

Crowdfunding for Defense Sector in Indonesia: Challenges and Opportunities

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Abstract

This article proposes a methodological perspective for the research of crowdfunding in the defense sector to increase the nation's capacity in defense sector expenditures. This article examines the challenges and opportunities of implementing defense budget crowdfunding in Indonesia, concentrating on several aspects such as history, social culture, state budget growth, and governance. Based on the evaluation of relevant research, it is crucial to establish budget finance system improvements to support the national defense component. By reconstructing the history of the generosity of the Indonesian people, the social and cultural conditions, the growth of state defense budgeting, and the legal features of state budget management, there is potential for crowdfunding. The results show that there are challenges and concerns regarding the implementation of crowdfunding, Firstly, it can result in a conflict of interest, and secondly, there is no explicit legal way to classify crowdfunding as state revenue for defense sector.

Keywords: *Crowdfunding, Defense, Budget.*

1. INTRODUCTION

Indonesia's national interests face a wide range of threats and opportunities as a result of the strategic environment's rapid evolution and increasing complexity on a global, regional, and even domestic scale, particularly on a global scale, where geopolitics is currently centered on the strength of countries. As seen by the economic and trade battles between the United States and China as well as the political and security field dynamics occurring in the Middle East region, there is intense competition. In the Asian region, there are regional tensions including the Korean Peninsula, China-Taiwan, and the South China Sea, as well as the growth of security cooperation between the United States, Australia, India, and Japan, who are members of the Quadrilateral Security group. Dialogue regarding the BRI strategy or the Belt and Road Initiative of China.

Due to potential military and non-military challenges, Indonesia's position, which is geographically close to the core of instability in the Asian area, poses a threat to national stability. Terrorism and radicalism, cyber dangers, substance misuse, social disputes, and economic crises are all potential domestic concerns. In addition, previous and current events, including the split of East Timor, the armed insurrection in Aceh, and the presence of separatist groups in Papua, as well as the frequent Coast Guard infractions in the North Natuna Sea, pose dangers to Indonesia's territorial integrity.

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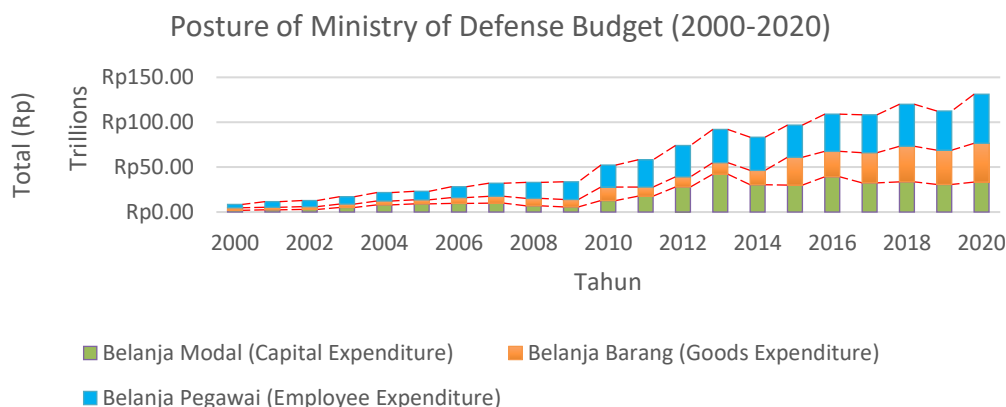
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With the Industrial Revolution 4.0, space and cyberspace have been added to the original land, sea, and air dimensions of battle. The advancement of Industry 4.0 technology can be abused to dominate the economy, which is detrimental to national interests and has the potential to become a non-military threat. Future war paradigms may include asymmetric warfare and endless warfare, which highlight advanced information and communication technologies, military elements, and non-military features (Republic of Indonesia, 2021).

There are many non-military threats identified in Government Number 8 of 2021, including those related to ideology, politics, socioculture, technology, economics, public safety, and legislation. Declining national values, ideology in opposition to Pancasila, problematic/deviant sects, an anarchist understanding of radical groups, and terrorist acts are all ideological dimensions of the overt threat (Republic of Indonesia, 2021).

This definition suggests three distinct categories of danger: military threats, non-military threats, and hybrid threats. Threats can be factual or hypothetical, depending on the circumstances. Today, states face military threats, non-military threats, and hybrid threats (both domestic and foreign) that threaten their ability to maintain sovereignty over their territories and the safety of their citizens. Conventional war or open conflict, nuclear weapons threats, economic crises, pandemics, and unauthorized immigrants are all examples of possible threats that have the potential to materialize at any time (Republic of Indonesia, 2021). A comprehensive national defense system is required to deal with the aforementioned threats.

The Ministry of Defense and the National Army (Tentara Nasional Indonesia/ TNI), which it oversees, have seen their budget increase annually, but this has not been enough to meet the sector's output goals or to build a solid national defense infrastructure. Defense spending for 2021 has been estimated at IDR 137 trillion (US\$9.4 billion), up significantly from the year-end 2020 budget of Rp 122 trillion (US\$8.4 billion) and up significantly from spending at the end of 2020, which totaled IDR 118 trillion (US\$8.1 billion). The Indonesian defense budget has grown significantly since 2008, increasing by 8.5% in real terms (13.0% in nominal terms) each year despite cuts in 2016 and 2018. Defense spending during this time period, however, peaked in 2015 at 0.9% of GDP and is projected to remain relatively stable at around 0.7% of GDP annually between 2008 and 2020. Despite a substantial budget increase in 2021, defense spending will only account for 0.8% of GDP (The International Institute for St, 2021).



Graph 1. Ministry of Defense Budget realization 2010-2022 (Trillion Rupiah)

Source: Taken from LKPP and NK APBN, Republic of Indonesia

In addition, as shown in the first graph above, personnel costs will continue to account for the bulk of the Defense Ministry's budget through 2020. Although there is a fixed amount of money set aside to buy defense equipment, the amount set aside to pay for personnel continues to rise every year. Budget allocations for personnel costs averaged Rp. 45.8

trillion (40.3% of the total) between 2016 and 2020, followed by goods costs at Rp. 38.4 trillion (33.8%) and capital costs at Rp. 29.5 trillion (26%). Similarly, in terms of expansion, the budget allocation for personnel expenses grew faster than that for goods and capital expenditures, increasing by an average of 7% per year. Commodity spending increased by an average of 2.81 percent per year, while capital spending increased by only 2.80 percent per year. So, based on the preceding pattern, the budget for personnel expenditures rises annually at the same rate as the budget of the Ministry of Defense (Mujibburahman, 2021).

Spending on personnel, goods, necessities, and human resources consumes more than half of the Ministry of Defense's budget, leaving only half available for actual modernization, maintenance, or purchases. This means that routine expenditures, employee wages, equipment, and commodities expenditures can be maximized within the assigned State Revenue and Expenditure Budget (APBN), while expenditures on defense equipment and defense equipment cannot. Taking a close look at the budget, it is clear that the TNI, the backbone of the national defense system, will not be able to buy enough of the most advanced military hardware to adequately protect the country.

Furthermore, in comparison to other countries, especially those in ASEAN, Indonesia's defense budget remains low. The Stockholm International Peace Research Institute (SIPRI, 2020) reported that Indonesia's military budget is only 0.86 percent of the country's GDP. The GDP per capita of several other ASEAN countries, including the Philippines (1.01%), Malaysia (1.14%), Thailand (1.47%), Singapore (3.2%), and Brunei Darussalam (4.1%), is already above 1%. As a large country that is geographically close to South China Sea rivals, Indonesia should work toward obtaining the Minimum Essential Force (MEF) or Minimum Basic Strength (MBS) (Mujibburahman, 2021). There is a marked difference between this and the regional average of 1.8% (Alynudin & Rawinarno, 2019).

In addition, as part of its efforts to improve the national defense system (Komcad), the government will establish a Reserve Component in accordance with Government Regulation No. 3 of 2021 concerning Implementing Regulations of the Republic of Indonesia Law No. 23 of 2019. It is estimated that the cost of educating one Komcad soldier will be around Rp. 30 million (Devi Puspitasari, 2021). A total of 25,000 new recruits were planned by the Ministry of Defense at first. A total of Rp 1 billion has been set aside for the pilot stages of this program (Agus Setyo Hartono, 2021). Obviously, this program's budget is fairly high and is projected to last a long period.

Another issue is that the government has not made the most of its resources to fully support the defense of the country. However, securing reliable funding is a major challenge to expanding the defense sector. These issues will be resolved gradually if they are not entirely dependent on regular government funding (Muradi, 2018). Furthermore, the defense and security industry receives support from the State Capital Participation (Penyertaan Modal Negara/ PMN) program on a non-annual basis. For instance, in 2015 PMN payments amounted to Rp. 2,600 billion (Deasy Dwi Ramiayu et al., 2020).

The PMN budget for 2021 is estimated to be Rp 37.4 trillion, according to the draft State Revenue and Expenditure Budget (Rancangan Anggaran Pendapatan dan Belanja Negara/ RAPBN). In 2020, this estimate is 18.7 percent higher than the PMN prediction made available to State-Owned Enterprises (Badan Usaha Milik Negara/ BUMN). The PMN outlines a payout of Rp1.3 trillion to PT PAL Indonesia (Persero) (Thomas Hadiwinata, 2020). The above may be interpreted to suggest that for the defense sector to perform at its best as a defense-supporting component, the government must allocate sufficient state defense funding.

The fact that the current state budget is still focused on combating pandemics, which are also a worldwide problem, is a further issue. COVID-19 The Indonesian government has been implementing fiscal policies that are thought to be appropriate in an effort to

mitigate the economic effects of the recent COVID-19 outbreak. The government's current fiscal strategy regarding COVID-19 places an emphasis on public health, social safety nets, and business incentives, especially for Small And Medium-Sized Enterprises (SMEs) (Fiskal, 2020). This naturally made it difficult to increase the budgets of other sectors, particularly the defense sector.

Observe, however, that one of the most important aspects of strengthening the military is the budget, which has a substantial impact on the expansion of a nation's military sector (Darmawan et al., 2020). Since some of the TNI's defense equipment is already in poor condition, a reduction in the allocation of spending on defense equipment will risk combat capabilities and aspects of maintenance (Setiaji, 2020). The protection of national interests, territorial integrity, sovereignty, and safety by the state is still considered insufficient and insufficient.

In accordance with Minister of Defense Number 28 of 2016 concerning the State Defense Program and Budget System, the sources of defense expenditures are classified as Pure Rupiah, Non-Tax State Revenue (Penerimaan Negara Bukan Pajak/ PNBP), Grants, Foreign Loans (Pinjaman Luar Negeri/ PLN), and Domestic Loans (Pinjaman Dalam Negeri/ PDN) (Kementerian Pertahanan, 2016). Defense financing is required to finance defense spending, which requires both equity (equity financing) and debt (debt financing), both of which will be the responsibility of the state (government balance sheet) (Purnomo Yusgiantoro, 2014).

From a different perspective, there is potential for funding from crowdfunding. Public funding or crowdfunding can be defined as an initiative by individuals/teams/organizations/entities to raise funds for the completion of a project. The defining characteristic of crowdfunding is the collection of small to moderate sums of money from a large number of individuals for a cause that generally captivates the hearts of a large number of people (Ordanini, 2009).

Crowdfunding as a method of raising money has huge potential in Indonesia. There has been a significant increase in Indonesia's score from 2018's 59% to this year's 69% on the CAF (Charities Aid Foundation) World Giving Index (WGI). Using Gallup data, the Charities Aid Foundation ranks the generosity of donors in more than 140 countries in their annual World Giving Index (WGI) report. In the WGI 2021 report, Indonesia ranked first in two of the three categories or indicators that served as WGI's measurements: contributing to foreigners/unknown, donating money, and volunteering/volunteering activities. More than eight out of ten Indonesians gave money this year, and the rate of volunteering in Indonesia is three times that of the rest of the globe.

Another example is when a submarine accident occurred, the Indonesian people took action to raise funds for the purchase of a new submarine. However, inadequate regulations have caused the realization of these actions to be impossible.

According to the preceding explanation, the government's restricted power to allocate military resources is the greatest barrier to attempts to build strength and mobilize and utilize defense forces to support the state's security system. strong. In order to deal with the dynamics of shifting strategic settings, it is important to expedite the completion of a suitable state defense finance budget, a vehicle which is crowdfunding. This paper examines the advantages and disadvantages of using crowdfunding for budget defense.

2. LITERATURE REVIEW

2.1 Concept of National Defense Financing

In this research, "state defense financing" refers to Article 25 of Chapter VII of Financing Law Number 3 of 2002 concerning National Defense, which states that state defense financing comes from the State Budget and is used to construct, maintain, develop, and

employ the State of Indonesia's Indonesian National Army (Tentara Nasional Indonesia/TNI) and other defense components. Therefore, the term "national financing defense" refers to money used by the state budget for defense purposes (Main Components, Reserve Components and Supporting Components) (Efendi et al., 2022). This is distinguishable from the financing context intended by Law Number 17 Years 2003 Concerning State Finance, which defines financing as any income that must be repaid and/or expenses that will be reimbursed, either in the current fiscal year or the following fiscal year (Republic of Indonesia, 2003)

2.2 Crowdfunding Theory

Crowdfunding can be defined as a fundraising initiative proposed by individuals/teams/organizations/entities to support a project. Crowdfunding is also defined from a more precise perspective by researchers and practitioners, who view it primarily as a product of improvements in Web 2.0 technology and social media. Crowdfunding is an innovative method based on new technology that is reshaping the financial markets, particularly those associated to Web 2.0, and has a substantial impact on areas of society such as education, business, and medicine (Beaulieu et al., 2015). Based on Hemer (2021), recommends a Lambert/Schwiebacher (2010) definition of crowdfunding, namely The term "crowdfunding" refers to an online fundraising strategy in which a group or individual solicits contributions from a large number of people for the purpose of covering monetary needs, either in the form of uncompensated donations or in exchange for gifts and/or rewards. formally endorse a measure for a designated goal by casting a vote for it.

According to Wade (2013) in Aziz et al (2019), crowdfunding can be defined as the practice of gathering funds, typically over the Internet, to fund a private initiative by raising a small amount of money from several funders with the same interests and ideologies. Both definitions emphasize the importance of internet and information technology platforms in crowdfunding. Meanwhile, Canada Media Fund (2012) in Tirdanatan et al (2014), provides a definition of crowdfunding with an emphasis on the role of social media. Crowdfunding is fundraising through collecting small contributions from the public using the Internet and social media. Thus as Hemer (2021) also said, the meaning of "crowd" in crowdsourcing and crowdfunding refers to people who use the internet (internet community).

Technically Aziz et al (2019), explains that crowdfunding can usually be done by anyone as a creator on the platform. While the web platform is a forum as well as a media liaison that also helps campaign the project. The creator or fundraiser is responsible for the crowdfunding mechanism in initiating fundraising, while the crowdfunding portal acts as an intermediary, and the community as donors or funders.

2.3 Defense Science Philosophy

Science is described as knowledge that is systematically organized according to particular procedures concerning an area, which may be used to phenomena in that field, such as economics, law, education, etc (Tim Penyusun Kamus Pusat Bahasa, 2002), and using general rules (Nazir, 1988). Furthermore, science is defined as knowledge that can explain natural events (Kerlinger, 2003). From the above definition, it can be concluded that science is a collection of knowledge that is organized systematically, using certain methods (Nagatsu et al., 2020). A knowledge is called a science if it contains a number of requirements (Indrajit, 2020), including i) The existence of an object of study in the form of state behavior in maintaining its existence, sovereignty, and safety; (ii) Has methods in the form of empirical and methodological studies through quantitative, qualitative research and a combination of both; (iii) Systematic in the form of studies, research, and other structured scientific approaches; (iv) Universally applicable, considering that the state is an entity that has existed for thousands of years and in which a lot of knowledge is held, adopted, and implemented; (v) are objective; (vi) analytical in nature, given the

wide spectrum of discussion related to strategies, policies, mechanisms, procedures, and frameworks; and (vii) Verificative in nature, considering that all activities are based on facts and validly collected data and processed using a scientific approach.

Defense science can be seen on both the theoretical and practical levels. The concept that defense involves defending the state (with the state as the object and the government as the subject of policymakers) places defense science in the social sciences cluster at the level of pure science. If science encompasses all the knowledge required by the government for the good of the state, then it is a component of the science of defense. On a practical level, defense science serves the interests of both military and civilian institutions, with the elements of the state (government, population, territory, and diplomacy) viewed as static. However, the state is viewed as dynamic, and via the science of military strategy, state concerns relating to the problem of fundamental state objectives (national interest) are addressed in greater depth. The science of military management investigates the identification and evaluation of state power (national power). The scope of national security studies encompasses the categorization of hazards and activities (safe or dangerous state interest's vs the interests of other nations) in relation to how they will affect national security. Defense technology is required for states to easily achieve their objectives and maintain their strength on target (Halkis, 2020).

Defense science investigates the management of national resources in peacetime, the early preparation of human resources (including the main components and komcad and komduk for the Indonesian context), how citizens are prepared and mobilized, prepares space or spatial or geography for war, especially in the country, and also if the war takes place abroad, and how its citizens can be managed so that they retain a patriotic spirit (Supriyanto, 2014).

3. RESULTS AND DISCUSSION

3.1 Implementation of Crowdfunding in Defense

Countries at war have used a crowdfunding mechanism for their defense budget. Prior to Russia's hybrid war, Ukraine was not a full participant in the international security system and relied on its own resources. Additionally, defense expenditures are financed by a third method, which is relatively modest and typically amounts to less than 1% of GDP. Inadequate funding has a negative impact on the effectiveness, combat capabilities, and combat readiness of the Ukrainian Armed Forces. Global experience has shown that annual defense spending of less than 1% of GDP results in a complete loss of defense capability (Chebryako et al., 2020).

Defense spending in Ukraine is primarily funded through the State Budget and is regulated by law (State Budget of Ukraine for the year concerned). Here, defense spending is expected to account for at least 3% of GDP (Article 2 of the Law on Defense of Ukraine). Furthermore, a new source has emerged as recently as 2014: funds from private citizens and corporations (Ukrainian Law on Amendment of Certain Legislative Measures of Ukraine to Strengthen Material and Financial Support of the State Defense Capability).

Ukrainians, according to Wood (2019), pay into the defense budget as part of the country's effort to counter Russian-backed separatists. Private defense charities are able to raise enough money to supply the Ukrainian government with necessary military funds and supplies by reducing the population at large and focusing on a unique high-return type of military capital. Over \$14.4 million was donated to joint defense by private Ukrainians between 2014 and 2016 (\$6.6 million went to the Ministry of Defense and \$7.78 million went to private military charities). One type of donated goods is public goods.

Ukraine makes additional voluntary contributions to the defense budget. Volunteer battalions, which are self-organized and -equipped, operate alongside formal battalions managed by the Ministry of Defense, while websites that facilitate the sharing of information between citizens create a decentralized and publicly accessible intelligence network. According to Wood, the extent of voluntary defense provision demonstrated in Ukraine is greater than previously recognized in the literature on defense economics. Voluntary provision not only serves as a viable means of countering a larger adversary in terms of resource lack of supply, but it also serves as an effective substitute for government provision of public defense goods.

Crowdfunding is more likely to occur among populations that are directly motivated by proximity to actual combat, thus it is essential that economists and policymakers take this into account when assessing the strength of defending groups. This research raises questions about the accuracy of using proxy indicators like such a formal defense budget to gauge a country's military strength, the need to act on behalf of a weak state that can use crowdfunding in its defense efforts, and the certainty with which invasion and occupation can be recommended against populated nations. Even if the government fails to protect, it is possible to raise funds for public defense goods.

3.2 Crowdfunding as An Alternative Funding for Defense in Indonesia

The development of the financing concept has encouraged Indonesia to use crowdfunding. In 2009, Indonesia had carried out the “Coins for the KPK” movement to help the institution. This movement encourages the development of crowdfunding platforms engaged in a variety of fields, including natural disaster relief, humanitarian efforts, etc.

Since 2018, Indonesia has encouraged the implementation of crowdfunding by issuing regulations pertaining to this system. This regulation has resulted in two companies successfully obtaining permits for equity crowdfunding implementation. Moreover, in 2020, Indonesia issued regulations pertaining to Information Technology-based crowdfunding investments (Securities Crowdfunding), requiring the Ministry of Communication and Informatics to register related fintechs as Private Scope Electronic System Operators (Aanisah, 2022).

The implementation of crowdfunding on defense financing has never been done. Nevertheless, there are opportunities and challenges that can be viewed from a variety of angles, including historical aspects, developmental aspects of defense funding, and governance aspects. This potential is influenced by the social spirit, demographic distribution, and culture of the Indonesian people. In the meantime, the legal aspects of budget governance in the government sector present obstacles.

Several events in the past of the Indonesian nation are associated with the concept of a community-based funding system for defense assets. During the visit of Indonesian President Soekarno to the Sultanate of Aceh in June 1948, the people of Aceh contributed to the struggle to establish the Republic of Indonesia by donating pure gold and other assets. The funds were used to acquire two aircraft (Seulawah RI 001 and RI 002) (Sholeh, M., Yunus, N. R., & Susilowati, 2016). At the time of purchase, the airplane cost 120,000 Malayan dollars, or the equivalent of 20 kilograms of gold (Santorizki, 2017). The Sultan of Yogya donated 6 million guilders to the Indonesian government at the time because he lacked sufficient funds to move the government (Iswantoro, 2020).

In addition, the people of Indonesia are renowned for their extraordinary generosity and volunteerism. According to the Charities Aid Foundation's (CAF) World Giving Index (WGI) report, Indonesia is among the world's most generous countries (Charities Aid Foundation). The report ranked Indonesia first with a score of 69%, which is higher than the previous annual index in 2018 (score of 59%), when Indonesia also ranked first in the WGI. The WGI is an annual report published by CAF that ranks more than 140 nations

based on their propensity to make charitable contributions. In 2020, the CAF conducted a study that found that eight out of ten Indonesians made monetary donations, and that the percentage of Indonesians who volunteered was three times the global average (Charities Aid Foundation, 2021).

In Indonesia, the emergence and growth of the Crowdfunding phenomenon are facilitated by the advancement of communication technology. Erna Witoelar, co-chair of the Indonesian Philanthropy Steering Committee, disclosed that the potential annual donations of the Indonesian people, if maximized, could reach Rp 200 trillion (Tim Editor, 2019). The following events provide some evidence of the potential for donations:

a. Ilham Habibie (son of the third President of the Republic of Indonesia, BJ Habibie) and the founder of PT Regio Aviasi Industri, in conjunction with the website kitabisa.com/campaign/pesawat80, created a crowdsourcing program for the development of the R80 aircraft. The total amount of community support funds collected was Rp 9 billion (Nurfitriyani, 2019);

b. The funds collected are quite substantial for Palestinians and were initiated by religious leaders and public figures in Indonesia. Ustadz Adi Hidayat, for instance, raised approximately Rp 30 billion, while Youtuber Atta Halilintar raised Rp 2.3 billion. In the meantime, Hamas Jogokariyan's initiative to collect funds for the purchase of submarines was able to raise up to IDR 2 billion in just a few days (Ynt, 2021).

c. The spirit of defending the community's state is reflected after the KRI Nanggala 402 submarine accident, the Jogokariyan Mosque in collaboration with the Social Service and the Financial Services Authority held a fundraiser to buy a new submarine. The funds collected amounted to more than 2 billion rupiah (Susanto, 2021).

There has been an evolution in the types, sources, and proportions of financing in the APBN in terms of the defense budget and sources of state defense financing since the beginning of independence. The information is presented in the following table:

Table 1. Evolution of Types of Defense Programs/Expenditures and Sources of Financing

Periode	Jenis Program/Belanja	Sumber Pembiayaan	Porsi % dari APBN	Alokasi Belanja Rutin
1945-1965	Undocumented	1. <i>on budget</i> 2. <i>off budget</i>	27%	Undocumented
1966-1998	1960-1966: Intelligence, Education and Training and operations, personnel and administration, logistics, territorial and civics, work assignments, top leadership (including salary, general goods expenditure, and official travel) , as well as food allowances. 1984-1988: Balahanwil (territory defense), balahanpus (central defense), centralized transportation, reinforcements, centralized intelligence and communications, research and development, centralized supply and maintenance, Education, Health, and other general personnel activities, administration, and management, as well as ABRI's Bhakti program.	1. <i>on budget</i> 2. <i>off budget</i>	13%	80%
1999-2020	The beginning of the reform narrowed down: State defense, defense support, R&D, foreign military	<i>On budget</i>	5%	75%

	assistance, and other defenses. 2021: Management Support Program, Defense Policy and Regulation Program, Modernization Program, Defense Resources Development Program, Force Use Program, Soldier Professionalism and Welfare Program, Research, Industry, and Defense Higher Education Program.			
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Source: Modified by Researchers from Book 75 Tahun TNI: Evolusi Ekonomi Pertahanan, Operasi, dan Organisasi Militer, 1945-2020 (2020)

As seen from Table 1. above, the defense budget for the period 1945-1965 has a high priority for the defense budget (up to 27 percent of the state budget), on-budget and off-budget sources, as well as an undocumented allocation of defense spending programs. In the period between 1966 and 1998, the defense budget had a moderate defense priority (13 percent of the APBN), on-budget and off-budget budget sources, a heavy allocation of defense spending on routine spending of approximately 80 percent, and the allocation of defense spending programs had begun to be included.

The defense budget for the period 1999-2020 has a lower priority (5 percent of the APBN), and routine spending continues to account for approximately 75 percent of on-budget budget sources and the allocation of defense spending. During the Reformation, the budget for defense underwent the most significant changes. The recording system is extremely dependable, the budget's definition and scope are more consistent, and non-budgetary funds can be eliminated. Transparency, accountability, and good governance will increase in a democracy because of the increased direction of this change by government policies.

First, it is believed that official state budget sources accurately reflected actual defense spending. Second, if the government has complete control over all funding sources, the potential for the military to strengthen its autonomy through self-financing can be eliminated. On the other hand, according to research, efforts to increase the defense budget are not simple, as the effect is to increase the convergence between routine and development spending. This necessitates budgetary creativity so that the Strategic Plan can be adequately supported (Laksmana et al., 2020).

The TNI and other defense components are funded, in part or in whole, by APBN funds that are used for their construction, upkeep, development, and use (Article 25 of the Republic of Indonesia Law Number 3 of 2002 concerning National Defense). For instance, the APBN is explained in detail in several articles of the Rhode Island Law Number 34 of 2004 concerning the TNI, such as the following: 1) Every TNI soldier has the right to get a decent income and is financed entirely from the state defense budget sourced from the APBN (Article 49); 2) TNI is financed from the state defense budget sourced from the APBN (Article 66 Paragraph 1); 3) The TNI Commander, in terms of fulfilling budgetary support, submits to the Minister of Defense, to be financed entirely from funds sourced from the APBN (Article 67 Paragraph 1); and 4) the TNI Commander in fulfilling urgent military operations budget support, submits a budget to the Minister of Defense to be financed from the contingency budget from the APBN (Article 67 Paragraph 2), with the approval of the DPR (Article 67 Paragraph 3).

The researcher concludes, based on the understanding of the article's description, that the purpose of financing state defense includes not only the existing defense budget in the Ministry of Defense, but also all funding related to efforts to construct, maintain, develop, and utilize the TNI and other defense components, such as Komcad and financing. defense industry as a component of the national defense system. In addition, the entire

budgetary support for the TNI's task of fostering and utilizing its strength must be financed by the State Budget via a proposal from the Ministry of Defense.

Unfortunately, RI Law Number 23 of 2019 pertaining to PSDN states that the necessary funding for the Management of National Resources for National Defense can come from the APBN, the APBD, and other legal and illegal funding sources. binding (Article 75). (Article 75). This article explains that the APBN is not the only source of funding for defense; the APBD and other legal and non-binding funding sources may also be used for this purpose. Neither Law No. 3 of 2002 on National Defense nor Law No. 34 of 2004 on the Armed Forces of Indonesia require any of this. These two laws stipulate that the APBN is used to finance national defense and to finance the construction, maintenance, and development of the TNI and other defense components (Komcad and Komduk).

There are also policy-level dynamics in the defense industry that have implications for funding the defense industry as a defense supporting component. For example, Article 74 of Law No. 11 of 2020 Concerning Job Creation Amends Article 11 of Law No. 16 of 2012 Concerning the Defense Industry offers with allowing the private sector to play a role in the industry that manufactures the primary weapon equipment (defense equipment). The government can appoint private companies as the lead integrator that manufactures the primary weapons system tools and/or integrates all of the primary components, components, and raw materials into the primary weapons system tools. In the end, private funds can play a role in financing the supporting components of national defense, in this case the Indonesian defense industry's ability to produce defense equipment.

Regarding governance, there is no specific legal regulation governing the governance of people's donations to finance government programs, particularly in the defense sector. There are six primary functions based on the functions of the state revenue and expenditure budget, namely authorization, planning, supervision, allocation, distribution, and stabilization. State revenue structure The revenue of the state is comprised of tax revenues, non-tax revenues, and grants. Therefore, the crowdfunding mechanism has not been technically regulated to finance government programs, particularly in the defense industry.

Donations to the state financing category may technically face obstacles and raise concerns that this will compromise the institution's professionalism. If the donation is made directly to defense institutions, a conflict of interest may arise. There is a need for an institution that can manage the assets of the Ministry of Defense, TNI, and Police in a professional manner, as well as accommodate all sources of state defense financing. Second, it is essential to consider the use of professional civic talents in strategic planning and budgeting positions. Thirdly, it is necessary to expedite the legal aspect by drafting governance-related rules and regulations as well as a crowdfunding mechanism for financing state defense.

4. CONCLUSIONS

Crowdfunding for defense has been used by countries at war. In their fight against separatists supported by Russia, Ukraine also operates a defense donation system. One type of donated goods is public goods. Voluntary provision is not only a viable alternative to public provision of public defense goods, but also an effective approach to dealing with a more worthy opponent. Crowdfunding is more likely to occur among populations that are directly motivated by proximity to actual combat, thus it is essential that economists and policymakers take this into account when assessing the strength of defending groups.

Since 2018, Indonesia has encouraged the implementation of crowdfunding by issuing regulations pertaining to this system. However, crowdfunding has never been utilized in the financing of the military. Several aspects, including historical aspects, social and

cultural aspects, aspects of the development of defense funding, and aspects of governance, reveal opportunities and obstacles. This potential is influenced by the social spirit, demographic distribution, and culture of the Indonesian people. In the meantime, the legal aspects of budget governance in the government sector present obstacles.

Historically, Indonesia has had a number of events involving community participation and the concept of a defense asset funding system, such as the purchase of aircraft with the participation of the Acehnese people and the donation of Sultan Hamengkubuwono IX. In addition, the people of Indonesia are renowned for their extreme generosity and volunteerism. Internationally, Indonesia is acknowledged as the world's most generous nation. In Indonesia, the development of communication technology led to the birth of the crowdfunding platform. In terms of the defense budget and sources of state defense financing, there has been an evolution in the types, sources, and proportions of financing in the APBN since the beginning of independence; this indicates that there is room for innovation in the types and sources of state budget financing. Donations from the public to finance government programs, especially those associated with the defense industry, are not subject to any overarching legal regulation regarding their management or oversight.

Crowdfunding, on the other hand, creates challenges and prompts worries that it will dilute the authority of the institution. Crowdfunding has the potential to create a conflict of interest; therefore, an institution that can accommodate all sources of state defense financing is required. In addition, it is necessary to develop clear rules or regulations pertaining to governance and crowdfunding mechanisms for financing state defense.

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