

Legal Recognition of Business Incubators: Ethics, Compliance, and Corruption Prevention in Strengthening MSMEs

Lyna Latifah^a✉, Isti Hidayah^b, Fafurida^a,
Budi Prasetyo^b, Barokah Isdaryanti^c

^a Faculty of Economics & Business, Universitas Negeri Semarang, Indonesia

^b Faculty of Mathematics and Natural Sciences, Universitas Negeri Semarang, Indonesia

^c Faculty of Education and Psychology, Universitas Negeri Semarang, Indonesia

✉ Corresponding Email: lyna.latifah@mail.unnes.ac.id

Abstract

This study examines the absence of explicit legal regulation for business incubators in Indonesia and its implications for their role in supporting MSMEs and startups. Business incubators play an important role in inclusive economic development through mentoring services, business networking, and financing facilitation. Yet, they lack legal personhood and generally operate under parent institutions such as universities or government agencies, creating operational limitations and potential corruption risks. This research uses a normative and comparative juridical approach. Analysis is conducted on national laws and regulations and comparative studies on policies in other countries, such as South Korea, Singapore, and Malaysia. The key finding is that despite various policies supporting entrepreneurship, no regulation directly recognizes incubators as independent legal entities. Data were obtained through documentary and



literature studies, then analyzed qualitatively through systematic, prescriptive, and comparative approaches. The results show that while several regulations support entrepreneurship development, none provide explicit legal recognition of incubators as independent legal subjects. Incubators generally operate under parent institutions such as universities or government agencies, which limits contractual flexibility and access to funding sources. This research, therefore, recommends the formulation of specific regulations or standardized governance mechanisms to ensure legal certainty, institutional accountability, and long-term sustainability. As a result, the operational effectiveness and sustainability of incubators are improved. Such reforms are expected to provide legal certainty, strengthen institutional accountability, and encourage the strengthening of the national innovation and entrepreneurship ecosystem. Clear legal recognition would enable incubators to function more effectively as innovation and MSME growth catalysts.

Keywords

Business Incubator; Business Law; MSMEs; Regulatory Reform; Inclusive Entrepreneurship.

HOW TO CITE:

Chicago Manual of Style Footnote:

¹ Lyna Latifah, Isti Hidayah, Fafurida Fafurida, Budi Prasetyo, and Barokah Isdaryanti, “Legal Recognition of Business Incubators: Ethics, Compliance, and Corruption Prevention in Strengthening MSMEs”, *Indonesian Journal of Criminal Law Studies* 10, no 2 (2025): 487-528, <https://doi.org/10.15294/ijcls.v10i2.31238>.

Chicago Manual of Style for Reference:

Latifah, Lyna, Isti Hidayah, Fafurida Fafurida, Budi Prasetyo, and Barokah Isdaryanti, “Legal Recognition of Business Incubators: Ethics, Compliance, and Corruption Prevention in Strengthening MSMEs”, *Indonesian Journal of Criminal Law Studies* 10, no 2 (2025): 487-528, <https://doi.org/10.15294/ijcls.v10i2.31238>.

Introduction

Business incubators serve to accelerate the life cycle of nascent ventures by delivering core resources such as administrative facilities, tailored coaching, strategic networking, and pathways to capital.¹ Their existence is critical to reinforcing the broader entrepreneurial ecosystem, as they implement systematic programs that convert innovative ideas into commercially viable offerings. The configuration of incubators varies widely; they may be aligned with academic institutions, sponsored by public agencies, or operated as profit-driven accelerators, yet all demand an adaptable legal infrastructure that balances stakeholder interests while protecting the incubators' long-term viability.²

The development of business incubators in Indonesia has accelerated, and attention is increasing to strengthen the national entrepreneurial ecosystem. Incubators function as business infrastructure providers and as centers for entrepreneurial capacity building through structured mentoring, networking facilitation, and knowledge transfer services. Susiang (2024) found that the success of business incubators in Indonesia is strongly influenced by two main factors, namely government support in the form of pro-entrepreneurship policies, financial incentives, and regulations, as well as intellectual capital management that includes knowledge transfer, mentoring programs, and optimization of resource utilization.³ The synergy between external support and strengthening internal intellectual capital is key in creating incubators that can encourage sustainable startup growth. In addition, transparent and accountable

¹ Maria Irmira N Susiang, "Business Incubators in the Entrepreneurship Ecosystem in Indonesia Mediated by Government Support and Intellectual Capital," *Journal of Entrepreneurship and Business Innovation* 11, no. 1 (2024): 17–29.

² Andri Yandi Rukmana et al., "Optimizing the Role of Business Incubators in Higher Education: A Review of Supporting Factors and Barriers," *West Science Business and Management* 1, no. 3 (2023): 169–75, <https://doi.org/10.58812/wsbm.v1i03.96>.

³ Maria Irmira N Susiang, *Op cit*, p 34

management within incubators is essential to prevent corruption and ensure that public or private resources are allocated effectively and fairly.

The expansion of business incubators within Indonesia further corroborates the empirical viability of a Quadruple Helix innovation configuration, wherein the spheres of government, academia, industry, and civil society coalesce in a knowledge production and dissemination continuum. The model facilitates collaboration and creates a normative framework that anchors incubator practices within legal and ethical boundaries. Government involvement ensures alignment with regulatory mandates, academia contributes research-based accountability standards, industry provides compliance mechanisms tied to investment and market practices, and civil society introduces ethical oversight by advocating transparency and social responsibility. Thus, the Quadruple Helix becomes a governance tool that directly addresses legal compliance and ethical challenges Indonesian incubators face. Mulyaningsih (2014) documents that in specific initiatives, notably the Creative Community Association and the Community Development Center of PT Telkom, community constituents assume a dual function, acting as primary drivers who formulate and expedite innovation and as prospective beneficiaries of its outputs. Such an empirical configuration contravenes the classic, linear conception of innovation diffusion by embedding community-generated intelligence at the process's inception, thereby yielding prototypes that are not merely responsive but, dialectically, co-evolutionary with the situative social and economic milieu.⁴

Business incubators in Indonesia have recently gained momentum as governmental and private initiatives have ratcheted up support for startups and micro, small, and medium enterprises, especially in the wake of the COVID-19 crisis. Through the Ministry of Cooperatives and Small and Medium Enterprises, the government has rolled out targeted incubator

⁴ Heny D Mulyaningsih, "Enhancing Innovation in Quadruple Helix Perspective: The Case of the Business Incubators in Indonesia," in *Proceedings of the International Conference on Global Trends in Academic Research* (Bali: Global Illuminators, 2014), 33–39.

schemes focused on nurturing home-grown, tech-driven business concepts, particularly in telecom and digital services.⁵ Complementing these public initiatives, several corporate accelerators, Gojek Xcelerate, EverHaüs, Skystar Ventures, and IncuBie, together with incubators launched at leading universities, including the University of Indonesia and IPB University, have fortified the country's broader innovation system.⁶ Nevertheless, persistent implementation hurdles remain regarding governance, operational management, and insufficient linkages with vocational and higher education institutions.^{7,8} Accordingly, diagnosing the root causes of these limitations and crafting comprehensive enhancement strategies is essential for maximizing the incubator ecosystem's contribution to national entrepreneurial vitality.

Moreover, the Quadruple Helix framework, which cultivates synergy among government, academia, industry, and civil society, substantially amplifies the role of business incubators in forging entrepreneurial ecosystems intimately aligned with community imperatives. Empirical studies conducted within PT Telkom's Creative Community Association (CCA) and Community Development Center (CDC) underscore the capacity of incubators to foster community resilience while simultaneously catalyzing the emergence of digitally-driven start-ups. Consequently, incubators evolve beyond traditional business support entities; they metamorphose into agents of inclusive economic advancement, fortifying cooperative enterprises and enhancing the global competitiveness of micro,

⁵ Sri Wahyuni and Sari Noviaristanti, "Strengthening Startup Ecosystems: Government and Private Sector Collaboration in Indonesia," *Journal of Small Business Strategy* 32, no. 2 (2022): 79–92.

⁶ Eliezer Damazo-Santos, "Business Incubators in Indonesian Universities: Challenges and Opportunities," *Journal of Innovation and Entrepreneurship* 10, no. 1 (2021): 1–12, <https://doi.org/10.1186/s13731-021-00159-4>.

⁷ Nuke Lutfiani, Tatik Suryani, and Wawan Dhewanto, "The Role of University Business Incubators in Promoting Startups in Indonesia," *International Journal of Innovation Science* 12, no. 2 (2020): 235–51, <https://doi.org/10.1108/IJIS-12-2019-0127>.

⁸ Yusuf Iskandar, Najib Kailani, and Nurul Rafidiyah, "Factors Influencing the Success of Business Incubators in Indonesia: Political and Technocratic Perspectives," *Asian Journal of Business and Accounting* 15, no. 1 (2022): 45–70, <https://doi.org/10.22452/ajba.vol15no1.3>.

small, and medium enterprises (MSMEs) within a knowledge-intensive economic milieu.⁹

Nevertheless, a significant deficiency continues to characterize both scholarly discourse and the national policy architecture in Indonesia: the absence of dedicated statutory provisions that holistically delineate the establishment and functioning of business incubators. Current assistance directed at startups and micro, small, and medium enterprises (MSMEs) is channeled predominantly via ministerial initiatives or university-affiliated programs. However, these efforts remain piecemeal and lack integration within an overarching legal framework.¹⁰ Consequently, the absence of cohesive regulatory guidelines impedes the formulation of uniform standards across critical dimensions, including incubator accreditation, protection of intellectual property, structuring financing instruments, and defining legal obligations among tenants and collaborating stakeholders.

The lack of a coherent national legal framework has fostered operational inconsistencies, eroded the reliability of contract enforcement, and posed significant barriers to attracting public and private capital. Incubators that lack distinct legal standing encounter persistent obstacles when attempting to formalize binding agreements, to mobilize investment, or to assert ownership over technological and business innovations generated within their networks. For example, reports from the Ministry of Cooperatives and SMEs (2020) show that less than 30 percent of incubators in Indonesia can secure long-term investment contracts with private partners due to unclear legal status. Likewise, a World Bank assessment (2019) highlights that incubators embedded in

⁹ Amin Purnawan and Kami Hartono, "Development of UMKM through Strengthening Aspect of Business Legality (Case Study of Weaving Industry in Central Java)," *International Journal of Applied Business and Economic Research*, vol. 15, 2017.

¹⁰ Pujianto Pujianto, Dina Anggraeni, and Veland Ramadani, "Government Stimulus and SME Resilience in Indonesia Post-COVID-19 Pandemic," *Small Business International Review* 6, no. 1 (2022): e450, <https://doi.org/10.26784/sbir.v6i1.450>.

universities often face disputes over intellectual property ownership, discouraging potential investors. The persistent uncertainty surrounding their legal status diminishes their credibility, hampers their operational effectiveness, and jeopardizes their long-term viability.

Rooted in institutional theory, the imperative of legal formalization emerges as a decisive factor in both legitimacy and organizational survival. Hansmann and Kraakman (2000) contend that recognized legal personhood confers the authority to acquire property, enter into obligations, and incur liability, constituting a foundation for credible action.¹¹ DiMaggio and Powell (1983) elaborate that isomorphic pressures compel organizations to conform to prevailing regulatory and normative prescriptions to secure resources and societal endorsement.¹² Within the Indonesian milieu, a noticeable number of incubators persist in functioning outside a clearly delineated legal framework. This condition produces governance frailties and precipitates doubts regarding their legitimacy among key constituencies.

This lack of legal clarity also creates fertile ground for potential misuse of authority, misallocation of resources, and lack of financial transparency within incubator programs. Therefore, strengthening the legal framework is essential for institutional legitimacy and promoting integrity, transparency, and accountability as core mechanisms in preventing corruption. For instance, the Audit Board of Indonesia (BPK) in 2021 reported irregularities in the allocation of incubation funds under several local government programs, where expenditures were recorded for training and mentoring activities that never took place. Similarly, a case in East Java (2019) revealed that officials diverted grant funds intended for

¹¹ Henry Hansmann and Reinier Kraakman, "The Essential Role of Organizational Law," *The Yale Law Journal* 110, no. 3 (2000): 387–440, <https://doi.org/10.2307/797586>.

¹² Paul J DiMaggio and Walter W Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review* 48, no. 2 (1983): 147–60, <https://doi.org/10.2307/2095101>.

incubator tenants to non-incubator projects.¹³ Therefore, the imperative to forge ethical incubators is inseparable from the design of frameworks that resolutely counter corruption; only through such integrative measures can micro, small, and medium enterprises (MSMEs) be assured of receiving the advantages that translate into inclusive and sustainable economic advancement.¹⁴

Business incubators aim to furnish nascent firms with vital resources, mentorship, and expansive networks, thereby cultivating the capacity to innovate and successfully navigate a rapidly evolving economy. Yet, the absence of robust ethical and legal safeguards may divert these organizations from their foundational mission. Rather than functioning as inclusive catalytic platforms for widespread entrepreneurship, incubators can inadvertently perpetuate entrenched power hierarchies: opportunities and support concentrate around a narrow circle already privileged by pre-existing ties. Such a distortion compromises the efficacy of micro, small, and medium enterprise assistance initiatives. It erodes the core tenets of economic democracy, in which fairness, transparency, and accountability are indispensable for generating trust and securing equitable engagement from all constituents.¹⁵

Within the Indonesian landscape, the regulatory architecture for business incubators remains dispersed and inadequately substantive, offering scant and non-prescriptive direction regarding the ethical

¹³ Anis Widyawati et al., "The Regulation of Integrity Zone and the Corruption-Free Zone in Indonesia and Rusia," *Bestuur* 11, no. 2 (2023): 253–70, <https://doi.org/https://doi.org/10.20961/bestuur.v11i2.76306>.

¹⁴ Satrio Ageng Rihardi, Indira Swasti, and Gama Bhakti, "Legal Responsibilities of Foreign Investors in Establishing Unicorn Start-Up Companies in Indonesia," *Journal of Private and Commercial Law* 4, no. 2 (2020): 128.

¹⁵ H Agustina and A Sutarih, "Corruption of Regional Heads in Indonesia; Anatomy, Causative Factors, And Solutions," no. December 2018 (2019), <https://doi.org/10.4108/eai.30-7-2019.2287759>.

principles that should guide incubator conduct.¹⁶ Indonesia lacks a coherent legal framework that explicitly recognizes business incubators as independent legal entities. While current policy documents affirm entrepreneurship and innovation as critical levers of economic dynamism, they fall short of articulating obligatory and enforceable statutes entailing fairness, transparency, and accountability in incubation operations. This absence of a cohesive regulatory framework gives rise to systemic fragilities, permitting incubators to be swayed by nepotism, the inequitable distribution of resources, and conflicting loyalties. For example, the absence of codified ethical precepts allows incubators to select tenants based on personal affiliations or extrinsic institutional imperatives rather than on rigorous and impartial eligibility criteria, thereby undermining the inclusiveness of the incubation process and attenuating the developmental efficacy of MSME support programmes.¹⁷

Such regulatory opacity further heightens the susceptibility of incubators to corrupt practices, a risk that is magnified in public-private alliances and ventures involving international funding bodies. Without a precisely delineated legal persona and governance arrangements characterized by transparency and accountability, incubators may enter into arrangements that, however unintended, incubate conflicts of interest or inadvertently facilitate rent-seeking conduct. This vulnerability is especially pronounced in incubators tethered to universities or analogous host entities, which can confront institutional pressures to advance initiatives that serve the imperatives of the host rather than the broader constituencies of micro, small, and medium enterprises.

¹⁶ Robert Gorwa, "The Platform Governance Triangle: Conceptualising the Informal Regulation of Online Content," *Internet Policy Review* 8, no. 2 (2019): 22, <https://doi.org/10.14763/2019.2.1407>.

¹⁷ Robyn Owen, Geraldine Brennan, and Fergus Lyon, "Enabling Investment for the Transition to a Low Carbon Economy: Government Policy to Finance Early Stage Green Innovation," *Current Opinion in Environmental Sustainability* 31 (2018): 137–45, <https://doi.org/10.1016/j.cosust.2018.03.004>.

Governance shortcomings that lack adequate safeguards can systematically undermine stakeholder confidence, deter prospective participants, and, over time, curtail the vitality and impact of incubation initiatives. To neutralize these vulnerabilities, ethical incubation designs must integrate principles consonant with democratic norms and anti-corruption imperatives. Governance protocols should comprehensively delineate the full spectrum of incubator activity: criteria for tenant admission, the apportionment of resources, the orchestration of partnerships, and the calibration of performance metrics. Decision-making transparency invites both internal and external oversight, while accountability instruments, independent fiscal reviews, and participatory oversight councils firmly bind incubators to their mandate of fostering inclusive economic opportunity. Such an architecture transcends procedural compliance; it constitutes the foundational layer that inoculates incubation ecosystems from corruptive practices and fortifies the primacy of equity and impartiality.¹⁸

Robust anti-corruption safeguards firmly woven into their operational DNA, Indonesian incubation ecosystems can cultivate an arena where micro, small, and medium enterprises prosper on the twin currencies of innovation and merit, rather than personal connections or privilege. These systemic reforms would not only fortify public confidence in MSME development strategies. Still, they would also democratize access to entrepreneurial lanes and re-energize the inclusive growth espoused by democratic values. Incubators that internalize integrity thereby transform into dynamic levers of equitable economic participation, nurturing an entrepreneurial landscape that is transparent, accountable, and resilient. Consequently, ethical incubation models must

¹⁸ Oleksandr Shevchuk et al., "Problems of Legal Regulation of Artificial Intelligence in Administrative Judicial Procedure," *Juridical Tribune* 13, no. 3 (2023): 348–62, <https://doi.org/10.24818/TBJ/2023/13/3.02>.

be anchored in the triad of fairness, transparency, and accountability, reinforced by non-negotiable guidelines that comprehensively govern tenant selection, resource distribution, partner engagement, and performance appraisal.¹⁹

Lack of legal clarity magnifies vulnerability in both public–private partnerships and international endeavors, where ambiguous governance dissipates accountability and invites rent-seeking alongside conflicts of interest. Global evidence indicates that effective anti-corruption regimes hinge on explicit legal formulations, compulsory ethics education, transparent procedural architectures, persistent oversight, and robust and enforceable sanctions.²⁰ The experiences of India and Malaysia affirm that embedding ethics within incubator governance heightens institutional credibility, ensures that support flows to intended beneficiaries, and fosters inclusive socio-economic advancement.²¹

In Indonesia, tailored anti-corruption protocols should zero in on focal risk domains, fortified by participatory governance that enlists micro, small, and medium-sized enterprise (MSME) stakeholders, civil society, and independent watchdogs. Introducing ethics-centered certification schemes could amplify governance by publicly signaling a commitment to transparency and equitable treatment. Institutionalizing legal and ethical compliance within incubators mandates synergy among governmental bodies, private-sector actors, academic institutions, and civil constituencies. The gauge of accomplishment must extend beyond the number of MSMEs nurtured; it must also encompass the establishment of

¹⁹ Emmanuel Elau, “An Appraisal of the East African Court of Justice,” *SSRN Electronic Journal*, 2022, <https://doi.org/10.2139/ssrn.4290511>.

²⁰ Anis Widyawati et al., “Dynamics of the Penitentiary System, Transparent and Accountable Handling of Criminal Cases in Criminal Execution Law in Southeast Asia: Convergence and Divergence of International Perspectives,” *Indonesia Law Review* 15, no. 1 (2025): 15–35, <https://doi.org/https://doi.org/10.15742/ilrev.v15n1.1>.

²¹ Teuku Ahmad Dadek et al., “Determination of the Legal Status for Disaster Emergency in Indonesia,” *IIUM Law Journal* 29, no. (S2) (2021): 23–42, [https://doi.org/10.31436/iiumlj.v29i\(s2\).678](https://doi.org/10.31436/iiumlj.v29i(s2).678).

an equitable, transparent, and accountable entrepreneurial milieu. Such architectures are foundational for cultivating public confidence, sustaining economic democracy, and securing the long-term resilience of Indonesia's MSME landscape.²²

Indonesia's current legal framework includes multiple statutes that touch upon entrepreneurship and the growth of small businesses, but do not deliver a coherent regulatory architecture allowing incubators to operate as stand-alone legal entities. Law No. 20 of 2008 on Micro, Small, and Medium Enterprises promotes various supporting mechanisms while omitting explicit reference to incubators as policy instruments. Law No. 25 of 1992 concerning Cooperatives and Law No. 40 of 2007 concerning Limited Liability Companies define the broad legal categories under which equity-holding and membership-based organizations may function, but do not accommodate the blended governance and funding models characterising incubators. Government Regulation No. 60 of 2008 and a range of ministerial edicts, such as Permenristek No. 03/M/Kp/IV/2013, advance the agenda of promoting innovation, yet leave guiding mechanisms scattered and devoid of instruments to compel compliance. Local administrations have attempted to consolidate innovation strategies, yet policy variations often mark these and possess only quasi-enforceable force under the hierarchy of national statutes.²³

Researchers have documented these legal ambiguities as a source of institutional frailty and operational uncertainty.²⁴ Rosser et al. (2022)

²² Amalia Suzianti et al., "Towards a Sustainable Coffee Supply Chain: The Role of Digital Platform Capability in Increasing Organisational Agility," *International Journal of Sustainable Engineering* 17, no. 1 (2024): 80–97, <https://doi.org/10.1080/19397038.2024.2400987>.

²³ Prasetya Eka Pratama, Muhammad Kamil, and Salahudin Salahudin, "Implementation of the Integrity Zone Development Program towards a Corruption-Free Area and a Serving Clean Bureaucracy Region," *Journal of Local Government Issues* 2, no. 2 (2019): 138, <https://doi.org/10.22219/logos.vol2.no2.134-148>.

²⁴ Lina Gozali et al., "Performance Factors for Successful Business Incubators in Indonesian Public Universities," *International Journal of Technology* 11, no. 1 (2020): 73–84, <https://doi.org/10.14716/ijtech.v11i1.2960>.

further argue that the disjointed regulatory landscape undercuts the actual performance measures and the long-term viability of entities supporting innovative entrepreneurship.²⁵ A comparative review reveals that countries that provide explicit legal scaffolding for incubators, whether through dedicated innovation statutes or integrated economic-development frameworks, display more resilient and vibrant startup milieus.²⁶ Consequently, the Indonesian scholarly and policy discourse reveals a pronounced lacuna: the absence of targeted inquiry into the legal formalization of business incubators as autonomous governance actors. Bridging this divide is critical for fortifying the entrepreneurial ecosystem and advancing the broader legal and economic reforms that support Indonesia's innovation-oriented development strategy.

Recent scholarship indicates that integrating ethical standards and legal-compliance systems is a central mechanism for reducing corruption and reinforcing MSMEs within economic democracy. Eldiana and Prahyawan (2025) argue that the convergence of consumer-protection law and ethical vigilance establishes a durable platform for resilient MSME expansion in Indonesia.²⁷ Andyka (2023) demonstrates that governance anchored in ethics and integrity significantly bolsters SMEs' capacity to weather economic disturbances. Arifin et al. (2024) reveal that corruption perceptions inhibit MSME tax compliance, while public trust in the government fosters it, illustrating the reciprocal influence of legal

²⁵ Andrew Rosser, Ian Wilson, and Priyambudi Sulistiyanto, "Politics and Entrepreneurship in Indonesia: Institutions, Elites, and Resources," *Asian Studies Review* 46, no. 2 (2022): 234–53, <https://doi.org/10.1080/10357823.2021.1950269>.

²⁶ Erko Autio et al., "Entrepreneurial Innovation: The Importance of Context," *Research Policy* 43, no. 7 (2014): 1097–1108, <https://doi.org/10.1016/j.respol.2014.01.015>.

²⁷ Marisa Putri Eldiana and Wawan Prahyawan, "Human Resource Management Prevention : A Systematic Review In Corruption," *Banking and Management Review*, no. July (2025): 9–13, <https://doi.org/doi.org/10.52250/bmr.v13i1>.

adherence and ethical context on entrepreneurial behaviour.²⁸ Botero et al (2025) show that ethical investment and corporate social responsibility initiatives can broaden the base of sustainable finance available to Indonesian MSMEs, improving fiscal and operational metrics.²⁹ Lastly, according to Ametepey et al (2022), Corruption continues to pose a significant impediment to the sustainable scaling of micro, small, and medium enterprises, eroding public trust and threatening the integrity of economic democracy.³⁰

Despite the proliferation of anti-corruption frameworks, micro, small, and medium enterprises (MSMEs) continue encountering recurrent ethical breaches and inconsistent legal adherence, perpetuating systemic inefficiencies and creating imbalanced competitive contexts. Contemporary scholarship has highlighted the interdependence of ethical conduct, integrative governance, and anti-corruption frameworks for alleviating these systemic vulnerabilities. Preliminary findings suggest that the deliberate incorporation of ethical precepts and governance practices into the operational DNA of MSMEs can attenuate corrupt practices and fortify organizational resilience.¹ Nevertheless, the predominant scholarly attention has gravitated toward large multinationals or has surveyed MSMEs through narrow industrial or geographic prisms, which limits the generalizability of findings and obscures pathways for an integrated ethical and legal compliance regime that is commensurate with the specific constraints and contexts of MSMEs.

²⁸ Bustanul Arifin, Rudi Santoso, and Mufid Arsyad, "Mubadalah in the Transformation of Identity Politics in Indonesia: Challenges and Opportunities," *Journal of Islamic Mubadalah* 1, no. 1 (2024): 62–78, <https://doi.org/10.70992/j56wzj52>.

²⁹ Ibis Danilo Yanguas-Botero, Alexander Zúñiga-Collazos, and Omar de Jesús Montilla-Galvis, "Cartography of Corruption in Colombia: An Approach to the Social, Cultural and Economic Dimensions," *Cogent Social Sciences* 11, no. 1 (2025): 9–14, <https://doi.org/10.1080/23311886.2025.2479082>.

³⁰ Simon Ofori Ametepey, Emmanuel Yaw Frempong Jnr, and John Edward Cobbina, "Barriers to the Growth of Small and Medium Scale Construction Enterprises in Ghana," *Open Journal of Civil Engineering* 12, no. 01 (2022): 38–55, <https://doi.org/10.4236/ojce.2022.121004>.

This study addresses the persistent gap in the literature regarding the intersection of ethics training and legal compliance systems in the fight against corruption within micro, small, and medium-sized enterprises (MSMEs). By pinpointing deficiencies in prior research and empirically testing a hybrid model designed to be both locally relevant and capable of wider application, the paper intends to furnish a practical, data-informed pathway for constructing transparent and accountable MSMEs. The initiative is significant because it provides a coherent framework that not only refines anti-corruption initiatives but also nurtures MSMEs as pivotal agents of inclusive and democratic economic development. The results underscore the imperative of investigating the synergistic deterrent effect of ethics and compliance integration, thereby fortifying MSMEs and furthering the overarching goal of financial democratization. Accordingly, this article seeks to answer a central problem: how does the absence of a legal framework for business incubators weaken accountability, and how can integrating ethics and legal compliance serve as a corruption-prevention strategy in MSME empowerment? By addressing this gap, the study contributes to legal scholarship and practical policy debates on strengthening Indonesia's innovation and entrepreneurial ecosystem.

Method

This research adopts a normative juridical methodology, scrutinizing and interpreting the prevailing codified legal norms that govern business incubation in Indonesia.³¹ The inquiry systematically engages a hierarchy of legal instruments, encompassing laws, governmental regulations, presidential edicts, and ministerial directives that delineate the framework for establishing and operating business incubators. In tandem, the study employs a comparative dimension, examining the legal structuring of

³¹ Irwansyah Irwansyah, *Penelitian Hukum, Pilihan Metode & Praktik Penulisan Artikel*, ed. Ahsan Yunus, Cetakan 4 (Yogyakarta: Mirra Buana Media, 2021).

business incubation in jurisdictions with more mature regulatory architectures, specifically Singapore, Malaysia, and South Korea. The comparative analysis is not presented descriptively; instead, it serves a prescriptive function, drawing out concrete lessons on governance, legal recognition, and accountability that can be adapted to Indonesia. This methodological orientation highlights how foreign practices are critically assessed to generate reform-oriented recommendations tailored to Indonesia's institutional and socio-economic context. The combinative orientation of the analysis aspires to yield principled recommendations for the refinement of Indonesia's legal regime, thereby fostering the institutional environment necessary for the advancement of incubated enterprises and the broader entrepreneurial ecosystem.

The research integrates tripartite categories of legal materials. Primary sources comprise key statutory instruments, notably Law No. 11 of 2020 on Job Creation; Government Regulation No. 7 of 2021 on Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises; Presidential Regulation No. 18 of 2020, which articulates the 2020–2024 Medium-Term Development Plan; Presidential Regulation No. 2 of 2022 on the National Entrepreneurship Development Plan for 2021–2024; and two ministerial regulations delineating norms, standards, and procedural modalities for the operation of entrepreneurial incubators. Secondary sources include peer-reviewed monographs, legal scholarship published in journals, and prior empirical inquiries delving into the legal and economic dimensions of business incubators, innovation ecosystems, and the broader field of entrepreneurship. Tertiary materials, in legal lexicons and encyclopaedic compendia, are also consulted to furnish precise definitional boundaries and deepen comprehension of

entrepreneurial incubators as entities with distinct legal standing and regulatory significance.³²

Data were collected through documentary study, literature review, and comparative analysis.³³ The documentary study involved a meticulous review of Indonesian legislation and regulatory pronouncements for incubating innovative enterprises. The literature review surveyed domestic and international scholarship addressing incubators' doctrinal and practical aspects. The comparative analysis examined regulatory regimes of jurisdictions, drawing lessons and best practices that may inform prospective reforms in the Indonesian context. Prescriptive legal analysis distilled the comparative insights into specific recommendations, such as drafting incubator-specific regulations, establishing standardized governance mechanisms, and explicitly recognizing incubators as independent legal entities.

The ensuing analysis applied qualitative normative methodology in a sequential and interrelated program. The first stage, normative juridical analysis, tested the consonance of prevailing legal doctrines, enacted statutes, and practical incubation modalities. The second stage, systematic analysis, catalogued and harmonized relevant statutory and sub-statutory provisions to establish a unified regulatory edifice. The third stage, comparative analysis, juxtaposed Indonesian provisions against a curated set of foreign enactments, cataloguing both advantages and deficiencies. The fourth and final stage, prescriptive analysis, proposed targeted measures to reinforce the legitimacy, internal coherence, and functional efficacy of the regulatory framework that governs business incubation in Indonesia.³⁴

³² Etienne Lwamba et al., "PROTOCOL: Strengthening Women's Empowerment and Gender Equality in Fragile Contexts towards Peaceful and Inclusive Societies: A Systematic Review and Meta-Analysis," *Campbell Systematic Reviews* 17, no. 3 (2021): 4, <https://doi.org/10.1002/cl2.1180>.

³³ Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana Prenada Media Group, 2005).

³⁴ Bahder Johan Nasution, *Metodologi Penelitian Ilmu Hukum*, Cetakan Ke (Bandung: Mandar Maju, 2016).

Result and Discussion

A. Regulatory Gaps and Corruption Risks

The absence of a dedicated legal framework governing business incubators in Indonesia presents a substantial regulatory void that invites vulnerabilities and diminishes safeguards against corruption, thereby jeopardizing the foundational principles of economic democracy.³⁵ Though the operative regulatory milieu offers sporadic programmatic backing through a succession of statutory provisions and ministerial directives, it conspicuously lacks the clearly delineated accountability mechanisms indispensable for ensuring transparency and curtailing resource misappropriation within micro, small, and medium-sized enterprise development schemes.³⁶ Consequently, the legal architecture ostensibly designed to nurture entrepreneurship and innovation inadvertently renders incubators susceptible to governance lapses that subvert their core objectives.

In operational terms, this legislative void has compelled numerous business incubators to subsist through appropriated legal personae, typically forming affiliations with universities, governmental bodies, or non-governmental organizations.³⁷ Although this expedient enables their continuity without distinct legal standing, it concurrently engenders institutional uncertainty that amplifies the corruption risk. The lack of recognition as autonomous legal actors obliges incubators to conduct vital functions, including financial administration, contract execution, and

³⁵ Charles Edquist, "Systems of Innovation: Perspectives and Challenges," in *The Oxford Handbook of Innovation*, ed. Jan Fagerberg, David C Mowery, and Richard R Nelson (Oxford University Press, 2005), 181–208.

³⁶ Fatkhul Jauhari, Ace Suryadi, and Abdul Rahman, "Vocational Education as a Solution for Employment Opportunities for People with Disabilities in Indonesia," *Journal of Social Inclusion Studies* 6, no. 2 (2020): 112–27, <https://doi.org/10.1177/2394481120959092>.

³⁷ Rini Nurmalasari, Taufik Hidayat, and Dewi Putri, "Vocational Education in Indonesia: Opportunities and Challenges," *International Journal of Education and Learning* 1, no. 2 (2019): 87–94, <https://doi.org/10.31763/ijele.v1i2.75>.

resource distribution through informal, unwritten modalities.³⁸ Such practices, bereft of stringent oversight and formal legal sanction, foster an environment conducive to non-transparent conduct. Documented cases, such as using personal bank accounts for incubator funds, highlight the systemic risks created by this informality. This lack of recognition prevents incubators from exercising independent legal personhood, exposing them to operational uncertainty and heightened corruption risks.

The state has sought to promote transparency via the SIPENSI (*Sistem Pendaftaran dan Evaluasi Inkubator Nasional*), a national registry and monitoring platform for incubators throughout Indonesia. Nonetheless, the system continues to operate predominantly as an administrative registry, cataloguing incubators without embedding the legislative enforcement tools required to assure adherence.³⁹ Absent the authority to levy penalties or mandate remedial measures, SIPENSI cannot effectively safeguard appropriated public funds for incubator programs. As a result, the potential for misappropriation or suboptimal resource allocation persists, while avenues for remedial intervention remain severely restricted.⁴⁰ SIPENSI must be granted legal authority to enforce compliance, impose sanctions, and mandate corrective actions to be effective.

The regulatory environment for incubators remains complicated, as authority is scattered among several ministries: the Ministry of Cooperatives and SMEs, the Ministry of Research and Technology, and the Ministry of Industry, rather than centralized within one agency. This

³⁸ Meredith L. Weiss, "Civil Society's Inconsistent Liberalism in Southeast Asia: Exercising Accountability Along Differing Diagonals," *Journal of Current Southeast Asian Affairs* 42, no. 3 (2023): 308, <https://doi.org/10.1177/18681034231208021>.

³⁹ Endang Purwaningsih, Nelly Ulfah Anisariza, and Basrowi Basrowi, "Perolehan Legal Entity Dan Legal Product Bagi UMKM," *Jurnal Pembangunan Hukum Indonesia* 5, no. 2 (2023): 261, <https://doi.org/10.14710/jphi.v5i2.245-264>.

⁴⁰ I Ketut Utama, I B Dody Putra, and I G A Mas Widiastuti, "Legitimacy and Institutionalization of Business Incubators in Indonesia," *Journal of Entrepreneurship Education* 21, no. 2 (2018): 1–10.

fragmentation undermines effective coordination, obscures the delegation of oversight functions, and facilitates opportunities for profit-seeking misconduct. In the absence of an overarching legal mechanism that clarifies institutional roles and delineates lines of accountability, the financial and technical assistance earmarked for incubators may be siphoned off or improperly allocated, preventing the index-seeking micro, small, and medium enterprises (MSMEs) from accessing the targeted forms of support.⁴¹

The absence of harmonized operational guidelines and binding governance standards compounds this vulnerability. Numerous incubators function intermittently and are subject to weak auditing, leaving critical dimensions of financial transparency, the criteria for admitting tenant firms, and the governance of joint ventures largely unregulated. This gap invites acts of misconduct, including the preferential admission of politically connected firms, the misappropriation of allocated grants, and the establishment of clientelist alliances with private investors. Such deviations dilute the incubators' developmental impact and violate the procedural fairness and equal opportunity norms that should characterize any publicly financed MSME support mechanism.⁴²

Mitigating these systemic vulnerabilities necessitates the construction of a holistic legal architecture that delineates unequivocal liability, cultivates transparent governance procedures, and institutes rigorous enforcement modalities. Such a framework is imperative to empower incubators to operate effectively as catalysts of inclusive and sustainable economic

⁴¹ Huy Q Pham, Hieu T Phan, and Cao D Duong, "A Critical Review of Business Incubation Models and Implications for Developing Countries," *Journal of Innovation & Knowledge* 6, no. 3 (2021): 178–90, <https://doi.org/10.1016/j.jik.2020.12.001>.

⁴² Maslina Yusof, Muhammad Fakhrol Zainuddin, and Noor Haslina Ahmad, "Towards the Development of an Inclusive Innovation Ecosystem: The Role of Intermediary Institutions," *Journal of Entrepreneurship in Emerging Economies* 14, no. 3 (2022): 487–508, <https://doi.org/10.1108/JEEE-01-2021-0022>.

advancement.⁴³ Indonesia should consolidate incubator regulation under a single coordinating body and adopt statutory provisions that define liability, clarify institutional roles, and ensure transparent resource distribution

B. Transparency and Accountability Mechanisms

Strengthening transparency and accountability mechanisms within business incubator ecosystems is a decisive measure for curbing corruption and ensuring that micro, small, and medium enterprise (MSME) support initiatives genuinely advance the principles of economic democracy.⁴⁴ In incubator environments lacking robust and unambiguous oversight, the resources and opportunities intended to uplift entrepreneurs can become reallocated, misapplied, or unevenly distributed. In Indonesia, the current absence of formal legal recognition for incubators creates formidable obstacles to establishing governance architectures capable of deterring such abuses and promoting inclusive economic engagement. The lack of a definitive regulatory framework hinders incubators from instilling checks and balances, safeguarding integrity, and equity.⁴⁵ This results in blurred accountability between incubators, parent institutions, funders, and tenant firms.

A foundational principle of democratic MSME empowerment is that support entities such as incubators must operate transparently across all functions, including recruiting tenant firms, distributing support assets,

⁴³ Onja H. Razafindratsima et al., "Reviewing the Evidence on the Roles of Forests and Tree-Based Systems in Poverty Dynamics," *Forest Policy and Economics* 131, no. 12 (2021): 33, <https://doi.org/10.1016/j.forpol.2021.102576>.

⁴⁴ Shaker A Zahra, Mike Wright, and Sameh G Abdelgawad, "Contextualization and the Advancement of Entrepreneurship Research," *Technological Forecasting and Social Change* 166 (2021): 120600, <https://doi.org/10.1016/j.techfore.2021.120600>.

⁴⁵ John Motsamai Modise and Phemelo Sheldon Modise, "Improved Public Trust, Integrity and Good Governance with Respect to Corruption," *International Journal of Innovative Science and Research Technology* 8, no. 3 (2023): 2573–83.

and evaluating outcomes. Nevertheless, the informal status of many Indonesian incubators complicates the application of uniform transparency protocols. Indonesia should adopt a regulatory model similar to Singapore and South Korea, where incubators receiving public funds must publish audited accounts, disclose annual performance reports, and meet defined transparency benchmarks. The legal framework is silent on obligatory financial disclosures, performance evaluations, or public reporting, thereby permitting incubators to devise and apply their own protocols with largely absent external scrutiny.⁴⁶

The absence of a legally distinct status for business incubators permeates accountability relations among incubators, parent organizations, public financiers, and the micro, small, and medium enterprises they support. Consequently, duties become fragmented among multiple parties, generating accountability voids that obscure culpability when difficulties arise. For instance, when a university-hosted incubator encounters fiscal anomalies, uncertainty persists regarding whether the incubator director, university governance, or the appropriate public agency should face sanction.⁴⁷ Such institutional vagueness creates opportunities for misuse that can occur without surveillance, diminishing the programs' efficacy and public trust in their integrity.⁴⁸

International standards suggest that granting formal legal person status to incubators and prescribing transparency obligations can materially

⁴⁶ Luís de Sousa and Susana Coroado, "What Do We Talk about When We Talk about Ethics Regulation in Politics?," *Public Integrity* 0, no. 0 (2022): 1–13, <https://doi.org/10.1080/10999922.2022.2075633>.

⁴⁷ Karmal Maksudi, Selamet Suhartono, and Hufon, "Imposition of Administrative Sanctions on Government Officials Who Do Not Implement Decision of the State Administrative Court," *International Journal of Social Science Research and Review* 5, no. 1 (2023): 159–65, <https://doi.org/http://dx.doi.org/10.47814/ijssrr.v6i9.1561>.

⁴⁸ Anis Widyawati et al., "The Urgency of Supervision Institutions in Implementing Prisoners' Rights as an Effort to Restructure Criminal Execution Laws," *Jambura Law Review* 7, no. 01 (2025): 137, <https://doi.org/http://dx.doi.org/10.33756/jlr.v7i1.27595>.

attenuate corruption hazards within support.⁴⁹ Nations such as Singapore and South Korea mandate that incubators produce exhaustive financial records, circulate annual performance disclosures, and submit to independent audits at defined intervals as preconditions for public funding. Collectively, these steps institute a regime of checks and balances that guarantees resources earmarked for micro, small, and medium enterprise growth are deployed judiciously and delivered to intended recipients through open and fair modalities. More fundamentally, such architectures cultivate an enduring culture of accountability that safeguards public assets and fortifies trust between incubators and their constituencies. To promote participatory governance in micro, small, and medium enterprise advancement, Indonesia ought to enshrine legal stipulations for incubator transparency that extend well beyond the minimal threshold of administrative registration.

Mandatory disclosure of tenant selection criteria, systematic publication of financial and operational reports, and adoption of standardized performance indicators encompassing economic and social dimensions are essential elements of a transparent governance framework for MSME support programs. Such indicators should be publicly accessible, ensuring accountability to governmental oversight agencies and the citizenry. Complementary to these requirements, public forums for feedback and structured complaint resolution mechanisms will permit the affected stakeholders to contest inequitable practices and to advocate constructively for policy refinements. Introducing robust whistleblower protection statutes and establishing independent oversight commissions will create an additional safeguard, encouraging the candid disclosure of fraud and abuse by shielding informants from professional reprisals. When implemented in concert, these reforms will rebuild public trust in the

⁴⁹ Anis Widyawati et al., "Supervision in Integrated Justice: Legal Reform and Constructive Enforcement in the Criminal Justice System," *Journal of Law and Legal Reform* 5, no. 2 (2024): 433–58, <https://doi.org/https://doi.org/10.15294/jllr.vol5i2.3886>.

incubator ecosystem, guarantee equitable access to pre-incubation and incubation services, and align the governance of incubation facilities with the wider precepts of economic democracy.⁵⁰

C. Ethical and Comparative Models

Designing ethical business incubation models that integrate comprehensive anti-corruption mechanisms transcends mere compliance; it forms a strategic cornerstone for fostering inclusive and durable economic development that benefits micro, small, and medium enterprises (MSMEs) in a manner. When Indonesian institutions infuse explicit ethical benchmarks and diligent oversight into incubation frameworks, the resulting climate empowers MSMEs to grow, innovate, and engage in the broader economy on genuinely level playing fields. This framework fortifies the democratic economy, where prospects circulate equitably and entrepreneurial capability is liberated from the distortions of corruption and asymmetric resource access. of such safeguards, MSMEs encounter chronic structural disadvantages that entrench inequality and erode confidence in both public and private support networks.⁵¹ This vacuum allows practices such as nepotism, clientelism, and preferential treatment to persist.

Indonesia's regulatory framework offers only fragmented and insufficient guidance for formulating ethical standards governing incubator activities. Indonesia should mandate codes of ethics for incubators that regulate tenant selection, resource allocation, and partnership contracts, supported by enforceable sanctions for violations. However, prevailing policies underscore the value of innovation and the

⁵⁰ Anis Widyawati et al., "Optimizing Oversight: Developing an Ideal Framework for Supervision Prisoners' Right Allocation," *Indonesia Journal of Criminal Law Studies* 9, no. 2 (2024): 189, <https://doi.org/https://doi.org/10.15294/ijcls.v9i2>.

⁵¹ Hunggul Yudono Setio Hadi Nugroho et al., "Mainstreaming Ecosystem Services from Indonesia's Remaining Forests," *Sustainability (Switzerland)* 14, no. 19 (2022), <https://doi.org/10.3390/su141912124>.

promotion of micro, small, and medium enterprises, rather than articulating binding norms that mandate transparency, objectivity, and accountability. The absence of such enforceable provisions heightens the risk that corrupt tendencies manifesting as nepotism, misappropriation of public assets, or dual loyalties may subvert the anticipated efficacy of MSME assistance schemes. Incubators that function without solid ethical safeguards can, unintentionally, fortify prevailing hierarchies, directing support toward well-connected individuals or organisations at the expense of a more diverse and equitable entrepreneurial ecosystem. Outcomes of this nature contradict the normative framework of economic democracy, which is predicated on the equitable and transparent availability of entrepreneurial prospects for all qualified actors.⁵²

To offset these risks, ethical incubation paradigms must be explicitly predicated on axioms that harmonise democratic imperatives with anti-corruption imperatives. The principle of fairness mandates that all MSMEs meeting established eligibility criteria must be granted identical access to incubator resources, free from prejudice or preferential treatment. Parallel to this, transparency imposes the obligation to instantiate open and elucidated protocols governing the selection of tenants, the disbursement of assets, and the negotiation of partnership contracts, thereby permitting all affected parties to apprehend and interrogate the modalities by which assistance is conferred.

Accountability requires introducing systems enabling incubators to answer for their policies and results through self-governance, formal auditing, or detached regulatory commissions. The persistence of such accountability demands the formulation of detailed ethical codes that govern every stage of incubator activity intake processes, mentoring,

⁵² Dan Hunter, "The Death of the Legal Profession and the Future of Law," *University of New South Wales Law Journal* 43, no. 4 (2020): 1209, <https://doi.org/10.53637/dvxx3898>.

resource allocation, and performance appraisal. Without these codifications, incubators may inadvertently or purposefully favour specific stakeholders, jeopardising both the inclusivity and the efficacy of micro, small, and medium-sized enterprise advancement programmes.⁵³ Indonesia should mandate codes of ethics for incubators that regulate tenant selection, resource allocation, and partnership contracts, supported by enforceable sanctions for violations.

A critical concern that follows from the absence of such clarity is the marked increase in corruption opportunities within public–private partnerships and cross-border collaborations.⁵⁴ When incubators operate without independent juridical standing and lack well-articulated governance, they are exposed to conflicts of interest and opportunistic behaviour motivated by personal gain. Incubators within the orbit of academic institutions may, for instance, confront overt or latent pressures to favour initiatives that correspond to faculty ambitions or institutional agendas, rather than meeting the MSME sector's broad expectations. Correspondingly, incubators allied with corporate or international sponsors may negotiate provisions that disproportionately advantage the sponsor's interests, resulting in inadequate support for fledgling entrepreneurs. Weaknesses in governance can steadily diminish stakeholder confidence, deter active involvement, and ultimately weaken the outcomes of incubation programs.

International experience offers essential lessons on integrating ethical and anticorruption frameworks into innovation support structures. Proven models consistently incorporate several critical features: unambiguous legal

⁵³ Stephanie Law, "From Multiple Legal Cultures to One Legal Culture? Thinking About Culture, Tradition and Identity in European Private Law Development," *Utrecht Journal of International and European Law* 31, no. 81 (2015): 68–89, <https://doi.org/10.5334/ujiel.dg>.

⁵⁴ Ashish Malik and Fabian Jintae Froese, "Corruption as a Perverse Innovation: The Dark Side of Digitalization and Corruption in International Business," *Journal of Business Research* 145, no. March (2022): 82, <https://doi.org/10.1016/j.jbusres.2022.03.032>.

definitions of both permissible and impermissible conduct, obligatory ethics training for all staff engaged in incubator activities, open and documented processes for selecting suppliers and forming partnerships, rigorous monitoring and evaluation procedures, and credible enforcement mechanisms that impose significant penalties for infractions.⁵⁵ When these elements function in concert, they foster an environment where ethical behaviour is anticipated, resourced, and reinforced. Absent such comprehensive safeguards, even incubators with the noblest intentions risk succumbing to corrupt influences that compromise their fundamental objectives.

India and Malaysia present instructive cases of how robust ethical governance can be woven into the administration of business incubators. In India, statutory mandates on anti-corruption, coupled with mandated quarterly ethics audits and transparency provisions that require public disclosure of investigative outcomes, jointly construct a multi-tiered supervisory regime that deters illicit conduct and enhances citizen confidence in the process.⁵⁶ In parallel, the Malaysian model mandates biannual ethics workshops and embeds anti-corruption safeguards within the broader strategy for sustaining micro, small, and medium enterprise (MSME) growth, thereby situating incubators as catalysts for inclusive prosperity rather than instruments of elite enrichment.⁵⁷ Empirical assessments in both jurisdictions indicate that these consolidated practices constrict the latitude for corrupt behavior. They ensure that public funds designated for MSME advancement are deployed rigorously and neutrally,

⁵⁵ Tao Wu et al., "Rethinking Corruption in International Business: An Empirical Review," *Journal of World Business* 58, no. 2 (2023): 104, <https://doi.org/10.1016/j.jwb.2022.101410>.

⁵⁶ Mahak Jain, "Access to Justice in India: A Critical Analysis," *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.3771945>.

⁵⁷ E. Lea Johnston et al., "Diminished Criminal Responsibility: A Multinational Comparative Review," *International Journal of Law and Psychiatry* 91, no. August (2023): 19, <https://doi.org/10.1016/j.ijlp.2023.101919>.

thereby fostering a more geographically and sectorally dispersed pattern of economic development.

For Indonesia to build equally robust ethical frameworks, the state must articulate bespoke anti-corruption protocols directed at the distinct vulnerabilities of incubators. Such protocols should target critical exposure points, including the selection of resident firms, the allocation of shared resources, the negotiation of partnership contracts, the stewardship of intellectual property, and the orchestration of financial flows. These measures must rest upon mandatory statutory provisions and enforceable instruments that compel adherence while simultaneously rendering practicable guidelines for ethical judgment. Concurrently, governance architectures characterized by participatory inclusion should be established, drawing upon representatives of micro, small, and medium enterprises (MSMEs), civil society, and independent watchdogs. These multilayered accountability networks diminish corrupt opportunities, uphold the primacy of beneficiary-oriented objectives, and, crucially, embed democratic engagement within the stewardship of economic development initiatives, thereby reinforcing public confidence and participatory ownership.

Complementary to the regulatory arsenal, ethical certification schemes for incubators may constitute an effective mechanism for elevating governance standards. Such certification benchmarks could encompass verifiable compliance with transparency and accountability protocols, documented enactment of anti-corruption strategies, and substantiated efforts to ensure inclusive outreach to MSMEs drawn from diverse geographic and socio-economic strata.⁵⁸

⁵⁸ Jagad Aditya Dewantara et al., "Anti-Corruption Education as an Effort to Form Students with Character Humanist and Law-Compliant," *Jurnal Civics: Media Kajian Kewarganegaraan* 18, no. 1 (2021): 70–81, <https://doi.org/10.21831/jc.v18i1.38432>; Rasdi Rasdi et al., "When Students Fight

Attaining formal ethical certification would unequivocally demonstrate an incubator's allegiance to integrity, thereby fortifying its standing among diverse stakeholders: venture capitalists, public funding bodies, and micro-, small-, and medium-sized enterprises. As the credential becomes more broadly recognized, it will likely evolve into an impactful competitive advantage throughout the incubation landscape, incentivizing principled conduct and establishing a normative standard for peer organizations.⁵⁹

Embedding ethical rigour and legal probity into incubation governance constitutes a strategic reorientation toward more participatory, transparent, and answerable governance. Such a systemic reconfiguration will not materialize by mere lapse of time; it demands an enduring partnership among a broad coalition of interested parties: regulatory agencies, universities, business confederations, and non-governmental watchdogs. When these constituencies engage in coordinated design and enforcement, they can cultivate an incubation milieu that adheres to the tenets of economic democracy while systematically shrinking the space for rent-seeking behaviours. Progress will be judged, not by the quantitative outputs of enterprises supported or employment statistics generated, but by the equitable diffusion of opportunities, the clarity of procedural norms, and the responsiveness of oversight to societal expectations.

These results are vital for cultivating enduring confidence in government-sponsored MSME growth programs and guaranteeing that entrepreneurial assistance contributes meaningfully to overarching societal aims of justice, inclusion, and sustainable economic prosperity. Moreover, when Indonesia creates a wide-reaching and legally anchored protocol for

Corruption: A Portrait of Anti-Corruption Education for Elementary School Students," *The Indonesian Journal of International Clinical Legal Education* 3, no. 1 (2021).

⁵⁹ Brian M. Lucey, Satish Kumar, and Riya Sureka, "Corruption in Finance Research: The State of Art and Future Research Agenda," *Journal of Economic Criminology* 1, no. November 2022 (2023): 2, <https://doi.org/10.1016/j.jeconc.2023.100001>.

ethical business incubation, it offers a replicable framework for comparable innovation-support systems, illustrating how well-conceived governance can deter corruption and promote democratic engagement in economic advancement. Such a strategy constitutes a decisive advance in institutional reform, ensuring that progress is both just and stable, and that the entrepreneurial ecosystem is characterized by widely accessible opportunities, equitable resource dispersal, and a fortified public confidence in governance.

To translate these recommendations into practice, authorities must undertake careful design, progressive scaling, and continuous dialogue with current incubators and their parent bodies to enlist their cooperative commitment. Although initial investments and operational reconfigurations are inevitable, the enduring payoffs of greater reputational credibility, streamlined operations, and a more vigorous contribution to inclusive growth dwarf these temporary burdens. By embedding ethical rigor and legal adherence at the core of MSME assistance programs, Indonesia can establish an adaptable and equitable economic base that benefits the entire populace, thereby advancing toward the aspiration of a transparent, democratic economy. Indonesia can draw directly from these models by establishing statutory ethics audits, mandatory staff training, and ethical certification schemes for incubators.

Conclusion

This research confirms that business incubators in Indonesia play a strategic role in supporting the development of MSMEs and the national entrepreneurial ecosystem. However, no regulation explicitly and comprehensively recognizes incubators as independent legal entities. Incubators still operate under parent institutions such as universities, government agencies, or the private sector, which results in limitations in terms of contract legality, access to funding, and protection of tenant

innovation. The absence of a strong legal foundation also leads to imbalances in the implementation and quality of incubation services in different regions. These findings confirm that the lack of a dedicated regulatory framework weakens institutional performance and increases governance and corruption risks.

Based on the findings of this study, it is recommended that the government immediately draft a special regulation that recognizes business incubators as independent legal entities, either through government regulations or revisions to laws related to MSMEs. This legal recognition is important to strengthen incubator institutions' legitimacy, flexibility, and accountability in their functions. Through comparative insights from countries such as Singapore, South Korea, India, and Malaysia, this study shows that granting formal status and enforcing transparency obligations are central to mitigating corruption vulnerabilities and ensuring equitable access to incubation services. In addition, it is necessary to develop national standards for the organization of incubation that cover institutional aspects, management, intellectual property protection, and contractual relationship mechanisms with tenants and business partners. Legal reforms must also be integrated with innovation and entrepreneurship policies so that incubators can play an optimal role in supporting startup growth, especially in the technology and creative economy sectors. At the local level, local governments need to be empowered to establish and develop incubators based on regional potential with the support of fiscal incentives, HR training, and institutional accreditation. With these steps, business incubators are expected to become an important pillar in strengthening the people's economy and expanding people's access to inclusive and sustainable business opportunities. Furthermore, clear legal recognition and standardized governance frameworks will enhance transparency and accountability, reducing opportunities for corruption and misuse of funds within incubator programs. Embedding incubators within a clear regulatory and ethical framework will secure their institutional legitimacy and reinforce their role as catalysts of democratic and sustainable economic growth.

References

- Agustina, H, and A Sutarih. "Corruption of Regional Heads in Indonesia; Anatomy, Causative Factors, And Solutions," no. December 2018 (2019). <https://doi.org/10.4108/eai.30-7-2019.2287759>.
- Ametepey, Simon Ofori, Emmanuel Yaw Frempong Jnr, and John Edward Cobbina. "Barriers to the Growth of Small and Medium Scale Construction Enterprises in Ghana." *Open Journal of Civil Engineering* 12, no. 01 (2022): 38–55. <https://doi.org/10.4236/ojce.2022.121004>.
- Arifin, Bustanul, Rudi Santoso, and Mufid Arsyad. "Mubadalah in the Transformation of Identity Politics in Indonesia: Challenges and Opportunities." *Journal of Islamic Mubadalah* 1, no. 1 (2024): 62–78. <https://doi.org/10.70992/j56wzj52>.
- Autio, Erko, Martin Kenney, Philippe Mustar, Donald Siegel, and Mike Wright. "Entrepreneurial Innovation: The Importance of Context." *Research Policy* 43, no. 7 (2014): 1097–1108. <https://doi.org/10.1016/j.respol.2014.01.015>.
- Damazo-Santos, Eliezer. "Business Incubators in Indonesian Universities: Challenges and Opportunities." *Journal of Innovation and Entrepreneurship* 10, no. 1 (2021): 1–12. <https://doi.org/10.1186/s13731-021-00159-4>.
- Dewantara, Jagad Aditya, Yudi Hermawan, Dadang Yunus, Wibowo Heru Prasetyo, Efriani Efriani, Fitria Arifiyanti, and T Heru Nurgiansah. "Anti-Corruption Education as an Effort to Form Students with Character Humanist and Law-Compliant." *Jurnal Civics: Media Kajian Kewarganegaraan* 18, no. 1 (2021): 70–81. <https://doi.org/10.21831/jc.v18i1.38432>.
- DiMaggio, Paul J, and Walter W Powell. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48, no. 2 (1983): 147–60. <https://doi.org/10.2307/2095101>.
- Edquist, Charles. "Systems of Innovation: Perspectives and Challenges." In *The Oxford Handbook of Innovation*, edited by Jan Fagerberg, David C Mowery, and Richard R Nelson, 181–208. Oxford University Press,

2005.

Elau, Emmanuel. "An Appraisal of the East African Court of Justice." *SSRN Electronic Journal*, 2022. <https://doi.org/10.2139/ssrn.4290511>.

Eldiana, Marisa Putri, and Wawan Prahyan. "Human Resource Management Prevention : A Systematic Review In Corruption." *Banking and Management Review*, no. July (2025): 9–13. <https://doi.org/doi.org/10.52250/bmr.v13i1>.

Gorwa, Robert. "The Platform Governance Triangle: Conceptualising the Informal Regulation of Online Content." *Internet Policy Review* 8, no. 2 (2019): 22. <https://doi.org/10.14763/2019.2.1407>.

Gozali, Lina, Maslin Masrom, Teuku Yuri M Zagloel, and Halimahtun Haron. "Performance Factors for Successful Business Incubators in Indonesian Public Universities." *International Journal of Technology* 11, no. 1 (2020): 73–84. <https://doi.org/10.14716/ijtech.v11i1.2960>.

Hansmann, Henry, and Reinier Kraakman. "The Essential Role of Organizational Law." *The Yale Law Journal* 110, no. 3 (2000): 387–440. <https://doi.org/10.2307/797586>.

Hunter, Dan. "The Death of the Legal Profession and the Future of Law." *University of New South Wales Law Journal* 43, no. 4 (2020): 1209. <https://doi.org/10.53637/dvxx3898>.

Irwansyah, Irwansyah. *Penelitian Hukum, Pilihan Metode & Praktik Penulisan Artikel*. Edited by Ahsan Yunus. Cetakan 4. Yogyakarta: Mirra Buana Media, 2021.

Iskandar, Yusuf, Najib Kailani, and Nurul Rafidiyah. "Factors Influencing the Success of Business Incubators in Indonesia: Political and Technocratic Perspectives." *Asian Journal of Business and Accounting* 15, no. 1 (2022): 45–70. <https://doi.org/10.22452/ajba.vol15no1.3>.

Jain, Mahak. "Access to Justice in India: A Critical Analysis." *SSRN Electronic Journal*, 2021. <https://doi.org/10.2139/ssrn.3771945>.

Jauhari, Fatkhul, Ace Suryadi, and Abdul Rahman. "Vocational Education as a Solution for Employment Opportunities for People with Disabilities in Indonesia." *Journal of Social Inclusion Studies* 6, no. 2 (2020): 112–27. <https://doi.org/10.1177/2394481120959092>.

Johnston, E. Lea, Kendall D. Runyan, Fernando José Silva, and Francisco

- Maldonado Fuentes. "Diminished Criminal Responsibility: A Multinational Comparative Review." *International Journal of Law and Psychiatry* 91, no. August (2023): 19. <https://doi.org/10.1016/j.ijlp.2023.101919>.
- Law, Stephanie. "From Multiple Legal Cultures to One Legal Culture? Thinking About Culture, Tradition and Identity in European Private Law Development." *Utrecht Journal of International and European Law* 31, no. 81 (2015): 68–89. <https://doi.org/10.5334/ujiel.dg>.
- Lucey, Brian M., Satish Kumar, and Riya Sureka. "Corruption in Finance Research: The State of Art and Future Research Agenda." *Journal of Economic Criminology* 1, no. November 2022 (2023): 2. <https://doi.org/10.1016/j.jeconc.2023.100001>.
- Lutfiani, Nuke, Tatik Suryani, and Wawan Dhewanto. "The Role of University Business Incubators in Promoting Startups in Indonesia." *International Journal of Innovation Science* 12, no. 2 (2020): 235–51. <https://doi.org/10.1108/IJIS-12-2019-0127>.
- Lwamba, Etienne, Will Ridlehoover, Meital Kupfer, Shannon Shisler, Ada Sonnenfeld, Laurenz Langer, John Eysers, Sean Grant, and Bidisha Barooah. "PROTOCOL: Strengthening Women's Empowerment and Gender Equality in Fragile Contexts towards Peaceful and Inclusive Societies: A Systematic Review and Meta-Analysis." *Campbell Systematic Reviews* 17, no. 3 (2021): 4. <https://doi.org/10.1002/cl2.1180>.
- Maksudi, Karmal, Selamat Suhartono, and Hufron. "Imposition of Administrative Sanctions on Government Officials Who Do Not Implement Decision of the State Administrative Court." *International Journal of Social Science Research and Review* 5, no. 1 (2023): 159–65. <https://doi.org/http://dx.doi.org/10.47814/ijssrr.v6i9.1561>.
- Malik, Ashish, and Fabian Jintae Froese. "Corruption as a Perverse Innovation: The Dark Side of Digitalization and Corruption in International Business." *Journal of Business Research* 145, no. March (2022): 82. <https://doi.org/10.1016/j.jbusres.2022.03.032>.
- Marzuki, Peter Mahmud. *Penelitian Hukum*. Jakarta: Kencana Prenada Media Group, 2005.
- Modise, John Motsamai, and Phemelo Sheldon Modise. "Improved Public

- Trust, Integrity and Good Governance with Respect to Corruption.” *International Journal of Innovative Science and Research Technology* 8, no. 3 (2023): 2573–83.
- Mulyaningsih, Heny D. “Enhancing Innovation in Quadruple Helix Perspective: The Case of the Business Incubators in Indonesia.” In *Proceedings of the International Conference on Global Trends in Academic Research*, 33–39. Bali: Global Illuminators, 2014.
- Nasution, Bahder Johan. *Metodologi Penelitian Ilmu Hukum*. Cetakan Ke. Bandung: Mandar Maju, 2016.
- Nugroho, Hunggul Yudono Setio Hadi, Fitri Nurfatriani, Yonky Indrajaya, Tri Wira Yuwati, Sulistya Ekawati, Mimi Salminah, Hendra Gunawan, et al. “Mainstreaming Ecosystem Services from Indonesia’s Remaining Forests.” *Sustainability (Switzerland)* 14, no. 19 (2022). <https://doi.org/10.3390/su141912124>.
- Nurmalasari, Rini, Taufik Hidayat, and Dewi Putri. “Vocational Education in Indonesia: Opportunities and Challenges.” *International Journal of Education and Learning* 1, no. 2 (2019): 87–94. <https://doi.org/10.31763/ijele.v1i2.75>.
- Owen, Robyn, Geraldine Brennan, and Fergus Lyon. “Enabling Investment for the Transition to a Low Carbon Economy: Government Policy to Finance Early Stage Green Innovation.” *Current Opinion in Environmental Sustainability* 31 (2018): 137–45. <https://doi.org/10.1016/j.cosust.2018.03.004>.
- Pham, Huy Q, Hieu T Phan, and Cao D Duong. “A Critical Review of Business Incubation Models and Implications for Developing Countries.” *Journal of Innovation & Knowledge* 6, no. 3 (2021): 178–90. <https://doi.org/10.1016/j.jik.2020.12.001>.
- Pratama, Prasetya Eka, Muhammad Kamil, and Salahudin Salahudin. “Implementation of the Integrity Zone Development Program towards a Corruption-Free Area and a Serving Clean Bureaucracy Region.” *Journal of Local Government Issues* 2, no. 2 (2019): 138. <https://doi.org/10.22219/logos.vol2.no2.134-148>.
- Pujianto, Pujianto, Dina Anggraeni, and Veland Ramadani. “Government Stimulus and SME Resilience in Indonesia Post-COVID-19 Pandemic.” *Small Business International Review* 6, no. 1 (2022): e450.

<https://doi.org/10.26784/sbir.v6i1.450>.

Purnawan, Amin, and Kami Hartono. "Development of UMKM through Strengthening Aspect of Business Legality (Case Study of Weaving Industry in Central Java)." *International Journal of Applied Business and Economic Research*. Vol. 15, 2017.

Purwaningsih, Endang, Nelly Ulfah Anisariza, and Basrowi Basrowi. "Perolehan Legal Entity Dan Legal Product Bagi UMKM." *Jurnal Pembangunan Hukum Indonesia* 5, no. 2 (2023): 261. <https://doi.org/10.14710/jphi.v5i2.245-264>.

Rasdi, Rasdi, Ridwan Arifin, Anis Widyawati, Septhian Eka Adiyatma, and Raden Muhammad Arvy Ilyasa. "When Students Fight Corruption: A Portrait of Anti-Corruption Education for Elementary School Students." *The Indonesian Journal of International Clinical Legal Education* 3, no. 1 (2021).

Razafindratsima, Onja H., Ka, Patricia M. Kristjanson, Casey M. Ryan, Maria Brockhaus, and Terry Sunderland. "Reviewing the Evidence on the Roles of Forests and Tree-Based Systems in Poverty Dynamics." *Forest Policy and Economics* 131, no. 12 (2021): 33. <https://doi.org/10.1016/j.forpol.2021.102576>.

Rihardi, Satrio Ageng, Indira Swasti, and Gama Bhakti. "Legal Responsibilities of Foreign Investors in Establishing Unicorn Start-Up Companies in Indonesia." *Journal of Private and Commercial Law* 4, no. 2 (2020): 128.

Rosser, Andrew, Ian Wilson, and Priyambudi Sulistiyanto. "Politics and Entrepreneurship in Indonesia: Institutions, Elites, and Resources." *Asian Studies Review* 46, no. 2 (2022): 234–53. <https://doi.org/10.1080/10357823.2021.1950269>.

Rukmana, Andri Yandi, Rio Meltareza, Bambang Harto, Ovy Komalasari, and Nurul Harnani. "Optimizing the Role of Business Incubators in Higher Education: A Review of Supporting Factors and Barriers." *West Science Business and Management* 1, no. 3 (2023): 169–75. <https://doi.org/10.58812/wsbm.v1i03.96>.

Shevchuk, Oleksandr, Volodymyr Martynovskyi, Olena Volianska, Ihor Kompaniiets, and Oleg Bululukov. "Problems of Legal Regulation of Artificial Intelligence in Administrative Judicial Procedure." *Juridical*

- Tribune* 13, no. 3 (2023): 348–62.
<https://doi.org/10.24818/TBJ/2023/13/3.02>.
- Sousa, Luís de, and Susana Coroado. “What Do We Talk about When We Talk about Ethics Regulation in Politics?” *Public Integrity* 0, no. 0 (2022): 1–13. <https://doi.org/10.1080/10999922.2022.2075633>.
- Susiang, Maria Irmira N. “Business Incubators in the Entrepreneurship Ecosystem in Indonesia Mediated by Government Support and Intellectual Capital.” *Journal of Entrepreneurship and Business Innovation* 11, no. 1 (2024): 17–29.
- Sutama, I Ketut, I B Dody Putra, and I G A Mas Widiastuti. “Legitimacy and Institutionalization of Business Incubators in Indonesia.” *Journal of Entrepreneurship Education* 21, no. 2 (2018): 1–10.
- Suzianti, Amalia, Rheinanda Kanaswari, Safira Nurul Fathia, Rhanita Devi Amaradhanny, Erlinda Muslim, and Ekky Tammarar Alfian. “Towards a Sustainable Coffee Supply Chain: The Role of Digital Platform Capability in Increasing Organisational Agility.” *International Journal of Sustainable Engineering* 17, no. 1 (2024): 80–97. <https://doi.org/10.1080/19397038.2024.2400987>.
- Teuku Ahmad Dadek, Husni Husni, Mahdi Syahbandir, M. Ya’kub Aiyub Kadir, Yanis Rinaldi, and Sulaiman Sulaiman. “Determination of the Legal Status for Disaster Emergency in Indonesia.” *IIUM Law Journal* 29, no. (S2) (2021): 23–42.
[https://doi.org/10.31436/iiumlj.v29i\(s2\).678](https://doi.org/10.31436/iiumlj.v29i(s2).678).
- Wahyuni, Sri, and Sari Noviaristanti. “Strengthening Startup Ecosystems: Government and Private Sector Collaboration in Indonesia.” *Journal of Small Business Strategy* 32, no. 2 (2022): 79–92.
- Weiss, Meredith L. “Civil Society’s Inconsistent Liberalism in Southeast Asia: Exercising Accountability Along Differing Diagonals.” *Journal of Current Southeast Asian Affairs* 42, no. 3 (2023): 308.
<https://doi.org/10.1177/18681034231208021>.
- Widyawati, Anis, Ade Adhari, Ali Masyhar, Bearlly Deo Syahputra, and Didik Purnomo. “Dynamics of the Penitentiary System, Transparent and Accountable Handling of Criminal Cases in Criminal Execution Law in Southeast Asia: Convergence and Divergence of International Perspectives.” *Indonesia Law Review* 15, no. 1 (2025): 15–35.

- <https://doi.org/https://doi.org/10.15742/ilrev.v15n1.1>.
- Widyawati, Anis, Ridwan Arifin, Rohadhatul Aisy, Shofriya Qonitatin Abidah, and Heru Setyanto. "Supervision in Integrated Justice: Legal Reform and Constructive Enforcement in the Criminal Justice System." *Journal of Law and Legal Reform* 5, no. 2 (2024): 433–58. <https://doi.org/https://doi.org/10.15294/jllr.vol5i2.3886>.
- Widyawati, Anis, Dian Latifiani, Ridwan Arifin, Genjie Ompoy, and Nurul Natasha Binti Muhammad Zaki. "The Regulation of Integrity Zone and the Corruption-Free Zone in Indonesia and Rusia." *Bestuur* 11, no. 2 (2023): 253–70. <https://doi.org/https://doi.org/10.20961/bestuur.v11i2.76306>.
- Widyawati, Anis, Dian Latifiani, Helda Rahmasari, and Ade Adhari. "Optimizing Oversight: Developing an Ideal Framework for Supervision Prisoners' Right Allocation." *Indonesia Journal of Criminal Law Studies* 9, no. 2 (2024): 189. <https://doi.org/https://doi.org/10.15294/ijcls.v9i2>.
- Widyawati, Anis, Muhammad Azil Maskur, Rohadhatul Aisy, Papontee Teeraphan, and Heru Setyanto. "The Urgency of Supervision Institutions in Implementing Prisoners' Rights as an Effort to Restructure Criminal Execution Laws." *Jambura Law Review* 7, no. 01 (2025): 137. <https://doi.org/http://dx.doi.org/10.33756/jlr.v7i1.27595>.
- Wu, Tao, Andrew Delios, Zhaowei Chen, and Xin Wang. "Rethinking Corruption in International Business: An Empirical Review." *Journal of World Business* 58, no. 2 (2023): 104. <https://doi.org/10.1016/j.jwb.2022.101410>.
- Yanguas-Botero, Ibis Danilo, Alexander Zúñiga-Collazos, and Omar de Jesús Montilla-Galvis. "Cartography of Corruption in Colombia: An Approach to the Social, Cultural and Economic Dimensions." *Cogent Social Sciences* 11, no. 1 (2025): 9–14. <https://doi.org/10.1080/23311886.2025.2479082>.
- Yusof, Maslina, Muhammad Fakhrol Zainuddin, and Noor Haslina Ahmad. "Towards the Development of an Inclusive Innovation Ecosystem: The Role of Intermediary Institutions." *Journal of Entrepreneurship in Emerging Economies* 14, no. 3 (2022): 487–508.

<https://doi.org/10.1108/JEEE-01-2021-0022>.

Zahra, Shaker A, Mike Wright, and Sameh G Abdelgawad.
“Contextualization and the Advancement of Entrepreneurship
Research.” *Technological Forecasting and Social Change* 166 (2021):
120600. <https://doi.org/10.1016/j.techfore.2021.120600>.

DECLARATION OF CONFLICTING INTERESTS

The authors states that there is no conflict of interest in the publication of this article.

FUNDING INFORMATION

None

ACKNOWLEDGMENT

None

HISTORY OF ARTICLE

Submitted : July 28, 2025

Revised : August 1, 2025

Accepted : October 7, 2025

Published : November 4, 2025

*This page intentionally
left blank*