

Legal Empowerment of Indonesian Micro Small Medium Enterprises in the Digital Era: A Comparing with China

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Abstract

The legal empowerment of Micro, Small, and Medium Enterprises (MSMEs) involves strategic policies aimed at enhancing the resilience and competitiveness of the MSME sector within a national legal framework. This encompasses aspects such as licensing, regulatory compliance, capacity building, market access, technological integration, financing mechanisms, and institutional collaboration among the government, private sector, and civil society. In the era of digital transformation, many Indonesian MSME owners face significant challenges due to limited capacity to adapt to rapid technological advancements, hindering their legal and commercial development. This research adopts a normative juridical method with a comparative legal approach, utilizing literature-based analysis to examine regulatory frameworks and institutional practices. As a contribution to strengthening the legal empowerment framework for MSMEs in Indonesia, this article offers a novel perspective by proposing a hybrid legal empowerment model that integrates Indonesia's normative and principle-based legal tradition with a pragmatic, centralized governance approach as exemplified by China. It argues that legal empowerment for Indonesian MSMEs in the digital era cannot rely solely on deregulation or administrative simplification. Rather, a more comprehensive strategy is required—one that includes state-led legal facilitation, community-based digital legal literacy initiatives, and institutional redesign that systematically embeds MSMEs into the broader legal development agenda. This integrated model is proposed as a forward-looking framework to bridge Indonesia's legal empowerment gap and to promote inclusive and sustainable growth of MSMEs within the digital economy.

Keywords: Legal Empowerment, MSMEs, Digital Transformation

1. INTRODUCTION

The *Pancasila* and the 1945 Constitution of the Republic of Indonesia (the Indonesian Constitution) serve as the foundational legal and ideological frameworks for the country's economic development.¹ Rooted in the principle of promoting public welfare, *Pancasila* upholds values such as social justice, equality, and social protection.² These values guide economic policy to ensure equitable income distribution, poverty reduction, and the fulfillment of citizens' basic needs.³ Within this framework, the state is legally mandated to design and

1 Putri Ria Wierma, "Indonesia's Democracy And Constitution: Reflecting Human Rights Based On Pancasila," *Journal of Law and Policy Transformation*, 2022, <https://doi.org/10.37253/jlpt.v7i2.7235>.

2 Erlan Wijatmoko, Armaidly Armawi, and Teuku Faisal Fathani, "International Review of Law and Economic Legal Effectiveness in Promoting Development Policies: A Case Study of North Aceh Indonesia," *Heliyon*, 2023, DOI: [10.1016/j.heliyon.2023.e21280](https://doi.org/10.1016/j.heliyon.2023.e21280).

3 Paola Alfaro d'Alençon et al., *Engaging Urban Research in Policy Making: Towards Equitable Economic Growth. A Partnership between Cities Alliance, AURI, REDEUS_LAC and N-AERUS* (Universitätsverlag der TU Berlin, 2023).

implement policies that promote inclusive economic growth and ensure a fair allocation of national resources.⁴ Moreover, *Pancasila* advocates for a people-centered economy, emphasizing collective efforts and participatory decision-making.⁵ This model legally supports the involvement of communities, cooperatives, and other sectors that operate in alignment with the public interest.

Provisions within the Indonesian Constitution—particularly Article 33, which governs the national economy—establish the legal authority and responsibility of the state to regulate and manage natural resources and national assets. This constitutional mandate reflects a legal commitment to building a robust and self-sufficient national economy. Article 33 is especially relevant to MSMEs, recognizing them as a key foundation of national development, especially during periods of economic crisis. The Article enshrines principles of a people-oriented economy, self-reliance, social justice, and collective participation. In this legal context, Article 33 provides both normative and philosophical support for the control and equitable distribution of natural resources, the protection and empowerment of MSMEs, and the advancement of social welfare through community engagement. MSMEs are legally positioned as a central pillar of Indonesia’s economic structure. However, despite this recognition, MSMEs continue to face persistent legal and institutional barriers that hinder their ability to operate in a supportive business environment, benefit from targeted empowerment programs, and access adequate legal protection under current regulatory frameworks.

Within the framework of Indonesia’s current development agenda, the regulation and formal integration of MSMEs continue to face structural obstacles—chief among them being legal uncertainties and the complexity of existing regulatory regimes.⁶ While broader issues such as limited access to finance, markets, and technology are often highlighted, this paper focuses specifically on legal and institutional barriers that hinder effective MSME empowerment. Key challenges include overlapping and inconsistent statutory provisions, cumbersome licensing and compliance requirements, and the absence of a coherent legislative framework that strategically incorporates MSMEs into national economic policy. In addition, the lack of legal certainty and limited access to affordable and timely dispute resolution mechanisms expose MSMEs to heightened legal vulnerability, undermining their role in sustainable economic development.⁷ This analysis highlights the urgent need for a legal empowerment framework—one that combines substantive legal protections with responsive institutional mechanisms—as a core strategy for strengthening the position of MSMEs within Indonesia’s regulatory framework.

In the current legal development, the Indonesian government continues to promote ease of doing business, empowerment, and legal protection for MSMEs.⁸ A key initiative is the enactment of the Job Creation Law through the Omnibus Law approach. Despite

4 Titi Mahira A'dawiyah and Anang Dony Irawan, “The Dynamics of the Opposition and Coalition Parties within the Indonesian Pancasila Democratic System,” *Media of Law and Sharia* 4, no. 3 (2023): 184–201, <https://doi.org/10.18196/mls.v4i3.28>.

5 Yani Hendrayani, Jerry Indrawan, and Puri Bestari, “Corporate Social Responsibility (CSR) Present for the Nation Program in Indonesia: Content Analysis on the Official Website of Four State-Owned Corporations in Indonesia,” *European Journal of Humanities and Social Sciences* 3, no. 5 (2023): 30–40, DOI: [10.24018/ejsocial.2023.3.5.498](https://doi.org/10.24018/ejsocial.2023.3.5.498).

6 Dedi Sunardi, Azri Bhari, and Muhammad Najib Bin Abd Wakil, “Legal Awareness of Micro and Small Enterprise Operators Regarding Halal Certification: A Maslaha Perspective,” *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 1 (2024): 23–45, <https://doi.org/10.18326/ijtihad.v24i1.23-45>.

7 Itok Dwi Kurniawan, “The Role Of Job Creation Law On Resistance Of Small Medium Micro Enterprises (Msmes) During Covid-19 Pandemic,” *Baltic Journal of Law & Politics* 15, no. 3 (2022): 15–24.

8 Anak Agung Gede Oka Wisnumurti, “Protection of UMKM in Sustainable Creative Economy Development in Indonesia,” in *3rd International Conference on Business Law and Local Wisdom in Tourism (ICBLT 2022)* (Atlantis Press, 2023), 699–705.

initial controversy, this approach was formalized with Law No. 6 of 2023, converting Government Regulation in Lieu of Law No. 2 of 2022 into binding legislation. The law aims to address regulatory and bureaucratic inefficiencies that hinder investment and MSME development. As part of this reform, various statutes were amended, including Law No. 20 of 2008 on MSMEs and Law No. 40 of 2007 on Limited Liability Companies, introducing simplified corporate structures such as single-member companies for MSMEs. Nonetheless, the law remains under legal and public scrutiny due to concerns about its impact on labor rights and environmental protections. Effective implementation requires coordinated oversight and inclusive stakeholder participation to ensure that legal benefits extend not only to state and corporate actors, but also to MSME owners, workers, investors, and the broader public—thereby promoting social justice and sustainable national development.

Digital transformation has emerged as a crucial component of Indonesia's national development strategy⁹, recognized for its capacity to stimulate economic growth.¹⁰ In the development of the Society 5.0 era, where digital utilization is crucial, including efforts to structure Indonesian MSMEs.¹¹ Facing this era of digital transformation, the government aims to integrate 30 million MSMEs into the digital ecosystem by the end of 2024.¹² According to data from the Coordinating Ministry for Maritime Affairs and Investment, as of June 2023, 22 million MSMEs have entered the digital ecosystem.¹³ This means that there are still nearly eight million to reach the final target.¹⁴ Meanwhile, the Ministry of Communication and Informatics, at the end of 2022, published the Indonesian Digital Society Index (IMDI), where the pillar of empowerment, indicating the literacy and capacity of the community (especially MSMEs) in utilizing digital technology in the economic aspect, received the lowest score (22.06 out of 100). Due to the lack of digital literacy, MSMEs may be exposed to various risks in the digital world, such as data breaches, phishing, and other cyber threats. This condition indicates that there are still many challenges for the digitalization of MSMEs to support them in developing their businesses, improving their family's standard of living, and ultimately moving up the economic ladder.

This research adopts a normative juridical method, which focuses on examining the law as it is written (law in books) rather than empirical practice. The study is grounded in primary legal materials, including statutory regulations,¹⁵ government policies, and official legal documents relevant to the legal empowerment and regulatory reform of MSMEs in the digital transformation era. To ensure a comprehensive legal analysis, the research employs three interrelated approaches: the statutory approach¹⁶, the

9 Ridwan Arifin et al., "Protecting the Consumer Rights in the Digital Economic Era: Future Challenges in Indonesia," *Jambura Law Review* 3 (2021): 135–160, DOI: [10.33756/jlr.v3i0.9635](https://doi.org/10.33756/jlr.v3i0.9635).

10 Bayu Dwi Anggono et al., "Interrogating the Legal Foundations of Digital Transformation: Balancing Economic Growth and Social Welfare in the Era of Disruption.," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 8, no. 1 (2025), <http://dx.doi.org/10.24090/volksgeist.v8i1.12211>.

11 Ratri Wahyuningtyas, Ganjar Disastra, and Riris Rismayani, "Toward Cooperative Competitiveness for Community Development in Economic Society 5.0," *Journal of Enterprising Communities: People and Places in the Global Economy* 17, no. 3 (2023): 594–620, <https://doi.org/10.1108/JEC-10-2021-0149>.

12 Sharon Buteau, "Roadmap for Digital Technology to Foster India's MSME Ecosystem—Opportunities and Challenges," *CSI Transactions on ICT* 9, no. 4 (2021): 233–244.

13 Imam Koeswahyono, Diah Pawestri Maharani, and Airin Liemanto, "Legal Breakthrough of the Indonesian Job Creation Law for Ease, Protection, and Empowerment of MSMEs during the COVID-19 Pandemic," *Cogent Social Sciences* 8, no. 1 (2022): 2084895, <https://doi.org/10.1080/23311886.2022.2084895>.

14 Nursini Nursini, "Micro, Small, and Medium Enterprises (MSMEs) and Poverty Reduction: Empirical Evidence from Indonesia," *Development Studies Research* 7, no. 1 (2020): 153–166, <https://doi.org/10.1080/21665095.2020.1823238>.

15 Sholahuddin Al-Fatih, *Perkembangan Metode Penelitian Hukum Di Indonesia* (UMMPress, 2023).

16 Iman Jalaludin Rifa'i, "Ruang Lingkup Metode Penelitian Hukum," *Metodologi Penelitian Hukum*, 2023, 6.

conceptual approach¹⁷, and the comparative legal approach.¹⁸ The statutory approach is used to examine the formal legal framework governing MSMEs in Indonesia, including laws, regulations, and implementing guidelines. The conceptual approach allows the researcher to explore key legal concepts—such as “legal empowerment,” “ease of doing business,” and “digital transformation”—to build a coherent analytical framework. Meanwhile, the comparative legal approach is applied to assess how other jurisdictions, notably China, have successfully reformed their MSME policies and legal structures in response to digital economic demands. The use of multiple approaches is justified by the complexity and multi-dimensional nature of the research issue, which intersects legal doctrine, regulatory practice, and international experience. The data used in this study consist entirely of legal materials, which are categorized as (i) primary legal materials (legislation and official government documents), (ii) secondary legal materials (legal commentaries, academic journals, books, and scholarly articles), and (iii) tertiary legal materials (legal dictionaries, encyclopedias, and indexes). These materials are collected through an extensive literature review and are analyzed qualitatively, allowing the researcher to identify legal gaps, assess normative coherence, and formulate recommendations for improving Indonesia’s legal and regulatory approach to MSMEs in the digital economy.

2. ANALYSIS AND DISCUSSION

2.1. Characteristics of Micro, Small, and Medium Enterprises in Indonesia

The definition of MSMEs can vary depending on a specific country or region, and each country’s government typically has specific criteria and definitions to classify businesses as MSMEs. This is done to identify and provide appropriate protection, assistance, and policies for the MSME sector.¹⁹

MSMEs are generally defined as business entities operating on a limited scale in terms of capital investment, turnover, and workforce. While the specific legal thresholds may differ across jurisdictions, MSMEs typically employ a small number of individuals and are characterised by independent ownership and management, often conducted by sole proprietors or small partnerships without affiliation to larger corporate groups. MSMEs operate across a wide range of economic sectors—including manufacturing, trade, services, and agriculture—and are recognised for their significant contribution to employment generation, local economic development, and the promotion of innovation within the market economy.

In pursuit of enhancing the legal and institutional framework supporting MSMEs—particularly in terms of business facilitation, empowerment, and legal protection—the Indonesian government introduced a comprehensive legislative reform through the omnibus law approach. This was realized by the enactment of Law Number 6 of 2023, which ratified Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation. Among the key implementing instruments is Government Regulation No. 7 of 2021 on the Facilitation, Protection, and Empowerment of Cooperatives and MSMEs (hereinafter referred to as the MSMEs Regulation). This regulation revises several

¹⁷ S H Suyanto, *Metode Penelitian Hukum Pengantar Penelitian Normatif, Empiris Dan Gabungan* (Unigres Press, 2023).

¹⁸ S H Masidin, *Penelitian Hukum Normatif: Analisis Putusan Hakim* (Prenada Media, 2023).

¹⁹ Rahul Sindhvani et al., “Exploring ‘What,’ ‘Why’ and ‘How’ of Resilience in MSME Sector: A m-TISM Approach,” *Benchmarking: An International Journal* 30, no. 6 (2023): 1884–1911, <https://doi.org/10.1108/BIJ-11-2021-0682>.

provisions of the earlier MSME Law (Law No. 20 of 2008), including the definition and classification criteria for MSMEs. Articles 35 and 36 of the MSMEs Regulation now set out that MSMEs are classified based on business capital or annual turnover. The business capital criterion is specifically applicable to MSMEs established or registered following the entry into force of the MSMEs Regulation.²⁰ The criteria for this capital consist of:

1. *“Micro Enterprises have a business capital of up to a maximum of IDR 1,000,000,000.00 (one billion Rupiah), excluding land and buildings for business premises;*
2. *Small Enterprises have a business capital of more than IDR 1,000,000,000.00 (one billion Rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion Rupiah), excluding land and buildings for business premises;*
3. *Medium Enterprises have a business capital of more than IDR 5,000,000,000.00 (five billion Rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion Rupiah), excluding land and buildings for business premises”.*

For MSMEs that were established before the UMKM Government Regulation came into effect, the categorization of MSMEs is based on the criteria of annual sales revenue. The criteria for annual sales revenue consist of:

1. *“Micro Enterprises have annual sales revenue of up to a maximum of IDR 2,000,000,000.00 (two billion Rupiah);*
2. *Small Enterprises have annual sales revenue of more than IDR 2,000,000,000.00 (two billion Rupiah) up to a maximum of IDR 15,000,000,000.00 (fifteen billion Rupiah);*
3. *Medium Enterprises have annual sales revenue of more than IDR 15,000,000,000.00 (fifteen billion Rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion Rupiah)”.*

The nominal values of the criteria above may be adjusted in accordance with economic developments.²¹ In addition to the criteria of business capital and annual sales revenue²², government ministries/agencies may use other criteria such as turnover, net worth, investment value, number of employees, incentives and disincentives, local content, and/or the implementation of environmentally friendly technology according to the criteria of each business sector for specific purposes.

2.2. Legal and Policy Measures Supporting Micro Small Medium Enterprises in China

The legal framework for the development and empowerment of MSMEs in China is primarily grounded in the Law of the People’s Republic of China on the Promotion of Small and Medium-sized Enterprises (hereinafter “SME Promotion Law”). This law, first enacted in 2002 and most recently revised in 2017, reflects the Chinese government’s strong commitment to fostering a more supportive, enabling, and legally secure environment for MSMEs as a strategic sector contributing to national economic resilience, employment, innovation, and social stability.

The categorization of MSMEs in China diverges from that of other nations, exhibiting a high level of complexity. China utilizes the Small and Medium-sized Enterprises

20 S Srinita and J Saputra, “Investigating the Resilience of Micro, Small and Medium Enterprises in Entering the Digital Market Us-Ing Social Media: Evidence from Aceh Province, Indonesia,” *International Journal of Data and Network Science* 7, no. 4 (2023): 2041–52, DOI: [10.5267/j.ijdns.2023.8.018](https://doi.org/10.5267/j.ijdns.2023.8.018).

21 Luh Putu Yeyen Karista Putri et al., “Comparative Analysis of Indonesia’s Minimum Capital Requirements for Foreign Direct Investment,” *Lex Scientia Law Review* 7, no. 1 (2023), <https://doi.org/10.15294/lesrev.v7i1.64664>.

22 Alya Sandra Dewi and Dian Fitriana, “Sole Proprietorship Legal Entity in Establishment of Small Medium Business in Indonesia,” *Issue 3 Int’l JL Mgmt. & Human.* 5 (2022): 1430, <https://doi.org/10.1000/IJLMH.113187>.

Promotion Law to delineate businesses recognized as MSMEs.²³ This approach differs from the majority of countries, which typically rely on the number of employees in a company to determine its MSME status.²⁴ According to this law, classification is contingent on factors such as industry, assets, workforce size, and revenue.²⁵ To illustrate, for a business to be classified as small in the retail sector, it must have fewer than 100 employees and an annual revenue below 10 million RMB.²⁶ If a retail enterprise employs over 100 individuals and generates more than 10 million RMB annually, it is deemed medium-sized.²⁷ In the case of companies in the construction sector with less than 600 employees, assets totaling less than 40 million RMB, and no revenue, the SME Promotion Law designates a small company as one with annual sales below 30 million RMB.²⁸

The SME Promotion Law provides a comprehensive regulatory structure for the development and facilitation of MSMEs by outlining principles of financial support, entrepreneurship stimulation, market access, legal assistance, and administrative simplification.²⁹ Article 1 of the Law explicitly declares the aim to “improve the business environment for small and medium-sized enterprises, safeguard their legitimate rights and interests, and promote their healthy development.”

One of the key legal features of the SME Promotion Law is the legal recognition of MSMEs as independent economic entities with equal rights and obligations under the law. This ensures that MSMEs are not disadvantaged when engaging in contractual relationships, obtaining financing, participating in public procurement, or seeking recourse through legal institutions. The recognition serves to integrate MSMEs formally into China’s broader legal-economic architecture, safeguarding them from discriminatory or exclusionary practices.³⁰

The law also mandates various state organs at national and subnational levels to provide targeted policy measures for the development of MSMEs. For instance, Articles 9 to 12 require that local governments formulate and implement development plans, allocate budgetary resources, and establish service systems to support MSMEs. These obligations demonstrate a vertical integration of legal responsibility from central to local government, ensuring that policy implementation is consistent across regions.³¹

Financial support is another central theme of the SME Promotion Law. Articles 22 through 28 outline policies for improving access to credit, reducing financing costs, and encouraging private and state-owned financial institutions to develop innovative credit

23 Ian Tinashu Hungwe and Zhu Kepeng, “The Effect of a Registration Reform on the MSME Sector in Zimbabwe: A Comparative Study with China’s MSME Sector,” *Growth* 6, no. 03 (2023).

24 Simbarashe Gukurume and Fiona Tafadzwa Matsika, “Labour Dynamics in Chinese Small and Medium Enterprises (SMEs): Everyday Encounters and Relations in Harare, Zimbabwe,” *Africa Review* 14, no. 3 (2022): 305–31, DOI: [10.1163/09744061-bja10030](https://doi.org/10.1163/09744061-bja10030).

25 Grisca Beier et al., “Implications of Industry 4.0 on Industrial Employment: A Comparative Survey from Brazilian, Chinese, and German Practitioners,” *Technology in Society* 70 (2022): 102028.

26 Yang Ding and Yuanchun Liu, “The Impact of Tariff Increase on Export and Employment of Chinese Firms,” *China Economic Quarterly International* 3, no. 3 (2023): 155–166, DOI: [10.1016/j.ceqi.2023.08.002](https://doi.org/10.1016/j.ceqi.2023.08.002).

27 Liu Jun et al., “An Empirical Study of Financial Relief Policies for Small Business in the Chinese Resilient Society,” 2023.

28 Chih-Hai Yang, “R&D Responses to Labor Cost Shock in China: Does Firm Size Matter?,” *Small Business Economics*, 2023, 1–21, DOI: [10.1007/s11187-023-00741-x](https://doi.org/10.1007/s11187-023-00741-x).

29 Natalie Mrozkova, “Resolving SME Insolvencies: An Analysis of New Chinese Rules,” *Journal of Corporate Law Studies* 22, no. 1 (2022): 469–503, <https://doi.org/10.1080/14735970.2022.2043543>.

30 Nianqi Deng et al., “Testing the Adoption of Blockchain Technology in Supply Chain Management among MSMEs in China,” *Annals of Operations Research*, 2022, 1–20.

31 Moloy Ghoshal, “Trade Performance of India & China in MSME (Micro, Small & Medium Enterprises) Sector: A Case Study,” *Asia Pacific Journal of Business Review* 2, no. 2 (2018): 45–59, <https://doi.org/10.20522/AP-JBR.2018.2.2.45>.

products suitable for MSMEs.³² The legal framework encourages the establishment of loan guarantee systems and credit re-guarantee mechanisms, reflecting the government's recognition of structural financing difficulties faced by MSMEs and its attempt to mitigate such barriers through enforceable policies.

Furthermore, the law introduces specific legal mandates on entrepreneurship promotion and innovation support. Articles 16 to 18 stipulate that governments and public institutions must offer entrepreneurship training, technological support, and preferential policies for innovative MSMEs. These provisions indicate a shift from passive regulatory frameworks to active legal empowerment, where the state assumes a proactive role in shaping the innovation landscape for small enterprises.³³

In addition to legal rights and support mechanisms, the law promotes administrative simplification and deregulation. Article 6 promotes the streamlining of business registration procedures, tax declaration processes, and regulatory compliance standards. This reflects a broader policy initiative consistent with global best practices, aligning China's SME environment more closely with the principles of ease of doing business and reducing bureaucratic burdens for emerging entrepreneurs. A critical analysis of the SME Promotion Law reveals its role not only as a developmental instrument but also as a form of regulatory justice in the Chinese legal system. It creates a legal basis for redistributive policy mechanisms that seek to address economic asymmetries between large corporations and MSMEs. By institutionalizing these rights and obligations within the legal framework, the law elevates the status of MSMEs from informal economic actors to formal and protected constituents of national economic policy.³⁴

The SME Promotion Law exemplifies a holistic and integrated legal strategy that combines policy directives with enforceable legal norms, thereby enabling MSMEs to flourish in a competitive and digitally transforming global economy. The Chinese model offers instructive value for other jurisdictions, especially developing economies, in designing a legal system that not only protects but empowers MSMEs as agents of innovation, job creation, and inclusive growth. The Chinese experience illustrates that legal certainty, administrative support, and financial facilitation are not merely policy preferences, but justiciable rights that must be guaranteed through legislative mechanisms and institutional enforcement. The legal empowerment of MSMEs in China is implemented systematically through the Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises (SME Promotion Law). This legislation not only establishes formal legal recognition and protection for MSMEs as legitimate legal subjects, but also mandates proactive state intervention through affirmative regulatory policies. Under this law, both central and local governments are obligated to formulate supportive measures in areas such as financing, market access, skills development, and technological innovation. Its implementation is characterized by institutional coordination, where ministries, financial institutions, educational entities, and local authorities collaboratively develop a legal and institutional ecosystem conducive to MSME growth.³⁵

32 Bing Zheng et al., "A Study of Digital Transformation and MSMEs Performance from a Spatial Perspective: Evidence from China," *Journal of Economics and Management* 45 (2023): 319–343, DOI: [10.22367/jem.2023.45.13](https://doi.org/10.22367/jem.2023.45.13).

33 Jianqiang Li et al., "Labor Protection and Capital Structure of SMEs: Evidence from China's Social Insurance Law," *Emerging Markets Finance and Trade* 61, no. 7 (2025): 1856–77.

34 Zhanyi Wu, Jiafeng Wang, and Liangguo Kang, "Advancing Safety in SMEs Through Unitised Integration: Research Based on the SME Safety Alliance in Pukou District, Nanjing City.," *Sustainability* (2071-1050) 17, no. 7 (2025), <https://doi.org/10.3390/su17073240>.

35 Niu Shuai, "A Conceptual Study On The Impact Of Accounting Information Quality, Internal Control Effectiveness, And Managerial Financial Literacy On The Performance Of Smes In China," *International Journal of*

Several concrete policy measures have been implemented, including the provision of credit guarantee schemes and interest rate subsidies for MSMEs, the establishment of integrated service centers to streamline business licensing processes, entrepreneurship training programs led by local governments, and the development of technology incubators for innovative MSMEs. Additionally, the government mandates state-owned enterprises (SOEs) and public institutions to allocate a specific portion of their procurement contracts to MSMEs as part of a broader economic inclusion strategy. An analysis of these initiatives reveals that China adopts a proactive and calibrated approach to legal empowerment. The state functions not merely as a regulator but also as a facilitator and accelerator of MSME growth. This approach has proven effective in narrowing the gap between MSMEs and large corporations, while also promoting the integration of MSMEs into a more formal and sustainable legal and economic framework.³⁶

Concrete policies such as the provision of credit guarantee funds and interest rate subsidies reflect the Chinese government's affirmative approach to addressing structural barriers frequently encountered by MSMEs, particularly limited access to formal financing.³⁷ Through credit guarantee schemes, MSMEs without sufficient collateral can still obtain loans from financial institutions, thereby maintaining business continuity. Interest rate subsidies further alleviate financial burdens, especially during the early stages of business development. These measures illustrate that the government's role extends beyond enacting formal regulations; it also ensures the substantive accessibility and usability of such regulations by MSMEs. This approach reflects the principle of *doelmatigheid*—or legal effectiveness and utility—as advanced in legal utility theory, emphasizing that law must deliver tangible benefits and practical outcomes for its intended beneficiaries.

As a complementary measure, initiatives such as the development of technology incubators and entrepreneurship training underscore the Chinese government's commitment to promoting digital transformation³⁸ and enhancing the competitiveness of MSMEs. The Chinese government recognizes that legal empowerment cannot rely solely on formal legal protection; it must be accompanied by structured capacity-building and technology transfer programs. In this regard, China's approach to legal empowerment is holistic—integrating regulatory, facilitative, and educational dimensions. Strategically, this model enables MSMEs to evolve beyond their traditional role as a supplementary economic sector and to emerge as key drivers of innovation and long-term economic growth. Such an approach offers a valuable reference for developing countries, including Indonesia, in designing a legally and institutionally integrated framework for MSME empowerment.

2.3. Conceptual Framework for Legal Empowerment of Micro Small Medium Enterprises in Indonesia

2.3.1. Theoretical Framework: Legal Utility as the Theoretical Basis for Micro Small Medium Enterprises Legal Empowerment and Ease of Doing Business

Environmental Sciences, 2025, 126–36, <https://doi.org/10.64252/5vs1h459>.

36 Bowei Liu et al., “The Impact of Digital Transformation Job Autonomy on Lawyers' Support for Law Firms' Digital Initiatives: The Mediating Role of Cognitive Adjustment and the Moderating Effect of Leaders' Empathy,” *Administrative Sciences* 15, no. 7 (2025): 260, <https://doi.org/10.3390/admsci15070260>.

37 Xiaofan Li et al., “FinTech and SME performance: Evidence from China,” *Economic Analysis and Policy* 81 (2024): 670–82.

38 Kukuh Tejomurti et al., “Big Data Analytics Algorithms for Dynamic Pricing: The Legal Analysis of the Indonesia Competitions Law Readiness in Digital Era,” *Jurnal IUS Kajian Hukum dan Keadilan* 12, no. 1 (2024): 68–90, <https://doi.org/10.29303/ius.v12i1.1303>.

The legal utility theory is employed as one of the conceptual frameworks in this writing, considering that legal reforms through the establishment of legislation should ideally be directed towards providing significant benefits for the welfare of society. This is certainly in line with one of the legal objectives, which is to provide legal utility for all layers of society. Therefore, the development and legal empowerment of MSMEs in Indonesia should be approached through the lens of legal utility theory. This theory highlights the essential function of law in delivering concrete benefits and legal protection not only to entrepreneurs and business entities but also to society at large.

According to Sudikno Mertokusumo, the term “legal utility” refers to the principle that, after considering the validity (*rechtmatigheid*) of an action, its benefits (*doelmatigheid*) are then taken into account.³⁹ Jeremy Bentham explains that a law is right if it can provide happiness for the greatest number of people in the society where that law exists (the greatest happiness of the greatest number). The value of utility is found in individuals, giving rise to individual happiness as well as societal happiness (happiness of the community).⁴⁰ The goal of the law itself is expected to provide the utmost utility and happiness for society, serving as a means to achieve predetermined objectives.⁴¹

In the context of this discussion, the role of MSMEs remains indispensable within contemporary Indonesian society. These enterprises contribute significantly to the equitable distribution of income, particularly for lower-income communities, by enabling broader participation in economic activities. Moreover, MSMEs promote creativity and innovation that align with the preservation and development of local cultural values and traditional practices. Furthermore, MSMEs serve as a crucial source of employment, especially in a country with a large population such as Indonesia. Their labor-intensive nature, coupled with the use of simple and accessible technology, creates employment opportunities for individuals with limited formal education or technical skills. In this regard, MSMEs function not only as drivers of grassroots economic development but also as mechanisms to mitigate unemployment and promote social inclusion through accessible and sustainable economic participation.

The development and legal empowerment of MSMEs constitute an important instrument for enhancing public purchasing power and may serve as an economic safeguard during times of financial instability. Strengthening the MSME sector holds strategic significance for national economic growth, as MSMEs operate across nearly all sectors and contribute substantially to the livelihoods of lower-income populations. The responsibility for advancing MSME development does not lie solely with the government. As autonomous economic actors, MSMEs may actively participate in cooperative initiatives with public authorities. Given their economic potential, MSMEs are well positioned to adopt innovative business models by leveraging state-sponsored facilities, regulatory incentives, and support mechanisms.

The Government of Indonesia has enacted several key regulatory instruments to support the strengthening of MSMEs in the era of digital transformation. Law

39 Raden Mas Try Ananto Djoko Wicaksono, “Tinjauan Keadilan, Kepastian Hukum, Dan Kemanfaatan Dalam Penerapan Peraturan Pemerintah Nomor 24 Tahun 2018 Tentang Pelayanan Berusaha Terintegrasi Secara Elektronik,” *Jurnal Supremasi*, 2021, 11–30, <https://doi.org/10.35457/supremasi.v11i2.1278>.

40 Ilham Abbas and Aditya Halim Perdana Kusuma Putra, “Utilitarianism Perspective on The Use of E-Stamps in Business Practices in Indonesia,” *Jurnal IUS Kajian Hukum Dan Keadilan* 12, no. 1 (2024): 224–236, <https://doi.org/10.29303/ius.v12i1.1513>.

41 Endang Pratiwi, Theo Negoro, and Hassanain Haykal, “Teori Utilitarianisme Jeremy Bentham: Tujuan Hukum Atau Metode Pengujian Produk Hukum?,” *Jurnal Konstitusi* 19, no. 2 (2022): 268–293, <https://doi.org/10.31078/jk1922>.

Number 20 of 2008 serves as the primary legal foundation, outlining the definition, empowerment, and legal protection of MSMEs, as well as delineating the government's role in fostering a conducive business environment. This policy framework is further reinforced by Government Regulation Number 7 of 2021, enacted as an implementing regulation under the Omnibus Law on Job Creation. The regulation simplifies licensing procedures and expands MSMEs' access to digital markets through the establishment of an integrated digital ecosystem.

A range of affirmative policy measures have further expanded the scope of protection and empowerment for MSMEs. For instance, Presidential Instruction No. 2 of 2022 mandates that a minimum of 40 % of the government's procurement budget be allocated for MSME-produced goods and services, thereby institutionalizing economic inclusivity through public spending. Legal safeguards in the digital domain are reinforced by Law No. 27 of 2022 on Personal Data Protection, which imposes legal obligations on business actors—including MSMEs—to manage consumer data responsibly and in accordance with established data protection principles. In addition, Ministerial Regulation of the Ministry of Cooperatives and MSMEs No. 2 of 2023 strengthens the legal framework for digital transformation and promotes the integration of MSMEs into global value chains.

The intersection between public policy and the practical challenges faced by MSMEs—such as limited access to capital, inadequate infrastructure, low digital literacy, and limited legal awareness—demonstrates that government interventions are not merely normative in nature, but also adopt promotive and facilitative dimensions. These efforts encompass fiscal incentives, streamlined licensing procedures, and enhanced market access through public procurement schemes. Nevertheless, the effectiveness of such policies remains heavily contingent upon consistent implementation, grassroots accessibility, and the capacity of local governments to translate national legal and policy frameworks into tangible, on-the-ground initiatives that directly benefit MSME actors.

In accordance with Jeremy Bentham's view that the purpose of law is to promote the greatest benefit or happiness for the largest number of people, policies concerning the regulation and support of MSMEs should be designed and implemented to ensure that legal advantages are meaningfully extended to MSME actors. Aligned with this utilitarian perspective, legal frameworks must aim to enhance the welfare of MSMEs by providing them with access to protection, certainty, and equitable participation in economic development.

2.3.2. Comparing Legal Systems and Policy Frameworks for Micro Small Medium Enterprises Legal Empowerment: Indonesia and China

A comparative analysis of the legal systems and policy frameworks of Indonesia and China in the context of MSME legal empowerment reveals divergent approaches in responding to the challenges and opportunities within the sector. China employs a centralized model rooted in a command economy, characterized by stringent regulatory instruments coupled with flexible implementation mechanisms. In contrast, Indonesia adopts a more decentralized and participatory approach to MSME development, emphasizing local government involvement and stakeholder engagement. These structural differences significantly impact the effectiveness of policy execution, the distribution of legal and financial incentives, and the overall accessibility of state support for MSME actors in each jurisdiction.

In China, the formal recognition and classification of MSMEs are systematically governed by the Small and Medium-sized Enterprises Promotion Law, which defines MSMEs based on industry sector, asset value, number of employees, and annual turnover. This regulatory approach provides legal certainty and facilitates classification processes for the effective distribution of incentives and legal protections. Conversely, Indonesia refers to Law No. 20 of 2008 on Micro, Small, and Medium Enterprises, Government Regulation No. 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and MSMEs, along with other related regulations, which define MSMEs primarily based on net assets and annual sales revenue. However, the implementation and enforcement of these regulatory frameworks in Indonesia continue to face bureaucratic inefficiencies and weak legal oversight, particularly at the regional level.

China's fiscal policy in support of MSMEs is considered both progressive and responsive to economic dynamics. The Chinese government offers substantial tax relief, including a reduced income tax rate of up to 18% for MSMEs with annual profits below 30,000 RMB, as well as tax exemptions for priority sectors such as information technology and transportation.⁴² In contrast, Indonesia has implemented a final income tax rate of 0.5% for MSMEs with an annual turnover below IDR 4.8 billion, as stipulated in Government Regulation No. 23 of 2018.⁴³ However, fiscal incentives in Indonesia often suffer from poor dissemination, and MSME actors frequently encounter difficulties in accessing accurate information and navigating complex administrative procedures.

In the financing aspect, the Chinese government actively promotes the involvement of national banking institutions by establishing dedicated divisions to serve MSMEs and by eliminating unreasonable administrative fees. The China Banking Regulatory Commission (CBRC) has also issued specific regulations to regulate financial consultancy fees and ensure greater transparency in the loan application process.⁴⁴ In Indonesia, the government has introduced the *Kredit Usaha Rakyat (KUR)* program, which aims to provide MSMEs with access to low-interest financing.⁴⁵ However, the primary challenges lie in the mismatch between loan requirements and the actual conditions of MSME operators, as well as the generally low levels of financial literacy among micro-enterprise actors.

In the context of digitalisation, China demonstrates a significant advantage in the technological transformation of MSMEs through the integration of artificial intelligence (AI), the Internet of Things (IoT), and large-scale national e-commerce platforms such as Alibaba and JD.com. The government plays an active role in steering this transformation by formulating five-year strategic plans under the supervision of the Ministry of Industry and Information Technology (MIIT), aimed at accelerating MSME participation in emerging technology sectors.⁴⁶ Conversely, Indonesia continues to face persistent challenges, particularly the low level of digital literacy among MSMEs,

42 Zhu Lihong, "Small and Medium-Sized Enterprises in PRC Under Crisis," *Journal of European Economy* 23, no. 4 (2024): 654–669, <https://doi.org/10.35774/jee2024.04.654>.

43 Wiwiek Mardawiyah Daryanto and Christian Surjadi, "Indonesia Tax Simplification Indonesia Micro-Small-Medium Enterprise Takes On Government Regulation No. 23 Year 2018 And Government Regulation No. 46 Year 2013 Versus Norms Calculation And Government Tax Audits," *South East Asia Journal of Contemporary Business, Economics and Law* 21, no. 1 (2020): 22–31.

44 Rixu Lan, "The Rise and Standardized Development of Internet Finance," in *The Financial Development of China* (Springer, 2024), 321–56.

45 Agus Kurniadi, Sudarmiatin Sudarmiatin, and Ludi Wishnu Wardana, "The Role of MSMEs in Local Economic Improvement and Labor Absorption in Indonesia," *Nusantara Economics and Entrepreneurships Journals*, 2024, 333–341, <https://doi.org/10.59971/necent.v2i3.60>.

46 Xi Wang, "Chinese Consumers' Satisfaction with Online Shopping Platforms," *Asia Pacific Economic and Management Review* 1, no. 6 (2024): 8–20, <https://doi.org/10.62177/apemr.v1i6.81>.

especially those operating outside urban areas. Digitalisation initiatives led by the Ministry of MSMEs remain unevenly distributed and require substantial enhancement in terms of training, infrastructure development, and technical assistance.

From the perspective of intellectual property rights (IPR) protection, China has integrated its IPR system into the national strategy for MSME development by facilitating registration procedures and providing stronger legal safeguards. Although enforcement remains a challenge—particularly in addressing cross-jurisdictional IPR violations—China has implemented fast-track registration mechanisms and cost-subsidy schemes aimed at assisting MSMEs in securing trademarks, patents, or industrial designs.⁴⁷ In contrast, intellectual property protection for MSMEs in Indonesia remains limited. A significant number of MSME actors are still unaware of the importance of registering their trademarks and patents, and the registration process is often perceived as complex and financially burdensome.⁴⁸

By comparing the two countries, it can be concluded that China has succeeded in developing a legal and policy framework that is both integrated and supportive of strengthening MSMEs as the backbone of the national economy. Indonesia, while possessing a relatively comprehensive regulatory framework, still needs to enhance the implementation aspect, inter-agency coordination, and oversight of policy execution. In the context of legal protection, systemic reform is required to ensure legal certainty and accessible legal mechanisms for MSME actors, particularly in areas such as digitalization, financing, and intellectual property rights protection.

Drawing lessons from China, Indonesia may adopt several best practices such as sector- and income-based classification of MSMEs, innovation-driven tax incentives, the establishment of dedicated MSME service units within state-owned banks, and development strategies centered on industrial digitalization. However, such adaptations must be contextualized to align with Indonesia's unique legal, social, and economic characteristics in order to build a robust, sustainable, and equitable MSME empowerment system.

2.3.3. Legal Empowerment of Micro Small Medium Enterprises in Indonesia through Regulatory Simplification and Digital Transformation

In the context of national economic development, the role of MSMEs in Indonesia is highly strategic. However, their competitiveness and sustainability remain constrained by various structural barriers, including regulatory complexity, bureaucratic inefficiencies, and limited access to legal services and digital technology. Therefore, a legal empowerment approach becomes essential as a framework to ensure that MSME actors receive fair legal protection, access to justice, and meaningful participation in legal and policy processes. Legal empowerment is not merely a matter of deregulation, but rather the creation of an inclusive and transformative legal environment.

One of the primary challenges faced by MSMEs in Indonesia lies in the complexity of licensing procedures and the overlapping regulations among various government agencies. Although Indonesia has made efforts to simplify business licensing through the Online Single Submission (OSS) system, in practice, many MSME actors still struggle to understand its mechanisms and continue to feel burdened by an exhausting

47 Ruiyi Hou, "China's Intellectual Property Protection from the Perspective of International Trade," *Revista de Direito Internacional e Globalização Econômica* 4, no. 4-Ext (2025): 121–35.

48 Agus Salim and Agung Arafat Saputra, "Legal Protection of Intellectual Property Rights in Licensing Agreements in Indonesia: A Review from a Civil Law Perspective," *Jurnal Ar Ro'is Mandalika (Armada)* 5, no. 2 (2025): 387–403, <https://doi.org/10.59613/armada.v5i2.5154>.

administrative process.⁴⁹ This is where Jeremy Bentham's concept of legal utility becomes particularly relevant. According to this theory, ideal law is that which provides the greatest benefit to the greatest number of people. In the MSME context, legal frameworks should be designed to facilitate—rather than hinder—entrepreneurs in operating and growing their businesses.

The development of MSMEs is a vital component of national economic growth. Enhancing MSMEs necessitates a comprehensive, ecosystem-based strategy that addresses six fundamental areas: policy frameworks, access to financing, market opportunities, human capital development, business mentoring, and entrepreneurial mindset. Streamlining regulations and reinforcing digital transformation are essential to effectively integrate these elements⁵⁰ and to expedite the implementation of MSME development initiatives across all sectors.

The government's strategy to stimulate economic growth by enhancing investment, expanding financial access, and facilitating the empowerment and legal protection of MSMEs is embodied in regulatory reforms within the business licensing sector. These reforms are necessary to address longstanding investment barriers, including excessive bureaucratic procedures, overlapping regulations, and the lack of regulatory harmonization—particularly between national and regional laws—which has led to symptoms of regulatory overreach or hyper-regulation.

In an effort to accelerate national economic growth and promote the empowerment of business actors, including MSMEs, through regulatory reform, the Indonesian government has adopted a deregulatory approach via the Omnibus Law method. This is reflected in Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law. Theoretically, this approach is expected to streamline overlapping regulations, expedite licensing processes, and enhance bureaucratic efficiency within the framework of the national legal system. According to Firman Freaddy Busroh, the Omnibus Law offers significant advantages, such as resolving regulatory conflicts more effectively, improving inter-agency coordination, and ensuring legal certainty for business actors. However, from an empirical standpoint, the effectiveness of this policy continues to face various challenges, particularly in its implementation at the regional level and in terms of digital infrastructure readiness and legal literacy among MSME actors.

The findings reveal that, although the Omnibus Law—through the Online Single Submission (OSS) system—has formally improved access to business registration, most MSMEs remain unable to benefit fully due to limited information access, low digital literacy, and misalignment between central and regional systems. While licenses can now be issued faster, this has not significantly enhanced MSME competitiveness or provided sufficient legal protection, particularly in areas such as market access, digital contracts, and dispute resolution. Persistent issues such as weak inter-agency coordination and inadequate enforcement in the micro-enterprise sector continue to undermine the law's effectiveness. From a legal utility perspective, the Omnibus Law can only achieve its intended benefits if implemented alongside inclusive and participatory policies tailored to MSMEs. This reflects the utilitarian principle that the

49 Astri Siti Fatimah, "Online Single Submission (OSS) Based on E-Government Implementation in Micro Small Medium Business Licensing (MSMEs)," *Journal of Governance* 7, no. 4 (2022): 912–922, <http://dx.doi.org/10.31506/jog.v7i4.17703>.

50 Nur Faizah, "The Spiritualization of Domestic Violence in the Digital Era: Examining the Cathartic Role of Religious Institutions in Empowering Victims," *De Jure: Jurnal Hukum Dan Syar'iah* 15, no. 2 (2023): 251–267. <https://doi.org/10.18860/j-fsh.v15i2.23297>.

legitimacy of law depends on its ability to serve the broader public interest. Accordingly, the law's success must be assessed not just by regulatory simplification, but by its capacity to promote economic justice, improve legal literacy, and strengthen institutional coordination across sectors and regions.

Compared to China, the country's approach to empowering MSMEs demonstrates a more integrated and proactive model. The Chinese government directly facilitates small business actors through a comprehensive digital legal service system, such as Smart Courts, E-Government Platforms, and AI-based legal support. Moreover, China employs a top-down legal approach with robust affirmative schemes, ensuring that public policies align with the actual needs of the MSME sector. Business actors are not only recipients of legal protection but are also actively engaged in the digital transformation process through targeted assistance and incentives.

Indonesia can draw significant lessons from China's legal approach, particularly in terms of integrating legal policy, digital technology, and state support for small business actors. The Indonesian legal system, which has traditionally emphasized formalism and procedural rigidity, needs to shift toward a model of legal facilitation—that is, a legal framework that functions as a facilitator of development. Regulatory simplification must be accompanied by digital assistance, technology-based legal education, and the establishment of an open and inclusive legal ecosystem that is accessible to entrepreneurs in rural and remote regions.

The theory of legal utility emphasizes that the law must not only be formally valid (*rechtmatigheid*), but also produce tangible benefits (*doelmatigheid*) for society. This aligns with Sudikno Mertokusumo's perspective, which regards the utility of law as a crucial component of normative quality. This principle is reflected in regulatory simplification and digital transformation policies targeting MSMEs, such as the Job Creation Law and Government Regulation No. 7 of 2021. These legal instruments streamline business licensing, reduce bureaucratic obstacles, and establish an integrated digital ecosystem. Such policies expand MSMEs' access to the legal system and formal markets, providing legal certainty, economic efficiency, and business protection. From the standpoint of Bentham's utilitarianism, this represents a concrete effort to promote happiness and welfare for the greatest number of people—positioning MSME legal empowerment as a practical manifestation of the legal utility theory within Indonesia's national economic law framework.

The theory of legal utility advocates that legal policies should not be assessed solely based on formal legality, but also on their practical effectiveness in delivering tangible benefits. In this context, the digitalization of legal services for MSMEs can significantly reduce bureaucratic layers and accelerate access to legal certainty. For instance, the implementation of e-legalization, smart contract registration, and automated licensing systems can facilitate legal protection for MSME actors without requiring them to undergo lengthy and costly procedures. These innovations serve not only to increase efficiency, but also to actualize the law's role as an enabler of inclusive economic participation.

The successful implementation of approaches such as those used in China cannot be fully replicated in Indonesia without proper contextual adaptation. Indonesia adheres to the principles of a democratic rule of law grounded in social justice, whereas China's legal framework places greater emphasis on centralization and state control. Therefore, any adoption of the Chinese approach must be contextualized within Indonesia's local values, including community participation, the principle of regional autonomy, and

the protection of community-based micro-enterprises. This ensures that legal reforms remain aligned with Indonesia's constitutional commitments and pluralistic legal culture.

The digital divide that remains evident in various parts of Indonesia presents a significant barrier⁵¹, especially for MSMEs operating in remote or underdeveloped regions, where access to technology and digital legal services is still limited. To ensure meaningful legal empowerment for MSMEs, digital transformation efforts must be integrated with the advancement of IT infrastructure, comprehensive digital literacy programs, and the fair distribution of internet access. Within this framework, the government's role extends beyond regulation—it must also serve as a facilitator and driver of structural reform.

As an ideal framework, Indonesia could adopt a hybrid legal empowerment model that combines the pragmatism of China with Indonesia's principle-based legal approach. This model seeks to integrate technological innovation into legal services while remaining firmly anchored in the values of justice, public participation, and affirmative support for small-scale entrepreneurs. In practice, it would involve the simplification of regulatory processes through digital platforms, the establishment of community-based legal assistance mechanisms, the provision of digital legal education through MSME centers, and the systematic integration of business actors' data into national legal planning. By implementing this approach, legal empowerment for MSMEs in Indonesia would no longer be a mere normative aspiration, but rather a concrete and functional instrument that allows small enterprises to grow and compete within a fair, adaptive, and digitally responsive legal environment.

3. CONCLUSION

In advancing the legal empowerment of MSMEs in Indonesia, the application of the principle of legal utility plays a pivotal role. This principle emphasizes that the law must deliver tangible societal benefits and uphold fairness in its implementation. Accordingly, legal empowerment efforts for MSMEs should not be limited to formal regulatory compliance, but must be responsive to the real needs, constraints, and potentials of MSME actors. An effective legal empowerment framework should include adequate legal protection, simplified licensing and compliance procedures, reduced bureaucratic barriers, accessible digital legal infrastructure, and systematic human capital development. Moreover, strengthened multisectoral collaboration is essential to enhance the role of MSMEs in contributing to national economic resilience. The comparative analysis with China reveals that Indonesia continues to face critical gaps in its legal empowerment infrastructure, particularly in the provision of integrated digital legal services, inclusive regulatory frameworks, and robust, state-led facilitation mechanisms. In contrast, China's experience demonstrates that legal empowerment can be substantially accelerated through proactive legal reforms, digital integration, and institutional coordination that directly supports MSMEs. This article contributes a novel perspective by proposing a hybrid legal empowerment model that combines Indonesia's normative, principle-based legal approach with China's pragmatic, centralized governance model. It argues that legal empowerment for Indonesian MSMEs in the digital era cannot rely solely on deregulation or administrative simplification. Instead, it requires a more comprehensive strategy involving state-led legal facilitation, community-based digital

51 Beny Saputra, Hartati Hartati, and Olivér Bene, "Hungary's AI Strategy: Lessons for Indonesia's AI Legal Framework Enhancement," *Jambe Law Journal* 7, no. 1 (2024): 25–58, <https://doi.org/10.22437/home.v7i1.325>.

legal literacy initiatives, and institutional redesign that systematically embeds MSMEs into the legal development process. This integrated model is proposed as a forward-looking framework to close Indonesia's legal empowerment gap and ensure inclusive, sustainable growth for MSMEs in the digital economy.

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