

Economy and the Family Belief: Understanding the Idea and the Consequence

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ABSTRACT

The concept of the family has been established in Indonesian economic theory ever since the republic's declaration. There is controversy over how the family principle should be employed as the foundation of the Indonesian economy, though the notion is still not comprehended. Thus, the aim of this research is to describe in what way the family principle in Indonesia's Economy has been regarded and understood in order to avoid misconception or multi-interpretations to comprehend it. Qualitative approach which is based on literary studies is used in this research. This approach considers being appropriate for studies in the environment of economic theory since researchers attempt to comprehend the understanding and thoughts of significant figures in the Indonesia economy. The findings show that there are two critical and similarly important elements of the family principle to comprehensively understand the concept namely cooperation and competition. The research suggests that both concepts had been integrated into the family principle as competition, while all economic institutions recognized by the constitution concurrently compete and cooperate.

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1. INTRODUCTION

Since the republic's proclamation, the idea of the family has been embedded in Indonesian economic thought. However, there is controversy over how the family principle should be employed as the foundation of the Indonesian economy, though the notion remains not comprehended (1).

That is an issue that requires more research. Studies that directly address the kinship concept in economics are rare. Past studies have mostly focused on the idea of kinship as it relates to a cooperative economy (2).

Therefore, this research seeks to explain how to comprehend the family as the central idea in the Indonesian economy. Additionally, it seeks to provide a thorough grasp of the family principle in order to avoid further misunderstandings, multiple interpretations, and multiple implementations.

2. LITERATURE REVIEW

In the Indonesian economy, Hatta has underlined the importance of the family value. He believed that the Indonesian people will work as a cohesive unit to build the country's economy. As the only economy built on the family principle, he emphasizes the value of cooperation in the Indonesian economy (3). The kinship principle, namely the family economy or cooperatives, is a component of economic democracy.

Consequently, it is evident that the concept of kinship is only restricted to corporate entities that take the form of cooperatives (4). Yet, as the Indonesian economy includes both cooperatives and other types of commercial entities, the cooperative interpretation of the family concept as the only interpretation is insufficient.

The family principle is an important part of the Indonesian economy, as it ensures an equal distribution of welfare among all Indonesian people (5). As both of the founding fathers of Indonesia lived through the colonial era, when there was a significant economic divide in society, where it existed, the fair distribution of welfare has become the cornerstone of the Indonesian economy. Most of the local Indonesian population became dissatisfied as a result of this economic inequality (6). Therefore, the aspect of cooperation is considered a proper solution to eliminating the dissatisfaction of the Indonesian people.

The new economists contend that economic growth ought to be devoid of idealism and solely based on the concept of economics. Criticize the economy's unreasonable implementation and disregard for the economic principle in favor of the revolution (7). Later, Professors Mubyarto and Dr. Emil Salim produced an economic theory that combined Indonesian socialism with sound economic concepts. They attempted to unite the collective characteristics of the Indonesian people with the economic principle, particularly competition, through the notion of the Indonesian economy although cooperatives, micro, small, and medium-sized businesses (MSMEs) are the mainstays of the Indonesian economy, the state enterprise plays a significant role as well. Coordination between the state enterprise, private businesses, and cooperatives is expected (8).

3. RESEARCH METHODS

Qualitative research is used to provide a holistic approach to the family's principle in the Indonesian economy. Besides, it fits the study of economic theory since it has advantage of being exploratory in nature (9) and also researchers listen to their respondents and build interpretations based on their ideas to gather detailed and subjective information (10).

The following are the areas of focus for this study:

Public commentary. It consists of what individuals already know and understand about the subject of the study.

Aim, necessity, or desire. Consciously and intuitively, it comprises of emotional drivers. It also touched on the subject's mind.

Human behavior. It entails looking into any significant behaviors as well as the activity and what they see themselves accomplishing.

Cultural. Researching common meaning, norms, and/or codes were also relevant, as were cultural dynamics and the meaning system's relationship to the study's subject (11).

Thus, the purpose of the qualitative study is to comprehend the research issue precisely.

The literature analysis approach is used to examine the family principle in the Indonesian economy and its application. In addition, inductive approach is applicable to use in this study, to compare views of founding fathers of Indonesia with other economists. Therefore this research employs the document analysis method. The historical technique is another name for this approach. It is an indirect approach of social research where literature is examined and gathered to examine and research relevant social problems (12).

In this study, content analysis is also employed. It is research-based on thorough examination of the information's written or printed contents. It is abundantly evident from the definition above that content analysis refers to any method that examines the text's substance. On the other hand, the term "content analysis" is sometimes used to refer to a certain analytical strategy. The different distinctive qualities can be identified scientifically, methodically, and in a generalist manner using content analysis (13)

This study is descriptive in nature. There is a pattern of observations with a specified time in the explanatory research. Descriptive research procedures are actions that include data collection to test hypotheses or respond to inquiries about the existing condition of the study's subject (14). While Singarimbun and Effendi define descriptive method research as work designed to carry out detailed measurements of a certain phenomenon by formulating concepts and gathering information from inside or outside the firm, they do not conduct a hypothesis test (15).

This research has several limitations, such as the author only analyzing the interpretation of the family principle in the Indonesian economy and not proposing alternatives. The time limitation also affects the depth of the analysis and completeness of aspects, as well as the number of scholarly publications being referred to. The author will try to consider as many aspects as possible.

4. RESULTS AND DISCUSSION

The 1945 Constitution, particularly articles 27, 33, and 34, provides the legal framework for the Indonesian economy. Every citizen is ensured a job and a good life based on humanity by putting the Indonesian economy philosophy into practice. In addition, the state must take care of the underprivileged by establishing a national social security system.

Article 33, Paragraphs 1, 2, and 3 provide the following description of the structure of the Indonesian economy:

Paragraph 1

“The economy shall be organized as a common endeavor based upon the family principles.”

Paragraph 2

“The sectors of production which are important for the country and affect the life of the people shall be under the powers of the State.”

Paragraph 3

“The land, the waters and the natural resources within shall be under the power of the State and shall be used to the greatest benefit of the people.” (16)

It is well known that these three articles are sequentially regarded as the legal basis for cooperatives, state enterprises, and private firm. Yet, when we go deeper into the words above, we find that neither Emil Salim nor Mubyarto ever provided a clear justification for this interpretation (8). There is no statement either in the explanation of the 1945 published by Constitution General Secretariat of the People's Consultative Assembly's. Overall, it cannot be said that the cooperative, the state enterprise, and the private firm are constitutionally supported by Article 33, paragraphs 1, 2, and 3 in that order.

According to the definition of the family principle in cooperatives, all policies and activities must be oriented toward mutual interest and mutual help, in which committees, supervisors, and all members must participate in each activity (17). The cooperative is the only economic institution based on the family principle, which includes norms of group action and mutual help. It benefits all members, lowers the cost of items offered, and is especially beneficial for those with little purchasing power. Moreover, integrating cooperatives with micro, small and medium enterprises provides external financing to help them develop and secure external financing (18).

There are three different forms of state enterprises in Indonesia, as defined by Law No. 9/1969 on the form of state enterprises: 1) The government owns all the shares of the service company. Not a business that prioritizes profits. It exists to serve the needs of the populace; 2) Public Company: Like the Service Company, all of the shares are owned by the government. Nonetheless, a Perum's goals are evenly split between producing a profit and offering services; 3) Limited Liability Company: All or the majority of the shares are owned by the government (16).

The private company is the final pillar of the Indonesian economy. In Indonesia, there are four different kinds of private company. They include: 1) One person owns a sole proprietorship. Usually, the owner runs the company themselves. There is no separation between one's own money and the company's fortune. Without formal establishment or legal documentation, the owner assumes total responsibility for the business. According to Indonesian Civil Articles 1618–1652, if two or more people come together, it is termed a Civil Federation; 2) Firma: a foundation created by two people or more. Each individual has full accountability and participates actively in the business. A company is a civil partnership to run a company with a joint name, following Article 16 of the Indonesian Commercial Code; 3) Comanditaire Venootschap (CV), founded by two or more people, participates actively in the company, while others take a more passive position. Full duty belongs to the person who actively participates in the organization; limited accountability belongs to the passive member. It is regulated in articles 19, 20, and 21 of the Indonesian Commercial Code. And 4) Limited Company (LC), a legal entity with share-based capital. At the conclusion of the yearbook, dividends will benefit the investors (shareholders). The government LC differs from the private LC in that the government owns all of the shares—or at least the majority—of the latter. An interpretation of LC is based on articles 36, 40, 42, and 45 of the Indonesian Commercial Code.

As most sole proprietorships lack such features, it is widely believed that a corporation is equivalent to a professional company in terms of organizational structure and positions. Conclusion: There are at least two different interpretations of how the family principle is put into practice. First off, the incorrect reading of paragraphs 1, 2, and 3 of Article 33 of the 1945 Constitution is regarded as the legal basis for cooperatives, state enterprises, and for-profit businesses. The second misconception is that paragraph 1 of article 33 is intended only for cooperation. Based on Hatta's assertion that the cooperative is the most tangible economic institution founded on the family principle, this interpretation is made. Hence, it is believed that paragraph 1 and cooperative (3).

The family principle is the principle of cooperation, which is considered good since it ensures an equal distribution of welfare among all Indonesian people. However, both Salim and Mubyarto argue that competition should be kept as healthy as possible and maintained well so it does not turn into a "free-fight competition". To gain a comprehensive understanding of the family principle, both aspects of cooperation and competition should be equally acknowledged and played an essential role in the Indonesian economy. The term used to refer to this combination of simultaneous competition and cooperation, is cooperation. This term first used by Ray Noorda in the 1980s (19). Researcher argues that there are a number of indicators supplied by Indonesian economists that support the competitiveness theory. According to Widjojo (2), cooperatives and for-profit businesses should be allowed to operate in just certain industries.

Cooperates could conduct business in important sectors and affect the people's lives with support from the state's companies. Private businesses, on the other hand, might operate in less significant industries. Sumitro stated that the government should restrict its oversight and interference to the most critical economic issues and allow private businesses some latitude to operate in the market. In order to guarantee the principle of social progress and consistently encourage the populace's economic initiative and inventiveness, it was also essential for the government to get involved in the most important sector (6).

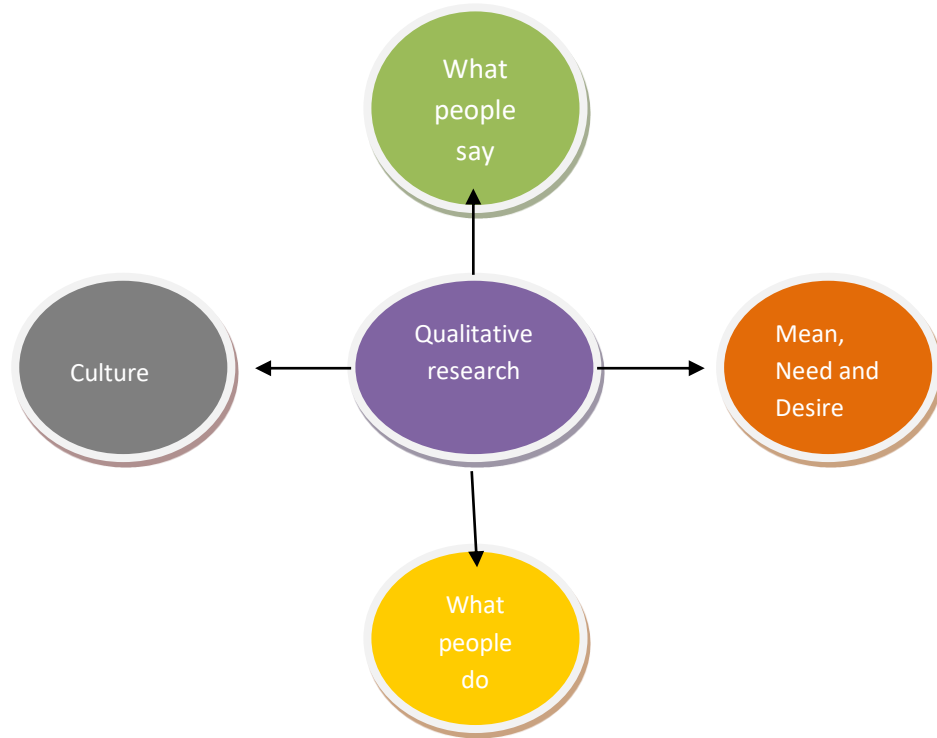


Figure 1. Focal Points of Qualitative Research Source: Author's work

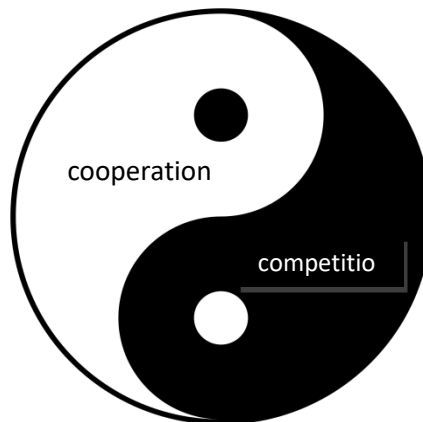


Figure 2. Coopetitive relation proposed by Raza-Ullah

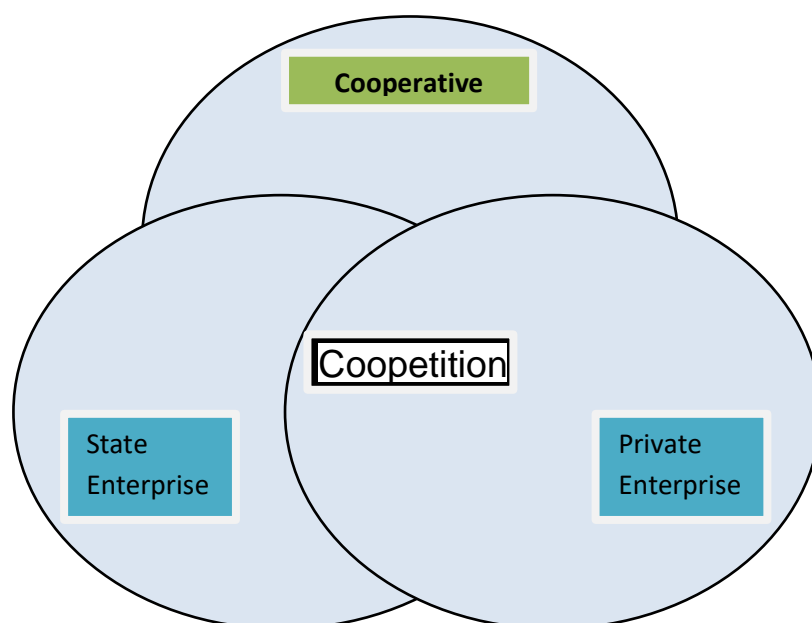


Figure 3. Coopetitive relation proposed in this research

Coopetition is an attempt to understand the relationship between firms, but more research is needed to gain a comprehensive understanding of the family principle. As suggested by Walley (19) it is necessary to extend the conceptual domain coopetition and also understand the pattern of relationship between the pillars of the Indonesian economy based on its concept.

The most crucial element is, however, to fully comprehend the family principle; both parts of cooperation and rivalry should be accepted equally, and both sides should be used simultaneously rather than alternately. Earlier studies suggested a coexistence model based on the size of internal boundaries and the strength of exterior boundaries, as shown in figure (21).

5. CONCLUSION

In brief, the author could state that cooperation and competition are essential for understanding the family principle, but the degree to which they interplay varies. It is obvious by examining how several generations have approached and used the family ideal that the earlier generation placed an emphasis on cooperation. Leading authorities, however, now suggest a logical and practical economic theory. In a while, the Indonesian economy has incorporated both ideas.

Nonetheless, there is not a lot of support for this viewpoint. In fact, to some extent, every statistic examined in this study suggests that competition exists and should be fostered in order to maintain equilibrium.

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