

Socialization of Online Business License Production for Micro, Small and Medium Enterprises (MSMEs) in Sidomulyo District

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Abstract

Purpose: The primary aim of the research paper should be explicitly stated to provide a clear understanding of the purpose and direction of the study. Identify the problem or issue under investigation and explain the significance of the research within a particular discipline or sector.

Method: Summarize the study's research methodology. Briefly describe the research design, data collection methods, and any analytical techniques or instruments applied to the data analysis.

Practical Applications: Examine the pragmatic consequences or uses of the research results. Emphasize the practical applications of the findings in various real-world scenarios, industries, or specific contexts, and outline any potential advantages or enhancements that can be attained.

Conclusion: Provide a concise summary of the primary findings derived from the study. Emphasize the importance of the results and their contribution to a broader comprehension of the topic or resolution of the research issue outlined in the introductory section.



Introduction

The role of Micro, Small, and Medium Enterprises (MSMEs) is crucial for the Indonesian economy, namely contributing more than 60 percent to Indonesia's Gross Domestic Product (GDP) or around IDR 8,573 trillion annually and absorbing more than 96 percent of the workforce (Kilay et al., 2022).

Figure 1. MSMEs in Indonesia



Source: kemenkopukm.go.id

Yogyakarta Special Region (DIY) is one of the provinces with enormous potential for micro and small enterprises (SMEs). This is because DIY is a student city with abundant tourism and cultural assets, thus encouraging business actors to continue developing their businesses (Sugiarto & Iskandar, 2023). Deputy Governor of DIY Sri Paduka Pakualam X (2023) explained that MSMEs, namely 98.4%, dominate the economy in DIY. The dominance of MSMEs is accompanied by labor absorption reaching 79%. The high ability of MSMEs to create job opportunities indicates that MSMEs have enormous potential to be developed in DIY (Gandhi et al., 2021).

The role of MSEs in driving the DIY economy must be distinct from businesses that can be carried out, so they are becoming more of an option because they can be done with relatively little capital. Therefore, MSE activities are economic activities that cannot be separated from people's lives to meet their living needs and have high flexibility. The types of goods/commodities and business categories are not permanently fixed. They can change at any time. The place of business is also temporary. At any time, it can move (Setyarini & Purnomo, 2022; Widyastuti et al., 2018). The percentage of MSEs in DIY reached 98.7 percent of the total number of non-agricultural businesses in DIY. The number of MSEs is spread across all non-agricultural categories. Wholesale and Retail Trade, Car and Motorbike Repair and Maintenance Businesses (Category G) dominate the number of MSEs with a percentage reaching 35.4 percent. Processing Industry Businesses (Category C) have the second most significant contribution, 27.8 percent.

Meanwhile, the business of Providing Accommodation and Providing Food and Drink (Category I) has the third most significant contribution, namely 17.7 percent. Five districts/cities in DIY are still concentrations of MSEs, each with an MSE percentage above 97 percent. In percentage terms, the highest number of MSEs is in Gunungkidul, namely 99.7 percent of the total non-agricultural businesses, while the lowest is in Yogyakarta City, with the number of MSEs at 97.2 percent. The number of DIY MSEs from the 2016 SE sample enumeration in 2017 was 521 thousand businesses. Looking at the distribution, the most significant number of MSEs is in Sleman and Bantul, 27 percent and 28.6 percent, respectively. Meanwhile, in Gunungkidul, it was 21.4 percent, while the lowest was in Yogyakarta and Kulonprogo at 12.8 percent and 12.3 percent, respectively (Purnomo & Setyarini, 2022).

(Libragiantari et al., 2023) Explains that every MSME, even if it is still on a micro-scale,

should have an NIB. By having business legality, the business can be registered, legally protected, and can access various existing sources of capital. Not only that, by having a permit, business actors can also obtain business assistance from the government (Nanda, 2022). From a survey of 4 MSMEs in Sidomulyo Village, Kulonprogo Regency, the obstacle faced by these business actors is the need for more access to capital to banking because they still need to get a business permit. To apply for a People's Business Credit (KUR) loan, one of the conditions the Bank gives is that MSMEs must have a business license. The business permit can be in the form of a NIB. Even though it is pretty simple to create a NIB using OSS, entering data into the OSS system requires relatively high precision (Rahma et al., 2023). Some of the challenges that prevent business actors from having a business license include (1) not knowing its function and benefits, (2) needing help to use the software, and (3) needing help to start.

Minister of Investment/Head of the Investment Coordinating Board (BKPM) Bahlil Lahadalia (2022) said that one of the obstacles for MSMEs to develop is that they do not have legality. According to him, almost 50 percent of MSMEs in Indonesia do not have permits and are informal. As a result, they have difficulty getting access to capital from banks, so when their business is disrupted, they have difficulty surviving. With the Online Single Submission (OSS), which is under the auspices of the Ministry of Investment/BKPM, MSMEs can get a Business Identification Number (NIB) quickly. In 2021, the government launched the Online Single Submission - Risk Based Approach (OSS RBA) platform, accessed via www.oss.go.id. This website is used as a medium for registering business permits in Indonesia for business actors.

The Business Identification Number (NIB) is one of the identity numbers of business actors according to the field of business. The function of the NIB is not only as an identity but also as a Company Registration Certificate (TDP) and Import Identification Number (API). Business permits are required for actors in the business world to prove that their business is legal and feasible to run. The purpose of a business license is to encourage, direct, monitor, and control business activities. (Bulolo & Ramlan, 2021) Emphasized that licensing can function as a regulator and enforcer. Business actors must maintain the quality of the goods they produce to maintain their license. Because the person in charge of the business is stated on the permit and must be held responsible if an event occurs that is detrimental to other parties, business actors cannot be careless in producing goods or providing services. By 2022, the number of MSMEs registered their businesses on the OSS platform has reached 8.71 million units. In 2023, the Ministry of Cooperatives and MSMEs targets at least 10 million MSME units to be registered in the OSS system (Tafrilyanto et al., 2022). The distribution of locations of Indonesian MSMEs in 2022 that have been registered on the OSS platform can be seen in the following image.

Figure 2. The number of SMEs in Indonesia registered on the OSS platform in 2022.

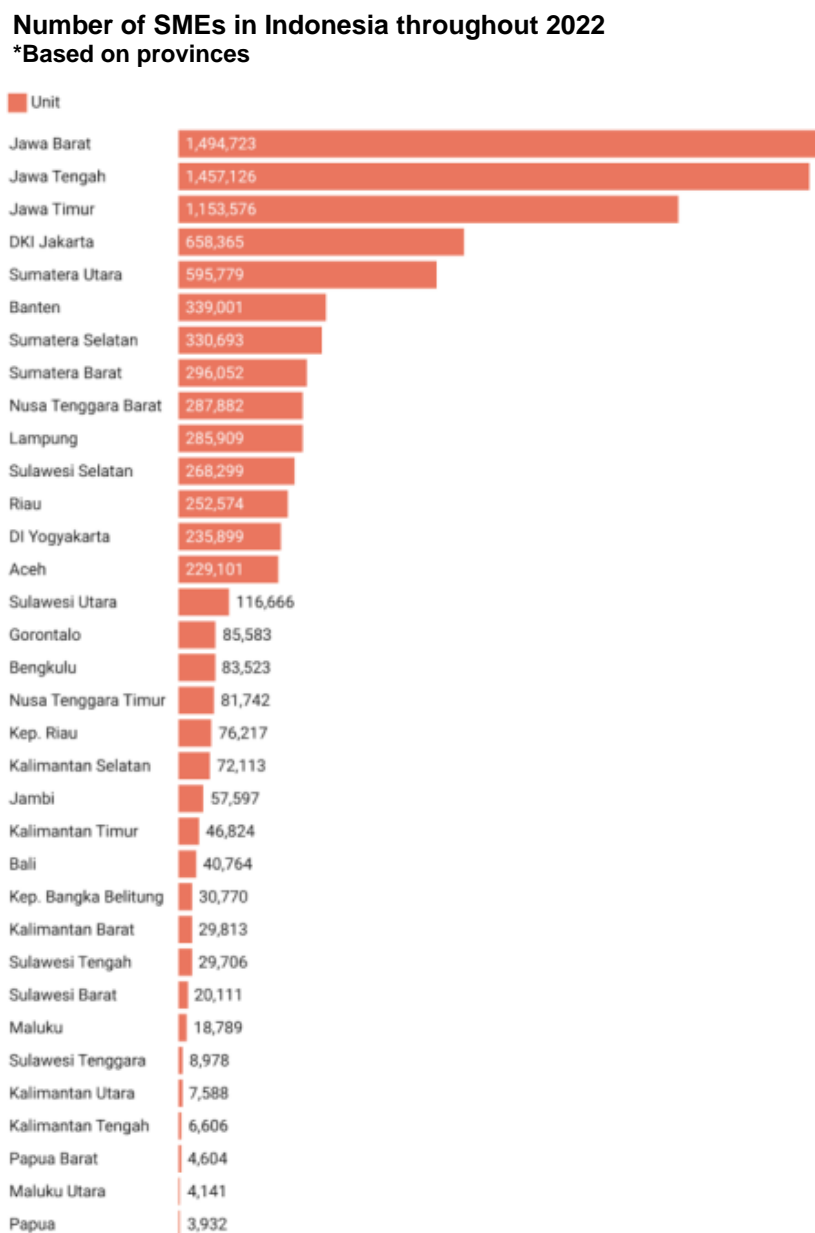


Chart: Aulia Mutiara Hatia Putri • Source: Kementerian Koperasi, Usaha Kecil dan Menengah • Created with Datawrapper

Source: Kementerian Koperasi dan UKM (diolah oleh CNBC, 2023)

Method

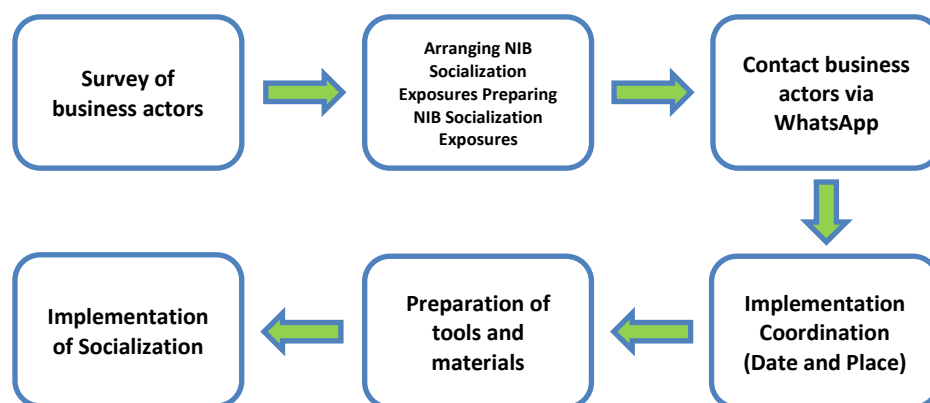
The socialization method used is by using a presentation regarding business licensing material; in this activity, there is a question-and-answer session between the presenter and the participants. (Yunia et al., 2023) stated that in implementing community service activities, at least socialization, training, and simulation methods can be used.

By providing questions and answers, the participants will better understand the material presented, have a positive impact on MSMEs to take advantage of their businesses to develop, and have the opportunity to receive government assistance and other benefits. For business licensing material, we provide a paper guide on creating a NIB licensing account via the www.oss.go.id page, in addition to providing material through presentations.

The mechanism for implementing activities in the community includes the following stages:

1. Conduct a survey of business actors in Sidomulyo Village, Kulonprogo Regency
2. Make a presentation regarding the Socialization of Business Identification Numbers
3. Contact MSMEs through business representatives via WhatsApp
4. Coordinate to determine the date and place for socialization
5. Preparation of tools and materials
6. Carrying out socialization by presenting a presentation regarding the importance of NIB and guidelines for making NIB

Figure 3. Flowchart Implementation of Business Registration Number Socialization



Result

This socialization activity was held on Sunday, October 1, 2023, at Chana Café House and Resto Sidomulyo Village, Kulonprogo. 6 participants attended from individual businesses ranging from catering businesses, cafe businesses, as well as cattle and goat farming businesses. This activity begins with an introduction and explains material regarding NIB as business legality. All the participants who attended did not understand what NIB is, its uses and benefits, and how to make it. With this socialization, socialization participants will understand more about NIB. Moreover, most of them are entrepreneurs operating in the food sector. Of course, NIB is very necessary to make a P-IRT or halal certificate. P-IRT or halal certificates can be obtained through OSS after entrepreneurs have NIB.

Next to the issue of capital acquisition. Several banks in Indonesia, both state banks and private banks, provide capital services, which are usually called KUR (People's Business Credit). One of the complete documents required for submission is a business legality/business certificate. So, having a NIB as business legality opens opportunities for MSME players to access capital.

For some business actors, NIB may be insignificant. Moreover, they fear that if entrepreneurs have NIB, they will be subject to tax levies (Purborini, 2023; Wijoyo et al., 2023). Based on the Tax Harmonization Law (HPP), passed in 2022, the gross turnover limit or business turnover of up to IDR 500 million will not be subject to tax. This facility can be utilized by MSME individual taxpayers who use the Final Income Tax scheme based on Government Regulation (PP) Number 23 of 2018 to fulfill their tax and income obligations. For MSME individual taxpayers with a turnover of up to IDR 500 million in 1 year, there is no need to pay PPh. If the turnover exceeds IDR 500 million, the final income tax is subject to 0.5% (Kurnianingsih, 2022). So, entrepreneurs do not need to worry about registering their business through OSS because the benefits they get are a lot.

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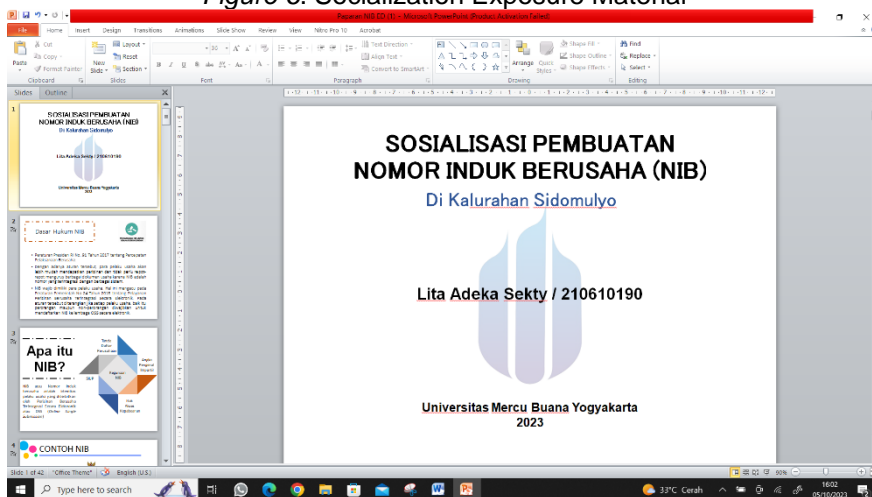
Figure 4. Presentation



Figure 5. Provide a printout of the Display

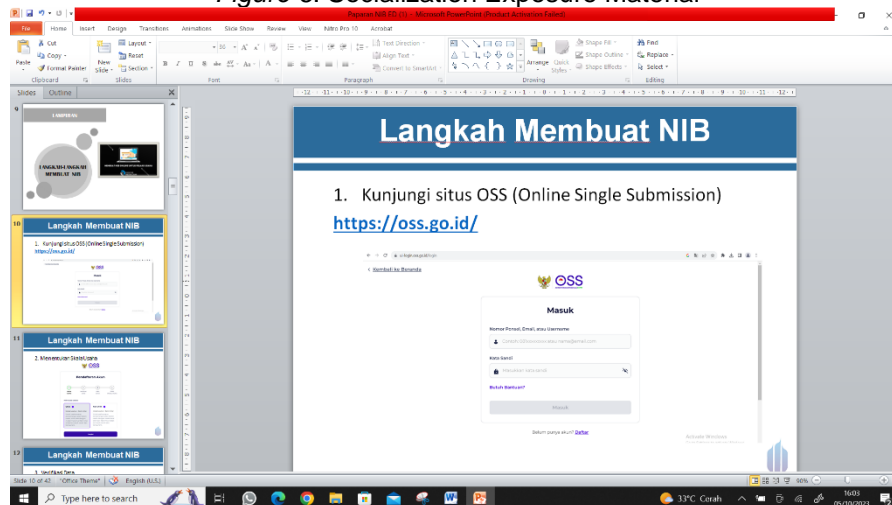


Figure 6. Socialization Exposure Material



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Figure 6. Socialization Exposure Material



Discussion

The offered content emphasizes how important Micro, Small, and Medium-Sized Enterprises (MSMEs) are to the Indonesian economy, particularly in areas like the Yogyakarta Special Region. Not only do these businesses provide a considerable contribution to Indonesia's GDP, but they also employ many people in the country. However, many MSMEs are informal, which presents difficulties, particularly regarding funding and legality as a firm. MSMEs can now register swiftly and obtain legal recognition thanks to the revolutionary solution of the Online Single Submission (OSS) system. The OSS platform is an example of this digitalization endeavor, which not only streamlines the registration procedure but also opens doors to several advantages, such as more straightforward access to government aid and loans (Munawir & Hidayani, 2021).

The conversation also emphasizes how crucial it is for MSME owners to be informed about the value of formalizing their operations and obtaining a Business Identification Number (NIB). In Sidomulyo Village, Kulonprogo, the socialization activity offered demonstrates a proactive approach to closing this knowledge gap. Through education on the benefits of holding a non-interest business account (NIB), which might include tax deductions for businesses with turnovers below a specific threshold, the project encourages MSMEs to adopt a culture of compliance and legal recognition. In summary, the OSS system simplifies bureaucratic processes and empowers micro, small, and medium enterprises (MSMEs) by promoting their expansion and augmenting their economic impact in Indonesia.

Conclusion

Business actors have become more aware of the importance of having a business permit. Business legality in the form of a Business Permit Number is easy to create. It has many benefits for advancing the business of MSME players, and one is obtaining capital in the form of People's Business Credit offered by Indonesian banking, which requires NIB as one of the documents that must be present when applying for KUR. Another significant benefit is that by having an NIB, MSMEs, especially those in the food industry, can apply for halal certification of their products and obtain a PIRT (Home Industry Food) registration number, which indicates that the products sold meet applicable food product standards.

The government is expected to further optimize data collection on MSMEs that do not yet have business legality and carry out outreach and assistance to these MSMEs. In doing this, the government can involve cross-sectors. One of them is collaborating with universities in carrying out community service. In meeting the NIB registration target, the government can

also provide policies that attract MSMEs to register their businesses, such as providing lower credit interest than entrepreneurs who still need a business license. Because so far, entrepreneurs have yet to feel the definite benefits of owning NIB.

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