



INDONESIA'S OMNIBUS LAW ON JOB CREATION: LEGAL STRENGTHENING DIGITALIZATION OF MICRO, SMALL AND MEDIUM ENTERPRISES

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ABSTRACT:

Micro, Small, and Medium Enterprises are one of Indonesia's economic buffer pillars. However, its position as a financial buffer still faces various problems. This research aims to analyze the implications of digitalization regulation related to the management of MSMEs after the enactment of Law No. 11 of 2020 on Work Copyright and obstacles to managing MSMEs' digitalization in Indonesia. This research is normative legal research with a statutory approach. The results showed that the provisions in the Copyright Law that require the digitization of MSMEs make its management more efficient and straightforward. During the COVID-19 pandemic, there has been a twofold increase in the number of businesses transitioning to the digital ecosystem. However, behind the ease, there are obstacles experienced by MSMEs in their digitalization efforts, including blocks in terms of community culture, regulation, and structure. This research is intended so that the Indonesian people, especially business actors, are more aware of digital literacy in strengthening the law and compliance with every regulation that has been determined.

Keywords: MSMEs; Digitalization; Management; Strengthening and Law.

1 INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) as part of the business sector are driving the wheels of the domestic economy in Indonesia. The existence of MSMEs has enough strategic role, this is indicated by its considerable contribution to the growth of Gross Domestic Product (GDP), as well as its contribution to opening employment

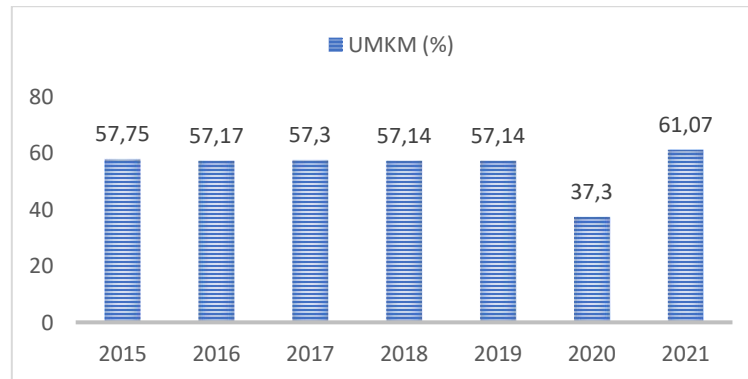




opportunities, thus playing a role in reducing unemployment and poverty rates in the community.¹ Diagram 1 presents data on the contribution of MSMEs to Gross Domestic Product (GDP) in Indonesia from 2015 to 2020.

Chart 1

Contribution of SMEs to GDP in 2015-2021



Source: Ministry of Cooperatives and SMEs (2021)

The data shows that the role of MSMEs in GDP reached 57.32%. The year 2020 was the lowest one since 2015, which was only 37.3%, a decrease of up to 38.14% compared to the previous year. The latest data obtained from the Ministry of Cooperatives and Small and Medium Enterprises (MC SMEs), in March 2021, as many as 64.2 million units of the MSME sector that contributed to GDP reached 61.07% or Rp.8.573.89 trillion. In addition to contributing to the development of GDP, MSMEs were also considered capable of creating job opportunities. This can be seen in the following data:

Table 1

MSME Workforce Absorption Compared to Large Enterprises in 2018-2019

Indicator	Unit	2018	2019	Development
				2018-2019
		Total (%)	Total (%)	Total (%)

¹ Siti Rahma Novikasari, Duc Quang Ly, and Kerry Gershaneck, 'Taxing Micro, Small and Medium Enterprises in Yogyakarta: Regulation and Compliance', *Bestuur*, 9.1 (2021), 59 <<https://doi.org/10.20961/bestuur.v9i1.49184>>.





MSMEs	(labor)	116.978.631	97,00	119.562.843	96,92	2.584.212	2,21
Large Enterprises (LE)	(labor)	3.619.507	3,00	3.805.829	3,08	186.322	5,15

Source: Ministry of Cooperatives and Small and Medium Enterprises (processed from data from the Central Statistics Agency)

Based on the data table above, it proved that through MSMEs, the employment rate was more than the LE sector. The absorption of energy in the MSME sector was more than the LE sector, which had increased in the 2018-2019 range of 2.21%.² However, in reality the efforts to develop MSMEs encountered several obstacles, namely from the internal or external side related to their management. Various obstacles that become challenges for MSMEs were related to human resources (HR), business capital, and the knowledge of MSME business actors. In addition, another challenge faced was the disharmony of regulations. The previous regulations governing the process of licensing procedures were still considered to be difficult for MSME actors.³

Previous research revealed that the complexity of the MSME licensing procedure had an impact on the decline in the number of Permits of MSMEs in Semarang City which decreased every year, with a percentage of 50% in 2017, 30% in 2018 and decreased in 2019 to 20%.⁴ These challenges had become increasingly difficult due to the COVID-19 pandemic. As a result, MSMEs were required to be able to adapt and innovate for business continuity.⁵

² Raffaele Lagravinese, Paolo Liberati, and Agnese Sacchi, 'Tax Buoyancy in OECD Countries: New Empirical Evidence', *Journal of Macroeconomics*, 63, July 2019 (2020) <<https://doi.org/10.1016/j.jmacro.2020.103189>>.

³ Sayedeh Parastoo Saeidi and others, 'How Does Corporate Social Responsibility Contribute to Firm Financial Performance? The Mediating Role of Competitive Advantage, Reputation, and Customer Satisfaction', *Journal of Business Research*, 68.2 (2015), 341–50 <<https://doi.org/10.1016/j.jbusres.2014.06.024>>.

⁴ Juan Pablo Sánchez-Infante Hernández, Benito Yañez-Araque, and Juan Moreno-García, 'Moderating Effect of Firm Size on the Influence of Corporate Social Responsibility in the Economic Performance of Micro-, Small- and Medium-Sized Enterprises', *Technological Forecasting and Social Change*, 151, November 2019 (2020), 119774 <<https://doi.org/10.1016/j.techfore.2019.119774>>.

⁵ Bambang Ali Kusumo and others, 'COVID-19 Vaccination Service: Legal Issues and Health Workers Protection in Indonesia', *International Journal of Health Sciences*, 6.1 (2022), 50–60 <<https://doi.org/10.53730/ijhs.v6n1.2954>>.

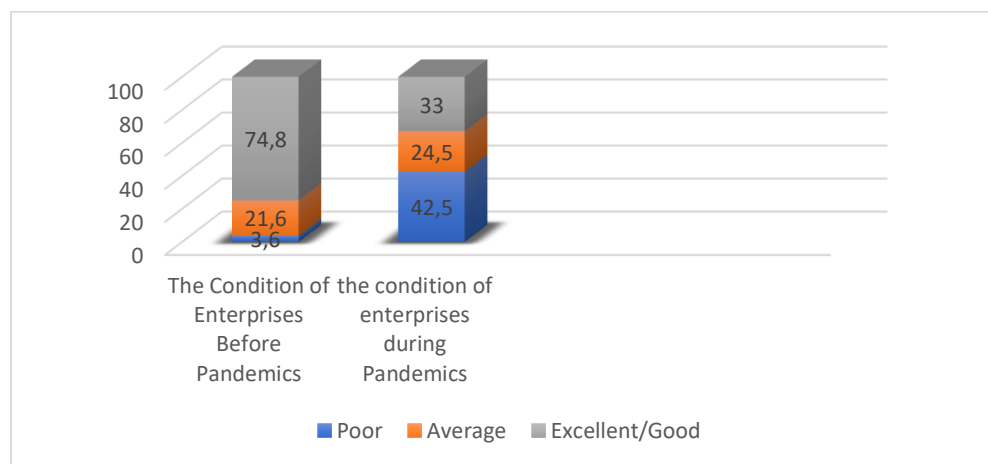




The results of the Katadata Insight Center (KIC) research conducted on 139 digital startup executives from May to June 2020, it was noted that at the end of 2019, 74.8% of startups were in good and very good condition. However, currently only 33% of startups are in good condition and 42.5% are in bad condition. The diagram below presents data on business conditions before and during the pandemic:

Chart 2

The Condition of Enterprises before and during COVID-19 Pandemics



Source: Katadata Insight Center (KIC) 2020

Based on the diagram above, it reveals that there are very significant differences regarding business conditions before and during the pandemic. The percentage of business conditions before the pandemic reached 74.8% in an excellent or a good level, average business conditions at 21.6%, and poor business conditions at 3.6%. However, when entering a pandemic, the percentage of business conditions changed. The percentage of poor business conditions increased from before to 42.5%. So, the occurrence of a pandemic is quite an obstacle as well as a challenge for business actors, including MSMEs.⁶

⁶ David Szablowski and Bonnie Campbell, 'Struggles over Extractive Governance: Power, Discourse, Violence, and Legality', *Extractive Industries and Society*, 6.3 (2019), 635–41 <<https://doi.org/10.1016/j.exis.2019.06.009>>.





Therefore, in facing the various challenges experienced by MSME actors, it is necessary to have policies both in terms of regulation and implementation. Deregulation is carried out by simplifying regulations that are bottlenecking in order to make bureaucratic flow easier. The ease of bureaucratic flow needs to adapt to the times. As it is known, now Indonesia has penetrated the industrial era 4.0 with increasing connectivity that has been integrated into information and communication technology, including in economic activities. In economic activities, this is known as business digitization.⁷

Digitalization opens up opportunities for the economic sector, especially MSMEs to be able to adapt and grow in accordance with the times. Digital technology tools that are pervasive in the concept of industry 4.0 among economic units, including MSMEs, can foster competitiveness in niche markets. Currently, based on data from the MC SMEs, the number of MSMEs that have used digital technology has reached around 12 million.⁸

The digital transformation of MSMEs requires joint efforts between the government and business actors. Therefore, some government programs are dedicated to increase investment in certain areas such as innovation, product diversification, and increasing global competitiveness, which of course have a positive impact on MSMEs. The government's alignment with MSMEs is shown through the policies contained in the Job Creation Law, indicating that there is an effort to centralize the management of a single database and manage MSMEs in an integrated and centralized manner.⁹

The existence of a new legal system issued by the government substantively changes the provisions and provides convenience related to the management of MSMEs, including from the regulatory aspect that regulates the digitalization of business legality to marketing. However, the transition of MSME management towards a digital system still encounters obstacles that are experienced by MSME actors.¹⁰

⁷ Tommaso Oliviero and Annalisa Scognamiglio, 'Property Tax and Property Values: Evidence from the 2012 Italian Tax Reform', *European Economic Review*, 118 (2019), 227–51 <<https://doi.org/10.1016/j.euroecorev.2019.05.015>>.

⁸ Benito Yáñez-Araque and others, 'Corporate Social Responsibility in Micro-, Small- and Medium-Sized Enterprises: Multigroup Analysis of Family vs. Nonfamily Firms', *Journal of Business Research*, 124.June 2020 (2021), 581–92 <<https://doi.org/10.1016/j.jbusres.2020.10.023>>.

⁹ Sánchez-Infante Hernández, Yáñez-Araque, and Moreno-García.

¹⁰ Simon Deakin and others, 'Legal Institutionalism: Capitalism and the Constitutive Role of Law', *Journal of Comparative Economics*, 45.1 (2017), 188–200 <<https://doi.org/10.1016/j.jce.2016.04.005>>.





Several relevant previous studies are research by Sentot ¹¹ The research states that based on the principle of *jure empire* (imperial authority), the state can take official action in the public sector through its capacity as a sovereign state, including making policies to solve problems in society. Then in research by Sugiri, ¹² it is stated that the success of the policy in saving MSMEs due to the pandemic is a short-term strategy through digital services and a long-term strategy through the design of MSMEs development, digital technology development, and modern MSMEs business development.

Therefore, the role of digital in MSMEs activities is very much needed during the pandemic. Furthermore, in research by Shafi, Liu, and Ren ¹³, stated that the MSMEs strategy during the pandemic in Pakistan, MSMEs actors must continue to make new breakthrough in various circumstances. Especially during the pandemic, special plans are needed to manage MSMEs, one of which is by using digital technology. Then, in the research by Arianto ¹⁴ stated that digital transformation of MSMEs during a pandemic became an alternative to save the MSMEs sector in order to be still exist.

Seeing the background of the introduction and previous research, the focus of the author's research is to find out and analyze the "Implications of the Enforcement of the Job Creation Act on the Digitalization of Micro, Small and Medium Enterprises Management."

2 RESEARCH METHODS

¹¹ A. L. Sentot Sudarwanto and others, 'Position of Freedom of Contract Principle in Forestry Partnership Policy', *Journal of Legal, Ethical and Regulatory Issues*, 24.5 (2021), 1–11.

¹² Dani Sugiri, 'Menyelamatkan Usaha Mikro, Kecil Dan Menengah Dari Dampak Pandemi Covid-19', *Fokus Bisnis: Media Pengkajian Manajemen Dan Akuntansi*, 19.1 (2020), 76–86 <<https://doi.org/10.32639/fokusbisnis.v19i1.575>>.

¹³ Mohsin Shafi, Junrong Liu, and Wenju Ren, 'Impact of COVID-19 Pandemic on Micro, Small, and Medium-Sized Enterprises Operating in Pakistan', *Research in Globalization*, 2 (2020) <<https://doi.org/10.1016/j.resglo.2020.100018>>.

¹⁴ Bambang Arianto, 'Pengembangan UMKM Digital Di Masa Pandemi Covid-19', *ATRABIS: Jurnal Administrasi Bisnis (e-Journal)*, 6.2 (2020), 233–47.





This research is a normative legal research. The research approach is based on applicable laws and regulations.¹⁵ The data of this study were obtained from the results of analyzing the provisions of laws and regulations, journals, and relevant articles.¹⁶ Primary legal material is an authoritative legal material that has the authority so that it has binding legal force, including Law Number 11 of 2020 concerning Job Creation.¹⁷

3 DISCUSSION AND RESULT

Implications of the Enforcement of the Job Creation Act in Strengthening the Law on Digitalization of MSME Management

In most countries in Asia, MSME productivity is still low. This is due to limited access to finance, uncompetitive market prices, limited ability to read information about market opportunities, complicated bureaucratic procedures in setting up, lack of business operations and growth, poor infrastructure conditions, lack of effective institutional structures, and limited resources. Besides being very influential on the country's economic development, MSMEs are also very important for the economy in terms of sustainable growth and the largest source of employment. MSMEs are regulated in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. One of the bad public services regarding MSMEs is in terms of complicated licensing flows that take a long time and cost quite a lot. This will hamper the pace of investment and affect economic growth.¹⁸

The Job Creation Law aims to create job opportunities through simplification of business licensing requirements and land acquisition to improve the foreign investment inside the country. In the Job Creation Law, there are a number of provisions that have

¹⁵ Rian Saputra and Silaas Oghenemaro Emovwodo, 'Indonesia as Legal Welfare State: The Policy of Indonesian National Economic Law', *Journal of Human Rights, Culture and Legal System*, 2.1 (2022), 1–13 <<https://doi.org/https://doi.org/10.53955/jhcls.v2i1.21>>.

¹⁶ Tri Hartini, 'Legal Policy of Protection COVID-19 Patients in Hospitals', *Journal of Human Rights, Culture and Legal System*, 2.1 (2022), 45–57 <<https://doi.org/https://doi.org/10.53955/jhcls.v2i1.25>>.

¹⁷ Resti Dian and Suviwat Jenvitchuwong, 'Implementation of Halal Product Assurance in the Pharmaceutical Sector in Indonesia', *Journal of Human Rights, Culture and Legal System*, 1.3 (2021), 164–79 <<https://doi.org/https://doi.org/10.53955/jhcls.v1i3.19>>.

¹⁸ Lucio Castro and Carlos Scartascini, 'Tax Compliance and Enforcement in the Pampas Evidence from a Field Experiment', *Journal of Economic Behavior and Organization*, 116 (2015), 65–82 <<https://doi.org/10.1016/j.jebo.2015.04.002>>.





been amended in the MSME Law, including the MSME Criteria, Single Database, Integrated MSME Management, Partnerships, Ease of Business Licensing, and Ease of Financing Facilities and Fiscal Incentives.¹⁹

There are several points in the Employment Creation Act that are in favor of MSMEs. First, the Job Creation Act provides easy market access, financing, licensing, business development, and supply chains. Second, the ability of MSMEs to create job opportunities is getting bigger, because the problem is about employment.²⁰ Third, it can get convenience to optimize the potential of local startups. Fourth, it can provide protection and strengthening in the business competition climate. Fifth, MSE activities can be used as credit guarantees, so they are not required to use assets. Sixth, it can provide ease of doing business.²¹

The Job Creation Act revises the MSME Act to provide facilities for MSMEs, namely ease of licensing, access to financing, and protection for MSMEs, this is explained in Articles 87 to 104 of the Job Creation Act. After the existence of the Job Creation Act, there will be convenience in protecting MSMEs to partner, cooperate with industry, obtain financing facilities, intellectual property rights, legal assistance, as well as procurement of goods and financial system services.²² Then the Job Creation Act requires the Government to provide assistance to the business world. To be able to compare the ease of management for MSMEs before and after the birth of the Job Creation Act, it can be seen in the following table:

¹⁹ Duong Trung Le, Edmund Malesky, and Anh Pham, 'The Impact of Local Corruption on Business Tax Registration and Compliance: Evidence from Vietnam', *Journal of Economic Behavior and Organization*, 177 (2020), 762–86 <<https://doi.org/10.1016/j.jebo.2020.07.002>>.

²⁰ Tiara Juniar Soewardi and Candra Fajri Ananda, 'The Transformation of Bea Acquisition Rights to Land and Buildings (BPHTB): Case Study in Kediri City of East Java', *Procedia - Social and Behavioral Sciences*, 211, September (2015), 1179–85 <<https://doi.org/10.1016/j.sbspro.2015.11.157>>.

²¹ Margarida Rodrigues and Luís Mendes, 'Mapping of the Literature on Social Responsibility in the Mining Industry: A Systematic Literature Review', *Journal of Cleaner Production*, 181 (2018), 88–101 <<https://doi.org/10.1016/j.jclepro.2018.01.163>>.

²² Olatunde Julius Otusanya, 'The Role of Multinational Companies in Tax Evasion and Tax Avoidance: The Case of Nigeria', *Critical Perspectives on Accounting*, 22.3 (2011), 316–32 <<https://doi.org/10.1016/j.cpa.2010.10.005>>.





Table 2 Comparison of the Ease of Management of MSMEs before and after the Enforcement of the Job Creation Act

No	Comparison of Convenience of Management for MSME Actors		
	Criteria	Before the Enforcement of Job Creation Act	After the Enforcement of the Job Creation Act
1.	Procedure	Online	Online and Offline
2.	Financing	Charged	No Charged
3.	Business license extension	Limited time based on statutory provisions	Standard certificate, business license validity period without time limit, and no need for extension, except halal certificate
4.	Assistance and guidance on licensing	The government does not provide assistance and guidance on licensing	The government provides assistance and guidance in order to fulfill standard certificates and/or UMK licensing
5.	Licensing based on risk	Licensing not based on risk	Licensing based on low, medium, and high risk

Source: processed by the author

Based on the table, it explains the changes after the birth of the Job Creation Act regarding procedures, financing, business license extension, mentoring and coaching, and risk-based licensing. This proves that the various facilities provided make MSMEs able to operate properly. Technology that is developing very rapidly makes various social





activities in society switch to using digital systems.²³ These social activities are closely related to economic activities, especially MSMEs. By 2025 the development of the digitization of MSMEs in Indonesia is targeted to be the largest in Southeast Asia. The digital MSME development program is influenced by government policies, so the connectivity of digital MSMEs will get better. The government program from Ministry of Communication and Information (MCI) is in line with the development of digital MSMEs, namely creating a digital MSME Training Program. It aims to provide assistance so that they can switch to using digital platforms in their business activities.²⁴

The government has set a target of 30 million MSMEs using the digital ecosystem by 2024. During the pandemic, there has been increasing in number of business actors transitioning to the digital ecosystem, which has reached 16.4 million MSMEs. The number of digital transaction increased to 26% or 3.1 million transactions per day.²⁵ This is an opportunity for MSMEs to fill the digital market. Implementing regulations of the Job Creation Act, there are changes regarding licensing regulations for conducting business. Previously, business licenses could be carried out through a digital-based business licensing system, namely OSS version 1.1. However, since July 2, 2021, there has been an OSS-RBA system for electronically integrated business licensing applications in accordance with the Letter of the Minister of Investment/Head of Investment Coordinating Board (ICB) Number 1342/A.1/2021.²⁶

In order to facilitate business licensing, an innovation is needed so that business actors are encouraged to carry out licensing. This innovation can take advantage of very rapid technological developments. The government had established the OSS-RBA in 2021. The formation of the OSS-RBA has become very relevant during the COVID-19

²³ Vu Van Huong and Ly Kim Cuong, 'Does Government Support Promote SME Tax Payments? New Evidence from Vietnam', *Finance Research Letters*, 31.November 2018 (2019), 270–77 <<https://doi.org/10.1016/j.frl.2018.11.017>>.

²⁴ Mahendra Adhi Nugroho, 'Impact of Government Support and Competitor Pressure on the Readiness of SMEs in Indonesia in Adopting the Information Technology', *Procedia Computer Science*, 72 (2015), 102–11 <<https://doi.org/10.1016/j.procs.2015.12.110>>.

²⁵ Fitriyana Dewi and E. R. Mahendrawathi, 'Business Process Maturity Level of MSMEs in East Java, Indonesia', *Procedia Computer Science*, 161 (2019), 1098–1105 <<https://doi.org/10.1016/j.procs.2019.11.221>>.

²⁶ Alfonso A. Rojo Ramírez, Julio Diéguez Soto, and Pilar López Delgado, 'Importancia Del Concepto de Empresa Familiar En Investigación: Utilización de La Base de Datos SABI Para Su Clasificación', *European Journal Of Family Business*, 1.1 (2011), 53–67 <<https://doi.org/10.24310/ejfb.v1i1.5034>>.





pandemic. The positive impact of the establishment of the OSS-RBA is that it makes easier for business actors to manage applications for business permits. Business licensing service through the OSS system also gets a lot of positive responses from the community because licensing becomes faster, easier and more efficient with this system.²⁷

Efforts to maximize the use of digital technology are not only focused on licensing. Currently, Bank Indonesia is also implementing digitalization of the promotion of MSME products, both MSMEs fostered and partners that have been managed in an electronic catalog at the virtual exhibition of Indonesian Creative Work 2020 (ICW). This virtual exhibition provides MSME business meeting features and business promotions. This is done as an effort for the government to revive the economy during COVID-19, by encouraging and providing maximum support for one of the pillars supporting the economy in Indonesia. Maximizing digital technology, especially in the pandemic era, provides a bright way for MSMEs to dare to rise, survive, and develop. This will be in line with increasing the capacity and quality of MSME marketing in order to support the recovery and growth of the Indonesian economy, which was hit recently due to the pandemic.²⁸

As a result, after the enactment of the Job Creation Law, the transition of the transaction system directly into a digitalization system has made people's lifestyles and attitudes increasingly change. Therefore, MSME economic actors are more productive in running their business. With these changes, various economic innovations during the pandemic were born, known as the digitization of MSMEs.²⁹

²⁷ - Juniarti, Lina Noersanti, and Endang Heri Susanti, 'The Impact of Modern Tax System Against Transport Workers Taxpayer Compliance Online', 73.Aicar 2018 (2019), 221–23 <<https://doi.org/10.2991/aicar-18.2019.48>>.

²⁸ Irzal Rakhmadhani and others, 'Adverse Events Following Immunization Post Moderna (MRNA-1273) Booster Vaccination after Two Primary Doses of CoronaVac', *International Journal of Health Sciences*, 6.1 (2022), 160–73 <<https://doi.org/10.53730/ijhs.v6n1.3626>>.

²⁹ Amin Purnawan, Ahmad Khisni, and Aryani Witasari, 'Politics of Law of Imposing Income Tax (PPH) Based on Micro, Small and Medium Enterprises (MSMEs) with Justice Value Base to Increase Voluntary Tax Compliance in Industrial Revolution 4.0 Era', 358.23 (2019), 294–99 <<https://doi.org/10.2991/icglow-19.2019.73>>.





4 BARRIERS TO THE IMPLEMENTATION OF THE DIGITIZATION OF MSME MANAGEMENT

The COVID-19 pandemic has an extraordinary impact on various aspects of life. Not only has an impact on the health sector, the COVID-19 pandemic has also changed the economic structure of a country, especially in developing countries. Developing countries have difficulty implementing an effective economic stimulus.³⁰ Economic growth decreased to negative 2.8%, it can be said that it was dragged up to 6% compared to the previous period. However, as one of the economic sectors, MSMEs are able to survive during an economic crisis. During the COVID-19 pandemic, there was a decrease in turnover of more than 30% experienced by 63.9% of affected MSMEs. Nevertheless, 62.6% of MSMEs are adamant that they can get through more than one year of crisis due to the pandemic. Moreover, 68% of business actors are optimistic about their business conditions if the adaptation of new habits in the new normal concept is implemented.³¹

The changes in all activities that use the internet can help MSMEs rise from the pandemic period. MSMEs are the main sector of the world economy that provide income and job creation for many people around the world.³² Data obtained from the Ministry of Cooperatives and SMEs shows that MSMEs in Indonesia have been able to accommodate 119,562,843 (96.92%) workers. By promoting the improvement and utilization of technology by MSMEs, such as through training, financial and technical assistance, the government can maintain the creation of higher productivity jobs.³³ The existence of the Job Creation Act substantially provides convenience and efficiency in

³⁰ Ain Zubaidah Mohd Saleh and others, 'A Method for Web Application Vulnerabilities Detection by Using Boyer-Moore String Matching Algorithm', *Procedia Computer Science*, 72 (2015), 112–21 <<https://doi.org/10.1016/j.procs.2015.12.111>>.

³¹ Amalia Rahmah, 'Digital Literacy Learning System for Indonesian Citizen', *Procedia Computer Science*, 72 (2015), 94–101 <<https://doi.org/10.1016/j.procs.2015.12.109>>.

³² Heri Kuswanto and others, 'Logistic Regression Ensemble for Predicting Customer Defection with Very Large Sample Size', *Procedia Computer Science*, 72 (2015), 86–93 <<https://doi.org/10.1016/j.procs.2015.12.108>>.

³³ Gunadi, 'Modelling Impacts of Maintenance, Staff Management and Collaboration on E-Government Website Availability: A Qualitative System Dynamics Approach', *Procedia Computer Science*, 72 (2015), 145–53 <<https://doi.org/10.1016/j.procs.2015.12.115>>.





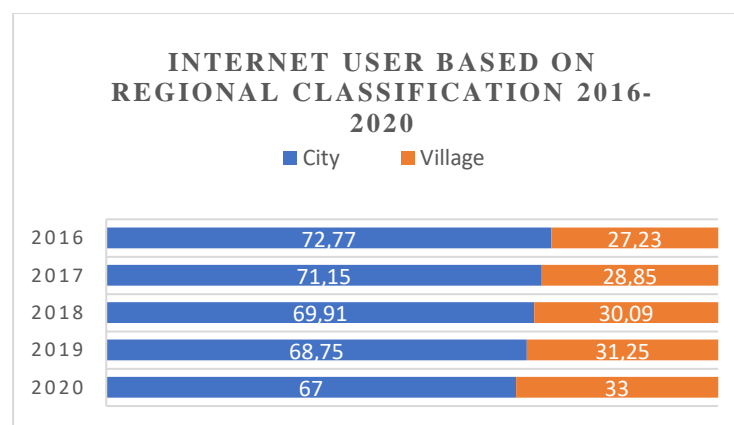
digitalization, integrates MSMEs in the Global Value Chain, and supports MSMEs in increasing their existence in the economic arena.³⁴

The existence of the Job Creation Law is able to improve services so that they are more efficient and easier, through the application of Norms, Standards, Procedures, and Criteria (NSPC) as well as with an electronic system that can encourage regulatory reform and de-bureaucratization. Some of the obstacles faced by MSMEs in their development are low productivity levels, limited access to technology, capital, information and marketing, and the low quality of MSME management that is not in accordance with applicable legal regulations. The performance of Indonesian MSMEs is still categorized as low compared to other Southeast Asian countries, with the same level of development, especially in terms of productivity, export and value added contribution, and MSME participation in global transactions.

In applying digital technology, MSMEs in Indonesia still experience limitations due to uneven access to remote areas in Indonesia. Internet users in Indonesia in 2020 amounted to 73%. However, in fact there are still quite significant gaps (Arianto, 2020). Of course this is an obstacle in developing MSMEs, especially for areas that have difficulty getting access to technology.

Chart 3

Internet User based on Regional Classification 2016-2020



³⁴ Lau Lap Bann, Manmeet Mahinderjit Singh, and Azman Samsudin, 'Trusted Security Policies for Tackling Advanced Persistent Threat via Spear Phishing in BYOD Environment', *Procedia Computer Science*, 72 (2015), 129–36 <<https://doi.org/10.1016/j.procs.2015.12.113>>.





Source: Statistics Indonesia, National Socio-Economic Survey (2020)

Internet users in city have increased every year, on the contrary, in village it has decreased. Data shows that in 2019 internet users in city were 71.15% which increased in 2020 to 72.77%. While in village in 2019 it was 28.85%, then in 2020 it was 27.23%. This proves that internet access is still not evenly distributed by the community, especially in village. Then, difficulties in developing the digitization of MSMEs from the cultural sector are caused by the difficulty of building public trust, limited human resources in the digital world and the increasing risk of fraud being used by certain parties. Technological infrastructure that is still uneven is a big challenge in the implementation of E-Government.³⁵

In addition, Indonesia is currently still experiencing complex and many regulations. Regulations that still do not support the creation and development of businesses even tend to be restrictive. Especially after the Constitutional Court's decision No. 91/ActRegulation-XVIII/2020 clearly gave the government a two-year time limit. However, the Constitutional Court's decision does not explain the implementation context for the implementing regulations of the Job Creation Act. Therefore, the obstacles to the management of MSMEs are the derivative rules of the Job Creation Act, namely Government Regulation No. 7 of 2021 and Government Regulation No. 5 of 2021, which if implemented, can result in legal defects. Meanwhile, in its management, the most difficult obstacles faced by MSME business actors are related to capital, access to marketing, corporate financial management, and the focus of businesses that are still multi-business.³⁶

In this era of disruption, it is important to increase development for MSMEs through digitizing the management. This of course will play an important role in economic recovery, especially during a pandemic. As an effort to digitize MSMEs, of course, two aspects must

³⁵ N K Ariani, 'Strategi Dinas Koperasi, USAha Kecil Dan Menengah Dalam Pemberdayaan USAha Mikro Kecil Menengah Dikabupaten Gianyar', *Citizen Charter*, 18.4 (2017), 547-53 <https://simdos.unud.ac.id/uploads/file_penelitian_1_dir/eb0504258767d13adfe79e80f3b954bc.pdf>.

³⁶ Petra Mahy, 'Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments', *Asian Journal of Comparative Law*, September 2021, 2022, 1-25 <<https://doi.org/10.1017/asjcl.2022.7>>.





be balanced, namely related to human resource capacity and support for market access policies for MSMEs. Efforts to improve the development of MSMEs in digitizing their management need to strengthen digital literacy through various media channels that are easily accessible and reachable to MSMEs. The existence of digital capabilities will be able to transform every activity through internet technology devices. Moreover, it is important to improve legal understanding for business actors so that the business process becomes easier and more secure. This is of course related to the licensing process to create a business entity, drafting agreements, taxes and many other things. There is a need for legal knowledge for business actors and compliance with every predetermined regulation.³⁷

5 CONCLUSION

Based on the explanations, this study highlights that the licensing for MSMEs after the enactment of Law Number 11 of 2020 concerning Job Creation becomes simpler, efficient, concise, fast, and cost-effective compared to before the existence of the Job Creation Act. In the digital era, MSME licensing becomes more efficient, namely through the OSS-RBA. This is because business actors do not need to queue and can register through the OSS-RBA web page. The establishment of the OSS-RBA is very relevant during the pandemic because it is a tool that facilitates licensing in the midst of restrictions on mobility and space for business actors. During this pandemic, there has been a doubling of the number of business actors transitioning to the digital ecosystem, which has reached 16.4 million MSMEs. The number of digital transactions increased to 26% or 3.1 million transactions per day. This is a big opportunity for MSMEs to be able to meet the digital market that has been very wide open. However, behind this convenience there are obstacles experienced in the form of the low quality of human resources in digitizing, difficult to gain public trust, the management of MSMEs that are not in accordance with applicable legal regulations because Indonesia is currently still experiencing complex and

³⁷ Ni Luh and others, 'Implikasi Kewirausahaan Terhadap Digitalisasi Ekonomi Dan Ekonomi Kemanusiaan UMKM Kerajinan Tenun Di Provinsi Bali', *Jurnal Ilmiah Manajemen*, 11.2 (2021), 228–40.





many regulations and difficulties in obtaining capital, access to marketing, corporate financial management, and business focus that is still multi-business. Therefore, as an effort to digitize MSMEs, of course, two aspects must be balanced, namely related to human resource capacity and support for market access policies for MSMEs. In addition, it is also necessary to have legal knowledge for business actors and compliance with every predetermined regulation.

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