

Business Licensing as An Effort to Improve Msme Businesses Recipient of Pekanbaru City Baznas AID

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Abstract

Increasing business in micro, small, and medium enterprises (MSMEs) cannot be separated from sufficient funds sourced from bank and non-bank institutions. One of the social institutions that distributes funds is Baznas Pekanbaru City which distributes zakat funds to Pekanbaru City MSMEs through the Pekanbaru Prosperous program. This type of research is field research and the method used is qualitative with a phenomenological approach. The research results show that the number of MSMEs financed by Baznas is 198 MSMEs, however, the number of MSMEs that take part in business improvement educational activities is 100 MSMEs. The number of 100 MSMEs that do not yet have business permits is 68 MSMEs. Business licensing is considered difficult to administer and requires large costs. Together with STAI IMSYA Pekanbaru, Baznas Pekanbaru City synergizes in educational activities to improve the business and economy of *Mustahik*. The problems of MSMEs receiving Baznas Pekanbaru City assistance can be resolved with the distribution of zakat by Baznas Pekanbaru City and education on business improvement through business licensing by STAI IMSYA Pekanbaru which provides knowledge and control of MSME businesses so that MSMEs can keep up with developments in digitalization by using gadgets and accessing the business licensing system. free of charge which has been provided by the government, namely the Online Single Submission System (OSS) to improve their business, so that some *mustahik* can become *muzakki*.

Keywords: Business Licensing, MSMEs, Baznas AID

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INTRODUCTION

Licensing services are important to prioritize in providing licensing services by the government that have a clear legal basis and have a configuration of legal indicators and straightforwardness as well as improving the professional work of state officials and other civil servants. Licensing services have a big impact on sectors in Indonesia. One of them is Business Licensing in the economic sector, especially for MSMEs (Wardani, 2012). MSMEs have many advantages in optimizing the use of national resources. However, the development of MSMEs in Indonesia is still hampered by licensing issues, one of which is the difficulty in obtaining legality

or business formalities (Wardani, 2012). Having a business permit has an impact on business development and MSME income, however, in business development, there are still many MSMEs that do not have a business permit. Business permits are considered to be difficult to administer, requiring large costs and a long licensing period.

Business licensing is in line with the implementation of the National Movement Proud to be Made in Indonesia (BBI) and Proud to Travel in Indonesia (BBWI). It is necessary to strengthen both domestic businesses and the availability of local products, one of which is by involving MSMEs which need to be supported by the government through easy business licensing. Business licensing is very important to provide certainty in improving production quality with creativity and product innovation for MSME players amidst globalization and high competition (Sudaryanto, 2011). The number of MSMEs recorded in Riau Province in 2023 is 631,347. The distribution of MSMEs in Riau Province in various regions can be seen in the following table.

Table 1. MSME data in Riau Province in 2023

Region	MSME UNIT
Pekanbaru	68,728
Kampar	45,446
Bengkalis	42,029
Rohil	34,036
Rohul	27,074
Inhu	26,488
Siak	22,948
Kuansing	21,450
Dumai	20,782
Pelalawan	13,824

Source: Processed Data, 2023

Based on the data above, the number of MSMEs in the Pekanbaru area is 68,728 MSMEs, the Kampar area is 45,446 MSMEs, the Bengkalis area is 42,029, the Rohil area is 34,036 MSMEs, the Rohul area is 27,074 MSMEs, the Inhu area is 26,488 MSMEs, the Siak area is 22,948 MSMEs, the Kuans area is ing amounted to 21,450 MSMEs, the Dumai area has 20,782 MSMEs, and the Pelalawan area has 13,824 MSMEs. The largest number of MSMEs is in the Pekanbaru area. The number of MSMEs in Pekanbaru city is 68,728 MSMEs. The existence of MSMEs in Pekanbaru City is quite capable of providing employment opportunities for residents. However, the problem that occurs is that in growing MSME businesses, financial assistance is needed. Financial assistance is provided by bank and non-bank financial institutions. One of the non-bank institutions is the National Zakat Amil Agency Baznas (Amir, 2019).

Baznas Pekanbaru City is present through its work program, namely Pekanbaru Makmur. Where Pekanbaru Makmur is a program for distributing zakat funds to business actors who need business assistance or business capital. Pekanbaru Makmur aims to improve economic welfare for *Mustahik* so that they can continue to reduce the poverty rate in Pekanbaru City. (Delima Afriyanti, 2023) The number of MSMEs recorded by Baznas in 2023 is 198 MSMEs that have received BAZNAS assistance. The number of MSMEs comes from various types of businesses such as food, beverages, grocery stores, and even laundry businesses. Apart from business assistance, growing MSMEs is through Business Licensing. Based on observations made on MSMEs receiving BAZNAS funds, the majority still do not have business permits (Baznas, 2023). Business licensing is in line with the Indonesian government's target, where MSMEs that already have business permits have not reached the target of 10 million MSME units, resulting in low ownership rates for halal certificates and Indonesian national standards (Kristian Oka Prasetyadi, 2023). Based on

the background description above, it is necessary to investigate further the importance of business licensing for the development of MSMEs receiving Baznas assistance in Pekanbaru City.

LITERATURE REVIEW

MSME Business Improvement Theory

This research is supported by research entitled Understanding Business Legality NIB Case Study of Food Stall Owners at the Ciung Wanara Tourist Location, Ciamis Regency, showing that the majority of business actors' understanding of business permits in the form of NIB is very low and business actors have difficulty in making business legality in the form of business registration number (NIB) (Saefullah, 2022). This research is also supported by research entitled "Micro, Small and Medium Enterprises (UMKM) Licensing as a Form of Empowerment, Legal Protection and Creating a Welfare State" which shows the results that MSME Licensing as a form of legal protection has important value and has an impact on the business. become legal, given legal assistance, used to apply for capital to increase the quality and quantity of products and be able to compete with products from within and outside the country, access to business assistance from the government, and empowerment or supervision from the government so that it can create a welfare state. (Redi, *et.al*, 2022)

In the research entitled Analysis of Empowerment of MSMEs and Increasing Competitiveness in the Global Market Stage, the results of the research show that the fundamentals of the Indonesian economy are not yet strong enough to encourage the government to build an economic structure by considering the existence of MSMEs. This sector has been proven to provide employment opportunities and provide opportunities for MSMEs to develop in society. The existence of MSMEs cannot be doubted because they have proven to be able to survive and become economic drivers, especially after the economic crisis. On the other hand, SMEs also face many problems, namely limited working capital, low human resources, and lack of mastery of science and technology (Sedyastuti, 2018). Previous research in this research, apart from what has been described above, is research with the title The Importance of Licensing for Micro, Small, and Medium Business Actors in Lembah Subur Village, the results of the research show that business licensing is very important for MSMEs in running a business which is useful for protecting the business, comfort of doing business. and security which is the legal umbrella for its business. In weakly fertile village MSMEs, it is still very low, that of the 5 (five) MSMEs, only 1 (one) MSME has a business permit, this is due to the lack of awareness of MSMEs in managing business legality, lack of knowledge, and understanding of MSMEs regarding permit management. business, and difficult licensing applications (Susanto, 2020).

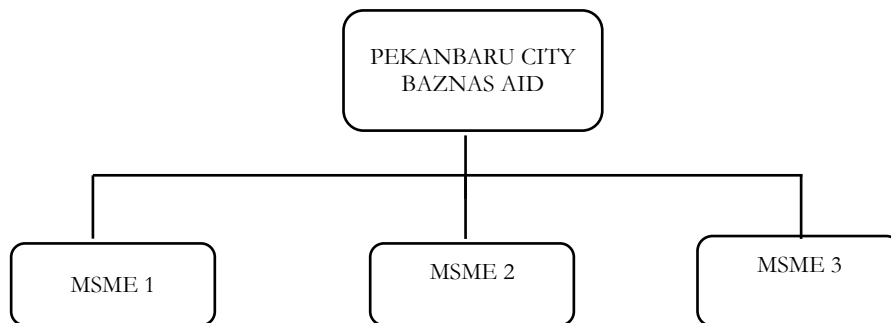
Research with the title Developing MSMEs through Managing Business Permits in the Digital Era shows results that can be described, namely empowering MSMEs in Randuputih village, making people aware of the importance of managing business permits to strengthen MSMEs in digital existence through the system provided by the government Online Single Submission (OSS). The method used in this research is community empowerment in providing materials, and applications in the form of practices and also assistance in using digital for the process of registering business permits on the OSS system. The community or MSMEs participating in the activity were very enthusiastic about taking part which resulted in an increase in understanding of business actors or MSMEs and were aware of the importance of knowledge in protecting businesses, improving products to be competitive, and getting support from the government regarding empowerment and assistance in developing MSMEs (Krisnawati, & Septiana, 2022). The research is entitled Licensing for Micro, Small and Medium Enterprises (MSMEs): Forms of Empowerment, Legal Protection and Creating a Welfare State. The research results show that business licensing for MSMEs is a form of legal protection that has important value and has an impact on their business. Where a legal business with legal assistance will make it easier to apply for business capital and aims to increase the quantity and quality of products produced so that they can compete on the international stage. MSME business licensing requires

access to assistance and supervision from the government in realizing and creating a welfare state (Redi et al., 2022).

RESEARCH METHODOLOGY

The type of research is field research using qualitative methods with a phenomenological approach. The types of data used are primary and secondary data. Where primary data comes from the results of field observations and interviews with business actors (MSMEs), while secondary data comes from journals related to discussions, books, MSME data, and websites. The number of samples who were informants in this research was 100 MSMEs who received Baznas assistance from Pekanbaru City in the Pekanbaru Makmur Program using random sampling. This research uses data source triangulation techniques to support the accuracy and validity of the research (Raharjo, 2010). The triangulation of data sources for this research is Baznas Pekanbaru City and MSME *Mustabik* which can be depicted as follows.

Figure 1. Triangulation of Data Sources



Source: Author, 2023

Data analysis in this research can be described as the first step, namely checking and selecting data sourced from Baznas Pekanbaru City and *Mustabik* MSME actors by conducting interviews about the importance of business licensing for business improvement. The next step is to conclude by analyzing previous research, phenomena about MSMEs, and the results of interviews from all MSMEs which are sources of research information.

RESULTS AND DISCUSSION

Business Licensing

Business licensing is a form of granting and approving permits from authorized parties for the implementation of business activities by business actors or companies. Business licensing is useful for maintaining security in business protection and as a means of developing, supervising, directing, and issuing permits to business actors by the government (Janati & Jombingo, 2023). Business Licensing is contained in the Job Creation Law Number 11 of 2020, namely risk-based business licensing which is a business permit that is issued and implemented based on business scale ranking and business risk level. The level of risk and danger in running a business is seen from the type of business, business activities, business location, business criteria, volatility risk, and limitations of business supporting resources (Soimah & Imelda, 2023). Assessing the level of risk and ranking or scale of business, risk-based licensing is divided into three, namely low, medium, and high risk-based businesses. This division can be described as follows (Soimah & Imelda, 2023).

1. Low risk-based business. In this business, running a business requires proof of the management of the Business Identification Number (NIB). NIB is proof of business legality which shows that the business actor has registered his business and serves as an identity for his business.

2. Medium Risk-Based Business. This business is divided into two parts, namely medium-low and medium-high. However, in terms of business legality, you both have to manage the NIB and standard certificate (SS). Where the SS is a statement letter from the business actor in fulfilling standards in carrying out business activities. SS is issued by the government which oversees business licensing based on the results of verification of the completeness of compliance with standards during business implementation.
3. High Risk-Based Business. This is explained in article 10 of the Job Creation Law which explains that the legality of business in high risk based businesses is in the form of NIB and permits given by the government in carrying out the business. This business also requires complete business standards.

Increasing MSME Business

Education on business improvement and business development is as follows (Ali Hasan, 2020).

- a. Limited business capital. Business capital generally comes from your capital. Core capital sourced from one's own business is inadequate for production and investment activities. Limited business capital is the background for *Mustahik* to apply for assistance. Mustahik who have Baznas Pekanbaru City qualifications will be given assistance in the form of cash and procurement of goods for their business, this is to help improve their business
- b. Mastery of technology. The development of science and technology (IPTEK) is accompanied by users' mastery of technological advances. The obstacle to increasing the business of the Pekanbaru Prosperous program is the lack of mastery of technology because mastery of technology is very important for business sustainability and responding to the challenges of the Industrial Revolution 5.0. The STAI Imam Asy Syafii Pekanbaru team provides education on the use of several simple applications to mustahik as promotional materials for their businesses.
- c. Lack of partners. Lack of partners is an obstacle to increasing business and business development. The STAI Imam Syafii Pekanbaru team provides information channels that can become business opportunities for mustahik, such as distributors, and shops providing finished goods that can market the mustahik's business products and become business partners.

Business Licensing as an Effort to Improve MSME Businesses

The presence of Industrial Revolution 5.0 can increase efficiency and production through the use and utilization of the latest technology. Era 5.0 brings overall fundamental changes to various global life structures. This is marked by the increasing development of innovation and creativity by utilizing information technology which has entered various aspects of global life, including competition in the economic sector (Delima, *et. al.*, 2023). Rapid changes in the order of people's lives are caused by the use of Artificial Intelligence (AI), *the Internet of Things*, *Human-Machine Interface*, and the widespread *sharing economy phenomenon*. This condition means that MSME entrepreneurship must have creativity and innovation as the front guard to win the global economic competition (Heri, *et.al.*, 2021). Facing global economic competition, MSMEs are starting to register their business products with business permits and market their products via digital platforms. MSME players are required to be creative and adaptive by taking advantage of technological advances (Rahmasari & Janati, 2023) The involvement of MSMEs is very important, considering their large role in national Gross Domestic Income (GDP) and employment (Anaqi *et al.*, 2023).

Based on information data quoted from *CNBC Indonesia Research*, Ministry of Finance, MSMEs have succeeded in contributing 90% of business activities and contributing more than 50% of employment opportunities throughout the world. This means that MSMEs in Indonesia are currently capable of being a lifeline for Indonesia facing the threat of recession (Ulia, 2023). The development of MSMEs cannot be separated from government support until they transform into the digital era. The main thing in the development of MSMEs is Business Licensing. The Ministry of Cooperatives and MSMEs is targeting 10 million MSME units that have business

permits registered through a digital system, namely *Online Single Submission* (OSS) by the end of 2023 (Adhi, 2022).

Implementation of Risk-Based Business Licensing through the Online Single Submission (OSS) System is an implementation of Law Number 11 of 2020 concerning Job Creation. Risk-based OSS must be used by Business Actors, Ministries/Agencies, Regional Governments, Special Economic Zone (KEK) Administrators, and Free Port Free Trade Zone Management Bodies (KPBPB). Based on Government Regulation Number 5 of 2021, there are 1,702 business activities consisting of 1,349 Standard Classifications of Indonesian Business Fields (KBLI) that have been implemented in the Risk-Based OSS System. With the OSS system, MSMEs can now obtain business permits more quickly and easily. So, a single Business Permit Number (NIB) can be registered by MSME players using an online system (Izhandri & Harahap, 2018). An online system related to business licensing has also been attempted by the Pekanbaru city government. The Pekanbaru City Regional Government's efforts at the Pekanbaru Food and Drug Monitoring Center (BBPOM) are implementing the Pick Up the Ball program by conducting Certification and Mobile Information (Starling) in several places. Starling is a commitment and support for the Sipetir Aman program which was launched some time ago, as our support for MSMEs, making it easier to obtain various permits. Starling is a follow-up to the Integrated Assistance Synergy program for Environmentally Friendly Distribution Permits Sipetir Aman for easy access to permits such as NIB, NPWP, Halal, SPP-IRT, and BPOM, and also for environmentally friendly financing and promotion for MSMEs. The local regional MSME collaboration carried out through Starling activities can support the acceleration of the business actor licensing process, where business actors who are hampered by licensing or business legality issues (NIB, SPP-IRT, BPOM, Halal or taxation (NPWP) and financing assistance can directly consult with agencies related to these activities (Utama, 2023).

The government's efforts are also in line with the results of research conducted by researchers at Baznas Pekanbaru City. Baznas Pekanbaru City is one of the non-structural government institutions whose function is to help, guide, and serve *Mustahik* in Pekanbaru City. (Syahfira, 2023) The existence of Pekanbaru City Baznas is regulated based on Law number 38 of 1999 concerning the management of zakat and based on the decision of the Minister of Religion of the Republic of Indonesia number 373 of 2003 concerning the implementation of Law number 38 of 1999 as well as the existence of regional regulations indicating the management of zakat by BAZNAS Pekanbaru City is necessary to optimize the collection and empowerment of zakat as part of the solution to the government's program for the welfare of the community. Baznas Pekanbaru City was established as a forum for collecting and distributing zakat funds utilizing advances in science and technology that are developing nowadays, namely using computerized technology in the form of a zakat payment system via online media. 2014 is the year of national zakat consolidation. Fundamental improvements have been made so that the Baznas institution can become a leading zakat institution and become the center for national zakat management. Management changes and, the use of IT systems are the main priorities to elevate Baznas to become an independent and trusted institution (Delima Afriyanti, 2023).

In the Pekanbaru City Baznas program, namely Pekanbaru Makmur, implementation in Pekanbaru Prosperous can be demonstrated by *Mustahik*, which are Pekanbaru residents who receive financial and goods assistance channels. The Pekanbaru Prosperous Program has not been optimally controlled by Baznas Pekanbaru City due to the large number of recipients and lack of human resources (HR). Therefore, in distributing funding it is also necessary to control the level of success of mustahik businesses so that in the future mustahik can become muzakki. (Delima Afriyanti, 2023). Supporting the development of MSMEs receiving Pekanbaru City Baznas assistance, Pekanbaru City Baznas synergizes with Islamic Universities namely STAI Imam Asy Syafii Pekanbaru in October, through the Institute for Research and Community Service (LP2M) Team, held educational activities with the theme Socialization of Economic Empowerment for Mustahik Recipients of Baznas Assistance in Pekanbaru City. In this activity, business

improvement material was presented for *Mustahik* business actors and the importance of managing halal product certification through digitalization. This activity was attended by 100 participants, namely *Mustahik* business actors who received Baznas assistance. The socialization of economic empowerment for mustahik recipients of Baznas assistance in Pekanbaru City was presented with the following discussion.

Increasing the Business of the Mustahik. The STAI Imam Asy Syafii Pekanbaru team carries out counseling on improving business management for *Mustahik*. This is in line with the government's program to increase the number of MSMEs through business licensing and the Pekanbaru Prosperous program. The presentation of the material discussed business development strategies, where the problems in developing MSME businesses were limited business capital, quality of human resources in managing and mastering technology, availability of raw materials, lack of networks or relationships, and lack of analysis in collecting survey results and market information lack of partners. The importance of halal certification and business licensing. This discussion invites *Mustahik* to become more acquainted with halal literacy so that obstacles can be overcome together while building collaboration with campuses in encouraging the implementation of Halal Product Guarantees to be able to pave the way for *Mustahik* in managing halal certification to the introduction of an *online* business licensing system. Single Submission (OSS). Apart from providing material, the practice of registering business permits was also carried out on the OSS system page. In practice guided by Mr. Bobby Ferly, MH, and Mrs. Delima Afriyanti, ME. At the stage of applying for an OSS business permit, you can follow the following steps. Open the OSS page <https://oss.go.id/>, then select the register button in the top right corner. Then select the UMK menu by selecting the type of business, input an active telephone or cellphone number, and email. Next, request a verification code which will be sent via email or cellphone number. Then confirm and follow the instructions and steps requested the final step is to save the approved business sheet and print the business permit and mentoring.

This activity was carried out by KKU STAI Imsya Imam Asy Syafii Pekanbaru students. Mustahik MSMEs who have difficulty accessing OSS business permit registration are given a re-understanding of the stages related to obtaining an OSS business permit. Mentoring is a form of follow-up to the provision of material by resource persons and considering the importance of business permits for MSMEs that have capabilities and limitations in using digital technology. Assistance is carried out by monitoring *Mustahik* MSME actors and also assisting with obstacles or barriers in registering business permits. During the mentoring activities, 32 *Mustahik* MSME actors had difficulty using digitalization to access the OSS system registration due to limited time no interest in registering business permits, and not showing an increase in the business being run. The funds provided by BAZNAS Pekanbaru City were used to buy materials for his business and meet his daily needs. Implementation of the activities of STAI Imam Asy Syafii Pekanbaru and BAZNAS Pekanbaru City with the stages of socialization on the economic empowerment of MSMEs, the practice of using the OSS system, and assistance in managing business permits for mustahik MSMEs, encouraging increased understanding of the importance of business permits, providing an understanding of the benefits obtained from managing business permits, providing an understanding of the ease of managing business permits, the introduction of the online business permit system (OSS) which has been created by the government as a forum for issuing business permits online. Managing business permits through OSS is very easy, you just need to have internet data, and management is free, fast, and integrated.

The activities of the STAI IMSYA Pekanbaru Team together with Baznas Pekanbaru City resulted in some MSMEs adapting to digitalization in their businesses, but experiencing several obstacles and challenges (Afriyanti, 2022). The challenges for MSMEs receiving assistance from the Pekanbaru Prosperous program lie in the capital, product marketing, and the use of digital technology (Ferly, *et.al.*, 2023). The results of the activities show that problems regarding capital can be resolved by distributing zakat funds in the Pekanbaru Prosperous program to mustahik, especially business actors. In this program, the distribution of zakat funds is around Rp. 1,000,000-

to 3,500,000. Apart from capital, the education provided by STAI IMSYA Pekanbaru through outreach is able to answer mustahik problems in increasing business globally, namely in managing business licensing. Business licensing is a solution in the business improvement and development stage for better business reach. Education is provided on the use of the business licensing system provided by the government, namely the *Online Single Submission* System (OSS). The activities of Baznas Pekanbaru City together with STAI IMSYA Pekanbaru are in line with the government's efforts to activate online business licensing through the *Online Single Submission* System (OSS).

CONCLUSION

Based on the discussion above, efforts to improve Micro, Small, and Medium Enterprises (MSMEs) receiving Baznas assistance in Pekanbaru City cannot be separated from business licensing, government support, and the contribution of universities in providing understanding about business improvement and digitalization of business licensing. 68 mustahik MSMEs have received business permits from BAZNAS Pekanbaru City and have been able to take advantage of productive zakat empowerment from Baznas Pekanbaru City to improve their businesses, improve their families' welfare, be able to compete in the global market and become muzakki. The suggestion in this research is the availability of an IT-based MSME Development Center formed by the local regional government, which will be able to encourage the growth and development of MSMEs in the current era of information technology. This is to make the current regional government website more effective as a communication base for MSMEs in the regions and to encourage MSMEs to apply the Online Single Submission (OSS) System in business licensing. The disadvantages of this research are the limited time for completion and this research use of more subjective informants which risks reducing the objectivity of the research results.

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