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# Academia Open



*By Universitas Muhammadiyah Sidoarjo*

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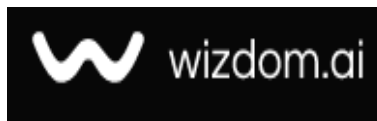
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## Proportional Royalty System for Commercial Music Use in Indonesia

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### Abstract

**General Background** Commercial music use in cafés and restaurants creates royalty obligations as legal protection for the economic rights of songwriters and copyright holders. **Specific Background** Royalty payment obligations are regulated through copyright law and Ministerial Regulation Number 27 of 2025, yet implementation among café and restaurant operators remains uneven. **Knowledge Gap** Existing royalty arrangements apply uniform tariffs without sufficiently considering differences in business scale, economic capacity, and actual music use. **Aims** This study examines the implementation of commercial music royalty payments by café and restaurant operators and formulates proportionality as a basis for a fairer royalty payment system. **Results** The findings show that royalty payment implementation has not run optimally. Interviews with six business operators indicate low understanding of the payment mechanism, limited compliance, and avoidance practices in the use of certain music. Only one respondent understood the payment mechanism in detail, and royalty payment practice remained very limited. The uniform tariff system creates a perception of unfairness because it does not reflect differences in business income and operational scale. **Novelty** This study proposes the principle of proportionality as a reform framework through ability to pay, business classification, and a transparent technology-based system. **Implications** A proportional, accountable, and data-based royalty system can support legal compliance while maintaining protection for creators' economic rights and business sustainability.

#### Highlights:

- Understanding of payment procedures remains low among respondents.
- Compliance is limited and avoidance practices appear in daily operations.
- Ability to pay and classification offer a fairer framework.

**Keywords:** Principle of Proportionality, Royalty Payments, Copyright, Business Actors, Music Royalties.

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## Introduction

Music is an inseparable part of human life, present in various social, entertainment, and cultural moments.[1] Music is created from ideas that come from Praja's intellectual property, 2025. Intellectual Property (IP) is the official translation of Intellectual Property Rights (IPRs). By its substance, Intellectual Property is closely related to intangible objects and protects intellectual works that originate from human creation, feeling, and work.[2] Music is something that is difficult to create, therefore some people can only enjoy it, rather than make it. Music is born from a complex intellectual creativity process, which is why it is categorized as Intellectual Property (IP) that has economic value and exclusive rights protected by the state.[3] One example of Intellectual Property (IP) is Copyright (HC) which is regulated in Law No.28 of 2014 concerning copyright, abbreviated as the Copyright Law (UUHC). Music is protected as a song creation under Article 40 of the UUHC. Based on Article 1 number 3 of the UUHC, a creation is any result of creative work in the fields of science, art, and literature produced from inspiration, ability, thought, imagination, dexterity, skill, or expertise expressed in a tangible form. A song as a creation is automatically protected under the UUHC based on the declarative principle once a creation is presented in a tangible form. The creator is given the right to enjoy it in the form of moral rights as well as economic rights, while other parties who wish to use the song commercially are obliged to provide economic rights to the creator in the form of royalties.[4]

The country of Indonesia regulates royalties in Article 87 of the Copyright Law, and this is also regulated in Ministerial Regulation No. 56 of 2021 concerning the Management of Copyright Royalties for Songs and/or Music, and Ministerial Regulation No. 27 of 2025 concerning Procedures for Managing Song and/or Music Royalties. Related provisions are stipulated in the Copyright Law and Ministerial Regulation No. 27 of 2025. Regulations related to tariffs are also stipulated in Government Regulation No. 56 of 2021, namely IDR 60,000 per seat per year for Copyright and IDR 60,000 for Related Rights. The regulations mentioned above in their implementation raise issues similar to previous research (dwisvimiari) that discussed problems regarding the readiness of business actors in the city of Serang. The research findings indicate that coffee business users regarding the use of songs and music in the city of Serang are not prepared for the obligations stipulated in the Government Regulation of the Republic of Indonesia Number 56 of 2021 concerning the Management of Copyright Royalties for Songs and/or Music. The unpreparedness of users is seen from the aspect of knowledge, which shows a lack of awareness of Law Number 28 of 2014 concerning Copyright and the Government Regulation of the Republic of Indonesia Number 56 of 2021 concerning the Management of Copyright Royalties for Songs and/or Music. Then from the aspect of music management practices by playing music without paying royalties, as well as opinions regarding the necessity of royalty payments by business actors which are considered burdensome while on the other hand also agreeing to pay provided that all business actors do the same. Other problems from the research findings indicate that business actors' awareness to pay royalties is still low, and LMKN has difficulty reaching small business actors due to high operational costs. In addition, there are no strict sanctions for commercial royalty violations. The third study highlights the protection of the economic rights of creators and copyright holders regarding music playback in cafés and restaurants. This study also found that many business operators commercially play music but do not pay royalties, thereby violating the economic rights of creators and copyright holders. The study also emphasizes the need to expand the reach of LMKN and improve infrastructure so that small business operators can be accommodated, as well as the need for creators to register their works so that royalties can be managed more effectively.

This research is different from the research above, because it discusses the principle of proportionality in music royalty payments. The principle of proportionality is a legal doctrine that requires every action or policy to be balanced, reasonable, and not excessive, while also taking into consideration the suitability between the intended objectives and the burdens imposed. Although this principle is not explicitly recognized in the UUHC, historically in Indonesia it has been applied in areas such as taxation, licensing, and administrative law, emphasizing the importance of balancing imposed obligations with the capacity of the party subject to those obligations. This concept is intended to ensure that the regulations implemented do not place an excessive burden on one party and continue to uphold objective fairness.[5] Data from the Directorate General of Intellectual Property (DJKI, 2024) indicates that total music royalty revenues in Indonesia reached approximately IDR 165 billion in 2023, with more than 7,800 creators and copyright holders registered as recipients. The majority of these royalties were generated from the use of musical works in public and commercial venues such as cafés, restaurants, hotels, and shopping centers, demonstrating that music royalties constitute a significant source of income for creators. Royalties function to safeguard the economic rights of creators, promote innovation, and ensure the lawful use of musical works.[6]

The application of the principle of proportionality in the context of music royalties is expected to serve as a basis for creating a fair payment mechanism for creators, copyright holders, and business actors, particularly in distinguishing obligations between large and small businesses.[7] This is relevant considering various cases that appeared in the media in 2025, which highlighted the lack of clarity in the basis for royalty calculations and created a perception of injustice among business actors. One example of issues concerning royalty payments that emerged in 2025 was the constitutional review petition filed by 29 Indonesian musicians against several provisions of Law Number 28 of 2014 on Copyright before the Constitutional Court of the Republic of Indonesia. The musicians, who are affiliated with Vibrasi Suara Indonesia (VISI), argued that the regulations governing licensing mechanisms and royalty payments for commercial music performances continue to create legal uncertainty, particularly regarding the parties responsible for paying royalties for the use of songs. Furthermore, another controversy emerged following a statement made by Ari Lasso, who questioned the transparency of royalty management and distribution carried out by Wahana Musik Indonesia (WAMI), one of the Collective Management Organizations operating under the coordination of the National Collective Management Organization (LMKN). The statement arose after Ari Lasso expressed that the royalties he received were not proportional to the extent of the use of the works he performed, thereby triggering public debate regarding the transparency of the music royalty management system.

Royalties are intended to provide certainty of economic protection for creators, in practice, they often face challenges in obtaining fair compensation.[8] Some of the challenges faced include low transparency, complex agreements, and delays in the distribution of royalties by various digital platforms and other media. Until now, the royalty payment system in Indonesia and many other countries has relied on collective mechanisms through Collective Management Organizations (CMOs). CMOs are responsible for collecting, managing, and distributing royalties to creators or copyright holders for the use of their works by other parties, such as media, digital platforms, broadcasting agencies, or commercial establishments.[9] In principle, this model is designed to provide efficiency and legal certainty, especially for users of works who want to obtain permission legally without having to contact the creators one by one. However, in practice, this collective mechanism faces a number of complex problems. Various reports indicate that this system is often lacking in transparency, from unclear royalty calculations, slow distribution processes, to administrative deductions that are considered disproportionate.[10]

Researchers have conducted preliminary research to understand this issue, through interviews with business actors in the food and beverage sector, namely restaurants and cafes. These two types of businesses were chosen because of their popularity among the public, the high number of consumers seeking comfort, strategic locations, and the dining experience while enjoying music. These conditions make restaurants and cafes a relevant representation for examining the implementation of music royalty obligations commercially. In this context, the principle of proportionality becomes important to study. In other words, this principle ensures that the obligation to pay royalties should not be unnecessarily burdensome and must be adjusted to the capacity, scale of the business, and the level of music utilization that occurs. Based on the illustration of the principle of proportionality, namely the success in applying the principle of proportionality in the tax system, it can serve as an initiation to also enter other systems, namely the UUHC, and can become a solution to existing problems, which are considered not yet to meet the principle of fairness for business actors by taking into account the economic capacity and real conditions of the parties, resulting in a more just and rational system.

## Method

This research is empirical juridical, which is research that combines analysis of legal norms with facts found in the field.[11] In the normative aspect, the study examines Ministerial Regulation Number 27 of 2025 concerning the Implementation of Copyright, as well as the principle of proportionality as the basis for regulating music royalty payments by café and restaurant businesses and the urgency of the principle of proportionality in music royalty payments. The research starts with a normative analysis aimed at understanding how the law is intended to function (*das sollen*), which is subsequently compared with empirical data to examine the actual realities of implementation (*das sein*) among café and restaurant business operators. The normative findings are then combined with empirical evidence gathered through semi-structured interviews with owners, managers, or operators of cafés and restaurants that commercially utilize music. Through this approach, the study gains a comprehensive understanding of the level of awareness, comprehension, and practice of royalty payments in the field, thereby enabling an evaluation of the consistency between legal norms and their practical implementation. The data sources in this study consist of secondary data and primary data. Secondary data were obtained through library research, which includes primary legal materials in the form of legislation, as well as secondary legal materials such as literature, journals, and relevant legal theories. Meanwhile, primary data were obtained directly from the field through semi-structured interviews. All data were analyzed using a qualitative approach, by processing and interpreting the findings based on doctrines, legal theories, expert opinions, as well as the researcher's own perspective.

## Results and Discussion

### A. The Implementation of Commercial Music Royalty Payments by Restaurant and Cafe Business Actors Based on Article 21 of Ministerial Regulation No. 27 of 2025

Royalty payments are a form of obligation that arises from the commercial use of copyrighted works, particularly in the utilization of music in business spaces such as cafes, restaurants, hotels, and other entertainment venues. In this context, royalties become a legal instrument that connects the economic rights of the creator with the user of the work, so that any use of music for commercial purposes cannot be separated from the obligation to make payments to the rights holder through mechanisms established by legislation. The regulation of music royalties in Indonesia is founded upon several interconnected legal instruments. In general, three principal regulations constitute the basis of royalty governance, namely Law Number 28 of 2014 concerning Copyright, Government Regulation Number 56 of 2021 concerning the Management of Copyright Royalties for Songs and/or Music, and Minister of Law and Human Rights Regulation Number 27 of 2025. Law Number 28 of 2014 on Copyright serves as the primary legal framework that recognizes the protection of musical works and establishes the general principles governing the use of copyrighted works in commercial activities. Furthermore, Government Regulation Number 56 of 2021 provides more specific provisions regarding royalty management mechanisms, including the role of the National Collective Management Organization (LMKN) in the collection and distribution of royalties as well as the determination of tariff rates. Meanwhile, Minister of Law and Human Rights Regulation Number 27 of 2025 sets out technical provisions related to royalty payment procedures for business operators, including mechanisms for the collection, reporting, and distribution of royalties through LMKN.

The obligation to pay royalties for the commercial use of music by café and restaurant business operators is stipulated in Article 21 of Ministerial Regulation Number 27 of 2025, which requires commercial establishments such as cafés, restaurants, hotels, cinemas, and other entertainment venues to pay royalties for the use of songs or music through the National Collective Management Organization (LMKN). This provision is further reinforced by Article 3 paragraph (1) of Government Regulation Number 56 of 2021, which establishes the tariff at IDR 60,000 per seat per year for Copyright and IDR 60,000 for Related Rights. This rate is used as the basis for calculating the royalty payment obligations for business

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operators, and in practice, it is generally applied to various types of businesses that use music commercially without detailed classification based on business scale.

Based on research data in the implementation of royalty payments, the researcher conducted primary data collection on restaurant and café business actors in city X, totaling 3 cafés and 3 restaurants. The restaurant category will be divided into 3, including large restaurants with code R1, medium restaurants with code R3, small restaurants with code R5, and the café category will also be divided into 3 parts, which include large cafés with code R2, medium cafés with code R4, and small cafés with code R6. Interviews were conducted with business actors using the following five questions: (1) The respondents' level of understanding of the provisions of the Copyright Law regarding the royalty payment mechanism for the use of music in business premises (2) The practice of using Indonesian songs in business operations as part of music playback in business premises (3) Respondents' compliance in making royalty payments for music usage including the mechanism and the recipient parties (4) The condition and income level of respondents' businesses, covering daily, monthly, and yearly revenue (5) Respondents' perception of the current systematics and mechanisms of royalty payments. These statements are detailed in the table as follows.

**Table 1.** Respondents' understanding of the royalty payment mechanism for the use of songs and music

Question	Big Restaurant	Big Restaurant	Mid-range restaurant	Mid-range restaurant	Small restaurant	Small restaurant
	R1	R2	R3	R4	R5	R6
1. Understanding the Copyright Law related to the royalty payment mechanism for the use of music in business establishments		✓				
2. Understanding Copyright Laws related to the mechanism of royalty payments for the use of music in business establishments	✓		✓	✓	✓	✓

Based on the results of interviews with six respondents, only one respondent, R2, stated that they understood the mechanism of paying royalties for songs and music, although they did not explain the implementation details in depth. Meanwhile, R4 and R5 only had a general understanding that the use or playing of Indonesian songs in business establishments is related to the obligation to pay royalties, meaning they were aware that there are rules governing this matter, but they did not understand the systematics, payment mechanisms, or the institutions that manage it. The other respondents only knew about royalty issues in general that were widely discussed, without clearly knowing the regulations or legal mechanisms. Business actors should have an understanding that is not only limited to the existence of regulations but also includes knowledge about the legal obligations for commercial use of music, the royalty payment mechanisms, and the institutions authorized to manage it.

Referring to the table previously presented regarding respondents' level of understanding of music royalty payment provisions in business establishments, it can be seen that the aspect of knowledge is not fully proportional to comprehensive technical understanding. It is necessary to further observe whether this understanding is reflected in everyday operational practices within the business environment, considering that Law Number 28 of 2014 concerning Copyright regulates that the commercial use of songs and/or music in business establishments carries the obligation to pay royalties. Therefore, the subsequent discussion is directed at the aspect of music use in business activities, particularly regarding whether respondents play or use Indonesian songs as part of the music played in their business operations.

**Table 2.** Songs played by respondents in business activities

Question	Big Restaurant	Big Restaurant	Mid-range restaurant	Mid-range restaurant	Small restaurant	Small restaurant
	R1	R2	R3	R4	R5	R6
1. Using Indonesian songs		✓				
2. Not using Indonesian songs	✓		✓	✓	✓	✓

Referring to the table above, it can be seen that only one respondent, namely R2, specifically sets Indonesian songs in their business operations, with a playlist that includes various popular Indonesian music works using the Spotify Premium platform, including 'Bertaut' by Nadin Amizah, 'Hati-Hati di Jalan' by Tulus, 'Gala Bunga Matahari' and 'Ada Titik-Titik di Ujung Doa' by Sal Priadi, 'Mangu' by Fourtwnty, 'Tenang' by Judika, 'Kangen' by Dewa 19, 'Everything U Are' by Hindia, 'Tarot' by Feast, 'Kosong' by Ruang Senja, '33x' by Perunggu, 'Hingga Buta Hatiku' by Bahagita, 'Bersanja Gurau' by Raim Laode, and 'Sahabat Jadi Cinta' popularized by Mike Mohede. Meanwhile, R3, R4, and R5 stated that they use Western songs randomly through digital platforms without a specific playlist, whereas R1 and R6 use instrumental music, where R1 only plays instruments with the title address Peder B. Helland – Bright Future (full album) played repeatedly from a free YouTube platform.

This condition indicates that the use of music in business establishments is more dominated by choices based on operational preferences and habits, without a uniform pattern of use for certain types of music. Every use of music in business activities is essentially part of the commercial utilization of copyrighted works, which should be accompanied by awareness of the provisions of Law Number 28 of 2014 on Copyright, especially Article 9 paragraphs (2) and (3), which stipulate that any commercial use of works, including songs and/or music in business spaces, must be accompanied by royalty payments through an authorized collective management organization. The use of music in operational activities cannot be separated from the potential obligation to pay royalties in accordance with these provisions. It is necessary to clearly understand how business actors fulfill their obligation to pay royalties for the use of music, particularly regarding whether this obligation has been met in accordance with the applicable regulations. Therefore, the following discussion is directed at the question of whether respondents make royalty payments for the use of the music and to whom these payments are made, as shown in the following table:

**Table 3.** Businesses that pay royalties and those that do not pay royalties

Question	Big Restaurant	Big Restaurant	Mid-range restaurant	Mid-range restaurant	Small restaurant	Small restaurant
	R1	R2	R3	R4	R5	R6
1. Using Indonesian songs		✓				
2. Not using Indonesian songs	✓		✓	✓	✓	✓

The research findings show that out of all respondents, only R3 made royalty payments for the use of songs and/or music through cooperation with the Collective Management Organization (CMO). In practice, R3 only played a list of songs that had been determined or recommended by the CMO, so the permissible music use was limited according to the predetermined playlist. Meanwhile, the other respondents did not make royalty payments because they did not use Indonesian songs in their business operations. This condition indicates that royalty payment practices are still very limited and only occur among businesses that have direct cooperation with the CMO, whereas other businesses tend not to be included in such payment schemes. The commercial use of music essentially has the consequence of an obligation to pay royalties in accordance with applicable regulations, regardless of the type of song played or the form of cooperation

conducted. In relation to the still limited implementation of this obligation among business actors, it is important to consider other factors that may affect compliance, one of which is the economic capacity of the business. Therefore, to provide a more comprehensive overview, the following discussion is directed at the characteristics of respondent businesses based on income levels, which include daily, monthly, and annual income as presented in the following table.

**Table 4.** Income of Café/Restaurant Business Actors on a Daily, Monthly, and Annual Basis

No	Type of Business	R	Daily Income	Monthly Income	Annual Income
1.	Cafe	R1	Rp.7.000.000 Rp.9.000.000	Rp.210.000.000 Rp.270.000.000	Rp.2.520.000.000 Rp3.240.000.000
2.	Restaurant	R2	Rp.12.000.000 Rp.18.000.000	Rp.360.000.000 Rp.540.000.000	Rp.4.320.000.000 Rp 6.480.000.000
3.	Cafe	R3	Rp.2.000.000 Rp.2.500.000	Rp.60.000.000 Rp.75.000.000	Rp.720.000.000 Rp.900.000.000
4.	Restaurant	R4	Rp.9.000.000 - Rp.10.500.000	Rp.270.000.000 Rp.315.000.000	Rp.3.240.000.00 Rp.3.780.000.000
5.	Cafe	R5	Rp.1.000.000 Rp.1.500.000	Rp.30.000.000 Rp.45.000.000	Rp.360.000.000 - Rp.540.000.000
6.	Restaurant	R6	Rp.3.000.000 Rp.4.000.000	Rp.90.000.000 – Rp.120.000.000	Rp1.080.000.000 – Rp1.440.000.000

The results shown in the table above indicate that the restaurant group has a higher income level compared to cafes, as evidenced by R2 and R4 being in the highest range, while R3 and R5 as cafes are in the lowest range. However, there is variation within each business category, where R1 as a cafe has relatively higher income compared to R6 as a restaurant. This condition shows differences in economic capacity among business actors, both based on business type and operational scale. The income data provides an illustration that should be considered in assessing the ability of business actors to meet obligations arising from the commercial use of music. Based on the income conditions of the business actors, the subsequent discussion is focused on the respondents' perception of music royalty payment provisions to understand the response and views of business actors regarding the implementation of the applicable regulations. Recognition of the economic rights of songwriters, through the royalty payment mechanism, has received broad support from the majority of respondents who see it as a form of appreciation. They instead assess that its implementation in the field does not yet have a transparent and fair mechanism. R6 stated, "I agree that songwriters should receive their rights. It's just that, in practice, it is somewhat confusing, especially for small businesses like ours that have limited profits." R1 added, "We support the good intentions, but the implementation still feels quite confusing." This statement confirms that although business actors understand the moral value of royalty payments, procedural uncertainty creates unease and resistance to complying with existing regulations. [12].

Regulations regarding unclear procedures have implications for avoidance behavior, where business actors tend to adjust their music playback strategies to avoid the risk of violations. R5 admitted, 'Since the royalty issue became widespread, we have been more careful and eventually decided not to play local songs anymore.' R3 added, 'Now we only play Western music to keep the atmosphere, but safe from potential royalty issues.' Meanwhile, R1 explained, 'Since the royalty issue arose, we play instrumental music more often to maintain a comfortable atmosphere, but occasionally we also play Western songs so it doesn't feel too empty.' This shows the impact of legal uncertainty, where business actors tend to avoid local music works to reduce risks, ultimately negatively affecting the royalty policy goal, which is to improve the welfare of national music creators. In line with this matter, Government Regulation Number 56 of 2021 concerning the Management of Copyright Royalties for Songs and/or Music in Article 21 emphasizes that any commercial use of songs and/or music in public spaces must be accompanied by royalty payments through the authorized Collective Management Organization (CMO). This provision provides a normative basis that the use of music in business establishments cannot be separated from licensing and royalty payment obligations, so that any form of music utilization for business purposes is essentially within the royalty management mechanism established by the legislation.

The implementation of commercial music royalty payments among café and restaurant business players still faces various obstacles, both in terms of legal understanding, implementation mechanisms, and the tariff structure determination that does not fully reflect the real conditions in the field. The provisions in Article 3 paragraph (1) of Government Regulation Number 56 of 2021, which set a tariff of IDR 60,000 per seat per year for Copyright and IDR 60,000 for Related Rights, in practice show a uniform character without considering differences in scale and economic capacity of business actors. This condition has led to the emergence of perceptions of injustice, particularly among micro and small enterprises that possess more limited financial resources compared to large-scale businesses. The substantial differences in economic scale ultimately create an imbalance in legal burdens, where identical obligations are imposed upon businesses operating under

unequal conditions. Such circumstances not only have the potential to reduce the level of compliance among business actors, but also encourage the development of adjustment or avoidance practices in the use of music in order to evade royalty payment obligations. Therefore, this situation demonstrates the necessity for a regulatory approach that gives greater consideration to the balance between protecting the economic rights of creators and accommodating the economic capacity of users, which in this context is closely related to the application of the principle of proportionality in determining royalty payment obligations.

## B. The Perspective of the Principle of Proportionality in Music Royalty Payments

The effectiveness of a legal regulation is largely determined by the balance between the regulatory objectives and the burdens imposed on the regulated parties. This balance is reflected in the principle of proportionality. The principle of proportionality is a legal principle that emphasizes the balance between the goals to be achieved and the burdens imposed on legal subjects. In the context of music royalty payments, this principle becomes important to ensure that the obligation to pay royalties not only protects the economic rights of creators but also considers the economic capacity of businesses as users of musical works. This becomes relevant to previous empirical findings which showed that only one out of six respondents (R2) made royalty payments, while the other respondents did not make payments for Indonesian songs in their operational activities. This condition indicates an imbalance between the normative objectives of copyright protection and the reality of compliance in the field. Thus, proportionality functions as an instrument to prevent the implementation of uniform policies without considering the objective conditions of the parties.

The principle of proportionality contains three main elements, namely suitability, necessity, and balancing [13]. In the music royalty system, these three elements can be directly linked to research findings. In terms of suitability, the low compliance with royalty payments as shown in Table 3 indicates that the goal of protecting the economic rights of creators has not been optimally achieved. In terms of needs, the low understanding of business actors as shown in Table 1 indicates that the policy has not been fully socialized effectively, so the burden of obligations has not been accompanied by adequate understanding. Meanwhile, in terms of balance, the differences in the economic capacity of business actors as shown in Table 4 indicate a fairly significant income disparity, so the application of uniform obligations has the potential to create an imbalance of burdens among business actors. With these three elements, the principle of proportionality becomes a normative basis for designing a fair and rational royalty system.

The obligation to pay royalties from the perspective of copyright law is a form of respect for the economic rights of creators as regulated in Law Number 28 of 2014 on Copyright. However, based on data obtained from research, the application of uniform royalty rates, such as the per-seat rate approach regulated in Government Regulation Number 56 of 2021, has the potential to cause substantive injustice if linked to the empirical conditions of business actors. This can be seen from the differences in income among six respondents, comprising three cafes and three restaurants, where there are business actors with annual income reaching billions of rupiah, while there are also business actors with much lower income. This inequality indicates that not all business actors have the same economic capacity, so the implementation of uniform obligations may potentially not reflect substantive justice.[14].

A more effective application of the principle of proportionality can be observed in the practice of the taxation system through the ability-to-pay principle. This principle emphasizes that the burden of obligations should be adjusted in accordance with the economic capacity of the legal subject, which in this study is reflected in the differences in the income levels of business actors as presented in Table 4. In this context, business operators with lower incomes generally face greater limitations in fulfilling royalty payment obligations, while those with higher incomes possess a stronger capacity to comply with such obligations without negatively affecting their business operations. The taxation system also applies a self-assessment mechanism, in which taxpayers are entrusted to calculate and report their own obligations, which are then monitored by the relevant authorities. This mechanism is relevant to research findings that show a low understanding of business actors regarding the royalty mechanism (Table 1), so a trust- and transparency-based approach can be an alternative to improving compliance.[15] Thus, a similar approach can be adapted in the music royalty system to reduce the information gap between business actors and royalty management institutions.

The concepts in the taxation system can be adapted into the music royalty payment system. This context means that the amount of royalties must be adjusted to the economic capacity of business actors, as reflected in the significant differences in income among respondents. Thus, small business actors are not overly burdened, while large business actors still provide contributions proportional to the economic benefits derived from the use of music in commercial activities. The application of the principle of proportionality in music royalty payments can be realized through a business classification system, namely grouping business actors into micro, small, medium, and large categories. This classification becomes important when linked to empirical data, as it shows that business actors in this study have a fairly wide variation in economic capacity. This approach allows for a fairer determination of royalty rates because it is adjusted to the capabilities of each business group [16].

In line with efforts to implement the principles of fairness and efficiency in the determination and collection of royalties, a mechanism that can support transparency and flexibility in field implementation is needed. One form of reform that can be applied is the use of a hybrid system, which is a self-reporting mechanism by business actors that is still accompanied by a verification process by the National Collective Management Institution (LMKN). Through this system, café and restaurant business operators can access the Song and Music Information System (SILM) web-based platform to create an account, register business identity, upload business legality, and fill in business data such as turnover, venue capacity, and the level of music usage periodically. The data then becomes the basis for the system to automatically calculate the royalty amount through two components, namely a basic component based on business classification and turnover, and an additional component based on the intensity of music usage. Thus, businesses with small turnover and limited music usage are charged a lower rate compared to businesses with large turnover and higher music usage. After that, LMKN conducts verification by

matching the data with business licensing, taxation, or field inspections to ensure data accuracy and prevent incorrect reporting. With this mechanism, the royalty collection process becomes more efficient, accountable, and minimizes conflicts due to differences in perception regarding royalty payment obligations.

The development of SILM by LMKN also allows for more accurate and integrated recording of music usage. This is relevant to empirical conditions showing that music use by business actors is often carried out in an unstructured manner, so a data-based system can help create royalty calculations that are more objective and in accordance with real conditions in the field. In this mechanism, the data of songs played, playback frequency, and music usage duration are recorded in the system and used as the basis for distributing royalties to songwriters and related rights holders, thus ensuring that the economic rights of creators remain proportionally protected. In addition, the principle of proportionality is adaptive to economic dynamics, so royalty policies can be adjusted for new businesses, small businesses, as well as business actors experiencing a decline in revenue. Thus, the royalty system not only provides economic rights protection to song creators, but also maintains business continuity through the imposition of obligations that are fair, transparent, and proportional.

The implementation of the principle of proportionality also needs to be supported by education and legal literacy for business actors. The low understanding, as shown in Table 1, indicates that ignorance of the royalty mechanism is one of the main factors behind low compliance. Therefore, socialization regarding copyright, the royalty payment mechanism, and its benefits for the music ecosystem needs to be strengthened so that business actors do not only see this obligation as a burden, but as a form of legitimate and balanced contribution. Thus, the principle of proportionality is an important foundation in formulating a fair and sustainable music royalty payment system. Empirical findings, including low levels of compliance (Table 3), inconsistent use of music (Table 2), limited understanding (Table 1), and disparities in income (Table 4), indicate that the existing system has not yet fully embodied the principle of substantive justice. Therefore, the implementation of the ability-to-pay principle, business classification, data transparency, and the strengthening of legal literacy constitute important measures in establishing a royalty system that is more proportional, effective, and sustainable.

## Conclusion

The implementation of commercial music royalty payments by café and restaurant businesses in DKI Jakarta based on Article 21 of Ministerial Regulation No. 27 of 2025 has not been running optimally. Normatively, the provision requires every business that commercially uses music to pay royalties through LMKN. However, in practice, various obstacles are still found, including the low level of business actors' understanding of the royalty payment mechanism, minimal compliance, as well as a tendency to avoid using certain music. In addition, a uniform tariff system that does not take into account differences in scale and the economic capacity of business actors creates a perception of unfairness and contributes to low implementation in the field. From the perspective of the principle of proportionality, the current music royalty payment system does not yet reflect the principle of fairness that balances the interests of creators and business actors. The application of a uniform rate does not meet the element of proportionality, particularly in terms of balance, because it does not consider differences in the economic capacity of business actors. Therefore, a reformulation of the royalty payment system is needed based on the principle of proportionality through the application of the ability-to-pay principle, business classification, and the use of a technology-based system that is transparent and accountable. This approach is expected to create a fairer royalty system, increase business compliance, and at the same time continue to guarantee sustainable protection of creators' economic rights.

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