

Legal Analysis and Implications of Modern Retail Licensing (Case Study: Alfamart and Indomart) In an Effort to Empower MSMEs in Pekalongan City

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Abstract. *Franchise minimarket chains such as Alfamart and Indomaret have websites accessible to everyone and provide detailed information on how to set up a franchise minimarket. Indomaret outlets are required to be 50–150 m² in size, while Alfamart outlets are required to be 150–250 m². The relatively small size of the business space allows for greater opportunities to enter the franchise system. Public interest in shopping at minimarkets has also increased due to the opinion that modern markets (including minimarkets) are tidier, cleaner, and more practical than traditional markets, although many people still choose to be loyal to traditional markets. This represents a shift from functional needs to psychological needs. Functional needs are needs directly related to the form or appearance (performance) of a product, while psychological needs are needs associated with the mental needs of consumers that can be met by shopping or purchasing a product. This research is a qualitative descriptive study. Qualitative descriptive research aims to describe or explain a phenomenon or problem in depth, using qualitative data such as interviews, observations, and document analysis. This research does not aim to test hypotheses or establish causal relationships, but rather focuses on a rich and detailed understanding of a phenomenon. This regulation aims to create a balance between modern retailers and local business actors. The existence of an electronically integrated business licensing system (Online Single Submission/OSS) based on the Job Creation Law has made the modern retail licensing process more centralized. However, the Pekalongan City Government still has the authority to limit or regulate certain aspects, such as zoning and partnerships.*

Keywords: *Markets; Product; Psychological; Traditional.*

1. Introduction

Trading activities are one way for humans to meet their diverse needs. Trading or buying and selling activities take place in markets. Presidential Regulation No. 112 of 2007 explains that a market is an area where goods are bought and sold or where sellers and buyers meet. Traditional markets are characterized by price bargaining during the buying and selling process, while modern markets are areas where buying and selling has fixed prices. Modern markets are divided into shopping centers and modern stores. A shopping center is a specific area consisting of one or more buildings constructed vertically or horizontally, which are sold or leased to businesses or managed independently to conduct trading activities.¹

A modern store is a self-service store that sells a variety of goods at retail. Modern stores are divided into minimarkets, supermarkets, hypermarkets, department stores, and wholesalers. These modern store categories are based on floor space and merchandise variety. Minimarkets, supermarkets, and hypermarkets sell consumer goods, primarily food and other household products, at retail. Department stores sell consumer goods, primarily clothing and accessories, at retail. Wholesalers sell consumer goods wholesale. Minimarkets have the smallest floor space among modern stores, at less than 400 m². Minimarkets are increasingly popular in Indonesia, especially with the existence of franchised minimarket chains such as Alfamart and Indomaret. Local investors can easily establish a franchise minimarket because the capital required is relatively small.²

Franchise minimarket chains such as Alfamart and Indomaret have websites accessible to everyone and provide detailed information on how to set up a franchise minimarket. Indomaret outlets are required to be 50–150 m² in size, while Alfamart outlets are required to be 150–250 m². The relatively small size of the business space allows for greater opportunities to enter the franchise system. Public interest in shopping at minimarkets has also increased due to the opinion that modern markets (including minimarkets) are tidier, cleaner, and more practical than traditional markets, although many people still choose to be loyal to traditional markets. This represents a shift from functional needs to psychological needs. Functional needs are needs directly related to the form or appearance (performance) of a product, while psychological needs are needs associated with the mental needs of consumers that can be met by shopping or purchasing a product.³

Related to the needs of the community regarding the needs of modern minimarkets, the government issued regulations regarding modern stores regulated in Presidential Decree No. 112 of 2007 concerning the Arrangement and

¹Kristiyanti and Celina Tri Siwi, *Consumer Protection Law*, Sinar Grafika, Jakarta, 2019, p. 126.

²Gunawan Widjaja, *License or Franchise Business Law Series*, PT. Raja Grafindo Persada, Jakarta, 2012, p. 17.

³Herman Malano, *Save Traditional Markets*, PT Gramedia Pustaka Utama, Jakarta, 2017, p. 51.

Development of Traditional Markets, Shopping Centers and Modern Stores. The definition of a modern store according to Article 1 number 5 of Presidential Decree 112/2007 is a store with a self-service system, selling various types of goods in retail in the form of Minimarkets, Supermarkets, Department Stores, Hypermarkets or wholesale in the form of Grocery. Every modern store is required to take into account the socio-economic conditions of the surrounding community and the distance between the modern store and the existing traditional market.⁴

Pekalongan City is a city in Central Java Province. A phenomenon that has occurred is the emergence of franchise minimarkets such as Alfamart and Indomart in Pekalongan City in the past 10 years. Regarding the proximity between these minimarkets and traditional markets, this is related to the issue of licensing for the establishment of modern stores (minimarkets). A modern store (minimarket) must have an establishment permit called a Modern Store Business Permit (IUTM), issued by the Mayor. The authority to issue this IUTM can then be delegated to the Head of the Department/Unit responsible for trade or the official responsible for implementing the local One-Stop Integrated Service.

In Article 3 of Presidential Decree 112 of 2007 on the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores, it is stated that the building area for minimarkets is less than 400 m². The location of the establishment of Modern Retail Stores must refer to the Regency/City Spatial Planning Plan and the Detailed Regency/City Spatial Planning Plan. The provisions that mention paying attention to distance are regulated for modern stores in the Hypermarket category only, while the location regulations for minimarkets are not mentioned. The location regulations for minimarkets in Article 5 paragraph (4) of Presidential Decree 112 of 2007 on the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores state that minimarkets may be located on any road network system, including the environmental road network system in environmental service areas (housing) within cities/urban areas. This means that minimarkets can open outlets up to residential areas.⁵

Then, Article 3 paragraph (9) of the Minister of Trade Regulation Number 29 of 2021 concerning Guidelines for the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores states the obligations for minimarkets, namely the Establishment of Minimarkets, whether stand-alone or integrated with Shopping Centers or other buildings, must pay attention to: a. Population density; b. Development of new settlements; c. Regional accessibility (traffic flow); d. Infrastructure support/availability; and e. The existence of

⁴Juajir Sumardi, *Legal Aspects of Franchises and Transnational Companies*, PT. Citra Aditya Bakti, Bandung, 2013, p. 34.

⁵Y. Sri Pudiyatmoko, *Licensing Problems and Improvement Efforts*, Grasindo, Jakarta, 2019, p. 43.

Traditional Markets and stalls/shops in the surrounding area that are smaller than the Minimarket.

Minister of Trade Regulation Number 29 of 2021 does not yet regulate the consequences or sanctions for violating the above obligations. Supervision of modern stores is delegated to the Regent/Mayor. The distance between minimarkets is also regulated in regional laws and regulations. Traditional Market Management Business Permits (IUP2T), Shopping Center Business Permits (IUPP), and Modern Store Business Permits (IUTM) are permits issued by the local government to operate traditional markets, shopping centers, and modern stores.⁶In relation to the Zoning Regulation, it is the local government's provisions that regulate the use of space and control elements that are compiled for each designated zone in accordance with the detailed spatial plan. The Issuing Official for IUP2T, IUPP and IUTM is BP2T as regulated in the Regional Regulation (Perda) of Pekalongan City Number 3 of 2012 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores.

Based on the Regional Regulation (Perda) of Pekalongan City Number 3 of 2012 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores, the policy directions to be achieved include: empowering traditional markets so that they can grow and develop harmoniously, mutually need each other, strengthen each other, and be mutually beneficial; providing guidelines for the implementation of traditional retail, shopping centers, and modern stores; providing norms of fairness, mutual benefit and without pressure in the relationship between suppliers of goods and modern stores; developing partnerships with small businesses, so as to create competition and balance the interests of producers, suppliers, modern stores and consumers.

Based on data from the Pekalongan City Industry and Trade Service, the number of MSMEs and the number of modern retail outlets Indomart and Alfamart in the Pekalongan City administrative area in 2025 are as follows:

The number of MSMEs and the number of modern retail outlets Indomart and Alfamart in the administrative area of Pekalongan City in 2025

No.	Type of Trade	Amount
1.	Msmes	22,983 business actors
2.	Alfamart outlet	16 outlets
3.	Indomart outlet	18 outlets

Source: Pekalongan City Department of Industry and Trade, 2025.

Based on the table above, it can be seen that MSMEs and modern retail in Pekalongan City continue to experience rapid growth. This is demonstrated by the continued development of MSMEs and modern retail in Pekalongan City. As a

⁶Andri Susanto, The Importance of Licensing for Micro, Small and Medium Enterprises in Lemah Subur Village, Abdima: Journal of Community Service, Vol 2 No 1, October 2023.

manifestation of its commitment to supporting micro, small, and medium enterprises (MSMEs), modern retailers have established strategic partnerships with various local business actors throughout Indonesia. One inspiring success story comes from one MSME actor named "AM" who is in modern retail, the owner of a business selling various cakes and snacks, his business was established in 2018 by renting a terrace of a modern retail store in Pekalongan City. The MSME entrepreneur named "AM" saw a great opportunity when the modern retailer had just opened an outlet in Pekalongan City. By choosing a strategic location on the terrace of the modern retail, the MSME actor managed to attract the attention of many consumers, because the location is easily accessible, and the popularity of modern retail as a well-known minimarket network has had a positive impact on the development of his business.

2. Research Methods

This research is a qualitative descriptive study. Qualitative descriptive research aims to describe or explain a phenomenon or problem in depth, using qualitative data such as interviews, observations, and document analysis. This research does not aim to test hypotheses or establish causal relationships, but rather focuses on a rich and detailed understanding of a phenomenon.⁷The research approach used is a sociological-juridical approach, a type of legal research that combines a normative legal approach (based on statutory regulations) with a sociological approach (based on societal conditions). The goal is to understand how legal rules are applied and interact with social realities in society, as well as how social factors influence the effectiveness of those laws.⁸This study reveals how the legal analysis and legal implications of modern retail licensing in efforts to empower MSMEs in Pekalongan City.

3. Results and Discussion

3.1. Legal Analysis of Modern Retail Licensing in Efforts to Empower MSMEs in Pekalongan City

Rapid economic growth has resulted in increasingly fierce business competition. Economic actors continue to compete to innovate to develop and operate their businesses. Entrepreneurs, or MSMEs, are expanding their operations by creating new businesses or acquiring existing ones for development. Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth in Indonesia. This is because MSMEs are a productive economic activity, especially for those with limited capital to start a small business. Mentoring and empowering entrepreneurs is a strategic step to strengthen the national economy and increase

⁷Zainudin Ali, *Legal Research Methods*, Sinar Grafika, Jakarta, 2019, p. 31

⁸Suteki and Galang Taufani, *Legal Research Methodology (Philosophy, Theory, and Practice)*, Rajawali Pers, Depok, 2018, p. 217.

community income.⁹

The existence of MSMEs, which play a crucial role in national economic growth, certainly requires protection so that they can develop their businesses. To build MSMEs, in addition to capital, MSMEs also require protection. In some countries, such as Japan and the United States, which provide public protection, moreover, in Australia, supermarket operations are limited to 4:00 PM. Furthermore, on certain days, such as Saturdays, there is a Sunday or Saturday Market for small businesses, with certain stores closed.

Presence of law in society is to integrate and coordinate various interests that exist in society, protection against these interests can be done by limiting the interests. The legal interest in question is to take care of the rights and human interests, so that the law has high authority to regulate human interests that need to be set. Law must be able to see the stages in providing protection for the interests of society, because basically the law is born from an agreement between society and the government which is considered to be able to represent the interests of society.¹⁰

Refers to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, which means MSMEs are businesses established to help economic growth, businesses that generate profits or business earnings, businesses that are independent or not branches. from a company, and the business that owned by individuals or business entities. Regulations regarding Micro, Small and Medium Enterprises Intermediate as a Special Law in the form of Laws, Government Regulations, Presidential Decrees, Ministerial Decrees and Regional Regulations which are specifically made to protect MSMEs in empowerment and development efforts so that they can continue to support the economy in Indonesia.

If Micro, Small and Medium Enterprises Intermediate has been protected in form of legal regulation. Therefore, the existence of MSMEs can be recognized as a legal entity and business entity in economic activities. And also with the existence of the Law By regulating MSMEs, it is hoped that the government will be able to provide services, guidance, assistance, and legal protection to MSME actors, especially in legal protection for small MSMEs with small capital so that they can compete with other entrepreneurs. Protection for Micro, Small, and Medium Enterprises Medium as regulated in Government Regulation Number 7 of 2021, where the central government and regional governments are required to provide legal services and protection to Micro, Small and Medium Enterprises, namely by providing Legal Counseling, Legal Consultation, Mediation, Preparation of Legal Documents, and Assistance outside the court.

⁹Kristiyanti and Celina Tri Siwi, *Consumer Protection Law*, Sinar Grafika, Jakarta, 2019, p. 126.

¹⁰Satjipto Rahardjo, *Legal Studies*. PT Citra Aditya Bakti, Bandung, 2014, pp. 53-54

Currently, the number of MSMEs in North Pekalongan City in 2023 and 2024 is 311, Micro Enterprises are 145, Small Enterprises are 71, and Medium Enterprises are 95. From this data, the number of MSMEs in Pekalongan City is quite large, of course this will result in quite tight business competition, both retail business actors with small capital and retail business actors with large capital, with the addition or granting of permits to Modern Retail business actors will certainly increase and increasingly tight business competition among MSME actors.

The presence of modern retail outlets, which offer attractive and comfortable locations, is highly attractive to consumers, especially young people who feel insecure about shopping in traditional retail stores. The difference in capital investment certainly impacts the variety, availability, and quality of goods. Therefore, there must be a distance or limit on the number of modern stores established to prevent retail businesses from experiencing a decline in turnover. In terms of quality, modern stores offer reliable service and a pleasant atmosphere. Furthermore, in other regencies/cities, modern retail growth is very aggressive, even entering residential areas. This has an impact on small MSMEs such as grocery kiosks that have sufficient quality and quantity so that they are unable to compete with modern retailers that have high-quality goods and of course this has an impact on MSMEs so that the turnover they get decreases.

From the formation of Pekalongan City in 2008 until 2024, the Pekalongan City Regional Government has been quite consistent in prohibiting Modern Retail from entering Pekalongan City so as not to impact Traditional/Local Retail, but has replaced it with BUMDES to manage and conduct retail sales of both local and foreign products, with the aim of empowering MSMEs in Pekalongan City. Currently, the Regional Government has even granted permits for the construction of Modern Retail in the midst of MSMEs and BUMDES not yet developing and not yet having strong competitiveness to compete with Modern Retail which has advantages far above MSMEs and BUMDES. By granting permits for the construction of Modern Retail, is the Pekalongan City Government able to provide guarantees so that MSMEs and BUMDES actors do not experience a decrease in turnover so that they are still able to buy materials for daily needs, because most of the people of Pekalongan City work or earn income from being traders or MSME actors.

Permission Business is a form of official document from an authorized agency that states that a person or body is legally permitted to carry out a certain business or activity. For the government, the definition of a trading business is a tools or means to foster, direct, supervise, and issue trade business permits. In order for business activities to run smoothly, every entrepreneur is required to manage and

have business permit from government agencies that are appropriate to their fields.¹¹

Pelamy Businesses wishing to establish a Traditional Market or Modern Market must apply for a business permit from the city/regional government. licensing method Modern Retail in Indonesia is currently regulated in Presidential Regulation of the Republic of Indonesia Number 112 of 2007 concerning Arrangement and Development of Traditional Markets, Shopping Centers, and Modern Stores. Retail business permits are also available. regulated in Regulation of the Minister of Trade of the Republic of Indonesia Number 53/M-DAG/PER/12/2008 concerning guidelines for the arrangement and development of Traditional Markets, Shopping Markets, and Modern Stores. The issuance of retail business permits is then delegated to each regional government and is regulated in Regional regulations (perda) or decisions of local regional heads.

Before 2008, in Pekalongan City, the establishment of modern retail was not permitted for several reasons, the first was to give MSMEs a chance to develop first, after MSMEs have developed, they will be able to compete with existing modern retailers. As time goes by with the improving economy of Pekalongan City and with local government policies, in 2008 the city government granted permission to establish modern retail in Pekalongan City with several considerations and one of the reasons was so that MSMEs have competitors so that MSMEs can innovate to further develop their businesses so that the products sold have an attraction to consumers. The next reason is because Pekalongan City is a tourist area that is visited by many tourists from outside, so the city government wants the needs of tourists and also the community to be met.

Requests for retail business permits (IUP2T, IUTM, IUPP) must be submitted to the business permit issuing official Retailers, namely regents/mayors. Further guidelines for retail licensing procedures in Indonesia are stipulated by the Minister of Trade through Regulation of the Minister of Trade 53/2008. For IUP2T business permits, delegated to the head of the agency/unit responsible for trade or the development of traditional markets or local integrated one-stop services. Meanwhile, IUPP or IUTM business permits can be delegated to the head of the agency/unit responsible for trade or the development of local integrated one-stop services. responsible in the field of trade or the official in charge answer in implementation of local integrated one-stop services. For IUPP or IUTM, this can be delegated to the head of the responsible department/unit. responsible in the field of trade or responsible official answer in implementation of local one-stop integrated services.

¹¹Andri Susanto, The Importance of Licensing for Micro, Small, and Medium Enterprises in Lemah Subur Village, Abdima Community Service Journal, Vol 2 No 1, October 2023, p. 870

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stores.¹³In relation to the Zoning Regulation, it is the local government's provisions that regulate the use of space and control elements that are compiled for each designated zone in accordance with the detailed spatial plan. The Issuing Official for IUP2T, IUPP and IUTM is BP2T as regulated in the Regional Regulation (Perda) of Pekalongan City Number 3 of 2012 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores.

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1.	MSMEs	22,983 business actors
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3.	Indomart outlet	18 outlets

Source: Pekalongan City Department of Industry and Trade, 2025.

Based on the table above, it can be seen that MSMEs and modern retail in Pekalongan City continue to experience rapid growth. This is demonstrated by the continued development of MSMEs and modern retail in Pekalongan City. As a manifestation of its commitment to supporting micro, small, and medium enterprises (MSMEs), modern retailers have established strategic partnerships with various local business actors throughout Indonesia. One inspiring success story comes from one MSME actor named "AM" who is in modern retail, the owner of a business selling various cakes and snacks, his business was established in 2018 by renting a terrace of a modern retail store in Pekalongan City. The MSME entrepreneur named "AM" saw a great opportunity when the modern retailer had just opened an outlet in Pekalongan City. By choosing a strategic location on the terrace of the modern retail, the MSME actor managed to attract the attention of many consumers, because the location is easily accessible, and the popularity of

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modern retail as a well-known minimarket network has had a positive impact on the development of his business.

3.2. Legal Implications of Modern Retail Licensing in Efforts to Empower MSMEs in Pekalongan City.

Micro, Small and Medium Enterprises (MSMEs) are productive business units that stand alone, which is done by people individuals or business entities in all economic sectors. Legal protection for MSMEs is the protection of the rights held by Business Actors. Micro, Small, and Medium Enterprises to obtain it in accordance with existing laws and regulations. The central government and regional governments are obliged to provide protection to perpetrators. MSMEs must ensure their rights, both material and immaterial, are secured. In addition to protecting MSMEs, the central and regional governments must also foster a business climate that supports the growth and development of micro, small, and medium enterprises. As stated in article 7 and article 8 of the Law No. 20 of 2008 concerning growth of the business climate, namely the central government and regional governments foster a business climate and policies with several aspects, namely: funding, facilities and infrastructure, business information, partnerships, business permits, business opportunities, trade promotion, and institutional support.

The government has strived to protect and develop MSMEs across various sectors, including through legislation on Micro, Small, and Medium Enterprises. This is because MSMEs are capable of creating jobs and opportunities to do business. In addition to creating jobs, MSMEs are also contributors to the national economy through tax payments. In fact, MSMEs play a crucial role in Indonesia's national economy, as evidenced by the economic crisis of 1998, when MSMEs were able to survive.

The main problems faced by MSMEs are related to limited access to capital, lack of managerial skills, very tight business competition, and challenges in product distribution and marketing. Most MSMEs have difficulty obtaining access to capital to establish or develop their businesses. This is because banks or financial institutions often assess MSMEs as high risk, making it difficult for MSMEs to obtain loans with affordable interest rates. MSMEs have good technical skills in production or services, but they lack adequate managerial knowledge, which includes an understanding of accounting, strategic planning, and human resource management. Then, a market full of tight competition makes it difficult for business actors to create a competitive advantage, business actors must be able to innovate in products or services, understand customers well, and establish effective marketing strategies to compete amidst tight competition. Furthermore, MSMEs often experience difficulties in marketing products and distributing them to a wider market. These problems include a lack of online marketing, an inability to reach a larger scale, or logistical constraints that complicate product

distribution.

In Pekalongan City itself, there are several businesses run by the community, classified as Micro, Small, and Medium Enterprises (MSMEs). These businesses include those providing basic necessities, those providing electronics, those providing building materials, those providing electronics, and others.

In accordance with Article 3 paragraph (3) of Presidential Regulation Number 112 of 2007 concerning the Sales System and types of merchandise in Modern Stores, its implementation is in accordance with these regulations. In addition, in accordance with Article 6 of Presidential Regulation Number 112 of 2007, Shopping Centers are required to provide business premises for small businesses with selling prices or rental fees that are in accordance with the capabilities of Small Businesses, or which can be utilized by Small Businesses through other collaborations within the framework of partnerships. In its implementation, small businesses can market their products in modern retail, this is due to the policy of the Pekalongan City Government which provides requirements for establishing retail, namely by providing opportunities for Small Businesses to market their products in modern retail.

In this study, the authors focused on the establishment of modern retail outlets in Pekalongan City. The following is data on the establishment of Alfamart/Indomaret stores in Pekalongan City:

Number of modern retail outlets Indomart and Alfamart in Pekalongan City in 2025

No.	Type of Trade	Subdistrict				Amount
		North Pekalongan	South Pekalongan	West Pekalongan	East Pekalongan	
1.	Alfamart outlet	4 outlet	4 outlet	4 outlet	4 outlet	16 outlets
2.	Indomart outlet	4 outlet	5 outlet	5 outlet	4 outlet	18 outlets

Source: Pekalongan City Department of Industry and Trade, 2025.

Based on the data above, the establishment of modern retail in Pekalongan City only allows a few retailers as an initial step to open up opportunities for investors to enter Pekalongan City based on the policy issued by the Mayor of Pekalongan in 2008. This was also done as a form of protection for MSME business actors from the proliferation of Modern Retail, especially Alfamart/Indomaret.

In addition to being a competitor for MSMEs to innovate and fulfill the needs of foreign tourists, the existence of modern retail is inseparable from the need of Pekalongan City to obtain taxes from modern retail as Regional Revenue which is still minimal. Based on this opinion there are several factors that influence the establishment of modern retail in Pekalongan City, namely social factors and economic factors, where the social factor of the establishment of modern retail is as a competitor for MSMEs to innovate to improve the quality of their products

and to meet the needs of the community to make it easier and help tourists to get the goods they need. While in economic factors, the existence of modern retail in Pekalongan City can increase regional revenue (PAD) from modern shop tax results. Therefore, in accordance with Article 4 of Law Number 112 of 2007 concerning the Establishment of Shopping Centers and Modern Shops, it is mandatory to pay attention to the following:

- 1) Taking into account the socio-economic conditions of the community, the existence of traditional markets, small businesses and medium-sized businesses in the area concerned.
- 2) Paying attention to the distance between Hypermarkets and existing Traditional Markets.
- 3) Provide a parking area of at least 1 (one) four-wheeled vehicle for every 60 m² (sixty square meters) of sales floor area of the Shopping Center and/or Modern Store.
- 4) Providing facilities that guarantee Shopping Centers and Modern Stores with other Parties.

Modern retail licensing in Pekalongan City has dual legal implications for MSME empowerment efforts, which include aspects of protection as well as potential integration, although its effectiveness in protecting MSMEs is often debated.

1) Positive Legal Implications (Empowerment)

a. Mandatory Partnerships. The regional regulation (Perda) concerning the arrangement of modern retail in Pekalongan City legally requires partnerships between modern retailers and local MSMEs. The legal implications are:

a) Modern retailers are required to provide space or accept local MSME products for marketing, as regulated in the licensing process.

b) Violations of these partnership obligations can result in administrative sanctions up to and including revocation of business permits.

b. Facilitation and Curation. The Pekalongan City Government, through the Department of Trade, Cooperatives, and SMEs, actively facilitates the curation process for MSME products to ensure they meet the requirements and quality standards for entry into the modern retail supply chain. This legally empowers the local government to intervene in the market to increase MSME competitiveness.

2) Negative Legal Implications (Challenges)

a. Unfair Business Competition. The geographical proximity of modern retail outlets to traditional stores/MSMEs often creates competition perceived as unfair. Although regulations regarding business distance exist, their implementation is

sometimes weak. The legal implication is that MSMEs can take legal action regarding unfair business competition if violations are proven.

b. Weaknesses in Law Enforcement. Studies in Pekalongan City show that regional regulations are not always effective in addressing the negative impacts of modern retail due to challenges in consistent law enforcement and the dominance of centralized policies that sometimes ignore the local context.

c. Regulatory Changes. Regulatory changes at the central level (such as Government Regulation No. 24 of 2018 concerning the OSS) that simplify licensing, including eliminating the requirement for a Modern Store Business Permit (IUTM), have resulted in a reduction in local governments' direct control over the establishment of modern retail outlets. This weakens the ability of local governments to limit the expansion of modern retail outlets to protect MSMEs.

Legally, modern retail licensing in Pekalongan City attempts to balance economic growth with MSME protection through partnership clauses. However, the main challenges lie in consistent law enforcement and regulatory gaps resulting from policy changes at the central level, which often leave local MSMEs vulnerable to competition.

From the data above, it can also be seen that the growth of Micro, Small, and Medium Enterprises is more significant than the development of established modern retail, meaning that the establishment of modern retail in Pekalongan City does not hinder the development of MSME business actors as long as the development of modern retail each year does not exceed the number of MSME Business Actors, and remains in line with the growth of MSMEs in Pekalongan City. However, the City Government must continue to control the growth and licensing of modern retail establishments, so that there is no overpopulation of modern retail which can hinder the development of Micro, Small, and Medium Enterprises in Pekalongan City.

4. Conclusion

A legal analysis of modern retail licensing in an effort to empower MSMEs in Pekalongan City shows that the Pekalongan City Government, like other city governments, has a legal basis to regulate the establishment of modern retail and protect local MSMEs, namely Pekalongan City Regional Regulation (Perda) Number 3 of 2012 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores. This regulation aims to create a balance between modern retailers and local business actors. The existence of an electronically integrated business licensing system (Online Single Submission/OSS) based on the Job Creation Law has made the modern retail licensing process more centralized. However, the Pekalongan City Government still has the authority to limit or regulate certain aspects, such as zoning and partnerships.

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