

STRENGTHENING BUSINESS SUSTAINABILITY: ONE-TIER BOARD SYSTEM FOR MICRO-SMALL BUSINESS ENTERPRISES RESAILNCE AFTER THE ENACMENT OF LAW NUMBER 06 OF 2023 ABOUT CIPTA KERJA

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<i>Abstract</i>	<i>the obstacle faced by Micro-Small Business Enterprises called as MMBE having strong engagement with business bureaucracy or business organization was barriers the business expansion, credit facilities, and mutual-business cooperation. the existence of PT Perorangan/ PT MMBE was an effective solution to respond and to stimulate the development of PT itself. easy to doing business are indicated from build-up business organization (PT Peorangan) only himself as a founder of legal entity (personal statement) and the model of business-organization management is used one-tier board system (director and commissioner are one board). Mixed-legal research methodologies are selected for this research, secondary data are compulsory (online-library research) while primary data is complementary (field research, used non-probability to determine the population, and purposive sampling is selected for respondents). the data analyzed used the statute approach (primary legal material) and conceptual approach (secondary legal material), the conclusion of this research used the inductive technique and all of the results have been described descriptively. Indonesian government used an economic approach to law for determining the regulation of a one-tier board system in the business-organization management in PT Perorangan/PT MMBE as a media and stimulus for MMBE resilience purposing in Indonesia. one-tier board system is in-line with the PT Perorangan/PT MMBE, it has a correlation to good corporate governance principles that were already regulated in Article 153 Law Number 6 of 2023 on Cipta Kerja</i>
<i>Keywords:</i>	<i>One-Tier Board System; PT Perorangan; Micro Small Enterprises</i>

INTRODUCTION

Today's fast-paced and highly competitive business landscape, the urgency to simplify business organization has become increasingly evident. As companies strive to stay agile, innovative, and efficient, streamlining organizational structures and processes has emerged as a critical imperative. This urgency is driven by several key factors that highlight the benefits and necessity of simplification. Simplifying business organization can significantly improve efficiency

and productivity within an organization. Complex and convoluted structures often lead to bureaucratic bottlenecks, excessive layers of management, and unclear reporting lines. By simplifying these structures, organizations can eliminate unnecessary layers, reduce bureaucracy, and streamline decision-making processes. This enables faster response times, improved collaboration, and increased productivity across the entire organization.¹

The medium-term development for 2020-2024 is focused on several things, namely: Human Resource Development, Infrastructure Development, Regulatory Simplification, Bureaucratic Simplification, and Economic Transformation. Based on the analysis of the Ministry of National Development Planning of the Republic of Indonesia/National Development Planning Agency that Indonesia faces a number of economic challenges such as global economic uncertainty with stagnant and relatively slow economic growth, projected at 3.5% and 3.7% per year respectively throughout 2020-2024, this certainly has an impact on the national economy. Looking back at the economic crisis in 1998, Indonesia's average economic growth was only 5.3% per year, even in the last four years (2015-2019) Indonesia's economic growth tended to stagnate around 5.0%, seeing the lack of economic growth progress, it is difficult for Indonesia to immediately become a high-income country that is able to provide welfare like the Indonesian people.²

The stagnation of Indonesia's main economic growth occurred due to low productivity levels due to structural transformation that had not run well, based on cross-sectoral analysis found the main constraints on economic growth (*Growth Diagnostics*) and factors that became *the most binding constraints* Indonesia's economic growth is a regulation that does not support business creation and development, even tends to limit, as well as the low quality of institutions. This obstacle has been exacerbated since the Covid-19 pandemic. The COVID-19 pandemic has spread worldwide and spread to 215 countries, as of November 23, 2020, the total cases reached more than 59.1 million. In Indonesia, Covid-19 positive cases are more than 502 thousand cases, of which 422 thousand patients are declared cured and 16 thousand patients die. The Covid-19 pandemic has had a huge impact on the global economy as a whole.³

In Indonesia, Covid-19 began to enter in early March 2020, the Covid-19 pandemic requires the government to issue a *Pembatasan Sosial Bersekala Besar* (PSBB) policy to prevent the spread of Covid-19. This PSBB makes community and economic activities limited. Private consumption slowed due to mobility restrictions and consumer behaviours reluctant to leave the house, limiting consumption. In addition, workplace closures have a direct impact on the activities of companies and self-employed workers and are at high risk of bankruptcy. The impact of the implementation of this PSBB can be seen from the decline in economic growth in the second quarter of 2020.⁴ Based on data from Indonesia Central Statistics Agency (BPS), Indonesia's economic growth in the second quarter of 2020 contracted by -5.32% (YoY). By sector, the transportation and warehousing sector experienced the deepest contraction of -30.84% (YoY), followed by the accommodation and food and beverage sector by -22.02% (YoY). The Processing Industry which has a dominant role also experienced a growth contraction of 6.19%. However, there are several sectors that are still growing positively, including the information and communication sector by 10.88% (YoY), water supply by 4.56% (YoY). Meanwhile, Agriculture, Forestry, and Fisheries also grew by 2.19%.⁵

¹ Amy Y. Zang, "Evidence on the Trade-off between Real Activities Manipulation and Accrual-Based Earnings Management," *The Accounting Review* 87, no. 2 (March 2012): 675-703.

² National Development Planning Agency (Bappenas), "Rencana Pembangunan Jangka Menengah Nasional 2020-2024," *National Mid-Term Development Plan 2020-2024* (2020): 313.

³ "Fiscal Policy Agency - Study Details," n.d., accessed June 25, 2023, <https://fiskal.kemenkeu.go.id/kajian/2021/08/18/2433-kajian-dampak-covid-19-terhadap-pasar-tenaga-kerja-dan-respons-kebijakan-di-kawasan-asia-dan-pasifik>.

⁴ Fiscal Policy Agency, "Fiscal Policy Agency - Detail Study," Ministry of Finance of the Republic of Indonesia, last modified 2021, accessed June 11, 2023, <https://fiskal.kemenkeu.go.id/kajian/2021/08/18/2433-kajian-dampak-covid-19-terhadap-pasar-tenaga-kerja-dan-respons-kebijakan-di-kawasan-asia-dan-pasifik>.

⁵ Coordinating Ministry for Economic Affairs of the Republic of Indonesia, Report on the Impact of the Covid-19 Pandemic on Employment in Indonesia, 2021.

Structural transformation as one way to provide stimulus to accelerate productivity that supports national economic stability, is currently still running slowly and has stagnant attention, it is also shown by the dominance of micro-scale businesses in the structure of national business actors (99.0%). This condition shows the existence of a *hollow middle* which makes the capacity of the business world to build upstream-downstream linkages limited. Efforts to increase the scale of MSME businesses currently have not shown optimal results. The facilitation of MSMEs to operate continues to be implemented in order to increase efficiency and economies of scale. However, these efforts still face challenges to the capacity of cooperatives to become modern and professional businesses. further explore that MSMEs have a strategic role as a source of economic growth in Indonesia. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenKop-UKM) in March 2021, the number of MSMEs in Indonesia reached 64.2 million. MSMEs contribute to 96.9% of employment, 60.5% of National Gross Domestic Product (GDP) and 60% of national investment. In addition, MSMEs also contribute to 15.6% of national non-oil and gas exports.⁶

Micro, Small and Medium Enterprises are business activities that are able to expand employment and provide broad economic services to the community, and can play a role in the process of equitable distribution and increase in people's income, encourage economic growth, and play a role in realizing national stability. In addition, Micro, Small and Medium Enterprises are one of the main pillars of the national economy that must obtain the main opportunities, support, protection and development as wide as possible as a form of firm alignment with the people's economic business groups, without neglecting the role of Large Enterprises and State-Owned Enterprises. Indonesia's RPJMN for 2020-2024 explains several aspects that hinder high economic growth, one of which is regulation and institutions becoming the *most binding constraints*. The main factor for the existence of law in society is how to accommodate and support the acceleration and stability of the economic system to function optimally. The role of the government in realizing the investment climate is needed to increase productivity; prevent market failure; and facilitate an effective and efficient business scheme. In order to achieve economic efficiency, policy concentration needs to be placed on regulations related to increasing capital accumulation for development costs and business development in order to realize democratization of the economic sector.⁷

The law reform policy serves as a means to accommodate several market constraints and follow up on the development of the business sector, one of which is expansion and optimization related to investment and business organization of a company as stipulated in the Limited Liability Company Law. The presence of Law Number 11 of 2020 concerning Cipta Kerja provides fundamental changes to the regime of the agreement for the establishment of a limited liability company which was formerly known in Law Number 40 of 2007 (Law of PT), Article 7 of the Law on PT explains that a company was established by 2 (two) or more people with a notarial deed who made in Indonesian, these provisions certainly do not provide space and positive stimulus for the development of MSMEs in Indonesia, based on several analysts contained in the inventory list of issues of the Cipta Kerja Bill of Law stipulating several obstacles that bind MSMEs, namely, the unclear criteria for MSMEs; the lack of integration of a single electronic database; and the lack of optimal single licensing and obstacles experienced in building partnership networks, especially in access to credit capital or financing business activities and Complex organizational structures can hinder effective communication and collaboration among employees. Silos may form within

⁶ Kementerian Koordinator Bidang Perekonomian Republik Indonesia, "Perkembangan UMKM Sebagai Critical Engine Perekonomian Nasional Terus Mendapatkan Dukungan Pemerintah - Kementerian Koordinator Bidang Perekonomian Republik Indonesia," accessed June 25, 2023, <https://www.ekon.go.id/publikasi/detail/4593/perkembangan-umkm-sebagai-critical-engine-perekonomian-nasional-terus-mendapat-kan-dukungan-pemerintah>.

⁷ M Stiglbauer P Velte, "Impact of Audit Committees with Independent Financial Experts on Accounting Quality. An Empirical Analysis of the German Capital Market," *Problems and Perspectives in Management* 9 (2011): 17-33.

different departments or teams, leading to a lack of information sharing and coordination.⁸ Simplifying business organization promotes a more open and transparent communication culture, breaking down barriers between departments and fostering collaboration.⁹

Law Number 11 of 2020 concerning *Cipta Kerja* was replaced by Law 6 of 2023 concerning the Stipulation of Government Regulations in Lieu of Law Number 2 of 2022 concerning *Cipta Kerja* into Law (Law Ciptaker 06/2023) which changed the provisions of Article 7 of the PT Law which contextually changed the establishment of a limited liability company, the agreement regime (must be established by 2 people or more), the agreement regime has been changed to the personal statement regime (1 person). The limited liability company known in Law 6/2023, namely a Limited Liability Company (Company), is a legal entity that is a capital partnership, established based on an agreement, carrying out business activities with authorized capital which is entirely divided into shares or individual legal entities that meet the criteria for micro and small enterprises as stipulated in the laws and regulations regarding micro and small enterprises.¹⁰

Law Number 20 of 2008 concerning MSMEs explains that micro, small and medium enterprises are a classification of productive business types or productive economic enterprises that are distinguished based on the management of business activities and business assets (net asset wealth (non-land and/or buildings) and annual sales results). based on these provisions, contextually does not provide specific arrangements with regard to business criteria and the form of business organization determined, however, in fact there are difficulties faced by MSME business actors or especially MSMEs in expanding business activities and obtaining access to capital and capital schemes that are not relevant to the needs of MSME business actors as stated by Nurhidayat in¹¹ his research that financing loans distributed from financial service institutions/sectors to MSMEs are types of individual and group financing, MSME business actors are directed to access group financing based on a higher / nominal value than individual financing, in the event that there are obstacles in accessing group credit, another alternative is to apply for private funding (individual financing). Based on the provisions mentioned above, a more in-depth study will be conducted related to the management of corporate operations (*one-tier board system*) based on the division of characteristics of the company's organs in supporting *good corporate governance* and *resilience* of MSEs after Covid-19 in Indonesia.¹²

Simplifying business organization can have a positive impact on employee engagement and satisfaction levels. Complex structures can create confusion, frustration, and a lack of clarity regarding roles and responsibilities. By simplifying the organization, employees can have a clearer understanding of their roles, reporting lines, and career progression opportunities. This clarity fosters a sense of ownership, empowerment, and accountability among employees, leading to higher levels of engagement and job satisfaction. Simplifying business organization can also have a direct impact on the customer experience. Complex structures often result in fragmented customer interactions, with different departments or teams handling different aspects of the customer journey. This can lead to inconsistencies in service delivery, miscommunication, and delays in issue resolution. By simplifying the organization, companies can create a more seamless and integrated customer experience, ensuring that customers receive consistent service across all touchpoints. the urgency to simplify business organization stems from the need for enhanced efficiency, improved communication and collaboration, increased adaptability and agility, cost reduction, enhanced employee engagement and satisfaction, as well as improved customer

⁸ Tracie Woidtke and Yin Hua Yeh, "The Role of the Audit Committee and the Informativeness of Accounting Earnings in East Asia," *Pacific-Basin Finance Journal* 23 (June 2013): 1-24.

⁹ MA Md Yusof, "Does Audit Committee Constraint Discretionary Accruals in MESDAQ Listed Companies?," *International Journal of Business and Social Science* 1 (2010): 124-136.

¹⁰ Fiscal Policy Agency, "Warta Fiskal: Encouraging MSME Financial Inclusion (Third Edition 2022)" (2022), <https://fiskal.kemenkeu.go.id/publikasi/warta-fiskal>.

¹¹ R. Nurhidayat, "Analysis of MSME Financing Problems in Indonesia," *Economic and Financial Studies*, 2011.

¹² Kementerian Koordinator Bidang Perekonomian Republik Indonesia, "Perkembangan UMKM Sebagai Critical Engine Perekonomian Nasional Terus Mendapatkan Dukungan Pemerintah - Kementerian Koordinator Bidang Perekonomian Republik Indonesia."

experience. By streamlining organizational structures and processes, companies can position themselves for success in today's dynamic business landscape.¹³

RESEARCH METODE

Mixed-legal research methodology was chosen in this study, the sequence data was placed as the main data and the primary data as complementary resources. Secondary data were obtained through online-library research on the Legal Documentation and Information Network (SJDIH) page at the Main Directorate of Legal Development and Development of State Financial Audit-Audit Board of the Republic of Indonesia (BPK RI) using a statue-approach . Secondary data consists of primary legal material sourced from laws and regulations in Indonesia, including: Law Number 40 of 2007 concerning Limited Liability Companies, Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; Law 6 of 2023 concerning the Stipulation of Government Regulations in Lieu of Law Number 2 of 2022 concerning Job Creation into Law; Government Regulation Number 7 of 2021 concerning the Ease, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises; Government Regulation Number 8 of 2021 concerning the Company's Authorized Capital and Registration of Establishment, Change, and Dissolution of Companies that meet the criteria for Micro and Small Enterprises; and Presidential Regulation (PERPRES) on the 2020-2024 National Medium-Term Development Plan. Secondary legal materials are obtained and analysed through performance reports or research of ministries, state institutions and/or non-ministerial state institutions; results of studies, policy texts, and press releases from ministries, state institutions and/or non-ministerial state institutions; As well as scientific journal publications on the Google Scholars page using the Boolean Technique method in a simple literature review of one-tier board system variables and good corporate governance and the results are analysed with a conceptual approach. Primary data are obtained through field research with interviews with respondents, non-probability and purposive sampling selected as sampling techniques and determination of respondents as a subjects in this study, the data will conceptually be synchronises and integrated with an economic approach to law against the overall data related to the role of law in encouraging economic acceleration and strengthening through MSEs. In the end, the inductive method in drawing conclusions is used to describe the results of all research that has been carried out in this paper.¹⁴

RESULT AND DISCUSSION

The Limited Liability Company Law (40/2007) before the amendment explained, the form of limited liability company organs consisted of three organs, namely: *first*, the board of directors is the organ of the company that is authorized and fully responsible for the management of the Company for the benefit of the Company, in accordance with the aims and objectives of the Company to represent the Company, both inside and outside the court in accordance with the provisions of the articles of association; *second*, the Board of Commissioners is the Company's organ in charge of conducting general and/or special supervision in accordance with the Articles of Association and advising the Board of Directors; and third, the General Meeting of Shareholders is an organ of the Company that has authority not granted to the Board of Directors or the Board of Commissioners within the limits specified in this Law and/or the articles of association.¹⁵

¹³ Charles Piot, "The Existence and Independence of Audit Committees in France," *Accounting and Business Research* 34, no. 3 (2004): 223–246.

¹⁴ M. Zulfa Aulia, "Hukum Pembangunan Dari Mochtar Kusuma-Atmadja: Mengarahkan Pembangunan Atau Mengabdi Pada Pembangunan?," *Undang: Jurnal Hukum* 1, no. 2 (2019): 363–392.

¹⁵ Muhammad Zubi, undefined Marzuki, and Ibnu Affan, "Tinjauan Yuridis Perlindungan Hak-Hak Normatif Tenaga Kerja Setelah Berlakunya Undang-Undang Cipta Kerja (Omnibus Law)" 3, no. 3 (2021): 1171–1195.

However, the forms and regulations related to the PT Law in 2023 are amended by the Job Creation Law (Law 6/2023) that Article 1 number 1 of Law 6/2023 determines the definition and form of PT, namely:¹⁶

"Limited Liability Company, hereinafter referred to as the Company, is a legal entity that is a capital partnership, established based on an agreement, conducting business activities with authorized capital entirely divided into shares or individual legal entities that meet the criteria for micro and small enterprises as stipulated in the laws and regulations regarding micro and small enterprises."

Based on this explanation, there are two forms of limited liability companies, namely; *First*, a limited liability company established on an establishment agreement and made by an authentic deed (notary); *second*, individual limited liability companies that are required to meet the provisions of micro small enterprises or known as (PT Perorangan or PT UMK). The criteria for micro, small and medium enterprises are determined in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSME Law), in Article 6 paragraphs (1) and (2) *juncto* Article 35 Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises (PP Koprasi and MSMEs). The provisions of Article 6 paragraph (1) and paragraph (2) which provide classification of types of micro and small businesses, namely:¹⁷

(1) *The criteria for Micro Business are as follows:*

- a. *have a net worth of at most IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or*
- b. *has annual sales of at most Rp300,000,000.00 (three hundred million rupiah).*

(2) *The Small Business Criteria are as follows:*

- a. *have a net worth of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or;*
- b. *has annual sales of more than Rp300,000,000.00 (three hundred million rupiah) up to a maximum of Rp2,500,000,000.00 (two billion five hundred million rupiah).*

The provisions of Article 7 of the PT Law and Article 6 paragraph (1) and paragraph (2) of the MSME Law provide an explanation that an PT Perorangan/UMK can only be established for business types that have a maximum net worth of 50 million rupiah and a maximum annual net sale of 300 million rupiah (micro business type) and net worth assets from a *baseline* of 50 million rupiah to a maximum of 500 million rupiah and *base-line* annual net sales 300 million to a maximum of 2.5 billion rupiah. The establishment provisions do not allow to establish more than one UMK PT in 1 year and there is an obligation to transfer the status of PT UMK to PT (PT UU 40/2007) if it does not meet the criteria as an UMK. The approach of financial capability and asset ownership by the founder who determines the classification of what form of PT is used as a business organization, that it needs to be an important note that the purpose of establishing PT UMK is not only to focus on *increasing the Ease of Doing Business (EODB)* index for the growth of business actors but also a positive stimulus for MSE business actors in increasing productivity and labour absorption.¹⁸

¹⁶ Yuliana Duti Harahap, Budi Santoso, and Mujiono Hafidh Prasetyo, "Pendirian Perseroan Terbatas Perseorangan Serta Tanggung Jawab Hukum Pemegang Saham Berdasarkan Undang-Undang Cipta Kerja," *Notarius* 14, no. 2 (2021): 725–738.

¹⁷ Yuliana Duti Harahap, Budi Santoso, and Mujiono Hafidh Prasetyo, "Establishment of an Individual Limited Liability Company and Legal Responsibility of Shareholders Based on the Job Creation Law," *Notary* 14, no. 2 (2021): 725–738.

¹⁸ Carsten Jungmann, "The Effectiveness of Corporate Governance in One-Tier and Two-Tier Board Systems – Evidence from the UK and Germany –," *ecfr* 3, no. 4 (December 19, 2006): 426–474, accessed June 11, 2023, <https://www.degruyter.com/document/doi/10.1515/ECFR.2006.019/html>.

The stability and productivity of MSMEs continue to be the mainstream in maintaining the sustainability of the Indonesian economy through a series of policies, one of which accommodates individual business forms that are legal entities to be able to carry out activities in the eyes of the law not seen as individual subjects but corporate entities, this certainly has a correlation to production levels and maintaining market stability which contributes to an increase in the contribution of MSMEs to GDP from 5.72% to 65% d By 2024. Indonesia's Gross Domestic Product (GDP) is used as one of the benchmarks or economic indicators because GDP is one of the analysis knives whether economic conditions in a country (Indonesia) are in a positive state (moving forward) or negative (stagnant or tend to slow down). Not only that, there are several important indicators that need to be considered in optimizing and stimulating business activities in the MSE sector are Nominal GDP and Rill PDM. Nominal GDP is gross domestic product whose value of goods and services is measured at the time of current prices, while Real BDP is gross domestic product whose value of goods and services is measured based on certain years as base years, As for Nominal and Real GDP in 2021 as follows,¹⁹

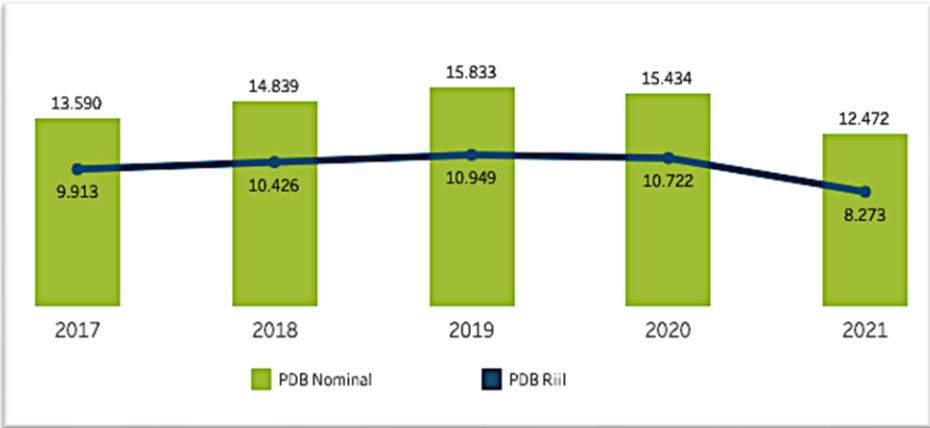


Figure 1 - 2021 Nominal BDB and Real GDP Chart²⁰

Based on the chart above, it can be concluded that nominal GDP showed an increase throughout 2017 to 2019, with the highest value of Rp. 15,434,000,000, then decreased until 2021 with a BPD value of Rp. 12,472,000,000. One of the goals with bureaucratic transformation and ease of doing business by providing opportunities for MSEs to have more formal legality which used to be individual businesses or non-legal entities, currently with the presence of Law 6 of 2023 concerning Job Creation to become a separate institution or legal subject (more optimal business entity), it is in line with the Indonesian government's goal in increasing the contribution of MSMEs and cooperatives in the economy as indicated by growth The GDP value of MSMEs and cooperatives averages 6.5-7.5% per year. The target is also supported by improvements in the contribution of MSMEs and cooperatives in job creation, foreign exchange creation (export), and investment and increasing the competitiveness of MSMEs, as indicated by the average MSME productivity growth of 5.0-7.0% per year; The increase in new businesses that have the potential to grow and be innovative is shown by the increase in the number of new entrepreneurs by 1 million units in five years contributed from national and regional programs.²¹

Policy directions in order to increase economic added value in 2020-2024 include: Strengthening entrepreneurship, micro, small and medium enterprises (MSMEs) and cooperatives accommodated in changes to the PT Law that provide opportunities for ease of doing business,

¹⁹ Kementerian Koperasi dan Usaha Kecil dan Menengah, "Data Produk Domestik Bruto Indonesia."

²⁰ Kementerian Koperasi dan Usaha Kecil dan Menengah, "UMKM Dalam Angka 2023," *UMKM Dalam Angka 2023*.

²¹ Badan Pusat Statistik Indonesia, "Badan Pusat Statistik," *Publikasi Nilai Ekspor Indonesia*, last modified 2023, accessed July 27, 2023, <https://www.bps.go.id/subject/8/ekspor-impor.html>.

both during the establishment of business entities or during the management and reporting of business entities. PT UMK or PT Perorangan is a product of bureaucratic transformation in a *business entity*. Based on the theory of corporate governance model, *there are two forms of institutions in managing business entities, namely dualistic corporate-governance model (two-tier board system) and monostich corporate-governance model (one-tier board system). The two-tier board system model has an organ that runs the company or management separately from the organ that carries out the task of supervising the business activities of the company or company; while the one-tier board system, there is only one organ that runs the management of the company (management and supervision or supervision in one institution or organ).*²³

The long history of corporate organization management in the Netherlands uses a two-tier board system (*directors and commissioners*), but 06 June 2011 the Netherlands' Upper Chamber, the Senate enacted a new law that accommodates that a corporate organization can choose to run business management with a one-tier board system that came into effect on January 1, 2012.²⁴ In Korea there are also two forms of organs in a company, one-tier board system and two-tier board system, but in general, directors in Korea involve auditors as parties who carry out monitoring activities or supervise the running of the company whether it is chosen to be two institutions or one institution, as one of the provisions that distinguish when a large business has assets of 100 Million to 2 Trillion Won, it is mandatory to have mandatory audit committee that will oversee the running of a company's business activities in Korea.²⁵

Below is an example of the division of company organization using the *One-Tier Board System* scheme (directors and commissioners in one organ) and *two-tier board system* (separate directors of organs with Commissioners), namely:

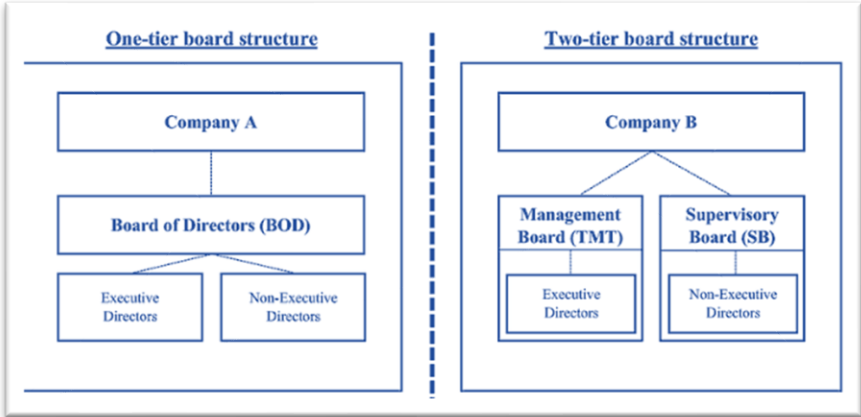


Figure 2 - Difference One-Tier Board System & Two-Tier Board System

Some literature shows that there are several advantages when the organs of the company or business entity are only run with one organ or one-tier board system (manager and supervisor in one board), namely: dissemination and turnover of information more quickly and effectively; the business decision-making process is faster and more accurate; and it is easier to provide understanding between members of the board (directors and commissioners) and all are actively

²² Government information for entrepreneurs - The Netherland Netherland, "One-Tier or Two-Tier Board as a Governance Model | Business.Gov.Nl," accessed June 28, 2023, <https://business.gov.nl/running-your-business/business-management/governance/one-tier-or-two-tier-board-as-a-governance-model/>.

²³ Samuel Eilon, "The Board: Functions and Structure," *Management Decision* 12, no. 2 (February 1, 1974): 90-111.

²⁴ Jungmann, "The Effectiveness of Corporate Governance in One-Tier and Two-Tier Board Systems - Evidence from the UK and Germany -"

²⁵ Fery Fery and Jihyun Park, "COMPARATIVE STUDY ON THE CORPORATE GOVERNANCE BETWEEN THE SOUTH KOREAN AND INDONESIAN LAW," *Journal of Law and Policy Transformation* 7, no. 2 (January 1, 2023): 47-61, accessed June 27, 2023, <https://journal.uib.ac.id/index.php/jlpt/article/view/7237>.

involved in management company. Similarly, the Netherlands Chamber of Commerce of Commerce said that the effectiveness of the selection of a one-tier board system is: all members of the organ receive information faster and the message conveyed in more detail than the commissioner (supervisory²⁶) is in a different organ two-tier board system; Directly involving non-executive directors who are an advantage in the one-tier board, commissioners take part of the responsibility also related to company management (daily activities of company management); directors also become very close to policy makers in the organization, it will facilitate the inventory of problems and compile corporate strategies without obstacles. While in Singapore and the United Kingdom there is a form that is almost similar and relevant to PT UMK /Perorangan which uses a one-tier board system, namely Single Private Limited Company.²⁷

In the Netherlands, it is possible to form a company that uses a one-tier board system only Private limited company (*bv or besloten vennootschap*) or known in Indonesia Limited Liability Company and Public limited company (*nv or naamloze vennootschap*) / Public Limited Company (listing shares on the secondary market). Based on the provision that in the Netherlands it is also known as Small *Besloten Vennootschap* BVS if juxtaposed almost the same with PT UMK or Individu, it is affirmed in the sentence,²⁸

"In smaller bvs, the director is often also the only shareholder. In which case, he or she is then director and major shareholder, in Dutch directeur en grootaandeelhouder (DGA). You can also opt to have more directors, to share the responsibilities. There is no legal requirement to the number of directors for bvs."

The Dutch Chamber of Commerce said that in a small limited liability company it is possible that directors are also shareholders or can actually hire more directors to share responsibilities in managing the company, there is no limit to the number of directors placement in the company.²⁹ In line with some of the advantages obtained when using a *one-tier board system*, there are several doubts, one of which is related to the *conflict of interest between the shareholder and the director entity (business organization-manger)*. There are several mitigations provided by the framer of the law in establishing PT UMK or PT Perorangan with the principle of *good corporate governance*.³⁰ The one-tier board system is a corporate governance structure in which the management and oversight of a company are carried out by a single board of directors. This system is commonly used in business organizations, particularly in countries like the United States, where it is the prevailing model. In a one-tier board system, the board of directors consists of both executive and non-executive directors. Executive directors are typically individuals who hold senior management positions within the company, such as the CEO, CFO, or other top-level executives. Non-executive directors, on the other hand, are independent individuals who do not have any operational responsibilities within the company.³¹

The primary responsibility of the board of directors in a one-tier system is to provide strategic guidance and oversight to the management team. They are responsible for making key decisions that affect the overall direction and performance of the organization. This includes setting corporate objectives, approving major investments or acquisitions, and monitoring financial performance. One of the key advantages of the one-tier board system is its ability to facilitate efficient decision-making. With a single board overseeing both management and

²⁶ Jungmann, "The Effectiveness of Corporate Governance in One-Tier and Two-Tier Board Systems – Evidence from the UK and Germany –"

²⁷ Netherland, "One-Tier or Two-Tier Board as a Governance Model | Business.Gov.NL."

²⁸ [object Object], "Corporate and Tax Law in the Netherlands: A Review of a Modern Common Market Law System: Part I" (n.d.).

²⁹ FangXiaNuo, *Management and Supervisory Boards in the Netherlands in Brief*, 1912.

³⁰ Muhammad T. Khan, Qadri M. Al-Jabri, and Naveed Saif, "Dynamic Relationship between Corporate Board Structure and Firm Performance: Evidence from Malaysia," *International Journal of Finance and Economics* 26, no. 1 (January 1, 2021): 644–661.

³¹ AJ Lawrence, "The Effects of Audit Committee Activity and Independence on Corporate Fraud," *Managerial Finance* 26 (2000): 55–67.

governance functions, there is a streamlined process for making important decisions. This can help to avoid delays or conflicts that may arise in organizations with separate management and supervisory boards.³²

Another advantage of the one-tier board system is that it allows for better coordination between management and oversight functions. Since both executive and non-executive directors sit on the same board, there is greater communication and collaboration between these two groups. This can lead to more effective governance and improved performance. However, there are also potential drawbacks to the one-tier board system. One concern is that it may lead to a concentration of power in the hands of a few individuals, particularly if there is a dominant CEO or chairman. This can potentially undermine checks and balances within the organization and limit accountability. To mitigate this risk, many companies with a one-tier board system have established committees within the board to oversee specific areas of governance, such as audit, compensation, and nomination. These committees are typically composed of independent directors and are responsible for providing additional oversight and expertise in their respective areas.³³

In summary, the one-tier board system is a corporate governance structure that combines management and oversight functions into a single board of directors. It is commonly used in business organizations to facilitate efficient decision-making and coordination between management and governance functions. While it has advantages in terms of streamlined decision-making and improved collaboration, there are also potential risks related to concentration of power. Therefore, companies often establish committees within the board to provide additional oversight and expertise. In line with various policies that support economic stimulus and policy relaxation due to the Covid-19 pandemic, the role of PT UMK is also directly proportional to the increase in economic value added in 2020-2023 including: Strengthening entrepreneurship, micro, small and medium enterprises (MSMEs) and cooperatives implemented with strategies: (1) increasing business partnerships between micro, small and large medium enterprises; (2) increase business capacity and access to financing for entrepreneurs; (3) increase the capacity, reach, and innovation of cooperatives; (4) increase the creation of business opportunities and start-ups; and (5) increase the added value of social enterprises.³⁴

CONCLUSION

Strengthening the stability of the national economic system based on the base-line and matrix set by the 2020-2023 RPJMN and restoring economic conditions are the priority agendas of the Indonesian government after being slumped due to the COVID-19 pandemic. The government's efforts to control the COVID-19 pandemic have succeeded in boosting economic growth by 3.69% in 2021. This growth rate has increased significantly compared to 2020, where economic growth contracted by 2.07% previously. Indonesia's economic revival is marked by the recovery of public confidence in carrying out economic activities. In addition, economic recovery is stimulated by increasing consumption of goods/services, thereby encouraging an increase in production as a response from business actors and the government's role in providing appropriate policies in strengthening the MSME sector by providing relaxation, assistance and reconstruction of MSME financing and the establishment or strengthening of MSME business organizational structures by forming organizational institutions that can be adjusted to the activities and characteristics of MSMEs, namely PT UMK or PT Individuals with an effective, effective and low cost approach in the establishment, management and management of organizations. It's important to note that while there are connections between a one-tier board system and simple business organizations,

³² Felix Schumann et al., "Does Top Management Team Diversity Affect Accounting Quality? Empirical Evidence from Germany," *Journal of Management and Governance* (123AD), accessed August 11, 2023, <https://doi.org/10.1007/s10997-023-09668-7>.

³³ DR Hermanson, DS Archambeault, SA Reed TF DeZoort, "Audit Committee Effectiveness: A Synthesis of the Empirical Audit Committee Literature," *Journal of Accounting Literature* 21 (2002): 38-75.

³⁴ Zubi, Marzuki, and Affan, "Tinjauan Yuridis Perlindungan Hak-Hak Normatif Tenaga Kerja Setelah Berlakunya Undang-Undang Cipta Kerja (Omnibus Law)."

the scale and complexity of the two concepts differ. A one-tier board system may apply to larger corporations, while simple business organizations are usually smaller-scale enterprises. Nonetheless, both emphasize simplicity, efficient decision-making, and direct communication as key factors for success. one-tier board system model have several advantages to reduce productivity costs and reduce procedural and communication barrier in carrying out business activities and supervision and, good corporate governance principle which is actualized in the provisions of Article 153 of Law 6 of 2023 concerning Job Creation into preventive legal protection in providing support and accelerating the transformation of the corporate organization of PT Individu/PT UMK with a one-tier board system model in Indonesia

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