

# Legal Protection Against Business Small Medium Micro Affected By The Covid-19 Pandemic

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**Abstract.** This study aims to evaluate government policies on micro, small, and medium-sized businesses impacted by the COVID-19 pandemic, as well as legal protections for micro, small, and medium-sized businesses impacted by the COVID-19 pandemic. This research employs an empirical normative methodology. This strategy for collecting research data involved traditional and online literature searches. This research employs qualitative data analysis because the data is presented in a descriptive-narrative format. The results of the study indicate that since the year 2020, the government has issued a variety of policies to support the recovery of the micro, small, and medium business sector, including the implementation of strict health protocols in conducting economic activities, structural policies, assistance to micro, small, and medium enterprises, introduction of digital technology and training for perpetrators and micro, small, and medium business workers, and the provision of a national economic strategy. Article 7 of the Law of the Republic of Indonesia No. 20 of 2008 respecting Micro, Small, and Medium-Sized Enterprises outlines the government legal protection for the development of the micro, small, and medium-sized business sector in Indonesia.

**Keywords:** Law, Pandemic, Economy

## 1. Introduction

The COVID-19 pandemic has changed the map of the world economy. The health crisis that has occurred has had a negative impact on the business world. Since the last year, many business actors have been forced to take extreme policies such as cutting production costs, reducing employees, operating policies, to selling products or even going out of business. Not only in the small business sector but in large companies as well. This situation was carried out with the reason that the Covid-19 pandemic was a forced situation. Force majeure is a condition that cannot be predicted in advance. This is not only caused by a lack of consumer purchasing power, but also the implementation of social and physical distancing policies that have prevented many business places from running normally. The employment policy or politics is oriented towards returning the position of workers to their nature as human beings with apparent dignity and worth. [1]

There are several industrial sectors that have had a very severe impact due to the COVID-19 pandemic, namely the tourism industry, the aviation industry, the manufacturing industry, and micro, small and medium enterprises. Micro, small and medium enterprises that have been affected by the COVID-19 pandemic have resulted in supply chain problems, resulting in lower production yields [2]. Micro, small and medium enterprises are business groups that have a large number when viewed from the perspective of their development [3].

The number of micro, small, and medium enterprises in Indonesia has reached 64.19 million, with micro, small, and medium enterprises comprising 99.92 percent of the whole business sector, or 64.13 million. This group is similarly adversely affected by the COVID-19 pandemic [4]. If this sector is disturbed, so too will be the national economy. The challenge that Indonesian micro, small, and medium-sized businesses confront today is that the impact of the COVID-19 storm has not only disrupted commercial activity, but also put 30% of micro, small, and medium-sized businesses out of business. When there is no confidence that the pandemic will stop, capital and marketing concerns are the most significant impediments. In accordance with Presidential Regulation Number 96 of 2020 pertaining to the Ministry of Cooperatives and Small and Medium Enterprises, the government, through the Ministry of Cooperatives and Small and Medium Enterprises, which is charged with increasing community participation in the field of cooperatives and small and medium enterprises, has provided breakthroughs for business actors to continue to be able to survive in the future. the covid-19 epidemic and throughout the transition to the new normal. This presidential order is a continuation and implementation of the Law of the Republic of Indonesia No. 39 of 2008 pertaining to State Ministries.

The government has actually provided protection for micro, small and medium enterprises as formulated in the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. However, in practice, this has not been effective given the absence of a supervisory mechanism from the government. On the other hand, this provision is considered only a formality because often national business actors are only used as silent partners so that the goal of empowering national business actors or micro, small and medium enterprises is not achieved. There are two things that become problems for micro, small and medium enterprises that need special attention and protection from the government, namely because of the large number of micro, small and medium enterprises in Indonesia and the weakness or lack of micro, small and medium enterprises when entering the free market competition system. The formulation of the problem in this study based on the description of the background are What is the government's policy towards micro, small and medium enterprises affected by the COVID-19 pandemic?, and What is the form of legal protection for micro, small and medium enterprises affected by the COVID-19 pandemic?

## **2. Method**

This is an example of library research [5]. Library research is research conducted through the collecting of library data or research conducted to answer an issue that primarily relies on a critical and in-depth examination of relevant library items. This research includes library research since data sources can be gathered from libraries or other written documents, including journals, novels, and other types of literature [6].

## **3. Discussion**

### **3.1. Government Policy on Micro, Small and Medium Enterprises Affected by the Covid-19 Pandemic**

The impact of the outbreak of COVID-19 which is now a pandemic in all corners of the world is very influential in all aspects. The Indonesian economy is no exception. Production will decrease, goods will become scarce and prices will soar up, resulting in high inflation rates, mainly due to exports and imports of raw materials as well as capital goods being widely

affected by the COVID-19 pandemic, while raw materials in Indonesia are still dependent on China coupled with the pandemic. Covid-19 has made the distribution of raw materials difficult.

The COVID-19 pandemic has also affected the economies of countries around the world, including Indonesia. The global economy is certain to slow down, following a decision from the WHO which declared the COVID-19 pandemic as a pandemic affecting the business world. Some of the impacts that can be caused include bankruptcy, mass layoffs, laid-off workers and several micro, small and medium enterprises that were forced to close due to a large economic impact on the running of the business so that it could cause financial difficulties in the community and cause a lot of unemployment. The impact of Covid-19 on micro, small and medium enterprises on average experienced a fairly large decline in turnover. This happens due to reduced community activities outside the home.

Micro, small and medium enterprises are business activities that can expand employment opportunities and absorb labor. The growth of micro, small and medium enterprises will have a positive impact on increasing the number of workers, reducing the number of poor people, income distribution and economic development, micro small and medium enterprises are also economic stimulants in developing countries. It is not surprising that there has been a crisis that has hit the world and even the United States, but the crisis is almost not felt by the Indonesian state, whose economic activities are carried out by micro, small and medium enterprises.

[7] Recently, developing countries have begun to consider the importance of micro, small and medium enterprises for three reasons, namely: the first reason is that the performance of micro, small and medium enterprises tends to be better in producing a productive workforce. Second, as part of its dynamics, micro, small and medium enterprises usually increase productivity through investment and technological change. Third, it is generally believed that micro, small and medium enterprises have an advantage over large companies in terms of flexibility.

In addition to advantages, micro, small and medium enterprises also have weaknesses. One of the weaknesses that often occurs in the micro, small and medium business sector is limited capital. Capital is very important in developing a business. The power possessed in a business comes from capital [8]. There are still many micro, small and medium enterprises who have relatively low capital and have not been able to expand their scope of business.

According to WHO, so far, COVID-19 has spread to more than 122 countries, including Indonesia. Meanwhile in Indonesia itself, COVID-19 has spread to 279 districts/cities spread across 34 provinces. In handling it, the government prefers a policy path from two directions, namely the substance policy (prevention) while focusing on economic improvement policies [9]. Two policies that are implemented at the same time cause the implementation to be not optimal and inconsistent, and there is even a tendency to miscoordinate between the central government and local governments. In the end, the two goals to be achieved, namely breaking the chain of spreading the virus and improving economic conditions, have not been achieved, and are even getting worse. Meanwhile, economic growth is estimated to decline from 5.4% to 2.5%, and could even be minus 0.4%. This condition has not only disrupted the economy but has also disrupted economic movement.

The government's national economic recovery measures during the COVID-19 epidemic include encouraging the micro, small, and medium business sector, which plays a vital role in the national economy due to the huge number of directly involved workers. In addition, there were 65.48 million micro, small, and medium firms in Indonesia. This population is likewise adversely affected by the COVID-19 pandemic.

It takes serious handling and firm and targeted policies to resolve the economic crisis. To support economic growth during the COVID-19 pandemic, the Indonesian government issued

a policy which was summarized into 3 (three) stimuli, namely fiscal stimulus, non-fiscal and the economic sector. The three stimuli are related to all the needs of the community, especially in several fields, including the business sector, business sector, tax sector and so on. The Minister of Finance has also coordinated this together with several institutions such as banks, financial services authorities, deposit insurance institutions and so on.

In the current pandemic crisis, the government has a significant challenge and an early chance to build new micro, small, and medium-sized businesses, necessitating the need for short-term remedies to aid micro, small, and medium-sized businesses and their employees. Followed by long-term solutions, particularly if it is related with the industrial era 4.0, which requires digital technology to support economic activity.

One of the most essential options for the recovery of micro, small, and medium-sized businesses is the 2020 and 2021 continuation of micro, small, and medium-sized business incentives under the federal government's National Economic Recovery program. Consequently, certain informal sector and micro, small, and medium-sized businesses will be able to withstand the effects of the COVID-19 pandemic [10]. This indicates that its current crisis is not as serious as that of numerous other significant businesses. In addition, it is anticipated that this initiative will reduce the number of layoffs in micro, small, and medium-sized businesses. According to BPS statistics as of August 2020, new job possibilities are being created due to the addition of 760 thousand entrepreneurs and an increase of 4.55 million informal workers.

The government must ensure that National Economic Recovery funds or support for micro, small, and medium-sized firms can be disbursed quickly and on target. Existing micro, small, and medium-sized business data is not yet integrated, which is an issue. In addition, the support program for micro, small, and medium firms through interest subsidies for people's business loans need additional attention, as there are still a significant number of micro, small, and medium enterprises that do not have access to banking services.

The government also continues to promote micro, small, and medium-sized businesses to join digital platforms through the Proudly Made Indonesia National Movement Program (Gernas BBI), with 11.7 million micro, small, and medium-sized businesses already on board by the end of 2020. The goal is for 30 million micro, small, and medium-sized firms to use digital technologies by 2030..

Expansion of Indonesian product exports for micro, small and medium enterprises is also carried out through the ASEAN Online Sale Day (AOSD) in 2020. Of the 64.20 million micro, small and medium enterprises in Indonesia, 64.13 million are still micro and small businesses that are still in the business sector. informal sector so that it needs to be encouraged to transform to the formal sector. The encouragement of micro, small and medium enterprises to take advantage of digital platforms is very much needed, especially in the current state of the COVID-19 pandemic. The use of digital platforms can increase efficiency and add sales or marketing channels for the micro, small and medium business sector which currently has limited physical access to customers or service users.

To reestablish confidence in public consumption, including among employees and micro, small, and medium-sized firms in Indonesia, it is also advised to expedite vaccinations. To achieve herd immunity among 181,55 million individuals, free vaccinations have been and will be administered. However, money for the mutual cooperation immunization program is provided by legal or commercial enterprises with sufficient financial resources.

It is believed that the government's policy of constructing an ultra-micro SOE holding in the second semester of 2021 will promote the empowerment of micro, small, and medium-sized businesses. PT Bank Rakyat Indonesia (Persero) Tbk, PT Pegadaian (Persero), and PT Madani

National Capital require the development of an ultra micro BUMN holding in order to synergize their operations (Persero). Without holding, the development of micro, small, medium, and microbusiness players by these three state businesses will proceed autonomously. It is anticipated that the construction of an ultra-micro SOE holding will result in the distribution of micro-credit financing that is more focused, has lower interest rates, and is accessible to a large number of potential consumers [11]. The anticipated benefits will enable micro, small, and medium-sized businesses to access a larger market and more marketing options than before. With this BUMN holding, it is also projected to be able to solve the problem of unintegrated data for micro, small, and medium-sized businesses.

Article 17 of Presidential Regulation of the Republic of Indonesia Number 96 of 2020 establishing the Ministry of Cooperatives and Micro, Small, and Medium Enterprises stipulates that the government is responsible for executing micro, small, and medium enterprise policies. Article 18 regulates the mode of policy implementation as well as the coordination and synchronization of policy implementation in the sector of micro, small, and medium enterprises by stating that the central government will provide technical guidance and supervision in the area of the development and empowerment of micro, small, and medium enterprises. All elements of the Ministry of Cooperatives and Micro, Small, and Medium-Sized Enterprises are responsible for carrying out the central government's directives.

### **3.2. Forms of Legal Protection for Micro, Small and Medium Enterprises Affected by the Covid-19 Pandemic**

The Law of the Republic of Indonesia Number 20 of 2008 on Micro, Small, and Medium-Sized Enterprises was issued at the end of 2008. This law represents the government's political stance toward bolstering the economic resilience of the nation, particularly in the sector of micro, small, and medium-sized businesses. As stated in the preamble letter c, the empowerment of micro, small, and medium-sized enterprises must be carried out comprehensively, optimally, and sustainably through the development of a conducive climate, providing business opportunities, support, protection, and business development as widely as possible, so as to enhance the position, role, and potential of micro, small, and medium-sized enterprises in realizing equitable economic growth and ii.

The COVID-19 pandemic has had a major impact on people's purchasing power. The public is required to reduce interactions with other people with the aim of suppressing the spread of this virus. With this condition, many consumers are turning to digital purchases in order to keep their distance from other people. The COVID-19 pandemic has indirectly made a very big change to the sales system in Indonesia from previously being able to sell their merchandise directly, being forced to sell their merchandise digitally (online).

The COVID-19 pandemic has shaken the country's economy in almost all business sectors. This condition threatens to even cause some companies to close their businesses. Although there are debt restructuring policies to tax incentives, the relaxation is temporary without any certainty of stopping the spread of the corona virus. As a result, the national economy, health and welfare are uncertain. The economy, which still comes from public consumption, due to the COVID-19 pandemic, has resulted in decreased purchasing power due to a decrease in production as well as supply which results in reduced income causing losses for business actors.

The government has been trying to focus on stopping the spread of the virus more broadly as this creates a crisis risk that threatens the economy. Various policies such as social assistance, credit restructuring to tax incentives have been pursued by the government to support the business world in surviving the crisis during this pandemic. The funds disbursed will run out

because the source of the problem is not extinguished and the spread of the virus is increasing and economic problems are also increasing [12].

The problem of micro, small and medium enterprises during the COVID-19 pandemic needs to be given a legal umbrella, so that with a legal umbrella, micro, small and medium enterprises can carry out their business activities in an orderly and orderly manner, have the value of legal certainty, and justice is given if one day there is a problem. The legal protection that regulates the economy can be found in its elaboration in the hierarchy of laws that apply in our country. We can see the main umbrella of the legislation in the Preamble to the 1945 Constitution of the Republic of Indonesia, paragraph 4, the 1945 Constitution of the Republic of Indonesia Article 33 and Article 34 Paragraph (1), and the Law of the Republic of Indonesia Number 20 of the Year 1945. 2008 concerning Micro, Small and Medium Enterprises. The 1945 Constitution of the Republic of Indonesia Article 33 and Article 34 Paragraph (1) regulates the economy and social welfare.

As a state of law, Indonesia carries out its responsibilities for economic development in accordance with applicable positive laws [13]. Responsibility in the field of economic development is not only borne by the central government, but also becomes the responsibility of local governments according to the authority attached to them based on the principle of decentralization [14].

The function of law in developing Indonesian society is not sufficient in its traditional function, namely to ensure certainty and order, but law as a means of renewal other than as a regulator or a means of development to channel human activities in the direction desired by development and renewal [15]. In carrying out its functions, the law is used as planning and countermeasures, because it is the result of exploring ideas that regulate people's lives in order to provide certainty, security, protection, and balance that is believed to guard social change as well as a means of development. Law is the principles and rules that govern human life, which embodies the application of those principles and rules into reality. The presence of law in society that connects and regulates the interests of organizations in society, plays a role in minimizing turmoil in the process of realizing it.

The problem of economic recovery for micro, small and medium enterprises is not only focused on the problem of funds alone which leads to the non-maximal absorption of government funds. However, the understanding of business actors regarding legal protection is also a determinant of the recovery and development of the small business climate. Such as the ease of licensing sector, intellectual property protection of trademarks, and protection of digital platforms. To reduce the obstacles faced by these micro, small and medium enterprises, the government must make several regulatory changes so that these regulations can provide space for small business actors to develop.

Legal protection is needed for micro, small and medium enterprises, both in terms of ease of licensing, protection of intellectual property rights, and also protection of digital platforms. These three things are the key to the success of micro, small and medium businesses to survive and to continue to develop during this covid-19 pandemic.

Related to the government's efforts to foster a business climate, this is regulated in the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises, especially Article 7 where the central government and regional governments foster a business climate by establishing laws and policies that covers aspects:

1. Funding.
2. Facilities and infrastructure.
3. Business information.
4. Partnership.

5. Business license.
6. Business opportunity.
7. Trade promotion.
8. Institutional support.

If the aspects in Article 7 are examined, all of these are a form of government legal protection for the development of the micro, small and medium business sector in Indonesia. However, in practice, there are several things that are important to note. This is related to the COVID-19 pandemic situation which requires the government and business actors to be more active in using information technology facilities if they do not want to go out of business [16].

Licensing management is a fairly high expense for business actors. Licensing cuts are certainly very helpful for business actors in the micro, small and medium business sector. The government has initiated an online licensing system which is also known as OSS (Online Single Submission) Presidential Regulation Number 91 of 2017 in September 2017 concerning the Acceleration of Business Implementation. Online Single Submission is a business licensing system that is integrated electronically with all ministries or state agencies to local governments in Indonesia.

Protection of intellectual property rights related to registration of trademarks and service marks is very important for business actors, including the micro, small and medium business sector. Ignorance of micro, small and medium enterprises regarding the protection of trademark registration has caused a new problem. This is important so that brand owners can protect their brands from piracy by irresponsible parties and brand owners can raise their brands so that they can expand markets, both domestic and foreign markets.

The COVID-19 pandemic has changed the trading ecosystem a lot. Entrepreneurs are forced to adapt to digital commerce. According to Ministry data, the COVID-19 pandemic has changed the trading ecosystem a lot. Entrepreneurs are forced to adapt to digital commerce. According to data from the Ministry of Micro, Small and Medium Enterprises, it was recorded that during the pandemic, trade through digital platforms increased by 26% throughout 2020 or in other words, it could reach 3.1 million transactions per day. However, the digital trading platform that dominates Indonesia today has not been fully able to provide space for increased trade in the micro, small and medium business sector. If we look at the largest digital trading platform in Indonesia, it is played by big companies.

Where each of these marketplaces has cooperation with several fintechs or e-wallets, which means it makes it difficult for micro, small and medium enterprises to compete at the national level, let alone the international level. The circulation of money will only occur in big cities, where digital trading takes place. The digitalization promised by the government as a form of support for the improvement of micro, small and medium enterprises has not yet shown a real form. The regulations produced by the government are still only about bureaucratic formalities. The legal protection of digital platforms for micro, small and medium enterprises, where business actors in this sector are more widely spread in rural areas, must be ensured to be able to compete with digital platforms that are already large.

#### **4. Conclusion**

The government's national economic recovery measures during the COVID-19 epidemic include supporting the micro, small, and medium-sized business sector, which plays an essential role in the national economy. Predictions of global economic growth must be incorporated into the creation of economic policies, particularly those pertaining to micro, small, and medium firms. Since 2020, the government has issued various policies to support the recovery of the

micro, small, and medium enterprise sector, including the implementation of strict health protocols in conducting economic activities, structural policies, assistance to micro, small, and medium enterprises, the introduction of digital technology, and training for micro and small business actors and workers. medium, the provision of a national economic recovery program, the Indonesian-made proud national movement program, the vaccine acceleration program, loan restructuring, and the development of an ultra-micro BUMN holding.

Protection of micro, small, and medium enterprises, namely the regulation based on social justice-based legal principles in the preamble of the Republic of Indonesia's 1945 Constitution. Article 7 of the Republic of Indonesia Law No. 20 of 2008 respecting Micro, Small, and Medium-Sized Enterprises outlines the government legal protection for the development of the micro, small, and medium-sized business sector in Indonesia. Regarding the COVID-19 pandemic situation, legal protection for micro, small, and medium-sized businesses is required, both in terms of licensing simplicity, protection of intellectual property rights, and legal protection of digital platforms. These three factors are crucial to the survival and growth of micro, small, and medium-sized enterprises during the covid-19 pandemic.

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