
THE EXCESSIVE IMPLEMENTATION OF ISIC ON THE OBSTRUCTION IN THE IMPLEMENTATION OF KBLI 2020

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ABSTRACT

The Indonesian Standard Industrial Classification (KBLI) is a collection of business classification codes developed by the Central Statistics Agency (BPS) to categorize business and economic activities in Indonesia. Based on the International Standard Industrial Classification (ISIC), KBLI is integrated into the Online Single Submission (OSS) system, functioning as a tool for issuing business licenses and informing policy design. However, its implementation faces challenges, including the presence of irrelevant and non-functional codes, such as code 92000 for gambling activities, which contradict legal and social norms in Indonesia. This research aims to determine whether the adoption of KBLI over ISIC is excessive, leading to legal implications. A normative juridical approach or doctrinal research method is employed in this study, utilizing secondary data from the legal foundations of ISIC and KBLI, along with other related regulations. The results indicate that the excessive application of ISIC in KBLI has several negative impacts on its effectiveness. Codes irrelevant to the legal and social context in Indonesia render the issuance of business licenses ineffective and contradict the legal requirements stipulated in the Civil Code (KUHPerdata). The findings suggest that efforts are needed to enhance the effectiveness of KBLI in fulfilling its role as a classification system for business fields and economic activities in Indonesia. This can be achieved by considering relevance and local context to avoid unintended legal implications.

Keywords: ISIC, KBLI, Business License.

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INTRODUCTION

In the course of the economic world in Indonesia, it is necessary to create a standard classification related to business fields. This can be used for economic analysis to make a decision and make a related policy. Therefore, a standard classification was compiled in the Indonesian Standard Business Field Classification (KBLI, *Klasifikasi Baku Lapangan Usaha Indonesia*), which was published by the Central Statistics Agency (BPS) (R. et al. et al., 2021).

The Indonesian Standard Industrial Classification (KBLI, *Klasifikasi Baku Lapangan Usaha Indonesia*) is a system of organizing to categorize various economic activities in Indonesia by producing products, whether in the form of goods or services, in accordance with the industrial sector that is the reference standard (I. B. P. (Statistics, 2005). The aim is to coordinate, integrate, and harmonize the collection of related statistical data.

According to its function, KBLI has several primary purposes, namely statistical implementation, policy assessment, planning basis, and licensing. The four functions are interrelated to form a comprehensive structure of business licensing in Indonesia.

KBLI has a broad and complete role, collecting economic information to design data accumulation purposes and analyzing for planning and policy design purposes. Also, its role in classifying business activities by being integrated into the OSS system is aimed at advancing the level of ease of doing business (Jayaputeri & Putra, 2023).

However, in reality, its implementation has not been able to achieve the expected function optimally, resulting in not all codes contained in the KBLI can be implemented as a form of classification of business entities in Indonesia. The excessive impact of the government in duplicating the Industrial Classification of Economic Activities (ISIC) causes the KBLI system to be ineffective in some situations, which can cause obstacles for business actors in issuing licenses and protection for businesses that are or will be built. It is as if the adoption of the system from ISIC to KBLI should have considered the sociological conditions of Indonesian society, economic behaviour in Indonesia, and the norms or ethics that apply in Indonesia (Lestariningsih et al., 2019).

Over time, KBLI underwent several changes to accommodate economic and business developments in Indonesia. These changes include from the 2000 KBLI to the 2020 KBLI. Each KBLI revision usually includes adjustments in the classification codes of business fields in Indonesia. In the development process, the applicable KBLI is the 2020 KBLI, which can be used to conduct business licensing and changes in business fields. KBLI is an essential component in the process of business licensing and determining business fields in Indonesia. The use of KBLI 2020 allows businesses to classify their business types more precisely and comprehensively. Furthermore, the changes in KBLI are expected to reflect the dynamics of the Indonesian economy and business and aim to improve clarity and efficiency in regulating and managing businesses in Indonesia.

In establishing a legal entity, business actors must have a Business Identification Number (NIB); this NIB can be owned by filling in the classification of the business field to be undertaken in the Online Single Submission (OSS), which OSS is a system used to facilitate business actors in obtaining business licenses online (Andri & Djuariah, 2021). With the development of the times, KBLI has a vital role in the scope of business. This can be proven through the issuance of Government Regulation No. 5 of 2021 concerning the Implementation of Risk-Based Business Licensing, in which case KBLI must guide the establishment of a business entity to see the classification of business fields contained in the OSS. The business sector classification system in the OSS, which business actors will later take, is oriented towards KBLI. Therefore, KBLI must have a high level of effectiveness in order to make it easier for business actors to obtain their business licenses. However, in the process, some types of businesses in the KBLI cannot be used. As a result, business actors who want to run these types of businesses are hampered in obtaining their business licenses.

KBLI 2020 is an improvement from the previous version of KBLI, which is based on the International Standard Industrial Classification of All Economic Activities Revision 4 (ISIC Rev. 4) published by the United Nations Statistical Division (UNSD). According to the author, its application is ineffective because there is disrelevance in several applications of ISIC points into KBLI, which are considered less relevant to business fields in Indonesia.

This description indicates that the 2020 KBLI blatantly adopts the existing system in ISIC, so it seems too duplicative in the sense that it is only limited to translating English into Indonesian without paying attention to the elements that apply in Indonesia. As a result, there are KBLI codes that are not in line with the statutory provisions in Indonesia and ultimately do not allow it to be used effectively.

Some KBLI codes that are allegedly not in accordance with the function of the KBLI itself and cannot be used include KBLI 92000 on Gambling and Betting Activities, KBLI 69104 on Notary Activities and Land Deed Officials, and KBLI with code 84231 on Police. Some of these codes cannot be registered through OSS, which results in the ineffectiveness of KBLI codes in the field of implementation.

Based on the description above, this research aims to examine the impact of implementing the International Standard Industrial Classification (ISIC) on the effectiveness of the Indonesian Standard Business Field Classification (KBLI) in the context of business licensing in Indonesia. By understanding the influence of ISIC on KBLI, the research seeks to identify the consequences and legal implications of adopting an international classification system and its relevance to the Indonesian economic and sociological context. The goal is to provide insights into improving the effectiveness of KBLI to facilitate business licensing and support economic development in Indonesia.

METHOD

This research uses a normative juridical approach or what is also known as doctrinal research; With the many issues concerning the benefits of the policy, the normative juridical approach through the provisions of the International Standard Industrial Classification of All Economic Activities Revision 4 (ISIC Rev.4), the Regulation of the Central Bureau of Statistics No. 1.), Central Bureau of Statistics Regulation No. 2 of 2020 concerning the Indonesian Standard Classification of Business Fields (BPS Regulation 2/2020), Government Regulation No. 5 of 2021 concerning the Implementation of Risk-Based Business Licensing, Government Regulation (PP 5/2021), Circular Letter of the Minister of Investment / Head of the Investment Coordinating Board No. 17 of 2021 concerning the Transition of the Implementation of Business Licensing to the Implementation of Risk-Based Business Licensing through the Online Single Submission System (SE BKPM 17/2021), which apparently in its application cannot fully benefit the parties concerned. Based on this, this research will emphasize the discussion of the legal consequences of the excessive application of ISIC, which is contrary to Article 1320 of the Civil Code (KUH Perdata), which contains one of the conditions for the validity of an agreement, namely that it must meet the clause with a lawful cause/ a cause that is not prohibited.

RESULTS AND DISCUSSION

Application of the International Standard Industrial Classification of All Economic Activities (ISIC) in the Indonesian Standard Industrial Classification (KBLI)

The Indonesian Standard Business Field Classification (KBLI) is a standardized classification of fields in Indonesia's business sector (Hilmi et al., 2023) This form of classification refers to the International Standard Industrial Classification of All Economic Activities (ISIC), which is harmonized with the ASEAN Common Industrial Classification (ACIC) and East Asia Manufacturing Statistics (EAMS) and further improved in accordance with economic activity in Indonesia.

In the introduction section of the Annex to BPS Regulation No. 2 of 2020, it is stated that the 2020 edition of the Indonesian Standard Industrial Classification at the five-digit level has been adjusted to the reality of economic activity in Indonesia (P. B. P. (Statistics, 2020). In that case, the application of ISIC into KBLI should be in accordance with the conditions of economic activity or the

conditions of business fields in Indonesia. However, in its application, some points need to be more relevant to the conditions of business fields in Indonesia.

In its application, there are several changes in ISIC points into KBLI, such as,

Table 1. Change of ISIC Points into KBLI

ISIC Rev 4		KBLI 2020	
Code 1	Title 2	Code 3	Title 4
R	Arts, entertainment and recreation	R	Arts, Entertainment and Recreation
		9001	Performing Arts Activities
		9002	Activities of Creative Workers and Art Workers
9000	Creative, arts and entertainment activities	9003	Impressariat Activities for Art and Art Festival
		9004	Art Facility Operational Activities
		9009	Other Entertainment, Arts and Creativity Activities
		9322	Natural tourist attraction
		9323	Artificial/man-made tourist attraction
9329	Other amusement and recreation activities n.e.c.	9324	Water tourism
		9329	Other Entertainment and Recreation Activities Ltd

Source: Chart 5.1.17 ISIC Rev. 4 changes to KBLI 2020 for Category R,
Appendix to BPS Regulation No.2 of 2020.

The table above shows some examples of changes to ISIC in the preparation of KBLI, but changes should be made to other points that need to be changed. One of the points that need to be changed is category R with KBLI code 92 on Gambling and Betting Activities and its derivatives, namely, KBLI codes 920, 9200, and 92000. Which business field category is not relevant to the existing business fields in Indonesia? This is because gambling is a business activity that violates the norms of decency and has the potential to disturb public order.

In the reality of the findings obtained that a notary will not make a deed of establishment of a business entity that violates the norms of decency, such as KBLI code 92000, which includes gambling activities; this is because the deed made for the establishment of a business entity must be in line with article 1320 of the Civil Code (KUH Perdata) which explains the legal requirements of an agreement, one of which is an agreement with a cause that is not prohibited, or also called a halal cause. A business entity that insists on not fulfilling part of these conditions may be null and void. The KBLI code, especially the 92000 KBLI code, must be reviewed in order to adjust the norms that apply in Indonesia.

KBLI is suspected to be a form of classification and part of the licensing component that ignores the norms that apply in Indonesia. Quoting Ernst Utrecht's sentence, "Pancasila is the basis that becomes the root in the formulation of legislation in Indonesia" (Manullang, 2015). When linked to the stufenbau theory of Hans Kelsen and Nawiasky, Pancasila as a grundnorm or basic norm is located in the highest position of all norms (the top of the hierarchical pyramid of norms), becoming the root of all sources of law (Bo'a, 2018). Therefore, in confirming a policy, it is appropriate to refer back to Pancasila as the basic norm. This needs to be considered so that the classification, which will later become one of the licensing components, can run effectively and in accordance with local wisdom and norms that apply to Indonesian society.

The classifications in the KBLI are indeed compiled for statistical purposes. However, the 2020 KBLI, which is also used in the Online Single Submission (OSS) for later use by business actors when choosing their business categories, really needs to be considered for the effectiveness of the KBLI in

maximizing its role in the establishment of a legal entity. KBLI compiled based on ISIC is also essential to see economic activity in the international realm, but the Central Statistics Agency (BPS), which in this case also performs its function as a body that analyzes economic activity in Indonesia, needs to conduct further analysis of economic activities that are relevant to the conditions found in Indonesia (I. B. P. (Statistics, 2005). By maximizing the function of BPS and further filtering ISIC into the application of KBLI, KBLI will become a classification in the field of business that has a high capacity to be later used as a comparison to the classification of business fields / economic activities in other countries while still referring to ISIC and all forms of change.

Impact of Over-application of ISIC in KBLI

The types of business fields or economic activities in Indonesia are vast; therefore, a classification system was created for a type of business sector called the Indonesian Standard Classification of Business Scope (KBLI). (Hidayat, 2015). This grouping, of course, must have a good level of relevance to the conditions of business fields in Indonesia. This is because disrelevance in the preparation of KBLI can cause ineffectiveness in its implementation. One of the objectives of the establishment of KBLI is to provide a classification of business types so that it can be a benchmark in filling out the Online Single Submission (OSS) page, which is one of the components for the issuance of NIB to legal entities. The disrelevance that occurs will have implications for business actors who want to obtain a Business Identification Number (NIB) for their company.

The disrelevance causes the birth of KBLI codes without the relevant ministry's guardian; this has an impact on the issuance of NIB on the OSS page because the scope of the KBLI code is not listed in the relevant KBLI code. In this regard, the Investment Coordinating Board as an agency tasked with carrying out functions in synchronizing provisions and services to the investment sector referring to BKPM Circular Letter No. 17 of 2021 (SE BKPM 17/2021) states that the number of KBLI listed in Government Regulation No. 5 of 2021 (PP.5: 2021) as the basis for the new OSS rules can be used in the amount of 1,349 business scope grouping codes. BKPM argues that the 353 Indonesian Standard Industrial Classification Codes temporarily unavailable in Government Regulation No. 5 of 2021 require joint approval between the Management of Ministers or Agencies. So far, a total of three thousand eight hundred (3,801) business activity grouping codes in Indonesia have been found. This indicates that outside of the 353 KBLI that BKPM has heeded through SE BKPM 17 of 2021, OSS has not been able to issue business legality on 2,452 KBLI field scope codes that are temporarily not contained in PP. 5 of 2021; this is because there is no joint agreement or synchronization of guardianship between the relevant Ministries/Agencies (Jayaputeri & Putra, 2023). Business actors, in this case, are the ones who suffer the most losses due to the ineffectiveness of KBLI in carrying out its functions.

The research findings obtained from the Cirebon City Investment and One-Stop Integrated Service Office (DPMPTSP et al.) stated that KBLI 2020 still cannot be applied in its entirety in the field; this is because the code derivatives contained in KBLI 2020 are still unable to cover businesses in Indonesia in detail. In carrying out assistance to business actors, DPMPTSP Cirebon City found several problems, one of which was regarding KBLI with code 14111 concerning the Textile Apparel (Convection) Industry; in this problem, the business actor wanted to establish a home sewing business while the code that specifically regulates small convection businesses is not regulated in KBLI, with this condition, the business must be combined in the code that regulates the textile convection industry with a medium-high risk level, this causes the business actor to have to take

licensing up to the ministerial licensing level. As a result of the complicated licensing process, these businesses find it difficult and tend to be reluctant to register their business.

Although home-based convection businesses are rare in the international market, they are common in Indonesia. Therefore, KBLI needs to provide a code that regulates home/micro-level convection so that in the future, factory-level convection businesses and home-based convection businesses can be distinguished in terms of licensing so that implementation can run more effectively.

In the Basic Principles section of the KBLI listed in the Appendix to BPS Regulation No. 2 of 2020 explains that the KBLI presents a complete series of classifications of economic activities in Indonesia for statistical, planning, policy evaluation, and licensing purposes. In principle, the KBLI has several objectives, one of which is to have licensing benefits, which in practice has limitations in terms of licensing (P. B. P. (Statistics, 2020). This results in the KBLI needing to be fixed in purpose, which should be a strong licensing basis; it becomes less effective in implementing the KBLI in the issuance of NIBs for business actors. KBLI should be compiled in accordance with a high level of relevance to business fields in Indonesia so that it can be used as a clear source of licensing in the OSS system in the future.

The process of classifying data on business fields in Indonesia is vital; this is in order to know and be able to become a reference in the international arena that the KBLI will be the face of business field conditions in Indonesia, which in this case can also be a reference for foreign investors where the classification of business fields or economic activities listed in KBLI can indeed be found in Indonesia. The excessive application of ISIC to KBLI can also cause degradation in the accuracy of business field data or economic activities in Indonesia.

In the theory of legal benefits adopted by Jeremy Bentham, he argues that the law is made with the aim of providing benefits for as many people as possible, including its function to provide adequate services for the welfare of society (A'delina et al., 2022). Adequate services, in this case, involve effective policies related to business licensing. The welfare of the community is also an essential factor in making licensing regulations so that they can be in accordance with the conditions of norms in society; this is because if a business entity obtains a license in a business field that is contrary to community norms, it is possible that the business entity can disrupt public order (F. et al., 2015). (F. Y. D. Siregar, 2020). In drafting a regulation, it is essential to pay attention to the concept of legal certainty, where a legal product must be made with careful considerations to ensure that there are no contradictions in it so that the resulting legal product can run according to the expected function (Remaja, 2014).

Moreover, what must be considered in policy making is that it should be done by referring first to Pancasila as a margin of appreciation, which contains the fundamental values that exist in Indonesian society, elaborating policy work so that the resulting legal products are in accordance with the needs and interests of the community (Suyadi, 2018). Some of these aspects need to be considered in the preparation of a business field classification, in this case, the KBLI, which is one of the essential components in licensing for business actors in Indonesia (Sutrisno & Prayitno, 2023)..

Classifying business fields or economic activities in Indonesia based on ISIC can be a reference for comparison in the international realm, which can be used for academic purposes and international statistical purposes in a narrow sense. So, relevance is essential to maintain the quality of the KBLI so that it can later be helpful for international circles in a narrow sense.

CONCLUSION

The Indonesian Standard Industrial Classification (KBLI) has a vital role in the continuity of the Indonesian economy as a reference in classifying business fields or economic activities in Indonesia. The relevance between KBLI and the International Standard Industrial Classification of All Economic Activities (ISIC) is essential in maintaining the quality of KBLI so that it can be helpful in international circles in a narrow sense. In addition, the application of ISIC to KBLI 2020 has legal implications that need to be considered. In the end, KBLI 2020 is essential to re-discussed, this is because one of the KBLI codes, such as the code regarding gambling, still cannot be applied, considering that gambling is an economic activity that is prohibited by the Civil Code (KUH Perdata) and violates the norms of the Indonesian state. If the entire 2020 KBLI code is still forced to be applied in Indonesia, then the KBLI code as a whole is a form of Indonesian business field classification, which, in its implementation, violates the norms contained in the Indonesian state.

Therefore, it is essential to adjust and develop KBLI periodically so that it remains relevant to the conditions of business fields and economic activities in Indonesia and can meet the needs of statistical data users. In this case, policymakers need to understand the importance of optimizing the application of ISIC to the preparation of KBLI, as well as its legal implications in the Indonesian economy. I hope this journal will provide a better understanding of KBLI and ISIC and their legal implications on the Indonesian economy. It is also hoped that this journal can be used as a consideration for the authorities in improving the KBLI and can also be academic material for international studies on the statistics of business fields and economic activities in various countries that refer to ISIC while still paying attention to its relevance to the actualization of data in the country.

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