

Indonesia Legal Policy for Micro, Small, and Medium Enterprises Post-COVID-19 Pandemic Economic Recovery

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Abstract. The existence of Micro, Small, and Medium Enterprises (MSMEs) is an essential factor in the economic growth of a country. The COVID-19 pandemic has significantly impacted the sustainability of MSMEs in Indonesia. Based on these conditions, the MSMEs need a suitable legal policy to support them, especially in post-COVID-19 economic recovery. This normative juridical research with conceptual, comparative, and statutory approach aims to analyze the Government of Indonesia's (GoI) legal policy on the MSMEs post-COVID-19 pandemic economic recovery. This research also discusses the GoI legal policy impact on the MSMEs. The result shows the GoI has issued several legal policies in the form of regulations, such as Law Number 6 of 2023 concerning Approval of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation, The Government Regulation Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and The Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 2 of 2019 concerning Electronically Integrated Business Licensing for Micro and Small Businesses. These regulations provide convenience to MSMEs in obtaining permits with Business Identification Numbers, while other licenses are adjusted to the risk level of the business activity. In addition, MSMEs may access various incentives and subsidies. Those regulations were addressed explicitly by the GoI to strengthen the position of MSMEs, which will directly impact the strengthening and growth of the national economy after the COVID-19 pandemic.

Keywords: Indonesian MSMEs, Legal Policy, Post-Covid-19, Economic Recovery.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are considered significant contributors to financial activity in many countries, including Indonesia. MSMEs financing and business development are new determinants of post-Covid-19 economic recovery (Yang, Azer, Kaifei, & Aytan, 2022). In Indonesia, MSMEs have survived various world financial crises, including economic in 1998 and 2008. When many top business groups/conglomerates in Indonesia were battered by the storm of the economic crisis In 1998 and 2008, MSMEs stood up straight. Moreover, it is supported by the fact that the contribution of MSMEs to the national economy is quite significant, as in labor absorption, to the value of exports and Gross Domestic Product (GDP). These facts make MSMEs the backbone and the driving force of the Indonesian national economy (Widiarto, 2011).

In the case of the 1998 economic crisis, Jellinek and Rustanto found that the crisis created more excellent domestic market opportunities for many MSMEs in several industries. Many individuals or households affected by the crisis changed their consumption behavior from purchasing imported goods to purchasing domestic goods at much lower

prices. The shift in public consumption behavior has increased demand for local MSMEs (Jellinek & Rustanto, 1999). In the 2008 economic crisis, MSMEs were unaffected because the total number of MSMEs increased, which was higher than we had experienced in 1998. In contrast with the financial crisis, since the COVID-19 pandemic struck Indonesia in 2020, MSMEs have been affected significantly and differently from previous crises. Since March 2020, stories about the impact of COVID-19 on MSMEs in many parts of the country from various sources began to emerge. MSMEs in the tourism sector were the most brutal hit, followed by MSMEs in other business lines, heavily affected by the 'anti-COVID-19 impacts policies such as small shops, restaurants, cafes, and transportation (Tambunan, 2020). Based on those facts, it is necessary to have an appropriate legal policy regarding regulations on MSMEs, primarily to support economic recovery after the COVID-19 pandemic.

The Government of Indonesia (GoI) has issued legal policy by enacting several regulations, which are Law Number 11 of 2020 concerning Job Creation, which later has been revoked by Law Number 6 of 2023 concerning approval of Government Regulation in Lieu of Law (PERPU) Number 2 of 2022 concerning Job Creation, Government Regulation (PP) Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and Regulation of the Minister of Co-

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operatives and Small and Medium Enterprises Number 2 of 2019 concerning Electronically Integrated Business Licensing for Micro and Small Businesses. Those regulations provide policies to stimulate MSMEs to recover when the COVID-19 pandemic occurs or even after the pandemic, which regulates to ease of licensing and incentives for MSMEs.

Problems that occur in Indonesia for entrepreneurs, including for MSMEs, namely business legality and business support (incentives). To answer this problem, the government issued the regulations mentioned above. License is the primary document (legality) that must be guaranteed service quickly, efficiently, and easily by the state. Licensing instruments allow the state to open access and business opportunities where people can change their assets from unlicensed to legal assets that can be capitalized and collateral for bank loans. Licensing is not only part of the ease of doing business but also opens access to convert properties such as land or buildings from a “dead capital” condition (de Soto, 2000) into “living capital.” Then to create prosperity, government institutions should provide incentives. Economic institutions shape economic incentives: the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on. (Acemoglu & Robinson, 2012)

Based on the introduction above, this article will discuss the GoI legal policy on the MSMEs post-COVID-19 pandemic economic recovery and how that legal policy impacts the MSMEs regulations.

2. METHODOLOGY

Normative juridical is the legal method used in this article. This method uses a conceptual, comparative, and regulatory approach analysis. This type of research utilizes secondary data on the issues discussed (Soekanto & Mamudji, 2011). Secondary data in this research include regulations related to the Indonesian legal policies on MSMEs post-COVID-19 pandemic. In addition, This research analyzes articles, journals, books, and other things related to the GoI regulations towards MSMEs post-COVID-19 national economic recovery. The data obtained are presented descriptively and analyzed by comparing before and after the legal policy or the law’s issuance. In the end, this research draws conclusions using the deductive method.

3. DISCUSSION

3.1. The Potential of Indonesian MSMEs Post-COVID-19 Economic Recovery

In 2019, World Health Organization (WHO) reported the emergence of a cluster of cases of pneumonia in Wuhan, China which was later identified as the novel coronavirus or COVID-19 (World Health Organization, 2019). This virus spread worldwide until finally, on March 11, 2020, WHO determined COVID-19 as a global pandemic. COVID-19 has a significant impact on global health; it was recorded that as of November 4, 2022, this virus has infected more than 628,694,934 people and killed 6,576,088 worldwide (World Health Organization, 2022). The government has taken emergency measures to reduce the spread of disease, such as social isolation, working from home, closure of public plac-

es, canceling events, and reducing non-essential activities. Consequently, the actions have reduced the economic flow through all kinds of enterprises. (Santiago, Caballero, & Morales, 2021)

In April 2020, The International Monetary Fund (IMF) released data showing a decline in economic growth rates, especially in certain countries such as the United States, China, India, and Germany, and in general, a decrease in economic growth also occurred throughout the world with a decreasing rate - 3.0% in 2020 (International Monetary Fund, 2021). The suppression of economic growth also occurred in Indonesia. The World Bank projects a negative rate of -2% to -1.6% for Indonesia’s economic growth (Indonesia Ministry of Finance, 2020). In line with world bank projections, Bank Indonesia and the Central Bureau of Statistics stated that Indonesia’s economic growth in 2020 depreciated to -2.07% (Bank of Indonesia, 2021).

The decline in economic growth in many countries is due to policies to contain the spread of COVID-19 by limiting community activities in public places, commonly called “lockdowns.” Indonesia implemented restrictions on community activities with Large-Scale Social Restrictions or “Pembatasan Sosial Berskala Besar” (PSBB), which came into effect in April 2020 with the issuance of Government Regulation (PP) Number 21 of 2020 concerning Large-Scale Social Restrictions in the Context of Accelerating the Handling of Corona Virus Disease 2019 (COVID-19) and Minister of Health Regulation Number 9 of 2020 as guidelines for implementing the PSBB.

Moreover, In January 2021, the Indonesian government issued a new policy to replace the PSBB, namely the Enforcement of Restrictions on Community Activities or “Pemberlakuan Pembatasan Kegiatan Masyarakat” (PPKM). The difference between PPKM and PSBB lies in the initiative to enforce it. If, in the PSBB, the initiative in submitting restrictions is in the local government. Still, for PPKM, it is in the hands of the central government. Although they differ in terms PPKM and PSBB are substantially the same in implementation. PPKM and PSBB both apply to study from home for the education sector, while for offices, there is a limit of only 25% of employees being allowed to work in an office. Furthermore, the business sector, such as restaurants and shopping places, may continue to operate but with restrictions on the number of customers and strict health protocols. The tourism sector has been tightened by being obliged to meet the COVID-19-free requirements with antigen swab tests.

One of the sectors affected by the limitation of community activities is the trade or business sector. The limited mobility outside the house significantly impacts decreasing sales for business actors, ranging from restaurants to grocery stores. This situation affected not only the prominent business actors but also MSMEs.

MSMEs faced a dramatic reduction in demand, which led to lower revenue. The research found that approximately 77% of enterprises have had to cope with lower revenues. Almost 35% of the MSMEs expect a 40% to 60% decrease in their income due to COVID-19. Similarly, nearly 88% of the MSMEs experienced a lower profit margin during the pan-

demic. A third of the MSMEs encountered a 40% to 60% decrease in their profit margin (Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia, 2020).

The conditions mentioned above are highly harmful to the very strategic role of Micro, Small, and Medium Enterprises (MSMEs) in the Indonesian economy. Data from the Indonesian Ministry of Cooperatives and Small and Medium Enterprises in 2019 shows that the number of MSME business units is 99.9% of the total business units or 65.5 million units. Moreover, MSMEs also provided the highest labor market, approximately 96.92% (119 million labor) of the entire business, while larger enterprises only 3.08% (3.8 million). Furthermore, the same data also states that MSMEs absorb 96.92% of the total employment, 89% of which is in the micro sector, and MSMEs contribute 60.51% to the gross domestic product (Indonesian Ministry of Cooperatives and Small and Medium Enterprises, 2020).

Based on the facts above, MSMEs' role is vital in optimizing Indonesia's economic recovery after the COVID-19 pandemic hit. MSMEs are generally based on local economic resources, have no dependency on imports, and their products can be exported because of their uniqueness (Setyawati, 2009). The increase in exports will impact the growth of Gross Domestic Product (GDP) which is correlated with the national economic growth rate. In addition, MSMEs can drive people's economic activities and simultaneously become a source of income for most people in improving their welfare (Setyawati, 2009).

Therefore, to accommodate the revival of the MSMEs post-COVID-19 pandemic economic recovery, proper policy and regulations from the Government of Indonesia (GoI) are required. The GoI efforts to make policy can be seen by the promulgation of Law Number 11 of 2020 concerning Job Creation, which was later revoked by Law Number 6 of 2023 concerning approval of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation. Moreover, the GoI also issued Government Regulation Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 2 of 2019 on Electronically Integrated Business Licensing for Micro and Small Businesses. Within those regulations, GoI has a high commitment to support MSMEs. GoI already realized MSMEs need assistance for innovation. MSMEs require a survival tool after the COVID-19 contingency, and digital resources are identified as the leading facilitator for networking and research-based design of innovative products within the "social distance" context (Santiago, Caballero, & Morales, 2021).

3.2. The Government of Indonesia Policy in Facilitating MSME Licensing

One of the policies made by the GoI to support MSMEs post-COVID-19 economic recovery is to facilitate licensing through regulation. Licensing grants legality to a particular person or business actor/activity, either in the form of a license or a business registration certificate. Permits are one of the most widely used instruments in administrative law to control the behavior of citizens (Hadjon, 1998).

The purpose of licensing can be seen from two sides, namely (Sutedi, 2011):

- a. The government side
 1. Implement regulation regarding the provisions contained in the law following the reality in practice or not and even to regulate order;
 2. Source of regional revenue.
- b. The enterprises' side
 1. Legal certainty;
 2. Certainty of rights;
 3. To obtain the facilities after the building has a license.

Licensing is not only part of the ease of doing business but also opens access to convert properties such as land or buildings from a "dead capital" condition into "living capital" (Tambunan, 2020). Moreover, this is very important, considering many people cannot capitalize on their assets because they do not have legal documents (licenses).

Since the commencement of Joko Widodo's government regime, the GoI has been entirely concerned with the ease of doing business, one of which is licensing. Since 2015, GoI has published several economic policy packages to create ease of business in Indonesia. At least 16 economic policy packages were issued from 2015 to 2019.

However, the economic policy package is inseparable from problems, especially those related to licensing in the regions (Economic Policy Package XII). This condition can be seen in the Ease of Doing Business survey results, which show decreased and stagnancy. From 2015 to 2018, Indonesia's EoDB ranking significantly increased in succession (from rank 120 to rank 82). But, during the last two years (2019-2020), there has been a decline and stagnation, ranking 73rd to be exact (World Bank, 2020). Licensing service issues are still a significant source of challenges in increasing the business efficiency and competitiveness of the Indonesian economy. The length of the procedure, the time, and the conditions have resulted in transaction costs and the risk of severe business uncertainty (Prawira & Agustine, 2018).

Moreover, the Indonesian Minister of Investment, Bahlil Lahadalia, stated that most MSMEs currently do not have business licensing legality, so it becomes an obstacle for MSMEs to obtain financing and develop their businesses. Licensing can be used to apply for future business collaborations to increase the scale and growth of MSMEs. Business licenses can also be used to access training programs, empowerment, and capacity-building facilities from the government and related agencies (Anggraeni, 2021). If this condition is left unchecked, it will undoubtedly impact both prominent business actors and MSMEs and how difficult it is to make an economic recovery post-COVID-19. To answer the problems, government needs to deregulate and de-bureaucracy. Deregulate by creating The Business Licensing Law, the only policy framework that underlies permits both sectorally and regionally/locally. De-bureaucracy by creating an electronic system design that integrates data licensing in one data format, encouraging the implementation of one map

policy for licensing in Indonesia (Prawira & Agustine, 2018).

Therefore, in 2020, GoI answered this problem by publishing Law Number 11 of 2020 concerning Job Creation. Laws are formed using the omnibus law approach by simultaneously revising 82 regulations that have been issued and as a primary law for business licensing. One of the laws that had been revised was Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. The omnibus law approach is new in Indonesia. By definition, omnibus: relates to or dealing with numerous objects or items at once, including many things or having various purposes (Garner, 2009).” Then, according to O’Brien dan Bosc, “omnibus bill seeks to amend, repeal or enact several Acts. It is characterized by having several related but separate “initiatives” (O’Brien & Bosc, 2009). So with the omnibus law approach, GoI has attempted to change all statutory provisions that have burdened business activities, including licensing.

But later, in 2021, Law Number 11 of 2020 concerning Job Creation was decided conditionally unconstitutional by Constitutional Court due to formal defects from forming the law, including public participation (Decision of The Constitutional Court Number 91/PUU-XVIII/2020). The decision also stated that:

“relating to matters that are strategic and have broad implications to be postponed first, including that it is not justified to form new implementing regulations and it is also not justified for state administrators to make strategic decisions that can have broad impacts.”

As the answer to the Constitutional Court decision, in 2022, GoI issued Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation that revoked Law Number 11 of 2020 concerning Job Creation. Later, the parliament of Indonesia (Dewan Perwakilan Rakyat/DPR) approved that Government Regulation by enacting Law Number 6 of 2023 concerning approval of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation. Law Number 6 of 2023 did not change the substance of Law Number 11 of 2020 concerning Job Creation, especially the policy for MSMEs in Indonesia. But the regulation was issued to fix the formal aspect of forming the law, including public participation.

The Job Creation Law provides a new business licensing service mechanism by utilizing an Online Single Submission (OSS) with a risk-based approach. The risk-based approach is expected to measure the amount of protection against the impact of business activity. The measurement will be an indicator for government to examine the company in obtaining the license. A low-risk business tends to get easy licensing than the higher one.

In the general description, the differences in risk scales between licensing classifications are clearly illustrated in Article 8 to Article 10 of the Job Creation Law:

- a. Low-risk business activities:
 1. Business Identification Number (Nomor Induk Berusaha/NIB);
- b. Medium-low risk business activities:

1. Business Identification Number (Nomor Induk Berusaha/NIB);
2. Standard Certificate (with only statement)
- c. Medium-high-risk business activities:
 1. Business Identification Number (Nomor Induk Berusaha/NIB);
 2. Standard Certificate (verification needed)
- d. High-risk business activities:
 1. Business Identification Number (Nomor Induk Berusaha/NIB);
 2. License (and standard certificate if required by regulations).

There are special provisions for Micro and Small Enterprises (MSEs) contained in Article 91 of the Job Creation Law, which regulates the ease of business licensing. Obtaining NIB with an Identity Card (Kartu Tanda Penduduk/KTP) is sufficient. Then, the NIB that applies to MSEs is also a single license that applies to all business activities. This single license is the Indonesian national standard (SNI) and the halal product guarantee certification. However, in case the business activity is categorized as medium or high-risk business activities, in addition to the NIB, MSEs are still required to have a standard certificate and license as facilitated and assisted by the government. These provisions are further elaborated through Government Regulation Number 7 of 2021 concerning Easy, Protection, And Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and BKPM Regulation Number 4 of 2021 concerning Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities.

These provisions differ from medium and large enterprises governed by the same legal basis. Medium and large businesses do not get NIB which also functions as SNI and the halal product guarantee certification; even in managing standard certificates and permits, medium and large business actors do not get assistance from the government.

The provisions of the Job Creation Law regarding the ease of licensing for MSEs are far different from the previous MSEs licensing provisions. Previously, Micro and small businesses were obliged to obtain the license (Izin Usaha Mikro Kecil/IUMK) based on Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 2 of 2019 concerning Electronically Integrated Business Licensing for Micro and Small Businesses. In the past, MSEs were required to have two types of permit products, namely NIB and IUMK, which do not yet have a risk mapping for business activities. Apart from that, IUMK is also not valid as SNI or Halal Certificate.

The table below compares before and after the Job Creation Law on licensing MSEs.

Based on the table, it can be seen that the Government of Indonesia, through various regulations, has attempted to create ease of doing business related to licensing for MSEs. The policy of issuing regulations to facilitate certain groups of groups can be classified as particular policies that are part of affirmative policies.

Table 1. Comparison of Before and After the Job Creation Regulation Related to Micro and Small Business Licensing.

	Before Job Creation Law	After Job Creation Law	
		Micro and Small Enterprises	Medium and Big Enterprises
Type of License	NIB and IUMK	*NIB (Perizinan Tunggal)	*NIB
Requirements	Requirements are based on the OSS requirements (not formally regulated) and need additional requirements and commitments related to health, moral, cultural, environmental, and/or national defense and security criteria.	**Identity Card (Kartu Tanda Penduduk/KTP)	Following statutory provisions
Risk Scale Regulation	Not regulated	It has been regulated based on Government Regulation Number 5 of 2021 about implementing risk-based business licensing.	It has been regulated based on Government Regulation Number 5 of 2021 about implementing risk-based business licensing.
Government Assistance	Not regulated	Assistance to obtain Standard Certificates and License if needed	Do not get assistance
NIB double function	Not regulated	NIB is valid as SNI and Halal Certificate	NIB is not valid as SNI and Halal Certificate
*Businesses with low risk only need a NIB. Still, medium-risk business activities need additional requirements, a standard certificate, while high-risk ones require a license.			
** Ease of requirements related to fulfilling NIB for MSEs. But if MSEs are medium or high, the conditions will adjust to the provisions of laws and regulations.			

Source: Job Creation Law and Implementing Regulation and Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 2 of 2019 on Electronically Integrated Business Licensing for Micro and Small Businesses.

Affirmative policies are a method that is widely used by the state as a response to discriminatory social conditions and the existence of inequality. This action is positive discrimination which is carried out to accelerate the achievement of justice and equality (Sayuti, 2013). This is also in line with the 1945 Constitution of the Republic of Indonesia, which explicitly guarantees special treatment for certain groups of people as the right to obtain equal opportunities and benefits. Article 28H Paragraph (2) of the 1945 Constitution states, "Everyone has the right to receive special facilities and treatment to obtain equal opportunities and benefits to achieve equality and justice."

Thus, in terms of providing easy licensing for the MSE sector, it is indispensably needed. The vulnerability of MSEs to crises, especially post-COVID-19 pandemic, and the vital role of MSEs that impact the national economy is one of many reasons that made MSEs need to be treated differently.

However, even though this provision is deemed appropriate, GoI should also pay attention to an exemplary implementation level. Moreover, the involvement of local governments in maximizing licensing services for MSEs is crucial during and after a pandemic. For example, the DKI Jakarta Provincial Government, through One-Stop-Shop and Investment Agency (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu (DPMPSTP)), has issued Circular Letter Number 21 of 2020 concerning Acceleration and Relaxation of Licensing and Non-Licensing Services in the Context of Encouraging Economic Activities during the COVID-19 Pandemic. With this Circular Letter, DPMPSTP provides direct

services by utilizing the Motorized Permit Shuttle (Antar Jemput Izin Bermotor/AJIB) to visit MSEs in DKI Jakarta Province. AJIB officers register MSEs that do not have a permit and then assist in administering the license (Investor ID, 2020). Such practices are undoubtedly good practices and can be applied in other areas. In line with the affirmative policy as contained in the Job Creation Law and its implementing regulations, at the implementation level, the Central Government also needs to consider collaboration with the Regional Government to maximize the affirmation policy.

3.3. The Government of Indonesia Regulations in Providing Incentives to the MSMEs

Another way to strengthen MSMEs is an incentives program. It is proven that anchoring incentives to specific sectors enable more thoughtful investments in related areas to boost economic growth, such as infrastructure improvements and targeted workforce-development programs to attract additional businesses in those industries (Gonzales, Kerlin, Schaff, & Tucker-Ray, 2019). The incentive also creates agglomeration effects in which the new business activity pushes a region above critical thresholds, leading to a developmental takeoff. Targeted economic development incentives like MSMEs may help some industries at the expense of others (Partridge, et al., 2019).

That is why, besides the ease of licensing, MSMEs also get more incentives than previous policies and regulations. Based on Government Regulation Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Coop-

eratives and Micro, Small, and Medium Enterprises, the central and regional governments are responsible for protecting and empowering MSMEs by providing incentives. There are at least eight incentives for MSMEs. All are new and have never been adequately regulated in the previous regulations. If all of them are implemented successfully, these incentives can strengthen the role of MSMEs in Indonesia's economic recovery after the COVID-19 pandemic:

a. Legal assistance for MSEs.

Micro and small enterprises are given free legal assistance in the socialization of new laws/regulations, legal consultation, mediation, preparation of legal documents, and legal aid outside the court.

b. Dissemination of MSMEs' data.

The government created a single database of MSMEs to facilitate collaboration with MSMEs. The purpose is to disseminate this data to all central and regional governments through a publicly-accessible information system. This program shall enhance the MSMEs quality by increasing the opportunity to meet customers and establishing an ecosystem with fair competition.

c. Particular areas for MSEs.

Micro and small enterprises are given exclusive reservations at strategic areas in public infrastructure for their promotion and development, such as bus terminals, airports, harbors, train stations, rest areas, and other public infrastructure as stipulated by the central and/or regional government.

a. The reduction of Intellectual Property Rights (IPR) registration fees.

Micro and small enterprises are entitled to fast, precise, cheap, and non-discriminative Intellectual Property Rights (IPR) registration services. The government also grants 50% discount fees for IPR registration and records.

b. Obligation for central and regional governments to collaborate with MSEs to procure goods and/or services.

Ministries / non-ministerial government institutions and regional offices must buy MSEs' goods/ services from domestic production. They must also allocate at least 40% of the corresponding budget to procuring goods and/or services from MSEs.

c. Finance and accounting applications for MSEs.

The central and regional government shall facilitate free training and assistance to MSEs regarding financial and accounting software/applications usage.

d. Special projects allocation in specific business sectors to MSMEs.

The government shall allocate businesses or projects to MSMEs. In some projects, large enterprises are obliged to conduct partnerships with MSMEs. According to Presidential Regulation Number 10 of 2021 concerning Business Sectors for Investment, there are 89 business lines allocated for MSMEs, 51 of which are exclusively distributed for MSMEs to open such businesses, and the rest are obliged to partner with MSMEs. That means only MSMEs can conduct soy

business, woven fabric, clay ceramics, traditional music instruments, and other significant businesses as stipulated in Annex II Presidential Regulation Number 10 of 2021.

e. General minimum wage waiver for MSEs.

According to Article 101 Government Regulation Number 7 of 2021 jo Article 36 Government Regulation Number 36 of 2021, MSEs are exempted from general minimum wage obligation. However, to maintain legal certainty, the wage must be at least 50% of the average public consumption at the provincial level and at least 25% above the poverty line at the provincial level.

Based on the eight policies regulated in Government Regulation Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, it can be concluded that the Government of Indonesia (GoI) is also aware of the importance of incentives for MSMEs. The incentives can also be classified as particular policies that are affirmative. Affirmative policies are a method that is widely used by the state as a response to create discriminatory social conditions and the existence of inequality which is targeted at MSMEs only.

As written in those regulations above, such favorable policy for MSMEs requires collaborative governance where the public actors work collectively with the private sector, civil society, and the community during the policy process. Such collaborative governance can expand the legitimacy of public policies and programs for MSMEs. For these reasons, collaborative governance is being used with greater frequency among different levels of government agencies, especially in policies related to local economic development (Younsung & Darnall, 2016).

Ultimately, these policies will not be appropriately executed without impartial collaboration between key stakeholders. Central government, local government, business actors, civil society, and communities shall collaborate entirely to deliver the policies to MSMEs.

4. CONCLUSION

The discussion above led to the conclusion that the Government of Indonesia has made a legal policy in the form of issuing several regulations, such as Law Number 11 of 2020 concerning Job Creation, which later has been revoked by Law Number 6 of 2023 concerning approval of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation, The Government Regulation Number 7 of 2021 concerning Simplicity, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises and The Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 2 of 2019 on Electronically Integrated Business Licensing for Micro and Small Businesses. The issuance of this set of rules has created convenience in regulating the licensing process and enabling incentives for MSMEs. These regulations are certainly made to raise MSMEs to recover immediately from the COVID-19 pandemic. However, this noble ambition will not be of maximum value without proper implementation. Very propitious cooperation and collaboration between central and regional governments, communities, and other key stakeholders is the key to enhancing the MSMEs' economic recovery.

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