The Importance of Increasing Awareness of Business Permits and Technological Transformation in Empowering MSMEs: Bouncing Back Post COVID-19 Pandemic

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Abstract

The COVID-19 pandemic has had a significant impact on Micro, Small, and Medium Enterprises (MSMEs) worldwide, including in the village where the author conducted Community Service (Kuliah Kerja Nyata – KKN), in Sawocangkring Village, Cangkring Hamlet, Wonoayu, Sidoarjo, East Java, Indonesia from August 1st to 31st, 2023. During this community service activity, many local MSMEs experienced setbacks and even had to close down when the COVID-19 pandemic hit the country. To ensure the sustainability and recovery of MSMEs post-COVID-19 pandemic, it is important to raise awareness of the role of business permits and technological transformation in empowering MSMEs. However, there is still a lack of knowledge and understanding among MSME owners regarding the importance of these two aspects. This community service activity was conducted using a qualitative approach with a descriptive method, involving observation and interviews. Additionally, primary data was collected through pre and post-activity surveys in the form of questionnaires administered to MSME owners. In this case, as a pilot project for community service activities, the author focused only on selecting 2 leading MSMEs as partners for this community service activity. The results of this community service activity related to business permits include socialization and assistance in obtaining the Business Identification Number (Nomor Induk Berusaha - NIB) and for technological transformation, socialization, and assistance were provided in creating websites for MSMEs, Google Map location services, and e-commerce platforms such as Shopee and Tokopedia. In the context of post-COVID-19 pandemic MSME recovery, increasing awareness of the importance of business permits and technological transformation plays a crucial role in empowering MSMEs. By enhancing the knowledge and understanding of MSMEs owners regarding legitimate business permit procedures and the benefits of technological transformation, MSMEs can gain better access to markets, financing, and resources needed to recover and grow their businesses.

Keywords: MSMEs; COVID-19; Business Permit; Technological Transformation

Abstrak

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INTRODUCTION

Empowering micro, small, and medium enterprises (MSMEs) is crucial for local economies and reducing economic disparities. It involves providing access to markets, entrepreneurship education, skills development, and institutional support (Smith et al., 2018). A valid business permit offers legal certainty and protection, enabling MSMEs to access resources, secure financing, and operate their businesses legally and systematically (Jones et al., 2020). Technological transformation, particularly digitalization, can enhance operational efficiency, expand market reach, and create value for customers (Chen et al., 2019). The literature review reveals that rural MSMEs often lack awareness regarding the importance of business permits and have limited knowledge of digital technology adoption. This lack of understanding hinders their access to resources, market opportunities, and financing. By providing socialization and assistance in acquiring business permits and guiding MSMEs owners in digital technology adoption, this project aims to improve their business operations and empower them for long-term success. The theoretical studies emphasize the positive impact of business permit awareness and technological transformation on MSMEs empowerment, market access, and operational efficiency. By addressing these issues, the project envisions the revitalization of rural MSMEs, their increased market reach through digital platforms, and their improved resilience in the face of future challenges. The COVID-19 pandemic has severely impacted MSMEs worldwide, including in Indonesia. Rural MSMEs, like those in Sawocangkring Village, Sidoarjo,
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East Java, have faced challenges such as declining income, limited market access, and low technology adoption. The closure of many MSMEs due to pandemic-related losses has been devastating. The lack of awareness among MSMEs owners regarding the importance of obtaining a business permit and embracing technological transformation exacerbates these challenges. Additionally, rural MSME owners have limited understanding and utilization of digital technology, relying on face-to-face interactions and traditional intermediaries. This community service journal aims to address these issues by understanding the challenges faced by rural MSMEs and assessing the awareness of MSMEs owners regarding business permits and digital technology adoption. The impact of business permit awareness and technological transformation on MSMEs empowerment will be examined. Observations, interviews, and questionnaires will be used to collect data, and the analysis will inform necessary actions during the pandemic. The objectives include evaluating MSME conditions, increasing awareness of business permits, providing guidance on technological transformation, and ultimately empowering and sustaining rural MSMEs in Sawocangkring Village, Sidoarjo, East Java, Indonesia.

GENERAL DESCRIPTION OF THE COMMUNITY, PROBLEMS AND TARGET SOLUTIONS

General description
Sawocangkring Village has various potential strengths, especially in the micro, small, and medium enterprises (MSMEs) sector. MSMEs play a vital role in Indonesia's economy, both in terms of job creation and the number of businesses. In Sawocangkring Village, there is a diverse range of Asman Toga (Family Medicinal Plant Care) products, particularly various food and beverage products made from butterfly pea flowers. Other products include a variety of cakes, and various textile sectors such as the production of traditional clothes the rental of traditional attire, and the production of traditional blangkon headgear. Sidoarjo Regency itself is known for its unique blangkon headgear, specifically the Blangkon Pacol Gowang. However, due to the COVID-19 pandemic, the MSMEs sector, especially the blangkon industry, has faced challenges. The limited demand and ongoing adjustments have led to collaborations and reduced activities. Nevertheless, there has been a gradual recovery post-COVID-19 pandemic. However, one of the challenges in the village is the marketing system for products. On average, MSME owners have limited digital literacy, and in an era like this, failing to keep up with technological advancements can result in being left behind. Therefore, the students of Maarif Hasyim Latif University in Sidoarjo, through the KKN program, aim to assist the community, especially in Cangkring Hamlet, by guiding MSME owners towards digitalization. Digitalization of MSMEs is an effort to digitize the marketing of their products. In this modern era with advanced technology, it has become easier for business owners to market and sell their products online. Business owners can promote their products on social media platforms and provide location information through maps, making it convenient for customers to visit the physical store. Business owners no longer need a traditional marketplace, as the sales process has shifted to social media and e-commerce platforms as new spaces. Additionally, legal business permits serve as official identification to recognize and legitimize business entities or individuals, particularly for MSMEs owners. In this community service project, we have selected two partner MSMEs in Cangkring Hamlet, namely the Blangkon Pacul Gowang and Traditional Clothing products, as pilot projects.

Problem
The problem formulation in this community service activity includes several aspects. They were first, understanding the general conditions and issues faced by local MSMEs in Sawocangkring Village, Sidoarjo, Indonesia. Second, assessing the level of awareness among rural MSME owners regarding the importance of having a business permit. Third, determining the extent of technology transformation adoption, especially digital technology, by rural MSMEs owners. Lastly, examining the impact of the awareness of business permits and technological transformation by MSMEs owners on the empowerment of MSMEs themselves and identifying the necessary actions post the COVID-19 pandemic.

**Target solution**

The objectives of this community service activity are to analyze the conditions of rural MSMEs during the COVID-19 pandemic and the issues they face, evaluate the level of awareness among rural MSME owners regarding the importance of having a business permit, assess the level of awareness regarding the adoption of digital technology by rural MSME owners, provide socialization and assistance on legality, particularly in obtaining NIB, and provide guidance on technological transformation, especially in terms of digitalization of MSMEs, such as creating a website, using Google Maps for location, and utilizing e-commerce platforms such as Shopee and Tokopedia. Ultimately, it is hoped that the preference of MSME owners towards business permits and technology adoption can be improved, leading to the empowerment and sustainability of rural MSMEs in Sawocangkring Village, Wonoayu, Sidoarjo, East Java, Indonesia.

**METHOD**

Community service activities are carried out using a qualitative approach with a descriptive approach, involving observation and interviews. In addition, primary data is also collected through initial and final surveys in the form of questionnaires conducted with micro, small, and medium-sized enterprises (MSMEs) owners. In this case, as a pilot project for community service activities, the author focuses only on selecting 2 leading MSMEs as partners for this community service activity.

**Time and Venue of Implementation**

The community service activity through the Community Service Program (KKN) of Maarif Hasyim Latif University (UMAHA) Sidoarjo in Sawocangkring Village starts from August 1, 2023, to August 31, 2023. The exact location of the activity is in Cangkring Hamlet, Sawocangkring Village, Wonoayu District, Sidoarjo Regency, East Java, Indonesia.

**Data Collection Methods**

The methods used to collect data for this community service include the following approaches:

a) Observation Method
b) Interview Method
c) Documentation Method
d) Collection of primary data through pre and post-activity questionnaires

**Data Analysis**

The collected data will be analyzed qualitatively using a descriptive approach. The data from observations, interviews, and evaluations will be described and interpreted to identify the impact of community service activities on the awareness of MSMEs owners regarding the importance of business licensing and current technological transformations, as well as for the effective marketing of the MSMEs themselves. The analysis results will be used to evaluate the success of the pilot project of this community service activity and to recommend further steps.
RESULTS AND DISCUSSION

Based on the survey, field observations, and interviews conducted, there has been a decline in the condition of micro, small, and medium enterprises (MSMEs) in Sawocangkring Village, Cangkring Hamlet, Wonoayu, Sidoarjo, during the COVID-19 pandemic from 2019 to 2022. The majority of village MSMEs experienced a decrease in income due to reduced market demand and limited access to raw materials. Additionally, there was a decrease in the number of customers and buyers due to social restrictions and the closure of most economic activities. Crucially, many MSMEs faced bankruptcy as their business capital could not be recovered from middlemen or product collectors. This has made it challenging for village MSMEs to sustain their business operations. The level of awareness among village MSME owners regarding the importance of having a business permit is still low. The majority of village MSME owners have never obtained a Business Identification Number (NIB) and have little understanding of the benefits that come with owning a valid business permit. They tend to perceive the licensing process as complicated and time-consuming. Efforts are needed to increase awareness and provide education on the importance of business permits as an initial step in empowering village MSMEs. The adoption of digital technology by village MSME owners is still relatively low. Most of them have limited knowledge and understanding of adopting digital technology. They are unfamiliar with e-commerce platforms, online marketing, and digital inventory management. Intensive training and mentoring are needed to assist village MSME owners in adopting digital technology and leveraging it to enhance their business competitiveness. The low level of awareness of business permits and technological transformation has negative implications for the empowerment of village MSMEs post the COVID-19 pandemic. After carrying out a work program with several activities related to empowerment and strengthening the aspects of business legality and technological transformation for the 2 leading MSMEs that were used as projects, the results were obtained as in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Before</th>
<th>After</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance of Business Permit</td>
<td>2</td>
<td>4.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Importance of Technological Transformation</td>
<td>2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Sources: primary data 2023

From the results of the questionnaire analysis above, it can be concluded that the work program in community service activities through the Community Service Program (KKN) of Maarif Hasyim Latif University (UMAHA) Sidoarjo in Sawocangkring Village starting from August 1, 2023, to August 31, 2023, proves a positive influence significant to MSME owners regarding concern for the importance of business legal permits and technological transformation in supporting MSME businesses. Socialization and Assistance in Managing Business Permits (Business Identification Number - NIB)

The Business Identification Number (NIB) is similar to the function of an identity card (KTP), but NIB serves as the identity for a company or business operated by business actors. NIB is
required to ensure that a business can operate legally and be officially registered in the records of the Ministry of Investment or BKPM. To obtain a NIB, business actors can now do it through the official website of the Online Single Submission - OSS based on risk (https://oss.go.id/). The process of obtaining an NIB online is relatively easy, but several required document requirements need to be prepared. In terms of socializing risk-based OSS operations for processing MSME business permits, the author also provides a guidebook for risk-based OSS operations for MSME owners, the Sawocangkring Village Government, and LPPM UMAHA Sidoarjo as a university. The author also conducted socialization regarding the importance of NIB for micro, small, and medium-sized business owners. If our business already holds an NIB from the Ministry of Investment or BKPM, several benefits can be obtained, including having an official identity to operate the business, facilitating daily business operations for business actors, simplifying the process of obtaining other business legality documents, demonstrating compliance with Indonesian laws, providing advantages in accessing funding such as People’s Business Credit (KUR), facilitating access to government training programs, targeted eligibility for government programs and ease of entering official communities.

Socialization and Creation of Digital Platforms and E-commerce to Adopt Technological Transformation
The rapid development of Information Technology and Communication (IPTEK) has made conventional marketing appear regressive. This is because conventional marketing has been overtaken by marketing that harnesses technology as an efficient and effective means of promotion. For example, online marketing uses mobile media and applications as marketing platforms. The presence of online marketing has gradually replaced traditional methods with the Internet. The era of digital technology transformation has brought significant changes to all aspects of life. The advantages of online or digital marketing include: reaching a wider range of consumers, measurable results, faster information delivery, and lower costs.

Creating a Shopee Account
The reason the author here uses and chooses Shopee is because it is one of the largest marketplaces in Indonesia. Furthermore, the benefits and advantages of having an account or store on Shopee include high brand awareness in Indonesia, which increases the chances of potential customers purchasing products from MSMEs.

Creating a Tokopedia Account
Tokopedia emerged as a solution to address the various issues that arise in online transactions between sellers and buyers. Tokopedia itself is an open marketplace platform that facilitates partners and business actors to start an online business anywhere and anytime. Joining Tokopedia allows partners to compete with other business players in the digital era, without having to worry about technical difficulties even if they are beginners. Here are some reasons why partners should consider Tokopedia as one of the e-commerce platforms for online businesses: it is easy, efficient, free, reliable, and offers free marketing.

Creating a Business Website
A website is a collection of web pages containing interconnected information that is accessed through the internet. In today’s digital era, websites have become an essential element in human life. For visitors, a website provides easy and quick access to information, purchasing products, or gaining new experiences. For businesses, a website can enhance company branding and facilitate online product sales. The process of documenting and editing photos of MSME products is very necessary and well-prepared because the results of photo editing influence the
Creating a Location Point on Google Maps

MSMEs partner 1 and 2 certainly want their businesses to be known by many people. The first step that can be taken is to map the location on Google Maps for both partners. In this step, new customers will be able to easily see the business location and obtain detailed information. This is especially important for accessing MSMEs locations located in small alleys that are difficult to reach by car. Therefore, having a location on Google Maps is necessary to facilitate customers. Once the business partner's location is on Google Maps, customers can be directed to that location. This is also very useful for partners who collaborate with delivery services. Not only that, but customers can also provide comments, photos, and ratings for the partner's business on Google Maps. Thus, this can serve as an evaluation for the partner to maximize their business operations.

The level of concern and awareness of MSME owners regarding the importance of Business Permits and Technological Transformation for the empowerment and sustainability of MSMEs in the post-COVID-19 pandemic recovery

The level of concern and awareness of MSME actors in the Sawocangkring village, Cangkring hamlet, Wonoayu, Sidoarjo, East Java can be observed from the results of the initial questionnaire or before the community service activities, and analyzing the gaps after the completion of the community service activities. To analyze this, the author compiled data from the questionnaire and compared the average importance level per question on the questionnaire. The type of data used is primary data because it is obtained from the questionnaire. The questionnaire was filled out by respondents (self-administered questionnaire). During the questionnaire filling process, the author accompanied the respondents to explain any unclear points directly. This was done to ensure the validity of the data obtained. In the questionnaire, the questions were answered using a Likert scale because the author wanted to quantify the data. The Likert scale used in this study is a 5-point Likert scale. Scale 1 represents a response of “very unimportant” and scale 5 represents a response of “very important.” In this questionnaire, there are several questions, including personal data of MSMEs business owners that must be filled out by the owners. These questions are divided into 5 sections as follows: Business Owner’s Personal Data; Respondent Information; Importance Factors of Business Permits; Importance Factors of Technological Transformation; Expectations, Suggestions, and Feedback.

Regarding the five sections mentioned above, the Likert scale is used for questions related to the importance factors of legality and the importance factors of digitalization, with the following questions:

A. Importance Factors of Business Permits:

1) How important is the legality, especially business permits, in building customer trust in your products or services?
2) To what extent does a business permit help you run your business more smoothly?
3) How does a business permit affect your ability to obtain financial support from financial institutions or investors?
4) How much impact does legality, especially business permits, have on your ability to comply with applicable regulations and rules?
5) Do you feel that having a clear and complete business permit helps you build better partnerships with suppliers and business partners?
6) How significant is the impact of a business permit on protecting your rights as an MSME business owner?

B. Importance Factors of Technological Transformation:

7) How important is technological transformation, especially digitalization, in improving the operational efficiency of your business?
8) To what extent does digitalization help you improve the visibility and reach of your market?
9) How does digitalization impact your ability to communicate with your customers more effectively?
10) Do you feel that digitalization helps enhance the security of your business data and information?
11) How much impact does digitalization have on improving your ability to keep up with technological advancements and business trends?
12) How does digitalization affect your relationships and collaborations with suppliers and other business partners?

The results of the questionnaire data analysis are as follows:

In analyzing the charts per question by comparing the before and after the work program implemented by MSMEs, the following are the results:

a) Importance of Business Permits for MSMEs (Questions 1-6):
   i. Before the activities: The average importance ranges from 1.91 to 2.14, indicating low to moderate levels of importance.
   ii. After the activities: The average importance reaches 5, indicating a significant increase from before. This shows that the MSMEs work program has successfully increased the importance of legality (business permits) for MSMEs.

b) Importance of Technological Transformation for MSMEs (Questions 7-12):
   i. Before the activities: The average importance ranges from 2 to 2.25.
   ii. After the activities: The average importance ranges from 3.5 to 5. There is a significant increase in the level of importance of digitalization (technological transformation) for MSMEs after the implementation of the work program.

Overall, the analysis results indicate that the programs implemented in the community service activities have successfully increased the awareness and importance of business permits and technological transformation for MSMEs owners in empowering and sustaining MSMEs,
especially in supporting the revival of entrepreneurial spirit after the COVID-19 pandemic. This shows that community service activities have a positive impact in supporting the existence of rural MSMEs and contributing to one of the main pillars of sustainable rural development.

CONCLUSIONS AND SUGGESTIONS

This community service activity demonstrates that increasing awareness of business permits and technological transformation plays a crucial role in empowering Micro, Small, and Medium Enterprises (MSMEs) in the post-COVID-19 pandemic era. Through efforts of socialization, mentoring, and practical implementation, MSME owners can obtain significant benefits in facing the economic challenges caused by the pandemic. Regarding business permits, awareness of the importance of having a Business Identification Number (NIB) has increased among MSME owners. By legally obtaining business permits through the Risk-Based Online Single Submission (OSS) Government Portal, MSMEs can gain legal certainty, access to formal financing, and protection in conducting their business operations. Furthermore, MSME owners are increasingly realizing that the process of obtaining business permits can be done more efficiently through digital platforms provided by the government. Technological transformation is also a key factor in post-pandemic MSMEs empowerment. Through the adoption of digital technologies such as website creation, Google Maps location, and the utilization of e-commerce platforms like Shopee and Tokopedia, MSMEs can expand their market reach, enhance operational efficiency, and create added value for customers. The increased awareness of the importance of technological transformation has encouraged MSME owners to learn and adopt digital technologies as tools that can support the growth of their businesses. These results provide a positive outlook on the potential for MSME empowerment at the village level in the post-COVID-19 pandemic era. Recommendations for future research and activities include involving more MSMEs in similar community service programs and expanding the scope and intensity of socialization and mentoring. It is important to continue strengthening cooperation between the government, civil society organizations, and the private sector in supporting MSMEs empowerment through increased awareness of business permits and technological transformation. Additionally, ongoing evaluation is needed to measure the long-term impact of these efforts on the growth and sustainability of MSMEs in the post-COVID-19 era. By involving MSME owners, the government, universities educational institutions, and various other stakeholders, MSMEs empowerment can be an effective solution in revitalizing the local economy and mitigating the negative impacts caused by the COVID-19 pandemic.

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REFERENCE


