# Reconceptualizing Local Wisdom Values in Regulations for Micro and Small Enterprises in Maluku to Support Local Economic Development

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DOI: https://doi.org/10.22304/pjih.v12n1.a4

Submitted: November 8, 2023 | Accepted: February 25, 2025

## **Abstract**

This study seeks to examine and evaluate the efficacy of implementing the principle of "Bhinneka Tunggal Ika" (unity in diversity), which embodies local wisdom, in the governance of micro and small enterprises in Maluku Province as an aspect of local legal development. The principle of Bhinneka Tunggal Ika needs to be incorporated into laws and regulations, particularly regional legal mechanisms related to micro and small enterprises, in compliance with the Law on the Formation of Legislation. In Maluku's legal landscape, many regional legal products pertaining to micro and small enterprises fail to incorporate the principles of local wisdom into their content. This socio-legal investigation study integrates empirical legal research methods with doctrinal legal research. Primary and secondary data were gathered through interviews and literature reviews. The study results suggest that the legal protection provided to micro and small enterprise owners in Maluku has been ineffective. In addition, the legal content of regional legal products in Maluku fails to adequately account for value derived from local wisdom, as required by statutory provisions. Thus, it is necessary to reconsider incorporating values from local wisdom into various regional legal instruments related to developing and empowering micro and small enterprises in Maluku. This approach will support regional flagship products while facilitate the growth within the local economy, preserving the values of local wisdom in the face of global developments.

Keywords: local wisdom, micro and small enterprises regulation, reconceptualizing.

### A. Introduction

National development and economic growth are two interconnected aspects that are the primary focus of every country, including Indonesia.<sup>1</sup> A prerequisite for sustainable economic growth is national development, which incorporates a variety of variables, including infrastructure, education, healthcare, and the environment.<sup>2</sup> Conversely, economic growth also enables a more substantial allocation of resources to national development.<sup>3</sup>

PADJADJARAN Journal of Law Volume 12 Number 1 Year 2025 [ISSN 2460-1543] [e-ISSN 2442-9325]

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<sup>&</sup>lt;sup>1</sup> F C Susila Adiyanta, "Fleksibilitas Pajak Sebagai Instrumen Kebijaksanaan Fiskal Untuk Mengantisipasi Krisis Ekonomi Sebagai Akibat Dampak Pandemi Covid-19," *Administrative Law and Governance Journal* 3, no. 1 (2020): 162–81, DOI: 10.14710/alj.v3i1.162-181.

Dyah Ayu Suryaningrum et al., Pengantar Ekonomi Pembangunan: Teori Dan Konsep Pembangunan Ekonomi Era Industri 4.0 & Society 5.0 (PT. Sonpedia Publishing Indonesia, 2023), 4.

Tri Setiady and I Ketut Astawa, "Kedudukan Otonomi Daerah Sebagai Pondasi Dalam Pembangunan Ekonomi,"

Article 33 of the 1945 Constitution of the Republic of Indonesia is a constitutional foundation and a cornerstone for the national development of Indonesia. The article addresses the regulation of the national economy and social welfare. The principle of mutual cooperation is embodied in article 33 of the 1945 Constitution, which outlines the organization of the national economy as a collective endeavor within the context of national development. This implies that all citizens are entitled to participate in and benefit from economic development while also bearing responsibility for it. Furthermore, the article also emphasizes the role of the state in controlling vital sources of production and natural resources.

The current strategies for national development and economic growth are designed to foster sustainable and inclusive recovery efforts.<sup>5</sup> These strategies encompass various aspects ranging from increasing investments in strategic sectors, improving productivity and competitiveness, to the recovery and strengthening of the MSME sector, which serve as backbones to Indonesia's economy.

Micro and small enterprises are classified as Micro, Small, and Medium Enterprises (MSMEs). MSMEs have long been recognized as the backbone of a country's economic development. They play a crucial role in creating employment opportunities, supporting innovation, and stimulating local economic growth. In Indonesia, for example, MSMEs account for approximately 99% of the total businesses and contribute around 60% to the Gross Domestic Product (GDP). According to the Ministry of Cooperatives and SMEs, the number of micro, small, and medium enterprises in 2023 was 63,955,369 (99.62%), 193,959 (0.30%), and 44,728 (0.06%) whereas there were only 5,550 (0.01%) large enterprises. MSMEs made up 60.5% of the Gross Domestic Product (GDP). In addition, MSMEs absorbed 96.9 percent of the workforce while Large Enterprises (LE) accounted for only 3.1 percent.

Law Number 20 of 2008 governs the legal regulations for Micro and Small Enterprises (MSEs) in Indonesia. This law addresses a variety of issues related to MSMEs, including their protection and empowerment, as well as the definitions and criteria that determine them. The law mandates that the government provide MSMEs with access to financial aid, technological upgrades, guidance, and training.

Eksekusi: Jurnal Ilmu Hukum Dan Administrasi Negara 1, no. 3 (2023): 59–72, DOI: 10.55606/eksekusi.v1i3.452.

<sup>&</sup>lt;sup>4</sup> Aini Shalihah, "Implementasi Demokrasi Ekonomi Sejak Diberlakukannya Undang-Undang Nomor 6 Tahun 2023 Penetapan Perppu Nomor 2 Tahun 2022 Tentang Cipta Kerja Menjadi UU.," *Jurist-Diction* 6, no. 2 (2023): 231-246, DOI: 10.20473/jd.v6i2.42353.

Muhkamat Anwar, "Green Economy Sebagai Strategi Dalam Menangani Masalah Ekonomi Dan Multilateral," Jurnal Pajak Dan Keuangan Negara (PKN) 4, no. 1S (2022): 343–56 DOI: 10.31092/JPKN.V4I1S.1905.

Rusdi Hidayat Nugroho and Sonja Andarini, "Strategi Pemberdayaan UMKM Di Pedesaan Berbasis Kearifan Lokal Di Era Industri 4.0 Menuju Era Society 5.0," Jurnal Bisnis Indonesia 1, no. 01 (2020): 93-109, DOI: 10.33005/jbi.v1i01.1743.

Azhari, Kamaruddin, and Mai Simahatie, "Strategi Penciptaan Lapangan Kerja Pada Sektor UMKM Di Indonesia," Ekonomika: Jurnal Ekonomi dan Pembangunan 16, No. 1 (2024): 19-25, DOI: 10.51179/eko.v16i1.2655.

Purwanto Putra, "Menyelamatkan Dan Potensi Penyelamatan Ekonomi Pasca Covid-19:: Adopsi Kebijakan Literasi Digital Untuk Sektor UMKM," IKOMIK: Jurnal Ilmu Komunikasi Dan Informasi 2, no. 1 (2022): 21–28, DOI: 10.33830/ikomik.v2i1.2430.

Kementerian Koperasi dan UKM, "UMKM Dalam Angka Tahun 2023," 2023, 138.

In addition, the government is mandated to ensure legal protection and promote conflict resolution through non-litigious procedures. Further implementation details and technical regulations regarding MSMEs are outlined in various Governmental and Ministerial Regulations. The government issued Law Number 11 of 2020 on Job Creation to address various legal issues faced by micro and small enterprises (MSEs). This was later replaced by Law Number 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation. Despite the enactment of the Job Creation Law, various concerns persist regarding the organization of MSEs—including discrepancies in regional legal products that do not conform to superior laws.

Local legal products that govern the empowerment of micro and small enterprises are also established at the regional level, including in the provinces and regencies/cities of Maluku. Maluku Province has numerous local legal products that are associated with the empowerment of micro and small enterprises:

- Regional Regulation of Maluku Province Number 09 of 2009 on the Establishment of the Regional Technical Implementation Unit for the Management of Revolving Funds for Cooperatives, Micro, Small, and Medium Enterprises in the Cooperatives, Micro, Small, and Medium Enterprises Office of Maluku Province.
- 2. Regional Regulation of Maluku Province Number 10 of 2009 on the Administration of Revolving Funds for Cooperatives, Micro, Small, and Medium Enterprises.
- 3. Regional Regulation of Maluku Province Number 11 of 2014 on the Empowerment of Micro, Small, and Medium Enterprises.
- 4. Regional Regulation of Ambon City Number 16 of 2015 on the Implementation of Revolving Funds and Investments by the Ambon City Government.
- 5. Regional Regulation of Ambon City Number 2 of 2019 on Ambon, a Creative Music-Based City.
- 6. Regent Regulation of East Seram Number 15.a of 2018 on the Development of Local Economy and Superior Products in East Seram Part Regency.
- 7. Regent Regulation of Buru Number 12 of 2019 on the Empowerment of Micro Enterprises in Buru Regency.

Maluku is an Indonesian province with a population of approximately 1.74 million and an area of 54,185 square kilometers. <sup>10</sup> The economy of Maluku Province experienced a quarterly increase of 4.99% (QtQ). In the second quarter of 2023, Maluku Province's economy experienced growth, with a year-over-year increase in economic performance of 5.18%, surpassing the 5.14% growth recorded in the first quarter of 2023. In the second quarter of 2023, the Gross Regional Domestic Product (GRDP) at Current Market Prices in Maluku Province was Rp 14.512 trillion while the GRDP at Constant Prices was recorded at Rp 8.760 trillion, in comparison to the

<sup>&</sup>lt;sup>10</sup> Siti Hajar Suryawati and Tajerin Tajerin, "Penilaian Kesiapan Maluku Sebagai Lumbung Ikan Nasional," *Jurnal Sosial Ekonomi Kelautan Dan Perikanan* 10, no. 1 (2015): 1–19, DOI: 10.15578/jsekp.v10i1.1244.

contraction of 3.16% (QtQ) in the previous quarter. Overall, the substantial increase in government's spending was the primary factor driving the increased growth in the second quarter of 2023. Nevertheless, MSMEs in Maluku continue to face numerous obstacles that impede their development and competitiveness. Key challenges include access to capital; market access; the quality of MSME owners; technological aspects; informal business entities; and suboptimal empowerment based on local wisdom-derived regional potentials. 12

The content of legislation, including regional legal products related to MSMEs, must embody the principle of "Bhinneka Tunggal Ika" (unity in diversity), as determined by Article 6, paragraph 1, letter f of Law Number 12 of 2011 on the Formation of Legislation. In addition, "Bhinneka Tunggal Ika" refers to the urgency of considering the diversity of the population, religion, ethnicity, and social groups, as well as the specific regional conditions and culture of the community, nation, and state when formulating a regulation. Consequently, the principle is a symbolic value of the local wisdom (specific regional conditions and cultural aspects of the community) that should be incorporated into the content of a regional regulation. The inclusion of the value is particularly essential when considering micro and small enterprises that are closely associated with the development and utilization of a variety of exceptional products that are available in the region.

The principle of "Bhinneka Tunggal Ika" has not been thoroughly incorporated into current legal frameworks, resulting in insufficient consideration of the varied social, cultural, and economic realities in Maluku. This analysis highlights the gap in incorporating local wisdom and cultural perspectives into the legal standing which could yield more suitable solutions for micro and small businesses. There is an absence of thorough legal protection for small and micro enterprises that recognize and employ local wisdom as a living legal framework within the community. Existing regulations fail to offer sufficient support mechanisms essential for their development, sustainability, and local economic progress. This study underscores establishing inclusive guidelines to enhance overall business climates for microentrepreneurs.

This study examined the integration of local wisdom principles in the regulations of micro and small enterprises. It distinguishes this study from another similar studies. Bahrul Ulum Ilham, Andi Widiawati, Hamdana, Naim Irmayani<sup>13</sup> investigated the advancement of MSMEs in Polewali Mandar, emphasizing the integration of local wisdom from the Mandar ethnic group into business operations. The findings suggest that local government assistance is vital for the development of MSMEs, the improvement of the welfare of communities and fostering national identity. The Mandar ethnic community possesses profound cultural values that can substantially

Kantor Bank Indonesia Perwakilan Provinsi Maluku, "Laporan Perekonomian Maluku Agustus 2023" (Ambon, 2023), 18.

Badan Pusat Statistik Maluku, "Provinsi Maluku Dalam Angka 2023" (Ambon, 2023), 98.

Ilham, Bahrul Ulum, Andi Widiawati, Hamdana Hamdana, and Naim Irmayani. "Studi Kearifan Lokal Suku Mandar Dalam Peningkatan Kinerja Usaha Mikro Kecil dan Menengah (UMKM)." Jurnal Manajemen STIE Muhammadiyah Palopo 10, no. 1 (2024): 106-121, DOI: 10.35906/jurman.v10i1.1932.

enhance MSME enterprises in the region. This study concludes that the development of MSMEs is facilitated by strategic governmental initiatives; nonetheless, obstacles persist in planning and technology implementation. The Mandar community actively preserves cultural traditions and values, embodying local wisdom despite contemporary pressures. The study recommends that improving strategic planning, advocating for local products among the youth, and facilitating collaboration among MSMEs stakeholders are important ways to support the local economy. Soraya examined the role of cooperatives and MSMEs in improving the community's economy. It seeks to illustrate how these economic institutions might be revitalized to positively influence individuals' lives while also improving environmental objectives. The study concludes that fortifying cooperations and augmenting the capabilities of MSMEs are essential for increasing the community's economy. This economic empowerment is linked to better environmental management, showing that economic initiatives can support sustainability efforts.

The difference between the aforementioned studies and this study is obviously evident. This study emphasizes the regulatory framework and the influence of local wisdom on policies for micro and small business in Maluku whilst the other two articles emphasize the practical implementation of local wisdom in business and community development, lacking a particular emphasis on regulations pertaining to micro and small enterprises at the regional level. This study examined the translation of local wisdom in Maluku into the legal framework and its implications for business operations, in contrast to the Mandar study, which is more closely associated with the cultural traditions of an ethnic community. Soraya's paper amalgamates local wisdom values with sustainability of the objectives, presenting a distinct viewpoint in contrast to this study, which investigates the impact of local wisdom on laws within the MSME sector in Maluku. This study distinguishes itself by highlighting the implementation of legislation rooted in local wisdom, setting it apart from previous works that concentrate on cultural preservation and commercial modernization.

# B. The Value of Local Wisdom in the Principle of *Bhinneka Tunggal Ika* in the Formation of Legislation, Including Regional Legal Products Regulating Micro and Small Enterprises

Culture of civilization encompasses components of local wisdom that form its foundation.<sup>14</sup> Local wisdom is a way of life and knowledge, as well as various life strategies that manifest as activities carried out by the local community in addressing various needs.<sup>15</sup> In foreign languages, it is often referred to as local wisdom, local

Nugroho and Andarini, "Strategi Pemberdayaan UMKM Di Pedesaan Berbasis Kearifan Lokal Di Era Industri 4.0 Menuju Era Society 5.0." *JBI (Jurnal Bisnis Indonesia)* 1, no. 01 (2020): 93-109, DOI: 10.33005/jbi.v1i01.1743.

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Aleida Assmann, "Wholesome Knowledge: Concepts of Wisdom in a Historical and Cross-Cultural Perspective," in *Life-Span Development and Behavior* (Routledge, 2019), 187–224, https://www.taylorfrancis.com/chapters/edit/10.4324/9781315789255-5/wholesome-knowledge-concepts-wisdom-historical-cross-cultural-perspective-aleida-assmann.

knowledge, or local genius.<sup>16</sup> According to Rais, local wisdom constitutes a knowledge system within a community, derived from personal experiences and ancestral guidance transmitted over generations. Local wisdom is adaptable to local circumstances, evident in both verbal and non-verbal communication, and promotes a peaceful, humane, and dignified coexistence.<sup>17</sup>

Local wisdom may also be seen as a living philosophy. This philosophy is built on solid reasoning and ethical principles, encompassing affirmative aspects. Local wisdom can be translated as the work of intellect, deep emotions, character traits, and guidance for human excellence. Mastery of local wisdom will elevate their souls to greater moral nobility. Meanwhile, Naritoom defines local wisdom as the knowledge discovered or acquired by local communities through the accumulation of experience in experimentation and integrated with their understanding of the surrounding nature and culture. Local wisdom is dynamic, with its roles established and linked to the global context. We have the surrounding nature and culture.

It can be inferred that local wisdom reflects how people behave and act in response to changes in their physical and cultural environments. Local knowledge is the result of a dialectical process between the individual and the environment, and the individual's response to environmental conditions. <sup>22</sup> In general, local wisdom can be understood as a local concept that is wise, full of wisdom, good values, ingrained, and followed by the community. <sup>23</sup> In the field of anthropology, the term "local wisdom" has been known as "local genius". <sup>24</sup>

Local wisdom is formally defined in Article 1, paragraph (30) of Law Number 32 of 2009 on Environmental Protection and Management. It is the noble values inherent in a community's lifestyle that contribute to the sustainable protection and management of the environment. In Indonesia, local wisdom clearly has a positive meaning as it is always interpreted in a good or positive way. <sup>25</sup> The choice of the term "local wisdom" consciously or not is a strategy to build and create a better

<sup>&</sup>lt;sup>16</sup> Aji Pratama, Wirman Wirman, and Ryandi Ryandi, "Korelasi Kearifan Lokal Dengan Kepercayaan Lokal Terhadap Tolak Bala Di Paluta," *YASIN* 3, no. 6 (2023): 1358–69, DOI: 10.58578/yasin.v3i6.1842.

Wakit A Rais, "Kajian Etnolinguistik: Kearifan Lokal Dalam Bahasa Dan Budaya Jawa," Pidato Pengukuhan Guru Besar Etnolinguistik Bidang Kearifan Lokal Fakultas Ilmu Budaya Universitas Sebelas Maret Surakarta, 2017.

Ainun Rahman Hidayat, Sinergitas Filsafat Ilmu Dengan Khazanah Kearifan Lokal Madura (Pamekasan: Duta Media Publishing, 2018), 179.

<sup>&</sup>lt;sup>19</sup> Zubaedi, *Pengembangan Masyarakat, Wacana Dan Praktik* (Jakarta: Kencana, 2016), 12.

Eko Setiawan et al., "Peran Masyarakat Sekitar Desa Penyangga Dalam Konservasi Taman Nasional Alas Purwo Berbasis Kearifan Lokal," DIMENSIA: Jurnal Kajian Sosiologi 13, no. 1 (2021): 19–43, DOI: 10.21831/dimensia.v10i1.38862.

Syarifuddin Syarifuddin et al., "Developing Mobile Learning Activity Based on Multiple Learning Objects for the South Sumatra Local Wisdom Course," Asian Journal of University Education 19, no. 1 (2023): 12–27, DOI: 10.24191/ajue.v19i1.21225.

<sup>&</sup>lt;sup>22</sup> Ani Sri Rahayu, *Ilmu Sosial Dan Budaya Dasar: Perspektif Baru Membangun Kesadaran Global Melalui Revolusi Mental* (Bandung: Bumi Aksara, 2022), 2.

<sup>&</sup>lt;sup>23</sup> Samsul Hidayat, "Implikasi Dan Konsekwensi Nilai-Nilai Local Wisdom (Kearifan Lokal) Dalam Kepemimpinan Di Era Globalisasi," *Jurnal Inovasi Penelitian* 1, no. 10 (2021): 2113–22, DOI: 10.47492/jip.v1i10.413.

Ahmadulil Ulil, "Penyelesaian Tindak Pidana Ringan Melalui Kearifan Lokal Dalam Pembangunan Sistem Hukum Nasional," *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional* 8, no. 1 (2019): 113–26, DOI: 10.33331/rechtsvinding.v8i1.307 https://rechtsvinding.bphn.go.id/ejournal/index.php/jrv/article/view/307.

Mahmudah, Siti. "Penerapan kearifan lokal dalam pendidikan anti korupsi." *Jurnal Penelitian Multidisiplin Ilmu* 1, no. 3 (2022): 343-354, DOI: 10.59004/metta.v1i3.167.

image of local knowledge.<sup>26</sup> The phrase "local wisdom" signifies an appreciation for traditional knowledge, whether intentionally or unintentionally employed<sup>27</sup>, Inherited local knowledge is painstakingly analyzed to acquire multiple perspectives pertinent to human existence in both the present and future within a society.<sup>28</sup>

Maluku is an archipelagic province with various ethnic groups, religions, and diverse cultural backgrounds. There are tangible and intangible local wisdoms.<sup>29</sup> Tangible local wisdom includes cultural practices like "hawear" (sasi)<sup>30</sup>, traditional dances, traditional songs, ancient buildings, local foods, traditional handicrafts, and local products in Maluku.<sup>31</sup> On the other hand, intangible local wisdom is conveyed through myths, folklore, proverbs, and so on.

The importance of local wisdom, an essential component of living law that exists within the community and is intertwined with customary law and cultural traditions, requires that the formulation of legislation, including local legal frameworks regulating micro and small enterprises, incorporates local wisdom into its content. The legal basis for drafting local legal products that cover local wisdom, including those governing micro and small enterprises, is in accordance with Article 6, paragraph (1) letter f of Law Number 12 of 2011 on the Formation of Legislation, as previously mentioned in the introduction above.

Laws regulating small and micro enterprises should explicitly incorporate the notion of *Bhinneka Tunggal Ika*, including local wisdom values. According to Article 6, paragraph 1(f) of Law Number 12 of 2011 about the Formation of Legislation, regulations pertaining to MSMEs, including regional legal instruments, must represent the principle of *Bhinneka Tunggal Ika*. This principle stipulates that regulations respect for the population's diversity, including religion, ethnicity, social groups, and the unique conditions and culture present in the community. This notion is essential to guarantee that the established regulations are appropriate and effective across diverse places with varying socio-cultural attributes.

The following data on the number of Micro and Small Enterprises in Maluku as of the end of October 2023 indicates that.

Zulfikar Alamsyah and Agus Suherman, "Kearifan Lokal Dalam Dua Novelet Anak Karya Dadan Sutisna," JENTERA: Jurnal Kajian Sastra 11, no. 2 (2023): 427–37, DOI: 10.26499/jentera.v11i2.5402 https://ojs.badanbahasa.kemdikbud.go.id/jurnal/index.php/jentera/article/view/5402/2019.

Saputra Adiwijaya et al., "Pentingnya Keberlanjutan Kearifan Lokal Dalam Era Globalisasi," El-Hekam 7, no. 1
(2023): 126–138, DOI: 10.31958/jeh.v7i1.10565
https://ojs.iainbatusangkar.ac.id/ojs/index.php/elhekam/index.

<sup>&</sup>lt;sup>28</sup> Siti Mahmudah, "Penerapan Kearifan Lokal Dalam Pendidikan Anti Korupsi," *Jurnal Penelitian Multidisiplin Ilmu* 1, no. 3 (2022): 343–54, DOI: 10.59004/metta.v1i3.167.

Dieter Bartels, *Di Bawah Naungan Gunung Nunusaku Jilid 2*, vol. 2 (Kepustakaan Populer Gramedia, 2017), 20.

Revency Vania Rugebregt, Jejak Pengabdian GAMKI Di Bumi Raja-Raja (Penerbit Adab, 2023.) 44.

<sup>&</sup>lt;sup>31</sup> Tim Penulis Agupena, *PAPPATAMMA: Perlindungan Perempuan Dan Anak Berbasis Kearifan Lokal Di Indonesia* (Deepublish, 2016), 21.

# Micro Enterprises •47.508 Units • Distributed in 11 regencies/cities in Maluku. •653 Units •Distributed in 11 regencies/cities in Maluku. •173 Units •Distributed in 11 regencies/cities in Maluku.

Figure 1. Cooperatives and MSMEs Agency of Maluku Province

The data indicates that Maluku has a significant number of micro and small businesses that are growing and developing. Micro and small enterprises are considerably larger than medium-sized enterprises in terms of the total number of business entities. This implies that micro and small enterprises are highly promising for the community, as they have the potential to enhance the welfare of the people and local revenue, in addition to meeting everyday needs.

# C. Implementation of Local Wisdom Values as Part of the Principle of *Bhinneka Tunggal Ika* in Micro and Small Enterprises Regulations in Maluku to Support Local Economic Development

Mannheim argued that development in the field of law refers to the effort to achieve a stronger harmony between order and peace.<sup>32</sup> According to Rahardjo, the term "legal development" has two meanings. The first and foremost, it is the endeavor to adapt positive law to the evolving needs of society (legal modernization); and second, it is the endeavor to actively engage in the essential social changes of a developing society through the implementation of the law in the development process.<sup>33</sup> Therefore, the process of legal development is always influenced by the social changes that occur.<sup>34</sup> The goals of social control, preservation of social order, and the maintenance of harmony in collective life related to law should be placed in a broader cultural context.<sup>35</sup> Understanding the multifaceted social setting of Indonesia regarding ethnicity, race, and religion is crucial for policymakers in the development sector to effectively understand people's aspirations and direct legal development towards more advantageous goals.<sup>36</sup> In the context of policy

Karl Mannheim, "Mannheim, Mass Society," The Anthem Companion to Karl Mannheim, 2017, 51, https://www.cambridge.org/core/books/anthem-companion-to-karl mannheim/F4EAC83E8BF68A30D2413C17B28498F9.

Didi Jubaidi, "The Significance Of The Living Law Concept In The New Criminal Code: A Perspective Of Progressive Law," Journal of Namibian Studies: History Politics Culture 33 (2023): 6116–40 DOI: 10.59670/jns.v33i.4603.

Irina A Filipova, "Creating the Metaverse: Consequences for Economy, Society, and Law," Journal of Digital Technologies and Law 1, no. 1 (2023): 7–32, DOI: 10.21202/jdtl.2023.1.

Darmadi, Didi, and A. Rustam. "Penerapan Hukum Adat Untuk Menciptakan Harmoni Sosial." ICRHD: Journal of Internantional Conference on Religion, Humanity and Development, 1, no. 1 (2020): 237-258, DOI: 10.24260/icrhd.v1i1.26.

Ousu Mendy, "The State and Prospect of Legislation Number 39 Year 1999 of Indonesia," *International Journal of Humanities, Management and Social Science (IJ-HuMaSS)* 6, no. 1 (2023): 13–22, DOI: 10.36079/lamintang.ij-humass-0601.495.

formulation for development, legal development in a multicultural society should be interpreted as a series of government policies carefully designed to respect the cultural values of all ethnic or tribal groups.<sup>37</sup> This is justifiable as it is undeniable that all ethnic or tribal groups have contributed to the development and advancement of a nation.

There have been significant improvements at the regional, ethnic, political, and legal levels during the current time of regional autonomy. 38 This also strengthens the awareness of the significance of local values in supporting sustainable legal growth, which influences the national legal development process. Therefore, the local wisdom embedded in customary law of the communities should become a fundamental component in the evolution of national legislation, particularly in the establishment of regional legal frameworks, especially those dealing with the facilitation of business operations, empowerment, and protection of micro and small enterprises. At the regional level, particularly in the province of Maluku, there are several regional legal products that regulate micro and small enterprises. These products include three (3) Regulations in Maluku Province, two (2) Regulations in Ambon City, one (1) Regulation in East Seram Regency, and one (1) Regulation in Buru Regency, as previously mentioned in the introduction section. Six of the seven Regional Regulations do not incorporate or incorporate local wisdom into their content. The East Seram Regency Regulation Number 15.a of 2018 on Local Economic Development and Superior Products of East Seram Regency is an exception. This regulation contains references to local wisdom in its content, particularly in relation to local economic development and superior products. Nevertheless, upon further examination, the implementation of this regulation is ineffective due to its ambiguous content, which results in ambiguity and overlapping. The other six (6) Regional Regulations are not only ineffectively implemented due to overlapping jurisdictions and regulatory voids, but they also do not accommodate the application of local wisdom. The following is the explanation:

- Regional Regulation of Maluku Province Number 09 of 2009 on the Establishment of the Regional Technical Implementation Unit for the Management of Revolving Funds for Cooperatives, Micro, Small, and Medium Enterprises at the Department of Cooperatives, Micro, Small, and Medium Enterprises of Maluku Province. The weaknesses of this regional regulation in its implementation are:
  - a. The content does not accommodate and regulate the principle of local wisdom.
  - b. There is a lack of harmony in the regulations within the content that define or provide a definition of Regional Public Service Agency in Article 1 Number

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<sup>37</sup> Sri Astuti Buchari, Kebangkitan Etnis Menuju Politik Identitas (Yayasan Pustaka Obor Indonesia, 2014), 6.

Bizuneh Yimenu, "Measuring and Explaining de Facto Regional Policy Autonomy Variation in a Constitutionally Symmetrical Federation: The Case of Ethiopia, 1995–2020," *Publius: The Journal of Federalism* 53, no. 2 (2023): 251–77, DOI: 10.1093/publius/pjac039.

- 9, which does not refer to the Regulation of the Minister of Home Affairs Number 79 of 2018 on Regional Public Service Agency.
- 2. Regional Regulation of Maluku Province Number 10 of 2009 on the Management of Revolving Funds for Cooperatives, Micro, Small, and Medium Enterprises. The weaknesses of this regional regulation in its implementation are:
  - a. The Content does not accommodate and regulate the principles of local wisdom.
  - b. There are differences in the concept of the definition of small enterprises, medium-sized enterprises, and the SME Law Number 20 of 2008. Currently, with the enactment of Law Number 6 of 2023 on Job Creation, it also needs to be adjusted to the said law to avoid disharmony with higher regulations.
  - c. There is an overlap in authority in this Regional Regulation, which also regulates medium-sized enterprises, which is the authority of the central government, not the provincial government.
  - d. In the content of this Regional Regulation, there are provisions that regulate loans for micro- enterprises in Chapter IV Part Three Article 9, and Part Seven Article 13. However, the concept of micro- enterprises is the authority of the District/City Government, not the Provincial Government.
- 3. Regional Regulation of Maluku Province Number 11 of 2014 on Empowerment of Micro, Small, and Medium Enterprises. The weaknesses of this regulation in its implementation are:
  - a. The content does not accommodate and regulate the principle of local wisdom.
  - b. There is a regulatory disharmony due to differences in the content of this Regional Regulation that still regulates medium-sized enterprises, which is a central government authority, and micro-enterprises, which should be under the jurisdiction of the District/City. This has resulted in an unclear division of authority between the provincial government to regulate small enterprises and the district/city government to regulate micro-enterprises.
- 4. Regional Regulation of Ambon City Number 16 of 2015 on the Implementation of Revolving Funds and Investments by the Ambon City Government. The weaknesses of this regulation in its implementation are:
  - a. The content of this Regional Regulation does not address and accommodate the principles of local wisdom.
  - b. The formulation of Article 25 and Article 26, which provide references regarding the Management of Micro Work Units based on laws and regulations, is a formulation with unclear wording as the substance referred to should be fully explained within this Regulation without further references. It could also be formulated in the Article Explanation regarding the laws and regulations referred to, specifying which regulation it is based on.
- 5. Regional Regulation of Ambon City Number 2 of 2019 on Ambon Creative City Based on Music. The weaknesses of this regulation in its implementation are:

- a. The content of this Regional Regulation does not address or accommodate the principles of local wisdom.
- b. The formulation of Article 26, which formulates the substance regarding coaching and supervision, does not fully specify coaching and supervision of businesses in the field of music. This may result in ambiguity and even the potential for mismanagement by the Regional Government.
- 6. Regulation of the Regent of East Seram No. 15.a of 2018 on Local Economic Development and Superior Products of East Seram District. The weaknesses of this regulation in its implementation are:
  - a. The content has already accommodated local wisdom and local economic development.
  - b. There is a difference in the concept of micro-enterprises in this Regulation compared to Law Number 20 of 2008 on Micro, Small, and Medium Enterprises.
  - c. In this Regulation of the Regent, it still regulates and formulates matters related to medium-sized enterprises, which is under the authority of the Central Government.
  - d. In this Regulation of the Regent, Article 5 does not clearly regulate zoning for areas such as small-scale industries, tourism, and others. Therefore, detailed regulations and implementation are not certain.
  - e. Chapter III of this Regulation of the Regent is titled "Chapter on the Scope of Local Economic Development and Determination of Regional Superior Products." However, Article 4 and Article 5 do not regulate local economics. Therefore, further regulations are needed regarding local economics to provide clarity in the content of this Regulation.
- 7. Regulation of the Regent of Buru Number 12 of 2019 on Empowerment of Micro Enterprises in Buru Regency. The weaknesses of this regulation in its implementation are:
  - a. The Regent's Regulation on the Empowerment of Micro Enterprises is appropriately formulated by Buru Regency. However, when viewed in terms of the type of legal regulation, the Regent's Regulation is a local regulation that serves as an implementation of higher-level regulations. It should be noted that there is no implementing directive from local regulations or higher-level legal regulations (Regulation of the Minister of Home Affairs No. 80 of 2015 on the Formation of Local Legal Products).
  - b. Article 5 of this Regent's Regulation regulates criteria for small enterprises, which is under the authority of the provincial government, referring to the Division of Regional Government Affairs in the field of Cooperatives and MSMEs, as stipulated in Letter Q of the Attachment to Law Number 23 of 2014 on Regional Governance.
  - c. The formulation of Article 16 contains provisions that cannot be implemented because there is no substantive regulation regarding the

requirements for microenterprise financing. It should be formulated concisely based on Article 21 to Article 23 of Law Number 20 of 2008 on MSMEs, and the detailed delegation can be included in the Regent's Regulation as the implementing regulation for this matter.

The effectiveness of the regulation's implementation is compromised by the weaknesses. Consequently, it is necessary to review and reevaluate all local legal products that are associated with the development of micro and small enterprises in Maluku to address legal regulation discrepancies, unclear content formulations, and inconsistencies with higher-level regulations. The ineffective implementation of government initiatives to promote business ease, empower small and microentrepreneurs, and guarantee their protection in Maluku may be the consequence of all these issues. In this written review, which concentrates on the integration of local wisdom principles into regulations for micro and small enterprises in Maluku, it is imperative to reevaluate the importance of preserving and promoting the exceptional products of Maluku. This is implemented to promote the expansion of the local economy, thereby allowing it to compete on a national and global scale.

In the positivist legal theory of Hans Kelsen, law is perceived as a set of norms that are different from moral or ethical values. Kelsen contended that law should be comprehended solely in accordance with a hierarchy of norms, in which each norm derives its legitimacy from a preceding norm, ultimately culminating in the fundamental norm ("grundnorm").<sup>39</sup> As per the author, this theory is appropriate for the analysis of the situation in relation to the application of local wisdom principles in micro and small enterprise regulations in Maluku. In accordance with the fundamental norm and hierarchy of regulations in Indonesia, including Law Number 12 of 2011 on the Formation of Legislation, regulations that support micro and small enterprises should be formulated as part of the formal legal system using local wisdom.

The principle of local wisdom has been acknowledged as a critical component of economic development in the context of Maluku. However, the implementation of this principle in micro and small enterprise regulations is frequently suboptimal. Kelsen's theory suggests that this may be attributed to the absence of regional regulations that explicitly recognize and incorporate local wisdom as a component of the legal system's valid norms. <sup>40</sup> A "legal vacuum" can be interpreted as the absence of distinct regulations, which impedes the validity and efficacy of legal norms at the regional level. Consequently, the development of micro and small enterprises based on local wisdom is not completely supported by the existing legal products, resulting in regulations that do not offer sufficient legal protection.

Fitri, Icha Cahyaning, Dominikus Rato, and Bayu Dwi Anggono. "Pungutan Otoritas Jasa Keuangan Terhadap Industri Keuangan Dipandang Dari Aliran Positivisme Hans Kelsen." Jurnal Yustisiabel 8, no. 1 (2024): 80-88, DOI: 10.32529/yustisiabel.v8i1.2983.

Samekto, FX Adji. "Menelusuri Akar Pemikiran Hans Kelsen Tentang Stufenbeautheorie Dalam Pendekatan Normatif-Filosofis." *Jurnal Hukum Progresif* 7, no. 1 (2019): 1-19, DOI: 10.14710/hp.7.1.1-19.

The information about the number of micro and small enterprise owners<sup>41</sup>, sourced from the Maluku Cooperatives and SMEs Agency, as previously detailed, reveals a significant number of micro and small enterprises across diverse sectors in Maluku. These enterprises produce a variety of exceptional products across Maluku, which require continuous growth to sustain the regional economy and elevate the quality of life of local people. The region's exceptional products comprise pearl shell stuff, handicrafts by clove artisans, Tanimbar woven textiles, Tumbur Tani sculptures, skipjack tuna floss, Halua Kenari (Canari nougat), handmade crochet goods, Walson bamboo crafts, eucalyptus oil, and agricultural produce from Maluku, including cloves, nutmeg, and others. Moreover, there are wooden sculptures named Tumbur Tanimbar, along with many other signature items across the 11 regencies and cities in Maluku, which are rooted in local wisdom. This signifies that Maluku possesses a wealth of diverse flagship products rooted in their local wisdom. These products not only represent regional identity but also provide considerable economic potential. The indigenous knowledge embedded in the production and distribution of these products reflects a profound cultural legacy and an in depth understanding of the environment and natural resources. Yet, in the absence of regional policies that support and safeguard this indigenous knowledge, a significant portion of this potential remains undeveloped and is vulnerable to uncontrolled modernization. Law Number 12 of 2011 stipulates the necessity of regional regulations which respect and preserve local wisdom. Regrettably, in Maluku, policies aimed at supporting and developing products based on local wisdom remain unsatisfactory.

Regional regulations should serve as a strategic tool to safeguard, improve, and cultivate signature items rooted in local wisdom, in alignment with the provisions of Law Number 12 of 2011. In the lack of supportive rules, these products are susceptible to exploitation and a decline in intrinsic value due to commercialization and modernization pressures. This not only breaks the values of acknowledging and respecting local wisdom but also threatens the sustainability of the local economy, which depends on products that originate from traditional cultural practices. All the aforementioned regional hallmark products are crafted from natural resources gained from Maluku's abundant natural heritage. These distinctive items, rooted in indigenous wisdom, constitute particular characteristics of small and micro companies in Maluku. These iconic items should be maintained and further developed to elevate the welfare of the community, particularly for micro and smallbusiness owners, and to stimulate the economy in Maluku. The author concludes, based on a literature review, that substantial evidence indicates the local wisdom approach in diverse policies, from regional to village levels, has effectively established harmonization patterns addressing various social issues within the community. Study by I Nyoman Nurjaya has demonstrated that the Tenganan Bali

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<sup>&</sup>lt;sup>41</sup> Dinas Koperasi dan Usaha Kecil Provinsi Maluku, "Data UMKM Maluku Tahun 2023" (Ambon, 2023), 2.

community has successfully administered the governance of their customary village forest in Tenganan Pegringsingan Bali through the use of local wisdom.<sup>42</sup> The Bunaken Manado community employs their indigenous knowledge to manage spatial and natural catastrophe resources, as investigated by Imam Koeswahyono.<sup>43</sup> In a simpler life, the Keboromo community uses their indigenous knowledge to tackle corruption problems in their area. Moreover, the communities in Bantaeng, Pinrang, and Gowa utilize their indigenous knowledge to aid law enforcement agents in combating crime in their communities, as investigated by Satjipto Rahardjo.<sup>44</sup>

In the context of legal protection for products created by micro and small enterprises, an interesting case occurred in Bejijong Village, Mojokerto Regency, where the local community incorporated their indigenous values into national legislation via village laws. <sup>45</sup> Bejijong Village, situated in the Trowulan District of Mojokerto Regency, East Java, is a traditional artisan hamlet that has practiced brass casting for many decades. Throughout the years, people have regulated their own making methods as a means of social control in their daily existence As time passed, the artists of Bejijong Village were concerned about the legal protection of their market wares. <sup>46</sup> These concerns compelled people to engage in social action by incorporating their established local ideals into the prevailing national legislation.

The regulations for micro and small enterprises in Maluku need to incorporate local wisdom values as these values have become a critical foundation for economic growth through micro and small enterprises. The actualization of these values has been demonstrated to be effective in promoting community welfare and preserving social harmony. The values should be implemented throughout Indonesia, including in Maluku, with a particular emphasis on legal regulations governing micro and small enterprises. The examples identified by the author through the aforementioned literature study illustrate that the local wisdom strategy within society has been highly effective in delivering legal protection that addresses many legal issues in the community. The local wisdom approach can be applied through the provisions of local legislative instruments that regulate micro and small companies incorporating local wisdom elements. The regional administrations in Maluku, at both province

<sup>42</sup> Ilyas Ilyas and Sahra Roba, "Prospect The Study Of Local Legal Autonomy In Regional Autonomy Legal Politics," International Journal of Business, Law, and Education 4, no. 1 (2023): 158–74, DOI: 10.56442/ijble.v4i1.140.

Tengku Irmayani and Sabariah Bangun, "The Synergy of Local Genius in the Development Policy Strategy South Nias Regency," *The International Journal of Management Science and Business* Administration 3, no. 6 (2017): 28-37, DOI: 10.18775/ijmsba.1849-5664-5419.2014.36.1004.

Kamri Ahmad and Andi Maulana, "The Role Of Society In Crime Prevention: A Third Generation Response Of Human Rights," Baltic Journal of Law & Politics 15, no. 7 (2022): 959–69, DOI:10.2478/bjlp-2022-007071.

Muhammad Roisul Basyar, Eko Supeno, and Bintoro Wardiyanto, "The Implementation of the Majapahit House Construction Policy on Improving the MSME Sector in Bejijong Village, Trowulan District, Mojokerto Regency," in 4th International Conference on Arts Language and Culture (ICALC 2019) (Atlantis Press, 2020), 640–47, DOI: 10.2991/assehr.k.200323.075.

Veny Megawati et al., "The Role of Technology in Developing Local Wisdom Based Tourist Destination in Bejijong Village," 2020, DOI: 10.2991/aebmr.k.200127.089.

<sup>&</sup>lt;sup>47</sup> Johannes Ibrahim and Hassanain Haykal, "Religious Communal of Indigenous Peoples in Improving Economy through Local Wisdom (A Juridical Study on Rural Credit Institution in Bali)," *Hasanuddin Law Review* 1, no. 1 (2016): 89–98, DOI: 10.20956/halrev.v1i1.216.

and district/city levels, possess distinct authorities for regulating small and micro companies and can derive insights from other regions.

The local government of Maluku is developing a regional regulation that will govern the organization, development, and arrangement of the creative economy. This regulation will be overseen by the Maluku Province Tourism Office, the Maluku Provincial Regional People's Representative Council, and the Regional Office of the Ministry of Law and Human Rights. Local wisdom is incorporated into this regulation. The objective of this strategic policy is to improve the competitiveness of the region and the role of the creative economy, which includes micro and small enterprises, in strengthening the regional economy. This initiative is expected to improve local citizens' welfare and increase social income.

Other relevant Regional Government Organizations, including the Industry and Trade Office and the Cooperative and SMEs Office, should also implement similar strategic policies at the provincial and district/city levels. In order to facilitate the empowerment and development of micro and small enterprises in Maluku, these measures are indispensable. Given the critical significance of cultivating flagship products rooted in local wisdom to promote economic growth in Maluku, it would be more effective and advantageous if these economic development initiatives were supported by legal frameworks within regional regulations that incorporate principles of local wisdom.

The regional administration should pursue a paradigm shift in legal development, particularly with policies for the empowerment and advancement of micro and small enterprises. The regulation of micro and small firms, both nationally and in municipal statutes, should integrate elements of conserved local expertise as essential components of the legal framework.

## D. Conclusion

Regional legal frameworks have not properly incorporated local wisdom, which is a component of the *Bhinneka Tunggal Ika* concept, into the regulation of small and micro firms in Maluku. The development, protection, and facilitation of many micro and small business owners in Maluku who provide a variety of iconic items based on indigenous knowledge are hampered by the absence of supportive regional rules. These businesses are essential to the expansion of the local economy, which can greatly improve the well-being of the community and raise regional income. Despite this promise, local economic development is still a challenging goal to accomplish without strong regional legislative support.

The Maluku Regional Government must reconsider how principles drawn from local wisdom can be integrated into various regional regulatory frameworks pertaining to the development and empowerment of micro and small companies in order to address these issues. By doing this, companies may promote a strong local economy and better support regional hallmark products. This strategy will also

guarantee that, in the face of global progress, values derived from local knowledge are maintained.

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