



The Government's Role in Providing Legal Protection for MSME Owners Following the Enactment of Law No. 11 of 2020 concerning Job Creation

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Article History Received : 2025-08-2 Revised: 2025-08-15 Published: 2025-09-30 Keywords: <i>MSMEs; Legal Protection; Role of Government; Job Creation Law</i>	MSMEs are one way for people to meet their daily needs. They also play a crucial role in improving regional and national economies. However, as developments develop, MSMEs are now finding it difficult to capture market share due to competitiveness. This is further compounded by the enactment of Law No. 11 of 2020 concerning Job Creation. Therefore, the government is emphasizing legal protection for MSMEs to address the increasingly fierce competition in the current market. This study aims to analyze the government's role in providing legal protection to MSME owners following the enactment of Law No. 11 of 2020 concerning Job Creation. The main focus of this study is to explore how regulations and policies resulting from the Job Creation Law affect the legal protection provided to MSME owners, as well as the extent of the government's role in guaranteeing their legal rights, both in terms of business protection, financing, and market access. Through this study, it is hoped that various recommendations will be found that will be useful for improving government policies in providing optimal legal protection for MSME owners, as well as contributing to the development of a more sustainable MSME sector in Indonesia.

I. INTRODUCTION

Article 34 paragraph (1) of the 1945 Constitution of the Republic of Indonesia (UUD 1945) expressly states that "The state must develop a social security system for all people and empower the weak and underprivileged in accordance with human dignity." This constitutional provision is the normative basis for the government to be present and protect every citizen, including business actors classified as micro, small, and medium enterprises (MSMEs). This protection is not only social, but also legal and economic, because MSMEs have proven to be the backbone of the national economy.(Redi et al. 2022).

As a follow-up to the constitutional mandate, Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises was enacted, which affirms that both the central and regional governments are obligated to protect, empower, and develop MSMEs. This protection encompasses various aspects, from easy access to

capital and financing to infrastructure provision, to mentoring and facilitating licensing.(Kwa 2021)However, the reality on the ground shows that the implementation of the mandate of this law has not been fully effective.

MSMEs play a strategic role that cannot be underestimated. Data from the Ministry of Cooperatives and SMEs shows that the MSME sector contributes more than 60% of Gross Domestic Product (GDP) and absorbs over 97% of the national workforce.(Janah and Tampubolon 2024)This figure demonstrates the significant contribution of MSMEs as a driving force of the national economy, as well as being at the forefront of reducing unemployment and poverty. However, this significant role is not matched by adequate legal protection. Many MSMEs still face fundamental obstacles such as limited capital, difficulty accessing formal financing, complicated licensing bureaucracy, weak bargaining power in business contracts, and legal uncertainty regarding intellectual property rights for their

products.(Komara, Setiawan, and Kurniawan 2020).

On the other hand, market competition is increasingly fierce. MSMEs often face the dominance of large businesses with extensive distribution networks, strong capital, advanced technology, and professional management. This situation limits MSMEs' room for maneuver. Many business opportunities that MSMEs should have access to are instead taken over by large corporations with the full support of the business ecosystem and capital. As a result, MSMEs are often marginalized and struggle to grow.(Irawati and Prasetyo 2021).

In response to these various issues, the government issued Law Number 11 of 2020 concerning Job Creation (the Job Creation Law) as a major regulatory reform effort aimed at promoting ease of doing business, including for MSMEs. The Job Creation Law amends, eliminates, and establishes new regulations in various sectoral laws, including those concerning licensing facilitation, bureaucratic simplification, and expanding access to financing for MSMEs. Through a risk-based approach, the business licensing process, including business licensing for MSMEs, is designed to be simpler and faster. The government also emphasizes the importance of fair partnerships between large businesses and MSMEs, and encourages the provision of fiscal incentives, easier funding, and clearer legal protection.

However, more than three years after the Job Creation Law was enacted, fundamental questions arise: to what extent is the government's role in providing real legal protection for MSME owners? Has regulatory simplification truly made things easier for MSMEs, or has it actually created new problems such as overlapping regulations, minimal outreach, and technical uncertainty at the implementation level? Many MSMEs report not yet experiencing significant positive impacts, particularly in areas far from policy centers.

This research is crucial because legal protection is not only about regulatory certainty, but also about how government policies are implemented to protect the rights of MSMEs from unfair business practices, contract disputes,

intellectual property rights violations, and fair access to financing and markets. This is where the government's role as regulator, facilitator, and supervisor is tested, ensuring that MSMEs, as the backbone of the national economy, are not merely a slogan but receive concrete and equitable legal guarantees.

Therefore, this study aims to deeply analyze the government's role in providing legal protection for MSME owners following the enactment of Law No. 11 of 2020 concerning Job Creation, examine the effectiveness of this policy, and identify implementation challenges in the field. This research is expected to contribute to strengthening government policies to empower MSMEs, ensure legal certainty, and realize the constitutional ideal of improving public welfare through inclusive and equitable economic development.

II. RESEARCH METHODS

This research was conducted systematically using a normative juridical research type which is library legal research or secondary data.(Sonata 2014)This study aims to describe and analyze the legal protection for MSME owners following the enactment of the Job Creation Law. This study not only describes the current situation but also attempts to identify factors influencing legal protection and the implications of government policies.

Using data obtained through library research and reviewing official sources, this study aims to analyze the government's role in providing legal protection to MSME owners following the enactment of Law No. 11 of 2020 concerning Job Creation. It also aims to gain a deeper understanding of how policies resulting from the Job Creation Law are implemented in the MSME context, as well as how MSME owners respond to and utilize existing legal protections.

III. RESULTS AND DISCUSSION

A. The Role of MSMEs in Building the National Economy

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the sustainability of the Indonesian economy. The MSME sector's

contribution to the national gross domestic product is projected to grow 5% throughout 2019.(Sinuraya 2020)With this growth estimate, the total contribution of MSMEs to the national gross domestic product (GDP) in 2019 could reach 65%, or approximately IDR 2,394.5 trillion. The actual contribution of MSMEs to the national GDP in 2019 reached approximately 60.34%.(Saiful and Putra 2024).

The labor absorption capacity of MSMEs is 117 million workers, or 97% of the business world's labor absorption capacity. Meanwhile, the contribution of MSMEs to the national economy (GDP) is 61.1%, with the remaining 38.9% contributed by large businesses, which number only 5,550, or 0.01% of the total number of businesses. These MSMEs are dominated by micro-enterprises, which number 98.68%, with a labor absorption capacity of around 89%. Meanwhile, the contribution of micro-scale businesses to Gross Domestic Product (GDP) in 2020 was only around 37.3%, a decrease of 38.14% compared to the previous year. While MSMEs certainly play a strong role in the global economy, they face several obstacles in their implementation, especially in Indonesia.(Novitasari 2022).

The most challenging obstacles faced by small businesses are capital, financial management, marketing access, and multi-business focus. Business opportunities for MSMEs have also become increasingly limited recently, as activities that MSMEs can perform are being taken over by larger businesses. Large businesses, with their strong capital and management, have successfully penetrated business networks from upstream to downstream, making it difficult for MSMEs to grow and often face obstacles in running their businesses.(Kwa 2021).

Furthermore, MSMEs struggle to obtain equal opportunities, particularly in market share and access to capital from banking institutions. Conversely, large businesses freely control public economic resources, reducing the opportunities for small and medium-sized enterprises to access resources, particularly capital, technology, information, and marketing. The World Bank assesses that MSMEs are considered more

difficult to obtain bank loans than large companies.(Saleh, Hasudungan, and Nurdiana 2025)In fact, MSMEs often rely on capital and personal assets to run their businesses.

Several other obstacles were presented by the National Development Planning Agency (Bappenas), including: Low productivity levels. Due to the low quality of human resources, limitations in organizational management, mastery of technology, and marketing of MSMEs, Low operational quality of organizations, in which, MSMEs in general still do not carry out good corporate governance (Good Corporate Governance), Low quality of cooperatives, with the possible main factors being the minimum requirements for the number of MSME cooperative founders, an uncondusive business climate, and the dominant form of non-formal MSME businesses.(Rusdiana 2023).

Romli Atmasasmita stated that the negative impact of globalization and liberalization is evident in cases of unfair competition and monopolies in the business world, without regard for local small and medium-sized businesses, both domestically and in international business transactions. Similarly, in the financial sector, during the deregulation process and in various investment sectors, very liberal patterns are being implemented, thus blocking access for the general public to participate in economic activities.(Moertiono 2023).

Given the hegemonic nature of economic liberalization, protection is necessary to ensure MSMEs continue to thrive and remain competitive. The lack of legal protection for MSMEs in Indonesia makes it difficult for them to develop. Unfortunately, this fact is often misunderstood by the government, the business world, and the public.(Kwa 2021).

Limited capital, quality human resources, and weak technological skills are often seen as shortcomings of MSMEs, rather than as consequences of inadequate protection and empowerment. Yet, everyone knows that government macroeconomic policies are often misguided, inconsistent, and inadequately protect MSMEs from business competition.

B. The implementation of Law No. 11 of 2020 concerning Job Creation by the Government in its role of providing legal protection for MSME owners.

The role of MSMEs in the economy is indeed significant. It has been stated on numerous occasions that MSMEs truly serve as the backbone of the economy, particularly in Indonesia. MSMEs contribute to economic development and drive increased non-oil and gas exports.(Saleh et al. 2025).

The contribution of MSMEs to economic development will be even greater if they can continue to develop. Therefore, the government is striving to provide legal protection by creating regulations that safeguard the rights and interests of MSMEs and ensure they can operate their businesses.(Anggraeny et al. 2021).

The government is responsible for protecting MSMEs by creating and implementing regulations that help them remain safe from unfair competition, fraud, or legal difficulties. This includes facilitating licensing, access to legal aid, and policies that support their business growth. The goal is to enable MSMEs to thrive in a fair and orderly business environment.(Heriyanto and Ie 2024).

Since the enactment of the Job Creation Law, numerous regulations have been amended, particularly those related to licensing, financing, and market access, aimed at accelerating the growth of MSMEs. However, significant challenges remain in implementing these policies, such as a lack of public awareness and a lack of preparedness among MSMEs to understand and utilize the new regulations. Therefore, the government's role as regulator and facilitator is crucial in providing effective legal protection.

The background to the enactment of the Job Creation Law was triggered by various challenges in the Indonesian economy, particularly for MSMEs, including job uncertainty, strict regulations that restrict businesses, and the need to reduce the unemployment rate.

The enactment of the Job Creation Bill is expected to drive structural economic growth, which in turn can stimulate other sectors, with an expected economic growth rate of 5.7% to 6%.

With the growth of investment in the economic sector, it is hoped that it will have a positive impact on the creation of quality jobs, thereby increasing income and purchasing power. In addition to increasing consumption and productivity, this will also increase wages.(Moertiono 2023).

The Indonesian government designed this law to increase Indonesia's competitiveness in the global market, by reducing various administrative barriers that are considered to burden business actors, including MSMEs.

The Job Creation Law now introduces a risk-based licensing system that should make it easier for MSMEs to operate their businesses. This regulation also facilitates access to financing sources for MSMEs, including fiscal incentives and micro-enterprise loans, to obtain capital, both government-assisted loans and bank loans.(Saleh et al. 2025).

In addition, the government needs to ensure that MSMEs receive legal protection from unfair business practices, such as monopolies or detrimental business competition. The Need for Policy Implementation and Oversight: Although the Job Creation Law aims to provide legal protection and convenience for MSMEs, its effectiveness depends heavily on implementation and government oversight.

Since its enactment as the Job Creation Law, its development continues to stir controversy within the public. Opposition to the Job Creation Law has surfaced due to its perceived bias toward large businesses and foreign investment. It is also considered to neglect protections regarding employment, the environment, and natural resources. Some even believe the government is simply pursuing an increase in the ease of doing business ranking.(Ananda and Susilowati 2017).

Data from the Ministry of Cooperatives and Small and Medium Enterprises shows that after the economic crisis of 1997-1998, the number of MSMEs did not decrease, but instead increased, even absorbing 85 million to 120 million workers by 2018. In that year, the number of entrepreneurs in Indonesia was 64,199,606. Of this number, Micro, Small and Medium Enterprises amounted to 64,194,057 or 99.99

percent. The remaining 0.1 percent or 5,550 were large businesses.(Son 2016).

Despite the debate over the Job Creation Law, among the provisions it regulates are: ease of doing business for Micro, Small, and Medium Enterprises (MSMEs) and ease of empowerment and protection of MSMEs. This is because MSMEs are the backbone of the country's economy. MSMEs are small-scale businesses that can contribute to Indonesia's economic growth. During the economic crises of 1998 and 2008, MSMEs were relatively resilient compared to large companies.

Indonesia, still a developing country, is actively developing its economy through MSMEs. The government has implemented various policies to continuously encourage the growth and development of MSMEs. To develop MSMEs as a strategic force to accelerate regional development, first, the potential for MSME development in the regions is enormous. Second, MSME development must be implemented in accordance with local culture and the potential of the region concerned. Third, the MSME sector plays a significant role in addressing social issues in regions with very high labor absorption. Fourth, the role of improving human resources, utilizing technology, access to capital, access to marketing, access to information, and management is crucial in developing micro-enterprises. Fifth, natural and human resources, as well as the increasingly open world market in the global era, represent enormous potential if managed effectively through partnerships.

C. Effectiveness of Policy in Practice and Observation Results of MSME Growth after the Enactment of Law No. 11 of 2020 concerning MSMEs concerning Job Creation

Law Number 11 of 2020 concerning Job Creation (Omnibus Law) is a strategic policy designed to improve the investment climate, expand employment opportunities, and support the growth of strategic sectors in Indonesia, including Micro, Small, and Medium Enterprises (MSMEs). This regulation is expected to be a catalyst for increasing the competitiveness of MSMEs, particularly in the context of post-pandemic economic recovery. However,

implementation on the ground shows that the effectiveness of this policy depends not only on the legal framework that has been prepared, but also on the ability of MSMEs, local governments, and other stakeholders to adapt to regulatory changes and the demands of digitalization.(Komara et al. 2020).

Simplifying the licensing process, for example, is a key breakthrough expected to encourage MSMEs to more quickly obtain business legality. Through the risk-based licensing system (Online Single Submission/OSS RBA), the government is simplifying the process of obtaining a Business Identification Number (NIB). However, in several regions with limited digital infrastructure, many MSMEs still struggle to access online licensing platforms or understand new procedures, especially those unfamiliar with technology-based systems. This situation demonstrates that even progressive policies require technical assistance and increased digital literacy to prevent new gaps.(Riana et al. 2023).

Ease of access to financing, as stipulated in the Job Creation Law, is also a crucial factor in the development of MSMEs. The government has expanded the People's Business Credit (KUR) scheme and other financial assistance, but challenges remain as most MSMEs are unable to meet administrative requirements or do not understand the credit application mechanism. A similar issue is evident in tax policy. Although the government has simplified tax procedures to reduce administrative burdens, MSMEs remain low in terms of tax awareness, and the utilization of available tax incentives has not been optimal.(Tiyas et al. 2025).

Furthermore, capacity building programs through training and mentoring have had a positive impact on product quality and the ability of MSMEs to penetrate the digital market. Many MSMEs have begun utilizing e-commerce and digital platforms to expand their market reach. However, limited technological infrastructure in various regions, a lack of understanding of digital marketing, and low technical skills remain obstacles that need to be addressed. The government has also provided promotional space for MSMEs in various public facilities, but the

sustainability of this policy's benefits depends heavily on consistent implementation and cross-agency coordination.

Quantitatively, the positive impact of the Job Creation Law is evident from 2023 data from the Ministry of Cooperatives and SMEs, which recorded approximately 66 million MSMEs, contributing 61% to Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion, and employing approximately 117 million workers, or 97% of the total national workforce. Positive growth was also recorded in micro and small industries, averaging 2.55% per quarter, although some sectors, such as the food industry, experienced a slowdown. Furthermore, the government successfully facilitated approximately 1.3 million micro and small businesses in obtaining NIB through the OSS RBA (Business Registration Certificate). (Son 2016).

Overall, the Job Creation Law provides a more conducive regulatory framework for the development of MSMEs and is capable of driving national economic growth. However, its effectiveness is largely determined by the quality of implementation, increased digital literacy, equitable distribution of technological infrastructure, and ongoing support. Without consistent efforts to bridge the gap between policy and actual conditions on the ground, the enormous potential of MSMEs as the backbone of the Indonesian economy will not be fully realized.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

Legal protection is key to the sustainability of Micro, Small, and Medium Enterprises (MSMEs) amidst the challenges of economic liberalization. Without adequate protection, MSMEs will struggle to grow and be unable to compete on equal terms with larger businesses. Law Number 11 of 2020 concerning Job Creation serves as a crucial instrument for creating a more conducive business ecosystem through various policies, such as a risk-based licensing system, simplified online licensing (OSS), access to financing through People's Business Credit (KUR), the elimination of minimum capital requirements, tax incentives, and the simplification of environmental permits

while maintaining oversight for high-risk businesses.

This regulation demonstrates the government's significant efforts to facilitate business and strengthen protection for MSMEs, enabling them to compete and thrive. However, its effectiveness is largely determined by consistent implementation, quality oversight, and the readiness of businesses and local governments to enforce the existing provisions.

B. Suggestion

The government needs to strengthen legal assistance and literacy for MSMEs and ensure equitable oversight across all regions to ensure the optimal benefits of the Job Creation Law.

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