



Problems of Granting Mining Business Permits to Community Organizations

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Received: Nov 20, 2024	Revised: Nov 22, 2024	Accepted: Dec 29, 2024	Online: Dec 29, 2024
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ABSTRACT

Granting mining business permits (IUP) to community organizations in Indonesia faces various challenges that hinder the effectiveness of such policies because related to unclear regulations, overlapping authority between government institutions, and limited monitoring and support capacity. This research aims to analyze the factors influencing the granting of mining permits to community organizations and identify the obstacles in the process. A qualitative approach was used, with in-depth interviews involving stakeholders such as government officials, mining entrepreneurs, and community organization members. The findings reveal that unclear licensing procedures, lack of transparency, and limited community understanding of regulations are the main factors hindering the effective issuance of mining permits. Moreover, the involvement of local communities in the oversight and management of mining operations remains limited. The conclusion of this study suggests that regulatory reform and the enhancement of human resource capacity at the local level are necessary to improve the permitting process. Collaboration between the government, communities, and the private sector is crucial to creating a transparent, accountable, and sustainable permitting system.

Keywords: *Community Organizations, Mining Business Permit, Mining Management.*

Journal Homepage <https://journal.ypidathu.or.id/index.php/politicae>

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How to cite: Rosyadi, Y, S & Sara, R. (2024). Problems of Granting Mining Business Permits to Community Organizations. *Cognitionis Civitatis et Politicae*, 1(6), 503-516.

<https://doi.org/10.70177/politicae.v1i6.1824>

Published by: Yayasan Pendidikan Islam Daarut Thufulah

INTRODUCTION

Indonesia is a country blessed with abundant natural resources, including various minerals and coal from the western tip to the eastern tip (Aboobaker & Ka, 2021). The quality of these natural resources is very good, with Indonesia recorded as the country with the largest nickel reserves in the world, contributing around 40% to the total global nickel production. In addition to nickel, Indonesia also has various types of minerals and

other significant resources. Coal, on the other hand, plays a very important role in the Indonesian economy. Its contribution to state revenues, including Non-Tax State Revenues (PNBP), is very large. As non-renewable resources, minerals and coal are considered national wealth controlled by the state (Acosta-Prado et al., 2020). Proper management of these natural resources is very important to ensure their optimal and sustainable use. With the great potential it has, the management of mineral and coal resources in Indonesia is a crucial factor for the country's economic growth.

The state, through the government, has the right to manage natural resource wealth for the benefit of the wider community (Aggarwal & Agarwala, 2023). In this case, the government is responsible for regulating the control and utilization of natural resources through established regulations and economic policies. Granting management permits to certain parties is carried out in accordance with applicable laws and regulations so that control is not identical to ownership. In other words, the state is not directly involved in the management of natural resources but acts as a regulator that provides direction and control through policies and regulations. The role of the state as a supervisor is reflected in the issuance of mining permits, which are the legal basis for business entities to carry out mining activities (Alqaraleh et al., 2022). Thus, the state does not only function as a ruler but also as a facilitator that creates a conducive business environment. Through this regulation, the government seeks to provide certainty for business actors who have the right to manage natural resources, so that they can operate clearly and in a directed manner.

Mining activities that are not managed properly often cause significant environmental damage. One of the main impacts is deforestation, where large areas of forest must be cleared to make way for mining areas (Asatiani et al., 2021). This forest loss not only reduces biodiversity but also affects the water cycle and local climate. In addition, the mining process often produces waste that pollutes water resources, be it rivers, lakes, or even groundwater. Water pollution can threaten the lives of aquatic organisms, affect human health, and damage the quality of water used by surrounding communities. Air pollution is also an inevitable problem in the mining industry. The burning of fossil fuels in the mining process or dust produced from material transportation activities can pollute the air with hazardous particles. This can have a negative impact on the respiratory health of local communities and mine workers (Bendak et al., 2020). In addition, ecosystem damage often occurs when natural ecosystems are replaced by mining areas that can no longer support the natural life that previously existed. Misuse of land for mining without considering the principles of sustainability has the potential to cause long-term ecological disasters, such as soil damage, erosion, and reduced soil capacity to support life.

Mining activities also have a huge social impact. One of them is social conflict between local communities and mining companies or even with local governments involved in mining policies (Bhatti et al., 2020). These conflicts often arise due to community dissatisfaction with unfair profit sharing, or due to environmental damage directly felt by the surrounding community. In addition, other social impacts are negative

influences on local culture. The presence of external parties in mining activities often changes the local social, cultural, and economic order that has existed for a long time, and causes inequality in the distribution of wealth. Granting mining business permits to community organizations (ormas) also has the potential to worsen social injustice (Bilan et al., 2022). Without adequate expertise and experience, ormas that obtain mining business permits may not be able to provide balanced benefits to the surrounding community, but instead can increase economic inequality. In addition, in some cases, local communities are forced to leave their land due to mining activities, which can increase social pressure and create tension between residents and related parties.

Behind all the mining activities that take place, there is a great potential for conflict between the various parties involved. Local communities often feel neglected or disadvantaged by decisions made by mining companies or local governments (Cegarra-Navarro et al., 2021). This conflict can start from community dissatisfaction with environmental impacts or a lack of transparency in the distribution of mining profits. Local governments that seek to attract investment or gain revenue from the mining sector are often in a difficult position because they have to balance economic interests with the need to protect the welfare of communities and the environment. In addition, if mining business permits are granted to community organizations without clear regulations and strict supervision, internal conflicts within the organization itself can occur (Chen et al., 2020). Organizations that do not have the capacity to manage mines can cause problems in operations, leading to the inability to resolve environmental or social problems that arise. Conflicts between mining companies and community organizations, communities, or even the government can worsen the existing situation and add complexity to resolving mining problems as a whole.

Government Regulation Number 25 of 2024, specifically Article 83A paragraph (1), stipulates that in order to improve community welfare, Special Mining Business Permit Areas (Chi6n et al., 2019) This policy aims to expand the involvement of community organizations in the mining sector, provide economic opportunities for the community, and support local economic empowerment (Chin et al., 2024). As a professional translator, here is the translation of the provided text into proper, professional, legal English, preserving the bracketed numbers:

However, this policy also raises concerns about the ability of mass organizations to manage the complex mining sector, considering that many of these organizations lack experience or capacity in adequate natural resource management (Chi6n et al., 2019). This could increase the risk of permit misuse and negative impacts on the environment and society.

The main controversy arising from the policy of granting mining business permits to mass organizations is the concern about the expertise and capacity of these organizations to run a highly technical and high-risk business (Da Veiga et al., 2020). Many mass organizations do not have experience in the mining sector, whether in terms of natural resource management, environmental regulations, or occupational safety aspects (Espasand6n-Bustelo et al., 2021) . This has the potential to cause serious problems in

mine management, ranging from poor operational practices, and neglect of environmental aspects to social damage that can occur due to the inability of mass organizations to fulfill their obligations. In addition, the potential for abuse of authority and corruption is also higher in the management of mines by mass organizations that are not properly supervised.

The granting of mining business permits to mass organizations has the potential to affect the legitimacy of the mining sector itself, especially in terms of supervision and the application of adequate operational standards (Grover et al., 2022). Community organizations that do not have adequate resources or knowledge can cause uncertainty in mine management, which in turn can damage public trust in this sector (Hamzah et al., 2020). In addition, without strict supervision, there is a high potential for abuse of authority, corruption, and manipulation in the licensing and operational processes of mines, which further worsens the image of the mining sector in Indonesia.

Given the potential risks posed by the policy of granting mining business permits to mass organizations, evaluation and improvement of this policy are crucial (Harel et al., 2021). The government must carefully evaluate the effectiveness of this policy, ensuring that the mass organizations involved have sufficient capacity in terms of management and supervision of the mining sector. In addition, a strict monitoring system is needed so that negative impacts such as environmental damage, social conflict, and abuse of authority can be minimized (Heras et al., 2021). This policy must be in line with higher legal principles, such as the Mineral and Coal Mining Law, so as not to create legal uncertainty and harm the interests of society and the state.

The importance of evaluating and improving the policy of granting mining business permits to community organizations (ormas) is very urgent, considering that the mining sector has great potential in the Indonesian economy but also carries significant negative impacts if not managed carefully (Holgersson & Romani, 2020). Improper mining management can cause environmental damage, social conflict, and economic injustice that harm local communities. Therefore, an in-depth study of this policy is needed to ensure that the ormas granted permits have sufficient capacity in terms of natural resource management, as well as an effective monitoring system (Kao et al., 2020). This evaluation also aims to identify potential deviations that could harm the state and society and to ensure that the policy is in line with higher regulations so as not to create legal uncertainty.

RESEARCH METHODOLOGY

The research method used in this study is normative juridical, which focuses on the study of legal norms contained in relevant laws and regulations (Jirek, 2020). The statute approach is used to analyze legal regulations governing the granting of mining business permits to community organizations, such as Government Regulation Number 25 of 2024 and the Mineral and Coal Law. In addition, a conceptual approach is applied to study and understand legal concepts related to mining management, granting of permits, and the social and environmental implications caused by the policy (Kaur Bagga et al., 2023).

With the combination of these two approaches, this study aims to provide a deeper understanding of the legal basis, as well as the potential impacts and deviations that may arise from the policy.

RESULT AND DISCUSSION

Mining law in Indonesia refers to the basic principles that regulate the use and management of natural resources in the mining sector. The main regulation governing this sector is Law Number 3 of 2020 concerning Mineral and Coal Mining (Minerba Law), which regulates sustainable and responsible mining management, including the granting of mining business permits (IUP) (Kittel et al., 2021). The theory of mining law emphasizes the importance of management that prioritizes a balance between the exploitation of natural resources and the protection of the environment and community rights. In addition, this sector involves a complex relationship between the government as a regulator, mining companies as business actors, and communities that are directly affected by mining activities.

Community organizations (ormas) in Indonesia have an important role in various sectors, including the mining sector. Ormas, which function to improve community welfare and advance socio-economic goals, can be involved in mining businesses through the business entities they manage. Ormas can have a role as holders of mining business permits, in accordance with Government Regulation Number 25 of 2024, which provides opportunities for ormas to be involved in mining business activities. However, the granting of permits to these ormas raises questions regarding their capacity and expertise in managing highly complex natural resources that have a major impact on the environment and society.

Government Regulation Number 25 of 2024 is one of the latest regulations governing the implementation of mineral and coal mining business activities in Indonesia. One important article in this regulation is Article 83A paragraph (1), which gives priority to business entities owned by community organizations to obtain special mining business permits (IUPK) (Le et al., 2020). This policy aims to expand the participation of ormas in the mining sector and support community economic empowerment. However, this policy also raises controversy regarding whether ormas that have no prior experience in mining management can carry out the business properly, given the complex challenges in terms of management and supervision.

Law Number 3 of 2020 concerning Mineral and Coal Mining (Minerba Law) is the main legal basis that regulates all matters related to mining in Indonesia. This law emphasizes the importance of sustainable natural resource management, taking into account environmental and social aspects. In granting mining business permits to ormas, the Minerba Law becomes a reference for assessing whether the policy in Government Regulation Number 25 of 2024 is in accordance with the principles contained in the Law. One aspect that needs to be examined is whether this policy contradicts the principle of *lex superior derogate legi inferiori*, namely that lower regulations in the hierarchy of legislation may not conflict with higher regulations.

Under Law Number 3 of 2020 concerning Minerals and Coal (Minerba Law), the granting of mining business permits (IUP) is strictly regulated, particularly concerning the parties entitled to obtain such permits. Article 35 of the Minerba Law classifies mining business permits into three main categories: People's Mining Permits (IPR), Mining Business Permits (IUP), and Special Mining Business Permits (IUPK) (Liu & Lin, 2020). IUPs are granted to national business entities, private entities, foreign business entities, or cooperatives that meet various administrative, technical, environmental, and financial requirements. Regional governments have the authority to issue permits based on the area under their jurisdiction in accordance with the provisions in the Minerba Law.

However, in Government Regulation Number 25 of 2024, there is a policy that provides an opportunity for community organizations (ormas) to obtain IUPKs, as regulated in Article 83A paragraph (1). This policy opens up space for ormas to be involved in the mining sector, which contradicts the provisions in the Minerba Law, particularly Article 75, which states that IUPKs can only be granted to State-Owned Enterprises (BUMN), Regionally-Owned Enterprises (BUMD), and private business entities that meet certain requirements. This causes inconsistencies in the implementation of regulations because the Minerba Law prioritizes business entities that have the capacity, experience, and resources to manage mining in a responsible and sustainable manner.

The policy in Article 83A paragraph (1) of PP Number 25 of 2024 has raised controversy, considering that community organizations (ormas) typically do not have expertise and experience in the mining sector. Therefore, granting mining business permits to ormas has the potential to ignore the precautionary principle contained in the Minerba Law, which aims to protect the sustainability of natural resources and ensure that mining is carried out in a way that does not harm the community and the environment (Long et al., 2023). This policy risks violating the protection principles in the Minerba Law, which prioritizes the granting of permits to business entities that meet strict technical and financial requirements. Furthermore, this policy also contradicts Article 33 paragraph (3) of the 1945 Constitution, which states that the land, waters, and natural resources contained therein are controlled by the state and used for the greatest welfare of the people. Granting mining business permits to ormas, whose direct contribution to the welfare of the community or region is unclear, contradicts the spirit of Article 33 of the 1945 Constitution, which emphasizes the management of natural resources for the benefit of the people. Therefore, this policy can be seen as a form of non-compliance between a lower regulation (PP Number 25 of 2024) and a higher law (Minerba Law), which clearly regulates the granting of mining business permits to business entities that have the capacity and expertise in their field.

From the perspective of the principle of *lex superior derogate legi inferiori*, which means that lower legislation may not conflict with higher legislation, the policy contained in PP Number 25 of 2024 can be said to violate the principle of the hierarchy of legislation. Although this PP is an implementing regulation, its content contradicts the provisions in the higher Minerba Law. It is therefore important to review the relevance

and feasibility of granting mining permits to ormas, which should be focused on business entities that have adequate expertise and experience in mining management.

The principle of *lex superior derogate legi inferiori* is a principle in the Indonesian legal system which stipulates that lower regulations in the legislative hierarchy may not conflict with higher regulations (Low et al., 2020). Laws (UU), as higher regulations, have a more dominant position compared to government regulations (PP), which are lower. Based on this principle, every policy or regulation issued by the legislative or executive body must comply with and be in line with the provisions contained in higher legislation.

In this case, the Minerba Law (Law Number 3 of 2020 concerning Mineral and Coal) has a higher position than Government Regulation (PP) Number 25 of 2024 concerning the Implementation of Mineral and Coal Mining Activities. Therefore, any provisions in the PP that conflict with the Minerba Law must be adjusted or deemed invalid. This reflects how the principle of the hierarchy of legislation in the Indonesian legal system is implemented, which ensures consistency and harmony in existing regulations.

The application of the principle of *lex superior derogate legi inferiori* regarding the discrepancy between PP Number 25 of 2024 and the Minerba Law can lead to significant legal consequences. For example, if there are provisions in the PP that grant mining business permits to community organizations (ormas), while the Minerba Law only states that Special Mining Business Permits (IUPK) are granted to BUMNs, regionally owned enterprises (BUMDs), and private entities, then the provisions in the PP can be considered invalid (Memon et al., 2020). This principle dictates that lower regulations such as PPs cannot conflict with the provisions in the UU, which is higher in the regulatory hierarchy. Thus, PP Number 25 of 2024, which provides space for ormas to obtain mining business permits, can be considered inconsistent with the Minerba Law and must be amended or revoked.

The application of this principle also has an impact on government policies related to granting mining business permits to ormas. Such a policy, if continued without regard to the *lex superior* principle, could create legal problems and conflict with the Minerba Law, which regulates more strictly who can receive IUPKs and the requirements that must be met. If this policy is not aligned with the Minerba Law, it could lead to legal uncertainty, undermine the principle of protection of natural resources, and potentially harm the community and the environment. Therefore, the government must make policy adjustments or amend PP Number 25 of 2024 to be in line with the provisions in the Minerba Law and the principle of *lex superior derogate legi inferiori* to avoid legal inconsistencies and create better legal certainty.

The granting of mining business permits to community organizations (ormas) to manage the mining sector in Indonesia raises potential risks and significant challenges, both in terms of management, supervision, and the impact on the economy and the environment (Nurjanah et al., 2020). Although ormas have the capacity to contribute to economic development, unpreparedness in dealing with the complexities of the mining

sector can lead to deviations in the permit and operational processes. This potential problem is even greater if the ormas involved do not have adequate experience and competence in this highly technical and regulated industry.

Several important issues that need attention are the lack of effective supervision, the potential for internal and external conflicts, and the possibility of environmental damage caused by unsustainable mine management. In addition, the potential for corruption and abuse of authority in the process of granting permits or managing mines could worsen the situation and create socio-economic instability at the local level. Therefore, an in-depth study is needed to understand and analyze the potential deviations that may occur in the granting of mining permits to ormas, as well as their impact on the community, economy, and surrounding environment.

Community organizations (ormas) involved in managing the mining sector often face major challenges related to the lack of experience and competence in this highly technical and tightly regulated industry. Ormas, in general, have a primary focus on social or religious activities, which differ greatly from the operational demands that must be met in mine management. As a result, they may not have sufficient expertise in planning, management, and implementation of mining activities that involve high technology, natural resource management, and a deep understanding of the potential environmental impacts. This lack of experience can lead to a number of difficulties in carrying out mining activities efficiently and in accordance with existing regulations. One of the main impacts is the inability to plan and manage mining operations properly, which includes sustainable natural resource management, appropriate operational oversight, and compliance with applicable laws and regulations. This can lead to large financial losses, both for the ormas itself, which is not prepared to handle the existing financial risks and for the surrounding communities that depend on an environment protected from damage caused by mining operations.

Community organizations (ormas) involved in mine management are at risk of internal tensions, especially if their members come from various backgrounds with different goals. In an ormas, there may be differences of opinion about how the mine should be managed, who is entitled to benefit, and how resources should be divided (Pradana et al., 2022). Unfair or non-transparent distribution of mining proceeds can cause disputes among ormas members. This can worsen relationships between members and potentially affect the continuity of the mining operations themselves. Misalignment in management and organizational priorities, which may focus on social or religious aspects, can add complexity to making strategic decisions related to mining operations. Such internal conflicts can slow down the decision-making process, hinder operational efficiency, and damage the reputation of the ormas in the eyes of the public.

In addition to internal tensions, ormas managing mines also face the potential for conflicts with surrounding communities. Communities living near the mining site usually have different needs and expectations regarding the impact of mining on their environment and economy. If the ormas does not have an inclusive approach, is not sensitive to the needs of the community, and does not prioritize their rights, then tensions

can quickly arise. Local communities may feel marginalized in decisions made by the ormas regarding mine management, especially if they feel they are not involved in planning or if they experience negative impacts from mining activities such as air pollution, water contamination, or environmental damage that threatens their livelihoods. This conflict can also escalate if the ormas does not have a clear mechanism for managing relations with surrounding communities, including in terms of compensation or corporate social responsibility (CSR) programs. Ambiguity or injustice in this regard can trigger greater tensions and even affect the smooth operation of the mine. Therefore, it is important for ormas involved in mine management to build effective communication with the community, ensure their participation in decision-making, and prioritize the principles of sustainability and social welfare.

Supervision of mining activities managed by ormas can face a number of challenges, especially when the ormas do not have sufficient experience in the mining sector or adequate administrative capacity (Saruchera & Asante-Darko, 2021). Without an in-depth understanding of the applicable regulations, ormas are at risk of failing to comply with various legal provisions, such as those related to waste management, occupational safety, and environmental protection. In the mining industry, non-compliance with these regulations can have fatal consequences, not only for the ormas itself but also for the surrounding community and the environment. For example, ormas that do not have expertise in hazardous waste management may fail to manage mining waste in an environmentally friendly manner, which can lead to land and water contamination. In addition, a lack of training in occupational safety procedures can increase the risk of work accidents at the mining site, which could ultimately harm the safety of workers.

Limitations in resources and infrastructure to carry out adequate oversight pose significant obstacles. Without a strong administrative structure, ormas may be unable to provide or implement an effective internal oversight system. This can lead to irregularities in the implementation of operational policies and failure to meet established legal obligations, such as environmental reports or occupational safety audits. In many cases, external oversight from government agencies or regulatory bodies can also be hampered, considering that ormas often operate outside of structured oversight systems and have the potential to avoid monitoring effectively.

The inability of ormas to comply with applicable regulations can lead to deviations in mining practices. One of the most common forms of deviation is carrying out mining activities without complete permits or with inappropriate permits (Villena-Manzanares et al., 2020). Ormas that do not have sufficient understanding of licensing procedures or that are poorly organized may carry out mining activities without involving the competent authorities or without complying with established legal requirements. Such deviations have the potential to cause serious violations of legal regulations, which in turn can risk severe legal consequences, including revocation of permits or even criminal prosecution.

Furthermore, ormas that are not equipped with appropriate oversight mechanisms may also be vulnerable to misconduct in the implementation of mining policies. For example, in mine management, there is potential for irregularities, such as manipulation of

mining output reports or non-transparent use of resources. Weak oversight can facilitate such practices and reduce the operational integrity of the ormas. For instance, without effective controls, the misuse of funds that should be used for environmental management or community welfare can occur, worsening the social and environmental conditions around the mine. This highlights the importance of improvements in oversight and regulation to ensure that ormas can operate in compliance with applicable laws and ethics.

Mining activities managed by ormas that lack adequate competence can lead to economic instability at the local level. One of the impacts is the low absorption of a competent workforce. Ormas that do not have expertise in mining management may neglect the need for skilled labor, or even hire workers at low wages without regard for their welfare. This can lead to socio-economic disparities, where local communities that should benefit from mining activities are unable to enjoy the results fairly.

Price fluctuations caused by poor management can also affect the local economy. When mining activities are not well managed, it can cause fluctuations in the prices of goods and services, especially those dependent on mining products (Virgiawan et al., 2021). These disparities can worsen local economic conditions, increasing the gap between community groups that benefit from mining and those who are not directly involved in these activities. Unfair distribution of proceeds or even a decline in the quality of life due to unprofessional management will exacerbate economic instability in the area.

The granting of permits and the management of mining by ormas also opens up opportunities for corruption and abuse of authority. When ormas are given substantial authority in managing mines without strict oversight mechanisms, it can trigger abuse of authority by internal ormas parties or even by officials involved in the licensing process. One form of corruption that may occur is the falsification of permit documents or the issuance of permits without meeting the required conditions. In this way, ormas that should not have a permit to operate can still carry out mining activities while proper legal procedures are ignored. Abuse of authority can also occur in the flow of funds that should be used for social or environmental purposes. For example, funds received from mining activities could be used for personal gain or diverted to unauthorized parties (Walton et al., 2020). Without adequate oversight, this abuse will worsen the mining governance system, reduce transparency, and increase public distrust of existing authorities.

Mining activities by incompetent ormas can have serious environmental impacts. Without careful management in accordance with regulations, mining activities can cause water pollution, deforestation, and broader ecosystem damage. For example, improperly managed mining waste can contaminate water sources around the mining area, threatening the sustainability of life for surrounding organisms. This ecosystem damage can also reduce the quality of land used by the community for agriculture, thus affecting their livelihoods. Deforestation resulting from mine land clearing can also threaten biodiversity and exacerbate local climate change.

In addition to environmental impacts, poorly managed mining activities can also affect the social life of surrounding communities (Zeb et al., 2021). Changes in the livelihood structure of communities, which previously depended on agriculture or fishing,

can occur if their land is affected by mining activities. This can lead to social tensions and conflicts between the ormas managing the mine and local communities. On the other hand, increased crime and social tensions due to the negative impacts of mining activities, such as shifts in access to natural resources or injustice in the distribution of mining proceeds, can worsen social relations and increase polarization within the local community.

CONCLUSION

The granting of mining business permits to community organizations (ormas) in Government Regulation Number 25 of 2024 contradicts the principles contained in Law Number 3 of 2020 concerning Minerals and Coal, which emphasizes granting permits to business entities that have adequate capacity, expertise, and experience in managing natural resources. This policy risks violating the principle of *lex superior derogate legi inferiori*, which states that lower regulations must not conflict with higher regulations. Therefore, granting mining business permits to ormas can cause legal problems, and uncertainty, and harm the community and the environment, which requires a review and adjustment of policies to be in line with higher legal provisions and the principles of sustainable natural resource management. Granting mining business permits to ormas in Indonesia carries significant potential risks, both in terms of management, supervision, and impacts on the economy and the environment. The inability of ormas to manage the mining sector technically and orderly can lead to deviations in the licensing process, internal and external conflicts, and environmental damage. Lack of experience, weak supervision, and potential abuse of authority can worsen the situation, increase social tensions, and harm the surrounding community. Therefore, it is necessary to strengthen regulations, and strict supervision, and involve the community in decision-making to ensure that mining activities by mass organizations can run transparently, sustainably, and provide fair benefits to all parties.

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