



Implementation Permendag 31/2023 to Prohibition Social-Commerce on the Income of MSEs in Kota Ambon

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Abstract - Social The background of this research sees that the phenomenon of social commerce, especially TikTok Shop, has become an online trade trend that attracts many MSEs. However, the presence of TikTok Shop also raises concerns about unfair business competition, shopping addiction, and lack of regulation and quality control. The object of this research is how the existence of Permendag 31/2023 issued by the government regarding the ban on social-commerce such as TikTok Shop affects the income of MSEs in Ambon Ciy. The research method used is empirical law with a legislative and sociology approach, using document studies, observations, surveys, and interviews. The results of the study show that the majority of MSE actors in Ambon City are not aware of the existence of this regulation, and only a few have experienced a decrease in income due to its implementation. Responses to these regulations have been mixed; The majority declined because they wanted to try out social trading platforms, while some supported the regulation to protect their business continuity. The conclusion of this research is that the implementation of Permendag 31/2003 faces significant challenges in terms of socialization and acceptance among MSE actors in Ambon City. The low knowledge of these regulations indicates the need for further efforts from the government to increase the understanding of MSE actors about the policies implemented.

Keywords: MSE, Permendag 31/2023, Social-Commerce

I. INTRODUCTION

Social commerce has become a new trend in online commerce. Social commerce is a platform that combines social media with buying and selling activities (Huang & Yeap, 2022). It involves the use of Internet-based media that allow people to participate in the marketing, selling, comparing, curating, buying, and sharing of products and services in both online and offline marketplaces, and in communities. One of the social commerce platforms that is on the rise and attracting the attention of many MSEs is TikTok. TikTok Shop is a pioneer of creative and innovative social commerce (Faiza, et al., 2023) This platform offers various advantages for MSEs, such as wide reach, low cost, ease of use, and features that support MSEs. With more than 1 billion monthly active users worldwide, TikTok opens up opportunities for MSEs to reach a wider and more diverse audience (Dharma & Efrianda, 2023). TikTok Shop not only connects sellers and buyers but also involves content creators. The integration of social media platforms like TikTok with e-commerce has given rise to a new phenomenon known as social commerce (Manzil & Vania, 2023).

According to dataindonesia.id, since it first appeared in Indonesia on April 17, 2021, TikTok Shop has controlled 58% of online sales in Indonesia and the number of TikTok user accounts as of January 2024 is 112.97 million accounts and MSEs who are actively registered to sell using the Tiktok Shop application are recorded at 9 million accounts (Asshidiqi &

Yuliana, 2023). TikTok Shop creates a pleasant shopping experience due to its user-friendly usage, wide market reach and innovative live streaming sales features. This shift towards social commerce has been further accelerated by the COVID-19 pandemic, which has driven consumers to rely more on online channels for their shopping needs. Social commerce represents a significant evolution in the e-commerce landscape, harnessing the power of social networks and capitalizing on the social influence of users (Sahu & Bhamboo, 2023). TikTok Shop attracts micro and small businesses (MSEs) to join and market their business products (Chan & Asni, 2023).

The presence of TikTok Shop with all its advantages has raised concerns by some parties. TikTok Shop creates unfair business competition because many imported products are illegal and imitations that kill local MSEs (Putri, 2023). Social media platforms like TikTok have become an integral part of the modern shopping experience, blending social interaction and commercial activities (Liu, 2023). TikTok Shop also creates shopping addiction where TikTok Shop's addictive algorithm can encourage impulsive and consumptive behavior. The lack of regulation and quality control in TikTok Shop can result in products that do not meet standards and endanger consumers, as well as the threat of fraud and personal data theft against TikTok Shop users (Ulya, 2023).

This phenomenon has led the Indonesian government to issue Permendag 31/2023 which prohibits social commerce functions on the TikTok Shop platform. This policy has created pros and cons among MSEs because they are concerned about the impact of this regulation on the survival of MSEs that have depended on the platform (Syailendra, 2023). The ban on social commerce on TikTok Shop can have a significant impact on the income of MSEs because they no longer have a virtual shop / site to sell. Rent for a shop / site that is quite expensive in the real world and the use of other market places such as shopee and tokopedia to sell which are not user friendly are worrying MSE actors. On the other hand, there are also MSE actors who support this regulation, especially conventional business actors in shopping centers who are not too "aware" of technology (Damayanti, et al., 2023). The shift in people's shopping behavior to social-commerce platforms such as TikTok can also affect the income of MSEs. The existence and use of social-commerce such as Tiktok Shop by MSE actors is very relevant to Ambon City which is in the 3T area (Disadvantaged, Frontier, Outermost). This concerns the opportunity to use it in marketing Ambon City MSE business products to a wider market. For example, products such as eucalyptus oil, shredded fish, nutmeg clove snacks and so on can be marketed with tiktok shop to reach buyers outside the region with only the internet. However, there are also challenges in the use of social commerce such as Tiktok Shop by MSEs in Ambon City, including; Inadequate telecommunication infrastructure which has an impact on the high cost of internet subscription services. In addition, the lack of knowledge of MSE actors in Ambon City regarding the use and utilization of technology such as social commerce is also a decisive thing.

The permendag Number 31 of 2023 regulates trade through electronic systems (e-commerce) in Indonesia with the aim of increasing the competitiveness of business actors, protecting consumers, and creating a healthy e-commerce ecosystem. There are several state of the art of previous studies whose object of study is Permendag 31 of 2023 and the subject of study is MSE actors, including; 1) Legal Review of MSE Protection and the Effectiveness of Permendag No. 31 of 2023 Against Social Commerce Tiktok Shop, 2) Normative Problems in Regulation of Permendag 31/2023 Regarding the Prohibition of Social-Commerce on Tiktok Shop, 3) Fulfillment of the Principle of Legal Benefit in Permendag No.31 of 2023 and 4) The Effect of Permendag 31/2023 on the Development of E-commerce in Indonesia. 2023 and 4) The Effect of Permendag 31/2023 on the Development of E-commerce in Indonesia.

The above studies still have several weaknesses, first, the research method used is the normative legal research method where this method only studies legal literature/documents and then provides an assessment (conclusion) of a legal event that occurs. This method has a weakness because it cannot measure the impact and response of community behavior to the enactment of a rule of law. Second, the research subject is too broad or vague (obscure) because it involves the category of "Middle Class" business actors which is not very

relevant because it has capital above 5 billion according to the MSE Law. Meanwhile, TikTok Shop users are almost entirely Micro and Small Business actors whose business capital is from 50 million to 500 million rupiah. The third is the misuse of nomenclature or the concept of TikTok Shop itself which is social-commerce and not e-commerce. From some of these studies, it can be seen that the research conducted has originality and has new scientific contributions to society so it is important to be published.

The urgency of this research is important because it looks at the impact of Permendag No. 31 of 2023 on the survival of MSEs in Ambon City. This research will reveal facts and data about the impact of the regulation on the income, business protection, and strategies of MSEs in Ambon City to adapt and survive in the dynamic digital era. The results of this research are expected to provide solutions to the government, MSE actors, and the wider community in responding to this policy, thus creating a sustainable and inclusive digital economy ecosystem. The novelty of this research so that it is important to do is 1) the method used in this research is the empirical legal research method. This method looks at the behavior of the community (MSE actors) as a reaction to the application of a rule of law (Permendag 31 of 2023). 2) The clear scope of the research because it is located in Ambon City will make the data and results of this research quantitatively measurable so that it can be a reference for conducting similar research in other cities / regencies.

II. METHOD

This paper uses an empirical legal research method that examines the behavior/response of the community (MSE actors) to the implementation of permendag 31/2023. A study was carried out on the level of knowledge, income, and approval of MSE actors in Ambon City against the permendag 31/2023 which was carried out using interview techniques with respondents. The approaches used are statutory approach and sociology law approach. Then do a qualitative analysis (Rizkia & Fadiansyah, 2023).

III. RESULT AND DISCUSSION

Overview of Permendag 31/2023

Regulation of the Permendag 31/2023 is a regulation issued by the Ministry of Trade of the Republic of Indonesia that regulates business licensing, advertising, guidance, and supervision of business actors in trading through electronic systems (PMSE). This regulation was promulgated on September 26, 2023 and aims to replace Permendag 50/2020, which is considered no longer in accordance with legal developments and community needs. Permendag 31/2023 has several main objectives. First, to create a more regulated, fair, and safe e-commerce ecosystem for all businesses, including micro, small, and medium enterprises (MSEs). This regulation stipulates that all business actors conducting trading activities through electronic systems must have a valid license and comply with applicable regulations. This includes rules regarding advertising that is transparent and does not mislead consumers. The prohibition of social-commerce practices is one of the important aspects of this regulation (Mahran & Sebyar, 2023).

Social-commerce is the use of social media platforms to conduct direct trade transactions without going through an official and licensed e-commerce platform. This emerging trend has significantly impacted the landscape of modern commerce, reshaping the way businesses and consumers interact and exchange products and services. (Syailendra, 2023). This prohibition aims to avoid irregular trading practices and protect consumers from potential fraud and unfairness in transactions. Thus, the government hopes to direct businesses to use legitimate and registered e-commerce platforms. In its implementation, Permendag 31/2023 also emphasizes the importance of guidance and supervision by the Ministry of Trade. This guidance aims to help businesses understand and comply with applicable regulations, while supervision is conducted to ensure compliance and prevent violations. The government is also committed to providing clear guidance and technical assistance to businesses, especially MSEs, in the process of transitioning to authorized e-commerce platforms (Damayanti, 2023).

Overall, Permendag 31/2023 is expected to support the growth of the digital economy in Indonesia by creating a safer, more transparent and regulated e-commerce environment. This regulation is also expected to protect consumers and support the development of MSEs through more inclusive and supportive policies (Humairoh, et.al., 2023).

Social-Commerce for MSEs: Benefits and Challenges

Social-commerce, or trading through social media platforms, plays a very important role for MSEs in Ambon City. Platforms such as TikTok Shop are often used by MSEs to sell their products directly to consumers without the need to go through intermediaries or official e-commerce platforms such as Tokopedia and Shopee (Supriyanto, 2023). The main advantages of social-commerce for MSEs are ease of access and low cost. The use of social media does not require large capital or complicated licenses that are often an obstacle for small MSEs. Social-commerce also offers great flexibility for MSEs (Rahmadiane & Utami, 2021). Businesses can easily proPermendage new products, hold proPermendagions or discounts, and adjust marketing strategies based on direct feedback from customers.

Furthermore, social-commerce provides a great opportunity for MSEs to utilize trend and viral marketing, which is when businesses follow the latest trends and capitalize on viral momentum to increase visibility and sales (Simanjuntak, 2023). In this digital era, trends can change quickly and the ability to adapt quickly is key to success for many MSEs. Social-commerce allows MSEs in Ambon to reach a wider audience quickly. With the ability to utilize social networks and features such as live streaming, story updates, and direct messaging, MSEs can interact directly with potential customers and build more personalized relationships (Supada, 2022). This is important because MSEs in small cities such as Ambon City, which are located in the archipelago with long distances between islands/districts, make it easier for them to reach a wider and larger number of buyers.

Social-commerce platforms provide various benefits for MSEs, but also bring significant challenges, especially with regard to unfair business competition among MSE (Anggraeny, et.al., 2024). First, not all MSE players have equal access and knowledge of the technology and resources needed to optimize social commerce. This inequality creates unfair competition, where less skilled or less knowledgeable MSE players cannot compete effectively. Second, selling at low prices. Some MSEs sell their products at very low prices to attract more customers, a practice known as price dumping (Fajar, et.at., 2022). Moreover, products that are sold cheaply on social commerce are dominated by imported products from outside. This can damage the market and force MSE players who cannot afford to lower their prices to an unprofitable level to exit the market. This unreasonable pricing causes instability and unfairness in business competition among MSE players.

In addition to business competition, cyber security is also a challenge in using social commerce. First, social commerce often collects customer data when starting to use it. This can be misused for personal gain or to harm competitors (Anhar & Kurniawan, 2024). Using customer data without permission or for unethical purposes can damage the reputation of other businesses and create unfair competition in the market (Muina, 2023). Social commerce platforms are vulnerable to cyber attacks, such as hacking, phishing, and data breaches, which can compromise sensitive customer information and cause financial losses. Second, there are online cartel practices. There have been several cases where certain MSE players have unlawfully cooperated to set prices or divide the market through various digital platforms, both social commerce and e-commerce (Fajar, et.at., 2022). Such practices violate the principle of fair business competition and harm consumers and other business actors who operate honestly and fairly.

Impact and Response to the Implementation of Permendag 31/2003 by MSE Actors in Ambon City

The implementation of Permendag 31/2003, which prohibits the practice of social commerce platforms such as TikTok Shop, has become a topic of discussion among Micro, Small and Medium Enterprises (MSEs) in Indonesia, including Ambon City. This regulation was enforced for several months and then suspended. This regulation aims to control the

increasingly rampant electronic commerce transactions, with the main objective of protecting MSEs from unfair competition and improving local economic welfare. However, this policy also raises various pros and cons and impacts that need to be studied in depth, especially related to the income and business sustainability of MSEs. One of the main aspects of this regulation is the prohibition on social commerce platforms operating in Indonesia. Social commerce platforms are tools that allow MSEs to sell products directly to consumers through social media. This ban aims to balance the market by separating between social media platforms and e-commerce such as Tiktok Shop.

This study focused on identifying the concrete impact of the implementation of Permendag 31/2003 on the income of MSEs in three main locations in Ambon City: Ambon Plaza, Ambon City Center, and Maluku City Mall. By involving 150 respondents from various MSE sectors, including local producers, small retailers, and artisans, the study explored their experiences in dealing with market changes caused by the regulation. The research data was collected using survey techniques (questionnaires) and interviews conducted with respondents. The survey was conducted by randomly distributing 300 questionnaires to respondents at the research location. In the next stage, interviews were conducted with selected respondents (targeted respondents). Interview questions were given based on the guidelines that had been prepared to answer the research problems to be studied.

The results of the study describe, first, after the survey (questionnaire) was collected, an astonishing fact was that out of 150 questionnaires filled out by respondents / MSEs at the research location, there were 134 or around 89.3% of MSEs who did not know about Permendag number 31 of 2023 and only 16 or around 10.7% of MSEs who knew this regulation from TikTok and Instagram. Second, the results of interviews conducted at the research location for respondents found that only 39 or around 26.1% of MSEs experienced a decrease in income when this regulation was enforced or when the TikTok Shop social commerce was banned because they used the platform. Furthermore, there are 111 or around 73.9% of MSE actors whose income remains when this regulation is implemented because they do not yet have the understanding and courage to transform to use a digital platform.

The results of further research show interesting facts, when this study wants to know the response / behavior of the community towards the implementation of Permendag number 31 of 2023, the results found that out of the 150 targeted respondents there were 91 or around 60.6% of MSEs who refused to enforce this regulation, this shows the fact that out of 111 or around 73.9% of MSEs whose income remains when this regulation is implemented, as many as 20 or around 13.4% of MSEs want to try to learn and use the social commerce platform. They agree that small business development that relies on technology is the main requirement to survive and grow in this digital era. Meanwhile, around 59 or 39.4% of respondents/ MSEs continue to support the implementation of Permendag number 31 of 2023. They agree that this ban is important to protect the long-term sustainability of MSE businesses by regulating electronic commerce traffic more strictly in order to create fairer competition for all MSE actors.

Analysis of the research results shows that the socialization of Permendag 31 of 2023 has not effectively reached the majority of MSEs in Ambon City. Low knowledge of this regulation indicates that the government's efforts to convey important information to MSE actors are still suboptimal. This can be a major challenge in policy implementation, because without a good understanding from MSE actors, the effectiveness of the regulation will be difficult to achieve. Second, there is a gap in the adoption of digital technology among MSEs in Ambon City. MSE actors who have not used digital platforms do not seem to be directly affected by this regulation, but this also means that they have not fully utilized the growth potential offered by digital platforms. Third, there are concerns among MSEs about the long-term impact of the ban on social commerce platforms on their ability to compete and grow in the digital era. The willingness of some MSEs to try to learn and use social commerce platforms reflects the potential for technological adaptation in the future. Conversely, some MSE actors who support the implementation of this regulation believe that this ban is important to protect the long-term sustainability of MSE businesses. Support is due to MSE actors who

see social commerce platforms as a threat to their existence, especially if they feel unable to compete.

IV. CONCLUSION

The implementation of Permendag 31/2003 faces significant challenges in terms of socialization and acceptance among MSE actors in Ambon City. The low knowledge of this regulation suggests the need for further efforts from the government to improve MSE actors' understanding of the policy being implemented. Meanwhile, the impact on MSE actors' income varies depending on the extent to which they have adopted digital technology like social commerce Tiktok Shop in their operations. Factors such as a wider range of buyers and technological knowledge are highly influential. For that situation, the majority's of MSE actors' rejection this regulation reflects uncertainty and concerns about the future of their businesses. Therefore, more inclusive policies that support the digital transformation of MSEs are needed to ensure that this regulation can provide maximum benefits for all MSE actors in Indonesia.

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