



ISSN: 2230-9926

Available online at <http://www.journalijdr.com>

IJDR

International Journal of Development Research

Vol. 16 Issue, 01, pp. 69779-69784, January, 2026

<https://doi.org/10.37118/ijdr.30476.01.2026>



RESEARCH ARTICLE

OPEN ACCESS

SETTLEMENT OF DEFAULT IN REVOLVING FUND LOAN AGREEMENTS TO COOPERATIVES BY THE REVOLVING FUND MANAGEMENT INSTITUTION FOR MICRO, SMALL AND MEDIUM ENTERPRISE COOPERATIVES (LPDB-KUMKM) IN INDONESIA

Rumainur*¹, Eeng Wicaksono², M. Raihan JN³

¹Faculty of Law, Universitas Nasional, Jakarta, Indonesia; ²Faculty of Law, Universitas Nasional, Jakarta, Indonesia; ³School of Business & Economics, Universiti Putra Malaysia, Malaysia

ARTICLE INFO

Article History:

Received 20th October, 2025

Received in revised form

17th November, 2025

Accepted 28th December, 2025

Published online 30th January, 2026

Key Words:

Default, Agreement, Revolving Loan Fund, Cooperative, Revolving Fund Management Institution for Cooperatives, Micro, Small, and Medium Enterprises (LPDB-KUMKM).

*Corresponding author: Rumainur,

ABSTRACT

The Micro, Small, and Medium Enterprises Cooperative (LPDB-KUMKM) in Indonesia is a business entity that provides loan services to its members through savings and loan units. In practice, loans are based on a written agreement addressed to the debtor to fulfill their obligations as stated in the agreement. However, in practice, many debtors still do not fulfill their obligations to repay the loan according to the terms and time limits that have been determined. This study aims to identify and describe the resolution of cases of defaulting debtors as well as obstacles and efforts in implementing credit agreements. The research method used is a normative legal research method that uses a normative juridical approach. This research was conducted in several libraries in Jakarta. The data sources used are secondary data in the form of regulations and library documents related to the problem studied. The results of the study obtained are that credit agreements are made with an initial agreement and are required to become members of the cooperative. If the debtor does not comply with the agreement, it can be said that the debtor is in default. Meanwhile, efforts to resolve default cases include firstly, restructuring, which includes rescheduling, reconditioning, and restructuring. If this is unsuccessful, a second approach, namely amicable settlement, is pursued.

Copyright©2026, Rumainur et al. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Citation: Rumainur, Eeng Wicaksono, M. Raihan JN. 2026. "Settlement of Default in Revolving Fund Loan Agreements to Cooperatives by the Revolving Fund Management Institution for micro, small and medium enterprise Cooperatives (Lpdb-kumkm) in Indonesia". *International Journal of Development Research*, 16, (01), 69779-69784.

INTRODUCTION

The 1945 Constitution, specifically Article 33 paragraph (1), states that the Indonesian economy is structured as a joint venture based on the principle of kinship. In such an economic environment, cooperatives should have ample scope and business opportunities that benefit the people's economic well-being. However, despite such rapid economic development, the growth of cooperatives has not yet fully manifested its form and role as defined by the 1945 Constitution. The issue of cooperatives and micro, small, and medium enterprises (MSMEs) is a very interesting issue to study scientifically because they constitute an integral part of the Indonesian economy. Their development is directed towards ensuring that cooperatives truly implement cooperative principles and economic business principles. In this way, cooperatives will become stable, democratic, autonomous, participatory, and socially responsible economic organizations. Cooperative development is essentially intended to encourage cooperatives to carry out business activities and play a leading role in the people's economic life. The existence of cooperative business organizations is closely related to the prevailing economic system in a country. Therefore, the most important and fundamental thing that must first be understood by those wishing to

study cooperative law is a basic knowledge of the ideology, understanding, and economic system adopted by that country. The idea of cooperatives emerged during the heyday of capitalism. While capitalism is based on the understanding of the importance of capital in economic activity, cooperatives prioritize the role of humans in capital accumulation. Thus, the difference lies in the emphasis on the role of production factors in economic activity; cooperatives on people, while capitalism on the power of capital. This does not mean that one does not require production factors, as emphasized by the other. In capitalism, humans are a necessary factor of production, while in cooperatives, the capital required to run a business is pooled by the individuals who make up the cooperative. Article 9 of Law No. 25 of 1992 concerning Cooperatives, cooperatives obtain legal entity status after their Deed of Establishment is ratified by the Government, this means that the cooperative's position is equal to other legal entities and can carry out legal acts as individual legal subjects or institutions represented by the Board of Directors consisting of at least the Chairperson, Secretary and Treasurer in carrying out legal actions on behalf of the cooperative as the proxy of the members' meeting. The Board of Directors is elected by the Members' Meeting designated for that purpose, has the right to represent, act for and on behalf of the cooperative, but with certain limitations, including borrowing a certain amount of money to fertilize the cooperative's

capital in carrying out a number of business activities from banks or other financial institutions. With its status as a legal entity, the legal status between the cooperative as an organization and the legal status of its founders is clearly separated. This is also very useful to distinguish the founders and members from the cooperative organization in daily operations. Logically, this clear separation of legal status also includes a clear separation of the assets of both.

LITERATURE REVIEW

Breach of Contract: Breach of Contract is a situation where a debtor (debtor) fails to fulfill or fails to fulfill a promise as stipulated in an agreement. Breach of contract, or failure to fulfill a promise, can occur either intentionally or unintentionally. A debtor is considered negligent if they fail to fulfill their obligations or are late in fulfilling them, but not as agreed. Another term for breach of contract is a breach of contract, which can be defined as a breach of promise committed by one party, either by failing to fulfill the terms of the agreement, or by fulfilling the obligations late, or by doing something they are not permitted to do.

Regarding the definition of breach of contract, according to Ahmadi Miru, breach of contract can include:

- Complete failure to fulfill the obligation.
- Incomplete fulfillment of the obligation.
- Late fulfillment of the obligation.
- Doing something prohibited by the agreement.

Meanwhile, according to A. Qirom Syamsudin Meliala, default can occur in the following ways:

- Complete failure to fulfill the obligation.

A debtor who fails to fulfill the obligation is said to have failed to fulfill the obligation.

- Fulfillment of the obligation but not on time.

If the debtor's obligation is still expected to be fulfilled, the debtor is considered to have fulfilled the obligation but not on time, and is therefore considered to be in default.

- Fulfillment of the obligation but not in accordance with or in error.

A debtor who fulfills the obligation but makes an error. If the error cannot be corrected, the debtor is said to have failed to fulfill the obligation at all.

Abdul Kadir Muhammad stated that default occurs due to two possibilities:

- Force majeure.
- Due to the debtor's fault, either intentional or negligent.

Force Majeure is an unforeseen circumstance or event that prevents a debtor from fulfilling their obligations before they fail to fulfill their obligations, for which reason they cannot be blamed.

Force Majeure is divided into two categories:

- Absolute Force Majeure is when the obligation cannot be fulfilled by anyone at all.
- Non-absolute Force Majeure is when the obligation is still possible, but requires a sacrifice from the debtor.

Both intent and negligence have different consequences, with the debtor having to compensate for losses resulting from intent rather than negligence.

According to Sri Soedewi Masyhoen Sofwan, a debtor is considered in default if three elements are met:

- The debtor's actions are regrettable.

- The consequences are foreseeable, both objectively, meaning a reasonable person could predict that the situation would arise, and subjectively, meaning a qualified person could predict that such a situation would arise.
- Can be held accountable for their actions, meaning they are not insane or mentally impaired.

If a person, under certain circumstances, believes that their debtor's actions will be detrimental, they can request the annulment of the agreement. According to the most widely held opinion, it is not the debtor's negligence that causes the annulment, but rather the judge's decision that annuls the agreement. Therefore, the decision is constitutive and not declaratory. In fact, the judge has discretionary power, meaning they have the authority to assess the debtor's breach of contract. If the negligence is deemed too minor, the judge has the authority to refuse to annul the agreement, even if the requested compensation must be granted.

Agreement: A written agreement between two or more parties is called a contract. It involves an agreement between them to do something. Therefore, the definition of a contract is often equated with an agreement or *Overeenkomsten*, which is "an agreement between two or more parties regarding their property, intended to bind both parties." Regarding contracts, one of the most important aspects of a contract is its implementation. In fact, it could be said that the implementation of the contract is the goal of those who enter into it, because by implementing the contract, the parties can fulfill their needs, interests, and develop their talents. Article 1313 of the Civil Code defines an agreement as "an act by which one or more persons bind themselves to one or more persons." An agreement, when viewed from its form, is a series of words containing promises or commitments, spoken or written by the parties making the contract. The agreement sets out the rights and obligations of the parties making it. An excerpt from Black's Law Dictionary regarding agreements (agreement): "A concord of understanding and intention, between two or more parties, with respect to the effect upon their relative rights and duties...", which, when translated into Indonesian, means, "An understanding and intention between two or more parties, resulting in mutual respect for their rights and obligations...". The legal relationship within an agreement is not a relationship that can arise spontaneously, as exists in family property. In the legal relationship of family property, a legal relationship automatically arises between a child and his or her parents' assets, as regulated by inheritance law. In contrast, in an agreement, the legal relationship between one party and another cannot arise spontaneously. This relationship is created through a "legal act." The legal act carried out by the parties creates the legal relationship of the agreement, whereby one party is granted the right by the other to obtain performance. Meanwhile, the other party also provides for the obligation to fulfill the performance. The requirements for a valid agreement, according to Article 1320 of the Civil Code, are as follows: "For an agreement to be valid, four conditions are required." : Agree those who bind themselves; Competence

Based on the definitions above, it can be seen that an agreement is the primary and most important source for creating a contract. There are various essential elements of an agreement that create a contract, these elements are:

- a) The existence of a legal relationship.
A legal relationship is a relationship in which the law attaches rights to one party and imposes obligations on the other. If one party ignores or violates this relationship, the law forces it to be fulfilled or restored. If one party fails to fulfill its obligations, the law forces it to be fulfilled.
- b) Wealth. The criteria for a contract are the measures used to determine whether a legal relationship can be considered a contract. Previously, the criterion was whether the legal relationship could be valued in monetary terms. If the legal relationship could be valued in monetary terms, then it constituted a contract. This criterion is increasingly difficult to maintain, as there are also legal relationships in society that

cannot be valued in monetary terms. However, if legal consequences are not imposed on them, the sense of justice will not be fulfilled, thus contradicting one of the purposes of law, namely achieving justice.

c) Parties

legal relationship exists between two or more parties entitled to performance. The active party is the creditor or debtor, and the party obligated to fulfill the performance, while the passive party is the debtor or debtor. This is what is called the subject of the contract.

d) Performance (legal object)

Article 1234 of the Civil Code states: "Every contract is to give something, to do something, or to refrain from doing something." These four elements create an agreement that creates a contract, where legal relationships arise regarding the persons and assets of the contracting parties. On the other hand, the law places rights on one party and obligations on the other. "If one party ignores or violates this contract, or in legal terms, this is called a breach of contract, the law forces that the contract be fulfilled or restored."

Revolving Fund: A revolving fund is a fund loaned to be managed and distributed to the public by a Budget User or Budget User Authority, with the aim of improving the people's economy and other objectives. A revolving fund is defined as funds allocated by a State Ministry/Institution/Work Unit of a Public Service Agency for capital strengthening activities for cooperatives, micro, small, and medium enterprises, and other businesses under the supervision of the State Ministry/Institution. (Minister of Finance Regulation No. 218/PMK.5/2009). The Revolving Fund policy at the Ministry/Institution is aimed at expanding opportunities for Cooperatives, SMEs, and other businesses to obtain capital strengthening and accelerating the distribution of revolving funds managed by Public Service Agencies (BLU), BLUD, Banks, and Non-Bank Financial Institutions (LKBB). (as stipulated in Minister of Finance Regulation No. 99/PMK.05/2008, which has been amended to Minister of Finance Regulation No. 218/PMK.05/2009). The revolving fund program is a government-funded assistance program in the form of cash or capital goods distributed to Cooperatives and Small and Medium Enterprises (KUMK). These funds are distributed through a revolving scheme. The revolving scheme is a method for utilizing assistance to KUMK. The procedures and requirements are regulated by a decree of the Minister of Cooperatives and Small and Medium Enterprises (KUKM). This revolving scheme, initiated in 2000, is one of the Ministry's innovations to assist KUMK in stimulating community economic growth through policies for fostering and developing KUMK programs. The goal of the revolving fund program is to strengthen the capital of MSMEs and large-scale businesses to improve community welfare. With the revolving fund mechanism, it is hoped that more people will receive the funds, resulting in a snowballing effect. The performance of the revolving fund is measured by the number of recipients who are on target, the high rate of repayment of funds to the organizer and the revolving of funds to recipients, and the increased welfare/economic capacity of revolving fund recipients.

Cooperatives: A cooperative is a business entity whose members are individuals or cooperative legal entities, whose activities are based on cooperative principles and are also a people's economic movement based on the principle of family (Article 1 of Law No. 25 of 1992 concerning Cooperatives). A cooperative is a business entity that organizes the utilization and empowerment of its members' economic resources based on cooperative principles and economic business principles to improve the standard of living of its members in particular and the local community in general. Thus, cooperatives are a people's economic movement, and cooperatives base their activities on the principles of a people's economic movement based on the principle of family. According to the Big Indonesian Dictionary, a cooperative is an association that aims to meet the needs of its members by selling daily necessities at low prices (not with the intention of making a profit). The word cooperative comes from the English word "cooperation" or the Dutch word "cooperatie," meaning

cooperation between several people to achieve goals that are difficult to achieve individually. This shared goal is the economic interest of improving shared prosperity. The cooperative movement was initiated by Robert Owen (1771-1858), who first applied it to a cotton spinning business in New Lanark, Scotland. This cooperative movement was further developed by William King (1786-1865), who established a cooperative shop in Brighton, England. On May 1, 1828, King published a monthly publication called "The Cooperator," which contained various ideas and practical suggestions for managing a shop using cooperative principles. According to P.J.V. Dooren, there is no single, generally accepted definition of a cooperative. Here, Dooren expands the definition of a cooperative, defining it not only as a group of individuals but also as a legal entity. According to the "Father of Indonesian Cooperatives," Moh. Hatta, a cooperative is a joint effort to improve the economic well-being of people based on mutual assistance. Munkner defines a cooperative as a mutual aid organization that conducts "business" collectively, based on the concept of mutual assistance. Business activities are solely aimed at economic goals, not social ones, as implied by mutual cooperation.

Cooperative principles are the fundamental foundation for cooperatives in operating their businesses as business entities and as a people's economic movement, aiming to build effective and long-lasting cooperatives. The latest cooperative principles developed by the International Cooperative Alliance (an international federation of non-governmental cooperatives) are:

- Open and voluntary membership,
- Democratic management,
- Member participation in the economy,
- Freedom and autonomy,
- Development of education, training, and information.

Cooperatives are considered financial institutions born from the spirit of Indonesian society because their management and operations prioritize the principle of family. This system is run by, for, and from members, prioritizing the equitable improvement of member welfare. This prosperity is our national goal, and it aligns with the economic principles adopted by our constitution, the 1945 Constitution of the Republic of Indonesia (UUD 1945). The goal of economic development is to achieve social prosperity. The basic provisions for implementing this activity are regulated by Article 33 paragraph (1) of the 1945 Constitution, which states, "The economy is structured as a joint venture based on the principle of family." To achieve this goal, one of the government's efforts is to create various regulations regarding cooperatives and encourage their development. The explanation of this article states that the business structure that aligns with the character of the Indonesian nation is the cooperative. Cooperatives are an organized movement driven by the people's aspirations to achieve a progressive, just, and prosperous society, as mandated in the preamble to the 1945 Constitution. Cooperatives are a people's economic movement run on the principle of family. Cooperatives also play a role as a people's economic movement based on the principle of family, taking the form of a cooperative organization. The essence of cooperatives is cooperation, namely cooperation between members to achieve the welfare of members in particular, and in general to contribute to improving the welfare of society and to national economic development.

Cooperatives were introduced to Indonesia by R. Aria Wiriatmadja in Purwokerto, Central Java, in 1896. He founded a credit union with the aim of helping people trapped in debt by loan sharks. The cooperative grew rapidly and was eventually imitated by Boedi Utomo. In 1915, the regulations for the Cooperation Association (Verordening op de Cooperatieve Vereeniging) were established, and in 1927, the Regulation of Inlandsche Cooperatie (Regeling Inlandsche Cooperatie). In 1927, the Islamic Trade Union (Serikat Dagang Islam) was established. With the aim of fighting for the economic position of indigenous entrepreneurs, the Indonesian National Party was founded in 1929, fostering and championing the spread of cooperatives in Indonesia. In 1942, the Japanese occupied Indonesia and established a cooperative called the Kumiyai cooperative. A

national figure who steadfastly supported cooperatives was Moh. Hatta, the first Vice President of the Republic of Indonesia, earning him the nickname "Father of Indonesian Cooperatives." Officially, the Indonesian cooperative movement was born on July 12, 1947 at the 1st Congress in Tasikmalaya, which is commemorated as Indonesian Cooperative Day.

Revolving Fund Management Institute for Cooperatives and Micro, Small, and Medium Enterprises (LPDB-KUMKM): The Revolving Fund Management Institute for Cooperatives and Micro, Small, and Medium Enterprises (LPDB-KUMKM) is a work unit under the Ministry of Cooperatives and SMEs that implements the Public Service Agency (BLU) management model. Provisions regarding BLUs are regulated by several regulations, most recently Government Regulation Number 74 of 2012 concerning Amendments to Government Regulation Number 23 of 2005 concerning Financial Management of Public Service Agencies. To date, 141 work units have implemented the Public Service Agency Financial Management model (PK-BLU). These PK BLUs are under the guidance of the Directorate for Financial Management Development of Public Service Agencies, Ministry of Finance. LPDB-KUMKM is one of the Public Service Agencies (BLU) with full status based on Decree No. 292/MK.5/2006 dated December 28, 2006, concerning the Establishment of the Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises at the Ministry of Cooperatives and Small and Medium Enterprises as a Government Agency Implementing the Public Service Agency Financial Management Model (PPK-BLU). The Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises (LPDB-KUMKM) was established in 2006 based on Decree of the Minister of Cooperatives and SMEs of the Republic of Indonesia Number 19.4/Per/M.KUKM/VIII/2006 dated August 18, 2006, concerning the Organization and Work Procedures of the Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises, as amended by Regulation of the Minister of Cooperatives and SMEs of the Republic of Indonesia Number 11/Per/M. KUKM/VI/2008 dated June 26, 2008, concerning the Organization and Work Procedures of the Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises, as amended by Regulation of the Minister of State for Cooperatives and SMEs of the Republic of Indonesia Number 06/Per/M.KUKM/V/2013 concerning the Organization and Work Procedures of the Revolving Fund Management Institution for Cooperatives and Micro, Small, and Medium Enterprises.

LPDB-KUMKM's primary duties in managing revolving funds include:

- a. Collecting, transferring, and returning revolving funds from loans from the Ministry of Cooperatives and SMEs' revolving fund program, and distributing loans/financing already provided by LPDB-KUMKM;
- b. Providing loans/financing to Cooperatives, Micro, Small, and Medium Enterprises (KUMKM), with or without intermediary institutions, including Bank Financial Institutions (LKB) and Non-Bank Financial Institutions (LKBB).
- c. Providing other forms of financing for MSMEs according to their needs.

RESEARCH METHODS

Type of Research: This research uses a normative legal research method, which is conducted by reviewing materials derived from various laws and regulations and other materials from various literature. Normative legal research is legal research conducted by reviewing legal materials derived from various laws and regulations and various legal literature.

Types of Approaches: In legal research, researchers use several approaches to obtain information from various aspects regarding the

issues being addressed. This research employed the following approaches:

1. The statute approach, which examines all laws and regulations related to the legal issue being addressed. In this research, the laws and regulations reviewed are as follows:
 - a. The 1945 Constitution of the Republic of Indonesia;
 - b. The Civil Code;
 - c. Law Number 25 of 1992 concerning Cooperatives
 - d. Law Number 17 of 2003 concerning State Finances
 - e. Law Number 1 of 2004 concerning State Treasury
 - f. Government Regulation Number 74 of 2012 concerning Amendments to Government Regulation Number 23 of 2005 concerning Financial Management of Public Service Agencies
 - g. Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06 of 2019 concerning Amendments to Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 08 of 2018 concerning the Distribution of Revolving Fund Loans/Financing by the Cooperative and Micro, Small and Medium Enterprise Revolving Fund Management Institution.
2. Factual Approach: This approach examines the facts on the ground based on the problem being studied, which are then linked to the application of applicable law.

Legal Material Sources: The legal materials examined in this research are primary and secondary legal materials, which can be described as follows:

1. **Primary Legal Materials:** Primary legal materials are binding legal materials. The primary legal materials used in this research consist of laws and regulations related to the problem, as follows:
 - a. The 1945 Constitution of the Republic of Indonesia;
 - b. The Civil Code;
 - c. Law Number 25 of 1992 concerning Cooperatives;
 - d. Law Number 17 of 2003 concerning State Finances;
 - e. Law Number 1 of 2004 concerning State Treasury;
 - f. Government Regulation Number 74 of 2012 concerning Amendments to Government Regulation Number 23 of 2005 concerning Financial Management of Public Service Agencies;
 - g. Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06 of 2019 concerning Amendments to Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 08 of 2018 concerning Distribution of Revolving Fund Loans/Financing by Revolving Fund Management Institutions for Cooperatives and Micro, Small and Medium Enterprises.
2. **Secondary Legal Materials:** Secondary legal materials are materials closely related to primary legal materials, including books, legal journals published in print and electronic media, and the internet, with references to the websites and articles relevant to the research topic.

Legal Material Collection Techniques: The legal material collection in this research was conducted through a literature review, covering legislation, jurisprudence, and books. In addition to the literature review, unpublished legal documents, such as agreements and court decisions, were also used in public libraries. Interviews were also used as a legal material collection technique, supporting the documentation technique in this research and serving to obtain legal materials to support the research if needed.

Legal Material Analysis Techniques: To analyze the collected legal materials, several analytical techniques will be used, such as description, argumentation, and systematization. Description is a basic analytical technique whose use cannot be avoided. Description means a realistic description or explanation of a condition or position based on legal or non-legal propositions. Argumentation is an assessment based on legal reasoning. Systematization is an effort to

find the relationship between the formulation of a legal concept or legal proposition between equal or unequal laws and regulations.

RESULTS AND ANALYSIS

One of the issues that often hinders the development of the cooperative and small and medium enterprise (SME) sectors is capital, as these sectors struggle to access formal financing from banks. To address this issue, the government, through the Ministry of Cooperatives and SMEs of the Republic of Indonesia, established a Public Service Agency called the Revolving Fund Management Agency for Cooperatives and Micro, Small and Medium Enterprises (LPDB-KUMKM). A Public Service Agency (BLU) is a government agency established to provide services to the public in the form of goods and/or services sold without prioritizing profit and conducting its activities based on the principles of efficiency and productivity. The BLU aims to improve public services in order to advance general welfare and improve the nation's life by providing flexibility in financial management based on economic and productivity principles, and implementing sound business practices. The Revolving Fund Management Agency for Cooperatives and Micro, Small and Medium Enterprises (LPDB-KUMKM) is a work unit of the Ministry of Cooperatives and SMEs that implements the management model of a Public Service Agency (BLU). Provisions regarding Public Service Agencies (BLU) are regulated by several regulations, most recently Government Regulation Number 74 of 2012 concerning Amendments to Government Regulation Number 23 of 2005 concerning Financial Management of Public Service Agencies. The existence of LPDB-KUMKM is inseparable from its role as a national and global economic and business actor. This means that LPDB-KUMKM needs to rethink how it develops and offers services, or how it provides services to its partners. Although LPDB-KUMKM's existence is not solely for profit, but rather prioritizes improving revolving fund services to strengthen MSME capital. As is customary in civil law, every borrower (debtor) must provide collateral to the creditor to guarantee repayment of their debt. Cooperatives, as debtors, are no exception, as they, as debtors, must provide collateral to the creditor, the LPDB. This collateral can take the form of assets, receivables, and even personal guarantees from the Management. LPDB financing is intended for Cooperatives and Micro, Small, and Medium Enterprises. Funding must be allocated to cooperatives and their savings and loan units and properly distributed to cooperative members as member loans to the cooperative. A list of members' receivables must be created for fiduciary use to debtors. The Savings and Loan Business is the only business unit within a cooperative legal entity specifically regulated by Government Regulation No. 9 of 1995 concerning the Implementation of Savings and Loan Business Activities by Cooperatives. According to Article 1 of the Law, a Savings and Loan Business is defined as an activity carried out to collect funds and distribute them through savings and loan business activities from and for members of the cooperative, prospective members of the cooperative, other cooperatives, and/or their members. To obtain a revolving fund loan from the LPDB Cooperative, certain requirements must be met, including those stipulated in Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06 of 2019 concerning Amendments to Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 08 of 2018 concerning the Distribution of Revolving Fund Loans/Financing by the Revolving Fund Management Institution for Cooperatives and Micro, Small and Medium Enterprises. Cooperatives as recipients of revolving funds must meet the following criteria:

- a. have a legal entity as a cooperative;
- b. have held annual members' meetings for at least the last two years;
 - a. have an office;
 - b. have positive business results for the last one fiscal year; and
 - c. have a smooth repayment performance and no arrears on previous loans/financing if the cooperative is currently

receiving revolving fund loans/financing from LPDB-KUMKM.

The distribution of revolving fund loans/financing from LPDB-KUMKM to revolving fund recipients is outlined in a loan/financing agreement. The provisions governing agreements are contained in Book III of the Civil Code, entitled "Contracts." The term "contract" has a broader meaning than the word "agreement." An agreement is a legal relationship between two people or two parties, based on which one party has the right to demand something from the other party, and the other party is obliged to fulfill it. An agreement can be defined as an event in which one person makes a promise to another or where two people mutually promise to carry out something. According to Article 1313 of the Civil Code, an agreement is an act by which one or more persons bind themselves to one or more other persons. Based on the definition of an agreement previously stated, for an agreement to be valid, it must meet the requirements for a valid agreement, as stipulated in Article 1320 of the Civil Code, namely:

- a. They agree to bind themselves
- b. Capacity to enter into an agreement
- c. A specific thing agreed upon
- d. A lawful cause

Providing credit to entrepreneurs always carries risk. Therefore, the safety element is one of the basic principles in lending, in addition to suitability and profitability. Although in the distribution of Revolving Funds LPDB applies several strict and selective requirements to prospective debtors, in reality there are still several problems in the implementation of the distribution of revolving funds to Cooperatives, including the occurrence of defaults in the implementation of the revolving fund distribution agreement, this can be seen from the recorded NPL level, until the end of June 2019, the level of non-performing loans (NPL/bad credit) was 3.6 percent gross.

REFERENCES

- Badruzzaman, Mariam Darius, Decisions on Civil Cases, Bappit North Sumatra Branch, Medan, 1962
- Badruzzaman, Mariam Darus, Various Business Laws. (Bandung: Alumni 1994)
- Kansil, C.S.T., Introduction to Legal Science, (Jakarta: Balai Pustaka, 1986)
- Solly, Lubis, Philosophy of Science and Research, (Bandung: Mandar Maju, 1994)
- Peter Mahmud, Marzuki 2011, Legal Research, Kencana Prenada Media Group, Jakarta
- Qirom Syamsuddin, Meliala, Principles of Contract Law, (Yogyakarta: Liberty, 1985)
- Ahmadi, Miru, Contract Law and Contract Drafting, (Jakarta: Rajawali Pers, 2007)
- Aditya Putra, Patria, Thesis: "Legal Consequences of Personal Guarantees of Managers in Credit Agreements in the Name of Cooperatives" (Depok: University of Indonesia, 2012)
- Prodjodikoro, Wirjono, Civil Law Concerning Certain Agreements. (Bandung: Sumur 1981)
- Simanjatak. 1999. Principles of Indonesian Civil Law. Published by Djambatan. Jakarta.
- Sinungan, Muchdarsyah, Fundamentals and Techniques of Credit Management, (Jakarta: Bina Aksara, 1989)
- Sofwan, Sri Soedewi Masjchun, Indonesian Civil Procedure Law in Theory and Practice, (Yogyakarta: Liberty, 1981)
- Subekti, Contract Law, (Jakarta: Intermasa, 1992)
- Subekti, Civil Code, (Jakarta: PT. Arga Printing, 2007)
- Subekti, Principles of Civil Law, (Jakarta: PT. Intermasa, 1982)
- Suharti, Moh. Taufik Makarao, Fauziah, "Cooperative Law for Micro, Small, and Medium Enterprises in Indonesia," (Jakarta: @kademia, 2012)
- Sunggono, Bambang, 2010, "Legal Research Methodology," Rajawali Pers, Jakarta

W., Andjar Pachta, Myra Rosana Bachtiar, Nadia Maulisa Benemay, "Indonesian Cooperative Law: Understanding, Regulation, Establishment, and Business Capital," (Jakarta: Kencana, 2005)
Law of the Republic of Indonesia Number 25 of 1992 concerning Cooperatives.
Law Number 17 of 2003 concerning State Finances.
Law Number 1 of 2004 concerning State Treasury.
Government Regulation No. 9 of 1995 concerning the Implementation of Savings and Loan Business Activities by Cooperatives.

Government Regulation Number 74 of 2012 concerning Amendments to Government Regulation Number 23 of 2005 concerning Financial Management of Public Service Agencies.
Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06 of 2019 concerning Amendments to Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 08 of 2018 concerning Distribution of Revolving Fund Loans/Financing by Revolving Fund Management Institutions for Cooperatives and Micro, Small and Medium Enterprises.
