

Legal Protection for MSME Traders in Indonesia: A Theoretical Study in the Perspective of Economic Law and Consumer Protection

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) have a vital role in the Indonesian economy, contributing more than 60% to GDP and absorbing 97% of the workforce. However, despite this significant contribution, MSME actors still face various legal challenges, including a lack of contractual protection, limited access to financing, and low legal literacy. This study aims to analyze the effectiveness of legal protection for MSME traders from two primary perspectives: economic law and Consumer Protection. The research method used is normative law (normative juridical), by examining laws and regulations, legal doctrines, and related academic literature. The primary legal materials analyzed include Law Number 20 of 2008 concerning MSMEs, Law Number 8 of 1999 concerning Consumer Protection, and other relevant regulations. The results show that although a normative legal framework is available, its implementation and effectiveness are still not optimal. From an economic law perspective, complex bureaucracy and high litigation costs hinder MSMEs from obtaining legal certainty, thereby creating detrimental uncertainty. Meanwhile, from a consumer protection perspective, MSME actors are faced with new challenges in the digital era, such as personal data protection and intellectual property rights, which they often do not understand. In conclusion, concrete steps are needed from the government and stakeholders to increase legal protection for MSMEs. The recommendations submitted include simplifying regulations, increasing legal literacy, facilitating alternative dispute resolution, and adapting regulations to digital dynamics. This research is expected to make a theoretical contribution to economic law and become the basis for policy formulation that is more in favor of MSMEs, in order to strengthen business sustainability and the foundation of the national economy.

Keywords: MSMEs, Legal Protection, Economic Law, Consumer Protection, Digital Era.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a very strategic role in the Indonesian economy. Data from the Ministry of Cooperatives and SMEs show that MSMEs contribute more than 60% to the Gross Domestic Product (GDP) and absorb around 97% of the workforce in Indonesia (Aliyah, 2022). This significant contribution shows that MSMEs are not only a driver of the local economy but also a solid foundation for the national economy, improving the welfare of the community in general and providing extensive employment opportunities for various levels of society (Aliyah, 2022; Wahyuni et al., 2024).

However, despite its vital role, many MSME traders face various legal issues. These problems include limited access to capital, inadequate contractual protection, and a lack of understanding of their legal rights and obligations. Most MSME actors do not have adequate legal protection when dealing with cooperation agreements or in resolving trade disputes, which has the potential to harm the sustainability of their businesses (Judijanto, 2024; Indrawati & Rachmawati, 2021). Therefore, greater attention to legal aspects for MSME actors is needed to ensure legal certainty for their business development (Nasution et al., 2024; Pradnya & Yuniarta, 2024).

Normatively, legal regulations have existed in Indonesia to protect MSMEs, such as Law Number 20 of 2008 and the Judijanto Consumer Protection Law, 2024 (Novita & Santoso, 2021). However, the implementation and socialization of these regulations are often less effective. This is due to various factors, including low law enforcement and a lack of legal

literacy among MSME actors (Wahyuni et al., 2024; Marlina et al., 2024). To improve this situation, concrete steps are needed from the government and other stakeholders to improve legal understanding and their implementation ability among MSME actors (Nasution et al., 2024; Wahyuni et al., 2024).

Moreover, the era of trade digitalization through e-commerce has brought new challenges to MSMEs. While digitalization offers opportunities to improve efficiency and market reach, it also introduces legal risks such as personal data protection and intellectual property rights that MSME actors may not understand well (Pattisahusiwa et al., 2024; Listiyono et al., 2024). Therefore, a more in-depth study of the ideal legal protection in the digital era for MSME traders is critical. Expanding training and education related to legal rights and obligations that must be fulfilled in the context of e-commerce is a strategic step that must be taken (Listiyono et al., 2024; Firmansyah et al., 2024).

Therefore, this study aims to analyze the legal protection of MSME traders from the perspective of economic law theory and consumer protection, to contribute to the development of legal science and provide recommendations for policymakers. This will lead to the formulation of policies that are more in favor of MSMEs, strengthen their business sustainability, and improve the overall business climate in Indonesia (Aliyah, 2022; Nasution et al., 2024; Judijanto, 2024).

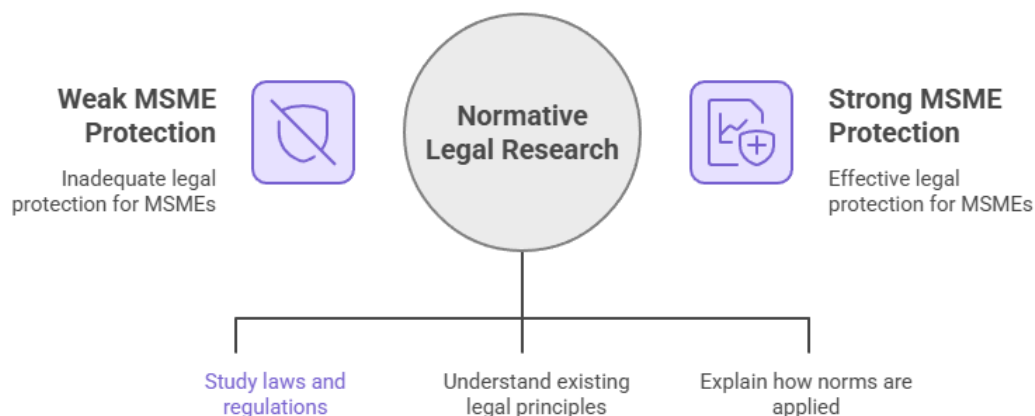
RESEARCH METHODS

Normative legal research was chosen because the primary focus of the research is to analyze the legal norms that govern the protection of micro, small, and medium enterprises (MSMEs) in Indonesia. This approach emphasizes the study of relevant laws and regulations and legal theories to explain the concept of legal protection in the context of MSMEs. Normative legal research can provide a strong theoretical framework in understanding the implementation of law, namely by examining existing legal doctrines and principles, as well as explaining how these norms are applied in society (Disemadi, 2022; (Country, 2023; .

The legal materials used in this study consist of primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations, such as Law Number 20 of 2008 concerning MSMEs, which is the basis for the protection of small businesses. Additionally, the Consumer Protection Law and the Electronic Information and Transaction Law were also raised due to their relevance in strengthening the position of MSMEs in the digital era. Secondary legal sources are taken from academic literature and expert views that discuss this legal phenomenon, while tertiary legal materials include legal dictionaries and encyclopedias that provide additional explanations of the terminology used (Haq & Yunanto, 2024; Asriyani & Maskun, 2024).

The analysis in this study was carried out in a descriptive-analytical manner, which aims to describe relevant legal rules and analyze their application to the protection of MSME traders. This approach not only emphasizes grammatical understanding of legal texts, but also includes systematic and teleological interpretations to gain an in-depth understanding of the effectiveness of legal norms in practice (State, 2023; Fahmi et al., 2025). Through this kind of analysis, it is hoped that this study can make a significant theoretical contribution to the development of economic law studies and provide input for strengthening MSME protection regulations in Indonesia (Marfungah & Suartini, 2024; Saepudin et al., 2024).

Strengthening MSME Protection in Indonesia



RESULTS AND DISCUSSION

1. Analysis of Legal Protection for MSMEs from the Perspective of Economic Law

Based on a study of various laws and regulations and legal literature, it can be concluded that legal protection for MSME traders in Indonesia is still not optimal, mainly if analyzed from the perspective of economic law. Economic law focuses on the efficiency of resource allocation and the sustainability of economic activities. In the context of MSMEs, this means that existing regulations should be able to create an ecosystem that supports growth and innovation, not become an obstacle.

According to Law Number 20 of 2008 concerning MSMEs, the government has provided a strong normative foundation for MSMEs, such as ease of licensing, access to financing, and partnerships (Articles 6, 8, and 25). However, its implementation is often hampered by complex bureaucracy and a lack of socialization. Many MSME actors, especially in remote areas, do not know the procedure for obtaining a Business Identification Number (NIB) or accessing the KUR (People's Business Credit) loan program. As a result, they remain in the informal sector, are vulnerable to legal risks, and find it challenging to thrive.

From the point of view of economic law, the lack of contractual protection is also a crucial problem. Most MSMEs operate without an explicit written agreement with suppliers or business partners, which leaves them vulnerable to disputes and financial losses. When disputes occur, the cost of taking the formal legal route (litigation) is often too high for MSMEs, both in terms of time and cost. This creates legal uncertainty that hinders economic growth. The government should facilitate faster, cheaper, and more effective Alternative Dispute Resolution (ADR) mechanisms, such as mediation or arbitration, specifically for MSME disputes.

2. Legal Protection Analysis for MSMEs from the Perspective of Consumer Protection

This study highlights legal protection for Micro, Small, and Medium Enterprises (MSMEs) in the context of Law Number 8 of 1999 concerning Consumer Protection (UUPK). Although this law is intended to protect all consumers, both those who transact with large companies and MSMEs, in practice there is a striking imbalance. According to Aisyah et al.,

MSME actors often do not have an adequate understanding of their rights and obligations in transactions, making them vulnerable to lawsuits from consumers (Aisyah et al., 2023). This is reinforced by research showing that consumers who transact with MSMEs are often unaware of the legal challenges that can arise from such relationships (Pramono & Kurniati, 2023).

This phenomenon is further complicated by the digital transformation. E-commerce and social media platforms provide new channels for MSMEs to market their products, offering opportunities to reach a wider range of consumers (Hisyam et al., 2023; Trulline, 2021). However, this also brings new risks, including personal data protection issues and intellectual property rights (IPR) (Hendrawanto et al., 2023). Many MSME actors do not have sufficient knowledge to protect their consumer data or to register their trademarks, which is important to protect their products from plagiarism (Rahman et al., 2023). Overall, lack of understanding of this legal aspect can cause significant financial losses for MSMEs as well as loss of trust from consumers (Adelia et al., 2024).

Meanwhile, consumers have the right to get products that meet the quality standards that have been set. The dispute resolution process in this case is often unstructured, with institutions such as the Consumer Dispute Resolution Agency (BPSK) more often used for cases involving large companies (Rimbing et al., 2024). This makes MSMEs often negotiate solutions with consumers directly, which does not provide legal certainty (Putra, 2024). Research shows that this legal instability and uncertainty can hinder the growth of MSMEs and harm consumers, creating an unfair trade ecosystem (Bhagaskara & Tarina, 2024; Pramono & Kurniati, 2023).

In order to improve consumer performance and trust, knowledge of legal regulations and procedures is crucial. Continuous education to MSME actors about legal regulations and how to protect consumer rights can increase their competitiveness (Ulya et al., 2023; Apriani & Said, 2022). By strengthening legal literacy and understanding of consumer rights and applicable regulations, it is hoped that MSMEs can operate more effectively and ethically in this increasingly complex market (Prayuti et al., 2024).

3. Implementation and Challenges in the Digital Era

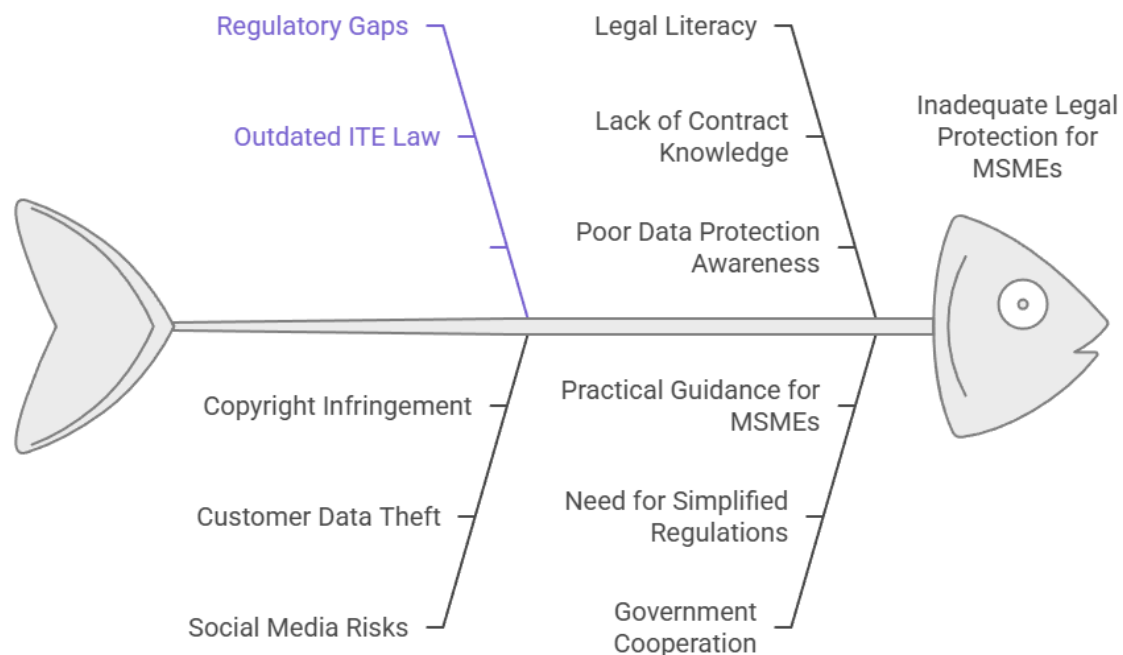
The development of digital technology brings various opportunities for MSME (Micro, Small, and Medium Enterprises) players who are increasingly expanding their access to a wider market. However, regulatory challenges also arise, especially in the context of legal protection. The analysis shows that regulations such as Law Number 11 of 2008 concerning Information and Electronic Transactions (ITE Law) along with its amendments are still inadequate to accommodate the business dynamics of MSMEs in a digital environment. This is evidenced by research that indicates that existing regulations have not fully adapted to the development of social media as the main tool for MSME marketing (Effendi et al., 2020).

Many MSMEs today rely on social media to sell their products and services. However, legal provisions regarding transactions made through social media are not fully detailed, creating a situation where MSME actors and consumers are both at risk (Wijaya & Chen, 2024). For example, customer data theft and copyright infringement often occur without a clear mechanism for reporting or resolving disputes. Data shows that almost 73% of internet users in Indonesia are active on social media, but not all MSMEs are legally ready to address the issues that arise from the use of this platform (Lukitaningsih et al., 2024; Lestari et al., 2024).

Therefore, legal literacy is a crucial aspect that needs to be improved among MSME actors. Education on simple contract creation, personal data protection, and intellectual property rights should be the main focus. Cooperation between the government and related

institutions is urgently needed to simplify existing regulations and provide practical guidance that can be understood by MSME actors (Alnajim & Fakieh, 2023; Prakasa & Fauzan, 2024). With this proactive approach in improving legal knowledge, it is hoped that MSMEs can operate safely in a digital environment and reduce the risks they face.

Regulatory Challenges for MSMEs in the Digital Age



CONCLUSIONS

Legal protection for MSME traders in Indonesia, from the perspective of economic law and consumer protection, still has many gaps. Although the legal framework already exists, its implementation has not been effective due to low legal understanding, complicated bureaucracy, and challenges in the digital age. This inadequate protection hinders MSMEs from developing, investing, and innovating.

In order to make this legal protection more effective, this study provides several recommendations:

1. **Regulatory Simplification:** The government needs to simplify licensing and administrative procedures for MSMEs, making them more accessible and understandable.
2. **Improving Legal Literacy:** It is important to hold regular legal education and training programs, focusing on the practical needs of MSMEs, such as contract law, IPR, and consumer protection.
3. **Dispute Resolution Facilitation:** Encourage and facilitate faster and cheaper alternative dispute resolution (ADR) mechanisms, specifically for disputes involving MSMEs.
4. **Adaptation of Digital Regulations:** Develop more specific and adaptive regulations to the business dynamics of MSMEs in the digital era, including data protection and online transaction security.

By implementing these recommendations, it is hoped that legal protection for MSMEs can be improved, create a more conducive business climate, and ultimately, strengthen the foundation of the national economy.

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