

Manuscript Submission

[IJCS] Submission Acknowledgement

Dari: Support Manager (support@lifescienceglobal.com)

Kepada: edykhy.uwks@yahoo.com

Tanggal: Rabu, 25 November 2020 13.58 WIB

Edi Krisharyanto:

Thank you for submitting the manuscript, "Internet Economy and Startup Business Development and Policy in Economic Law Perspectives" to International Journal of Criminology and Sociology. With the online journal management system that we are using, you will be able to track its progress through the editorial process by logging in to the journal web site:

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Dari: mzahid@lifescienceglobal.com (mzahid@lifescienceglobal.com)

Kepada: edykhy.uwks@yahoo.com

Tanggal: Rabu, 2 Desember 2020 23.54 WIB

Dear Prof./Dr. Edi Krisharyanto,

Thank you for submitting the manuscript, "Internet Economy and Startup Business Development and Policy in Economic Law Perspectives" to International Journal of Criminology and Sociology.

Please be informed that the article processing charges for an accepted paper are USD 530. If you agreed then we will proceed your paper for peer review.

Looking forward for your positive response.

Regards,

Zahid Khan
Manager Publications
www.lifescienceglobal.com

-----Original Message-----

From: Support Manager [<mailto:support@lifescienceglobal.com>]

Sent: Wednesday, November 25, 2020 11:58 AM

To: Edi Krisharyanto

Subject: [IJCS] Submission Acknowledgement

Edi Krisharyanto:

Thank you for submitting the manuscript, "Internet Economy and Startup Business Development and Policy in Economic Law Perspectives" to International Journal of Criminology and Sociology. With the online journal management system that we are using, you will be able to track its progress through the editorial process by logging in to the journal web site:

RE: [IJCS] Submission Acknowledgement

Dari: mzahid@lifescienceglobal.com (mzahid@lifescienceglobal.com)

Kepada: edykhy.uwks@yahoo.com

Tanggal: Kamis, 3 Desember 2020 20.29 WIB

Dear,

I hope all is well with you. It is humbly requested to respond to my email regarding the article submitted to IJCS. I am preparing the Publication calendar of December 2020 and If you are interested to publish your article during December 2020 then we need your confirmation. In case you are unable so let me know then I can give your slot to another author or if you have any query you may ask freely.
Looking forward for your response.

Regards,

Zahid Khan
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-----Original Message-----

From: mzahid@lifescienceglobal.com

[mailto:mzahid@lifescienceglobal.com]

Sent: Wednesday, December 02, 2020 9:54 PM

To: 'Edi Krisharyanto'

Subject: RE: [IJCS] Submission Acknowledgement

Dear Prof./Dr. Edi Krisharyanto,

Thank you for submitting the manuscript, "Internet Economy and Startup Business Development and Policy in Economic Law Perspectives" to International Journal of Criminology and Sociology.

Please be informed that the article processing charges for an accepted paper are USD 530. If you agreed then we will proceed your paper for peer review.

Balas: RE: [IJCS] Submission Acknowledgement

Dari: edy krisharyanto (edykhy.uwks@yahoo.com)

Kepada: mzahid@lifescienceglobal.com

Tanggal: Selasa, 8 Desember 2020 15.23 WIB

Dear editor,

Thank you for your email.

We apologize for the late response.

We agree with the fee. Please proceed.

Please inform us the fee and payment link so we can pay in order it can be published in December issue.

Sincerely

Dear,

I hope all is well with you. It is humbly requested to respond to my email regarding the article submitted to IJCS. I am preparing the Publication calendar of December 2020 and If you are interested to publish your article during December 2020 then we need your confirmation. In case you are unable so let me know then I can give your slot to another author or if you have any query you may ask freely.

Looking forward for your response.

Regards,

Zahid Khan

Manager Publications

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RE: Balas: RE: [IJCS] Submission Acknowledgement

Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

Tanggal: Selasa, 8 Desember 2020 18.53 WIB

Dear Prof./Dr. Edi Krisharyanto,

Your paper is under peer review. If accepted by the Editorial Board then we will send you the payment invoice.

Regards,

Zahid Khan

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From: edy krisharyanto [mailto:edykhy.uwks@yahoo.com]

Sent: Tuesday, December 08, 2020 1:24 PM

To: mzahid@lifescienceglobal.com

Subject: Balas: RE: [IJCS] Submission Acknowledgement

Dear editor,

Thank you for your email.

We apologize for the late response.

We agree with the fee. Please proceed.

Lampiran

Cover Letter

Dear Editor,
International Journal of Criminology and Sociology

We would like to submit our manuscript entitled “Internet Economy and Startup Business Development and Policy in Economic Law Perspectives” to your journal.

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using conceptual and empirical approach, the results showed that fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business

We have structured this article in accordance with the terms and guidelines of your journal.

We hereby confirm that the manuscript has no any actual or potential conflict of interest with any parties, including any financial, personal or other relationships with other people or organizations within three years of beginning the submitted work that could inappropriately influence or be perceived to influence. We confirm that the paper has not been published previously, it is not under consideration for publication elsewhere, and the manuscript is not being simultaneously submitted elsewhere.

We are looking forward to hearing from you soon.

Best Regards,

Title page

Journal

International Journal of Criminology and Sociology

Article Title

Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives



Abstract

The development of startup business in Indonesia is faced with legal problems, namely legal issues, taxation, employment, intellectual property rights. The fundamental legal problem is the legality of establishing a startup business, because it relates to the legal standing of a business entity and its legal accountability. Startup business settings are in the realm of economic law that leads to the regulation and legal thinking of ways to improve and develop the national economy. The startup business is a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: startup business, economic law, internet

Introduction

The development of economic globalization began the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people to follow these developments and progress.

Lately the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding.¹

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop.² On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups / technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills and knowledge needed so as to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, in order to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to

¹ Lukito, Imam. "Tantangan Hukum dan Peran Pemerintah dalam Pembangunan E-Commerce." *Jurnal Ilmiah Kebijakan Hukum* 11, no. 3 (2017): 349-367.

² Maulana V. *US-ASEAN Business Council: Indonesia's Startup Potential is Extraordinary*. 2019. Retrieved February 6, 2020 from <https://ekbis.sindonews.com/read/1428056/34/dewan-bisnis-as-asean-potensi-startup-indonesia-luar-biasa-1565264364>.

enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology.³

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by offering goods and services. Startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce, because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

Method

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

It is inevitable that the internet is the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and questionnaires, as well as research methods with probability sampling and multistage random sampling.⁴

³ Itech. "Ini Perkembangan 1000 Startup Dukung Ekosistem Ekonomi Digital, 2018. Retrieved February 6, 2020 from <http://itechmagz.id/corporate-updates/ini-perkembangan-1000-startup-dukung-ekosistem-ekonomi-digital/>.

⁴ Databoks.katadata. "Survei APJII: Pengguna Internet Masih Terkonsentrasi di Jawa," Retrieved February 8, 2020 from <https://databoks.katadata.co.id/datapublish/2019/05/16/survei-apjii-pengguna-internet-masih-terkonsentrasi-di-jawa>.

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

Table 1. Indonesian startups mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale & Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

According to Richard Bednár and Natália Tarišková,⁵ there are 5 of the most serious startup problems as follows:

1. lack of money for further development;
2. products / services that are not needed on the market;
3. no investors;
4. cost issues; and
5. not the right team.

Furthermore it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business model. Natasha Evers it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business.⁶ Government regulations

⁵ Bednár, Richard, and Natália Tarišková. "Indicators of startup failure." *Industry 4.0* 2, no. 5 (2017): 238-240.

⁶ Evers, Natasha. "The process and problems of business start-ups." *The ITB Journal* 4, no. 1 (2003): 3.

can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova in Bulgaria are:⁷

1. Tax issues: tax issues must be considered carefully with respect to reducing the risk of possible violations that can lead to large fines, lawsuits or in the worst case of imprisonment;
2. Problems with permits and licenses: Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business.
3. Protection of intellectual property: Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs.
4. Unfair competition: In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected.
5. Labor-related issues: what must be taken into account is the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions.
6. Inadequate legislation: problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia there are 5 legal issues that are often faced by startup businesses, namely:

1. Problems of legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity.
2. Taxation issues: the need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur.
3. Intellectual property rights issues: startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of software.
4. Employment issues: there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed.
5. Issue of the shareholder agreement: a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

The Role of Economic Law in Startup Development Policies in Indonesia

⁷ Marinova K N. Business and Legal Problems of Startup Companies in Bulgaria. (*Master Thesis Tilburg Law School*). 2018.

Economic law focused on the development and social economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly.⁸ Classification of economic laws for new fields of law that have not been included in economic law include, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley, that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process and impact of law and legal institutions.⁹ This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which translates into competition law, industrial regulation, labor law and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics, but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the behavior of market participants, elaborated by legislators, courts or administrative institutions.¹⁰

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives.¹¹ For economists, efficiency is the relationship between goals and means. When we call a situation inefficient, we claim that we can achieve the desired goal with fewer means, or that the means used can produce more desirable goals.¹²

Russell Hardin examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen.¹³ One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. Microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of

⁸ Sumantoro. *Multinational Corporate Activities, Political and Economic Problems in National Development*. Jakarta: Gramedia, 1987.

⁹ Rowley, Charles K. "Rent-seeking versus directly unproductive profit-seeking activities." In *The Political Economy of Rent-Seeking*, pp. 15-25. Springer, Boston, MA, 1988.

¹⁰ Mackaay, Ejan. "History of Law & Economics (0200)." *Encyclopedia of law and economics* (2000): 65-117.

¹¹ Rubin, Paul H. "Law and economics." *The concise encyclopedia of economics. Liberty Fund. Available: www.econlib.org/library/Enc/LawandEconomics.html*. (September 2016) (2008).

¹² Heyne, Paul. "Efficiency." *The Concise Encyclopedia of Economics* (2008).

¹³ Hardin, Russell. "The morality of law and economics." *Law and Philosophy* 11, no. 4 (1992): 331-384.

technological sophistication.¹⁴ Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase in order to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers.¹⁵ Currently, startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has in fact shown an important change in the development of civilization, especially the world economy.¹⁶ According to Salamzadeh and Kawamorita, the theory of entrepreneurship is the most dominant theory in entrepreneurial business.¹⁷ First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation and exploitation. Thus, the startup business is part of the field of study of Economic Law.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet.

Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet).¹⁸

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can

¹⁴ Fitriana R. "The Effect of Financial Technology on the Encouragement of Startup Formation in Indonesia." Paper presented at the Transformative Power of Fintech: Call for the Essay and Strategic Seminar 2018. Maksi FEB UGM, 2018.

¹⁵ Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education. *Indonesian Student Startup Acceleration*. Jakarta: Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019.

¹⁶ Kristiyono, Jokhanan. "Budaya Internet: Perkembangan Teknologi Informasi Dan Komunikasi Dalam Mendukung Penggunaan Media Di Masyarakat." *Scriptura* 5, no. 1 (2015): 23-30.

¹⁷ Salamzadeh, Aidin, and Hiroko Kawamorita Kesim. "Startup companies: Life cycle and challenges." In *4th International conference on employment, education and entrepreneurship (EEE)*, Belgrade, Serbia. 2015.

¹⁸ Internet Society Global Internet Report. *Consolidation in the Internet Economy*. Internet Society Global Internet Report, 2019. pp. 18-27.

influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of work experience of entrepreneurs.¹⁹ However, at least the potential for Indonesian internet users which is increasing from year to year is certainly a land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity, because with the receipt of a business entity establishment license, it will have a legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is a budding business, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid up capital is very dependent on the agreement of the shareholders and related parties. The scale in determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are actually provisions governing these matters, which in fact also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of trade so that it is very feasible to enter into the realm of Economic Law, so that regulation and legal thinking focus on ways to improve and develop the national economy. In the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy actually aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

Conclusion

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing

¹⁹ Perdani, M.D.K., Widyawan, & Santoso, P.I. "Factors That Influence Startup Growth in Yogyakarta." *Paper presented at the 2018 National Information and Communication Technology Seminar (SENTIKA 2018)*. Yogyakarta, 23-24 March 2018, p 337-349.

and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

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- Sumantoro. *Multinational Corporate Activities, Political and Economic Problems in National Development*. Jakarta: Gramedia, 1987.

Peer Review Process

RE: Balas: RE: [IJCS] Submission Acknowledgement

Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

Tanggal: Kamis, 24 Desember 2020 22.26 WIB

Dear Prof./Dr. Edi Krisharyanto,

This is with reference to your manuscript entitled "**Implementation of Multicultural Values in Islamic Religious Education Based Media Animation Pictures as Prevention of Religious Radicalism in Poso, Central Sulawesi, Indonesia**" submitted for publication in the [International Journal of Criminology and Sociology](#). It is my pleasure to inform you that the referees have suggested to accept your manuscript after some minor revision.

You are required to revise your manuscript according to the referees' comments attached and **highlight the changes**, in addition to these comments also please have a look at Editorial Requirements at '[Authors Guidelines](#)' particularly in term of reference section when revising your manuscript. We greatly, anticipate submission of your revised manuscript (in **MS-Word** or **LaTeX**) **in a week**.

The attached enclosed file has been English Language Edited and reviewed by the author. Please send the final copy of the manuscript as suggested by the reviewers.

Please note that the publishing option for authors after their manuscript is accepted for publications:

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Please make sure to send your response to the reviewers comments in a separate word file.

You are requested to kindly confirm a safe receipt of the message and don't hesitate to contact us if you have any additional query/concern.

Looking forward to hear from you at your earliest possible.

Regards,

Zahid Khan

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[mailto:mzahid@lifescienceglobal.com]

Sent: Tuesday, December 08, 2020 4:53 PM

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Your paper is under peer review. If accepted by the Editorial Board then we will send you the payment invoice.

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Kepada: edykhy.uwks@yahoo.com

Tanggal: Kamis, 7 Januari 2021 14.03 WIB

Dear Prof./Dr. Edi Krisharyanto,

I am waiting for your response regarding the revised article which has been scheduled for publication in January as you may know composing, galley proof, English Language editing and online publication will also take sufficient time. In order to meet the deadline you are again requested to send your revised article and respond my mail.

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[mailto:mzahid@lifescienceglobal.com]

Sent: Thursday, December 24, 2020 8:26 PM

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Dari: edy krisharyanto (edykhy.uwks@yahoo.com)

Kepada: mzahid@lifescienceglobal.com

Tanggal: Rabu, 13 Januari 2021 13.52 WIB

Dear Editor,

Thank you for your kind response.

Sorry for the late response.

We will send the revision to you as soon as possible.

Best regards,
Edy

Pada Kamis, 7 Januari 2021 14.03.42 WIB,
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I am waiting for your response regarding the revised article which has been scheduled for publication in January as you may know composing, galley proof, English Language editing and online publication will also take sufficient time. In order to meet the deadline you are again requested to send your revised article and respond my mail.

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Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

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Sent: Wednesday, January 13, 2021 11:52 AM

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Subject: Re: Balas: RE: [IJCS] Submission Acknowledgement

Dear Editor,

Thank you for your kind response.

Sorry for the late response.

We will send the revision to you as soon as possible.

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Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

Tanggal: Rabu, 27 Januari 2021 15.24 WIB

Dear Prof./Dr. Edi Krisharyanto,

It is to inform you that we are waiting for your revised article as your article is scheduled for Publication in the month of January, 2021.

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[mailto:mzahid@lifescienceglobal.com]

Sent: Wednesday, January 13, 2021 2:27 PM

To: 'edy krisharyanto'

Subject: RE: Balas: RE: [IJCS] Submission Acknowledgement

Re: Balas: RE: [IJCS] Submission Acknowledgement

Dari: edy krisharyanto (edykhy.uwks@yahoo.com)

Kepada: mzahid@lifescienceglobal.com

Tanggal: Kamis, 4 Februari 2021 12.57 WIB

Dear editor,

Thank you for your reminder.
We will send revisions as soon as possible.

Regards,
Edy

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Dear Prof./Dr. Edi Krisharyanto,

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RE: Balas: RE: [IJCS] Submission Acknowledgement

Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

Tanggal: Kamis, 4 Februari 2021 15.27 WIB

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Sent: Thursday, February 04, 2021 10:57 AM

To: mzahid@lifescienceglobal.com

Subject: Re: Balas: RE: [IJCS] Submission Acknowledgement

Dear editor,

Thank you for your reminder.

We will send revisions as soon as possible.

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Dari: edy krisharyanto (edykhy.uwks@yahoo.com)

Kepada: mzahid@lifescienceglobal.com

Tanggal: Sabtu, 6 Februari 2021 14.06 WIB

Dear Editor,

This is our revised manuscript. This revision uses the last version you submitted.

The revisions we made are in accordance with the referee's comments and highlight the changes.

Best regards,
Edy

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noted

Regards,

Zahid Khan

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Sent: Thursday, February 04, 2021 10:57 AM

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RE: Balas: RE: [IJCS] Submission Acknowledgement

Dari: mzahid@lifescienceglobal.com

Kepada: edykhy.uwks@yahoo.com

Tanggal: Senin, 8 Februari 2021 13.48 WIB

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Sent: Saturday, February 06, 2021 12:06 PM

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Subject: Re: Balas: RE: [IJCS] Submission Acknowledgement

Dear Editor,

Lampiran



Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

Abstract

The development of startup business in Indonesia is faced with legal problems, namely legal issues, taxation, employment, intellectual property rights. The fundamental legal problem is the legality of establishing a startup business, because it relates to the legal standing of a business entity and its legal accountability. Startup business settings are in the realm of economic law that leads to the regulation and legal thinking of ways to improve and develop the national economy. The startup business is a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: startup business, economic law, internet

Introduction

The development of economic globalization began the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people to follow these developments and progress.

Lately the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding.¹

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop.² On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups / technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills and knowledge needed so as to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, in order to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to

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Commented [U2]: This journal does not use footnotes as a citation style. You can look at the articles that have been published in this journal as examples.

¹ Lukito, Imam. "Tantangan Hukum dan Peran Pemerintah dalam Pembangunan E-Commerce." *Jurnal Ilmiah Kebijakan Hukum* 11, no. 3 (2017): 349-367.

² Maulana V. *US-ASEAN Business Council: Indonesia's Startup Potential is Extraordinary*. 2019. Retrieved February 6, 2020 from <https://ekbis.sindonews.com/read/1428056/34/dewan-bisnis-as-asean-potensi-startup-indonesia-luar-biasa-1565264364>.

enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology.³

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by offering goods and services. Startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce, because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

Method

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

It is inevitable that the internet is the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and questionnaires, as well as research methods with probability sampling and multistage random sampling.⁴

Commented [U3]: The introduction and literature review lack of studies and theory/ regulation based. The introduction does not specifically discuss the focus of the study, goals and objectives. The issue as motivation of study should be strong presented.

³ Itech. "Ini Perkembangan 1000 Startup Dukung Ekosistem Ekonomi Digital, 2018. Retrieved February 6, 2020 from <http://itechmagz.id/corporate-updates/ini-perkembangan-1000-startup-dukung-ekosistem-ekonomi-digital/>.

⁴ Databoks.katadata. "Survei APJII: Pengguna Internet Masih Terkonsentrasi di Jawa," Retrieved February 8, 2020 from <https://databoks.katadata.co.id/datapublish/2019/05/16/survei-apjii-pengguna-internet-masih-terkonsentrasi-di-jawa>.

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

Table 1. Indonesian startups mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale & Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

According to Richard Bednár and Natália Tarišková,⁵ there are 5 of the most serious startup problems as follows:

1. lack of money for further development;
2. products / services that are not needed on the market;
3. no investors;
4. cost issues; and
5. not the right team.

Furthermore it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business model. Natasha Evers it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business.⁶ Government regulations

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⁵ Bednár, Richard, and Natália Tarišková. "Indicators of startup failure." *Industry 4.0* 2, no. 5 (2017): 238-240.

⁶ Evers, Natasha. "The process and problems of business start-ups." *The ITB Journal* 4, no. 1 (2003): 3.

can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova in Bulgaria are:⁷

1. Tax issues: tax issues must be considered carefully with respect to reducing the risk of possible violations that can lead to large fines, lawsuits or in the worst case of imprisonment;
2. Problems with permits and licenses: Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business.
3. Protection of intellectual property: Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs.
4. Unfair competition: In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected.
5. Labor-related issues: what must be taken into account is the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions.
6. Inadequate legislation: problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

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In Indonesia there are 5 legal issues that are often faced by startup businesses, namely:

1. Problems of legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity.
2. Taxation issues: the need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur.
3. Intellectual property rights issues: startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of software.
4. Employment issues: there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed.
5. Issue of the shareholder agreement: a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

Commented [U6]: Idem

The Role of Economic Law in Startup Development Policies in Indonesia

⁷ Marinova K N. Business and Legal Problems of Startup Companies in Bulgaria. (*Master Thesis Tilburg Law School*). 2018.

Economic law focused on the development and social economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly.⁸ Classification of economic laws for new fields of law that have not been included in economic law include, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley, that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process and impact of law and legal institutions.⁹ This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which translates into competition law, industrial regulation, labor law and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics, but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the behavior of market participants, elaborated by legislators, courts or administrative institutions.¹⁰

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives.¹¹ For economists, efficiency is the relationship between goals and means. When we call a situation inefficient, we claim that we can achieve the desired goal with fewer means, or that the means used can produce more desirable goals.¹²

Russell Hardin examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen.¹³ One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. Microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of

⁸ Sumantoro. *Multinational Corporate Activities, Political and Economic Problems in National Development*. Jakarta: Gramedia, 1987.

⁹ Rowley, Charles K. "Rent-seeking versus directly unproductive profit-seeking activities." In *The Political Economy of Rent-Seeking*, pp. 15-25. Springer, Boston, MA, 1988.

¹⁰ Mackaay, Ejan. "History of Law & Economics (0200)." *Encyclopedia of law and economics* (2000): 65-117.

¹¹ Rubin, Paul H. "Law and economics." *The concise encyclopedia of economics. Liberty Fund*. Available: www.econlib.org/library/Enc/LawandEconomics.html. (September 2016) (2008).

¹² Heyne, Paul. "Efficiency." *The Concise Encyclopedia of Economics* (2008).

¹³ Hardin, Russell. "The morality of law and economics." *Law and Philosophy* 11, no. 4 (1992): 331-384.

technological sophistication.¹⁴ Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase in order to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers.¹⁵ Currently, startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has in fact shown an important change in the development of civilization, especially the world economy.¹⁶ According to Salamzadeh and Kawamorita, the theory of entrepreneurship is the most dominant theory in entrepreneurial business.¹⁷ First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation and exploitation. Thus, the startup business is part of the field of study of Economic Law.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet.

Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet).¹⁸

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can

Commented [U7]: Give some regulations or laws related to startup business in Indonesia, and the extent of its development.

¹⁴ Fitriana R. "The Effect of Financial Technology on the Encouragement of Startup Formation in Indonesia." Paper presented at the Transformative Power of Fintech: Call for the Essay and Strategic Seminar 2018. Maksi FEB UGM, 2018.

¹⁵ Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education. *Indonesian Student Startup Acceleration*. Jakarta: Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019.

¹⁶ Kristiyono, Jokhanan. "Budaya Internet: Perkembangan Teknologi Informasi Dan Komunikasi Dalam Mendukung Penggunaan Media Di Masyarakat." *Scriptura* 5, no. 1 (2015): 23-30.

¹⁷ Salamzadeh, Aidin, and Hiroko Kawamorita Kesim. "Startup companies: Life cycle and challenges." In *4th International conference on employment, education and entrepreneurship (EEE)*, Belgrade, Serbia. 2015.

¹⁸ Internet Society Global Internet Report. *Consolidation in the Internet Economy*. Internet Society Global Internet Report, 2019. pp. 18-27.

influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of work experience of entrepreneurs.¹⁹ However, at least the potential for Indonesian internet users which is increasing from year to year is certainly a land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity, because with the receipt of a business entity establishment license, it will have a legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is a budding business, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid up capital is very dependent on the agreement of the shareholders and related parties. The scale in determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are actually provisions governing these matters, which in fact also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of trade so that it is very feasible to enter into the realm of Economic Law, so that regulation and legal thinking focus on ways to improve and develop the national economy. In the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy actually aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

Conclusion

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing

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and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

Abstract

The development of startup business in Indonesia is faced with legal problems, namely legal issues, taxation, employment, intellectual property rights. The fundamental legal problem is the legality of establishing a startup business, because it relates to the legal standing of a business entity and its legal accountability. Startup business settings are in the realm of economic law that leads to the regulation and legal thinking of ways to improve and develop the national economy. The startup business is a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: startup business, economic law, internet

Introduction

The development of economic globalization began the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people to follow these developments and progress.

Lately the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding.¹

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop.² On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups / technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills and knowledge needed so as to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, in order to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to

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enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology.³

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by offering goods and services. Startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce, because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

Method

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

It is inevitable that the internet is the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and questionnaires, as well as research methods with probability sampling and multistage random sampling.⁴

³ Itech. "Ini Perkembangan 1000 Startup Dukung Ekosistem Ekonomi Digital, 2018. Retrieved February 6, 2020 from <http://itechmagz.id/corporate-updates/ini-perkembangan-1000-startup-dukung-ekosistem-ekonomi-digital/>.

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The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

Table 1. Indonesian startups mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale & Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

According to Richard Bednár and Natália Tarišková,⁵ there are 5 of the most serious startup problems as follows:

1. lack of money for further development;
2. products / services that are not needed on the market;
3. no investors;
4. cost issues; and
5. not the right team.

Furthermore it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business model. Natasha Evers it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business.⁶ Government regulations

⁵ Bednár, Richard, and Natália Tarišková. "Indicators of startup failure." *Industry 4.0* 2, no. 5 (2017): 238-240.

⁶ Evers, Natasha. "The process and problems of business start-ups." *The ITB Journal* 4, no. 1 (2003): 3.

can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova in Bulgaria are:⁷

1. Tax issues: tax issues must be considered carefully with respect to reducing the risk of possible violations that can lead to large fines, lawsuits or in the worst case of imprisonment;
2. Problems with permits and licenses: Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business.
3. Protection of intellectual property: Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs.
4. Unfair competition: In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected.
5. Labor-related issues: what must be taken into account is the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions.
6. Inadequate legislation: problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia there are 5 legal issues that are often faced by startup businesses, namely:

1. Problems of legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity.
2. Taxation issues: the need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur.
3. Intellectual property rights issues: startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of software.
4. Employment issues: there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed.
5. Issue of the shareholder agreement: a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

The Role of Economic Law in Startup Development Policies in Indonesia

⁷ Marinova K N. Business and Legal Problems of Startup Companies in Bulgaria. (*Master Thesis Tilburg Law School*). 2018.

Economic law focused on the development and social economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly.⁸ Classification of economic laws for new fields of law that have not been included in economic law include, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley, that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process and impact of law and legal institutions.⁹ This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which translates into competition law, industrial regulation, labor law and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics, but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the behavior of market participants, elaborated by legislators, courts or administrative institutions.¹⁰

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives.¹¹ For economists, efficiency is the relationship between goals and means. When we call a situation inefficient, we claim that we can achieve the desired goal with fewer means, or that the means used can produce more desirable goals.¹²

Russell Hardin examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen.¹³ One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. Microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of

⁸ Sumantoro. *Multinational Corporate Activities, Political and Economic Problems in National Development*. Jakarta: Gramedia, 1987.

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¹³ Hardin, Russell. "The morality of law and economics." *Law and Philosophy* 11, no. 4 (1992): 331-384.

technological sophistication.¹⁴ Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase in order to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers.¹⁵ Currently, startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has in fact shown an important change in the development of civilization, especially the world economy.¹⁶ According to Salamzadeh and Kawamorita, the theory of entrepreneurship is the most dominant theory in entrepreneurial business.¹⁷ First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation and exploitation. Thus, the startup business is part of the field of study of Economic Law.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet.

Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet).¹⁸

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can

¹⁴ Fitriana R. "The Effect of Financial Technology on the Encouragement of Startup Formation in Indonesia." Paper presented at the Transformative Power of Fintech: Call for the Essay and Strategic Seminar 2018. Maksi FEB UGM, 2018.

¹⁵ Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education. *Indonesian Student Startup Acceleration*. Jakarta: Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019.

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¹⁸ Internet Society Global Internet Report. *Consolidation in the Internet Economy*. Internet Society Global Internet Report, 2019. pp. 18-27.

influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of work experience of entrepreneurs.¹⁹ However, at least the potential for Indonesian internet users which is increasing from year to year is certainly a land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

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Response_Reviewer 1 comments

Dear Reviewer,

Thank you for your valuable comments on our articles. We have thoroughly revised the article as you suggested.

Below we quote your comments and our responses.

We are willing to revise again if needed.

Sincerely,

Author

Abstract

Reviewer comments

It is suggested to rewrite (max 200 words), including of the purpose of study, research method, result or findings, contribution research

Response

Abstract

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using conceptual and empirical approach, the results showed that fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. Theoretical implication of the findings underline the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Introduction

Reviewer comments

The introduction and literature review lack of studies and theory/ regulation based. The introduction does not specifically discuss the focus of the study, goals and objectives. The issue as motivation of study should be strong presented.

Response

A startup business is a business or activity in the field of trade. Theoretically, trading activities are regulated through the field of law called economic law. **Smithoff (1977)** said that economic law is a legal arrangement with government interference in trade, industry and financing. In order to put economic law as an instrument to support trading activities through startup business development policies, it seems necessary to know what role the economic law wants from the existence of startups in the community.

The purpose of this paper is to determine the legal problems that occur in startup business development policies and to analyze the role of economic law in startup business development policies in Indonesia. Thus the discussion in this paper revolves around whether the legal problems faced in startup business development policies and how the role of economic law in startup business development policies in Indonesia.

Citation style

Reviewer comments

This journal does not use footnotes as a citation style. You can look at the articles that have been published in this journal as examples.

Response

Done. We have organized the citation and reference styles according to the rules in your journal (highlighted in purple).

Body text

Reviewer comments

Please rewrite and avoid using numbers. This will improve how well the article is written.

Idem.

Idem.

Response

According to **Bednár and Tarišková (2017)**, there are 5 of the most serious startup problems including lack of money for further development; products / services that are not needed on the market; no investors; cost issues; and incorrect team.

..

Legal problems at startup as stated by **Kameliya Nikolaeva Marinova (2018)** in Bulgaria are related to some issues. First, tax issues must be considered carefully with respect to reducing the risk of possible violations that can lead to large fines, lawsuits or in the worst case of imprisonment. Second, problems with permits and licenses. Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive

lawsuits and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business. Third, protection of intellectual property. Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs. Fourth, unfair competition. In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected. Fifth, labor-related issues. what must be taken into account is the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions. Sixth, inadequate legislation. Problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia there are 5 legal issues that are often faced by startup businesses. Problems of legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity. In terms of taxation issues, there is a need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur. Moreover, regarding Intellectual property rights issues, startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of software. In terms of employment issues, there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed. Lastly, issue of the shareholder agreement, a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

Reviewer comments

Give some regulations or laws related to startup business in Indonesia, and the extent of its development.

Response

Regulations related to startup business in Indonesia which are part of the field of Economic Law include: Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; Law Number 33 of 2009 concerning Film to motivate the development of the film industry; Law Number 3 of 2014 concerning Industry to motivate the development of national creative industries; Law Number 28 of 2014 concerning Copyright, namely to provide intellectual property protection for creative works; Law Number 13 of 2003 concerning Manpower to protect workers; Law Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition to protect business actors from unfair competition; Law Number 7 of 2014 concerning Trade, which is to motivate trade in products based on creative economy; and Law Number The regulations relating to startup business in the form of e-commerce include: Law Number 11 of 2008 concerning Information and Electronic Transactions; Government Regulation Number 82 Year 2012 concerning Operation of Electronic Systems and Transactions as amended by Act Number 19 of 2016; Regulation of

the Minister of Communication and Information Technology Number 20 Year 2016 concerning Protection of Personal Data in Electronic Systems; Regulation of the Minister of Communication and Information Technology Number 36 Year 2014 concerning Procedures for Registration of Electronic System Organizers. In connection with the establishment of a startup business based on the form of a business entity regulated in the Commercial Law Code for regulating the establishment of a Vennootschap Commanditaire, Law Number 40 of 2007 concerning Limited Liability Companies.

Conclusion

Reviewer comments

The conclusion is a statement based on critical analysis of the results obtained by the author. A summary of the results should not be given in this section. You may also specify the direction for future studies.

Response

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

In connection with Economic Law, a startup business is a starter business based on entrepreneurship, so a startup business development policy is needed by establishing an entrepreneurial law.

Reference

Reviewer comments

This journal does not use footnotes as a references list style. You can look at the articles that have been published in this journal as examples

Response

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Reviewer 2 comments



Dear Reviewer,

Thank you for your valuable comments on our articles. We have thoroughly revised the article as you suggested.

Below we quote your comments and our responses.

We are willing to revise again if needed.

Sincerely,

Author

Title

Reviewer comments

It is advisable to expand the reader's understanding of the concept of economic efficiency. Provide multiple points of view. And not be limited

Response

Done. We have enriched the concept of economic efficiency by citing some reputable source:

Jovanovic, B. (2001). Economic Growth: Theory, in Smelser, N. J., & Baltes, P. B. (Eds.), *International encyclopedia of the social & behavioral sciences* (Vol. 11). Amsterdam: Elsevier.

Petrou A. (2014) Economic Efficiency. In: Michalos A.C. (eds) *Encyclopedia of Quality of Life and Well-Being Research*. Springer, Dordrecht. https://doi.org/10.1007/978-94-007-0753-5_818

Whittaker, W. (2014). Resource Allocation Funding Formulae, in *Encyclopedia of Health Economics*. Amsterdam: Elsevier.

Body text

Reviewer comments

The statement given by the author is very abstract and therefore controversial: "For economists, efficiency is the relationship between goals and means. When we call a situation inefficient, we claim that we can achieve the desired goal with fewer means, or that the means used can produce more desirable goals (Heyne, 2008)". In the article, it is important for the reader to hear the author's point of view on this phenomenon. In this case, the author needs to justify his own choice.

Response

Done. We have enriched the concept of economic efficiency by citing some reputable source:

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives (Rubin, 2008). Economic efficiency refers to the most valuable use in the allocation and distribution of all factors of production in an economy. This also includes minimizing production costs and maximizing output (Heyne, 2008). According to Petrou (2014),

“Economic efficiency is a broad term typically used in microeconomics in order to denote the state of best possible operation of a product or service market. Economic efficiency assumes minimum cost for the production of a good or service, maximum output, and maximum surplus from the operation of the market.”

In a social perspective, Jovanovic (2001) socially depicted that:

“Economic efficiency dictates that people who start out as equals should sometimes end up different.”

While in more technical term, Whittaker (2014) assumed that the model of input-output in economic efficiency is more properly called allocative efficiency.

“[It] concerns producing the maximum output subject to inputs, i.e., it is not possible to increase output simply by reallocating resources, and it is achieved by equalizing the marginal capacity to benefit from additional funds across all inputs.”

In a social perspective, Russell Hardin (1992) examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen. One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. Microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.



Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

Abstract

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using conceptual and empirical approach, the results showed that fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. Theoretical implication of the findings underline the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: startup business, economic law, internet

Introduction

The development of economic globalization began the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people to follow these developments and progress.

Lately the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding (Lukito, 2017).

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop (Maulana, 2019). On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups / technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills and knowledge needed so as to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, in order to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology (<http://itechmagz.id/>, 2018).

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by offering goods and services. Startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce, because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

A startup business is a business or activity in the field of trade. Theoretically, trading activities are regulated through the field of law called economic law. Smitthoff (1977) said that economic law is a legal arrangement with government interference in trade, industry and financing. In order to put economic law as an instrument to support trading activities through startup business development policies, it seems necessary to know what role the economic law wants from the existence of startups in the community.

The purpose of this paper is to determine the legal problems that occur in startup business development policies and to analyze the role of economic law in startup business development policies in Indonesia. Thus the discussion in this paper revolves around whether the legal problems faced in startup business development policies and how the role of economic law in startup business development policies in Indonesia.

Method

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

It is inevitable that the internet is the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and

questionnaires, as well as research methods with probability sampling and multistage random sampling (<https://databoks.katadata.co.id>, 2019).

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

Table 1. Indonesian startups mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale & Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

According to Bednár and Tarišková (2017), there are 5 of the most serious startup problems including lack of money for further development; products / services that are not needed on the market; no investors; cost issues; and incorrect team.

Furthermore it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business model. Natasha Evers (2003) it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business. Government regulations can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova (2018) in Bulgaria are related to some issues. First, tax issues must be considered carefully with respect to reducing the risk of possible violations that can lead to large fines, lawsuits or in the worst case of imprisonment. Second, problems with permits and licenses. Equally important for

startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business. Third, protection of intellectual property. Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs. Fourth, unfair competition. In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected. Fifth, labor-related issues. what must be taken into account is the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions. Sixth, inadequate legislation. Problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia there are 5 legal issues that are often faced by startup businesses. Problems of legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity. In terms of taxation issues, there is a need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur. Moreover, regarding Intellectual property rights issues, startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of software. In terms of employment issues, there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed. Lastly, issue of the shareholder agreement, a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

The Role of Economic Law in Startup Development Policies in Indonesia

Economic law focused on the development and social economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly (Sumantoro, 1987). Classification of economic laws for new fields of law that have not been included in economic law include, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley (1988), that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process and impact of law and legal institutions. This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which

translates into competition law, industrial regulation, labor law and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics, but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the behavior of market participants, elaborated by legislators, courts or administrative institutions (Mackaay, 2000).

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives (Rubin, 2008). Economic efficiency refers to the most valuable use in the allocation and distribution of all factors of production in an economy. This also includes minimizing production costs and maximizing output (Heyne, 2008). According to Petrou (2014),

“Economic efficiency is a broad term typically used in microeconomics in order to denote the state of best possible operation of a product or service market. Economic efficiency assumes minimum cost for the production of a good or service, maximum output, and maximum surplus from the operation of the market.”

In a social perspective, Jovanovic (2001) socially depicted that:

“Economic efficiency dictates that people who start out as equals should sometimes end up different.”

While in more technical term, Whittaker (2014) assumed that the model of input-output in economic efficiency is more properly called allocative efficiency.

“[It] concerns producing the maximum output subject to inputs, i.e., it is not possible to increase output simply by reallocating resources, and it is achieved by equalizing the marginal capacity to benefit from additional funds across all inputs.”

In a social perspective, Russell Hardin (1992) examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen. One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. Microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of technological sophistication (Fitriana, 2018). Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase in order to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers (Sub Directorate of Welfare and Entrepreneurship of the Director General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019). Currently, startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has in fact shown an important change in the development of civilization, especially the world economy (Kristiyono, 2015). According to Salamzadeh and

Kawamorita (2015), the theory of entrepreneurship is the most dominant theory in entrepreneurial business. First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation and exploitation. Thus, the startup business is part of the field of study of Economic Law.

Regulations related to startup business in Indonesia which are part of the field of Economic Law include: Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; Law Number 33 of 2009 concerning Film to motivate the development of the film industry; Law Number 3 of 2014 concerning Industry to motivate the development of national creative industries; Law Number 28 of 2014 concerning Copyright, namely to provide intellectual property protection for creative works; Law Number 13 of 2003 concerning Manpower to protect workers; Law Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition to protect business actors from unfair competition; Law Number 7 of 2014 concerning Trade, which is to motivate trade in products based on creative economy; and Law Number The regulations relating to startup business in the form of e-commerce include: Law Number 11 of 2008 concerning Information and Electronic Transactions; Government Regulation Number 82 Year 2012 concerning Operation of Electronic Systems and Transactions as amended by Act Number 19 of 2016; Regulation of the Minister of Communication and Information Technology Number 20 Year 2016 concerning Protection of Personal Data in Electronic Systems; Regulation of the Minister of Communication and Information Technology Number 36 Year 2014 concerning Procedures for Registration of Electronic System Organizers. In connection with the establishment of a startup business based on the form of a business entity regulated in the Commercial Law Code for regulating the establishment of a Vennootschap Commanditaire, Law Number 40 of 2007 concerning Limited Liability Companies.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet. Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet), (Internet Society Global Internet Report, 2019).

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home

and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of work experience of entrepreneurs (Perdani et al., 2018). However, at least the potential for Indonesian internet users which is increasing from year to year is certainly a land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity, because with the receipt of a business entity establishment license, it will have a legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is a budding business, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid up capital is very dependent on the agreement of the shareholders and related parties. The scale in determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are actually provisions governing these matters, which in fact also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of trade so that it is very feasible to enter into the realm of Economic Law, so that regulation and legal thinking focus on ways to improve and develop the national economy. In the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy actually aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

Conclusion

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

In connection with Economic Law, a startup business is a starter business based on entrepreneurship, so a startup business development policy is needed by establishing an entrepreneurial law.

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

Abstract

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using a conceptual and empirical approach, the results showed that the fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. The theoretical implication of the findings underlines the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: startup business, economic law, internet

Introduction

The development of economic globalization began with the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people follow these developments and progress.

Lately, the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications, and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding (Lukito, 2017).

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop (Maulana, 2019). On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups/technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills, and knowledge needed to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology (<http://itechmagz.id/>, 2018).

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The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by offering goods and services. A startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce, because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

A startup business is a business or activity in the field of trade. Theoretically, trading activities are regulated through the field of law called economic law. Smitthoff (1977) said that economic law is a legal arrangement with government interference in trade, industry, and financing. To put economic law as an instrument to support trading activities through startup business development policies, it seems necessary to know what role the economic law wants from the existence of startups in the community.

The purpose of this paper is to determine the legal problems that occur in startup business development policies and to analyze the role of economic law in startup business development policies in Indonesia. Thus the discussion in this paper revolves around whether the legal problems faced in startup business development policies and how the role of economic law in startup business development policies in Indonesia.

Method

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

The internet is inevitably the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people, or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and

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questionnaires, as well as research methods with probability sampling and multistage random sampling (<https://databoks.katadata.co.id>, 2019).

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

Table 1. Indonesian startups mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale & Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

According to Bednár and Tarišková (2017), there are 5 of the most serious startup problems including lack of money for further development; products/services that are not needed on the market; no investors; cost issues; and incorrect team.

Furthermore, it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates, or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business model. Natasha Evers (2003) it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business. Government regulations can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova (2018) in Bulgaria are related to some issues. First, tax issues must be considered carefully concerning reducing the risk of possible violations that can lead to large fines, lawsuits, or in the worst case of imprisonment. Second, problems with permits and licenses. Equally important for

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startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits, and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business. Third, protection of intellectual property. Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs. Fourth, unfair competition. In general, the main purpose of competition law is to control the competitive environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected. Fifth, labor-related issues. what must be taken into account in the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions. Sixth, inadequate legislation. Problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

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In Indonesia, 5 legal issues are often faced by startup businesses. Problems of the legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity. In terms of taxation issues, there is a need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable Entrepreneur. Moreover, regarding Intellectual property rights issues, startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of the software. In terms of employment issues, there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed. Lastly, issue of the shareholder agreement, a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

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The Role of Economic Law in Startup Development Policies in Indonesia

Economic law focused on the development and social-economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social-economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly (Sumantoro, 1987). Classification of economic laws for new fields of law that have not been included in economic law includes, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

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According to Rowley (1988), that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process, and impact of law and legal institutions. This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which

translates into competition law, industrial regulation, labor law, and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics, but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the behavior of market participants, elaborated by legislators, courts, or administrative institutions (Mackaay, 2000).

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, the theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives (Rubin, 2008). Economic efficiency refers to the most valuable use in the allocation and distribution of all factors of production in an economy. This also includes minimizing production costs and maximizing output (Heyne, 2008). According to Petrou (2014),

"Economic efficiency is a broad term typically used in microeconomics to denote the state of best possible operation of a product or service market. Economic efficiency assumes the minimum cost for the production of a good or service, maximum output, and maximum surplus from the operation of the market."

From a social perspective, Jovanovic (2001) socially depicted that:

"Economic efficiency dictates that people who start as equals should sometimes end up different."

While in a more technical term, Whittaker (2014) assumed that the model of input-output in economic efficiency is more properly called allocative efficiency.

"[It] concerns producing the maximum output subject to inputs, i.e., it is not possible to increase output simply by reallocating resources, and it is achieved by equalizing the marginal capacity to benefit from additional funds across all inputs."

From a social perspective, Russell Hardin (1992) examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen. One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. The microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

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Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home

and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of the work experience of entrepreneurs (Perdani et al., 2018). However, at least the potential for Indonesian internet users which is increasing from year to year is certainly land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro-small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity because with the receipt of a business entity establishment license, it will have legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is budding, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid-up capital is very dependent on the agreement of the shareholders and related parties. The scale in determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are provisions governing these matters, which also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of the trade so that it is very feasible to enter into the realm of Economic Law, so that regulation and legal thinking focus on ways to improve and develop the national economy. From the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

Conclusion

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

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In connection with Economic Law, a startup business is a starter business based on entrepreneurship, so a startup business development policy is needed by establishing an entrepreneurial law.

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

Edy Krisharyanto* 

1. Edi Krisharyanto

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Abstract: This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using a conceptual and empirical approach, the results showed that the fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. The theoretical implication of the findings underlines the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: Faculty of Law, Universitas Wijaya Kusuma Surabaya, Indonesia

The development of economic globalization began with the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people follow these developments and progress.

Lately, the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered the technology, telecommunications 2020 the Government of Indonesia as the largest Digital Southeast Asia. At this time businesses both online trading and fresh and innovative ideas need to grow into new technopreneurs, with leading technopreneurs and technoparks, and providing fund

The United States-ASEAN Business Council (US-ABC) is a non-profit organization that promotes trade and investment between the United States and ASEAN member states. It is a leading voice for U.S. businesses in Southeast Asia and has a long history of advocating for U.S. interests in the region. The US-ABC is currently working on a report titled "ASEAN Startup Ecosystem: Opportunities and Challenges for U.S. Businesses." The report will provide a comprehensive overview of the startup ecosystem in ASEAN, including an analysis of the market, a list of key players, and a series of recommendations for U.S. businesses. The report is expected to be released in the near future and will be a valuable resource for U.S. businesses looking to do business in ASEAN. The US-ABC is also planning to launch a new initiative to help U.S. businesses connect with ASEAN startups. This initiative will provide U.S. businesses with access to a network of ASEAN startups and will also offer a variety of services, including mentorship, training, and financing. The US-ABC is committed to promoting trade and investment between the United States and ASEAN member states and is dedicated to helping U.S. businesses succeed in Southeast Asia.

Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop (Maulana, 2019). On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups/technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills, and knowledge needed to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology (<http://itechmagz.id/>, 2018).

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by

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offering goods and services. A startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

A startup business is a business or activity in the field of trade. Theoretically, trading activities are regulated through the field of law called economic law. Smittthoff (1977) said that economic law is a legal arrangement with government interference in trade, industry, and financing. To put economic law as an instrument to support trading activities through startup business development policies, it seems necessary to know what role the economic law wants from the existence of startups in the community.

The purpose of this paper is to determine the legal problems that occur in startup business development policies and to analyze the role of economic law in startup business development policies in Indonesia. Thus the discussion in this paper revolves around whether the legal problems faced in startup business development policies and how the role of economic law in startup business development policies in Indonesia.

METHOD

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

The internet is inevitably the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of

Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people, or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and questionnaires, as well as research methods with probability sampling and multistage random sampling (<https://databoks.katadata.co.id>, 2019).

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

According to Bednár and Tarišková (2017), there are 5 of the most serious startup problems including lack of money for further development; products/services that are not needed on the market; no investors; cost issues; and incorrect team.

Furthermore, it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates, or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business

Table 1: Indonesian Startups Mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale &Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

model. Natasha Evers (2003) it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business. Government regulations can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova (2018) in Bulgaria are related to some issues. First, tax issues must be considered carefully concerning reducing the risk of possible violations that can lead to large fines, lawsuits, or in the worst case of imprisonment. Second, problems with permits and licenses. Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits, and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business. Third, protection of intellectual property. Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs. Fourth, unfair competition. In general, the main purpose of competition law is to control the competitive

environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected. Fifth, labor-related issues. what must be taken into account in the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions. Sixth, inadequate legislation. Problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia, 5 legal issues are often faced by startup businesses. Problems of the legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity. In terms of taxation issues, there is a need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable

Entrepreneur. Moreover, regarding Intellectual property rights issues, startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of the software. In terms of employment issues, there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed. Lastly, issue of the shareholder agreement, a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

The Role of Economic Law in Startup Development Policies in Indonesia

Economic law focused on the development and social-economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social-economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly (Sumantoro, 1987). Classification of economic laws for new fields of law that have not been included in economic law includes, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley (1988), that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process, and impact of law and legal institutions. This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which translates into competition law, industrial regulation, labor law, and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the

behavior of market participants, elaborated by legislators, courts, or administrative institutions (Mackaay, 2000).

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, the theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives (Rubin, 2008). Economic efficiency refers to the most valuable use in the allocation and distribution of all factors of production in an economy. This also includes minimizing production costs and maximizing output (Heyne, 2008). According to Petrou (2014),

"Economic efficiency is a broad term typically used in microeconomics to denote the state of best possible operation of a product or service market. Economic efficiency assumes the minimum cost for the production of a good or service, maximum output, and maximum surplus from the operation of the market."

From a social perspective, Jovanovic (2001) socially depicted that:

"Economic efficiency dictates that people who start as equals should sometimes end up different."

While in a more technical term, Whittaker (2014) assumed that the model of input-output in economic efficiency is more properly called allocative efficiency.

"[It] concerns producing the maximum output subject to inputs, i.e., it is not possible to increase output simply by reallocating resources, and it is achieved by equalizing the marginal capacity to benefit from additional funds across all inputs."

From a social perspective, Russell Hardin (1992) examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen. One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. The microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern

with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of technological sophistication (Fitriana, 2018). Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers (Sub Directorate of Welfare and Entrepreneurship of the Director-General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019). Currently, the startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence, can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has shown an important change in the development of civilization, especially the world economy (Kristiyono, 2015). According to Salamzadeh and Kawamorita (2015), the theory of entrepreneurship is the most dominant theory in entrepreneurial business. First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, the entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, the startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation, and exploitation. Thus, the startup business is part of the field of study of Economic Law.

Regulations related to startup business in Indonesia which are part of the field of Economic Law include:

Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; Law Number 33 of 2009 concerning Film to motivate the development of the film industry; Law Number 3 of 2014 concerning Industry to motivate the development of national creative industries; Law Number 28 of 2014 concerning Copyright, namely to provide intellectual property protection for creative works; Law Number 13 of 2003 concerning Manpower to protect workers; Law Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition to protect business actors from unfair competition; Law Number 7 of 2014 concerning Trade, which is to motivate trade in products based on creative economy; and Law Number The regulations relating to startup business in the form of e-commerce include: Law Number 11 of 2008 concerning Information and Electronic Transactions; Government Regulation Number 82 Year 2012 concerning Operation of Electronic Systems and Transactions as amended by Act Number 19 of 2016; Regulation of the Minister of Communication and Information Technology Number 20 Year 2016 concerning Protection of Personal Data in Electronic Systems; Regulation of the Minister of Communication and Information Technology Number 36 Year 2014 concerning Procedures for Registration of Electronic System Organizers. In connection with the establishment of a startup business based on the form of a business entity regulated in the Commercial Law Code for regulating the establishment of a Vennootschap Commanditaire, Law Number 40 of 2007 concerning Limited Liability Companies.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet. Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet), (Internet Society Global Internet Report, 2019).

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as

availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of the work experience of entrepreneurs (Perdani *et al.*, 2018). However, at least the potential for Indonesian internet users which is increasing from year to year is certainly land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro-small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity because, with the receipt of a business entity establishment license, it will have legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is budding, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid-up capital is very dependent on the agreement of the shareholders and related parties. The scale in

determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are provisions governing these matters, which also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of the trade so that it is very feasible to enter into the realm of Economic Law so that regulation and legal thinking focus on ways to improve and develop the national economy. From the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

CONCLUSION

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

In connection with Economic Law, a startup business is a starter business based on entrepreneurship, so a startup business development policy is needed by establishing an entrepreneurial law.

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

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Abstract: This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using a conceptual and empirical approach, the results showed that the fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. The theoretical implication of the findings underlines the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.

Keywords: Startup business, economic law, internet.

INTRODUCTION

The development of economic globalization began with the birth of the Industrial Revolution 4.0. the latest technological developments are followed by business advancements. Such rapid progress has led to creative and innovative ideas based on technology. Current developments and technological advancements in the Industrial Revolution 4.0 era demanded that the Indonesian people follow these developments and progress.

Lately, the development of startup business in Indonesia has increased. Start-up businesses are driven by adequate information technology infrastructure capital, making it easy for the public to meet their daily needs. Expansion of transaction space for goods and services produced domestically and abroad produced offered thanks to advances in technology, telecommunications, and information. In 2020 the Government of Indonesia wants to position Indonesia as the largest Digital Economy Country in Southeast Asia. At this time, startup e-commerce businesses both online trading and digital startups with fresh and innovative ideas need to be encouraged to grow into new technopreneurs, either by cooperating with leading technopreneurs mentors, data centers, technoparks, and providing funding (Lukito, 2017).

The United States-ASEAN Business Council states that startups in Indonesia have enormous potential, so the government is expected to implement appropriate policies to support these companies. Furthermore Marc

Mealy stated, the whole world recognized the real growth potential offered by startups in the Southeast Asian region, but without the support of proper regulations and regulations, startups would be difficult to develop (Maulana, 2019). On the world side, tertiary institutions have been initiated to develop technology-based startup companies in the face of the industrial revolution 4.0 era through the concept of optimizing the Technology-Based Starter Company (PPBT) policy instrument, for startups/technology startups through the incubation process by the Business Incubator Institute. The program implemented at the end of 2019 is expected to grow 1,000 (one thousand) technology startups. The program equips startup founders with business funding, skills, and knowledge needed to minimize failure and become a quality startup (<https://www.ristekbrin.go.id>, 2018). The effort to print the birth of 1000 Digital Startups will continue in 2019, to build a national digital economic ecosystem. PPBT by relying on technology was also able to print new jobs and indirectly also improve community welfare. The PPBT program aims to enable young Indonesians to be creative and continue to innovate in the face of the development of digital technology (<http://itechmagz.id/>, 2018).

The rapid development of technology and information through the internet opens opportunities for new business activities. One new form of business is done through e-commerce. At present, it is easier to get access both through quota purchases and through hotspot media that are scattered in various places to facilitate access to the internet. With the development of technology and information via the internet, a startup business has emerged. A startup business is a trading business activity that starts its business activities by

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offering goods and services. A startup business is a business that has a business process that is very closely related to the internet. Therefore, it can be said, that startup business activities will not run without the internet. Indonesia's startup business is highly dominated by e-commerce because it cannot be separated from the development of buying and selling that is carried out on-line in Indonesia. With e-commerce, it can be said of the use of simple technology, where a person can offer goods and or services on a website, which is expected to bring together business people with consumers, and make it easy for people to get their needs without going anywhere.

A startup business is a business or activity in the field of trade. Theoretically, trading activities are regulated through the field of law called economic law. Smittthoff (1977) said that economic law is a legal arrangement with government interference in trade, industry, and financing. To put economic law as an instrument to support trading activities through startup business development policies, it seems necessary to know what role the economic law wants from the existence of startups in the community.

The purpose of this paper is to determine the legal problems that occur in startup business development policies and to analyze the role of economic law in startup business development policies in Indonesia. Thus the discussion in this paper revolves around whether the legal problems faced in startup business development policies and how the role of economic law in startup business development policies in Indonesia.

METHOD

This research uses the normative legal research method. The normative legal research method is research that conducts a literature review through document studies, namely by using secondary sources such as legislation, court rulings, legal theories, and opinions of legal experts relating to startup development policies in Indonesia. Judging from the problem approach used, this study uses a statutory approach.

Legal Problems Faced in Startup Business Development Policies

The internet is inevitably the lungs of startup business activities. Therefore, the rapid development of internet usage in Indonesia is the basic capital for the development of startups in Indonesia. The profile of

Internet users in 2012 reached around 55 million Indonesians who have been accessed by information and communication technology-based media. Whereas the data in June 2019 grew, namely internet users in Indonesia had reached 171,260,000 based on data from Internet World Stats, 2019. Thus, there was a rapid increase in internet users in Indonesia during the 2012 to 2019 range of 311%.

Based on the survey report of the Indonesian Internet Service Providers Association (APJII) 2018, the number of internet users in the country reached 171.17 million people, or 64.8% of the total population of 264.16 million people. By region, Java is still the biggest internet user, reaching 55%. Bali and Nusa Tenggara have the smallest internet users, only 5%. The contribution of internet users in Sumatra by 21%, Sulawesi-Maluku-Papua by 10%, and Kalimantan by 9%. The APJII Survey was conducted on March 9-April 14, 2019 in collaboration with the Indonesian Poll. Respondents numbered 5,900 throughout Indonesia with a margin of error of 1.28%. Data collection techniques with interviews and questionnaires, as well as research methods with probability sampling and multistage random sampling (<https://databoks.katadata.co.id>, 2019).

The mapping of startup database in Indonesia in 2018 presented by the Indonesia Digital Creative Industry Community and the Indonesian Creative Economy Agency showed there are 992 Indonesian startups.

According to Bednár and Tarišková (2017), there are 5 of the most serious startup problems including lack of money for further development; products/services that are not needed on the market; no investors; cost issues; and incorrect team.

Furthermore, it was said, that the main purpose of establishing a startup was to find new markets and create high value-added products. In the beginning, startups were low-cost projects that were mostly made by programmers and designers who wanted to make something unique and produce a lot. However, in more than 90% of cases, they fail. Three of the five main problems related to finance - either wrong pricing of products, bad cost estimates, or lack of capital for further development. The second major problem is the lack of market needs - inadequate product testing results in the real market. The fifth biggest problem is the poor team who cannot solve the problem and cannot develop their Minimum Viable Product business

Table 1: Indonesian Startups Mapping

Classification	Freq.	%	Classification	%
<i>Location:</i>			<i>Business Scale:</i>	
Greater Jakarta	522	52.62	Big	3.12
Java Provinces	241	24.29	Medium	11.90
Lesser Sunda Islands	32	3.23	Micro	52.97
Kalimantan	24	2.42	Small	32.01
Sulawesi	34	3.43	<i>Main Problem:</i>	
Sumatra	115	11.53	Capital	38.82
Unknown	24	2.42	HR	29.41
<i>Legal entity:</i>			Amenities	15.00
Limited partnership (CV)	522	6.96	Market	7.94
LLC	540	54.44	Regulations and Laws	8.82
Non-legal entity	113	11.39	<i>Scale &Regulatory issues:</i>	
Unknown	270	27.22	Big	29.41
<i>Business sector:</i>			Medium	12.50
E-Commerce	352	35.48	Micro	5.20
Financial technology	53	5.34	Small	7.96
Games and entertainment	55	5.54		
Others	532	53.63		

model. Natasha Evers (2003) it was said that a further inhibiting factor for the process of starting was obtaining legal recognition of a business. Government regulations can be very strict in developing countries where registering new companies is a time-consuming and expensive process.

Legal problems at startup as stated by Kameliya Nikolaeva Marinova (2018) in Bulgaria are related to some issues. First, tax issues must be considered carefully concerning reducing the risk of possible violations that can lead to large fines, lawsuits, or in the worst case of imprisonment. Second, problems with permits and licenses. Equally important for startup companies remains the problem with permits and licenses needed for their business. Failure to follow permits and licensing regulations can result in fines, lengthy and expensive lawsuits, and in some cases more seriously stop business activities or close down the company. Therefore, novice companies should consider the above mentioned to avoid possible violations that can adversely affect their business. Third, protection of intellectual property. Intellectual property includes copyrights and related rights and industrial property such as patents, brands, designs. Fourth, unfair competition. In general, the main purpose of competition law is to control the competitive

environment and protect consumers. a big problem for any startup company that has an unfair competition problem because it might not be well protected. Fifth, labor-related issues. what must be taken into account in the making and implementation of employment contracts, documenting workers, avoiding discrimination recruitment, working conditions. Sixth, inadequate legislation. Problems can occur not only because there are no specific regulations for the startup business, but also the existing regulations cannot protect the rights of startup companies or hold them back from taking certain actions.

In Indonesia, 5 legal issues are often faced by startup businesses. Problems of the legality of business entities: not having business licenses and choosing legal forms of business entities. The choice of legal form for the business entity is very important to determine the licensing process and legal responsibility of the founder of the business entity. In terms of taxation issues, there is a need to have a Taxpayer Identification Number for requirements for filing legality of business entities, such as Company Business Licenses and Company Registration Certificates and ignoring obligations as taxpayers, business entities will be faced with obstacles or problems if they want to take care of other things, such as for file as a Taxable

Entrepreneur. Moreover, regarding Intellectual property rights issues, startups that sell software should not ignore the need to protect intellectual property rights, because after all the software has economic value for the company and is useful for controlling the use of the software. In terms of employment issues, there is clear information to employees such as salary, income tax, health insurance, employment insurance, bonuses, and clear company regulations and employment contracts are needed. Lastly, issue of the shareholder agreement, a legal engagement cannot be based on trust, so a contract is needed so that the authority of each shareholder is known and the terms of the sale of shares.

The Role of Economic Law in Startup Development Policies in Indonesia

Economic law focused on the development and social-economic law. Economic law had 2 aspects of regulating economic development efforts to improve people's economic lives, and of regulatory aspects efforts to share the results of economic development to all people equally. Indonesia's economic law is divided into economic law of development, namely the regulation and legal thinking on ways to increase and develop the national economy, and social-economic law, namely the regulation and legal thinking about ways of sharing the results of national economic development fairly and evenly (Sumantoro, 1987). Classification of economic laws for new fields of law that have not been included in economic law includes, among others: intellectual property rights law, business competition law, consumer protection law, capital market law, investment law, electronic commerce law, entrepreneurship law, computer law, and sports law.

According to Rowley (1988), that legal economic analysis, or law and economics, can be defined as the application of economic theory and econometric methods to test the formation, structure, process, and impact of law and legal institutions. This approach is recommended not only for legal rules with clear links to economic realities such as competition, economic organization, prices and profits, and income distribution, which translates into competition law, industrial regulation, labor law, and tax law. Law and economics have the ambition of applying an economic approach not only to fields of economic regulation that are easily related to economics but to all fields of law. In economic regulation, legal economic analysis will provide an understanding of the forces that control redistribution that demonstrate legal restrictions on the

behavior of market participants, elaborated by legislators, courts, or administrative institutions (Mackaay, 2000).

Law and economics, also known as legal economic analysis, differs from other forms of legal analysis in two characteristics: First, the theoretical analysis focuses on efficiency, and Second, the emphasis is on incentives and people's responses to these incentives (Rubin, 2008). Economic efficiency refers to the most valuable use in the allocation and distribution of all factors of production in an economy. This also includes minimizing production costs and maximizing output (Heyne, 2008). According to Petrou (2014),

"Economic efficiency is a broad term typically used in microeconomics to denote the state of best possible operation of a product or service market. Economic efficiency assumes the minimum cost for the production of a good or service, maximum output, and maximum surplus from the operation of the market."

From a social perspective, Jovanovic (2001) socially depicted that:

"Economic efficiency dictates that people who start as equals should sometimes end up different."

While in a more technical term, Whittaker (2014) assumed that the model of input-output in economic efficiency is more properly called allocative efficiency.

"[It] concerns producing the maximum output subject to inputs, i.e., it is not possible to increase output simply by reallocating resources, and it is achieved by equalizing the marginal capacity to benefit from additional funds across all inputs."

From a social perspective, Russell Hardin (1992) examines morality in law and economics stating that normative and economic law presents us with the most developed and coherent theory of moral law that we have not yet seen. One might object to its moral principles, but one cannot do so by referring to an explanation of comparable normative law. The microeconomic theory itself grows out of normative concern, especially with welfare. The most prominent feature of law and economics, however, is that its moral principles are extraordinary. The initial concern

with efficiency is to avoid claims of aggregate welfare. Vilfredo Pareto seeks a minimum moral principle that everyone can agree on: A change is good if it helps some people and does not hurt anyone.

Startups can be divided into two types, namely e-commerce startup and FinTech startup. An e-commerce startup is a form of business entity that provides an online trading transaction platform. While the FinTech startup is a form of business entity that develops innovations that give birth to services in the field of financial services through the adoption of technological sophistication (Fitriana, 2018). Initially, the startup business refers to start-up companies or those that have not been in operation for a long time, because most of them are newly established and are in a position of being in the development and research phase to find the right market. In the end, these startups have developed very quickly by relying on the use of digital technology that facilitates interaction between business entities with millions of potential customers (Sub Directorate of Welfare and Entrepreneurship of the Director-General of Learning and Student Affairs of the Ministry of Research, Technology and Higher Education, 2019). Currently, the startup business is associated with various information technology-based startups through the use of the internet. Information and communication technology that is developing at this time, in essence, can be used to improve the welfare of the community in building a nation or world civilization. Information and communication technology has shown an important change in the development of civilization, especially the world economy (Kristiyono, 2015). According to Salamzadeh and Kawamorita (2015), the theory of entrepreneurship is the most dominant theory in entrepreneurial business. First, entrepreneurship is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like. As such, the entrepreneurial theory is more likely to be considered at the initial stage of any business or organization. Secondly, going beyond entrepreneurial theory, organizational and management theory will emerge, which is related to managing people and organizations. Third, the startup is about turning ideas into business which is a critical point in entrepreneurial studies such as new business creation, value creation, and recognition of opportunities, evaluation, and exploitation. Thus, the startup business is part of the field of study of Economic Law.

Regulations related to startup business in Indonesia which are part of the field of Economic Law include:

Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises; Law Number 33 of 2009 concerning Film to motivate the development of the film industry; Law Number 3 of 2014 concerning Industry to motivate the development of national creative industries; Law Number 28 of 2014 concerning Copyright, namely to provide intellectual property protection for creative works; Law Number 13 of 2003 concerning Manpower to protect workers; Law Number 5 of 1999 concerning Prohibition of Monopolistic Practices and Unfair Business Competition to protect business actors from unfair competition; Law Number 7 of 2014 concerning Trade, which is to motivate trade in products based on creative economy; and Law Number The regulations relating to startup business in the form of e-commerce include: Law Number 11 of 2008 concerning Information and Electronic Transactions; Government Regulation Number 82 Year 2012 concerning Operation of Electronic Systems and Transactions as amended by Act Number 19 of 2016; Regulation of the Minister of Communication and Information Technology Number 20 Year 2016 concerning Protection of Personal Data in Electronic Systems; Regulation of the Minister of Communication and Information Technology Number 36 Year 2014 concerning Procedures for Registration of Electronic System Organizers. In connection with the establishment of a startup business based on the form of a business entity regulated in the Commercial Law Code for regulating the establishment of a *Vennootschap Commanditaire*, Law Number 40 of 2007 concerning Limited Liability Companies.

The internet economy is broadly defined as economic activity either supporting the Internet or fundamentally dependent on the existence of the Internet. Consolidation in the internet economy can influence the evolution of the Internet organized around three separate but closely related economic domains, namely Internet Applications (how to communicate, share and be innovative; Terms of Access (how to be connected); and infrastructure services (how to build the sustainability of the internet), (Internet Society Global Internet Report, 2019).

Applications and services shape the experience of internet users and allow them to communicate, share and innovate. The internet is the interconnection of computers throughout the world in tens of thousands of networks run by various organizations. Access to the internet allows users to connect to information and communication technology (ICT) throughout the world. Physical access is measured using metrics such as

availability, quality, and price of connectivity and service. Internet access and adoption are both influenced by factors that are not easily measured and are often deeply rooted in society, including education levels (which tend to have an impact on digital literacy skills), income levels (which have an impact on the cost and affordability of broadband and devices), infrastructure development (especially in rural areas), the availability of relevant content (which influences whether people want to get access), and various cultural and structural factors that can influence adoption. The open and decentralized nature of the Internet means that, in principle, anyone can manage network services, which include networks and devices within the home and company, as well as Internet network service providers that connect these homes and companies to the global Internet.

Internet Economy and Future Projection of Startup Business

There is a crucial factor in the growth of startup businesses in the form of the work experience of entrepreneurs (Perdani *et al.*, 2018). However, at least the potential for Indonesian internet users which is increasing from year to year is certainly land to establish a startup business. In terms of policy regulations and incentives to increase the capacity and protection of startup business businesses by making efforts so that startups can obtain intellectual property rights (IPR) and micro-small business permits. The data available in 2018 were 52.97% of micro-businesses and 32.01% of small-scale businesses that had to be sought to obtain a business license and assistance for the acquisition of intellectual property rights.

Based on data in 2018 as many as 11.39% have not been incorporated and 27.22% of legal entities are unknown. The fundamental legal problem is the legality of a startup business entity because, with the receipt of a business entity establishment license, it will have legal standing, so that inherent legal responsibilities are attached to a startup business entity. The legality of this startup business entity is needed for registration as an electronic system provider so that there is protection for consumers.

This startup business is budding, so you need to think about your capital and which parties will join as shareholders. Determination of the scale of the amount of paid-up capital is very dependent on the agreement of the shareholders and related parties. The scale in

determining the amount of paid-in capital also depends on the agreement of the shareholders and related parties, all of which must be framed in a shareholder agreement. Regarding taxation, employment, and intellectual property issues, there are provisions governing these matters, which also apply to businesses in startup businesses.

This startup business is a pioneering business in the field of the trade so that it is very feasible to enter into the realm of Economic Law so that regulation and legal thinking focus on ways to improve and develop the national economy. From the perspective of economic law analysis, the startup business development policy must lead to efficiency. The startup business development policy aims to make it easy for the community to meet their daily needs on the one hand and the one that leads to people's welfare because it absorbs new jobs and fosters an entrepreneurial spirit. Such an objective must of course be followed by the development of facilities so that efficiency occurs. The development of the required facilities is in the form of proper regulations and regulations. Startup business is related to ideas, creativity, innovation, development of new products or services, opportunities, and the like, so it's not wrong to say that business is based on entrepreneurship. The startup business is fundamentally business dependent on the existence of the Internet, so it attaches to the characteristics of the internet economy that is organized through the economic domain, namely internet applications, access provisions, and infrastructure services.

CONCLUSION

Legal issues that arise in the startup business revolve around issues of legality, taxation, employment, intellectual property rights, and shareholder agreements. The legality issue of a startup business entity is a baseline problem because it relates to the legal standing and accountability of the business entity, while for other legal issues it would have been regulated by applicable regulations. However, specifically regarding the issue of the shareholder agreement, because it is included in the civil realm, it depends on the agreement of the parties, namely the founder of startups and shareholders.

In connection with Economic Law, a startup business is a starter business based on entrepreneurship, so a startup business development policy is needed by establishing an entrepreneurial law.

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Internet Economy and Startup Business Development and Policy in Economic Law Perspectives

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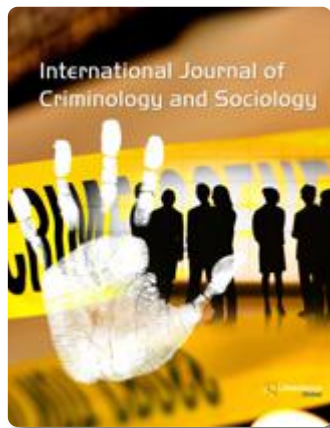
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ABSTRACT

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using a conceptual and empirical approach, the results showed that the fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. The theoretical implication of the findings underlines the startup business settings which are in need to be developed in the realm of economic law that leads to the regulation and legal thinking of ways to support the national economy. The practical implications suggest the development of startup business as a pioneering business entity in the field of commerce based on entrepreneurship and the internet economy.



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Abstract

This study aims to analyze the development of startup business in Indonesia which is facing legal and regulatory barriers, namely legal issues, taxation, employment, intellectual property rights. By using a conceptual and empirical approach, the results showed that the fundamental legal problem faced by startup business in Indonesia is about the legality of establishing a startup business. Moreover, it relates to the legal standing of a business entity and its legal accountability. The theoretical implication

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