

# Reform and Breakthrough in Business Regulations for Empowering MSMEs in Indonesia and the Netherlands



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## ARTICLE INFO

### Article history

Received: June 12, 2023

Revised: October 10, 2023

Accepted: October 11, 2023

### Keywords

Business;

Indonesia;

Omnibus law;

Netherlands;

Reforming;

## ABSTRACT

There are too many overlapping MSMEs determination policies which result in hampering MSMEs empowerment. The dynamics of global change require a fast and responsive response because, without policy reformulation, economic growth will stagnate or even slow down. This article delves into the necessity of regulatory reform to enhance the ease of doing business for MSMEs, using the Omnibus Law method. Conducted as normative legal research, this study uses normative legal research and analyzes secondary data to examine the existing challenges. The findings reveal various obstacles faced by MSMEs, including complexities in obtaining business licenses, cumbersome tax payment systems, limited access to business capital, and the absence of a formal business entity. To address these regulatory issues, alternative solutions are proposed through the Omnibus Law method, emphasizing the simplification of regulations, fostering public participation, and harmonizing both vertical and horizontal regulations. Moreover, drawing lessons from the Netherlands, where the government established the Dutch Advisory Board on Regulatory Burdens (ATR) to reduce administrative burdens on SMEs, Indonesia can prioritize similar measures to simplify regulations and lower costs. By emulating the ATR's independent and collaborative approach, Indonesia has the potential to establish its own advisory body, fostering a supportive business environment for SMEs and promoting economic growth.



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## 1. Introduction

A contemporary issue in the legislative process in Indonesia that has gained public attention is the Omnibus Law (OL). In legislative practice, OL is a method of making regulations consisting of many subjects or subject matter for certain purposes.<sup>1</sup> This OL in Indonesia is used as a flagship program in his administration in the second period of the 2019-2024 working period which is

<sup>1</sup> Reza Octavia Kusumaningtyas and others, 'Reduction of Digitalization Policy in Indonesian MSMEs and Implications for Sharia Economic Development', *Juris: Jurnal Ilmiah Syariah*, 21.2 (2022), 157–71 <https://doi.org/10.31958/juris.v21i2.6855>

used to carry out regulatory reforms related to increasing investment, employment, and Micro, Small, And Medium Enterprises (MSMEs). This administration will focus on making two important laws, namely First, the Job Creation Law, and second, the MSMEs Empowerment Law.<sup>2</sup>

MSMEs are one of the supports for economic growth, especially in developing countries. MSMEs are relatively large and focused on local businesses, MSMEs have an important role in the economic growth of a country.<sup>3</sup> Several studies have proven that MSMEs have a positive impact on a country.<sup>4</sup> Although this type of business is small, it is able to absorb many workers and can reduce poverty.<sup>5</sup> Although this type of business is small, it is able to absorb many workers and can reduce poverty.<sup>6</sup> MSMEs are a group of entrepreneurs who have low capital, assets, or profits. The number of MSMEs represents more than 95% of companies worldwide and accounts for more than 65% of jobs.

In Indonesia, MSMEs play an important role, based on data from the Ministry of Cooperatives and MSMEs of the Republic of Indonesia (2019) shows that 62 million or 99% of businesses in Indonesia are MSMEs with 97% employment, amounting to 55.21 million MSME units can absorb 101.7 million workers. The workforce of 2019, 117 million people worked in MSMEs as many as 109.7 million people. More than that, 58 million self-employed businesses and about 1.65 percent of the population have become entrepreneurs who previously came from start-up businesses and were able to grow their businesses. The strategic role of MSMEs in the structure of the Indonesian economy is increasingly evident where around 99.9 percent of business units in Indonesia are MSMEs. This fact illustrates that the majority of the business scale landscape in Indonesia is MSMEs. However, with such a large number of business units, MSMEs have not been able to encourage the welfare level of middle to lower-class people.

The government is trying to prioritize MSMEs as a leading sector. One of these efforts, the government has passed Law Number 11 of 2020 concerning Job Creation as a breakthrough in regulations and incentives for the development of

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<sup>2</sup> Himanshu Gupta and Mukesh Kumar Barua, 'Identifying Enablers of Technological Innovation for Indian MSMEs Using Best–Worst Multi Criteria Decision Making Method', *Technological Forecasting and Social Change*, 107 (2016), 69–79 <https://doi.org/10.1016/j.techfore.2016.03.028>

<sup>3</sup> Anthony Flynn, David McKeivitt, and Paul Davis, 'The Impact of Size on Small and Medium-Sized Enterprise Public Sector Tendering', *International Small Business Journal: Researching Entrepreneurship*, 33.4 (2015), 443–61 <https://doi.org/10.1177/0266242613503178>

<sup>4</sup> Filippo Vitolla and others, 'The Determinants of Integrated Reporting Quality in Financial Institutions', *Corporate Governance: The International Journal of Business in Society*, 20.3 (2020), 429–44 <https://doi.org/10.1108/CG-07-2019-0202>

<sup>5</sup> Felix Moses Edoho, 'Entrepreneurship Paradigm in the New Millennium', *Journal of Entrepreneurship in Emerging Economies*, 8.2 (2016), 279–94 <https://doi.org/10.1108/JEEE-08-2015-0043>

<sup>6</sup> Grisna Anggadwita and others, 'Socio-Cultural Environments and Emerging Economy Entrepreneurship', *Journal of Entrepreneurship in Emerging Economies*, 9.1 (2017), 85–96 <https://doi.org/10.1108/JEEE-03-2016-0011>

MSMEs in Indonesia<sup>7</sup>. The contribution and role of MSMEs as an important part of a nation's economy encourages the government to continue making efforts to develop MSMEs. All these efforts and achievements of MSMEs contribute to the achievement of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs)<sup>8</sup>. Thus, MSMEs play an important role in the economy to promote economic growth, create employment, push for innovation, and generate a healthy environment for inclusive and sustainable economic development.<sup>9</sup>

MSMEs in Indonesia experience various challenges and obstacles, including low product innovation and market research, limited access to human resources, and quality intellectual rights. In addition, limitations in management and business, weak knowledge management and mastery of technology, weak marketing, competence entrepreneurship, and limited capital, as well as the fact that the majority of MSMEs are not yet legal entities.<sup>10</sup> The most difficult obstacles faced by small entrepreneurs are related to capital, company financial management, marketing access, and multi-business focus. Business opportunities for MSMEs have recently become increasingly narrow because the activities that MSMEs can carry out have been taken over by large businesses. Apart from that, it is difficult for MSMEs to get equal opportunities, especially in market control and access to capital obtained from banking financial institutions. On the other hand, large businesses can freely control public economic resources and as a result, reduce opportunities for small and medium businesses. Likewise, in the financial sector, in the process of deregulation and various areas of investment, a very liberal pattern was implemented, thereby denying access to many people to participate in economic activities.

The principle of the Indonesian constitution states that the state controls natural and overall resources solely for the prosperity of the people.<sup>11</sup> Based on the principles of the constitution, the Indonesian government needs to regulate the field of MSMEs empowerment in order to improve the welfare of the people. In

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<sup>7</sup> Muhammad Muslih and Supeno Supeno, 'Financial Technology: Digital Legal Challenges and Indonesia's Economic Prospects after Covid-19 Outbreak', *Legality: Jurnal Ilmiah Hukum*, 30.2 (2022), 255–66 <https://doi.org/10.22219/ljih.v30i2.22784>

<sup>8</sup> Rosa Patricia Larios-Francia and Marcos Ferasso, 'The Relationship between Innovation and Performance in MSMEs: The Case of the Wearing Apparel Sector in Emerging Countries', *Journal of Open Innovation: Technology, Market, and Complexity*, 9.1 (2023), 100018 <https://doi.org/10.1016/j.joitmc.2023.100018>

<sup>9</sup> Justin Yifu Lin and others, 'Development Strategy and the MSMEs Finance Gap', *Journal of Government and Economics*, 5 (2022), 100034 <https://doi.org/10.1016/j.jge.2022.100034>

<sup>10</sup> Maurizio Massaro and others, 'Knowledge Management in Small and Medium Enterprises: A Structured Literature Review', *Journal of Knowledge Management*, 20.2 (2016), 258–91 <https://doi.org/10.1108/JKM-08-2015-0320>

<sup>11</sup> Khudzaifah Dimiyati and others, 'Indonesia as a Legal Welfare State: A Prophetic-Transcendental Basis', *Heliyon*, 7.8 (2021), e07865 <https://doi.org/10.1016/j.heliyon.2021.e07865>

practice, there are too many overlapping MSMEs determination policies which result in hampering MSMEs empowerment. According to data from the National Development Planning Agency (BAPPENAS), from October 2014 to September 2018, there were 434 statutory regulations, 347 Government Regulations, and 533 Presidential Regulations in the economic sector.<sup>12</sup>

Many regulations can hinder the economy and investment. Because overlapping licensing procedures remain a problem, a regulation was created, namely the *Ciptaker Law* or what is usually called the Omnibus Law<sup>13</sup>, to ensure legal certainty in terms of obtaining a business license. Problems regarding overlapping regulations, inappropriate content, sectoral ego problems, and the formation of uncontrolled regulations can cause problems of disharmony between one regulation and another. The simplifying regulations through the omnibus law concept is certainly the right step. The omnibus law is a law that focuses on simplifying the number of regulations because of its nature of revising and repealing many laws at once.<sup>14</sup>

The urgency for the formation of this law is the existence of dynamics of global change which requires a fast and responsive response because, without policy reformulation, economic growth will stagnate or even slow down.<sup>15</sup> The government needs to regulate the business sector in order to achieve the main business goal of maximum profit.<sup>16</sup> The regulations needed in the business sector today are regulations that can harmonize incentives for business growth and public policy and are not detrimental to use.<sup>17</sup> A breakthrough is needed in government policy to overcome obstacles to MSMEs empowerment. One of the

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<sup>12</sup> Tommy Leonard, and Niko Demus Simarmata, 'Legal Dynamics Of Land Digitalization In The Electronic Land Registration System', *Jurnal Hukum UNISSULA*, 39.1 (2023), 65–77 <https://doi.org/http://dx.doi.org/10.26532/jh.v39i1.30576>

<sup>13</sup> Siska Ambarwati, 'Omnibus Law on Job Creation: State Capture?', *Jurnal Media Hukum*, 28.1 (2021), 29–46 <https://doi.org/10.18196/jmh.v28i1.10654>

<sup>14</sup> Bitu Gadsia Spaltani, Uni Tsulasi Putri, and Muhammad Farid Alwajdi, 'One-Man Company Policy and Its Impact on Improving Citizen Welfare', *Yuridika*, 38.1 (2023), 121–142 <https://doi.org/https://doi.org/10.20473/ydk.v38i1.37454>

<sup>15</sup> Muhammad Faiz Aziz and Nunuk Febriananingsih, 'Mewujudkan Perseroan Terbatas (Pt) Perseorangan Bagi Usaha Mikro Kecil (Umk) Melalui Rancangan Undang-Undang Tentang Cipta Kerja', *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional*, 9.1 (2020), 91 <https://doi.org/10.33331/rechtsvinding.v9i1.405>

<sup>16</sup> Burkard Eberlein, 'Who Fills the Global Governance Gap? Rethinking the Roles of Business and Government in Global Governance', *Organization Studies*, 40.8 (2019), 1125–45 <https://doi.org/10.1177/0170840619847720>

<sup>17</sup> László Kállay and Tibor Takács, 'The Impact of Public Subsidies on Investment and Growth: Policy about Evaluation, Selection and Monitoring', *Journal of Policy Modeling*, 45.5 (2023), 895–909 <https://doi.org/10.1016/j.jpolmod.2023.09.003>

efforts that can be done is through the OL model which is a technique for making new regulations to change several regulations at once.<sup>18</sup>

Previous studies related to the implementation of the OL method in Indonesia are only associated with investment problems.<sup>19</sup> In addition, previous studies only analyzed the usefulness and function of the OL method with its usefulness in overcoming overlapping regulations in Indonesia related to land acquisition.<sup>20</sup> Furthermore, the previous study only linked the OL method with the issuance of a law on Job Creation.<sup>21</sup> Therefore, there has been no study that explores and analyzes the ease of doing business, especially MSMEs sectors related to problems and completion using the OL method.

The impact of the development of MSMEs after the passing of the Omnibus Law is that it provides opportunities for the business sector to grow faster through simple licensing, for example, MSME activities that have an impact on the environment will also be assisted by the central and regional governments in preparing environmental impact analyzes (Amdal)<sup>22</sup>. It is believed that after the passing of the omnibus law, this could bring benefits to the struggling business sector. Such as confusing permits, too many permits, long procedures, and high costs. Apart from that, the fact is that this omnibus law allows MSMEs to easily configure Limited Liability Companies (PT). This is done by eliminating the capital requirement of IDR 50 million. Only one actor can establish an MSME as a Limited Liability Company.

The Omnibus Law also makes it easier for MSMEs to obtain a Business Identification Number (NIB) which is valid for various business activities such as business permits, distribution permits, SNI, as well as halal product guarantee certification. The problem of marketing constraints, which has been one of the obstacles for MSMEs, is being given special attention through expanding market access. MSMEs strive to gain real market access to sell their products and services,

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<sup>18</sup> Chenoa D. Allen and Clea A. McNeely, 'Do Restrictive Omnibus Immigration Laws Reduce Enrollment in Public Health Insurance by Latino Citizen Children? A Comparative Interrupted Time Series Study', *Social Science & Medicine*, 191 (2017), 19–29 <https://doi.org/10.1016/j.socscimed.2017.08.039>

<sup>19</sup> Yati Nurhayati and others, 'Investment in Indonesia After Constitutional Court's Decision in the Review of Job Creation Law', *Lentera Hukum*, 9.3 (2022), 435 <https://doi.org/10.19184/ejlh.v9i3.32368>

<sup>20</sup> Imam Kuswahyono and Hikmatul Ula, 'Institutional Policy in Land Procurement Under The Omnibus Law Regime', *Brawijaya Law Journal*, 7.1 (2020), 27–44 <https://doi.org/10.21776/ub.blj.2020.007.01.02>

<sup>21</sup> Made Suksma Prijandhini Devi Salain and I Palguna, 'The Regulation of the Ownership of Flats by Foreigners after the Enactment of the Job Creation Law', *Indon. L. Rev.*, 12 (2022), 1 <https://doi.org/10.15742/ilrev.v12n1.1>

<sup>22</sup> Suwari Akhmaddhian and others, 'The Strengthening Government Policies on Mineral and Coal Mining to Achieve Environmental Sustainability in Indonesia, Africa and Germany', *BESTUUR*, 11.1 (August) (2023), 95 <https://doi.org/10.20961/bestuur.v11i1.71279>

such as access to national procurement of goods and services, ministries, institutions, and state-owned enterprises.

This study incorporates a comparative analysis of the regulation of business ease in the Netherlands, which is recognized for its efficacy. By examining the Dutch approach alongside the OL method, a deeper understanding of regulatory reform can be attained, allowing for potential cross-country learning and the identification of best practices. The juxtaposition of these two systems offers valuable insights that can further inform policymakers and contribute to developing a more conducive and supportive business environment in Indonesia and the Netherlands. OL is a method of making rules consisting of many subjects or subject matter for certain purposes to deviate from a regulatory norm. The OL thus reflects a model of integration and codification of regulations whose ultimate goal is to streamline and implement a regulation. Although in Indonesia the OL model from a theoretical and practical point of view is still not known in Indonesia, OL is the most widely used regulatory model in many countries.<sup>23</sup>

OL was born from the tradition of countries that adhered to the Common Law or Anglo-Saxon legal system. States that adopt this system are usually much better able to protect investors through omnibus bill regulatory policies than states that use the Civil Law system.<sup>24</sup> But the reality in the development of the two legal systems is that they influence each other in the world, as a result of the development of information technology and global governance.<sup>25</sup> Indonesia needs to try to apply this OL model to regulate the empowerment of MSMEs, which has been relatively successful in implementing in countries that adopt the Common Law legal system. The success of those countries is likely due not to their legal systems, but to regulatory governance structures.<sup>26</sup>

The research problem at hand is derived from the aforementioned context and encompasses two key elements. Firstly, it examines the pressing need to implement the OL method in enhancing the business environment, with a specific focus on the MSMEs sector. Secondly, it aims to identify and analyze the obstacles encountered by business actors within the MSMEs sector, while exploring how the OL method can effectively address these challenges through regulatory reform. By

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<sup>23</sup> Robby Tulus, 'Asian Cooperatives and Public Policy', in *Waking the Asian Pacific Co-Operative Potential* (Elsevier, 2020), pp. 47–58 <https://doi.org/10.1016/B978-0-12-816666-6.00005-7>

<sup>24</sup> Illan Barriola, Bruno Deffains, and Olivier Musy, 'Law and Inequality: A Comparative Approach to the Distributive Implications of Legal Systems', *International Review of Law and Economics*, 75 (2023), 106139 <https://doi.org/10.1016/j.irle.2023.106139>

<sup>25</sup> Saif Ullah, Haitham Nobanee, and Huma Iftikhar, 'Global Financial Integration, Governance-by-Technology, and Green Growth', *International Review of Financial Analysis*, 90 (2023), 102838 <https://doi.org/10.1016/j.irfa.2023.102838>

<sup>26</sup> Suminah Suminah and others, 'Determinants of Micro, Small, and Medium-Scale Enterprise Performers' Income during the Covid-19 Pandemic Era', *Heliyon*, 8.7 (2022), e09875 <https://doi.org/10.1016/J.HELIYON.2022.E09875>

conducting an in-depth investigation into this research question, valuable insights can be obtained regarding the effectiveness and feasibility of the OL method in driving regulatory improvements for businesses, especially in the realm of MSMEs. This comprehensive inquiry holds paramount importance for policymakers, business communities, and stakeholders, all of whom share a common goal of fostering economic growth and prosperity.

## 2. Research Method

This normative research focuses on legal principles, legal systematics, and legal synchronization to address the urgency of regulating the ease of doing business in Indonesia.<sup>27</sup> Drawing lessons from the Netherlands, where the government established the Dutch Advisory Board on Regulatory Burdens (ATR) to reduce administrative burdens on SMEs, the study aims to analyze challenges related to ease of doing business, with a specific focus on the Micro, Small, and Medium Enterprises (MSMEs) sector, through the Online Legislative (OL) method. Employing a conceptual approach, the research gathers secondary data from extensive literature studies, examining the OL method's potential application in the MSMEs sector and the functioning of the ATR in the Netherlands.<sup>28</sup> The study systematically analyzes legal frameworks, policy documents, and academic publications to propose recommendations and potential solutions, considering the ATR's independent and collaborative approach to simplify regulations and lower costs.<sup>29</sup> By logically deducing insights from the literature and the ATR's practices, the research aims to contribute valuable findings, enabling Indonesia to establish its own advisory body to foster a supportive business environment for SMEs and promote economic growth.<sup>30</sup>

## 3. Results and Discussion

### *The Urgency of the Omnibus Law Method in Regulating MSMEs*

The urgency for the formation of this law is the existence of dynamics of global change which requires a fast and responsive response because, without policy reformulation, economic growth will stagnate or even slow down. Indonesia

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<sup>27</sup> J. Handayani, I. G. A. K. R., Karjoko, L., Jaelani, A. K., & Barkhuizen, 'The Politics Settlement of Land Tenure Conflicts During Jokowi's Presidency', *Journal of Indonesian Legal Studies*, 7.2 (2022), 487–524 <https://doi.org/https://doi.org/10.15294/jils.v7i2.57539>

<sup>28</sup> Abdul Kadir Jaelani and others, 'Legal Protection of Employee Wage Rights in Bankrupt Companies: Evidence from China', *Legality: Jurnal Ilmiah Hukum*, 31.2 (2023), 202–23 <https://doi.org/https://doi.org/10.22219/ljih.v31i2.25874>

<sup>29</sup> Lego Karjoko and others, 'Indonesia's Sustainable Development Goals Resolving Waste Problem: Informal to Formal Policy', *International Journal of Sustainable Development and Planning*, 17.2 (2022), 649–58 <https://doi.org/10.18280/ijstdp.170230>

<sup>30</sup> Mohammad Jamin and Abdul Kadir Jaelani, 'Legal Protection of Indigenous Community in Protected Forest Areas Based Forest City', *Bestuur*, 10.2 (2022), 198–212 <https://doi.org/https://dx.doi.org/10.20961/bestuur.v10i2.66090>

needs to implement the OL in regulating the MSMEs sector in the form of a single regulation that specifically regulates solving problems that hinder the empowerment of MSMEs by trimming and simplifying various systems, institutions, and arrangements that are scattered in various forms of laws and regulations are changed to a single one. MSMEs are truly empowered and have a major contribution to economic growth and people's welfare.

OL is a technique for forming laws and regulations that aim to revise or repeal many regulations caused by excessive regulations and overlap between forms of laws and regulations. In global governance practices, policymaking is directed at empowering MSMEs through simplifying regulations so that they do not overlap.<sup>31</sup> This law formation technique has been widely practiced in countries that use the Common Law system such as the United States, Belgium, the United Kingdom, and Canada. The word Omnibus comes from Latin which means for everything (for all) or the unification of various laws in one big law, or omnibus bill.<sup>32</sup> The law in the OL model is to create a new law to change several laws at once. The way the OL works is by deleting, revising, or adding several chapters at once.<sup>33</sup>

Application of OL techniques in other countries such as in Canada, Turkey, Australia, Vietnam, and the Philippines. Canada uses the OL approach to implement international trade agreements by modifying 23 laws to conform to World Trade Centre (WTO) regulations Application of OL techniques in other countries such as in Canada, Turkey, Australia, Vietnam, and the Philippines. Canada uses the OL approach to implement international trade agreements by modifying 23 laws to conform to WTO regulations (Kirchhoff & Tsuji, 2014). Turkey implemented the OL to amend tax regulations by amending regulations on Income Tax and Value Added Tax, tax spending, retirement savings, social security, and health insurance.<sup>34</sup> New Zealand also implemented the OL for taxation in the Taxation Act 2019 which aims to improve the current tax arrangements in a broad-base and low-rate framework to encourage compliance with tax obligations.<sup>35</sup> Australia has also adopted an OL approach, through the Act

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<sup>31</sup> Umair Shafi Choksy and others, 'Supplier Resilience under the COVID-19 Crisis in Apparel Global Value Chain (GVC): The Role of GVC Governance and Supplier's Upgrading', *Journal of Business Research*, 150 (2022), 249–67 <https://doi.org/10.1016/j.jbusres.2022.05.068>

<sup>32</sup> Chenoa D. Allen, 'Who Loses Public Health Insurance When States Pass Restrictive Omnibus Immigration-Related Laws? The Moderating Role of County Latino Density', *Health & Place*, 54 (2018), 20–28 <https://doi.org/10.1016/j.healthplace.2018.08.023>

<sup>33</sup> Shumi Akhtar, 'Capital Structure of Multinational and Domestic Corporations – a Cross-country Comparison', *Accounting & Finance*, 57.2 (2017), 319–49 <https://doi.org/10.1111/acfi.12135>

<sup>34</sup> Yasushi Hazama and Şeref Iba, 'Legislative Agenda Setting by a Delegative Democracy: Omnibus Bills in the Turkish Parliamentary System', *Turkish Studies*, 18.2 (2017), 313–33 <https://doi.org/10.1080/14683849.2016.1261022>

<sup>35</sup> James Gluck and Michael Macaulay, 'Trading in Influence: A Research Agenda for New Zealand?', *Policy Quarterly*, 13.2 (2017) <https://doi.org/10.26686/pq.v13i2.4663>



on Implementation of US FTAs used to implement free trade agreements between the United States and Australia.<sup>36</sup>

Vietnam also implements the OL through the Law Amending and Supplementing a Number of Articles of the Law on Value-Added Tax, Law on Excise Tax, and the Law on Tax Administration; This law amends, adds, and repeals several articles contained in the Value-Added Tax Law, the Excise Tax Law, and the Tax Administration Law.<sup>37</sup> The OL is also applied by the Philippines in regulating investment through the Omnibus Investment Code which is a series of regulations that provide comprehensive incentives both fiscal and non-fiscal in the framework of national development.<sup>38</sup> The legislative system in Indonesia is different from countries that apply the Anglo-Saxon legal system. The Anglo-Saxon legal system or Common Law is a legal system based on jurisprudence, namely the decisions of previous judges which then become the basis for the decisions of subsequent judges. The Anglo-Saxon Legal System tends to prioritize customary law, a law that runs dynamically in line with the dynamics of society.

Actually, the advantage of choosing the OL model in public policy settings in a country is that it will be easier for Congress to approve because it will automatically facilitate the coalition of political parties in Congress.<sup>39</sup> Lawmakers can propose an omnibus bill that contains all the issues, or they can decide to propose several bills drafted singly. The OL can be one of the strategies of the Indonesian government in implementing national legislation policy innovations. The OL should be implemented into the form of a Law so as not to conflict with Law Number 12 of 2011 concerning the Establishment of Laws and Regulations. OL as a law remains under the Constitution of the 1945 Constitution but is higher than other types of legislation. OL can be an umbrella law because it regulates thoroughly and has the power of other rules. The OL in the field of MSMEs is directed to solve the problems faced by MSMEs, especially in the difficulties of MSME business licensing, MSMEs taxes, MSME business money capital assistance, business legal entity arrangements for the protection of MSMEs to improve people's welfare.

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<sup>36</sup> Alison Slade, 'Good Faith And The Trips Agreement: Putting Flesh On The Bones Of The Trips "Objectives"', *International and Comparative Law Quarterly*, 63.2 (2014), 353–83 <https://doi.org/10.1017/S0020589314000098>

<sup>37</sup> Loan Thi NGUYEN and others, 'The Factors Affecting Corporate Income Tax Non-Compliance: A Case Study in Vietnam', *The Journal of Asian Finance, Economics and Business*, 7.8 (2020), 103–15 <https://doi.org/10.13106/jafeb.2020.vol7.no8.103>

<sup>38</sup> Blesilda P. Badoc-Gonzales, Ma Belinda S. Mandigma, and Jackson J. Tan, 'Resilience and Sustainability Interventions in Selected Post-Haiyan Philippines: MSMEs Perspective', *International Journal of Disaster Risk Reduction*, 57 (2021), 102162 <https://doi.org/10.1016/j.ijdr.2021.102162>

<sup>39</sup> Jessica Stubenrauch and Beatrice Garske, 'Forest Protection in the EU's Renewable Energy Directive and Nature Conservation Legislation in Light of the Climate and Biodiversity Crisis – Identifying Legal Shortcomings and Solutions', *Forest Policy and Economics*, 153 (2023), 102996 <https://doi.org/10.1016/j.forpol.2023.102996>

Regulation on the ease of MSMEs obtaining a Business Identification Number which is a single license that applies to all business activities, such as business licenses, distribution permits, Indonesian National Standards, and halal product assurance certification. Regulation of ease of access to capital money for initial business for MSMEs, namely the ease of obtaining capital guarantees from banks and cooperatives with a credit loan system, the availability of special allocation funds sourced from the State Budget and Expenditure Revenue to fund MSMEs empowerment and development activities, and ease and simplification of tax administration for MSMEs.<sup>40</sup> Limited Liability Company establishment arrangements for MSMEs can be established by individuals who do not require a deed of establishment, just a statement of company establishment electronically certified by the Minister of Law and Human Rights for free. This arrangement is intended to provide a place for people who want to establish their own Limited Liability Company legal entity and provide opportunities for the community to establish MSMEs with small capital.<sup>41</sup>

### ***Barriers to Ease of Doing Business in the MSMEs***

An effort to regulate the ease of doing business focused on empowering MSMEs in order to improve welfare and mapping policy problems in making regulations that hinder the growth of MSMEs is needed. There are 3 (three) regulatory policies, namely MSMEs licensing, MSMEs taxation, and MSMEs Legal Entities. In global governance, government authorities are still required to regulate business actors, including MSMEs. Because if the arrangement is handed over to the market, it will tend to harm MSMEs. One of the government authorities needed today is to regulate MSMEs licensing. The Indonesian government has issued MSMEs licensing regulations through Presidential Regulation Number 98 of 2014 concerning Licensing for Micro Small Enterprises. However, the licensing policy of starting a business in Indonesia goes through a long procedure and the process takes a long time. For example, in 10 regions it has 9 procedures, and the process takes 16.9 days. The cost required to manage the establishment of a company is Rp. 7,316,150. Similarly, in MSME licensing arrangements.<sup>42</sup>

MSMEs licensing policies in provincial and district/city governments in Indonesia are not uniform, procedures processes, and costs also vary. In fact, there are still many local governments that have not aligned local regulations with

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<sup>40</sup> Budi Setiawan and others, 'User Innovativeness and Fintech Adoption in Indonesia', *Journal of Open Innovation: Technology, Market, and Complexity*, 7.3 (2021), 188 <https://doi.org/https://doi.org/10.3390/joitmc7030188>

<sup>41</sup> Veronika Agustini Srimulyani and others, 'Internal Factors of Entrepreneurial and Business Performance of Small and Medium Enterprises (SMEs) in East Java, Indonesia', *Heliyon*, 2023, e21637 <https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e21637>

<sup>42</sup> Nuning Setyowati and others, 'The Hidden Treasure of Wedang Uwuh, an Ethnic Traditional Drink from Java, Indonesia: Its Benefits and Innovations', *International Journal of Gastronomy and Food Science*, 31 (2023), 100688 <https://doi.org/https://doi.org/10.1016/j.ijgfs.2023.100688>

central government regulations. The implementation of MSMEs license granting policies, for example at the District Office, Manado City, North Sulawesi Province, found that government policies in granting MSME licenses have not been efficient and effective, in the timeliness of business license issuance still takes a long time and is not in accordance with Operating Standards that has been set. Yet one of the characteristics of good governance is predictable public services and nondiscrimination. This good governance should be practiced in the governance of easy and cheap licensing services.<sup>43</sup>

The practice of granting MSMEs licenses in Pringsewu Regency, Lampung Province found that only 20% of MSMEs in Pringsewu Regency have been licensed with circulation or PIRT (Home Industry Licensing) and the implementation of the Micro, Small and Small Business License Policy (IUMK). Without PIRT and IUMK, MSMEs cannot sell their products have no legal protection, and also cannot make NIB (Business Master Number). Meanwhile, not all MSMEs are aware of the requirements and processes of PIRT management. However, the problem is the slow process of Hygiene (LH) and PIRT management. For MSMEs engaged in the culinary sector after IUMK, it must be followed by a distribution permit in the form of PIRT. LH and PIRT are issued by the Health Office and require a survey process. Due to limited resources, the licensing process takes 2 (two) months.<sup>44</sup>

The practice of MSME licensing policy in Gunung Mas Regency, Central Kalimantan Province, found that Presidential Regulation Number 98 of 2014 concerning Micro, Micro Small Business Licensing in its implementation contradicted the Regional Regulation of Gunung Mas Regency Number 6 of 2011. Because in setting the IUMK licensing policy in Gunung Mas Regency in practice it is used as one with the billboard tax, even the billboard tax is used as one of the conditions for the issuance of the IUMK permit. Moreover, the implementation in the field, many business actors are confused, due to the lack of socialization carried out by the local government related to the existence of the Presidential Regulation. In fact, the purpose of the issuance of the Presidential Regulation is to improve business actors, to facilitate the process of making IUMK permits. Entrepreneurs rely heavily on tax-setting policies as lower tax payments and easy bureaucratic procedures will boost business growth. High taxes are considered

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<sup>43</sup> Nelson S. Chipangamate and others, 'Integration of Stakeholder Engagement Practices in Pursuit of Social Licence to Operate in a Modernising Mining Industry', *Resources Policy*, 85 (2023), 103851 <https://doi.org/10.1016/j.resourpol.2023.103851>

<sup>44</sup> Wahyoe Soedarmono and others, 'Monetary Policy, Funding Liquidity, and Undisbursed Loans in Indonesia: The Bank Lending Channel Revisited', *Journal of Economics and Business*, 2023, 106134 <https://doi.org/https://doi.org/10.1016/j.jeconbus.2023.106134>

capable of encouraging economic growth, but in the MSME sector taxes need to be adjusted to their income so as not to harm their business with limited capital.<sup>45</sup>

The Government of Indonesia has issued Government Regulation Number 23 of 2018 concerning Income Tax. This regulation is problematic because it does not specify whether MSMEs are individual taxpayers or corporate taxpayers. The regulation only states, based on this Government Regulation effective from July 1, 2018, that the new income tax rate of 0.5% of turnover is less than Rp. 4.8 billion in a year. The vagueness of the Government Regulation triggers the policy of imposing MSMEs tax rates in the regions and makes it difficult for MSMEs in the regions. MSME actors in the regions do not fully understand this tax rate policy, in addition, MSMEs in the regions do not do bookkeeping and do not have a Taxpayer Identification Number (NPWP). One of the reasons is due to the lack of socialization from tax authorities to provide knowledge to taxpayers resulting in low understanding and knowledge of taxpayers about tax regulations.<sup>46</sup>

Based on data from the Directorate General of Taxes of the Ministry of Finance in 2019, the number of MSMEs taxpayers (WP) who paid was 2.31 million taxpayers. This number, consisting of MSME Individual Taxpayers (OPs) reached 2.05 million people and MSMEs Agency WPs totaling 257,000 companies. This achievement, recorded growth of 23% every year, but slowed down when compared to the realization of MSMEs taxpayers paying taxes in 2018 which grew 27.8% with registered taxpayers amounting to 1.88 million MSMEs.<sup>47</sup> This shows that not all MSMEs understand how to calculate the taxes they are obligated to. The worst effect that can befall MSMEs is that their businesses can lose money, because business capital runs out to pay tax penalties because they are paid late. There are three reasons why MSMEs object to paying taxes: First, socialization of tax authorities to the obligations and bureaucratic difficulties of MSMEs tax payments. Second, the lack of support from provincial and district or city governments in Indonesia to embrace MSMEs to pay taxes. Third, MSMEs are moving business models from offline platforms to online or digital. However, the authority cannot optimize taxes by utilizing digital technology in accordance with the Minister of Finance Regulation (PMK) Number 210/PMK.10/2018 concerning Tax Treatment of Electronic Commerce Transactions.

One of the problems that must be corrected in order to empower MSMEs is the need for a strong MSME business legal entity. A business entity in the perspective

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<sup>45</sup> Philippe Aghion and others, 'Taxation, Corruption, and Growth', *European Economic Review*, 86 (2016), 24–51 <https://doi.org/10.1016/j.eurocorev.2016.01.012>

<sup>46</sup> Hari Sutra Disemadi, 'Contextualization of Legal Protection of Intellectual Property in Micro Small and Medium Enterprises in Indonesia', *Law Reform*, 18.1 (2022), 89–110 <https://doi.org/https://doi.org/10.14710/lr.v18i1.42568>

<sup>47</sup> Sessa Tiara Maretanidanini and others, 'Potensi Kepatuhan Pajak UMKM Setelah Kenaikan Tarif Pajak Pertambahan Nilai: Sebuah Pendekatan Teori Atribusi', *Educoretax*, 3.1 (2023), 42–55 <https://doi.org/10.54957/educoretax.v3i1.372>

of business law is a legal, technical, and economic institution that aims to make a profit. In every business it is necessary to regulate the standardization of legal entities.<sup>48</sup> In practice, a business entity is often equated with a corporate form. Some of the most common forms of legal entities in Indonesia are Commanditaire Vennootschap (CV), Firms, Limited Liability Companies (PT), and Cooperatives. While the form of business entity that is no longer commonly used today is UD (Trade Business) or PD (Company). Based on data from the Creative Economy Agency (2018), it was found that 96% of MSMEs are not yet legal entities and do not have a legal umbrella. The majority of MSMEs business actors do not focus on legal protection and business development. MSMEs only focus on obtaining as much profit as possible. The business pattern of MSMEs is very simple without any future development planning.<sup>49</sup>

MSMEs legal entities are very important to be developed in empowering MSMEs in Indonesia, the main goal of which is to ensure that MSMEs are certain, stable in running their businesses, professional, to get better access to funding, more profits, and especially in order to increase state taxes. In addition, it is also intended to be able to attract as many investors as possible from abroad and protect MSMEs legally so as not to experience losses or bankruptcy.<sup>50</sup> The regulation of MSMEs business entities is directed at several things, including: eliminating multi interpretation terms of owners and interested parties with Civil Matters, Firms, and CVs, not yet protected and legal certainty. The need to emphasize the Civil Division, Firms, and CVs as Legal Entities where so far these three business entities are not legal entities and those recognized as legal entities are only Limited Liability Companies (PT). The need to strengthen the government's role in supervising PT, changes in the basis of PT establishment, capital structure, PT organs and the existence of Commissioners are more in line with the characteristics of MSMEs that require special policies.<sup>51</sup>

In the course of using the OL method in the formation of laws in the field of ease of doing business, the government has succeeded in making the Job Creation Bill which was approved by the House of Representatives on October 5, 2020, into

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<sup>48</sup> Zehao Chen and others, 'Business Environment and Corporate Financing Decisions: From the Perspective of Dynamic Adjustment of Capital Structure', *Finance Research Letters*, 58 (2023), 104461 <https://doi.org/10.1016/j.frl.2023.104461>

<sup>49</sup> Muhammad Hatta and others, 'Food Self-Sufficiency: Managing the Newly-Opened Tidal Paddy Fields for Rice Farming in Indonesia (A Case Study in West Kalimantan, Indonesia)', *Heliyon*, 9.3 (2023), e13839 <https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e13839>

<sup>50</sup> Sri Budi Cantika Yuli and Mochamad Rofik, 'Unleashing Open Innovation: A Decomposition Nexus of Sharia-Compliant Financing and Job Creation', *Journal of Open Innovation: Technology, Market, and Complexity*, 2023, 100162 <https://doi.org/https://doi.org/10.1016/j.joitmc.2023.100162>

<sup>51</sup> Irfan Ridwan Maksum, Amy Yayuk Sri Rahayu, and Dhian Kusumawardhani, 'A Social Enterprise Approach to Empowering Micro, Small and Medium Enterprises (SMEs) in Indonesia', *Journal of Open Innovation: Technology, Market, and Complexity*, 6.3 (2020), 50 <https://doi.org/https://doi.org/10.3390/joitmc6030050>

law, namely Law Number 11 of 2011 concerning Job Creation, but has attracted criticism and rejection from the public in various forms of expression. Since the material substance of the Act consists of 905 pages and 186 Articles this will only benefit the political elite and businessmen. The Job Creation Law prioritizes mere economic logic so that investors can easily and freely invest. As a result, the House of Representatives and the president are controlled by businessmen in designing this law to include a hidden interest agenda. Some articles are considered to open the red carpet to foreigners, benefit employers, and harm workers.<sup>52</sup>

That is why a number of groups filed a request for judicial review to the Constitutional Court of the Job Creation Law because it allegedly contradicted the Constitution (1945 Constitution). The constitutional right in question is the right to obtain guarantees of legal certainty and get fair and decent remuneration and treatment in employment relations.<sup>53</sup> The petitioner conducted a formal examination of the norms of Article 20 Paragraph (4) of the 1945 Constitution which states, "The President ratifies a bill that has been mutually agreed to become law" and Article 22A, 1945 Constitution, "Further provisions on procedures for forming laws are regulated by law."

The Petitioners conveyed the reason that the Job Creation Law is a law that applies the concept of the OL with the aim of simplifying regulations by amending 78 (seventy-eight) laws into 1 (one) Job Creation Law which is divided into 11 clusters. Of the 78 laws whose material content of paragraphs, articles, and/or parts of norm provisions are changed or deleted during the discussion process, there are several violations of the principle of forming laws and regulations, including, the principle of clarity of purpose, the principle of usability and usability, the principle of clarity of formulation, and the principle of openness.<sup>54</sup>

Finally, the Constitutional Court issued Constitutional Court decision No.91/PUU-XVIII/2020 which rejected workers' requests in the examination of Law No.11 of 2020 concerning Job Creation, but the law must be corrected. The Constitutional Court stated that the establishment of the Job Creation Law did not have a conditionally binding legal provision as long as it was not interpreted as no improvement had been made within 2 (two) years since the decision was pronounced. If within a grace period of 2 years the framer of the Law cannot complete the Job Creation Law, then the Law or articles or material content of the

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<sup>52</sup> Sudharto P. Hadi, Rizkiana S. Hamdani, and Ali Roziqin, 'A Sustainability Review on the Indonesian Job Creation Law', *Heliyon*, 9.2 (2023), e13431 <https://doi.org/10.1016/j.heliyon.2023.e13431>

<sup>53</sup> Achsanía Hendratmi and others, 'Livelihood Strategies of Women Entrepreneurs in Indonesia', *Heliyon*, 8.9 (2022), e10520 <https://doi.org/https://doi.org/10.1016/j.heliyon.2022.e10520>

<sup>54</sup> Mukti Aprian and others, 'Re-Thinking Indonesian Marine Fisheries Quota-Based Policy: A Qualitative Network of Stakeholder Perception at Fisheries Management Area 718', *Ocean & Coastal Management*, 243 (2023), 106766 <https://doi.org/https://doi.org/10.1016/j.ocecoaman.2023.106766>

law that has been repealed or amended by the Job Creation Law, must be declared valid again. The Constitutional Court also stated that the Job Creation Law will remain in effect until improvements are made to the formation in accordance with the grace period as determined in this ruling. The Constitutional Court also ordered a ban on issuing new implementers related to the Job Creation.<sup>55</sup>

The Constitutional Court Decision No.91/PUU-XVIII/2020 which formally canceled the Job Creation Law provides an interesting lesson for the future of national legislation, namely the need to restore a balanced relationship between the president and the House of Representatives of the Republic of Indonesia in the legislative process as essential and spirit of the amendment to Article 20 paragraph (1) of the First Amendment to the 1945 Constitution which reads: The the House of Representatives of the Republic of Indonesia holds the power to form laws and they is not easily dictated and pressured by the President to rush to approve the product of the initiative bill The President as reflected in this Job Creation Law.<sup>56</sup>

Actually, the law is a political product which is a formalization or crystallization of political wills that interact and compete with each other, who is the most dominant will control the product of the Law. In the context of the hasty passage of the Job Creation Law by the House of Representatives on the proposal of the President, it shows that the President is able to play his dominance politically over the the House of Representatives. This fact teaches that the product of law, i.e. law is affected by politics because political subsystems have a greater concentration of energy than law.<sup>57</sup> The completion offered in an effort to overcome the problem of regulating the ease of doing business with the application of the OL method.<sup>58</sup>

First, needed through the OL method by simplifying the number of regulations of MSMEs in Indonesia, they do not overlap, obesity and does not complicate doing business. Second, the framer of the law must open opportunities for the public at large to participate in the process of forming the OL, considering that the topic of discussion in the OL is quite broad so that the more involved in the review

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<sup>55</sup> Bambang Tjahjadi and others, 'The Role of Green Innovation between Green Market Orientation and Business Performance: Its Implication for Open Innovation', *Journal of Open Innovation: Technology, Market, and Complexity*, 6.4 (2020), 173  
<https://doi.org/https://doi.org/10.3390/joitmc6040173>

<sup>56</sup> Issa Dyah Utami, Iwan Santosa, and M R Vidya Leila, 'Priority Resilience Strategy for Micro, Small, and Medium Enterprises for Dealing with Natural Disasters', *International Journal of Disaster Risk Reduction*, 55 (2021), 102074 <https://doi.org/https://doi.org/10.1016/j.ijdr.2021.102074>

<sup>57</sup> Adhi Setyo Prabowo, Andhika Nugraha Triputra, and Yoyok Junaidi, 'Politik Hukum Omnibus Law Di Indonesia', *Pamator Journal*, 13.1 (2020), 1–6 <https://doi.org/10.21107/pamator.v13i1.6923>

<sup>58</sup> Unggul Heriqbaldi and others, 'Do National Export Promotion Programs in Indonesia Support Export Competitiveness?', *Heliyon*, 9.6 (2023), e16918  
<https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e16918>

process, the more suggestions and inputs for improvement will become. The involvement of experts in their fields and the participation of people who have an interest in the rules to be formed are very important;

Third, increased transparency in the entire process and development of the formation of OL by the government and parliament as not to trigger problems in the future. Fourth, mapping various laws and regulations in more detail, because of the many regulations that will be amended and discussed from various sectors, that many professional legal experts and electronic audit systems are needed specifically developed for regulatory structuring in Indonesia. Fifth, the harmonization process must be carried out strictly both vertically and horizontally, this is carried out so that the resulting legal products do not conflict with the principles of laws and regulations; and a preview process of the law before it is passed to see the impact that may be caused if the OL has been implemented.

### ***Business Regulations for Empowering MSMEs in Netherlands***

In the context of the Netherlands, small and medium-sized enterprises (SMEs) are categorized according to the criteria established by the European Union (EU). The EU defines an SME based on specific parameters, including the number of employees, annual turnover, and the total value of assets on the balance sheet. Specifically, an enterprise is considered an SME if it employs fewer than 250 individuals and has an annual turnover equal to or less than €50M, or if the total value of assets on its balance sheet is equal to or less than €43M.<sup>59</sup> The eligibility of a business for SME grants or subsidy schemes in the Netherlands is determined by the Netherlands Enterprise Agency, which employs the EU criteria as the standard. However, the Netherlands Chamber of Commerce adopts distinct criteria when assessing the level of detail with which a company must deposit its annual financial statements. For medium-sized companies, it is crucial to ascertain whether they meet the following criteria: employing fewer than 250 individuals and having an annual turnover equal to or less than €40M, or the total value of assets on the balance sheet being equal to or less than €20M. Bank loans continue to be the main source of external financing for SMEs in the Netherlands.<sup>60</sup> In terms of accounting, a company is required to record all financial transactions and keep

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<sup>59</sup> Victor Onyebuchi Okolo and others, 'Does Financing SMEs Guarantee Inclusive Growth and Environmental Sustainability in the European Union?', *Heliyon*, 9.4 (2023), e15095 <https://doi.org/10.1016/j.heliyon.2023.e15095>

<sup>60</sup> *Financing SMEs and Entrepreneurs 2022*, Financing SMEs and Entrepreneurs (OECD, 2022) <https://doi.org/10.1787/e9073a0f-en>



the recordings. The Netherlands SME Action Plan distinguishes between frontrunners and a broader peloton of SMEs and underlines the need.<sup>61</sup>

Recent initiatives in the Netherlands, aimed at mitigating administrative burdens on entrepreneurs and small and medium-sized enterprises (SMEs), have garnered considerable attention and significance in the pursuit of fostering a conducive business environment. Key actions implemented in this regard include the establishment of the Dutch Advisory Board on Regulatory Burdens (ATR) in 2017, with a primary focus on alleviating administrative complexities faced by businesses. The ATR plays a pivotal role by providing valuable advice to the government regarding regulations and policies that can be streamlined or eliminated, ultimately easing the burden on entrepreneurs and SMEs.<sup>62</sup>

Furthermore, the Dutch government has put a comprehensive administrative burden reduction program into effect. This program is designed to streamline existing regulations, simplify administrative processes, and notably reduce costs incurred by businesses. It has set ambitious targets to achieve a substantial 25% reduction in regulatory costs, underscoring the government's commitment to supporting businesses and enhancing their operating environment.<sup>63</sup> In line with the government's dedication to SMEs, the Netherlands SME Action Plan has been introduced, carefully differentiating between frontrunners and the broader spectrum of SMEs. The plan emphasizes the significance of bolstering support mechanisms for SMEs while concurrently endeavoring to alleviate administrative burdens. Such efforts aim to stimulate their growth and enhance their overall viability. These actions exemplify the Dutch government's earnest dedication to alleviating administrative burdens and fostering a more favorable landscape for entrepreneurs and SMEs. The primary objectives involve simplifying regulatory frameworks, mitigating costs, and providing targeted support, all of which ultimately serve to enhance the flexibility and sustainability of small businesses in the Netherlands.<sup>64</sup>

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<sup>61</sup> Kaleemullah Abbasi and others, 'FinTech, SME Efficiency and National Culture: Evidence from OECD Countries', *Technological Forecasting and Social Change*, 163 (2021), 120454 <https://doi.org/10.1016/j.techfore.2020.120454>

<sup>62</sup> Q Long Trinh, Peter J Morgan, and Tetsushi Sonobe, 'Investment Behavior of MSMEs during the Downturn Periods: Empirical Evidence from Vietnam', *Emerging Markets Review*, 45 (2020), 100739 <https://doi.org/https://doi.org/10.1016/j.ememar.2020.100739>

<sup>63</sup> Nafisa Yeasmin and Waliul Hasanat, 'Understanding Inclusive Entrepreneurship', *Finnish Yearbook of Population Research*, 2022, 91–114 <https://doi.org/10.23979/fypr.120379>

<sup>64</sup> Maria Ntaliani and Constantina Costopoulou, 'Reduction of Administrative Burdens for SMEs', *Administration & Society*, 49.8 (2017), 1143–64 <https://doi.org/10.1177/0095399714558715>

### ***Reform and Breakthrough in Business Regulations for Empowering MSMEs in Indonesia: Lessons from the Netherlands***

The legal structure in the Netherlands is based on a civil law system which is similar to the legal systems in many European countries. As a member of the European Union (EU), most laws in the Netherlands are influenced by European Union regulations and directives. European Union law has jurisdiction over a number of issues, including trade, competition, the environment, and human rights.<sup>65</sup> Indonesia and the Netherlands have legal frameworks that protect copyrights, patents, and trademarks. This is important for many MSMEs who rely on innovation in business. The Netherlands has strict regulations related to the environment. This includes regulations on waste management, energy efficiency, and other environmental standards that MSMEs must comply with. Meanwhile, Indonesia is still weak regarding regulations and control over the impact of business activities on the environment and does not utilize new and renewable energy.<sup>66</sup>

The legal culture in the Netherlands is strongly influenced by the country's social and political values, including an emphasis on democracy, human rights, and justice. Freedom and transparency are key principles in the Dutch legal system<sup>67</sup>, supporting economic growth and stable social life. The regulatory substance regarding Micro, Small, and Medium Enterprises (MSMEs) in the Netherlands is based on the European Union legal framework as well as domestic regulations. The European Union already has guidelines and policies governing MSMEs, and member states, including the Netherlands, are adapting these regulations in their national laws. The Netherlands and Indonesia adhere to a legal system based on written regulations. Both countries have laws, regulations, and legal codes which are the main sources of law.<sup>68</sup>

The Netherlands' approach to reducing administrative burdens on small and medium-sized enterprises (SMEs) and entrepreneurs serves as a valuable model for Indonesia to learn from. The Dutch government's commitment is evident through the establishment of the Dutch Advisory Board on Regulatory Burdens (ATR), which advises on the simplification or elimination of regulations and

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<sup>65</sup> Ahmad Anshorimuslim Syuhada and Windy Gambett, 'Online Marketplace for Indonesian Micro Small and Medium Enterprises Based on Social Media', *Procedia Technology*, 11 (2013), 446–54  
<https://doi.org/https://doi.org/10.1016/j.protcy.2013.12.214>

<sup>66</sup> Eddy Junarsin and others, 'Does Fintech Lending Expansion Disturb Financial System Stability? Evidence from Indonesia', *Heliyon*, 9.9 (2023), e18384  
<https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e18384>

<sup>67</sup> Edwin Buitelaar and Niels Sorel, 'Between the Rule of Law and the Quest for Control: Legal Certainty in the Dutch Planning System', *Land Use Policy*, 27.3 (2010), 983–89  
<https://doi.org/10.1016/j.landusepol.2010.01.002>

<sup>68</sup> Mustafa Disli, Ahmet F Aysan, and Omneya Abdelsalam, 'Favoring the Small and the Plenty: Islamic Banking for MSMEs', *Economic Systems*, 47.1 (2023), 101051  
<https://doi.org/https://doi.org/10.1016/j.ecosys.2022.101051>

policies to alleviate burdens on businesses<sup>69</sup>. Additionally, the implementation of the Administrative Burden Reduction Programme aims to streamline regulations, simplify administrative processes, and reduce costs for businesses. Furthermore, the Netherlands SME Action Plan prioritizes support for SMEs, recognizing both frontrunners and a broader segment of SMEs, with an emphasis on reducing administrative burdens to foster growth and viability.<sup>70</sup>

The Netherlands' regulatory approach, Indonesia can also prioritize reducing administrative burdens on SMEs and entrepreneurs. Simplifying regulations, lowering costs, and providing targeted support would contribute to enhancing the adaptability and sustainability of small businesses in Indonesia.<sup>71</sup> Implementing similar policies and programs could potentially spur economic growth and promote social inclusion within the country. The Dutch Advisory Board on Regulatory Burdens (ATR) presents noteworthy features that hold potential for adoption by Indonesia. One prominent attribute of the ATR is its status as an independent and external advisory body, providing recommendations to the government and Parliament on minimizing regulatory burdens.<sup>72</sup> This independence ensures the delivery of impartial insights and advice, bolstering the credibility of its recommendations. Moreover, the ATR's close linkage to the Ministry of Economic Affairs and Climate enables effective coordination and collaboration between the advisory board and the government, ensuring that its recommendations are duly considered in policy-making processes.<sup>73</sup>

The primary mission of the ATR is to reduce administrative burdens on entrepreneurs and SMEs, which aligns with Indonesia's objective of fostering a conducive business environment and supporting the growth of small enterprises.<sup>74</sup> By adopting a similar focus on reducing administrative burdens, Indonesia can enhance its business landscape and alleviate obstacles faced by entrepreneurs and

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<sup>69</sup> OECD Regulatory Policy Outlook 2021 (OECD, 2021) <https://doi.org/10.1787/38b0fdb1-en>

<sup>70</sup> Andiga Dompok Baharaja Tarihoran and others, 'Market-Based Dynamic Capabilities for MSMEs: Evidence from Indonesia's Ornamental Fish Industry', *Journal of Open Innovation: Technology, Market, and Complexity*, 9.3 (2023), 100123 <https://doi.org/https://doi.org/10.1016/j.joitmc.2023.100123>

<sup>71</sup> Alfonz Lawrenz Kilay, Bachtiar H Simamora, and Danang Pinardi Putra, 'The Influence of E-Payment and E-Commerce Services on Supply Chain Performance: Implications of Open Innovation and Solutions for the Digitalization of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia', *Journal of Open Innovation: Technology, Market, and Complexity*, 8.3 (2022), 119 <https://doi.org/https://doi.org/10.3390/joitmc8030119>

<sup>72</sup> Jet Bussemaker and Anneke Kramer, 'Van Weelde Naar Waarde', *TSG - Tijdschrift Voor Gezondheidswetenschappen*, 98.4 (2020), 152–55 <https://doi.org/10.1007/s12508-020-00283-7>

<sup>73</sup> Claudio Bravo-Ortega, Pablo Egana-delSol, and Nicole Winkler-Sotomayor, 'Does the Lack of Resources Matter in a Dual Economy: Decoding MSMEs Productivity and Growth', *Economic Analysis and Policy*, 80 (2023), 716–39 <https://doi.org/https://doi.org/10.1016/j.eap.2023.08.022>

<sup>74</sup> Fitriyana Dewi and Mahendrawathi ER, 'Business Process Maturity Level of MSMEs in East Java, Indonesia', *Procedia Computer Science*, 161 (2019), 1098–1105 <https://doi.org/https://doi.org/10.1016/j.procs.2019.11.221>

SMEs. Furthermore, the ATR plays a pivotal role in advising ministries during regulatory impact assessments, particularly in identifying individual burden assessments and exploring less burdensome alternatives.<sup>75</sup> This active involvement aids in recognizing potential regulatory burdens and finding suitable approaches to mitigate them. Emulating these key features, Indonesia has the opportunity to establish its own advisory body dedicated to reducing administrative burdens for entrepreneurs and SMEs. By establishing an independent and well-coordinated advisory body, Indonesia can benefit from unbiased advice and effective collaboration between relevant stakeholders. Such an initiative can contribute to creating a more supportive and conducive environment for its small business community, fostering economic growth and prosperity.<sup>76</sup>

#### 4. Conclusion

Based on the discussion the following conclusion, First, omnibus law (OL) is a new method of making laws and regulations adopted in Indonesia to reform a number of laws in the field of business and labor that are not harmonious, obese and ineffective in regulating the fields of micro, small and medium enterprises (MSMEs). Even though in Indonesia MSMEs are the backbone of the national economy, MSMEs in Indonesia are still experiencing difficulties in business development. Second, there are a number of obstacles experienced by MSMEs business actors in Indonesia, including licensing, tax, and legality of business entities. Third, alternative completion MSMEs problem through the OL method to reform regulations in the MSMEs field, including simplifying the number of regulations in the MSMEs field, the formation of regulations through the OL method requires public participation and the need for harmonization of MSMEs field regulations through the OL method both vertically and horizontally to be more effective and efficient. Finally, the Netherlands' approach of establishing the Dutch Advisory Board on Regulatory Burdens (ATR) to alleviate administrative burdens on SMEs offers valuable lessons for Indonesia. By implementing comparable measures to streamline regulations and reduce costs, Indonesia can foster a conducive business environment. Emulating the ATR's independent and collaborative approach, Indonesia has the potential to establish its own advisory body, tailored to its unique context, and work towards simplifying regulatory processes. Such an initiative would contribute to creating a supportive ecosystem for SMEs, propelling economic growth, and encouraging entrepreneurship within the nation. Through strategic adoption of these lessons, Indonesia can strengthen

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<sup>75</sup> Mila Tejamaya and others, 'An Analysis of Pivotal Factors in the Implementation of Occupational Health and Safety Management Systems in Micro, Small and Medium Enterprises (MSMEs): Literature Review', *Gaceta Sanitaria*, 35 (2021), S348–59  
<https://doi.org/https://doi.org/10.1016/j.gaceta.2021.10.050>

<sup>76</sup> Levina Augusta Geraldine Pieter and Marcellinus Mandira Budi Utomo, 'Performance and Development Challenges of Micro–Small Bamboo Enterprises in Gunungkidul, Indonesia', *Advances in Bamboo Science*, 4 (2023), 100037  
<https://doi.org/https://doi.org/10.1016/j.bamboo.2023.100037>

its position in the global business landscape and enhance the competitiveness of its SMEs in the ever-evolving international market.

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