

TRAINING ON BUSINESS LICENSING THROUGH THE OSS APPLICATION AND MSME GOVERNANCE IN JAMBO MESJID VILLAGE, BLANG MANGAT DISTRICT LHOKSEUMAWE CITY

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Abstract

This study aims to enhance the understanding and capacity of Micro, Small, and Medium Enterprises (MSMEs) in Jambo Mesjid Village, Blang Mangat District, Lhokseumawe City, regarding business legality and governance through training on the Online Single Submission (OSS) application. Many MSMEs in the region still lack legal recognition due to limited knowledge, complex licensing procedures, and insufficient socialization from the government. The training was carried out through three main stages: initial socialization of the importance of legality and risk-based licensing regulations, introduction and practice of using the OSS application, and workshops on MSME governance including administration, production, digital marketing, and good governance principles. The results showed a significant improvement in participants' knowledge, as indicated by an increase in OSS-related understanding from 25–30% in the pre-test to 80–85% in the post-test. Most participants successfully registered their businesses and obtained a Business Identification Number (NIB) during the training, marking their first step toward formal legality. Furthermore, participants gained skills in simple financial management, quality control, and digital marketing practices. The training also raised awareness of good governance as a foundation for sustainable MSME growth. These findings highlight the importance of legality and governance in increasing MSME competitiveness, expanding access to financing, and strengthening legal protection.

Keywords: Business Legality, Governance, Msmes, OSS Application, Training

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars in supporting national economic growth, particularly at the regional level. MSMEs play an important role in creating job opportunities, increasing community income, and promoting economic independence in villages. The Indonesian economy relies significantly on small and medium enterprises, as regulated in Law Number 20 of 2008 concerning MSMEs and the risk-based business licensing system through Government Regulation No. 5 of 2021. MSMEs have the potential to make a significant contribution to GDP growth (Krisnawati et al., 2022). However, many MSME actors at the village level still face obstacles in terms of business legality and professional management practices. The Government of Indonesia, through the Online Single Submission (OSS) system, has provided an application-based platform to simplify the business licensing process. This system is designed so that business actors, including MSMEs, can obtain a Business Identification Number (NIB) and other legal business permits quickly, transparently, and in an integrated manner (Aula et al., 2025). Nevertheless, most MSME actors in Jambo Mesjid Village, Blang Mangat Subdistrict, Lhokseumawe City, still lack sufficient knowledge and skills in using the OSS application, resulting in their business legality being limited or even nonexistent. In addition to licensing issues, another challenge faced by MSMEs is weak business governance, ranging from financial recording, marketing strategies, to human resource management. This leads to relatively low competitiveness and hinders MSMEs from developing into more professional and competitive enterprises. Based on interviews conducted, it is therefore necessary to implement Training on OSS-Based Business Licensing and MSME Governance in Jambo Mesjid Village, Muara Dua Subdistrict, Lhokseumawe City.

LITERATURE REVIEW

MSMEs (Micro, Small, and Medium Enterprises) are productive business units managed by individuals or groups with specific scales of assets, turnover, or workforce. According to Law No. 20 of 2008 on Micro, Small, and Medium Enterprises, MSMEs are divided into three main categories based on assets and annual turnover:

No	Category	Assets	Annual Turnover	Number of Employees
1	Micro Business	Maximum IDR 50 million	Maximum IDR 300 million	Up to 5 people
2	Small Business	IDR 50 million – 500 million	IDR 300 million – 2.5 billion	5 – 19 people
3	Medium Business	IDR 500 million – 10 billion	IDR 2.5 billion – 50 billion	20 – 99 people

MSMEs in Indonesia, including those in Lhokseumawe City, often operate on a small scale with limited resources and minimal access to advanced technology. Although they have the potential to grow, one of the biggest challenges is the low level of business legality.

The Importance of Legality and Governance in MSMEs

Business legality, such as the Business Identification Number (NIB), business permits, and technical licenses, serves as the official identity for MSMEs. By obtaining business permits, MSMEs are encouraged to:

- Conduct proper business record-keeping.
- Comply with product quality and safety standards.
- Be more disciplined in fulfilling tax/retribution obligations.
- Manage their businesses in an accountable and transparent manner.

With legality, micro and small enterprises are legally recognized as formal economic entities. This recognition becomes the gateway for MSMEs to establish cooperation with third parties, including the government, financial institutions, and the private sector. Without legality, MSMEs face difficulties in accessing facilities and development programs provided by the state. One of the greatest benefits of business legality is access to financing from banks, financial institutions, and government credit programs such as the People’s Business Credit (KUR). Bank Indonesia and the Financial Services Authority (OJK) emphasize that legal documents, particularly the NIB, are one of the main requirements in assessing business feasibility for credit approval. MSMEs without legality typically rely only on personal capital or informal loans with high interest rates. According to Permatasari (2020), legality provides legal protection for MSMEs and increases business credibility in the eyes of consumers and business partners. Rahardja (2019) highlights that legality is also a prerequisite for accessing financing from banks and other financial institutions, since banks require official permits as proof of a legitimate business before granting loans. Moreover, Nasution (2018) shows that MSMEs with legal permits have broader access to participate in exhibitions or business activities organized by the government.

Factors Influencing the Success of MSMEs

The success of MSMEs is not only determined by internal factors such as management, product innovation, and marketing but also by external aspects such as government regulations, business legality, and access to supporting infrastructure. Tambunan (2017) in his book on the development of MSMEs in Indonesia states that one of the biggest barriers faced by MSMEs is limited access to formal markets and financing, often due to the lack of proper legal documentation. Key determinants of MSME success include:

- The ability to plan, record financial transactions, control costs, and implement marketing strategies, all of which enhance efficiency and competitiveness (Susanto, 2021).
- Availability of capital, which affects production capacity and business expansion. MSMEs with access to bank credit or government programs (such as KUR) tend to be more stable and grow faster than those relying solely on personal capital or informal loans (Nugroho & Riyanti, 2019).

- Innovation capacity, both in products and production processes, which is crucial for business sustainability. Digitalization through e-commerce, social media, and the OSS application also expands market reach (Putra & Handayani, 2020).

Barriers in the Business Legality Process

Despite the many benefits of legality, MSMEs face various obstacles in the legalization process. Simatupang (2018) identifies several common barriers, including:

- **Lack of understanding and information:** Many MSME actors do not understand the importance of legality or are unaware of the procedures for obtaining business permits.
- **Complex and costly procedures:** The licensing process is often perceived as complicated, time-consuming, and costly, especially for micro businesses.
- **Limited government socialization:** Yuniarto (2019) emphasizes the lack of effort by local governments in promoting the importance of business legality, along with insufficient assistance for MSMEs in managing permits.

These barriers are the main reasons why most MSMEs in Indonesia, including those in Lhokseumawe City, still operate without adequate legality. Hastuti (2020) found that many MSMEs refrain from obtaining business permits because they feel they can operate without legality, even though this limits their ability to access formal support and legal protection.

The Development of Legality and Governance in MSMEs

Business legality is a form of formal recognition by the state of the existence of a business entity. It serves as the foundation for implementing good governance. MSMEs with official business permits have easier access to bank financing, participation in government tenders, partnerships with large companies, and increased consumer trust. Thus, legality and MSME governance are two interconnected aspects: legality provides formal legitimacy, while governance determines business sustainability and competitiveness. From a business law perspective, legality is a prerequisite for obtaining legal protection, access to capital, and legitimacy in interacting with third parties (Hasibuan, 2019). Governance, on the other hand, refers to a set of management, control, and decision-making mechanisms that ensure a business is managed effectively, efficiently, transparently, and sustainably.

METHOD

Forms of Activities

Understanding the business fields of MSME actors is essential so that community service activities can provide optimal benefits for them. The stages in the community service process include:

1. Initial Socialization

- a. Presentation on the importance of business legality for MSMEs (access to capital, legal protection, and market opportunities).
- b. Introduction to the latest regulations on Risk-Based Business Licensing in accordance with Government Regulation No. 5 of 2021 and the use of OSS RBA (Online Single Submission Risk-Based Approach).
- c. Discussion on common obstacles faced by MSMEs in obtaining business licenses.

2. Introduction to the OSS Application

- a. Explanation of the main OSS features: registration of Business Identification Number (NIB), Standard Certificates, location permits, environmental permits, and operational/commercial permits.
- b. Simulation of using the OSS application: from account registration, business data input, to printing the NIB.
- c. Hands-on practice by participants with guidance from the training team.

3. MSME Governance Workshop

- a. Business Administration Management: simple financial recording, cash bookkeeping, and preparation of business reports.
- b. Production & Operational Management: process efficiency, quality control, and product safety standards.
- c. Digital Marketing Management: utilization of social media, marketplaces, and business branding.
- d. Good Governance for MSMEs: implementation of transparency, accountability, and responsibility in business operations.

4. Evaluation

Evaluation of activities by gathering feedback from MSME actors regarding challenges and obstacles faced during the mentoring process.

Time and Place

The activities will be held from May 19, 2025, to July 28, 2025, in Gampong Jambo Mesjid, Blang Mangat District, Lhokseumawe City.

Participants and Target Group

This community service activity is aimed at MSME actors in Jambo Mesjid, Blang Mangat District, Lhokseumawe City. The participants include small business owners who are in the process of developing their enterprises and need formal legality, as well as village officials or community administrators who play a role in assisting business administration.

RESULTS AND DISCUSSION

Implementation Results

The training held in Jambo Mesjid Village, Blang Mangat District, Lhokseumawe City, was successfully conducted and ran smoothly according to the planned activities. Several outcomes were achieved as follows:

1) Improved Participant Understanding

MSME participants gained a better understanding of the importance of business legality and successfully created OSS accounts as well as learned the procedures for obtaining business permits through the OSS (Online Single Submission) application. Before the training, most MSME actors in Jambo Mesjid Village had little to no knowledge or only a limited understanding of the functions, benefits, and procedures for using OSS. The OSS application is a nationally integrated licensing system managed by the government to simplify, accelerate, and standardize the business legality process. OSS serves as the main gateway for obtaining a Business Identification Number (NIB) as well as other operational permits.



Figure 1. Introduction to the OSS Application

Pre-Test and Post-Test Results

The pre-test results showed that only around 25–30% of participants understood the function of OSS. After the training and practice sessions, this figure increased to 80–85% in the post-test, indicating a significant improvement in participants' knowledge and skills.

Issuance of Business Identification Number (NIB)

Most MSME actors successfully created and obtained a Business Identification Number (NIB) directly during the practice session. This marks the initial step toward formal legality for the MSMEs in Jambo Mesjid

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Village. Those who previously had no legal recognition are now officially registered and possess a valid business identity.

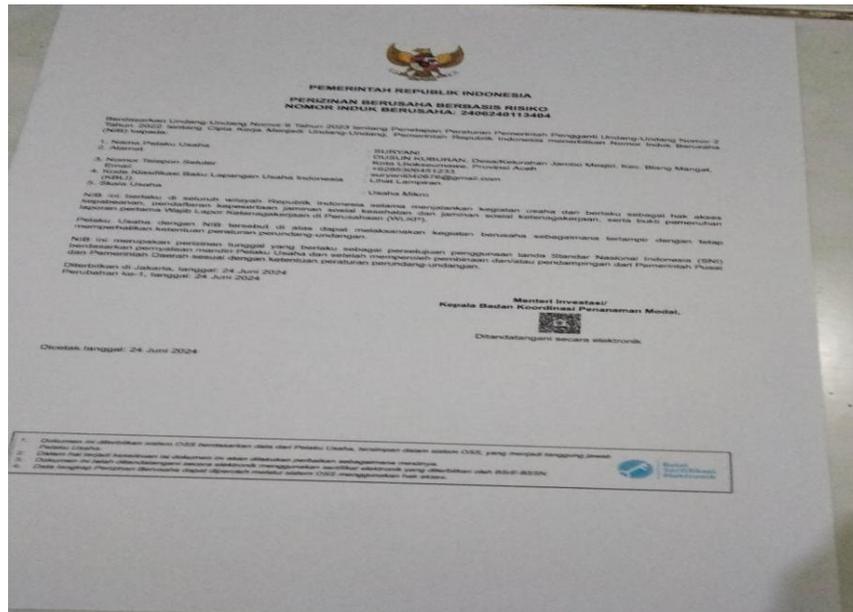


Figure 2. Business License

The NIB obtained also serves as a Company Registration Certificate (TDP), Importer Identification Number (API), and Customs Access, thereby expanding business opportunities. With the NIB, MSME actors now meet the administrative requirements to access:

- Business capital assistance programs and bank loans (such as KUR).
- Halal certification programs, PIRT, and other subsequent permits.
- Opportunities to participate in government procurement of goods and services.
- Legal certainty for MSMEs, which improves business credibility.

Participants also realized that having formal business legality makes their products and services more trustworthy to consumers, distributors, and investors in the long term.

Business Management Skills

MSME actors in Jambo Mesjid Village, Blang Mangat District, Lhokseumawe City, gained an understanding of basic practices in simple financial record-keeping, cash bookkeeping, and preparing short business reports. In addition, participants acquired knowledge of production efficiency, quality control, and product safety standards.



Figure 3. MSME Actors Managing Finances

Business management for Micro and Small Enterprises (MSEs) is a highly essential skill to ensure sustainable business growth. Business management is not only related to the production of goods or services but also includes aspects of planning, organizing, implementation, and evaluation.

Utilization of Digital Technology

Participants began to utilize digital media as a marketing tool. Several participants successfully created business social media accounts (such as TikTok and Shopee) and opened online stores on marketplaces.



Figure 5. Creating a Digital Application

The use of digital technology has already shown a tangible impact on Micro, Small, and Medium Enterprises (MSMEs). The presence of various digital platforms—ranging from licensing applications to social media and online marketplaces—has helped MSME actors in Jambo Mesjid Village, Blang Mangat District, Lhokseumawe City, to develop their businesses more effectively and efficiently.

Awareness of Good Governance in MSMEs

MSME actors in Jambo Mesjid Village, Blang Mangat District, Lhokseumawe City, have become aware of the importance of implementing good business governance principles (transparency, accountability, responsibility).

They engaged in discussions on how to build businesses that are not only profit-oriented but also attentive to social and environmental aspects.



Figure X. MSME Development Discussion

Discussion

The results of this study indicate that business legality has a significant positive impact on the performance of MSMEs, particularly in terms of access to financing, consumer trust, and market expansion. However, obstacles in obtaining business legality, such as costs and processes perceived as complicated, remain the main barriers for most MSME actors in Gampong Jambo Masjid, Blang Mangat District, Lhokseumawe City. These findings are consistent with previous studies, such as those presented by Rahardja (2019) and Nasution (2018), which state that business legality is an important factor that can enhance the credibility and accessibility of MSMEs in obtaining support from the government and financial institutions. Nevertheless, challenges such as lack of understanding and limited information from the government, as noted by Simatupang (2018), remain issues that need to be addressed.

CONCLUSION

Business legality or business licensing and governance related to small and medium-sized industries in general are regulated under the Job Creation Law No. 11 of 2020 concerning Job Creation. This law stipulates risk-based business licensing. The purpose of having business legality is inseparable from providing guidance and direction to create economic balance in the country. Gampong Jambo Masjid is one of the areas in Blang Mangat District, Lhokseumawe City, that has a considerable number of MSME actors; therefore, business licensing issues are particularly important. Business legality can be likened to an identity card (KTP) for business actors, making ownership a necessity because it is related to business identity recognition and serves as a form of government protection for business actors in case of objections or disputes regarding their businesses.

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