



The Important Role Of MSMEs In National Economic Development

A. D. Handoko¹, Nindyo Pramono², Mahmud Siregar³, Mirza Nasution⁴, Utary Maharani Barus⁵

^{1,3,4,5}Universitas Sumatera Utara, Medan, 20155, Indonesia

² Universitas Gadjah Mada, Yogyakarta, 55281, Indonesia

*Corresponding Author: a.d.handoko@usu.ac.id

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ABSTRACT

Member countries of the Organisation for Economic Co-operation and Development (OECD), make MSMEs a default factor in every economic law, especially investment law. However, the role of MSMEs in Indonesia is still often underestimated and has not received adequate opportunities to play their role in national economic development. The main problem in this research is to question how the issue of providing opportunities for the development of MSMEs in the rule of law in the economic sector in Indonesia. By using the normative juridical legal research method, it appears that MSMEs have an important role in national economic development, and therefore become an important target in efforts to achieve the State's Goal in promoting general welfare. The data collection technique in this study uses secondary data with qualitative data analysis techniques. From this research, it was found that there is an awareness of the importance of the role of MSMEs in national economic development, which is contained in various policies and legal regulations. The problem is that the implementation of these policies and regulations are still not in line with expectations. From the results of this research, it is recommended that the Government of Indonesia to reform the investment law in which it is mandated to provide opportunities for the development of MSMEs, so that MSMEs can really play an important role in national economic development.

Keywords: *Investment Law; Legal Reform; National Economic Development; Role Of Msmes.*

ABSTRAK

Negara-negara anggota Organisation for Economic Cooperation and Development (OECD), menjadikan UMKM sebagai faktor default dalam setiap undang-undang ekonomi, terutama undang-undang investasi. Namun, peran UMKM di Indonesia masih sering dipandang sebelah mata dan belum mendapatkan kesempatan yang memadai untuk memainkan perannya dalam pembangunan ekonomi nasional. Permasalahan utama dalam penelitian ini adalah mempertanyakan bagaimana isu pemberian peluang bagi pengembangan UMKM dalam supremasi hukum di sektor ekonomi di Indonesia. Dengan menggunakan metode penelitian hukum yuridis normatif, tampak bahwa UMKM memiliki peran penting dalam pembangunan ekonomi nasional, sehingga menjadi sasaran penting dalam upaya mencapai Tujuan Negara dalam memajukan kesejahteraan umum. Teknik pengumpulan data dalam penelitian ini menggunakan data sekunder dengan teknik analisis data kualitatif. Dari penelitian ini ditemukan adanya kesadaran akan pentingnya peran UMKM dalam pembangunan ekonomi nasional, yang tertuang dalam berbagai kebijakan dan peraturan perundang-undangan. Persoalannya, implementasi kebijakan dan regulasi tersebut masih belum sesuai dengan harapan. Dari hasil penelitian ini, direkomendasikan kepada Pemerintah Indonesia untuk mereformasi undang-undang investasi yang diamanatkan untuk memberikan peluang bagi pengembangan UMKM, sehingga UMKM benar-benar dapat berperan penting dalam pembangunan ekonomi nasional.

Kata Kunci: *Hukum Investasi; Pembangunan Ekonomi Nasional; Peran UMKM; Reformasi Hukum.*



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1. Introduction

1.1. Background

National economic development in Indonesia still has many inequalities. Indeed, the issue of inequality has always been a major problem in development activities everywhere. (Agusta, 2014) Although in the early of 2016 the Indonesian Central Agency on Statistics reported a decrease in the percentage of poverty in Indonesia, the real number of poor people actually continued to increase. The "gini" index as a means of measuring the degree of inequality in population distribution has not yet shown a decline in the rate of inequality. So in fact, welfare inequality in Indonesia is actually widening. (Ananda, 2020)

The Government of Indonesia is not unaware of this issue. However, the problem is always not that simple. Although the national economy was recorded to have continued to grow until 2021, (Ekon, 2022) its growth was actually dominated by the consumption sector and not by the production sector. All this is inseparable from the wave of globalization that continues to this day.

Regarding issue of globalization that makes the consumption sector dominate the growth of the national economy, there are at least three aspects that need to be addressed here. Firstly, the centre of globalization is transnational business practices (trade, transportation, services, media, and so on). Secondly, the main actors of globalization are transnational corporations. Thirdly, globalization today is constantly expanding the culture-ideology of consumerism, because it is this kind of culture-ideology that keeps globalization going. (Priyono, 2022)

Furthermore, economic power in this era of globalization leads to the accumulation of mass production to a few people. Unfortunately, this accumulation is always assisted through a practice that is often termed as deregulation. The result is only one, namely the inequality as mentioned above. (Priyono, 2022 Ibid, 22)

So it is reasonable that the issue of inequality resulting from development is a concern for countries all around the world. In fact, on 25 September 2015 in New York, 193 member states of the United Nations (UN) adopted a document entitled "Transforming Our World: the 2030 Agenda for Sustainable Development, known as the Sustainable Development Goals" (SDGs). (UN, n.d.) The SDGs are a continuation of the Millennium Development Goals (MDGs) that were adopted in 2000 and ended its period in 2015. The SDGs can be referred to as global development norms to ensure that by 2030 every mankind around the world can enjoy life of peace and prosperity. (UNDP, n.d.) This is the main commitment of the SDGs, known as *Leave No One Behind* principle. (UNSDG, n.d.)

Interestingly, of the seventeen (17) "goals" set out in the SDGs, micro, small and medium enterprises (MSMEs) become one of the targets of the Eighth Goal of the SDGs which is "opening up decent work opportunities with good economic growth". This goal is closely linked to the First and Second Goals namely "world without poverty and world without hunger".

In the SDGs document, countries have explicitly agreed to "promote the formalization and growth of MSMEs, including providing access to financial assistance".(UNOSD, n.d.) Therefore, with reference to the SDGs, the Ministry of the National Development Planning/National Development Planning Agency of the Republic of Indonesia developed Guidelines for the Preparation of Action Plans for Sustainable Development Goals (SDGs) in 2020 wherein it is explicitly stated that one of the things outlined by the 2020-2024 National Medium-Term Development Plan is the need to strengthen MSMEs.(UNOSD, n.d. Op.Cit, 7) Then, what exactly are MSMEs so that they received global attention.

In many countries all around the world, the existence and role of MSMEs cannot be underestimated. MSMEs are the dominant sector and play an important role in the development of national economy in a country. Therefore, the World Bank also pays special attention by classifying the MSMEs-scale business sector into three (3) categories, namely micro enterprises, small enterprises, and medium enterprises. The scale of business categorised into these criteria is a business that has a number of workers of less than ten (10) people to a maximum of three hundred (300) people, with a maximum turnover of up to US\$15,000,000 per year, with assets of US\$15,000,000 at most. (World Bank, n.d.) Likewise, European Union countries classify the MSMEs-scale business sector in the same three (3) categories, namely micro-sized enterprises, small-sized enterprises, and medium-sized enterprises, (Europa, n.d.) with slight differences in the criteria of number of employees, turnover and assets.

In Indonesia, such classification is stipulated in Law Number 20/2008 on MSMEs. The scale of business categorised as "micro" is a business with sales turnover of at most Rp 300,000,000 per year, with assets of at most Rp 50,000,000, excluding the land and building of the business premises. Furthermore, the scale of business categorised as "small" is a business with sales turnover of more than Rp 300,000,000 to a maximum of Rp 2,500,000,000 per year, and with assets of more than Rp 50,000,000 to Rp 500,000,000, excluding land and buildings of the business premises. Meanwhile, the scale of business categorised as "medium" is a business with sales turnover of more than Rp 2,500,000,000 to Rp 50,000,000,000 per year, and with assets of more than Rp 500,000,000 to Rp 10,000,000,000, excluding land and buildings of the business premises. (Law Number 20 of 2008 on Micro, Small, and Medium Enterprises, 2008)

The classification as stipulated in Law on MSMEs as mentioned above was updated with the issuance of Law Number 11 of 2020 on Job Creation (LJC). Based on LJC, the Government of Indonesia issued Government Regulation Number 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises (the Government Regulation). This Government Regulation amends several provisions, including the classification of MSMEs as previously stipulated in Law on MSMEs.

Based on Article 35 to Article 36 of the Government Regulation, MSMEs are categorised based on the criteria of business capital and annual sales proceeds. The business capital criterion is used for MSMEs established after the Government Regulation comes into effect. The scale of business categorised as "micro" is a business with a capital of up to a maximum of Rp1,000,000,000 (one billion rupiah) excluding the land and building of the business premises. Furthermore, the scale of business categorised as "small" is a business with capital of more than Rp1,000,000,000 (one billion rupiah) up to a maximum of Rp5,000,000,000 (five billion rupiah) excluding land and buildings of the business premises. Meanwhile, a scale of business categorised as "medium" is a business with a capital of more than Rp5,000,000,000 (five billion rupiah) up to a maximum of Rp10,000,000,000 (ten billion rupiah) excluding land and buildings of the business premises.

Meanwhile, for MSMEs that have been established before the issuing of the Government Regulation, the categorisation is based on the criteria of annual sales. Business categorised as "micro" is a business with annual sales up to a maximum of Rp 2,000,000,000 (two billion rupiah). Business categorised as "small" is a business with annual sales of more than IDR2,000,000,000 (two billion rupiah) up to a maximum of Rp 15,000,000,000 (fifteen billion rupiah). Meanwhile, a scale of business categorised as "medium" is a business with annual sales of more than Rp15,000,000,000 (fifteen billion rupiah) up to a maximum of Rp50,000,000,000 (fifty billion rupiah).

Given the wide range of scale of business, it is reasonable that MSMEs eventually become a very dominant sector in the business world. The role of MSMEs has also become very significant in the national economic development, including in countries categorised as developed countries. (Tambunan, 2021)

In Indonesia, for example, based on records from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2022, there are around 64,190,000 MSMEs spread up to remote villages. From that number, the percentage of MSMEs in Indonesia are around 99.9 per cent of all businesses in Indonesia. Their abilities to absorb manpower are 97 per cent and the remaining 3 per cent are absorbed by large businesses. (Ekon, 2021)

Based on this data, MSMEs have always been a concern of the Government of Indonesia. MSMEs in Indonesia are really the spearhead in carrying out national economic development, because they are directly in contact with the economic heartbeat of all levels of society through their ability to increase the income of the surrounding community. (Hamdani, 2020)

Thus, in Indonesia, MSMEs are one of the main actors in the effort to achieve one of the missions of the establishment of the Republic of Indonesia, namely "promoting general welfare". This mission is specifically formulated in the Preamble of the Constitution of 1945 of the Republic of Indonesia (the Constitution of 1945), then embodied more concretely in Article 33 of the Constitution of 1945 which becomes the basis of the drafting of laws and regulations in the economic field, because Article 33 is indeed part of the chapter that regulates the national economy. (Asshiddiqie, 2010)

Based on what has been described above, it is clear that the role of MSMEs in national economic development is very important. Then the question is how far the Government of Indonesia's efforts are in encouraging the development of MSMEs. Has the Government of Indonesia really encouraged the development of MSMEs, so that MSMEs are able to carry out their role in contributing to national economic development?

2. Research Methods

The research in this paper utilises the normative juridical method. This research explores the substance and structure of policies and regulations related to the development of MSMEs in Indonesia. For that purpose, this research uses secondary data obtained from literature studies, sourced from primary, secondary, and tertiary legal materials. Primary legal materials here include legislations. Secondary legal materials include all explanations of primary legal materials, such as draft laws, various research results and law books. Meanwhile, tertiary legal materials here include materials that are explanation of primary and secondary legal materials, such as legal dictionaries, Indonesian dictionaries, encyclopedias, and others. Furthermore, the data analysis used in this research is qualitative data analysis. Qualitative data analysis is a research method that produces descriptive-analytical data. This descriptive-analytical data is obtained through what has been stated by technical respondents in writing or orally, as well as real behaviour, which is researched and studied as a whole.

3. Discussion

3.1. Presence of MSMEs in National Economic Development Law in Indonesia

As described above, one of the missions of the establishment of the Unitary State of the Republic of Indonesia as stated in the Preamble of the State Constitution of 1945 is "promoting general welfare".

The main effort in achieving this mission is to conduct national economic development under the guidance of Article 33 of the State Constitution of 1945. Article 33 Paragraph (1) of the State Constitution of 1945 itself confirms that the economy is structured as a joint venture (mutualism) in accordance with the principle of brotherhood in realising a just and prosperous society.

From this basic rule in Article 33 Paragraph (1) of the State Constitution of 1945 comes Law Number 25 of 2007 on Investment (LI). LI is a legal reform of the previous laws on investment, namely Law Number 1 of 1967 as amended by Law Number 11 of 1970 on Foreign Investment and Law Number 6 of 1968 as amended by Law Number 12 of 1970 on Domestic Investment. Thus, LI was issued after a long process (for more than 35 years) of a series of pre-existing investment activities in Indonesia.

Considering the important role of MSMEs in national economic development, it makes sense for MSMEs development to be an integral part of investment activities in Indonesia. LI mandates the Government of Indonesia to "provide opportunities for the development and protection of MSMEs". This mandate is set with a real reason, considering that MSMEs are often still underestimated in the hustle and bustle of investment activities, especially in developing countries, which are in dire need of investment for their national economic development. In fact, MSMEs are a pivotal sector in national economy development. When examined further into LI, MSMEs do receive special attention there. Even this special attention was maintained when in 2020 the Government of Indonesia issued LJC of which the LI is a part in the investment cluster (the Investment Requirements and Government Projects) as mentioned above.

More than two decades ago, national economic development in Indonesia through MSMEs was confirmed through the issuance of the People's Consultative Assembly of the Republic of Indonesia Decree Number XVI of 1998 on Economic Politics in the Framework of Economic Democracy (Decree). In the consideration ("Considering") of Decree, it is stated that economic politics needs to be aligned by providing opportunities, support and development of the people's economy, which includes cooperatives, small and medium enterprises. Furthermore, Article 1 of Decree affirms that national economic development solely prioritises the interests of the people and is aimed at the greatest prosperity of the people as referred to in Article 33 of the State Constitution of 1945.

In member countries of the Organisation for Economic Co-operation and Development (OECD), where Indonesia has also been a member since 2009, the issue of MSMEs has received special attention. In fact, MSMEs are used as a default factor in every economic law drafting in member countries. This means that the development of MSMEs is a serious concern of OECD member countries, as MSMEs are realised to be an absolute factor in economic development efforts of member countries.

Then what about the efforts to develop MSMEs in Indonesia. Have they provided opportunities for development and adequate protection to MSMEs in the midst of rampant national economic development activities?

As mentioned above, one of the written rules regarding the development of MSMEs in Indonesia is LI. This rule is expressed in Chapter III entitled "Basic Investment Policies", specifically Article 4 Paragraph (2) letter c, which mandates that the government "opens opportunities for the development and provides protection to MSMEs".

This mandate does not appear suddenly and merely as a "patch" in LI, as it is actually one of the "reform mandates" that was born amidst the political turmoil caused by the 1998 economic crisis in Indonesia. As can be seen in the preamble of LI, this mandate was previously contained in the above-mentioned Decree, which was issued after the 1998 reforms.

Therefore, in effort to further emphasize the Government of Indonesia's commitment to provide opportunities for the development and protection of MSMEs, in 2008 Law on MSMEs was launched. Law on MSMEs essentially reaffirms that the empowerment of MSMEs needs to be organized in a comprehensive manner through the provision of business opportunities and protection.

Law on MSMEs is not the end of series of policies and regulations on MSMEs in Indonesia. This law is still followed by LJC, which even obliges the government to support and facilitate the development of MSMEs. Even LJC is still followed up by Government Regulation as also mentioned above. Although LJC and Government Regulation were issued approximately 12 years after Law on MSMEs, these two new regulations prove the government's real response to the need for MSMEs development.

In addition, responding to the current situation and conditions, the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Regulation Number 2 of 2021 on Amendments to the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Regulation Number 6 of 2020 on General Guidelines for Distributing Government Assistance for Micro Business Actors to Support National Economic Recovery in the Context of Facing Threats that Endanger the National Economy and Saving the National Economy during the Pandemic of Corona Virus Disease 2019 (Covid-19). In this Ministerial Regulation, micro-entrepreneurs are even specifically given direct cash assistance in the context of the National Economic Recovery (NER) program due to the impact of the pandemic.

3.2. Implementation of National Economic Development Law related to MSMEs in Indonesia

Looking at the various laws and regulations described above, there is no reason to doubt the "written commitment" of the Government of Indonesia in supporting the development of MSMEs. The question is how it is implemented. If the question is related to the main problem in this research regarding the extent to which the Government of Indonesia's efforts encourage the development of MSMEs, it would be better to explain first the parties who are responsible for the implementation of all policies and regulations related to the development of MSMEs.

In Indonesia, the existence of MSMEs is specifically under the responsibility of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. The Ministry has main tasks and functions to (1) formulate and stipulate policies in the field of cooperatives, MSMEs and entrepreneurship; (2) coordinate and synchronize the implementation of policies in the field of cooperatives, MSMEs and entrepreneurship; (3) coordinate the implementation of tasks, guidance, and provide administrative support to all organisational elements within the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia.

However, actually there are many stakeholders in the existence of MSMEs within the Government of Indonesia, ranging from the Ministry of Investment/Investment Coordinating Board of the Republic of Indonesia under the coordination of the Coordinating Minister for Maritime Affairs and Investment of the Republic of Indonesia, the Ministry of Tourism and Creative Economy of the Republic of Indonesia, the Ministry of National Development Planning/National Development Planning Agency of the Republic of Indonesia, and the Ministry of Finance of the Republic of Indonesia under the coordination of the Coordinating Minister for the Economy of the Republic of Indonesia, up to local governments, especially at the districts/cities level, including financial and banking institutions.

Regarding the development of MSMEs in Indonesia, referring to the report from the National Team for the Acceleration of Poverty Reduction formed by the government under the leadership of the Vice President of the Republic of Indonesia, in general the Government's programs are focused on the aspects of financing and mentoring. The research report contained in a book entitled "Mapping

Micro, Small and Medium Enterprises (MSMEs) Empowerment Programs" explains that there are at least 21 (twenty-one) MSMEs empowerment programs, all of which are focused on financing and mentoring MSMEs. These programs were established with the aim of providing MSMEs with ample opportunities to obtain financing support, considering that MSMEs generally have limited capital capacity and weak access to financial institutions.

Unfortunately, the financing programs in the form of capital support provided by financial institutions, in this case mainly banks in Indonesia, to MSMEs are still minimal and below the target of the government itself. According to the report of the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2021, the portion of bank lending to MSMEs in Indonesia were still around 18 per cent of the total portion of bank lending to businesses. The target for this portion of bank lending will indeed continue to be increased and is targeted to be above 30 per cent by 2024.

Bank Indonesia as the Central Bank of the Republic of Indonesia, through Bank Indonesia Regulation (BIR) Number 14/22/PBI/2012 on the Provision of Credit or Financing by Commercial Banks and Technical Assistance in the Framework of Micro, Small and Medium Enterprises Development, has targeted the portion of bank lending to MSMEs in 2018 to be at 20 per cent. This portion of bank lending has indeed continued to increase from year to year, starting from 2015 at 5 per cent, to 2018 at 20 per cent. This means that based on this BIR, the figure for the portion of bank lending to MSMEs in the range of 18 per cent in 2021 is still below the target, even the target in 2018.

For the record, the figure for the portion of bank lending in Indonesia is still far below the figure of countries that have been categorised as developed countries in Asia, and even far below the figure of Malaysia which is still categorised as a developing country in Asia. In 2021, it was recorded that the portion of bank lending to MSMEs in Malaysia has reached 51% (fifty-one per cent) of the total portion of their national lending. In Japan, by 2021 the portion of bank lending to MSMEs has reached 66% (sixty-six per cent). Whereas in South Korea, the portion has reached 81% (eighty-one per cent).

The policy of providing credit for MSMEs is certainly very important, because this is closely related to opportunities for the development of MSMEs. Therefore, the size of the lending portion can be an indicator of whether the government is serious in providing opportunities for the development of MSMEs or not. Of course, it must be recognized that generally MSMEs in Indonesia are still very weak in terms of business management and financial management. MSMEs often do not have financial records, as businesses are managed in a traditional manner. Many MSMEs are feasible in terms of business, but unbankable in terms of financing support needs. However, this issue cannot be used as an excuse not to increase the portion of credit for MSMEs in Indonesia, because financial institutions such as banks also have the responsibility to provide support through technical assistance to their debtors.

In BIR Number 14/22/PBI/2012 as cited above, Bank Indonesia can provide technical assistance to develop MSMEs. The technical assistance in question can be in the form of training, provision of information and or facilitation. Thus, should this technical assistance is actually provided, there will undoubtedly be opportunities for MSMEs to carry out business development.

Furthermore, when it comes to MSMEs assistance programs in Indonesia, the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia has a program to enlarge market access both domestically and abroad. Thus, it is hoped that opportunities will open up for MSMEs to market their products throughout the world. This program is being carried out by assisting, supporting and helping to sell products online. In addition, the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia also sets up regulations so that

companies which runs the application business from abroad also promote and sell MSMEs products in Indonesia.

However, if we look back at the research results from The National Team for the Acceleration of Poverty Reduction regarding mentoring programs, there is also no permanent effort from the Government of Indonesia to collaborate MSMEs with large-scale companies. In fact, this kind of collaboration can undoubtedly increase the market access of MSMEs both inside and outside the country as has been programmed by the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. It seems that collaboration programs as effort to build such networks are still missing from the government's attention, because all programs are only focused on financing and mentoring issues, which are more in the form of technical assistance related to the financing provided to MSMEs.

Technical assistance for MSMEs are also provided by the Ministry of Investment/Investment Coordinating Board of the Republic of Indonesia by implementing easy licensing through online single submission (OSS) for MSMEs. This risk-based OSS differentiates forms of licensing based on the level of business risks. For businesses in the low-risk category, the only requirement is registration, and Business Identification Number (BIN) will be provided. Then in stages, for businesses in the high-risk category, registration is not the only requirement, because the Ministry will ask for a Standard Certificate (SC) verified by an authorized institution.

But again, the process of issuing business establishment licenses in Indonesia is not in line with expectations yet. The process through the online system initiated by the Ministry of Investment / Investment Coordinating Board of the Republic of Indonesia is still complained about by many business actors, because it often collides with network systems that is still frequently experiencing interference.

From the description above, it can be said that the implementation of various programs derived from all policies and regulations in Indonesia related to the development of MSMEs are still far from expectations. Starting in terms of financial support, mentoring, up to the process of licenses, MSMEs in Indonesia still have to limp along. Thus, the mandate to "open opportunities for development and provide protection to MSMEs" has not been able to be fully carried out by the Government of Indonesia. The development of MSMEs in Indonesia is still constrained by a variety of issues, ranging from simple technical issues such as internet network disruptions, up to the issues of financial supports and assistance for MSMEs that are still not optimal yet.

Of course, such obstacles are counterproductive to what the Government of Indonesia has intended in various existing policies and regulations, including the global development norms contained in the SDGs and have been formulated into the Guidelines in which it is expressly stated the need to strengthen entrepreneurship, MSMEs and cooperatives. The strengthening of MSMEs is also emphasized by the establishment of "indicators" of SDGs achievements as outlined in the Guidelines, namely increasing the "percentage of MSMEs access to financial services".

This means that there are still a lot of homework for the Government of Indonesia to truly realize the development of MSMEs. So there is no other option, the choice is to reform policies and regulations in the legal system, especially in the field of investment in which it is mandated to "provide opportunities for development of MSMEs".

Reform here must be interpreted not just as a change or making of regulations, but as a comprehensive reform of the legal system itself consisting of legal substance, structure, and culture, up to form leaders who are committed to upholding the rule of law. Thus, as what Satjipto Rahardjo said as a fundamental overhaul of the law that has a paradigmatic quality.

Therefore, legal reform here must be started by rebuilding commitment through institutional reforms, especially to the government institutions related to the existence of MSMEs (stakeholders). Without such reforms, MSMEs will never have opportunity to play their important role in national economic development.

On the other hand, it is also required awareness from MSMEs actors themselves as part of the community to properly understand all regulations which open up space for business development. Without this understanding, MSMEs actors would not be able to participate in institutional reforms so as to give them the space to play their important role in national economic development.

Therefore, the commitment is mainly made through improving the government institutions related to the existence of MSMEs, without neglecting the participation of the community in which MSMEs are part of. This institutional improvement can be concretely started by running programs such as (1) building a culture of public ethics through accountability and transparency; (2) encouraging the supervisory participation of MSMEs actors by streamlining public information service centres; (3) building networks and education on corruption eradication and budget supervision related to MSMEs.

Based on what have been explained above, it can be said that the government has not seriously encouraged the development of MSMEs. Therefore MSMEs in Indonesia have not been able to carry out their role in contributing national economic development. It seems that MSMEs are not yet a priority, moreover a paradigm in every policy and regulation in the national economic matters. MSMEs are still treated as "something unimportant" in national economic policies and regulations.

4. Conclusion and Recommendation

This research leads to two conclusions. Firstly, there is basically a commitment from the Government of Indonesia to develop MSMEs as stated in various existing policies and regulations. The problem is that the implementation of the policies and regulations by the existing government institutions has not been in line with public expectations. Secondly, the Government of Indonesia has yet to prove its commitment to provide opportunities for the development and protection of MSMEs, as seen from the low portion of credit provision and the lack of mentoring and technical assistance to MSMEs.

Based on this conclusion, if we refer back to the question in the formulation of the previous problem regarding whether the Government of Indonesia has really encouraged the development of MSMEs, it seems that there are no whole-hearted strategies and programs which can guarantee the development of MSMEs in Indonesia. Thus, MSMEs have not been able to carry out their role in contributing to national economic development.

For these reasons, in order to encourage MSMEs to play their important role in national economic development in order to realise the State's Goal in promoting general welfare, it is recommended that: The Government of Indonesia must make MSMEs as the priority and paradigm in every national economic policies and regulations, so that policies and regulations reforms related to MSMEs could be done well; MSMEs actors have to have an adequate understanding of policies and regulations that open up space for business development.

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