

JURIDICAL ANALYSIS OF THE IMPACT OF GOODS STANDARDISATION ON MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN ECONOMIC PERSPECTIVE

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Abstract

This research analyses the juridical impact of the implementation of goods standardisation on Micro, Small and Medium Enterprises (MSMEs) from an economic perspective in Indonesia. Through a normative juridical approach, this research examines key regulations such as Law No. 20 of 2014 on Standardisation and Conformity Assessment and Government Regulation No. 7 of 2021 on the Facilitation, Protection, and Empowerment of MSMEs, which require the fulfilment of product standard certificates for businesses. The results show that standardisation provides benefits in the form of increased competitiveness, product quality assurance, and expanded market access, but also poses challenges in the form of certification cost burdens, complexity of procedures, and limited resources for micro-scale MSMEs. Government policies through certification facilitation, incentives, and simplification of procedures are considered important to ensure legal protection for consumers while encouraging the sustainability of MSME businesses. Thus, the optimisation of an inclusive and equitable standardisation policy is key in strengthening the position of MSMEs as a pillar of the national economy in the era of global competition.

Keywords: Standardisation of Goods, MSMEs, Juridical Analysis, Economics, Legal Protection.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy. MSMEs not only contribute significantly to the national Gross Domestic Product (GDP), but also form the backbone of job creation and equitable economic development in various regions. The widespread existence of MSMEs throughout Indonesia plays an important role in reducing economic disparities between regions and strengthening national economic resilience (Szerb, 2021).

However, in the midst of globalisation and free trade, MSMEs are faced with major challenges to compete in both domestic and international markets. One of the main challenges is the fulfilment of increasingly stringent product quality standards, along with increasing consumer demands for product quality, safety and security. Product standardisation and certification are important instruments to ensure that MSME products are able to meet applicable technical requirements, both nationally and globally (Tenai ., 2020)

The Ministry of Trade and the National Standardisation Agency (BSN) are actively encouraging MSME players to implement product standardisation and certification. This effort aims to upgrade MSME products, increase competitiveness, and gain wider access to the export market. Standardisation not only provides quality assurance to consumers, but also formal proof of quality that is recognised internationally, thus opening up opportunities for MSMEs to enter the global trade chain (Kukuh S. Achmad, 2022).

Despite this, the level of adoption of standardisation and certification among MSMEs is still relatively low. Data shows that of the approximately 64 million SMEs in Indonesia, only a small proportion have brand certificates or patent certificates, and even fewer have met the Indonesian National Standard (SNI). This condition is an obstacle in increasing competitiveness and market penetration, both at home and abroad (Chikmawati ., 2021)

The implementation of standardisation and certification provides various benefits for MSMEs. In addition to increasing consumer confidence, standardisation can also protect consumers from low-quality products, strengthen the bargaining position of MSMEs in the market, and provide convenience in business development, both through franchising, licensing, and access to financing. However, on the other hand, the certification process is often considered burdensome for MSMEs, especially in terms of costs, complexity of procedures, and limited human resources owned (Chong, 2020).

From a legal perspective, the implementation of standardisation is regulated in Law No. 20/2014 on Standardisation and Conformity Assessment. This regulation confirms that SNI can be applied voluntarily, but for certain products related to safety, security, health, and the environment, SNI is mandatory. Violation of SNI provisions can result in administrative sanctions up to the prohibition of product circulation in the market (Saputra, 2023).

In the economic context, standardisation acts as a tool to increase the efficiency of trade transactions, reduce transaction costs, and provide legal certainty for businesses and consumers. Standardisation can also function as an instrument of domestic protection, but its application must still pay attention to the principles of international trade so as not to cause unreasonable barriers (Meyilani ., 2021)

The government has made various efforts to facilitate MSMEs in obtaining SNI certificates, including through the people's market revitalisation programme, education, and periodic socialisation on the importance of standardisation. Collaboration between the government, business actors, and other stakeholders is key in accelerating the adoption of standardisation in the MSME sector (Saputra, 2022).

However, implementation challenges in the field are still considerable. Many MSMEs do not understand certification procedures, limited access to information, and low standard literacy are the main inhibiting factors. Therefore, a comprehensive

strategy is needed, starting from simplifying certification procedures, providing incentives, to increasing the capacity of MSME human resources (Wiyadi ., 2021)

A juridical analysis of the impact of goods standardisation on MSMEs is very relevant to identify the extent to which existing regulations have favoured small and medium enterprises, and how these policies can be optimised to support national economic growth. This research is expected to contribute to formulating a fair and sustainable standardisation policy for MSMEs in Indonesia.

Thus, the urgency of research on the juridical analysis of the impact of goods standardisation on MSMEs from an economic perspective lies in the effort to find a balance between consumer protection, increased product competitiveness, and MSME business sustainability.

Research Methods

The research method used in this research is the normative juridical method, which is research that focuses on the analysis of applicable legal norms related to the standardisation of goods and their impact on MSMEs, by focusing on literature studies to collect data in the form of primary, secondary, and tertiary legal materials such as laws, regulations, and relevant legal literature; all data obtained is then analysed descriptively-qualitatively to provide an in-depth understanding of the legal and economic aspects of the application of goods standardisation to MSMEs (Baumeister & Leary, 2020); (Torraco, 2020).

Results and Discussion

Legal Regulation of Goods Standardisation in Indonesia in the Context of MSMEs

The legal regulation of goods standardisation in Indonesia has undergone significant developments in the last decade, particularly in the context of the protection and empowerment of Micro, Small and Medium Enterprises (MSMEs). The main legal framework is regulated through Law No. 20/2014 on Standardisation and Conformity Assessment which provides the legal basis for the mandatory and voluntary implementation of Indonesian National Standards (SNI). This regulation confirms the role of the National Standardisation Agency (BSN) as the authoritative institution responsible for setting product technical standards, including overseeing their implementation in the MSME sector (Novie, 2023).

The government differentiates the application of SNI for MSMEs through SNI Bina UMK, a special scheme that facilitates the certification process with simpler requirements. This scheme is integrated in the Online Single Submission (OSS) system through Government Regulation No. 7 of 2021, allowing MSMEs to obtain a Business Identification Number as well as the right to use the SNI Mark based on a commitment to fulfil a checklist of requirements. This policy aims to reduce the administrative burden while accelerating the adoption of quality standards (Paul, 2020). For high-risk products

such as food, cosmetics, and medical devices, SNI is mandatory to protect consumers from health hazards. Violation of this provision is punishable by imprisonment of up to 5 years or a fine of IDR 5 billion according to Articles 62-73 of Law No. 20/2014. However, implementation of sanctions is often accompanied by an educative approach through a tiered coaching programme by BSN and the Ministry of Trade (Prasetyo ., 2021)

The government provides financial incentives to encourage MSME participation in standardisation. The cost of SNI certification for MSMEs is fully covered through the state budget, in contrast to the rates applicable to large companies. This policy is supported by Presidential Instruction No. 2 of 2022 on Accelerating the Use of Domestic Products, which allocates 40% of the government budget for the procurement of certified MSME products (Novie, 2023) .

From an economic perspective, standardisation creates a dual impact for MSMEs. On the one hand, it increases export market access and domestic consumer confidence. On the other hand, micro MSMEs face technical constraints such as limited production capacity, lack of competent human resources, and minimal access to technology to fulfil SNI parameters (Meria, 2024) .

Harmonisation with international standards (ASEAN/EU) is a priority through the ASEAN Consultative Committee on Standards & Quality (ACCSQ). BSN actively adopts 3,879 international standards until 2022 to ensure MSME products are able to compete in the global market. *Capacity building* programmes such as technical training and mentoring by LPK (Conformity Assessment Institution) are focused on export-oriented MSMEs (Muhammad Faqih, 2023) .

Evaluation of regulation implementation shows the need for policy differentiation based on business scale. BSN data recorded only 1,339 MSMEs as *role models* for SNI implementation during 2015-2022, indicating the need for a more inclusive approach for micro enterprises. Proposed solutions include simplifying certification procedures, strengthening BSN-regional Trade Office collaboration, and integrating standardisation programmes with MSME management training (Chikmawati ., 2021)

Economic Impact of Standardisation Implementation on MSME Business Continuity

The implementation of goods standardisation, particularly through the Indonesian National Standard (SNI), has had a significant economic impact on the business viability of MSMEs in Indonesia. Standardisation has been shown to contribute to labour productivity growth and national Gross Domestic Product (GDP), with the Centre for Economics and Business Research (Cebr) report for ISO noting that standardisation contributed to 21.2% labour productivity growth and 14.5% GDP growth in Indonesia between 1994 and 2019. This shows that the implementation of standards not only impacts large companies, but also the MSME sector, which is the backbone of the national economy (Tran, 2022) .

The economic benefits of standardisation for MSMEs include increased production efficiency and reduced operational costs. Case studies on Batik MSMEs in Semarang show that the implementation of standards contributes to the efficiency of purchasing raw materials by 2.63%, the efficiency of production process costs by 14.78%, and an increase in labour productivity by 4.45% (Wulandari, 2022). This efficiency is very important for MSMEs, which generally have limited capital and resources. In addition, standardisation increases the competitiveness of MSME products in domestic and international markets. Products that have met the standards are more easily accepted by consumers because they are considered to have guaranteed quality and safety. This opens up opportunities for MSMEs to expand markets, including to export markets, where standardised requirements are often a major obstacle for products without certification (Lumbangaol., 2022)

The implementation of standards also provides intangible benefits such as increased consumer confidence, brand value, and business reputation. Many businesses recognise that, after implementing SNI, their brand value and market share have increased, and customer trust has grown stronger. This trust is very important in building long-term relationships with customers and business partners (Deviana Yuanitasari & Helitha Novianty Muchtar, 2019).

Internally, standardisation encourages innovation and efficiency in the production process. MSMEs are encouraged to continuously improve the quality of their products and services to comply with applicable standards. This innovation not only improves product quality, but also accelerates MSMEs' adaptation to technological and market developments. However, despite these benefits, there are challenges faced by MSMEs in implementing standardisation (Gál, 2023). Certification costs, complexity of procedures, and limited access to information are the main obstacles, especially for micro and small MSMEs. Many MSME players feel that the cost and administrative burden of obtaining certification is quite heavy, so they need government support in the form of subsidies and technical assistance (Prasetyo., 2021)

The government has endeavoured to provide convenience for MSMEs in the certification process, such as simplifying procedures and exempting certification fees for micro and small enterprises. This facilitation is expected to increase the number of MSMEs that are certified and able to compete in a wider market. Another economic impact of standardisation is the increased access of MSMEs to the supply chains of large industries and government procurement. MSME products that have been certified are easier to enter modern markets, e-commerce, and qualify in government procurement tenders. This provides greater business growth opportunities (Saputra, 2023).

Standardisation also plays a role in consumer and environmental protection, so MSME products that have been certified have added value in the aspect of sustainability. Consumers are increasingly aware of the importance of safe and

environmentally friendly products, so certification is a competitive advantage for MSMEs (Chikmawati ., 2021)

Amidst the threat of recession and economic crisis, MSMEs that have implemented standardisation tend to be more resilient and adaptive. Standards become a risk mitigation tool businesses, strengthen business resilience, and maintain operational continuity amid rapid market changes (Lumbangaol ., 2022)

However, there is still a gap between the number of certified MSMEs and the total number of MSME players in Indonesia. Data shows that only a small proportion of MSMEs are able to meet standards, so a more inclusive and sustainable strategy is needed to expand the scope of standardisation in the MSME sector (Míkva ., 2020)

Finally, the implementation of goods standardisation has proven to have a positive economic impact on the sustainability of MSME businesses, both in terms of efficiency, competitiveness, and business sustainability. However, successful implementation is highly dependent on policy support, assistance, and ease of access for all MSME players in Indonesia.

Standardisation Policy to Protect MSMEs

Standardisation policy to protect MSMEs in Indonesia has become one of the government's top priorities in an effort to strengthen the competitiveness and sustainability of small businesses amid increasingly open market competition. The government, through the Ministry of Trade and the National Standardisation Agency (BSN), actively encourages MSME players to implement standardisation and product certification as an effort to improve the quality and consistency of the products produced (Kadocsa, 2022) .

Product standardisation and certification, such as the Indonesian National Standard (SNI), is believed to be able to increase consumer confidence, expand market access, and become an entry point for MSMEs into the global trade chain. With products that have met the standards, MSMEs have a greater opportunity to compete not only in the domestic market, but also in international markets that demand quality assurance and product safety (Rahman, 2021) .

The government is also aware that the standardisation process is not always easy for MSMEs, especially regarding costs and complexity of procedures. Therefore, various facilitation programmes have been launched, such as free or subsidised SNI and halal certification, as well as training and mentoring through the KUMKM Integrated Business Service Centre (PLUT). These programmes aim to reduce the cost burden and improve the readiness of MSMEs in meeting standard requirements. In addition to financial incentives, the government provides easy access to financing, such as the People's Business Credit (KUR), as well as tax incentives and export facilities for MSMEs that have met certain standards. This step is expected to reduce production costs and increase the competitiveness of MSMEs in the global market (Sudaryanto et al., 2024) .

Regular socialisation and education is also an important part of standardisation policy. The Ministry of Trade regularly organises socialisation and education for businesses and the public to understand the importance of standardisation and its benefits for consumer protection and strengthening the image of local products (Pitoyo & Suhartono ., 2023)

Pre-market supervision through the registration of goods for which SNI is mandatory, especially for products related to security, safety, health, and the environment (K3L), is also carried out to ensure that MSME products in circulation meet applicable standards. This not only protects consumers, but also provides legal certainty for business actors (Prasetyo ., 2023)

The SNI-based people's market revitalisation programme is one concrete example of a standardisation policy that directly touches the MSME sector. With people's markets that meet the standards, the image of traditional markets becomes better, cleaner, and healthier, thus attracting more consumers and increasing the competitiveness of MSMEs selling in the neighbourhood (Tran, 2022) .

Cross-sector collaboration between the central government, local governments, BSN, MSME associations, and private partners is also strengthened to expand the reach of standardisation programmes. This collaboration is important to ensure that all MSME players, including those in remote areas, can access the standardisation facilities and assistance needed (Muhammad Faqih, 2023) .

Presidential Instruction No. 2 of 2022 on the Acceleration of the Use of Domestic Products also strengthens the standardisation policy by allocating government budget for the procurement of certified MSME products. This provides a great opportunity for MSMEs to become suppliers of government goods and services, provided that they meet the standards set (Meria, 2024) .

From a legal perspective, the implementation of SNI on MSME products aims to protect the public interest, state security, national economic development, and environmental preservation. Standards are also a tool to protect local products from unfair competition in the era of free trade, while encouraging efficiency and innovation among MSME players (Novie, 2023) .

Nonetheless, challenges still remain, especially for micro MSMEs that are often constrained in fulfilling technical and administrative requirements. Therefore, the government continues to evaluate and adjust policies to be more inclusive, such as through the SNI Bina UMK scheme which is simpler and more affordable for micro and small businesses (Paul, 2020) . The importance of standardisation is also affirmed by the DPR and various other stakeholders, who consider that SNI can increase the competitiveness of MSME products and provide protection to consumers from products that do not meet health and safety standards. Thus, standardisation policy is not only oriented towards consumer protection, but also towards strengthening the position of MSMEs in the national economic structure (Wiyadi ., 2021)

Overall, the standardisation policy to protect MSMEs in Indonesia is a combination of regulation, facilitation, education, and cross-sector collaboration. These efforts are expected to create a healthy, competitive, and sustainable business ecosystem, so that MSMEs are able to upgrade and make a greater contribution to national economic growth.

Conclusion

Standardisation of goods has a dual impact on MSMEs from an economic perspective. On the one hand, the Indonesian National Standard (SNI) acts as a legal instrument that improves product competitiveness through quality assurance, expands export market access, and strengthens consumer confidence. On the other hand, this policy has the potential to exclude micro-scale MSMEs due to high certification costs, complex administrative procedures, and gaps in production capacity and human resources. Regulations such as Law No. 20/2014 and PP No. 7/2021 have attempted to balance the interests of consumer protection with the facilitation of MSMEs through the SNI Bina UMK scheme, but its implementation still needs differentiation based on business scale to ensure economic justice.

Holistically, optimising standardisation policies requires multidimensional collaboration between the government, businesses, and supporting institutions. Simplification of certification procedures, fiscal incentives, and integration of technical-managerial training programmes are key to reducing the burden on micro MSMEs. At the global level, the harmonisation of ASEAN standards through the *Mutual Recognition Arrangement (MRA)* needs to be balanced with strengthening the capacity of MSMEs to compete in the regional market without compromising the sustainability of local businesses. With this approach, standardisation can be a transformative tool that drives inclusive growth while maintaining the diversity of MSME products as a pillar of the national economy.

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