The role of notaries in the economic growth of Medan city

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Abstract. Economic growth is an indicator of measuring economic success. The factors influencing the economy of a region is the business climate. Medan as the third largest city in Indonesia has a rapidly developing economy to accommodate business activities. Regional Government of Medan should provide Ease of Doing Business (EoDB) indicators for the investors. Starting a new business is one of the ten EoDB indicators which cannot be separated from the important role of notaries. However, the Regional Government and notaries in Medan have not synergized well so that trimming the licensing procedures for starting a business. This is legal research with a normative juridical approach. The results show that Government Regulation Number 24 of 2018 concerning Electronic Integrated Licensing Services mandates the use of Online Single Submission (OSS) systems. This system trims the bureaucracy and encourages new business start-ups. The Indonesian Notary Association intensely conducts education and training for Notaries on the benefit of applying OSS system. In conclusion, a Notary does not solely act as a deed maker in licensing procedures. Trimming procedures through OSS system as a support to ease of doing business will increase the economic growth in Medan, including licensing arrangements by a Notary.

1. Introduction
Medan is a city with a diverse culture. As the third largest metropolitan city in Indonesia, Medan is a trade gateway in West Indonesia. As the capital city of the province, Medan becomes the economic barometer of North Sumatra. Medan occupies an area of 265.10 km²; population (in 2016) of 2,229,408 people with a density of 8,008 people/km². The strategic position has made Medan attractive to investors. However, a slow bureaucracy and complex licensing system hinder this advantage. As a result, more than a few have canceled their intentions to invest in Medan.

The Indonesian business climate has started to experience changes since the regime of President Joko Widodo. The rise of Indonesia ranking in Ease of Doing Business and investment indicators reflects that condition [1]. In the World Bank survey titled Ease of Doing Business (EoDB) in 2018, Indonesia placed 72nd from 190 countries in the world with a score of 66.47 [2]. This number has experienced a significant increase since 2014, which was rank 120 (in 2014), 114 (in 2015), 106 (in 2016), and 91 (in 2017) [3].

This achievement is inseparable from the current government policy that applies economic policy packages volume 1 to 16 and policies to cut down the bureaucratic and regulatory channels with the aim of facilitating investors to invest in Indonesia [4]. However, the ranking of Indonesia is still far
behind compared to neighboring countries in Southeast Asia, namely Vietnam (68), Brunei Darussalam (56), Thailand (26), Malaysia (24), and Singapore (2). The table below shows the full achievements of EoDB for countries in Southeast Asia.

Table 1. Ease of doing business (EoDB) ranking 2018 [4]

| Country          | 2014 | 2015 | 2016 | 2017 | 2018 | Score |
|------------------|------|------|------|------|------|-------|
| Singapore        | 1    | 1    | 1    | 1    | 2    | 84.57 |
| Malaysia         | 6    | 18   | 18   | 23   | 24   | 78.43 |
| Thailand         | 16   | 26   | 49   | 46   | 26   | 77.44 |
| Brunei Darussalam| 59   | 101  | 84   | 72   | 56   | 70.60 |
| Vietnam          | 99   | 78   | 90   | 82   | 68   | 67.93 |
| Indonesia        | 120  | 114  | 106  | 91   | 72   | 66.47 |
| Philippines      | 108  | 95   | 103  | 99   | 113  | 58.74 |
| Cambodia         | 137  | 135  | 127  | 131  | 135  | 54.47 |
| Myanmar          | -    | 177  | 167  | 170  | 171  | 44.21 |
| Timor Leste      | 172  | 172  | 173  | 175  | 178  | 40.62 |

The 12th volume of economic policy package concerning the Revolutionary Policy on the Ease of Doing Business in Indonesia is a strategy to increase Indonesia economic growth. The World Bank survey has ten indicators of ease of doing business, namely: licensing related to the building; protection of minority investors; cross-country trade; contract enforcement; business start-up; electrical connection; property registration; credit access; payment of taxes; settlement of bankruptcy cases [5].

From the ten indicators of EoDB survey, this paper only evaluates regulations related to the indicator 'starting a business'. The activity of starting a business is a process of managing various permits to start a new business. This indicator has four sub-indicators, namely: minimum capital requirement; simplification of licensing procedures; completion time; cost incurred. A refinement to these sub-indicators aims at improving competitiveness in starting a business in Indonesia.

The notaries play a strong role in managing various permits in which they are authorized to provide legal certainty of making authentic deeds. They also have the authority as a public official to provide legal reinforcement for legal binding. Through Government Regulation Number 24 of 2018 concerning Electronic Integrated Business Licensing Services, the government began implementing Online Single Submission (OSS) system. It is an application that facilitates licensing by cutting down the bureaucratic chain. Other services given by the government are issuing the Minister of Law and Human Rights Regulation Number 3 of 2017 concerning the Cost of Notary Services for the Establishment of Limited Liability Companies for Micro, Small, and Medium Enterprises and issuing the Minister of Law and Human Rights Regulation Number 29 of 2016 concerning Amendments to
Limited Liability Company Capital. Through OSS system, notaries must play an active role in managing new licenses for various types of businesses, to encourage economic growth in Medan City.

2. Method
This research was conducted using a normative juridical approach. This method emphasizes research on literature data collection classified as secondary data. All data is then analyzed qualitatively and arranged systematically to answer the problem of this study.

3. Results and Discussion
The government as the state organizer has an important and strategic role in economic development. The aim is to improve the quality of life and welfare of all its citizens [6]. The current economic growth strategy of Indonesia cannot rely solely on fiscal and monetary instruments. The third policy room, in the form of a structural policy based on quality institutional development, has become a new priority for the government. Reformation on the supply side aims at reforming the regulation system, bureaucracy, and public sector services to establish a conducive and competitive business climate. All of these must take place simultaneously at the national and regional levels, driven by strong and institutionalized government leadership and supported by the active participation of the private sector and society in general [7].

The development of quality institutions has been carried out by the government by issuing 16 (sixteen) economic policy packages. Regulations in the regions must be adjusted to the economic policy package so that business actors can enjoy the ease of doing business. Volume 12 (twelve) of the economic policy package is a large and important package with a broad scope, involving 10 (ten) indicators of starting a business set by the World Bank. Of the 10 (ten) indicators, the total number of procedures previously totaled 94 procedures, which is then reduced to 49 procedures. Similarly, licenses which previously totaled nine permits were reduced to 6 [8].

Based on the data from the Medan Central Bureau of Statistics (CBS), the economic growth of Medan city is unstable as seen from data starting from 2011 (7.7%), 2012 (7.66%), 2013 (5.36%), 2014 (6.08%), 2015 (5.74%), 2016 (5.10%), and 2017 (5.18%). The length of licensing procedures in starting a new business in Medan triggered that condition partly as shown in the table below.

| Procedure                                                                 | Days | Official Fee (IDR) | Unofficial Fee (IDR) |
|---------------------------------------------------------------------------|------|--------------------|----------------------|
| 1. Purchasing a voucher to order a company name at the BNI Bank           | 1    | 200,000            | -                    |
| 2. Obtaining a Domicile Certificate (DC) from the village head or the owner | 3    | -                  | 200,000              |
| 3. Obtaining notary services for ordering a name, obtaining a standard format for the deed of establishing a company, obtaining a company name usage agreement, ratifying a company deed from the Ministry of Law and Human Rights | 2    | 6,500,000          | -                    |
| 4. Making payments for Non-Tax State Revenues (NTSR) for legal services to the state treasury through a bank | 1    | 1,580,000          | -                    |
5. Obtaining Taxpayer Registration Number (TRN) & Taxable VAT Entity Confirmation Number (TVECN) from the local Tax Office

6. Submitting a Trading Business License (TBL), Company Registration Certificate (CRC), and Nuisance Permit (NP) at the Integrated Service Licensing Agency (ISLA)

7. Registering at the Ministry of Labor through the local Labor Office

8. Proposing membership in the Worker Social Security program at the Institution of Employment Social Security (IESS)

|   | Time    | Money     |
|---|---------|-----------|
| 5 | -       | -         |
| 6 | 10      | 607,500   |
| 7 | 3       | -         |
| 8 | 7       | -         |
|   | **Total** | **8,887,500** | **200,000** |

Source: Asian Development Bank 2015 (ADB) [9]

One of the EoDB indicators is starting a new business. This indicator has 4 (four) sub-indicators, namely: minimum capital requirements; simplification of licensing procedures; completion time; cost incurred. The central government has made improvements to the four sub-indicators by issuing: Regulation of the Minister of Law and Human Rights Number 29 of 2016 concerning Amendments to Limited Liability Company Capital; Government Regulation Number 24 of 2018 concerning Electronic Integrated Business Licensing Services, which is also a legal umbrella for implementing the OSS system; Regulation of the Minister of Law and Human Rights Number 3 of 2017 concerning the Cost of Notary Services for the Establishment of Limited Liability Companies for Micro, Small, and Medium Enterprises.

After legalizing the Government Regulation Number 24 of 2018 concerning Electronic Integrated Licensing Services, permit applications are submitted online through the OSS system. The system has reformed the Licensing Business Act on a number of sectors, namely: electricity; agriculture; environment and forestry; public works and public housing; marine and fisheries; health; drug and food; manufacture; trade; transportation; communication and informatics; finance; tourism; education and culture; higher education; religion; labor; police; cooperative and micro, small, and medium enterprises; and nuclear [9].

The OSS system relates to the Department of Population and Civil Registration at the Ministry of Home Affairs, Directorate General of Taxes at the Ministry of Finance, General Law Administration at the Ministry of Law and Human Rights, Institution of Health Social Security (IHSS), and Institution of Employment Social Security (IESS) [10]. Therefore, business actors will find it easy to invest in Indonesia.

Through OSS system, business actors will obtain a Business Identification Number (BIN), location permit, environmental permit (for those who conduct business and/or activities requiring environmental impact analysis or Environmental Management Effort-Environmental Monitoring Effort in the context of environmental protection and management as a prerequisite to obtain a business and/or activity permits), building permits from the regional government (for building owners to build, change, expand, reduce, and/or maintain buildings in accordance with the administrative requirements and applicable technical requirements), business permits, and operational/commercial permits [11].
A notary is a public official authorized to make authentic deeds and other authorities as referred to in Law Number 2 of 2014 concerning Amendments to Law Number 30 of 2004 concerning Notary Position (from now on referred to as Law of Notary Position) or other laws. Other notary authorities are regulated further in Law of Notary Position Article 15 paragraph 1 and 2. One of the notary authorities stipulated in Article 15, namely: providing legal counseling in connection with the making of deeds. About making a deed of establishing a business entity, a notary must know both legal and non-legal business entities and OSS. That way, the business actor has been facilitated by a notary to understand the procedure of establishing a business entity and starting a business. Finally, the economic growth of Medan will increase.

Before implementing the OSS system, business actors had to go through 13 procedures that took 47 days at a cost ranging from IDR 6.8-7.8 million to start a business. Permits to be made include Trade Business License (TBL), Company Registration Certificate (CRC), Deed of Incorporation, Business Location Permit, and Nuisance Permit. Post implementation, investors especially MSMEs, can start a new business through only seven procedures in 10 days for the cost of IDR 2.7 million. The permits required for Micro, Small, and Medium Enterprises are TBL and CRC which are issued simultaneously and the Deed of Incorporation [12].

To maximize the performance of the OSS system, 514 districts/cities in Indonesia must have regional regulations on Spatial Detail Plans (SDP) and digital maps. The function of SDP and the digital map is to check whether the location is by the allocation of space or not. If the SDP location is available in the digital SDP map, location permits are obtained directly without commitment. If the location has an SDP, but the digital SDP map is not yet available and the location does not yet have an SDP on the OSS system, then the location permit is obtained by a commitment mechanism [12].

By launching the OSS system in July 2018, the economic growth rate of Medan increases in 2019. Medan can achieve such condition due to its regional regulations on SDP and digital maps. Besides that, the role of the notary is needed to socialize the OSS system for business actors through legal counseling before making a deed of establishing a business entity. The Indonesian Notary Association has intensely trained the notaries on the benefit of applying and using the OSS system. Thus, the synergy between the regional government of Medan and notaries is needed to facilitate business affairs in obtaining permits through the OSS system.

4. Conclusion
The OSS system is made to facilitate investors to start businesses in Indonesia. The OSS system will provide maximum results when all regions have regional regulations on Spatial Detail Plans (SDP) and digital maps. Moreover, those regions should achieve the synergy between their regional government and notaries. With the existence of local regulations on SDP and digital maps, starting a business in Medan is faster than previously, which positively affects the economic growth of Medan City.

As a recommendation, it is necessary to strengthen the synergy by improving the curriculum of the notary magister program to be based on electronic information and transaction system, so that prospective notaries have sufficient knowledge to utilize the OSS system. This way, business actors can enjoy the ease of doing business in Medan.

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