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Legal Protection of MSMEs in the Digital Technology Era in Makassar City: Facing Recession

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ABSTRACT; This study aims to encourage government policies and regulations in protecting MSMEs, to analyze the obstacles faced by micro, small, and medium enterprises in obtaining legality and access to the market. Using a normative-empirical legal approach method, this study examines the applicable laws and regulations and explores the socio-economic conditions of MSME actors in Makassar. The results of the study show that although the government has issued policies such as NIB, IUMK, and PIRT, the level of ownership of legal documents among MSMEs is very low. This is due to the lack of socialization, minimal digital-based knowledge services for business actors, and limited access to legal services. The digital era has made a positive contribution to legal protection of businesses, through the Online Single Submission (OSS) system, which facilitates the creation of documents as business legalization. The use of electronic documents can strengthen legal certainty, as valid evidence if a business dispute. Therefore, intensive and continuous legal assistance is needed to increase the awareness and presence of business actors, in order to support the desires and competitiveness of the emerging MSMEs in the era of globalization and the threat of future recession.

KEYWORDS: Legal Protection, MSMEs, Competitiveness Business, Digital Technology

I. INTRODUCTION

Small businesses are business activities that are able to expand employment opportunities and provide broad economic services to the community that can play a role in the process of equalizing and increasing community income, as well as encouraging economic growth and playing a role in realizing national stability in general and economic stability in particular. The strategic presence of Micro, Small and Medium Enterprises (MSMEs) in strengthening the national economy, the government actually pays special attention in strategies and policies for empowerment which are seen as integrated business groups in the business world to increase business competitiveness, increase living costs. MSMEs are the birth of developing business actors, so they actually require government attention, both in the form of policies, regulations and protection, which are prioritized. Small and Medium Enterprises (SMEs) are very important through training and development as provided by Large Enterprises in order to realize a sense of justice in fulfilling economic rights by implementing regulations regarding SMEs. The role of SMEs in Indonesia is very important¹, because SMEs

¹ Markus Krajewski, Kristel Tonstad, and Franziska Wohltmann, "Mandatory Human Rights Due Diligence in Germany and Norway: Stepping, or Striding, in the Same Direction?," *Business and Human Rights Journal* 6, no. 3 (2021): 550–58, <https://doi.org/10.1017/bhj.2021.43>.

have proven to be resilient to economic shocks and have become the saviors of the economy during the 1997 financial crisis and the 2008 global crisis.²

The presence of the Micro, Small and Medium Enterprises (MSMEs) Sector is the backbone of the development of the Indonesian economy. It was detected that around 66 million MSME actors in Indonesia in 2023 were dominated by micro businesses that were expected and encouraged to move up a class so that businesses owned by MSME actors could grow.³ In 2022, The Ministry of Cooperatives and SMEs recorded 9.11 million businesses in Indonesia, with the criteria of non-agricultural and permanent businesses consisting of 9.09 million MSMEs and 20,000 cooperatives. MSMEs concentrated in Sumatra amount to 2.2 million or 24.10 percent and MSMEs concentrated in the eastern region of Indonesia, namely on the islands of Bali, Nusa Tenggara, Kalimantan, Sulawesi, Maluku, and Papua amount to 1.5 million or 16.71 percent.⁴

² Arisyi F Raz, Tamarind P.K Indra, and Dea K Artikasih, "Global Financial Crisis And Economic Growth: An Analysis From East Asian Economy," *Bulletin of Monetary Economics and Banking* "15, no. 2 (December 27, 2012): 37-56, <https://doi.org/10.21098/bemp.v15i2.61>.

³ Wahyu Adityo Prodjo, "Becoming the Backbone of the Indonesian Economy, Here are Tips for Micro Businesses to Move Up a Class," Ministry Of Trade Of The Republic Of Indonesia, nd, [https://www.kemendag.go.id/berita/pojok-media/jadi-tulang-punggung-ekonomi-indonesia-begini-tips-usaha-mikro-agar-naik-kelas#:~:text=pelaku usaha mikro.-,In 2023%2C there will be around 66 million MSME actors in,more widely by moving up a class](https://www.kemendag.go.id/berita/pojok-media/jadi-tulang-punggung-ekonomi-indonesia-begini-tips-usaha-mikro-agar-naik-kelas#:~:text=pelaku%20usaha%20mikro,-,In%2023%2C%20there%20will%20be%20around%2066%20million%20MSME%20actors%20in%20Indonesia%2C%20more%20widely%20by%20moving%20up%20a%20class.).

⁴ Public Relations of the Ministry of Cooperatives and SMEs, "KemenKopUKM Encourages Utilization of Data Collection Results of 9.11 Million MSMEs in 2022," Ministry of Cooperatives and SMEs, nd, <https://kop.go.id/read/kemenkopukm-dorong-pemanfaatan-hasil-pendataan-9-11-juta-kumkm-tahun-2022>.

In addition to business actors being important in MSMEs, the quality of workers also determines productivity and global competitiveness⁵, as evidenced by the Indonesian Global Competitiveness Index in The Global Competitiveness Report 2018 issued by the World Economic Forum (WEF), Indonesia is ranked 45th, while Indonesia's Innovation capability is ranked 68th, the next challenge is that Indonesia must be ready to enter the Industry 4.0 era⁶, this not only requires the readiness of skilled workers and expensive research intensity, moreover, technology transfer or transfer is difficult to expect from foreign investment,⁷ so Indonesia must prepare new and appropriate technology to determine business efficiency in winning the competition.⁸ Meanwhile, for MSMEs that have been established before the MSME PP came into effect, the grouping of MSMEs is carried out based on the criteria for annual sales results. The criteria for annual sales results consist of:

⁵ Susetyo Darmanto et al., "The Role of Competence and Digital Entrepreneurs Career Maturity on Business Performance in Disruption Era," *Journal of Distribution Science* 21, no. 2 (2023): 77–89, <https://doi.org/10.15722/jds.21.02.202302.77>.

⁶ Ari Muliarta Ginting Venti Eka Satya, Edmira Rivani, Rasbin and Dewi Restu Mangeswuri, *The Phenomenon of Indonesian Competitiveness in the Global Era*, ed. Muhammad Zilal Hamzah, Print Pe (Jakarta: Publica Indonesia Utama, 2022), chrome-extension://kdpelmjpfafjppnhbloffcjpeomlnpah/https://berkas.dpr.go.id/pusaka/files/buku_tim/buku-tim-public-153.pdf.

⁷ Marcin Niemiec et al., "Risk Assessment for Social Practices in Small Vegetable Farms in Poland as a Tool for the Optimization of Quality Management Systems," *Sustainability (Switzerland)* 11, no. 14 (2019), <https://doi.org/10.3390/su11143913>.

⁸ Justina Sim, cambLip Hang Poh, and Calvin Tay, "Do Retail MFN Clauses Lead to Softening of Competition?," *Asian Journal of Law and Economics* 7, no. 1 (April 1, 2016): 101–45, <https://doi.org/10.1515/ajle-2015-0020>.

- a. Micro Businesses have annual sales results of up to a maximum of Rp. 2,000,000,000.00 (two billion rupiah).
- b. Small Businesses have annual sales results of more than IDR 2,000,000,000.00 (two billion rupiah) up to a maximum of IDR 15,000,000,000.00 (fifteen billion rupiah).
- c. Medium Enterprises have annual sales results of more than IDR 15,000,000,000.00 (fifteen billion rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

The criteria for micro, small, medium and economic business actors are explained in detail, but the nominal value of these criteria can change in line with economic developments, as stipulated in the Presidential Regulation. According to the MSME Law, net assets refer to the selling value of company assets owned by assets by reducing liabilities, while what is meant by being an Indonesian citizen is a movement that is fully owned by Indonesian citizens. These criteria must be known by MSME actors so that they can adjust their businesses to the criteria in accordance with the provisions of the MSME Law, especially when dealing with other parties (banks / non-bank financial institutions and business partners), including legal documents or permits. These criteria have changed significantly compared to the previous criteria. Of course, everything has been done to advance the business of MSME actors.

The problem that arises in small and medium enterprises is the development of SMEs which is increasing in quantity, but has not been balanced by the

quality of SMEs which continues to increase.⁹ Meanwhile, the problems faced by SMEs include high transaction costs due to an unfair business climate and lack of raw materials, as well as the large number of products from abroad in Indonesia. The integration of the ASEAN Economic Community (AEC)¹⁰ is not limited to free trade, but also penetrates the labor market, if it is not immediately improved, the Indonesian labor market will be invaded by Singapore, Malaysia, and Thailand, the causes of which include low education and the mismatch between education and the needs of the business world. Thee Kian Wie said that the implementation of SMEs in Indonesia is currently being carried out by considering equity and community welfare, rather than focusing on the efficiency aspect. This equalization approach views MSMEs as a weak sector and has little potential to develop into efficient businesses with good economic viability. However, on the basis of equality, MSMEs still need *attention* and support. It is further clarified that Thee Kian Wie also stated that the efficiency approach in MSME promotion programs assesses that many small businesses have the potential to develop into efficient and competitive businesses, as long as they receive appropriate assistance . This approach highlights that MSME promotion programs in the past tended to be *top-down* or *supply-driven* ,

⁹ Liu Desheng, Chen Jiakui, and Zhang Ning, "Political Connections and Green Technology Innovations under an Environmental Regulation," *Journal of Cleaner Production* 298 (2021): 126778, <https://doi.org/10.1016/j.jclepro.2021.126778>.

¹⁰ Devi Lucy Y Siadari and Koki Arai, "International Enforcement of ASEAN Competition Law," *Journal of European Competition Law & Practice* 9, no. 5 (May 1, 2018): 328–35, <https://doi.org/10.1093/jeclap/lpy009>.

where the government determined the form of assistance without really understanding the real needs of MSMEs to improve community welfare.¹¹

In addition, MSMEs will be affected by the fluctuating global economy and it is possible that they will face the threat of recession. At a press conference in Nusa Dua, Bali, in July 2022, Finance Minister Sri Mulyani issued a warning regarding the potential recession that is expected to hit the world. She stated that various global risks currently could trigger an increase in inflation and slow economic growth. She also emphasized that Indonesia is not completely immune to the threat of a global recession.¹² One way for the government to strengthen MSMEs is to maintain demand through the stability of people's purchasing power. Increases in fuel prices and several volatile commodities can trigger inflation while weakening purchasing power. If purchasing power decreases, the development of MSMEs will also be disrupted. Therefore, the government needs to be careful in taking policies to reduce subsidies that have the potential to increase inflation and suppress people's purchasing power. In the long term, the government also needs to focus on creating adequate jobs, because people's purchasing power is highly dependent on the availability of decent jobs.

¹¹ Nurul Widyani-grum, *Patterns of Exploitation of Small Businesses* (Bandung: AKATIGA Foundation, 2003).

¹² Yogi Prasetyo Nugroho, "The Role of MSMEs in Facing the Threat of Global Recession," Ministry of Finance of the Republic of Indonesia Kemenkeu Learning Center Site Management, nd, <https://klc2.kemenkeu.go.id/kms/knowledge/peran-umkm-dalam-menghadapi-global-recession-threat-edac0621/detail/>.

II. METHODS

This type of research uses an empirical normative legal approach method. The normative legal approach is a study that investigates written law, general explanations of each article, as well as its formalities and bindingness. the strength of laws and regulations related to Job Creation and Micro, Small and Medium Enterprises (Statute Approach) Journals, Books relevant to this study. While the empirical approach is used to describe social and cultural conditions and explore data on Small and Medium Enterprises (MSMEs) in Makassar City

III. RESULT AND DISCUSSION

Small businesses are an inseparable part of the business world that make up the people's economic activities and have a strategic role and potential in realizing a more balanced national economic order based on economic democracy.¹³In the development of SMEs in Indonesia, the government has long been fostering small and medium business groups since Indonesia's independence until now. Economic development is basically the goal of Pancasila which is the foundation of the state, where the government is required to be fair to every citizen by stabilizing or improving the lives of the community based on the 1945 Constitution article 33 paragraph 4 which explains that the national economy is organized based on economic democracy with the principles of togetherness, efficiency with justice,

¹³ Frederic Jenny, "Competition Law and Digital Ecosystems: Learning to Walk before We Run," *Industrial and Corporate Change* 30, no. 5 (December 31, 2021): 1143–67, <https://doi.org/10.1093/icc/dtab047>.

sustainability, environmental expansion, independence, and by maintaining a balance of progress and national economic unity. Philipus M. Hadjon, explains that: "Legal protection is the protection of dignity and honor, and recognition of human rights owned by legal subjects based on legal provisions from arbitrariness". Hadjon further classifies two forms of legal protection for the people based on their means, namely: "Preventive and repressive protection. Preventive protection is the people are given the opportunity to submit their opinions before government decisions get a definitive form to prevent disputes. While repressive protection aims to resolve disputes. Legal protection is a guarantee given by the state to all parties to be able to exercise their legal rights and interests in their capacity as legal subjects".¹⁴

In addition to Hadjon's opinion, there is also the theory of Legal Protection according to Satjipto Rahardjo. Satjipto Rahardjo was inspired by the purpose of law put forward by Fitzgerald. The purpose of law according to Fitzgerald is to integrate and coordinate various interests in society by regulating protection and restrictions on these interests. From this concept, Satjipto Raharjo defines Legal Protection as an effort to protect a person's interests by allocating a human right to the power to act in the context of these interests. Meanwhile, Legal Protection according to Soekanto is basically protection given to legal subjects in the form of legal instruments.

¹⁵Soekanto explains that in addition to the role of law enforcers, there are

¹⁴ Hukumonline Team, "Legal Protection Theories According to Experts," Hukumonline.com, nd, <https://www.hukumonline.com/berita/a/teori-perlindungan-hukum-menurut-para-ahli-lt63366cd94dbc/?page=1>.

¹⁵Ibid

five other things that influence the process of law enforcement and its protection as follows:

- “1. Legal factors, namely written regulations that are generally accepted and made by legitimate authorities.
2. Law enforcement factors, namely the parties involved in law enforcement, both directly and indirectly.
3. Factors of facilities or infrastructure that support law enforcement, such as skilled human resources or adequate tools.
4. Community factors, namely the environment where the law applies and is implemented. Acceptance in society of the applicable law is believed to be the key to peace.
5. Cultural factors, namely as a result of work, creativity and feeling which are based on human will in social interaction.”¹⁶

The welfare state can be said to include the principle of freedom (*Liberty*), the principle of equal rights (*equality*) and the principle of friendship (*fraternity*) or togetherness (*mutuality*). The principle of friendship or togetherness can be equated with the principle of kinship or mutual cooperation.¹⁷ Philipus M. Hadjon emphasized that although the goal of the

¹⁶ Abraham Abraham, “How Sociology Perspective Influences Law with a Social Contexts? A Book Review of 'Pok-Pokok Sosiologi Hukum', Prof Dr Soerjono Soekanto SH MA, Rajawali Pers, 269 Pages, ISBN 979-421-131-1,” *Indonesian Journal of Advocacy and Legal Services* 3, no. 2 (October 31, 2021): 251–56, <https://doi.org/10.15294/ijals.v3i2.34788>.

¹⁷ Made Jayantara and I Gede Agus Kurniawan, “Implementing Pancasila Economic System through BUMDes: A Legal Analysis on Desa Empowerment and Indonesia's Legal Framework,” *Rechtsidee* 10, no. 1 (June 15, 2022), <https://doi.org/10.21070/jihr.v10i0.975>.

state in the Preamble to the 1945 Constitution is to advance the welfare of all citizens, this does not mean that the Pancasila legal state is identical to the concept of a welfare state (*welvaartstaat*). According to him, this understanding often causes misunderstanding, because the goal of welfare in the context of *welvaartstaat* not entirely in line with the spirit of unity that is the basis of the Republic of Indonesia. Aminuddin Ilmar explained that the concept of a welfare state in the goals of the Indonesian state has a different meaning from the concept of a welfare state (*welvaartstaat*) because it is based on the ideals of the Indonesian nation state (*staatsidea*) which originated from the will and thoughts of the people before the formation of the Republic of Indonesia. Although different, both focus on community welfare with a different approach. In the concept of the Pancasila welfare state, the presence of the government is considered mandatory to regulate and direct society as a unit or family. The formulation of the ideals of the state at the time of the concept of the Indonesian nation state as put forward by A. Hamid S. Attamimi came from the ideals of society Indonesian nation. The formulation of the nation's ideals can be said to be based on the will and thoughts that existed before the Republic of Indonesia was formed.

¹⁸ Furthermore, Aminuddin Ilmar stated that although the concept of a welfare state in the sense of *welvaartstaat* has a different meaning and significance from the concept of a Pancasila welfare state, both concepts pay attention to the welfare of society, although in different ways and in different

¹⁸ A. Hamid S. Attamimi, "Der Rechtsstaat Republik Indonesia dan Perspektif Menurut Pancasila dan UUD 1945, Paper di Seminar Satu Hari dalam Context of Dies Natalis Universitas 17 Agustus Jakarta-42, Organized by FH Universitas 17 Agustus, Jakarta, 9 July 1994," nd

implementations, so that the essence contained in both... This concept can be used as a theoretical basis for the state's participation in the life of society, even in the concept of the Pancasila welfare state, the presence of the state or government is considered an obligation to regulate and direct society as a unit or family.¹⁹ Based on studies conducted by economic experts, especially political economy shows that state enterprises are a universal phenomenon and are adopted by almost all countries in this hemisphere.²⁰ Even some economic experts are more assertive in stating that state enterprises are realized through the establishment of state-owned companies which are now known as State-Owned Enterprises (SOEs). BUMN), is an economic phenomenon in the twentieth century after World War II.²¹ In the context of increased economic and technological development due to increased economic

growth, environmental degradation has been confirmed by researches in social, political, and economic knowledge domains.²²

The emergence of state-owned enterprises in the form of State-Owned Enterprises began with a common view that there are always areas that are considered important to the state and control the lives of many people and

¹⁹ Arief Hidayat, "Pancasila as a Guiding Principle in the Formation of National Law," *Constitutional Court Article Publication*, no. November (2013): p. 1.

²⁰ Franz W. Kellermanns et al., "Innovativeness in Family Firms: A Family Influence Perspective," *Small Business Economics* 38, no. 1 (2012): 85–101, <https://doi.org/10.1007/s11187-010-9268-5>.

²¹ Sunaryati Hartono, "Privatization," *BPHN.Go.Id*, 2016, 88.

²² Qing Ye et al., "Entrepreneurs and Environmental Sustainability in the Digital Era: Regional and Institutional Perspectives," *International Journal of Environmental Research and Public Health* 17, no. 4 (2020), <https://doi.org/10.3390/ijerph17041355>.

are considered vital or strategic and their management cannot simply be handed over to the private sector. This is further clarified by the failure of the implementation of the market economic system through the failed free market mechanism (*market failure*) to control the people's economy, thus requiring state involvement to overcome it.

The main objectives of the welfare state are as follows:²³

- a. Management and utilization of socio-economic resources for the public interest.
- b. Ensure fair and equitable distribution of resources.
- c. Poverty reduction
- d. Providing social security (education and health) to the community.
- e. Providing social service support to the community.
- f. Providing protection for every citizen.

The rule of law that follows the welfare state is the driving force behind the increasing role of legislation. Written laws and regulations are seen as providing more legal certainty about something compared to unwritten regulations, because written rules can be used as a reference in community life both in relations between members of society, both internally and internationally.

²³ Aminuddin Ilmar, *The State's Right to Control in the Privatization of State-Owned Enterprises* (Jakarta: Kencana Prenada Media Group, 2012).

The law must be an instrument to achieve these goals, which are based on four principles of legal ideals (*rechtsidee*), namely:

1. Protection of all elements of the nation *for* the sake of integration
2. Realizing social justice in the economic and social fields
3. Implementation of popular sovereignty (democracy) and supremacy of law (nomocracy)
4. Creating tolerance based on humanity and civilization in religious life.

The four principles of legal ideals must always be the general principles that guide the realization of the ideals and goals of the state because legal ideals are a normative and constitutive framework of beliefs. Legal ideals are normative because they function as the basis and ideal prerequisites that underlie every positive law, and are constitutive because they direct the law to the goals that the state wants to achieve. The idea of a state of law upheld by the Indonesian people can be found in the study of the 1945 Constitution of the Republic of Indonesia and articles that show that Indonesia supports a welfare state *and* it is the responsibility of the government and state to achieve it. The 1945 Constitution of the Republic of Indonesia not only regulates political life but also economic and social life, because the founders of this nation wanted the Indonesian people to be completely sovereign, not just political sovereignty. So the 1945 Constitution of the Republic of Indonesia is a political constitution, economic constitution and social constitution that must be the foundation of the state, society, and market as well as the political, economic and social foundations. A country that

implements *a welfare state* has a public policy, namely service , assistance (*charity*), protection *from* major social problems. The implementation of state welfare is allocated from the budget allocated to fund social activities such as health, education, welfare or public housing. The welfare state is closely related to social policy because the state regulates the welfare system of the social policy implementers, meaning that the welfare state implies the government's efforts to improve the standard of living of its citizens, so that the welfare state implies an active role for the state in government and financial management, which implies the state's responsibility to provide basic services to its citizens.²⁴

Legal protection for Small and Medium Enterprises (SMEs) is an important step to create justice, legal certainty, and welfare for business actors in facing various challenges. Forms of legal protection that can be given to SMEs. Based on the Micro, Small and Medium Enterprises and Cooperatives Data Information System (sidatumatico) owned by the SME Cooperative Service, the number of SMEs in the city of Makassar is 32,734 SMEs. The following explains the number of SMEs in the city of Makassar at present.

Table 1. Number of MSMEs based on criteria, Makassar City

No	Business Criteria	Amount	Percentage
1	Micro Business	31343	95%

²⁴ Jimly Assidique, "Building a Constitutional Awareness Culture to Realize a Democratic Legal State" (Scientific Oration for the 21st Anniversary Commemoration and 2007 Graduation of Darul Ulum University (UNISDA) Lamongan, December 29, 2007, 2007).

2	Small business	909	4%
3	Medium Enterprises	478	1%
	Amount	32,734	100%

Source: Micro, Small and Medium Enterprises and Cooperatives Data Information System (sidatumericiko), Makassar City Cooperatives and MSMEs Service 2024.

Based on table 1 above, it shows that the most business criteria are Micro Businesses as many as 31343 businesses with a percentage of 95%, while Small Business Criteria are 909 businesses with a percentage of 4% and Medium Businesses as many as 478 businesses with a percentage of 1%. If seen from the percentage level above, Micro Businesses are ranked first, compared to Small and Medium Businesses. This is because Micro Businesses are closer to home businesses and have very minimal capital compared to small and medium businesses.

To support Micro, Small and Medium Enterprises, which are ready to compete amidst the onslaught of foreign products, each business has several very basic permits, namely:²⁵

1. Joint Identification Number (NIB).
2. Micro and Small Business Permit (IUMK).

²⁵ Aldira Safira Hartono et al., "Assistance in Managing NIB and PIRT for MSMEs in Bendogerit Village, Sananwetan District, Blitar City," *Indonesian Community Service Journal* 2, no. 2 (2023): 72–78, <https://doi.org/10.55606/jpmi.v2i2.1855>.

3. Household Industry Food Business License (PIRT).

Joint Identification Number (NIB) NIB is an official identity issued by the *Online Single Submission* (OSS) Institution. This is an obligation for MSME business actors, as stipulated in Article 37 of Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises that Micro, Small and Medium Enterprises in carrying out their activities must carry out business licensing activities. By having a NIB, business actors can easily apply for various permits, including Business Licenses and Commercial or Operational Licenses according to their respective business fields. NIB consists of 13 digits that not only record the identity of the business actor, but also an electronic signature and are equipped with security. More than just an identity, NIB also has various other functions. In addition to being used as a Company Registration Certificate (TDP), NIB also acts as an Importer Identification Number (API) and provides customs access rights. One of the main advantages of having a NIB is that business actors will automatically be registered as participants in health and employment social security.²⁶ Interestingly, the process of making a NIB does not require any costs.

NIB registration requirements include preparing several documents, namely:²⁷

²⁶ Fabian Bickel, "Brexit and Trade Defense: Effects of a Changed Territory," *Journal of International Economic Law* 24, no. 1 (March 16, 2021): 5–24, <https://doi.org/10.1093/jiel/jgab005>.

²⁷ Ministry of Communication and Informatics, "How to Register and Get NIB in OSS," Ministry of Communication and Informatics, 2022, <https://pelaporan.kominfo.go.id/fpublikasi/detail/4>.

1. KTP number or NIK of the Business Person in Charge.
2. Documents validating the business entity, such as the deed of establishment or registration of the business entity, if applicable.
3. Proof of registration for BPJamsostek or BPJS Kesehatan membership
4. Letter of Approval of Plans to Use Foreign Workers (RPTKA), for those who wish to use foreign workers.
5. Name, NIK, residential address and line of business owned.
6. Location of investment and amount of planned investment.
7. Manpower utilization plan.
8. Business contact number and NPWP (Taxpayer Identification Number) if you are a sole proprietorship.
9. Planned request for fiscal, customs and/or other facilities.

For the registration process, first create an *Online Single Submission* (OSS) account via the page <https://oss.go.id/> After successfully obtaining the NIB, the next step is to obtain a Business License and Commercial or Operational License, which are valid for all regions of Indonesia, with NIB ownership, business actors can easily access various permits and facilities needed to run their business.

The following data on Business Identification Number ownership for MSMEs in Makassar City can be seen in the table below.

Table 2. Number of MSMEs that have a Business Identification Number (NIB)

No	Joint Identification Number Amount	Percentage
	(NIB)	
1	Have NIB	3454
		10.6%
2	Do Not Have NIB	29280
		89.4%
	Amount	32,734
		100%

Source: *Micro, Small and Medium Enterprises and Cooperatives Data Information System (sidatumericiko), Makassar City Cooperatives and MSMEs Service 2024.*

If you look at Table 2 above, it is clear that only around 3,454 businesses or 10.6 percent have a NIB, while 29,280 businesses or 89.4% do not have a NIB, a very large difference in numbers, this is due to the lack of awareness of business actors regarding the importance of business legality and limited information regarding data and procedures in making a NIB.

The same thing was also expressed by an MSME activist who is also a business actor explaining that the reason for the lack of MSME actors who have a Business Identification Number (NIB) is the lack of socialization from related agencies, lack of knowledge about the importance of NIB and the mechanism for making it, reluctance to take care of NIB because it takes time, lack of knowledge about the use of digital technology, lack of awareness

of business actors regarding the importance of business legality and limited information regarding data and procedures in making NIB.

NIB creation can basically be done anywhere, due to the implementation of the Online Single Submission (OSS) system, which simplifies and accelerates the business licensing process electronically. Through OSS, businesses can apply for various licenses, such as NIB and operational licenses, in one integrated platform without having to go directly to various government agencies. This not only saves time and money, but also provides legal certainty and clear formal legality for every type of business. The legal basis for the implementation of OSS is regulated in Government Regulation (PP) Number 24 of 2018 concerning Electronically Integrated Business Licensing Services, which is an important milestone in the transformation of digital-based public services in the business sector.

In addition to NIB, MSME actors must also have a Micro and Small Business Permit (IUMK). IUMK is a sign of legality to a person or business actor/certain activity in the form of a micro and small business permit in the form of one sheet, then every business must have a legal permit, but in reality, many micro, small and medium business actors do not know about the Micro and Small Business Permit (IUMK) and its designation. IUMK aims to provide legal certainty and empowerment facilities for individual Micro and Small Business Actors in developing their businesses. The benefits of IUMK for micro and small business actors can get certainty and protection in doing

business in a designated location²⁸, get assistance for business development, get easy access to financing to bank and non-bank financial institutions and get easy empowerment from the central government, local government and/or other institutions.²⁹

The requirements for issuing Micro and Small Business Permits (IUMK) for business actors are:³⁰

1. Attach a cover letter from the RT or RW regarding the business location.
2. Have a local Identity Card (KTP).
3. Have a Family Card.
4. Attach 2 colored passport photos measuring 4×6 cm.
5. Fill out the IUMK form provided.

The following is data on IUMK ownership for micro and small business actors in the city of Makassar in 2024.

²⁸ Roby Dwiputra and Lita Sari Barus, "The Role of Micro, Small and Medium Enterprises (MSMEs) in the Economic Recovery of the Community Post-Covid-19 Pandemic in the Pluit-Penjarangan Resilient Village Area," *Journal of Regional and City Development* 18, no. 1 (March 31, 2022): 26–34, <https://doi.org/10.14710/pwk.v18i1.35033>.

²⁹ Magali Eben and Viktoria HSE Robertson, "Digital Market Definition In The European Union, United States, and Brazil: Past, Present, And Future," *Journal of Competition Law & Economics* 18, no. 2 (June 11, 2022): 417–55, <https://doi.org/10.1093/joclec/nhab018>.

³⁰ Deputy for Service. Ministry of State Apparatus Empowerment and Public Bureaucratic Reform, "Issuance of Micro and Small Business Permits," nd, <https://sippn.menpan.go.id/pelayanan-publik/7988866/dinas-koperasi-umkm-perdagangan-dan-perindustrian/penerbitan-izin-usaha-mikro-kecil>.

Table 3. Number of MSMEs that Have Micro and Small Business Permits (IUMK)

No	Micro and Small Business Permit (IUMK)	Amount	Percentage
1	Have IUMK	3944	12.0%
2	Does Not Have IUMK	28790	88%
	Amount	32,734	100%

Source: Micro, Small and Medium Enterprises and Cooperatives Data Information System (sidatumericiko), Makassar City Cooperatives and MSMEs Service 2024.

Based on the table above, it is concluded that micro and small business actors are still very few who have IUMK. This is due to the lack of understanding of IUMK, whereas if this is owned, micro and small business actors provide legal certainty and empowerment facilities for individual Micro and Small Business Actors in developing their businesses.

A permit that is no less important for micro and small business actors is the Household Industry Food Business Permit (PIRT). Based on the Regulation of the Food and Drug Supervisory Agency (BPOM) Number 22 of 2018 concerning guidelines for granting Household Industry Food certificates, it is explained that PIRT is a Household Industry Food (PIRT) permit certificate issued by the Regent or Mayor through the Health Service. This

certificate refers to the fact that the food produced has met the specified safety requirements and standards.

The requirements for obtaining a Home Industry Food Permit Certificate (PIRT) are as follows:³¹

1. Photocopy of business owner's ID card
2. 3×4 photo of home business owner
3. Certificate of business domicile from the sub-district office
4. Building site plan
5. Letter from the health center or doctor for health and sanitation checks
6. Food or beverage production permit letter to the Health Service
7. Data on food or beverage products produced
8. Samples of food or beverage production results produced
9. Labels for food and beverage products produced
10. Laboratory test results recommended by the Health Department
11. Attend Food Safety Counseling to obtain SPP-IRT.

Having a PIRT certificate provides various strategic advantages for micro and small business actors. First, this certificate guarantees product safety, which is a major factor in increasing consumer confidence. In addition, the existence of PIRT allows business actors to expand the reach of their product

³¹ "Flow and Requirements for Food Product Licensing P-IRT," UMKM Palace, 2022, <https://istanaumkm.pom.go.id/artikel-pangan/perizinan-p-irt>.

marketing, both in local and national markets. Thus, this certificate also supports more planned business expansion. From a legal perspective, a PIRT certificate helps business actors fulfill their regulatory obligations, thereby avoiding potential sanctions or legal obstacles. No less important, this certificate also adds to the competitive value of products in the market. Products with certification tend to be more trusted by consumers and have higher competitiveness than products that have not been certified.

The following is the number of MSMEs that have PIRT Permits in Makassar City in 2024.

Table 4. Number of MSMEs that Have Household Industry Food Business Licenses

No	Household Industry Food Amount	Percentage
	Business License (PIRT)	
1	Have IUMK	2227 6.8.0%
2	Does Not Have IUMK	30507 93.2%
	Amount	32,734 100%

Source: Micro, Small and Medium Enterprises and Cooperatives Data Information System (sidatumericiko), Makassar City Cooperatives and MSMEs Service 2024.

Based on the table, it can be concluded that the number of micro and small business actors who register their businesses to obtain PIRT certificates is

still very low. This phenomenon is caused by two main factors: the costs that must be incurred in the PIRT certificate application process and the lack of understanding of business actors regarding the benefits that can be obtained from the certification. As illustrated in the quote above, family business owners of small and medium enterprises (MSMEs) are generally not legal experts.³² Therefore, to regulate changes in ownership, they rely on legal expertise that includes business law and family law. Similar findings were found in the 2022 American Business Owners Perspectives Study, which found that 68% of owners did not have a buy-sell agreement, 51% did not have an estate plan to distribute assets sequentially, and 64% did not have life insurance. According to PwC's 2023 US Family Business Survey, 78% said protecting the business was a top priority, but 66% did not have a plan for long-term succession.³³

The Digital Era provides various important benefits in the legal protection of businesses in Indonesia. Through the Online Single Submission (OSS) system, the process of business registration and legality becomes easier and faster, thus providing legal certainty for business actors.³⁴ In addition, registration of Intellectual Property Rights (IPR) such as brands and patents can now be done online through the DJKI, which provides legal protection

³² Siadari and Arai, "International Enforcement of ASEAN Competition Law" *Journal of European Competition Law & Practice*, Vol . 9 (2018): 328-335 ,<https://doi.org/10.1093/jeclap/lpy009>.

³³ Kajsa Haag et al., "Legal Advisors and Family Business Owners: A Transaction Cost Understanding of 'the Ownership Contract,'" *Family Business Review* 37, no. 2 (2024): 292-314, <https://doi.org/10.1177/08944865231217882>.

³⁴ Government Regulation Number 24 of 2018 on "concerning Electronically Integrated Business Licensing Services".

for business intellectual assets. Digitalization also facilitates the use of electronic documents as legal evidence in dispute resolution. With a digital system in place, businesses can more easily comply with regulations, such as electronic tax reporting through e-Faktur, and maintain business transparency and accountability through neat and auditable transaction records. On the other hand, digitalization also supports consumer and business protection through clear e-commerce regulations in Government Regulation No. 80/2019, as well as providing access to digital legal services and dispute resolution through the Supreme Court's e-Court system³⁵, which speeds up legal proceedings efficiently. Overall, digitalization strengthens the legal position of businesses, especially MSMEs, in facing today's legal challenges.

Data from the micro, small and medium enterprise and cooperative information system shows that most micro and small business actors do not yet have the necessary legal documents, such as Business Identification Number (NIB), Micro and Small Business Permit (IUMK), and PIRT Certificate. In fact, these documents are an important legal basis for the sustainability of their business. Meanwhile, the ease of registering these documents as Business Legality can use digital services such as Online Single Submission (OSS), business actors can more easily register their business entities. Clear legality strengthens the legal position of the business in the eyes of the law. OSS is an integrated electronic business licensing system

³⁵ Supreme Court Regulation Number 1 of 2019 on "Electronic Case Administration and Court Proceedings".

organized by the Indonesian government. Taking this data into account, in the author's opinion, the ideal form of legal protection for micro and small business actors is the provision of assistance in the form of legal counseling that focuses on managing these legal documents. This is in line with Article 48 of PP No. 7 of 2021, which stipulates that the central and regional governments are required to provide legal assistance and assistance services to micro and small business actors free of charge. In the author's opinion, the word mandatory in this article is a must to carry out legal assistance and assistance services to micro and small business actors, especially with the very low data on the ownership of permits for micro and small business actors. The assistance needed by micro and small business actors is legal counseling in the form of how to obtain the permit and assistance in making a permit using electronic media or online, according to the needs of micro and small businesses. This activity certainly presents the role of the state in providing legal protection to the community, especially micro and small business actors who do not yet have legality. Assistance to micro and small business actors to obtain permits in trying to carry out their business is certainly very much related to the equality of treatment for every citizen. Attention to the business world is not only given to large businesses but also given to small business actors so that their businesses can move up a class from micro businesses to small businesses and small businesses can become large businesses. This is in line with the opinion of Philipus M. Hadjon, who explains that: "Legal protection is protection of dignity and honor, as well as

recognition of human rights owned by legal subjects based on legal provisions from arbitrariness.

The role of government as a Provider, regulator, entrepreneur and empire is able to encourage the realization of economic growth by being directly involved in regional development activities. The role of society as an MSME actor also has a very important role, because development activities are part of society that is oriented towards empowering the community's economy evenly and sustainably.

IV. CONCLUSION

Legal protection for MSMEs in the digital technology era in Makassar City shows that MSMEs have a strategic role in the national economy, but still face various challenges, such as low quality of human resources, low understanding of digital services and technology, management, access to capital, and business legality. Although the government has issued regulations to support MSMEs, their implementation in the field is still minimal. MSMEs can more easily register their business entities by using digital services. With these electronic documents, it produces legality that strengthens the legal position of MSME actors. Most MSME actors in Makassar do not yet have important legal documents such as Business Identification Number (NIB), Micro and Small Business Permit (IUMK), and PIRT Certificate, which should be the basis for legal protection and empowerment. Therefore, more intensive assistance and socialization efforts are needed from the government to increase awareness and ability of

MSMEs in accessing digital services in meeting requirements and strengthening legal certainty, in order to strengthen their business competitiveness amidst global challenges.

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