

Legal Responsibility of Entrepreneurs in Cases of Violation of Micro-Small Business Permits (IUMK) for Karak Crackers in Gadingan Village, Mojolaban District

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Abstract

This research is motivated by the continued discovery of violations of the legal obligations of Micro and Small Business Permits (IUMK) by karak cracker entrepreneurs in Gadingan Village, Mojolaban District, which have the potential to result in legal liability consequences and hinder business protection and development. The purpose of this study is to determine and analyze the form of legal responsibility of karak cracker entrepreneurs in violation of business permits and to identify factors that cause low legal compliance of entrepreneurs with the obligation to have and comply with IUMK in Mojolaban Village. The research method used is empirical juridical legal research with a field approach through interviews, observations, and document studies of business actors and related agencies. The results of the study indicate that the legal responsibility of business actors for violations of IUMK in practice is mostly realized through guidance, assistance, and facilitation of permits by the local government, although normatively it is possible to apply administrative sanctions. In addition, low legal compliance is influenced by internal factors such as limited legal understanding, the perception that permits are not yet urgent, and digital literacy constraints, and external factors such as uneven socialization, weak supervision, lack of firm sanctions, and the strength of traditional business culture that has been passed down through generations.

Keywords: legal compliance; IUMK; legal responsibility; MSMEs; business licensing.

INTRODUCTION

National development is an important effort undertaken by the state to realize the nation's goals as stated in the Preamble to the 1945 Constitution, namely to improve general welfare. Within the framework of a state based on the rule of law, the guarantee of legal certainty as regulated in Article 28D paragraph (1) of the 1945 Constitution has a crucial role, particularly in providing protection for the economic activities of the community, including the Micro, Small and Medium Enterprises (MSMEs) sector, so that they can run in an orderly, fair and sustainable manner (1,2).

One sector that plays a strategic role in national economic development is Micro, Small, and Medium Enterprises (MSMEs). MSMEs contribute significantly to the national economy,

contributing approximately 61.07% to Gross Domestic Product (GDP) and absorbing approximately 97% of the workforce in Indonesia (3). At the village level, MSMEs, such as the production of karak crackers in Gadingan Village, Mojolaban District, are the main source of livelihood for rural communities. Karak crackers, as a traditional food product based on fermented fish or shrimp, not only support local food security but also have the potential to be developed into a leading regional export. The sustainability of these businesses is often hampered by non-compliance with licensing regulations, which poses legal risks for entrepreneurs, even though the product has the potential to be a regional flagship.

The sustainability of micro-enterprises often faces obstacles related to compliance with business licensing regulations. Business legality is a crucial aspect because it provides legal certainty, facilitates access to financing, expands marketing, and opens up opportunities for government assistance and training. Therefore, the government regulates business licensing through Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises, which emphasizes facilitating licensing and empowering MSMEs (4). This policy was then reinforced through Government Regulation No. 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and MSMEs, which regulates risk-based licensing through a Online Single Submission (OSS) system (5,6). Through this system, business actors can obtain a Business Identification Number (NIB) as an official business identity issued by the OSS agency after the registration process is completed (5). It should be noted that since the enactment of the Job Creation Law and Government Regulation No. 5 of 2021, the business licensing regime has undergone a transformation, where Micro and Small Business Permits (IUMK) have been normatively integrated into the NIB system, especially for businesses with low risk levels.

In its implementation, it is currently found that MSMEs have not fully complied with business licensing obligations. This low level of compliance can be influenced by various factors, such as limited understanding of licensing procedures, limited access to information, and low legal awareness among business actors. Furthermore, other administrative compliance aspects, such as ownership of a Taxpayer Identification Number (NPWP), are also part of business actors' legal obligations, although in this study, it is positioned as a supporting aspect of administrative legal compliance, not the main focus of the study (7).

From a theoretical perspective, the analysis of this problem is based on the theory of legal responsibility which emphasizes a legal subject's duty to bear the consequences of their actions.

The responsibility of entrepreneurs for business licensing violations can be analyzed through the principle of accountability in administrative, civil, and criminal law. The use of the concept strict liability needs to be placed carefully and proportionally, considering that not all licensing violations directly correlate with liability without fault, and are different from the concept of negligence as regulated in Article 359 of the Criminal Code. Business licensing violations are generally more relevant in relation to administrative sanctions, but under certain conditions can develop into civil or criminal liability if they cause losses or wider impacts.

This theoretical framework is used to analyze concrete problems in the field, reflected in a case of a Business License (IUMK) violation involving a *karak* cracker business in Gadingan Village, Mojolaban District, Sukoharjo Regency, Central Java. In 2022, a business owner was reported for failing to renew his IUMK, which had expired in 2020, resulting in temporary closure and an administrative fine of IDR 5,000,000. This violation was allegedly caused by a lack of understanding of the OSS licensing procedures and limited access to information during the pandemic Covid-19, which has an impact on economic losses and shows that legal dissemination by local governments is not yet optimal (8).

Based on the description, this research is important to analyze the legal responsibility of *karak* cracker business actors for business permit violations and identify factors that influence the low legal compliance of MSMEs with business licensing obligations in Gadingan Village, Mojolaban District. Practically, this research is expected to contribute to the village government and MSMEs in improving compliance with business licensing regulations, while theoretically it is expected to enrich legal studies regarding the legal responsibility of business actors in a risk-based licensing regime.

METHOD/IDEA

The research method used is empirical juridical legal research that examines the application of legal provisions for licensing micro and small businesses in practice in the community (9). This research was conducted in Gadingan Village using primary and secondary data. Primary data was obtained through interviews with *karak* cracker business actors, village officials, and related agencies, as well as through direct observation in the field. Secondary data was obtained from legal materials and relevant documents, such as the 1945 Constitution, Law

No. 20 of 2008 concerning MSMEs, PP No. 7 of 2021, PP No. 5 of 2021, and Sukoharjo Regency Regulation No. 10 of 2022.

Based on data from Gadingan Village, there are approximately 140 *karak* cracker businesses identified through business licensing data. Of these, 12 were selected as research informants using the technique of purposive sampling, namely business actors who are still actively running a business, have varied business experience, and are relevant to the research focus on business licensing (10).

Data collection was carried out through in-depth interviews and observations to obtain information regarding the implementation of business licensing, obstacles faced, and the legal responsibilities of business actors. The data obtained is then analyzed qualitatively by processing, grouping, and interpreting the data systematically to describe the application of legal provisions for licensing micro and small businesses in the field (11).

RESULTS AND DISCUSSION

The Responsibility of *Karak* Cracker Entrepreneurs for IUMK Violations in Mojolaban Village

Karak cracker production in Gadingan Village is generally still carried out traditionally, utilizing household equipment and labor from family members and the surrounding community, from raw material processing, molding, drying, and packaging before marketing. This demonstrates that the *karak* cracker business is a home industry that has developed through generations in the village community. (12,13)

The existence of the *karak* cracker business not only provides a primary source of income for entrepreneurs but also plays a significant role in increasing economic activity in the local community. *Karak* cracker production creates employment opportunities for local residents, including in raw material processing, drying, and product distribution. Furthermore, this business activity also serves as a way to utilize the community's economic potential, based on the skills and experience of entrepreneurs. Thus, the *karak* cracker home industry not only provides economic value for entrepreneurs but also plays a role in supporting the economic cycle of the community in Gadingan Village.

Every business activity is essentially required to meet the legal aspects of permits stipulated in laws and regulations. For micro and small business actors, this legality is realized

through the ownership of a Micro and Small Business Permit (IUMK) or Business Identification Number (NIB). The existence of a business permit provides legal certainty for business actors in carrying out their business activities and serves as proof that the business activity has been officially registered in the government administration system. In addition, ownership of a business permit also serves as the basis for business actors to gain access to various development programs, capital assistance, and business empowerment programs provided by the government (14).

Legal liability for business actors arises when business activities are carried out without complying with applicable licensing requirements. Violations of licensing obligations constitute a form of non-compliance with administrative legal norms that are subject to regional government oversight. In practice, these violations can be followed up through guidance, enforcement, or the application of administrative sanctions in accordance with statutory provisions (15).

Based on regional data obtained from the Gadingan Village Government, approximately 140 businesses are registered with karak cracker production. This data indicates that karak cracker production is a relatively well-established household business sector in Gadingan Village. This number reflects that the karak cracker business has become a fairly dominant part of the village's economic activities.

This data is supported by data collected by the Sukoharjo Regency Investment and One-Stop Integrated Services Agency (DPMPTSP). Based on data from MSMEs in February 2024 in the Kebayanan II area of Gadingan Village, there were 41 entrepreneurs operating various types of home businesses. Of these, 18 were engaged in the production of karak crackers, while the remainder were other home businesses such as *kok*, *rambak*, and *ampyang*. This data indicates that the karak cracker business is a fairly well-established business in the local economy.

This study uses primary data in the form of interviews with 12 karak cracker business actors to identify the level of compliance with business permits and business actors' perceptions of business legality.

Table 1. Informant from the *Karak* Crackers Business Actors in Gadingan Village

Informant	Production Scale	Permit Ownership	Views on Permits
I1	± 40 kg/day	Not yet	Considering business permits as merely an administrative formality and not yet a primary requirement for running a business
I2	± 200–300 kg/day	Not yet	Knowing that a business permit is an obligation, but not yet taking care of it because they are following the habits of other business actors
I3	± 1 quintal/day	Not yet	Consider business permits important for business continuity, but have not taken care of them due to time constraints and lack of understanding of procedures.
I4	± 50–100 kg/day	Already	Have a business permit because it is facilitated through the village mentoring program and KKN activities
I5	± 100–150 kg/day	Already	Consider business permits useful for supporting business development and facilitating access to coaching
I6	10–20 thousand seeds/day	Not yet	Considering that business permits are just a formality and do not have a direct impact on production activities
I7	± 50–80 kg/day	Already	Considering business permits as important as a form of legality and business protection
I8	± 50 kg/day	Not yet	Have not taken care of the permit because most of the business actors in the surrounding area also do not have a permit
I9	± 150 kg/day	Already	Assess business permits as an obligation that must be fulfilled in carrying out business activities.
I10	± 30–50 kg/day	Not yet	Considering that business permits are not very important because the business is still small scale and marketing is limited
I11	± 50 kg/day	Not yet	Experiencing obstacles in processing permits due to limited access and understanding of procedures
I12	± 8,000 seeds/day	Not yet	Have not taken care of the permit due to time constraints and lack of understanding of the process

Source: Interview with *Karak* Cracker Business Owners in Gadingan Village, Mojolaban District (edited by the author)

Information:

I1-I12 : Informant 1 – Informant 12

Interviews with 12 business owners revealed that most of them consider the *karak* cracker business their primary source of family income. The scale of production varies widely, ranging

from tens of kilograms to up to one quintal per day, as shown in Table 1. This demonstrates the importance of the karak cracker business in supporting the household economy in Gadingan Village. Although some business owners are aware of the existence of business permits, such as the IUMK (Cigarette Business License) and NIB (Cigarette Business License), this understanding has not yet been fully translated into actual ownership of these permits. Of the 12 interviewees, only a small number have obtained legal business permits, while others continue to operate without a business permit. Some business owners even consider the business permit to be merely an administrative formality that has little impact on their business activities.

The findings in Table 1 indicate that business actors' non-compliance is not caused by any intention to substantively violate the law, but rather by the perception that business permits have no direct relevance to production activities. From the perspective of Hans Kelsen's theory, this condition can be understood as a form of normative violation, where an act is categorized as a crime not because of its morally wrong nature, but because positive legal norms stipulate certain obligations accompanied by sanctions. Thus, the actions of business actors who do not have a business permit can be qualified as *mala prohibita*, namely, an act that constitutes a violation solely because it is prohibited by administrative law, not because the act is directly detrimental. This explains why business actors continue to operate their businesses without feeling they have committed a violation, because the practice is socially considered commonplace, even though legally it remains a form of non-compliance with licensing norms.

The research results show that some karak cracker business actors are still carrying out production activities without having a business legality. Even though the obligation to have a business legality is regulated in Article 176 paragraph (1) of Government Regulation No. 5 of 2021, which states that every business actor is required to have a Business Identification Number as a legal identity for their business activities. This provision shows that business activities, including home industries, remain within the framework of state administrative law regulations (16). In addition, regulations regarding business licensing for MSMEs are also regulated in Government Regulation No. 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and MSMEs. Article 37 paragraph (2) emphasizes that business activities with a low risk level are sufficient to have a Business Identification Number as a form of business licensing. Article 46 states that the licensing application process for micro and small businesses is free of charge so it should not be an obstacle for business actors in obtaining business legality.

Some karak cracker businesses in Gadingan Village still operate without a business permit. Legal business requirements have not been fully met by all businesses, even though production has been ongoing and has even become a primary source of livelihood for the local community. According to the Head of Gadingan Village, Parji, A.Md., this situation indicates that business permit ownership among karak cracker businesses is indeed uneven. The village government has actually conducted a data collection on existing businesses, including those engaged in karak cracker production, with the aim of determining the number of businesses and as a basis for providing guidance. In addition, the village has also held outreach activities regarding the importance of business legality by inviting speakers from relevant agencies so that business owners understand the permit processing procedures and the benefits obtained from having a business permit. However, there are still business owners who have not applied for permits for several reasons, including the business being a hereditary business, limited time to process permits, and the assumption that business activities can still operate even without a permit. This condition shows that even though the village government has taken various coaching steps, the level of compliance of business actors with licensing obligations has not been fully established.

From a legal perspective, this issue relates to the concept of legal responsibility, which is inseparable from the existence of crimes and sanctions. A person is considered legally responsible if a legal norm links a sanction to the act he or she committed. According to Hans Kelsen's view, as explained by Jimly Asshiddiqie and M. Ali Safa'at, a crime is understood as a condition that allows for the application of sanctions by legal norms. An act is not called a crime solely because it is considered morally wrong, but because legal norms determine that such an act can be subject to sanctions (17). The existence of a crime is always related to norms that determine sanctions as a consequence of an act. The measure of whether an act is a crime is entirely determined by positive law, not by ethical or social judgments that develop in society. Based on this understanding, the karak cracker business activity in Gadingan Village which is carried out without having legal business documents, such as a Business Identification Number (NIB) or a Micro and Small Business Permit (IUMK), can be seen as a form of administrative violation. This act is not categorized as a violation because it is considered immoral, but rather because the laws and regulations require business licensing and provide the possibility of applying administrative sanctions if this obligation is not fulfilled.

Furthermore, traditional criminal law theory recognizes the distinction between *mala in se* and *mala prohibita*. However, Kelsen argued that this distinction is not the primary basis for determining an act as a crime. According to him, an act becomes a crime because of a prohibition established by legal norms, not because the act itself is considered evil. The relationship between crime and sanctions is also not understood as a factual causal relationship, but rather as a normative relationship known as imputation. This means that legal norms dictate that if a certain condition occurs, namely a violation of the norm, then this condition must be followed by consequences in the form of sanctions. Consequently, the violation of licensing obligations for the *kerupuk karak* business can be categorized as a *mala prohibita* offense, which constitutes an infraction purely due to the prohibitions or obligations established under state administrative law (17).

Government Regulation No. 5 of 2021 also regulates various forms of administrative sanctions that can be imposed on businesses that violate business licensing provisions. Based on Article 413, these sanctions can include written warnings, product withdrawals, temporary suspension of business activities, warehouse closures, administrative fines, and even business license revocation. This provision demonstrates that any violation of business licensing has legal consequences that can impact the continuity of business activities (18,19).

Although interview results with the DPMPTSP of Sukoharjo Regency indicate that the enforcement of licensing obligations for *kerupuk karak* business actors places greater emphasis on a developmental approach. Ahzan Miftahudin Zuhri, A.Md.Kom., as Data and Information Processor at the DPMPTSP of Sukoharjo Regency explained that every business actor is basically required to have business legality, either in the form of a Business Identification Number or other required permits. However, for micro-businesses such as karak cracker producers, the approach taken is not direct law enforcement. The local government prioritizes coaching activities through socialization, assistance in the permit processing process, and direct services to villages. This approach is adopted because many business actors still do not understand licensing procedures, with some continuing to experience difficulties in navigating the Online Single Submission (OSS) system. Therefore, efforts are more focused on providing understanding and assistance so that business actors are willing and able to manage the legality of their businesses.

The existence of regulations regarding administrative sanctions actually demonstrates that the law provides an enforcement mechanism for violations of licensing obligations.

However, legal responsibility for business actors is more often realized through the process of adjusting to licensing provisions through guidance provided by local governments. Therefore, legal responsibility is not always interpreted as the direct application of sanctions, but also as an obligation for business actors to complete their business legality after receiving direction and assistance from authorized agencies. Legal responsibility remains with business actors, meaning that if, after guidance, business actors still fail to fulfill legal obligations, administrative sanctions may be imposed in accordance with statutory provisions. Legal responsibility is not only interpreted as an obligation to bear sanctions, but also an obligation to remedy non-compliance by fulfilling business licensing requirements.

Factors Causing Low Legal Compliance of Entrepreneurs with the Obligation to Have and Comply with IUMK in Mojolaban Village

Business actors' legal compliance with licensing obligations is inseparable from various factors that influence the effectiveness of law enforcement. Soerjono Soekanto explained that law enforcement is influenced by several elements, including community factors, law enforcement officers, facilities and infrastructure, and the legal culture that develops in society. These factors also determine the level of awareness and compliance with the law in social life (20). These factors do not stand alone, but are interrelated and reinforce the low level of legal compliance of business actors. Based on the results of field research on the low level of legal compliance of karak cracker business actors in Gadingan Village, Mojolaban District, it is influenced by internal and external factors as follows:

1. Internal Factors

The low level of compliance of karak cracker business actors in Gadingan Village, Mojolaban District, in having business legality is related to limited understanding of licensing regulations. The difference in data between the village government and the DPMPTSP of Sukoharjo Regency shows that there are still business actors who carry out production activities without official permits. This situation is not caused by rejection of the rules, but because some business actors do not understand that micro-scale home businesses still have administrative obligations in the form of a Business Identification Number (NIB) or a Micro and Small Business Permit (IUMK) (21).

a. Low Understanding of Business Licensing Provisions

A portion of *kerupuk karak* business actors do not yet understand that micro-scale home industries remain subject to administrative obligations, specifically possessing a Business Identification Number (NIB) or a Micro and Small Business License (IUMK). Furthermore, understanding regarding the risk-based business licensing system through the Online Single Submission Risk-Based Approach (OSS-RBA) remains limited. This system is regulated in Government Regulation No. 5 of 2021, which aims to simplify the licensing process and provide legal certainty for business actors (21).

Interviews revealed that some business owners have not yet obtained permits due to a lack of understanding of the application procedures or the benefits of having a permit. Business owners have focused more on production and sales activities, while they have not yet acquired sufficient knowledge regarding licensing obligations. This indicates that business owners' legal knowledge remains low, leading to a lack of awareness of fulfilling legal obligations.

Gadingan Village Head, Parji, A.Md., explained that business permit ownership among karak cracker entrepreneurs is not evenly distributed because some entrepreneurs do not understand the application procedures. Many entrepreneurs focus solely on production activities and are unaware that home businesses also require business permits. The village government has conducted outreach regarding business permits, but public understanding remains unequal. This explanation indicates that the element of legal knowledge, as stated by Soerjono Soekanto, has not yet been fully developed.

Licensing issues also relate to product quality and safety (22). The Head of Gadingan Village also highlighted the continued use of hazardous additives such as borax in the production of karak crackers. Having a business permit is important because through this mechanism, the government can provide guidance on production standards and food safety.

From the local government perspective, the Sukoharjo Regency DPMPTSP also stated that low business compliance is largely influenced by limited understanding of business licensing procedures and benefits. Many business owners are unaware that permit processing is free of charge and do not yet understand the steps involved. Therefore, the local government continues to provide outreach and assistance to business owners. This finding aligns with Sarah Wati's research, which found that home-based food business

owners generally only know about business permits without fully understanding the OSS-RBA system or their legal obligations (23).

b. Limited Understanding of OSS-RBA Licensing Procedures

Another factor influencing business compliance is related to understanding the procedures for obtaining permits through the OSS-RBA system. Although the government has provided an electronic-based licensing system to simplify business legality management, not all business actors are able to understand the flow or technical aspects of its use (21).

Several business owners stated they had never applied for a business permit because they were unaware of the registration stages, required documents, and the application process through the OSS system. This limited understanding often leads to delays in obtaining business permits. These obstacles also relate to the administrative skills and digital literacy of business owners, the majority of whom still operate their businesses traditionally.

The Sukoharjo Regency DPMPTSP explained that the most common obstacle encountered in obtaining micro-business permits is related to understanding the OSS system. Many business owners are unfamiliar with online permit processing, resulting in difficulties from account registration to entering business data. Some business owners also still rely on assistance from third parties to process permits.

The Gadingan Village Government also acknowledged that these technical challenges frequently occur among businesses. Many are unfamiliar with digital systems, and some don't even have email addresses. Therefore, business permit processing typically occurs with collective assistance from the local government or other support activities. Research by Farida and Radian also shows that the implementation of OSS-RBA still faces technological literacy challenges among small businesses (24).

c. The Perception That Business Licenses Are Not Yet an Urgent Need

Some business owners believe that obtaining a business license is not yet a pressing need. The home-based, small-scale, and hereditary nature of the karak cracker business has led to the perception that business legality is less of a priority than sustainable production.

The results of the interviews showed that several business actors were aware of the existence of business permits, but did not feel the need for them. immediately. Informant Umi stated that the karak cracker business has been running for a long time as a family business, and most business owners in the area do not yet have a business license, yet production and sales activities continue. A similar view was expressed by informant Supriyanto, who believed that obtaining a business license was not considered urgent because product marketing was still limited to the local market.

Some business owners also view business permits as merely an administrative formality. Informant Jumayanti stated that businesses can continue operating as long as production and sales activities are ongoing even without a business permit. This view suggests that the function of business legality is not yet understood as an instrument of legal protection or product quality assurance.

The Sukoharjo Regency DPMPTSP explained that micro-businesses typically only apply for permits when specific needs arise, such as applying for business assistance, accessing capital, or expanding product marketing. This indicates that business actors' legal compliance remains instrumental. Theoretically, this situation aligns with the concept of legal awareness put forward by Soerjono Soekanto, who explains that knowledge and understanding of regulations do not necessarily translate into legal attitudes that encourage compliance (20).

d. Age Factor and Technology Adaptability

The age of the business owner also influences their ability to understand licensing procedures and the use of digital-based administrative systems (25). Most of the karak cracker business owners in Gadingan Village are home-based businesses that have been running their businesses for a long time, so some are in the age group that is no longer young.

The Gadingan Village Head explained that business owners generally understood the licensing requirements through outreach activities, but encountered difficulties when registering online through the OSS system. The DPMPTSP (Regional Integrated Service Agency) reported similar obstacles in obtaining micro-business permits. Older generation business owners tend to use conventional methods of running their businesses, so the transition to a digital administration system requires more intensive support.

2. External Factors

External factors influencing low compliance among karak cracker entrepreneurs with business licensing requirements relate to the role of government institutions, oversight mechanisms, and the social environment of businesses. These external factors influence how entrepreneurs understand and interpret their business legality obligations.

a. Uneven Distribution of Licensing Information and Assistance

The first external factor relates to the uneven distribution of outreach and assistance from relevant agencies. Normatively, the government, through the DPMPTSP, has the function of fostering and facilitating licensing for micro-businesses. However, not all business owners are directly involved in these outreach and assistance activities (26). As a result, information regarding the obligation to have a business permit has not been received evenly by karak cracker business owners in Gadingan Village.

Interviews revealed that some business owners had never participated in direct licensing outreach activities. They gained more knowledge about the obligation to have a business license through conversations with fellow business owners. Informant Jumayanti stated that there had never been any specific outreach regarding business licenses at her business premises, so the only information she obtained came from stories from neighbors who had previously applied for permits. Similarly, informant Lala stated that she had never participated in official outreach and only had brief knowledge of licensing information from other business owners.

The informants' statements indicate that information regarding licensing is primarily circulated through interpersonal communication. Explanations regarding procedures and legal obligations are not always obtained through official government training activities, but rather through the personal experiences of other business owners. Information obtained indirectly is often incomplete and does not fully explain the procedures or benefits of business legality.

Gadingan Village Head, Parji, A.Md., explained that the village government had facilitated several licensing outreach activities, featuring speakers from relevant agencies. However, not all business owners were able to participate due to time and space constraints, as well as the large number of business owners. In some events, only

representatives attended, so information was not immediately received by all karak cracker business owners.

The Sukoharjo Regency DPMPTSP (Services for the Implementation of Integrated Services) also acknowledged the limited reach of outreach as a challenge in fostering MSMEs. Ahzan Miftahudin Zuhri explained that outreach and licensing assistance have been conducted, including through outreach services in villages. However, the large number of micro-businesses and time and budget constraints mean that outreach activities cannot reach all business owners simultaneously.

Lack of guidance also impacts business owners' confidence in processing permits independently (27). Informant Lala stated that she was willing to process permits if there was guidance or assistance in the process. Without direct guidance, business owners often feel hesitant because they don't understand the procedural steps that must be taken. Guidance for micro-business owners is important due to limited administrative understanding and concerns about making mistakes in the permit processing process (28).

These findings align with research by Rikayana and colleagues, which states that education and mentoring play a crucial role in improving MSME legal compliance. Without intensive outreach, business owners tend not to understand the benefits and procedures of licensing (29). Research by Ida Farida and Muhammad Luthfi Radian also shows that implementing risk-based licensing requires an assistive approach, particularly for micro-business owners with limited legal and technological literacy (24).

b. Inconsistent Licensing Supervision

The second external factor relates to the implementation of oversight of business permit ownership. Institutionally, oversight of business legality is part of the regional government's development duties through the DPMPTSP (Services and Services Management Agency) in collaboration with village governments. This oversight should ensure that every business actor is registered and fulfills licensing obligations. However, field oversight has not been conducted routinely and in a structured manner, resulting in some business actors whose licensing status remains unmonitored.

Interviews revealed that most business owners had never experienced direct inspections regarding their business permits. Fendi, an informant, stated that during his time running his karak cracker business, there had never been a direct inspection regarding

business permits, and the only activities he had participated in were outreach activities at the village level. Similarly, Jumayanti, an informant, stated that there had never been a specific inspection regarding business permits, and business activities continued as usual.

This statement indicates that the supervision carried out focuses more on providing information and guidance, rather than on administrative inspections accompanied by follow-up. This persuasive approach influences how business actors view licensing obligations. When there are no direct inspections or administrative consequences, the obligation to have a business license is not seen as an urgent need (27).

The Gadingan Village Head explained that the village government collects data on businesses, including the karak cracker business, but its supervision focuses more on guidance. The village government can only remind businesses to obtain permits, as enforcement authority rests with the relevant agencies. This division of authority limits administrative control at the village level.

The Sukoharjo Regency DPMPTSP also explained that supervision of micro-enterprises is carried out in stages and places greater emphasis on coaching. For micro-enterprises such as karak cracker producers, supervision focuses more on data collection and mentoring than on direct inspections of business permits. This approach demonstrates that supervision remains administrative and persuasive in nature.

Inconsistent supervision has impacted the level of business compliance. Several informants stated they did not feel the need to obtain business permits because they were never asked to demonstrate business legality. This aligns with Soerjono Soekanto's view that legal effectiveness is influenced by law enforcement factors, including consistency of supervision. Weak administrative oversight of MSMEs often results in business legality being overlooked because it does not have direct consequences for business actors (20).

c. Implementation of Administrative Sanctions is Not Yet Firm

The next external factor relates to the application of administrative sanctions for business licensing violations. Normatively, provisions regarding sanctions for licensing violations are stipulated in Government Regulation No. 5 of 2021. However, these provisions have not been directly applied to micro-enterprises, including karak cracker producers in Gadingan Village.

The research results show that businesses without business permits have never been directly subject to administrative sanctions. No cases of business termination, product recalls, or administrative fines were found for businesses operating under unlicensed karak crackers. Informant Jumayanti stated that she had never received a warning or sanction related to her business permits during her time in business. Fendi, a similar informant, stated that she had never received a direct warning regarding licensing requirements.

The absence of tangible administrative sanctions impacts how business actors view legal obligations. Without written warnings or other administrative measures, the obligation to obtain a business license is not perceived as urgent. In fact, Article 413 of Government Regulation No. 5 of 2021 stipulates various forms of administrative sanctions, ranging from written warnings, recall of goods from circulation, temporary suspension of business activities, administrative fines, and even revocation of business licenses.

Field observations indicate that these sanctions have not been concretely implemented against karak cracker businesses. The local government's approach emphasizes guidance rather than enforcement. The Sukoharjo Regency DPMPTSP explained that imposing sanctions is not the first step for micro-businesses. The approach employed emphasizes outreach, assistance with permit processing, and outreach to villages.

The Gadingan Village Head also explained that if a business owner doesn't have a permit, the village government doesn't immediately impose sanctions. Instead, they are first directed and reminded to obtain a business permit, while the authority to take action rests with the relevant agency. This approach aims to ensure that business owners feel less intimidated and are willing to gradually work towards legalizing their businesses.

This persuasive approach is indeed relevant within the framework of MSME empowerment, but at the same time, it reduces the deterrent effect against administrative violations. Soerjono Soekanto explained that legal compliance is also influenced by the existence of clear and consistent sanctions. Without concrete sanctions, legal norms tend to be viewed as formal rules lacking coercive power.

d. Traditional Business Culture that is Passed Down from Generation to Generation

Another external factor influencing business compliance is the strong traditional business culture that thrives in the Gadingan Village community. The karak cracker business did not develop as a formal enterprise from the start, but rather a household economic activity passed down from generation to generation.

Interviews revealed that most karak cracker businesses are long-standing family-owned enterprises. Many entrepreneurs operate as continuations of previous ventures by their parents or family members. Karak cracker production is viewed not only as an economic activity but also as a local tradition that has long been embedded in the community's life.

This historical background influences how business owners view business legality. Because businesses have been operating for generations without official permits, obtaining a permit is not seen as an immediate necessity. A business permit is only considered necessary when there is external incentive, such as to expand marketing, obtain capital assistance, or participate in government development programs.

The relatively uniform business environment also reinforces this view. While the majority of businesses in a region operate without official legality, the lack of a permit is not seen as a violation, but rather as a long-standing custom within the karak cracker business community in Gadingan Village.

The village head of Gadingan explained that the karak cracker business has long been a part of the local community's economic identity. Nearly every family has been involved in karak cracker production, and the production process still largely uses traditional methods. This habit forms a pattern of compliance that is more influenced by social customs than formal legal regulations.

This phenomenon is in line with Soerjono Soekanto's view regarding the influence of legal culture towards community compliance. If community culture does not yet place law as a guideline for behavior, legal norms will be difficult to internalize in daily life practices. Traditional business culture causes business legality to be seen as an administrative addition that is not always considered important in carrying out business activities (20).

CLOSING

The legal responsibility of karak cracker businesses in Gadingan Village, Mojolaban District, for business licensing violations is inherently inherent in the obligation to comply with applicable legal requirements. However, in practice, this compliance has not been fully established, resulting in some businesses still operating without permits. These violations are administrative in nature and are typically handled through a coaching approach rather than through sanctions, so the legal responsibility of businesses is more focused on fulfilling licensing obligations.

Low legal compliance among business actors is influenced by a combination of internal and external factors, including limited understanding of licensing, obstacles in using the OSS system, the perception that business permits are not yet an urgent need, as well as age and digital literacy factors. Furthermore, external factors such as uneven socialization, weak supervision, inconsistent application of sanctions, and the strong traditional business culture contribute to this situation. Therefore, improving legal compliance requires synergy between ongoing development and strengthening oversight mechanisms to foster more effective legal awareness among business actors.

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