an important society problem when production distribution system and distribution based on the powers of the market start entering the politic system. In other words, it becomes the politic problem where the Country (or government) is expected to involve, because the powers of free market start showing their authorization and

dominance that “rules” the relationship between production and distribution “among their executor”, which leads to the economic injustice. The intervention of the Country as the most important political institution is expected to be able to flip the tendency of economic injustice that could harm the public serenity. This is where the need for “moral stimulant” that can be used as kind of weight for benefits in the market system organization for equalization purpose. In other words, we need a political economic system that can combine two goals that are the use of “market system efficiently” and equal income by leveraging the “moral stimulant” effectively (Mubyarto, 1994; 233). Knowing the reality that shows the small enterprises will not be able to compete against big enterprises, so do the condition of traditional markets, grocery stores, and retailers which are basically small enterprises will have difficulties in competing against big enterprises with their modern stores. Therefore, we need the moral stimulant to protect the small enterprises through various regulations and policies in favor of social necessity and SME.

Generally, the problems of traditional sellers according to Sony Leksono (2006, 29) are specified based on two sources that are: (i) internal and (ii) external. The internal problems that the traditional sellers should deal with are: (1) the limited control and ownership of business assets, especially the capital structure and the Limited in gaining capital sources paths, (2) the low ability of human resources, especially in the aspects of entrepreneurship, management, quality control, business organization, accounting, data processing, marketing technique, and market research, unwillingness to try, being easily satisfied with the result (local marketing, and lack of confidence), (3) the institutional of the business has not developed optimally yet in the provision of facilities for economic activities, and (4) the use of technology.

While the external problems that the traditional sellers should deal with are: (1) the limited recognition and guarantee as SME; (2) the limitation to the market access, market opportunity, and expands the market share; (3) the presence of strengthening or hidden costs that are not proportional; (4) the emergence of high-cost economy with its various implications; (5) the business network of cooperation among small entrepreneurs (marketing information system) and the business situation are less conducive because of the competition. Additionally, other the most serious external problems that many SMEs face are the limited access to bank and market distortion which is caused by the government rules and policies that is not conducive and more beneficial for big enterprises.

In terms of empowering Micro, Small, and Medium Enterprise, Donald Brown (1995) proposes the empowerment concept that is not contradicting the growth and the equalization, both of these should not be assumed as incompatible or antithetical. This concept is trying to get itself out from “zero-sum game” and “trade off” traps. He starts from the view that the equalization created a broader foundation for growth and that will ensure sustainable growth (T. Mardikanto, et al: 2015: 49-50). Moving the society economy actually is the absolute duty of a Country and Micro, Small, and Medium Enterprise have very vital role in economic building because it is not only able to create jobs in the country, but SME also can be more flexible and adapt to the market changes, as well as to be able to leverage the potential of local economy. Besides, there are some advantages of SMEs in facing the economic crisis shocks, that are: (i) jobs provider; (ii) cheap goods provider to be consumed by the people; (iii) the efficiency and flexibility become the power that is able to survive; and (iv) small business as the creator of new entrepreneurs.

The existence of SMEs in raising back the social economic activities during and post Indonesian economic crisis in 2007 can be seen from various study results in which we can see that SME units have grown so rapidly since the Indonesian economic crisis, by 5 million business units throughout 2001-2007 periods. This SME sector significantly handles the unemployment by absorbing the labors by 85,416 million people (Ida Ruwaida Noor, et al: 2010: 40). The data inform that Small and Medium Enterprises (SMEs) play the role as strategic power and have the important position in absorbing the labors and the serenity of the regional society.

Small and Medium Enterprises has been the focus of empowerment from the aspects of business management, entrepreneurship spirit, and the fund for developing the business because the main consideration is small and medium enterprises which is the biggest economic activity in the society. Even so, there are common characteristics of small and medium enterprises that are also the weaknesses that need to be solved by all sides, that are: (1) many SMEs are located in the village, sub-urban, and small cities; (2) the business status is owned by individual or family; (3) the human resource is from family or local socio-cultural environments; (4) the working hours are often part time or it is just a side job; (5) SMEs have limited ability to implement the technology, or simple/traditional technology; (6) generally, the business management is simple, there is no business planning; (7) the financial administration is simple or there is no separation between family finance and business finance, especially micro business; (8) more capital comes from self-finance and personal environment; (9) often, there is no business license, as well as other legal requirements; (10) business interaction is limited between upstreams and downstreams; (11) business orientation is more sub-system; (12) the entrepreneurs are the people with low socio-economic status, especially in term of education; (13) business network either with other entrepreneurs, government, business association, education organization, or finance organization is relatively limited, or there is no network at all.

Small and Medium Enterprise, also known as SME for short, is a productive business unit that stands alone, carried by individual or enterprise in all economic sectors. Principally, the differences between Micro, Small, and Medium Enterprises are typically based on the value of initiate assets (excluding land and building), the average turnover per year, or the number of permanent workers (T. Tambunan; 2012: 11). Talking about SMEs, the limitations and the definitions of SME is very various, but there are some elements that can be the common thread in reviewing SME, that are: the capital is less than 200 million, the business status is personal, family, or collectively. In addition, other criteria as the limitation of SME definition are something related to the business capital benchmark and yearly assets (between hundreds millions and billion rupiahs) (Ida Ruwaida Noor: 43).

While Law No. 20 Year 2008 Article 6 about Micro, Small, and Medium Enterprises has set the SME criteria in detail. In general, there are 2 (two) SME common criteria, that are: the ownership of the company assets; and the yearly turnover of the company. *First*, the criteria of Micro business are that the net worth is at most Rp 50,000,000.00, excluding land and buildings, and the yearly sales are at most Rp 300,000,000.00. *Second*, the criteria of small business are: (a) the net worth is from Rp 50,000,000.00 to Rp 500,000,000.00, excluding the land and the buildings or (b) the yearly sales are more than or equal to Rp 2,500,000,000.00. *Third*, the criteria for medium business are (a) the net worth is from Rp 500,000,000.00 to Rp 10,000,000,000.00, excluding the land and building or, (b) the yearly sales are from Rp 2,500,000,000.00 to Rp 50,000,000,000.00. Based on the criteria defined in the Law No. 20 Year 2008 about Micro, Small, and Medium Enterprises, we can conclude that the SME criteria are related to 2 (two) things, (1) the wealth of the enterprises and (2) yearly turnover of the business.

While the characteristics of Micro, Small, and Medium Enterprise (SME) according to Tulus Tambunan (2012: 5-6) are market orientation, profile of the company owner, the nature of job opportunity inside the company, organization and management system implemented in the business, degree of mechanism in the production process, material and capital sources, business location, external relationships, and degree of women involvement as the entrepreneurs. Other characteristics are based on its legal entity status where all the companies in the Group of Big Enterprise have the legal entity, while SMEs do not. BPS data in 2006 showed that the majority of SMEs do not have legal entity, which accounts for about 95.1% of the number of business units.

Micro, Small, and Medium Enterprises (SMEs) have the important role because of their strengths, including: (1) the number of the businesses are so many throughout the remote villages, including isolated areas; (2) SMEs are labor intensive which means they have very big potential of employment opportunities to grow; (3) in general, SMEs activities are farm-based; (4) SMEs use technology that is more 'suitable' for nature resources and low educated labors; (5) SMEs are able to survive during the economic crisis; (6) SMEs can be a starting point for saving/investment mobilization in the village; while at the same time, these business groups can be a place to test and develop the entrepreneurship ability of the villagers; (7) in general, the main market for SMEs is simple consumer goods which are relatively cheap, such as apparel with a simple design, furniture made from wood, bamboo, and rattan, other items made from wood, footwear, and kitchen tools made from aluminum and plastic; and (8) their flexibility level to the competition is relatively high (Tulus Tambunan: 2012: 2-5).

### Research Method

This research is empirical juridical legal research, in which this research not only examines the substance of laws and regulations associated with Structuring Modern Stores, but also emphasizes the empirical reality associated with regional legislations regulating the Structuring Modern Stores, and examines the laws and regulations related to Structuring Modern Stores and its implementation in the field. In accordance with the research focus, in which this research will examine the Politics of Law of Structuring Modern Stores and the effort to protect Traditional Markets and empowering Micro, Small, and Medium Enterprises (SMEs) in Malang City and Batu City, the focus of this research will be conducted in Malang City and Batu City.

The data collection technique in this research combines two techniques: literature review and field research by surveying some Modern Stores and Micro, Small, and Medium Enterprises (SMEs) in Malang City and Batu City. The survey is using three data collection procedures, which are observation, documentation, and in-depth interview with the respondents that are grouped based on the interview guide prepared.

### Research Result and Discussion

#### 1. The politics of law of Structuring Modern Stores in Malang and Batu City.

The politics of law of Structuring Modern Stores at the national level is only based on Presidential Regulation No. 112 Year 2007 on the Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores. The substance in the Presidential Regulation regulates several things: (i)The establishment location of Shopping Centers and Modern Stores; (ii)The store sales area restrictions; (iii)The provision of parking area; (iv)The establishment of Shopping Centers and Modern Stores must take into account the

socioeconomic conditions of the society, the existence of Traditional Markets and SMEs in related region, and paying attention to the distance between Hypermarket and the existing Traditional Market; (v)The business partnership between Modern Stores and SMEs; (vi)Modern stores operational hours; (vii)The need of Modern Store Business License (IUTM/*Izin Usaha Toko Modern*), even the IUTM for Minimarket is preferred for local Small and Medium Enterprises.

Structuring modern stores in Malang City is based on Regional Regulation No. 8 Year 2010 on the Industrial and Trade Business Execution, which also set the licensing procedure for the establishment of modern stores. In Batu City, the Protection of Traditional Markets, Structuring and Supervising Shopping Centers and Modern Stores is clearly stated in the Regional Regulation No. 8 Year 2012. Both Regional Regulations also regulate modern stores operational hours, the distance between modern stores, and the partnership with SMEs. The reality of the research result shows that there are many irregularities in the implementation of the rules in the Regional Regulations, especially in terms of modern store operational hours, the distance between modern stores, and the partnership with SMEs.

In relation to operational hours, the survey result in Malang City shows that 32.7% of modern stores open for 24 hours, 32.7% open at 6 AM, and 31.6% open at 7 AM. While the survey result in Batu City shows that the majority of the modern stores (56.4%) open at 7 AM, and surprisingly, 25,6% of modern stores open for 24 hours. In terms of modern stores closing hours, 10.3% closed at 8 PM, 38.5% closed at 10 PM, 15.4% closed at 11 PM, and 10.3% closed at 12 AM. It means that most of the modern stores closing hours is not in accordance with Presidential Regulation No. 112 Year 2007. This can be seen in the chart below.

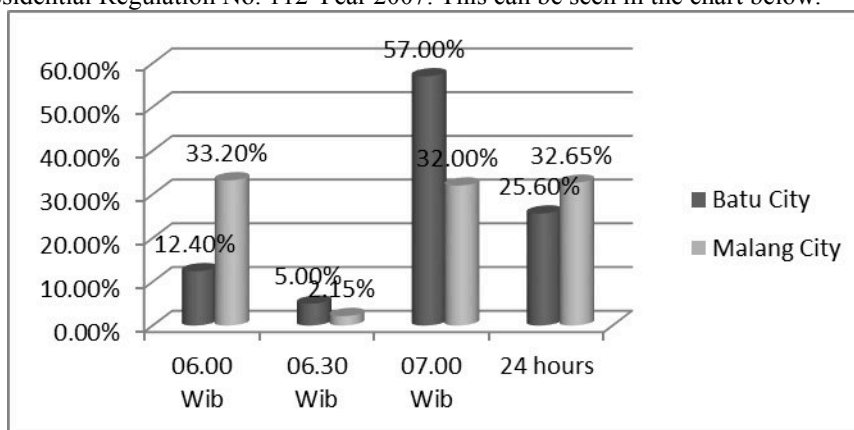


Chart 1. Modern Sotes Operational Hours in Malang City and Batu City

In terms of the distance between modern stores, the survey result in Batu City shows that 5.1% have the distance of less than 50 M, 15.4% have the distance of less than 300 M, 46.2% have the distance of less than 500 M, and 30.8% have the distance of more than 500 M. It means that only 30.8% which have the appropriate distance between modern stores in accordance with Batu City Regional Regulation No. 8 Year 2012, in which Article 10 (e) has set the distance between modern stores of the nearest radius at least 500 (five hundred) Meter. While the survey result in Malang City shows that 10.2% is less than 50%, 27.6 have the distance of less than 100 M, 34.7% have the distance between 351-500 M.

In terms of the partnership between modern stores and SMEs, the existing data show that the majority of the modern stores in Malang City (42.86%) and in Batu City (46.20%) does not establish a partnership with SME. 55.10% of modern stores in Malang City and 41.00% in Batu City establish a partnership with SME, while the remaining 2.04% and 12.80% do not answer. However, the established partnership only to the extend of providing a place by leasing. The detail can be seen in the following chart:

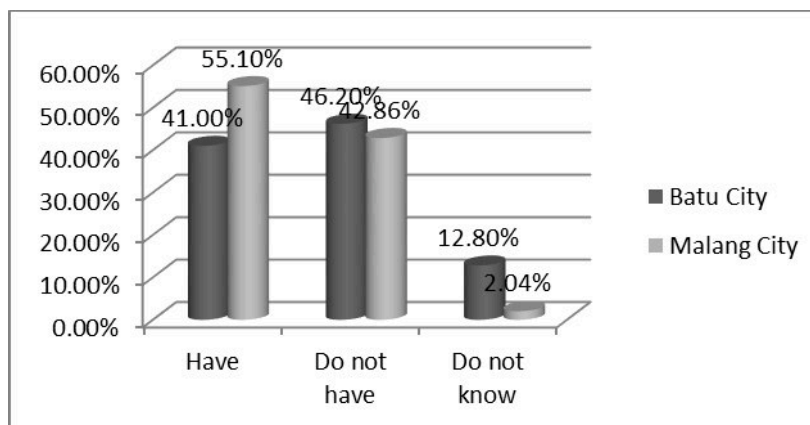


Chart 2. Partnership between Modern Stores and SMEs.

Based on the data above, it is clear that most of modern stores in Batu City and Malang City violate the provisions in the Presidential Regulation No. 112 Year 2007 on the Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores, especially regarding the operational hours in which the modern stores open for 24 hours when it should be opened from 10 AM - 10 PM. In relation to the distance between modern stores, and the distance between modern store and grocery store, the existing data shows that most of it have the distance of less than 500M. In terms of the necessity of modern stores to establish a partnership with SME, the existing data shows that the majority of modern stores does not establish a partnership with SME, only a few do so and it extends only to the providing a place by leasing.

## 2. The efforts that have been made by Local Government.

In the Batu City Department of Cooperative, SME, and Industry and Trade Strategic Plan, there are 4 strategic policies in the effort to empower SME, that are: (1) Improving the quality of Human Resources (*SDM/Sumber Daya Manusia*) for the Business, (2) Facilitating the Business Network/Partnership for Micro, Small Enterprise with Medium and Large Scale Enterprise regarding their Business Activity; (3) Facilitating and providing credit of capital reinforcement, especially for micro and small enterprise; and (4) Improving and developing featured products in accordance with the quality standard.

Based on the strategic policy, various efforts have been made by the Batu City Government through the Department of Cooperative, SME, and Industry and Trade to empower SME, some of these efforts are: *First*, facilitating the capital or funding aspect, especially the distribution of Micro Credit Program (*KUR/Kredit Usaha Rakyat*) from Mandiri bank, and facilitating the revolving fund aid. *Second*, developing and growing the business. In this context, various training and production tool aid has been given to SME. Various trainings have been done to empower SME, like pottery training, various dish and pastry training, various fruit chips training, business management training, product packaging training, marketing SME products via online media training, business legality training, etc. Additionally, in order to develop SME, the Batu City Government through the Department of Cooperative, SME, and Industri and Trade facilitates the establishment of a Batu City PKL group/community.

*Third*, facilitating the marketing network, which is facilitating business promotion through SMEs product promotion events, and most importantly, Batu is the only city in East Java, which get the assistance from the Central Government to establish the Cooperative and SME Integrated Business Center (*PLUT/Pusat Layanan Terpadu*). This Integrated Business Center (*PLUT*) becomes the center of promoting SME products and can be a place for training, and a place for the prospective SME to do a consultation. This *PLUT* has been accommodating 980 SMEs which have been developed, and the SMEs are expected to advanced to the next grade.

*Fourth*, building a cooperative network. In this case, some efforts have been made by Batu City Department of Cooperative, SME, and Industry and Trade, one of them is the cooperation network with Telkom and Perum Angkasa Pura. The cooperation with Telkom is regarding the access to the capital for SMEs by leveraging the Telkom CSR funds. While the cooperation with Perum Angkasa Pura is regarding the provision of SMEs booth at Surabaya highway Rest Area. Additionally, the cooperation network is also trying to build in the tourism area around Batu City.

There are some strategic plans in the effort to empower SMEs in the Department of Cooperative and Small Medium Enterprise Strategic Plan, that are: *First*, the realization of professional SMEs where the goal is increasing SMEs who have the business management skill, and the target is increasing SMEs in accessing business support system and improving the service quality of cooperative and SMEs. *Second*, the development of SMEs entrepreneurship and competitive edge. The target is developing a business support system for SMEs and improving the service quality of cooperative and SMEs. The SMEs entrepreneurship and competitive edge

development programs are: (i) Business support system development program for SMEs; (ii) Conducting Entrepreneurship Technical Guidance for SMEs; (iii) Implementing the Formalization Development for Small Medium Business; (iv) Technical Guidance on business development for Cooperative/SMEs; (v) Socializes the provision of capital information support; and (vi) SMEs products promotion.

Based on the Strategic Plan above, the efforts made by Malang City Government through the Department of Cooperative and Small Medium Enterprise are: (1) conducting various training; (2) facilitating marketing through business promotion; (3) facilitating the capital; and (4) facilitating the marketing tool aid in cooperation with Telkom, in the form of 2 computer units for 5 SME communities from PT Telkom CSR.

3. The obstacles in the effort to structuring Modern Stores and empowering Micro, Small, and Medium Enterprise in Malang City and Batu City.

The obstacles faced by Batu City Government through the Department of Cooperative, SMEs, and Industry and Trade in an effort to empower SMEs, ranging from 3 (three) issues: (1) change in the mindset of SMEs; (2) the breakdown in rolling funds for the SMEs; and (3) the weak supervision of SME product quality in the market. While the obstacles faced by Malang City Government in empowering SMEs are: (1) the difficulty in managing the SMEs, especially in motivating their interest in developing the business; (2) not able to maintain customer trust yet; and (3) there is no regulation in Malang specifically to empower the SMEs.

The existence of Modern Stores is growing fast in every corner of the city and strategic places, especially along the city streets in Malang and Batu. This reality negatively impacts on the society, especially on SMEs. The negative impacts of the Modern Store existence are: (1) unhealthy and unfair business competition, (2) decrease in traditional markets and grocery stores turnover; and (3) increase in the difficulty of SMEs products development in the marketing process.

Given the external challenges of small and medium enterprises by Revrison Baswir (1997:53), some challenges will come from its partnership with medium and big industry. One of medium and big industry's characters is activity standardization; if a small industry wants to develop into medium and big industry's business partner, they should be able to guarantee the quality of goods and services produced. Therefore, one of the strategic steps that must be taken to develop small industry is improving its human resources. Thus, in this context, it depends on the government role, especially the local government, to supervise the implementation of the policy in the field, whether it is as expected or not, so the micro, small, and medium enterprises can run their business well and are able to partner with modern store fairly and mutually beneficial.

## Conclusion

The Politics of law in the national context in relation with Structuring Modern Stores only based on Presidential Regulation No. 112 Year 2007 on the Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores. The substance in the Presidential Regulation regulates several things: **First**, the establishment location of Shopping Centers and Modern Stores which must refer to the Regional Spatial Planning and Detailed Spatial Planning, including its Zoning Regulations. **Second**, the store sales area restrictions. **Third**, the provision of parking area. **Fourth**, the establishment of Shopping Centers and Modern Stores must take into account the socioeconomic conditions of the society, the existence of Traditional Markets and SMEs in the related region, and paying attention to the distance between Hypermarket and the existing Traditional Market. **Fifth**, a business partnership between Modern Stores and SMEs. **Sixth**, modern stores operational hours. **Seventh**, the need of Modern Store Business License (IUTM/*Izin Usaha Toko Modern*) for Minimarket, Supermarket, Department Store, Hypermarket, and Wholesale Outlet, it is emphasized in the Presidential Regulation No. 112 Year 2007, the IUTM for Minimarket is preferred for local Small and Medium Enterprises (SMEs).

Therefore, the Regional Regulation No. 8 Year 2010 on the Industrial and Trade Business Execution which also regulates the licensing procedure for the establishment of Modern Stores was issued in Malang City. Batu City clearly stated about the Protection of Traditional Markets, Structuring and Supervising Shopping Centers and Modern Stores in the Regional Regulation No. 8 Year 2012. Both Regional Regulations also regulate modern store operational hours, the distance between modern stores, and the partnership with SMEs. The reality of the research result shows that there are many irregularities in the implementation of the rules in the Regional Regulations, especially in terms of modern store operational hours, the distance between modern stores, and the partnership with SMEs.

## Recommendation

The Politics of Law of Structuring and Development of Traditional Markets, Shopping Centers, and Modern Stores, should not be regulated by the Presidential Regulation, but ideally by the law, because the supervision and the enforcement are more powerful. Additionally, if there is a party who feels disadvantage in the articles and clauses within the law, then they can fill a lawsuit to the Constitutional Court. In the context of structuring modern stores and the implementation of its supervision, then the licensing instrument of the establishment of

shopping center and modern store which requires the Business License of Modern Store (IUTM/*Izin Usaha Toko Modern*) issued by the regent/mayor should be consistently implemented given the following two things that must be included in the Business License of Modern Store: (1) feasibility study, including environmental impact assessment, especially social and cultural aspect and the impact on the local retailer; and (2) partnership plan with small businesses. If the provisions in the Business License of Modern Store (IUTM) are consistently implemented, it is believed that the existence of modern store not only can minimize the impact on traditional markets and/or grocery stores, but also beneficial for small businesses around the modern stores because they can partner with modern stores in terms of marketing the SME products so it can resolve one of the problems faced by the SME, which is marketing their products. Besides, the local government's role in supervising the implementation of the partnership between modern store and small business is required. The local government also expected to facilitate the capital aid and SMEs products promotion.

## References

- Baswir, Revrisond, *Agenda Ekonomi Kerakyatan*, Penerbit Pustaka Pelajar-IDEA, Yogyakarta, 1997.
- Danim, Sudarwan, *Menjadi Peneliti Kualitataif*, Pustaka Setia, Bandung, 2002.
- Ida Ruwaida Noor dan Lugina Setyawati, *Pemberdayaan UKM: Catatan Reflektif Hasil Meta Riset*, Jurnal Sosiologi Masyarakat, Vol. 15, No.1, Januari 2010.
- Leksono, Sony, *Runtuhnya Modal Sosial Pasar Tradisional, Perspektif Emic Kualitatif*, Penerbit Citra, Malang, 2006.
- Mahfud MD, *Politik Hukum Di Indonesia*, Penerbit Pustaka LP3ES, Jakarta, 2006.
- Miles, MB dan Huberman, *Analisa Data Kualitataif*, Penerbit UI, Press, Jakarta, 1992.
- Moleong, Lexi J, *Metodologi Penelitian Kualitatif*, Remaja Rosdakarya, Bandung, 2000.
- Mubyarto, *Sistem dan Moral Ekonomi Indonesia*, Penerbit LP2ES, Jakarta, Cetakan Ketiga, 1994.
- Mardikanto, Totok dan Poerwoko Seobiato, *Pemberdayaan Masyarakat Dalam Perspektif Kebijakan Publik*, Penerbit ALFABETA, Bandung, Cetakan Ketiga, 2015.
- Nusantara, Abdul Hakim Garuda, "Politik Hukum Nasional" makalah pada kerja Raharjo, Satjipto, *Ilmu Hukum*, Cet. V, Penerbit Citra Aditya Bakti, Bandung, 2000.
- Sudaryanto, dkk, *Strategi Pemberdayaan UMKM Menghadapi Pasar Bebas Asean*, Makalah tanpa tahun.
- Syaukani, Imam dkk, *Dasar-dasar politik hukum*, Penerbit Rajagrafindo Persada, Jakarta, 2004.
- Sinaga, Pariman, *Menuju Pasar Yang Berorientasi Pada Perilaku Konsumen*, Artikel Tahun 2008.
- Tambunan, Tulus, *Usaha Mikro, Kecil dan Menengah di Indonesia, isu-isu Penting*, Penerbit LP2ES, Jakarta, 2012.
- Wahjoedi, *Pendidikan Ekonomi, Berkarakter Nilai-Nilai Pancasila*, Penerbit UM, Malang, Cetakan Kedua, Malang, 2015.
- Tim Kemenkop dan UMKM, Modul 1: Koperasi, Usaha Mikro, Kecil dan Menengah Sebagai Pilar Ekonomi Masyarakat, Kemenkop dan UMKM, tanpa tahun.
- Latihan Bantuan Hukum, LBH, Surabaya, September 1985.
- Peraturan Menteri Perdagangan No. 70 Tahun 2013 tentang Pedoman Penataan dan Pembinaan Pasar Tradisional, Pusat Perbelanjaan dan Toko Modern.
- Perpres Nomor 112 Tahun 2007 tentang Penataan dan Pembinaan Pasar Tradisional, Pusat Perbelanjaan dan Toko Modern.
- Peraturan Daerah Nomor 8 Tahun 2010 tentang Penyelenggaraan Usaha Perindustrian dan Perdagangan
- Peraturan Daerah Kota Batu Nomor 8 Tahun 2012 tentang Perlindungan Pasar Tradisional, Penataan dan Pengawasan Pusat Perbelanjaan dan Toko Modern.