

IMPLEMENTATION OF RISK-BASED BUSINESS LICENSING REGULATIONS FOR MSMEs IN INDONESIA

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Abstract

This study discusses the implementation of risk-based business licensing regulations for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia through the Online Single Submission Risk-Based Approach (OSS-RBA) system. This policy is part of the business licensing reform aimed at simplifying procedures, increasing business formality, and strengthening MSME competitiveness. The research method used is a descriptive qualitative approach with data collection techniques through literature studies, policy documentation, and analysis of various relevant official sources. The results show that risk-based licensing provides significant convenience for MSMEs, especially in the issuance of Business Identification Numbers (NIB) for low-risk businesses. However, the implementation of the policy still faces several obstacles, such as low digital literacy among MSMEs, limited internet access, difficulties in selecting KBLI (Indonesian Business Identification Number), minimal socialization, and technical constraints in the OSS-RBA system. The central and regional governments have an important role in supporting the success of implementation through system improvements, mentoring, socialization, and strengthening licensing services at the regional level. This study concludes that the effectiveness of the policy is quite visible in increasing the formality of MSMEs, but still requires further policy support so that the benefits of business legality have an impact on the sustainable development of MSMEs.

Keywords: *Risk-Based Business Licensing, OSS-RBA, MSMEs, Policy Implementation and Business Formalities*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy, contributing significantly to employment, income equality, and driving economic activity across various regions. However, despite the large number of MSMEs, many still face challenges in terms of business legality, particularly related to licensing. This problem arises because for years, the business licensing system in Indonesia has been perceived as complicated, requiring numerous documents, taking a long time to complete, and incurring significant costs. This situation has led some MSMEs to choose to operate informally, ultimately limiting access to financing, government programs, business partnerships, and legal protection. To address these issues, the Indonesian government has undertaken major reforms by implementing a risk-based business licensing system, regulated in a derivative policy of the Job Creation Law. The concept of risk-based licensing essentially shifts the licensing paradigm from a uniform system to one that considers the level of risk of business activities.

This means that low-risk businesses should receive easier licensing, while medium- to high-risk businesses still need to meet additional requirements in accordance with safety, health, and environmental standards. With this approach, the government hopes to simplify, expedite, and transparent the licensing process, encouraging formalization among MSMEs, thereby increasing competitiveness and productivity. However, in practice, implementing risk-based business licensing regulations still faces various challenges, particularly for MSMEs. One major obstacle is the readiness of MSMEs to understand licensing procedures, which are now often conducted through digital systems such as the Online Single Submission (OSS). Not all MSMEs have adequate digital literacy, especially in areas with limited internet access. Furthermore, there are still information gaps regarding the types of permits required, business risk classifications, and the stages of standard compliance. As a result, although this system is designed to simplify matters, some MSMEs still experience confusion and administrative obstacles.

On the other hand, the implementation of this policy is also influenced by coordination between central and regional government agencies. In some cases, there are still differences in understanding or interpretation regarding the implementation of risk-based licensing, including in terms of supervision, issuance of standard certificates, and the role of local governments. This situation can create uncertainty for MSMEs, as they still face varying procedures, depending on their region and business sector. Furthermore, MSMEs often face indirect cost constraints, such as the need for assistance, consultation, or preparation of certain documents that are considered burdensome for small-scale businesses. This issue is crucial because the success of risk-based licensing is measured not only by the existence of regulations, but also by the extent to which these policies are truly accessible and utilized by MSMEs. If policy implementation is not optimal, the main objectives of licensing reform, namely increasing business formality, ease of doing business, and increasing MSME competitiveness, may be hampered. Therefore, a study on the implementation of risk-based business licensing regulations for MSMEs in Indonesia is relevant to understand the obstacles, opportunities, and effectiveness of the policy in supporting sustainable MSME growth.

Table 1.1 Contribution of MSMEs to the Indonesian Economy

No	MSME Contribution Indicators	Main Data	Meaning in National Economy
1	Proportion of the number of business units	MSMEs dominate the number of business units in Indonesia, namely more than 99% of the total national business units.	Shows that Indonesia's economic structure is highly dependent on MSMEs as the largest business actors.
2	Labor absorption	MSMEs absorb most of the national workforce	MSMEs are the main sector in providing employment and reducing unemployment.
3	Contribution to Gross Domestic Product (GDP)	MSMEs make a significant contribution to national GDP	Shows that MSMEs play a major role in creating added economic value and national growth.

Source: Ministry of Cooperatives and SMEs

MSMEs play a highly strategic role in the Indonesian economy. This is evident in their dominance among national business units. Generally, data frequently used in various studies and government reports indicates that MSMEs comprise over 99% of all business units in Indonesia. This confirms that MSMEs are the main foundation of economic activity in both urban and rural areas. In addition to dominating the number of businesses, MSMEs also constitute the largest labor force. The majority of Indonesia's workforce is employed in the MSME sector, particularly in micro and small businesses spread across various regions. Business licensing reform in Indonesia is part of the government's major effort to improve the investment climate and ease of doing business for businesses, including Micro, Small, and Medium Enterprises (MSMEs). One of the key milestones of this reform was the enactment of Law Number 11 of 2020 concerning Job Creation, which shifted the licensing paradigm from the traditional permit-based approach to a risk-based approach. With this approach, the licensing system is no longer uniform for all types of businesses, but is tailored to the level of business risk, thus expected to accelerate the licensing process and reduce administrative barriers for businesses. In the context of the licensing system, the government then developed and implemented the Online Single Submission Risk-Based Approach (OSS-RBA) System as the primary tool for implementing risk-based licensing. The OSS-RBA is an integrated digital-based business licensing service system that allows businesses to apply for, process, and obtain a Business Identification Number (NIB) and other permit requirements through a single online service. A risk-based approach means that the type and level of licensing requirements that must be met by business actors are adjusted to the risk classification of the business activity (for example, low, medium, or high risk).

According to several researchers, this risk-based licensing model brings several important changes to business licensing governance. In a study examining the implementation of the OSS-RBA (Operational Business License) after the Job Creation Law, Dharmayanti and Sumerta Yasa (2022) stated that the OSS-RBA system represents a dynamic step in licensing reform aimed at simplifying permit applications and increasing efficiency and transparency in licensing services. However, they also highlighted implementation challenges, such as data verification and synchronization issues that still need to be addressed in practice. Furthermore, Bakhrur Rokhman et al. (2023) emphasized in their research that implementing risk-based licensing through the OSS can increase efficiency, transparency, and accuracy in business licensing management in Indonesia. This approach allows for a

more measurable licensing process because it is based on an assessment of business risk levels, making the types of permits issued more relevant to the characteristics of the business activities being undertaken. The implementation of risk-based licensing is further elaborated in implementing regulations, such as Government Regulation Number 5 of 2021 concerning the Implementation of Risk-Based Business Licensing. This regulation explains that risk classification for business activities is based on the risk factors inherent in those activities. For low-risk businesses, licensing only requires a Business Identification Number (NIB) registration; for medium-risk businesses, business actors are required to attach a standard certificate in accordance with regulations; and for high-risk businesses, licensing must be accompanied by complete verification and permit requirements from authorized agencies. Philosophically, this risk-based licensing approach aligns with the trust but verify principle adopted in the OSS system, which provides trust to business actors by facilitating licensing, while still being accompanied by adequate verification and oversight mechanisms to ensure compliance with national standards and public protection. However, although the OSS-RBA regulations and system have been designed to simplify and streamline licensing, several studies have shown that implementation challenges still arise.

These challenges include the limited capacity of regional institutions to conduct verification, differences in policy interpretation between the central and regional governments, and the readiness of business actors to understand the digital OSS system. This indicates that risk-based licensing reform requires guidance, regulatory harmonization, and capacity building for business actors and officials to optimally achieve the goal of ease of doing business. Thus, MSMEs are not only economic drivers but also function as a socio-economic buffer by reducing unemployment and providing job opportunities for people with various levels of education. Furthermore, the contribution of MSMEs is also evident in their role in the formation of Gross Domestic Product (GDP). MSMEs contribute significantly to creating added economic value through production, trade, services, and the creative sector. The large contribution of MSMEs to GDP indicates that national economic growth is supported not only by large companies, but also by the activities of small and medium enterprises, whose numbers are very dominant. Therefore, government policies oriented towards ease of doing business and legal licensing are crucial to ensure that MSMEs can develop, move up in class, and increasingly contribute to the Indonesian economy.

Research on the implementation of risk-based business licensing regulations for MSMEs in Indonesia is important and feasible because MSMEs are a dominant sector in the national economy, both in terms of the number of business units, workforce absorption, and contribution to Gross Domestic Product (GDP). However, this MSME dominance has not been fully accompanied by a high level of business formality. Many MSMEs still operate without adequate legal permits, resulting in limited access to financing, legal protection, business partnerships, and government empowerment programs. Therefore, improving the licensing system is a strategic factor in encouraging MSMEs to move up in class and become competitive. In this context, the Indonesian government is undertaking licensing reforms through the implementation of risk-based business licensing, which is part of the post-Job Creation Law policy. This reform aims to simplify the licensing process by differentiating requirements based on business risk levels (low, medium, and high) and integrating licensing services through the Online Single Submission Risk-Based Approach (OSS-RBA) digital system. Conceptually, this policy is expected to accelerate the issuance of business legality, increase legal certainty, and strengthen the investment and entrepreneurial climate.

The urgency of this research is also driven by the need for ongoing public policy evaluation. Risk-based licensing reform is a highly strategic national policy, requiring examination not only from a regulatory perspective but also from an implementation perspective, particularly for MSMEs as the primary target group. Implementation evaluation is necessary to determine whether the policy truly reduces licensing barriers or creates new ones through the digitization of services. In other words, this research is crucial for assessing the alignment between policy objectives and the realities experienced by MSMEs. Therefore, this background confirms that the implementation of risk-based business licensing is a strategic step by the government to improve the business climate, but it still requires in-depth evaluation regarding system readiness, MSME capacity, and consistency of implementation in the field. This study is expected to provide a comprehensive overview of the reality of policy implementation and recommendations for improvements to maximize the goal of improving the ease of doing business for MSMEs.

Identification of problems

Based on the background that has been described, several main problems can be identified related to the implementation of risk-based business licensing regulations for MSMEs in Indonesia, namely as follows:

1. There are still many MSMEs who do not have business legality such as a Business Identification Number (NIB) and business permits, so the level of MSME formality is still low.

2. The implementation of risk-based business licensing through the OSS-RBA system is not yet fully understood by MSMEs, especially micro-enterprises that have limited knowledge of administration and licensing procedures.
3. The digitalization of licensing through OSS-RBA poses challenges for MSMEs with limited digital literacy and internet access, particularly in certain regions.
4. There are still technical obstacles in the OSS-RBA system, such as registration difficulties, data synchronization, and verification obstacles, which have the potential to slow down the licensing process for MSMEs.
5. The implementation of risk-based business licensing regulations requires coordination between the central government and regional governments, but in practice, differences in understanding and variations in implementation in the field are still found.
6. MSMEs still face obstacles in fulfilling the requirements for standard certificates or further permits for businesses categorized as medium or high risk, due to limited assistance and information.
7. Not all MSMEs have optimally benefited from risk-based licensing, such as easier access to financing, partnerships, government programs, and increased business competitiveness.

Formulation of the problem

Based on the identification of the problem, the formulation of the problem in this research can be formulated as follows:

1. How is the implementation of risk-based business licensing regulations for MSMEs in Indonesia?
2. What are the obstacles faced by MSMEs in accessing risk-based business licensing through the OSS-RBA system?
3. What is the role of the government (central and regional) in supporting the implementation of risk-based business licensing for MSMEs?
4. To what extent is risk-based business licensing effective in increasing the formality of MSME businesses (for example, ownership of a NIB/permit) and supporting MSME development?
5. What efforts can be made to increase the success of implementing risk-based business licensing regulations to make them more accessible to MSMEs?

LITERATURE REVIEW

2.1. Risk-Based Business Licensing and OSS-RBA Policy

Several studies have reviewed risk-based business licensing policies in Indonesia to understand the changes and challenges of their implementation. Falah, Irawati, and Karlina (2024) emphasize that the licensing reforms outlined in Law No. 11 of 2020 concerning Job Creation were followed by Government Regulation No. 5/2021, which mandates the implementation of risk-based business licensing through the OSS-RBA system. This policy is designed to simplify licensing procedures, increase legal certainty, and open up investment opportunities, while simultaneously facilitating business actors in obtaining business permits according to their risk level. Rokhman et al. (2024) explain that the OSS is seen as a state administrative innovation that increases the efficiency, transparency, and openness of licensing services. The OSS provides an integrated digital platform that accelerates licensing mechanisms and reduces traditional bureaucracy, thus expected to improve the overall business climate in Indonesia. Furthermore, research by Joseph, Mamonto, and Tarore (2025) shows that the implementation of the OSS-RBA is also seen as a solution for digitizing public services to improve the ease of licensing, although attention still needs to be paid to infrastructure readiness and the competence of public service personnel.

2.2. Implementation of OSS-RBA in MSMEs

Research by Bimarasmana et al. (2025) illustrates that the implementation of risk-based licensing for MSMEs is not yet fully optimal. In their study of MSMEs in Mataram City, they found that many MSMEs still do not understand or process licensing through the OSS-RBA, resulting in low levels of business formality and high administrative barriers. Research by Safitri, Hendrayady, and Poti (2024) supports this finding, stating that although the OSS-RBA system has been implemented in many regions, including Bintan, the implementation process for MSMEs still faces challenges, particularly in the implementation of services at the DPMPTSP, which must adjust verification and service standards to comply with risk-based licensing provisions. Hapsari, Riau, and Aripin (2024) found in South Jakarta that the use of OSS-RBA affects the quality of public services. However, the effectiveness of this system for MSMEs is also influenced by understanding, digital readiness of business actors, and information

delivery by service officers. Research on the implementation of OSS-RBA conducted in Palembang showed that this system helps micro and small businesses in obtaining automatic permits for low-risk businesses, but medium and high-risk businesses still experience obstacles due to the complex certification/verification process.

2.3. Effectiveness of OSS-RBA in Ease of Doing Business

Several studies have also evaluated the effectiveness of the OSS-RBA. Masori, Hamamah, and Walim (2025) assessed that the implementation of OSS-RBA has accelerated the licensing process and provided procedural convenience for businesses. However, its effectiveness is not yet optimal because the system still requires technical and administrative improvements to provide overall ease of doing business for MSMEs. Sihombing and Sudiarawan (2022) in a study in Denpasar City showed that the implementation of OSS-RBA is already underway and has had a positive impact on accelerating licensing, but it still requires ongoing development to address technical issues and make licensing services more responsive to business needs.

2.4. Risk-Based Licensing and MSME Legality

Research in Cibatu Village by Farida and Radian (2024) found that business legality through risk-based business licensing is crucial for MSMEs due to its relationship to access to financing, marketing, and business sustainability. However, MSMEs still lack knowledge about the importance of business legality and the OSS process, negatively impacting business development. These studies indicate that although risk-based licensing regulations have become national policy, their implementation at the MSME level remains suboptimal. This opens up opportunities for further research into implementation barriers, their impact on business formality, and efforts to improve services to effectively encourage MSME growth in Indonesia.

METHOD

3.1. Research Approach and Type

This study uses a qualitative approach because it focuses on an in-depth understanding of the implementation process of risk-based business licensing policies for MSMEs in Indonesia. This approach was chosen because it allows for exploring experiences, perceptions, and the dynamics of policy implementation in the field through descriptive data in the form of words, narratives, and interpretations based on social context (Creswell, 2014 in Ginting et al., 2022). This research is qualitative descriptive, where the collected data will systematically explain the implementation of the OSS-RBA policy for MSMEs, the obstacles faced by actors, and the roles of related institutions. This approach aligns with research by Kamal (2025), which used qualitative descriptive methods to analyze the implementation of OSS-RBA in the regional government licensing sector.

3.2. Location and Time of Research

The research was conducted at several Investment and One-Stop Integrated Services Offices (DPMPTSP) in the designated research areas (e.g., DKI Jakarta, East Java, or other representative areas for national MSMEs). These locations were chosen because they are implementing units for risk-based business licensing services that directly impact MSMEs.

3.3. Informants and Sampling Techniques

The informants in this study consist of:

1. MSME actors who have processed business permits based on OSS-RBA.
2. Licensing service officers at DPMPTSP who handle OSS-RBA.
3. Policy supporters such as service officials, members of MSME associations, or MSME assistants who understand the licensing process.

The sampling technique used was purposive sampling—a technique for intentionally selecting informants based on certain criteria (for example, having experience managing OSS-RBA or being a service provider). This approach aligns with research on OSS-RBA implementation conducted in Sumedang, where informants were intentionally selected to obtain relevant data.

3.4. Data Collection Sources and Techniques

Research data was obtained from two main sources:

1. Primary data, namely data obtained directly from the field through:
 - In-depth interviews with MSME actors, DPMPTSP officers, or related stakeholders.

- Direct observation of the risk-based licensing service process.
 - Documentation such as photos, service documents, and administrative evidence.
2. Secondary data, namely data from literature, licensing regulations (Law No. 11 of 2020, Government Regulation No. 5 of 2021), scientific articles, official government reports, and other relevant academic publications. This literature study approach was also used by Puri & Muslim (2023) in their research on OSS-RBA implementation and the factors influencing it.

3.5. Data Analysis Techniques

Data analysis in this study uses the Miles, Huberman & Saldana (2014) model which consists of three main stages:

1. Data Reduction
Summarize and simplify data from interviews, observations, and documents to focus on the theme of policy implementation, obstacles, and the role of institutions systematically.
2. Data Display
Organize data in narrative, table, or graphic form to make it easier to understand patterns and relationships between variables.
3. Conclusion Drawing/Verification
Generating valid interpretations based on the presented data. This approach is similar to that applied in other research related to OSS-RBA.

3.6. Data Validity and Reliability

To ensure data validity, researchers carried out:

1. Source triangulation: comparing information from various informants (e.g. MSMEs vs service officers).
2. Triangulation techniques: combining interviews, observations, and documentation.
3. Re-checking (member checking) of informants to ensure that the interpreted data is in accordance with the source's statement.

RESULTS AND DISCUSSION

Implementation of risk-based business licensing regulations for MSMEs in Indonesia

The implementation of risk-based business licensing regulations in Indonesia is a form of public policy reform aimed at creating a simpler, faster, and more transparent business climate. This policy was born in response to the classic problem of business licensing in Indonesia, which has been considered complicated, expensive, time-consuming, and involves lengthy bureaucratic procedures. This condition has impacted the low level of formality among MSMEs, as the majority of micro and small businesses tend to operate informally without clear legal standing. Therefore, the government, through the Job Creation Law and its derivative regulations, has shifted the licensing paradigm to a risk-based one, where permits are adjusted to the risk level of the business activity. Essentially, risk-based business licensing categorizes business activities into three main categories: low risk, medium risk, and high risk. For low-risk businesses, MSMEs simply register through the Online Single Submission (OSS) system to obtain a Business Identification Number (NIB). The NIB serves as a business identity and serves as a gateway for MSMEs to gain access to various government services and programs.

For medium-risk businesses, MSMEs not only require a Business Identification Number (NIB) but are also required to meet certain standard certificates demonstrating that the business has met the technical requirements for the sector. Meanwhile, high-risk businesses require further permits and stricter verification because they are deemed to have a greater impact on safety, health, the environment, or the public interest. This risk categorization demonstrates that risk-based licensing policies strive to balance ease of doing business with public protection. This policy is implemented through the OSS-RBA (Online Single Submission Risk-Based Approach) system as the primary licensing service platform. Through OSS-RBA, the licensing process is integrated, eliminating the need for MSMEs to visit multiple agencies to manage their business legality. This system should be able to cut through bureaucratic red tape, reduce the opportunity for illegal levies, and increase service transparency. For MSMEs, digitalizing licensing through OSS-RBA represents a significant opportunity because it can accelerate business legality, especially for micro-businesses that previously experienced difficulties accessing conventional licensing services. However, in practice, the implementation of risk-based business licensing regulations still faces various challenges. The main challenge arises from the readiness of MSMEs to navigate digital systems. Many MSMEs, particularly micro-enterprises, still have limited digital literacy, making it difficult to access the OSS (Online Business Access System), enter data, select the appropriate KBLI (Limited Licensing Information System), and

understand risk-based licensing procedures. Furthermore, limited internet access in some regions has exacerbated the gap in the implementation of this policy. This situation forces some MSMEs to rely on assistance from third parties, such as DPMPTSP service officers, MSME assistants, or even unofficial third parties. This indicates that the digital transformation in licensing services is not yet fully inclusive for all MSMEs. In addition to obstacles faced by business actors, the implementation of this policy is also affected by the capacity of the government as the implementer. In some regions, there are still limited personnel resources, a lack of outreach, and suboptimal coordination between relevant agencies. The risk-based licensing policy requires synchronization between the central and regional governments because service implementation and supervision are not solely carried out by the central government but also by regional governments through relevant agencies. If coordination is not effective, MSMEs may face procedural uncertainty or differences in service delivery across regions. This can undermine their trust in the licensing system.

On the other hand, this policy also poses challenges for MSMEs in the medium and high-risk categories. While the initial goal of the policy was to simplify matters, obtaining standard certificates or advanced permits often requires specific technical requirements that are difficult for MSMEs to meet, either due to limited capital, lack of understanding, or limited assistance. Consequently, some MSMEs feel that the risk-based licensing policy only simplifies the initial NIB registration process but remains challenging when it comes to meeting advanced standards. This demonstrates that the success of the policy's implementation is measured not only by the issuance of NIBs but also by the ability of MSMEs to meet regulatory business standards. Nevertheless, the implementation of risk-based business licensing regulations still has a positive impact on MSMEs. Easier business legality can improve MSMEs' access to formal financing, government assistance programs, procurement of goods and services, and partnership opportunities with larger companies. Furthermore, business legality also provides legal protection for MSMEs and enhances their credibility in the eyes of consumers. In other words, risk-based licensing policies have significant potential to boost MSMEs' competitiveness and enhance their competitiveness. Overall, the implementation of risk-based business licensing regulations for MSMEs in Indonesia represents a strategic step in public service reform and strengthening the national economy. However, the success of this policy still requires stronger support in the form of outreach, MSME mentoring, increased digital literacy, and strengthened coordination between the central and regional governments. With these improvements, it is hoped that risk-based licensing will become more than just a formal regulation, but a truly effective instrument in creating an inclusive and sustainable ease of doing business for MSMEs in Indonesia.

What are the obstacles faced by MSMEs in accessing risk-based business licensing through the OSS-RBA system?

The implementation of risk-based business licensing through the OSS-RBA (Online Single Submission – Risk Based Approach) system is essentially designed to facilitate business actors, including MSMEs, in obtaining business legality quickly and in an integrated manner. However, in practice, MSMEs still face various complex obstacles, both technical, administrative, and social. These obstacles are factors that influence the policy's success rate, particularly in encouraging MSMEs to enter the formal sector. One of the main obstacles is the low digital literacy of MSMEs, especially among micro and small businesses. Many MSMEs are unfamiliar with using online services, resulting in difficulties from the initial stages of account registration, data entry, and business classification selection (KBLI). The OSS-RBA system requires a fairly good understanding of administrative procedures and technology, while some MSMEs still rely on manual methods to manage their businesses. This condition tends to make MSMEs need assistance from other parties, such as service officers, MSME assistants, or even third-party services that are not always official.

Another obstacle is unequal internet access and unstable network quality, particularly in remote areas or regions with limited digital infrastructure. Because the OSS-RBA is online-based, the licensing process is highly dependent on internet network availability. MSMEs in areas with low connectivity often experience disruptions when accessing the OSS website, uploading documents, or completing the licensing process. This causes what should be a fast process to become slow, and often even fail. Furthermore, MSMEs also face challenges in the form of complex administration and business data. In the OSS-RBA system, business actors must provide quite detailed data, such as identity information, business address, business capital, business sector, and KBLI classification. Many MSMEs lack complete supporting documents, such as business location status, proof of location ownership, or organized business data. This makes it difficult for them to meet system requirements, especially for MSMEs that are still home-based or lack a clear business structure.

Another frequently encountered obstacle is the difficulty in determining the appropriate KBLI (Indonesian Standard Classification of Business Fields). Selecting a KBLI is crucial because it determines the level of business risk and the type of permit required. However, many MSMEs lack a clear understanding of the business terms and classifications available in the system, leading to frequent errors in selecting a KBLI. These errors can lead to inappropriate licensing processes, such as micro-enterprises that should be classified as low-risk, instead being listed as medium or high-risk, requiring additional, more challenging requirements. During implementation, MSMEs also face technical challenges with the OSS-RBA system. Frequently reported issues include slow servers, system errors, data synchronization issues, and delayed verification processes. These technical challenges can frustrate MSMEs, who must repeat the registration process or wait for long periods without certainty. For MSMEs with limited time and resources, this presents a significant obstacle to managing business legality.

Furthermore, there are obstacles in the form of minimal outreach and assistance from relevant parties. Not all MSMEs receive sufficient information about the OSS-RBA (Business License) system, the benefits of a Business Identification Number (NIB), and the stages of risk-based licensing. Some MSMEs still consider business licensing a complicated and expensive process, making them reluctant to even attempt to obtain permits. The lack of assistance also causes MSMEs to struggle when encountering technical issues or procedural confusion. An equally important obstacle is MSMEs' perceptions of licensing. Many MSMEs remain concerned that once their businesses are registered and have a Business Identification Number (NIB), they will be subject to higher taxes, stricter supervision, or face difficulties in operating their businesses. This perception leads some MSMEs to choose to continue operating informally. This indicates that implementation issues are not only technical but also involve psychological factors and MSMEs' level of trust in the government.

Furthermore, for MSMEs categorized as medium and high risk, challenges arise in meeting standard certification requirements and subsequent permit requirements. While the OSS-RBA system simplifies the issuance of a Business License (NIB), businesses with certain risks must meet technical standards, such as product certification, safety standards, or environmental requirements. These requirements are often considered burdensome, requiring cost, time, and specialized assistance. As a result, MSMEs often stop at the NIB issuance stage without continuing the process to meet further standards. Overall, the obstacles faced by MSMEs in accessing risk-based business permits through the OSS-RBA can be understood as a combination of technological, administrative, and social factors. The success of this policy is determined not only by a modern system but also by the readiness of MSMEs, the availability of digital infrastructure, effective outreach, and ongoing support. Therefore, for the OSS-RBA to be truly effective for MSMEs, the government needs to strengthen education, expand assistance, improve the quality of the system, and ensure more inclusive licensing services for all MSMEs in Indonesia.

The role of the government (central and regional) in supporting the implementation of risk-based business licensing for MSMEs

The implementation of risk-based business licensing through the OSS-RBA system is a strategic government policy to create ease of doing business, accelerate business formalities, and increase the competitiveness of MSMEs. However, the success of this policy is determined not only by the existence of regulations and digital systems, but also by the active role of the central and regional governments in ensuring that MSMEs can access licensing services easily, quickly, and equitably. Therefore, the government has a crucial responsibility as a policy designer, service implementer, and facilitator for MSMEs. The central government plays a primary role in developing an integrated national regulatory framework and licensing system. Through the Job Creation Law and its derivative regulations, the central government established a risk-based licensing concept that divides business types into low-, medium-, and high-risk categories. This framework aims to simplify licensing procedures so that MSMEs are no longer burdened by the same stringent requirements as large-scale businesses. In this context, the central government acts as a policymaker, determining the standards, procedures, and licensing mechanisms that apply nationally.

In addition to drafting regulations, the central government also plays a role in building a digital licensing infrastructure through the OSS-RBA. This system was developed as a national platform to facilitate the issuance of NIBs, standard certificates, and more complex business permits. The central government's role is crucial because OSS-RBA is the backbone of modern licensing services, connecting business actors with various ministries/agencies. The central government also plays a role in ensuring data integration between agencies, making the licensing process more transparent and less repetitive. Meanwhile, regional governments play a crucial role as policy implementers at the field level. Regional governments, particularly through the Investment and One-Stop Integrated Services Agency (DPMPSTP), are at the forefront of providing licensing services to MSMEs. In practice, many MSMEs still require direct assistance due to limited digital literacy, a lack of procedural understanding, or technical difficulties in using

OSS-RBA. Therefore, the role of regional governments is crucial in providing consulting services, mentoring, and technical guidance so that MSMEs can complete the licensing process correctly. In addition to providing services, local governments also play a role in disseminating policies to the public. Many MSMEs still don't understand the benefits of business legality or are unaware that obtaining permits is now easier through the OSS-RBA. Local governments can bridge this gap through regular outreach, training, and MSME mentoring programs. Outreach is crucial because without sufficient understanding, MSMEs will tend to continue operating informally. The role of the central and regional governments is also evident in providing supporting facilities to make licensing services more inclusive. For example, the government can provide an OSS helpdesk, consultation services at service offices, and mentoring through MSME programs. In some regions, the government has even launched a mobile service, where officers visit MSMEs to assist with NIB registration. Initiatives like these demonstrate that the government is not only providing a digital system but also ensuring access for MSMEs who have difficulty obtaining permits independently.

Furthermore, the central and regional governments play a crucial role in creating incentives to encourage MSMEs to maintain business legality. The government can link NIB ownership to access assistance programs, subsidies, training, financing, and opportunities to participate in government procurement of goods and services. Thus, licensing is not merely an administrative obligation but also serves as a gateway for MSMEs to develop. This incentive can also increase MSMEs' motivation to enter the formal sector. Equally important, the central and regional governments also play a role in supervision and guidance. Risk-based licensing not only aims to facilitate business operations but also ensures that business activities comply with safety, health, and environmental standards. In this regard, the government needs to ensure that MSMEs categorized as medium or high risk receive guidance to meet standard certification and follow-up permit requirements. This guidance is crucial so that MSMEs not only obtain an NIB but also operate their businesses in accordance with regulations. Overall, the role of the central and regional governments in supporting the implementation of risk-based business licensing for MSMEs is crucial to the policy's success. The central government plays a role in designing regulations, developing the OSS-RBA system, and ensuring national integration and standards. Meanwhile, regional governments act as direct implementers, providing services, mentoring, outreach, and supporting facilities for MSMEs. Synergy between the central and regional governments is key to ensuring that risk-based licensing policies truly facilitate equitable business operations and are able to encourage MSMEs to move up a class and increase their contribution to the national economy.

To what extent is risk-based business licensing effective in increasing the formality of MSME businesses (for example, ownership of NIB/permits) and supporting MSME development?

The implementation of risk-based business licensing through the OSS-RBA system is a crucial step by the Indonesian government in encouraging the transformation of MSMEs from the informal to the formal sector. This policy is designed to simplify the licensing process, reduce bureaucratic obstacles, and accelerate business legality. The effectiveness of this policy can be seen from two main aspects: the extent to which risk-based licensing improves MSME formality through the ownership of a Business Identification Number (NIB)/permit, and how this legality supports MSME development across various dimensions. In terms of increasing formality, the risk-based licensing policy has proven to provide significant convenience, especially for low-risk MSMEs. Through the OSS-RBA, MSMEs simply register online to obtain a Business Identification Number (NIB) without the lengthy procedures of the conventional licensing system. This demonstrates that this policy is able to lower entry barriers for MSMEs in obtaining business legality. Previously, many MSMEs were reluctant to apply for permits due to the process being considered complicated, time-consuming, and costly. However, with a risk-based approach, the government is shifting the paradigm, making business legality accessible more quickly and simply.

However, the effectiveness of this policy has not been fully distributed across all MSMEs. Many MSMEs, particularly micro-enterprises, still face obstacles in accessing the OSS-RBA system due to limited digital literacy, a lack of understanding of procedures, and difficulty selecting a business classification (KBLI). Consequently, not all MSMEs can process permits independently. Most still rely on assistance from service officers or MSME assistants. This situation indicates that while the risk-based licensing policy is conceptually simpler, its effectiveness in improving business formality is still influenced by the readiness of MSMEs' human resources and government support on the ground. Furthermore, the effectiveness of risk-based licensing can also be assessed by the sustainability of business legality. In practice, some MSMEs only reach the NIB issuance stage but have not yet proceeded to the process of obtaining standard certificates or further permits, especially for MSMEs in the medium and high-risk categories. This is due to more complex technical requirements, such as product safety standards, specific certifications, and environmental documents. If MSMEs are unable to meet these requirements, their

business legality is still incomplete. This shows that the effectiveness of policies in improving MSME formality is not only measured by the number of NIB issuances, but also by the MSME's ability to meet advanced standards according to the level of business risk. From the perspective of MSME development, business legality through a Business Identification Number (NIB) and risk-based permits have a significant positive impact. Business legality provides MSMEs with access to various government programs such as capital assistance, training, subsidies, mentoring, and marketing facilitation. Furthermore, business legality also increases MSMEs' opportunities to obtain formal financing from banks or financial institutions. Many financial institutions require business legality as a key document in the creditworthiness assessment process. Therefore, risk-based permits can strengthen MSMEs' access to economic resources that were previously difficult for informal businesses to obtain. Business legality also plays a role in increasing MSMEs' credibility in the eyes of consumers and business partners. MSMEs with a NIB and permits tend to be perceived as more trustworthy because they have a clear and legally recognized business identity. This is especially important for MSMEs seeking to expand their market, establish partnerships with larger companies, or enter industrial supply chains. In this context, risk-based permits can be a supporting factor for MSMEs to move up from traditional businesses to more modern and competitive ones.

However, the effectiveness of policies supporting MSME development also faces challenges. Business legality does not automatically guarantee increased MSME business capacity. Many MSMEs that already have a Business Identification Number (NIB) still face obstacles such as limited capital, low managerial skills, minimal product innovation, and limited market access. This means that risk-based licensing is an important initial step, but it must be accompanied by other supporting policies such as strengthening coaching, financing facilitation, business mentoring, and improving business literacy. Otherwise, legality becomes merely an administrative document without having a significant impact on business growth. Overall, risk-based business licensing can be said to be effective in increasing the formality of MSME businesses, especially in the initial stages by facilitating NIB issuance. This policy also contributes to supporting MSME development through access to financing, government programs, and increasing business credibility. However, its effectiveness is not yet fully optimal due to persistent digital literacy barriers, limited understanding of procedures, and difficulties in meeting advanced standards for medium- and high-risk MSMEs. Therefore, for this policy to be more effective, synergy is needed between licensing facilitation and mentoring programs, strengthening MSME capacity, and equitable digital infrastructure support.

What efforts can be made to increase the success of implementing risk-based business licensing regulations so that they are more easily accessible to MSMEs?

The implementation of risk-based business licensing regulations through the OSS-RBA system is a policy innovation aimed at facilitating business operations, accelerating business formalities, and increasing the competitiveness of MSMEs. However, in practice, various obstacles remain, preventing MSMEs from fully accessing licensing services optimally. Therefore, various strategic efforts are needed to ensure the implementation of this policy is more successful, inclusive, and provides tangible benefits for MSMEs throughout Indonesia. The first and most important effort is to strengthen socialization and education through more extensive and sustainable outreach. Many MSMEs, particularly micro-enterprises, do not yet understand the concept of risk-based licensing, the benefits of a Business Identification Number (NIB), or the licensing stages through OSS-RBA. Socialization is not sufficient through digital media or formal announcements; it must also directly reach MSMEs through field approaches such as training, counseling, and MSME forums in villages/sub-districts. With increased understanding, MSMEs will be more confident in managing business legality independently and realize that licensing is not a burden, but rather an opportunity for growth.

The second effort is to improve technical assistance for MSMEs. Assistance is crucial because many MSMEs still experience difficulties using the OSS-RBA system, from account creation and data entry, to selecting a KBLI (Indonesian Business License) and issuing a NIB (Indonesian Business License). The central and regional governments can expand assistance programs through the DPMPSTP (Indonesian Private Limited Company), the Cooperatives and MSMEs Office, MSME assistants, and collaboration with universities. This assistance needs to be provided consistently, not only during specific programs, so that MSMEs receive assistance when they encounter obstacles in the field. The third effort is to simplify procedures and improve the quality of the OSS-RBA system. Although the OSS system has provided convenience, technical obstacles remain, such as system errors, slow servers, data synchronization problems, and a display that is less user-friendly for novice users. The government needs to increase server capacity, improve the user interface to make it simpler, and provide clearer user guides. The system also needs to be equipped with automated assistance features, such as chatbots or interactive guides, so MSMEs can obtain quick solutions without having to always visit the service office.

The fourth effort is to strengthen licensing services at the regional level through the DPMPTSP (Directorate General of Public Works and Public Housing) (DPMPTSP). Local governments play a crucial role as direct policy implementers. Therefore, DPMPTSP needs to expand OSS consultation and helpdesk services, including providing dedicated staff who understand OSS-RBA and can directly assist MSMEs. Local governments can also open licensing services in specific sub-districts or villages (services close to the community) so that MSMEs don't have to travel to the city center. With accessible services, barriers to MSME access to licensing can be significantly reduced. The fifth effort is to improve digital literacy among MSMEs in a more structured manner. One of the biggest obstacles to OSS-RBA implementation is the low ability of MSMEs to access technology-based services. Therefore, the government needs to develop a digital literacy program for MSMEs that not only teaches how to apply for permits but also basic technology skills such as email usage, digital document management, and the use of supporting applications. Improved digital literacy will enable MSMEs to be more independent in managing business legality and can leverage technology for business development.

The sixth effort is strengthening incentive policies to encourage MSMEs to obtain permits. In reality, some MSMEs are still hesitant to formalize their business due to concerns about taxes or oversight. The government needs to provide clear and attractive incentives for MSMEs with a NIB, such as priority access to capital assistance, subsidies, training, easy access to credit, free halal certification facilities, and ease of participation in government procurement of goods and services. These incentives can stimulate MSMEs to view legality as an advantage, not a threat. The seventh effort is strengthening coordination between the central and regional governments. Implementing risk-based licensing requires cross-sector synergy because it involves many ministries/agencies as well as regional governments. Weak coordination can lead to differences in understanding and variations in service delivery between regions. Therefore, clear service standards, an integrated monitoring system, and regular evaluation are needed to ensure uniform policy implementation. Coordination is also needed to avoid confusion among MSMEs when obtaining permits that require additional requirements at the regional level.

The eighth effort is providing special support for medium- and high-risk MSMEs. While the OSS-RBA policy simplifies the issuance of NIBs, MSMEs categorized as medium or high risk still face complex requirements for standard certificates or advanced permits. The government needs to provide further assistance, facilitate compliance with standards, and provide certification cost assistance for certain MSMEs. Otherwise, MSMEs will simply stop at issuing NIBs without being able to meet advanced standards, thus preventing the policy's goal of creating orderly and regulatory-compliant businesses from being fully achieved. Overall, improving the successful implementation of risk-based business licensing regulations for MSMEs requires a comprehensive approach. Providing a digital system is not enough; it must be accompanied by strong outreach, intensive mentoring, increased digital literacy, improvements to the OSS-RBA system, strengthening regional services, providing incentives, and more effective cross-agency coordination. With this strategy, risk-based licensing can truly become an instrument that facilitates MSMEs' access to business legality, encourages formality, and accelerates the development of MSMEs as the backbone of the national economy.

CONCLUSION

Conclusion

Based on the results of the discussion regarding the implementation of risk-based business licensing regulations for MSMEs in Indonesia, the following conclusions can be drawn. First, the implementation of risk-based business licensing through the OSS-RBA system represents a policy reform step aimed at simplifying licensing bureaucracy, accelerating business legality processes, and improving formality for MSMEs. This policy has transformed the licensing process from a complex and multi-layered one to a more structured one based on business risk levels: low, medium, and high. This demonstrates the government's efforts to create a more modern and efficient ease of doing business. Second, although the OSS-RBA policy provides convenience, particularly for low-risk MSMEs through the issuance of NIBs, its implementation in the field still faces various obstacles. The main obstacles experienced by MSMEs include low digital literacy, limited internet access, difficulty understanding licensing procedures, confusion in selecting KBLI (Indonesian Business License), and technical issues with the OSS system. Furthermore, for MSMEs in the medium and high risk categories, the challenges are even greater because they must meet standard certification requirements or further permits, which often require additional costs, time, and assistance. Third, the central and regional governments play a crucial role in supporting the successful implementation of this policy. The central government plays a role in formulating regulations, developing the OSS-RBA system, and establishing national licensing standards. Meanwhile, regional governments act as implementers, liaising directly with MSMEs through DPMPTSP services, outreach, and technical assistance. However, coordination and service

capacity building are still needed to ensure the policy's implementation is equitable across all regions. Fourth, the effectiveness of risk-based licensing in improving MSME formality is quite evident through the ease of obtaining a Business Identification Number (NIB). Business legality provides benefits for MSMEs, such as increased access to government programs, formal financing opportunities, business partnerships, and enhanced business credibility. However, business legality does not fully impact MSME capacity without other supporting policies such as coaching, mentoring, access to capital, and market strengthening. Fifth, the successful implementation of the risk-based business licensing policy still requires various improvements. These efforts include increased outreach, mentoring of MSMEs, improvements to the OSS-RBA system, increased digital literacy, strengthened regional services, incentives for legally registered MSMEs, and special support for MSMEs in the medium and high risk categories. Thus, this policy can be a truly effective instrument in encouraging MSMEs to move up a class and increase their contribution to the national economy.

Suggestion

Based on the conclusions above, the researcher provides several suggestions that can be used as input for related parties, namely as follows.

1. Suggestions for the Central Government

The central government needs to continue improving the OSS-RBA system, including server capacity, a more user-friendly interface, and simplified procedures for MSMEs. Furthermore, the central government needs to expand supporting policies to ensure business legality truly delivers tangible benefits, for example by strengthening the integration of NIB with access to financing, training, certification, and procurement of goods/services.

2. Suggestions for Local Governments

Regional governments, through the DPMPSTP (Directorate General of Private Enterprises) and related agencies, need to improve the quality of licensing services, particularly in terms of technical assistance, OSS helpdesks, and more widespread outreach down to the village/sub-district level. Regional governments are also advised to expand their outreach programs so that MSMEs with difficulty accessing the internet or unfamiliar with digital procedures can still obtain business legality.

3. Advice for MSMEs

MSMEs are advised to raise awareness of the importance of business legality, as having a NIB and business permits can open access to various development programs, financing, and market opportunities. MSMEs also need to improve their digital literacy to be able to utilize the OSS-RBA independently and manage their businesses in a more modern and professional manner.

4. Suggestions for Further Researchers

Further research is recommended to conduct more in-depth empirical studies, such as field studies, interviews, or surveys with MSMEs and service personnel. Future researchers could also compare the effectiveness of OSS-RBA implementation across regions or examine the impact of business legality on increased turnover, access to financing, and MSME growth in a more measurable manner.

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