

DIGITAL TRANSFORMATION AND THE LEGALITY OF MSMEs: IMPLEMENTATION OF NIB, LOGO, AND BUSINESS BANNER IN SANGON II HAMLET

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Abstract - *Digital transformation has become a fundamental need for the development of Micro, Small and Medium Enterprises (MSMEs) in facing competition in the modern era. Business legality through the issuance of a Business Identification Number (NIB) is an important first step to provide legal certainty, access to capital, and market development opportunities. This article discusses the implementation of digital transformation and legality of MSMEs in Sangon II Hamlet with a focus on the issuance of NIB, logo making, and banner installation as a business visual identity. The method used is descriptive qualitative through direct observation and assistance to local MSME actors. The results of the activity show that business legality with NIB not only increases consumer and business partner confidence, but also opens access to government programs. Meanwhile, the use of logos and banners can strengthen business image, increase marketing appeal, and become the first step towards digital branding. Thus, digital transformation accompanied by business legality can be an effective strategy in strengthening the competitiveness of local MSMEs.*

Keyword: *Digital Transformation, MSME Legality, NIB, Logo, Sangon II Hamlet.*

Abstrak - *Transformasi digital telah menjadi kebutuhan mendasar bagi perkembangan Usaha Mikro, Kecil, dan Menengah (UMKM) dalam menghadapi persaingan di era modern. Legalitas usaha melalui penerbitan Nomor Identitas Bisnis (NIB) merupakan langkah awal yang penting untuk memberikan kepastian hukum, akses terhadap modal, serta peluang pengembangan pasar. Artikel ini membahas implementasi transformasi digital dan legalitas UMKM di Dusun Sangon II dengan fokus pada penerbitan NIB, pembuatan logo, dan pemasangan spanduk sebagai identitas visual usaha. Metode yang digunakan adalah kualitatif deskriptif melalui observasi langsung dan pendampingan kepada pelaku UMKM setempat. Hasil kegiatan menunjukkan bahwa legalitas usaha dengan NIB tidak hanya meningkatkan kepercayaan konsumen dan mitra bisnis, tetapi juga membuka akses ke program-program pemerintah. Sementara itu, penggunaan logo dan spanduk dapat memperkuat citra usaha, meningkatkan daya tarik pemasaran, dan menjadi langkah awal menuju branding digital. Dengan demikian, transformasi digital yang disertai dengan legalitas usaha dapat menjadi strategi yang efektif dalam memperkuat daya saing UMKM lokal.*

Kata kunci: *Transformasi digital, legalitas UMKM, NIB, logo, Dusun Sangon II.*

A. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a strategic sector in Indonesia's economic development. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 61.97% to the Gross Domestic Product (GDP) and absorb up to 97% of the national workforce (Kemenkop UKM, 2021). The role of MSMEs is also reflected in their success in encouraging the growth of new entrepreneurs and maintaining economic stability at the local level. This shows that MSMEs are not only the backbone of the people's economy but also play an important role in reducing unemployment and promoting economic independence in various regions, including rural areas.

Padukuhan Sangon II, Kalurahan Kalirejo, Kapanewon Kokap, Kulon Progo Regency, possesses a diverse range of local economic potential. Located in the western mountainous region of Kulon Progo with fertile geographical conditions, most of the community engages in agricultural activities, processed food products, and household crafts. This potential is an important asset for developing competitive local-based MSMEs. However, without legal support and a strong branding strategy, this potential has not yet contributed optimally to improving the welfare of the community.

The main issues faced by MSMEs in Padukuhan Sangon II are limitations in business legality and product branding. Most business owners do not yet have a Business Identification Number (NIB) as their official identity, making it difficult for them to access government assistance programs and capital. Ownership of an NIB is crucial because it serves as both an identity and a valid operating license. Under the Job Creation Law (Law No. 11 of 2020), the NIB is mandated as an absolute requirement for businesses to operate legally. Without an NIB, SMEs will struggle to grow as they lack state-recognized legal standing. Additionally, many SME products in Sangon II lack representative logos and business banners, making them less appealing to consumers and difficult to compete in broader markets. This situation limits SMEs to relying on local markets with limited reach.

The government is paying attention to small and medium-sized enterprises (SMEs) in Indonesia by launching programs that support their growth. Programs such as creating a Business Identification Number (NIB), obtaining halal certification, and processing PIRT for free, which is easier, access to capital through KUR, and other assistance can increase the growth of SMEs and help them survive the global crisis (Rachman et al., 2022). The government pays close attention to MSMEs because of their role in the economy, with a focus on improving the quality of human resources, including hard skills and soft skills, as well as increasing capital to support their growth in Indonesia. This policy is a great opportunity for MSMEs in Sangon II to strengthen their legality and improve their business image through proper branding.

Previous research has also shown that digital transformation and business legality have proven to have a positive impact on MSMEs. A study in Ranca Kalapa Village found that the use of e-commerce, social media, and digital payment systems can expand the market and strengthen the image of the business (Septi, 2025). Similar findings were observed in the mentoring of furniture

SMEs in Karang Bahagia, where legal compliance through the NIB, logo creation, banner design, and Google Maps integration were found to enhance consumer trust and market reach (Nurpribadi, 2025).

Given these conditions, the implementation of the Community Service Program (KKN) focused on Digital Transformation and SME Legality: Implementation of NIB, Logo, and Business Banners in Dusun Sangon II is crucial to undertake. This program aims to assist SME operators in obtaining official business licenses (NIB), creating logos and banners as business identities, and utilizing digital media for product promotion. With this support, SMEs in Sangon II are expected to become more professional, easily recognized by the general public, and capable of expanding their markets while contributing to the sustainable growth of the economy in Kulon Progo.

B. METHOD

This study uses a qualitative descriptive method with an Asset-Based Community Development (ABCD) approach. The qualitative method was chosen because it is suitable for exploring social phenomena in depth and understanding the meaning of participants' experiences in a real context (Creswell, 2014). According to Sugiyono (2019), qualitative research aims to understand a particular social situation by comprehensively describing the roles, activities, and interactions that occur in the field. The ABCD approach is considered appropriate because it focuses on exploring local potential and assets as capital for participatory MSME development.

Data collection was conducted through direct observation of SME activities in Dusun Sangon II, in-depth interviews with business owners, and documentation in the form of photos, field notes related to business legality, and branding. Additionally, participatory accompaniment was carried out by directly involving the team in the process of obtaining a Business Identification Number (NIB), designing a logo, and installing business banners.

Research tools and materials included electronic devices such as laptops and smartphones to access the Online Single Submission (OSS) system, as well as graphic design applications used in logo creation. Social media platforms like WhatsApp, Instagram, and Shopee were also utilized as digital promotional tools. Administrative documents such as ID cards, Taxpayer Identification Numbers (if available), and business data were used for NIB registration purposes, while printed media was used in the production of physical banners installed at strategic locations.

The research procedure followed the ABCD method, which consists of the following stages: Discovery, Dream, Design, Define, and Destiny. During the Discovery stage, the KKN team conducted observations and interviews to identify the local potential of MSMEs in Sangon II Hamlet. This potential includes businesses such as palm sugar, krimpying, and several grocery stores, while also identifying the main problems, namely the lack of business legality (NIB) and visual identity. The Dream stage was carried out so that MSMEs in Sangon II would have official legality through NIB, a visual identity in the form of a logo and banner that reflected local wisdom, and were able to utilize digital media to expand their marketing. The Design stage focused on assisting with the creation of NIB through the OSS system, logo design with a touch of local potential (for example, images of coconut trees, palm sugar, or other agricultural products), and the creation of business banners as a means of promotion. The Define stage prioritizes business legality as the first

step, followed by strengthening branding through logos and banners. The final stage, Destiny, involves the implementation of the assistance program, which includes facilitating the creation of NIBs through OSS until they are issued and printed in hardcopy and softcopy formats, as well as distributing banners to MSMEs online via WhatsApp to each MSME owner.

C. RESULTS AND DISCUSSION

Implementation of Business Identification Numbers (NIB) for MSMEs

The implementation of Business Identification Numbers (NIB) for MSMEs in Sangon II Hamlet is the first step toward providing legal certainty and strengthening the position of community businesses at the local level. Before the mentoring program, most SME operators did not have an NIB due to limited information, administrative understanding, and digital literacy. This situation made it difficult for them to access capital, government assistance, or opportunities for cooperation with external parties.

Through the mentoring activities, SME operators were facilitated in the business registration process via the Online Single Submission (OSS) system. The NIB implementation process involved collecting administrative documents, providing technical guidance on using OSS, and verifying business data online. This mentoring simplified the process for SME operators who previously struggled to understand the digital registration workflow, ultimately enabling them to obtain an official NIB as their business's legal identity.

The results of NIB implementation show that business legality provides various tangible benefits. SME operators who have obtained an NIB are now more confident in running their businesses because they have received formal recognition from the government. They also find it easier to participate in business development programs such as entrepreneurship training, applying for the People's Business Credit (KUR), and product certification. This aligns with the research by Astutik et al. (2023), which states that NIB ownership serves as an entry point for SMEs to access government facilitation, while Purwanti et al. (2022) emphasize that legal status is a crucial requirement for the sustainability of small businesses.

Thus, the implementation of NIB in Sangon II Hamlet is not merely about fulfilling administrative obligations but also serves as a strategy to strengthen the competitiveness of SMEs. Legal recognition through NIB encourages SMEs to operate more professionally, enhances consumer and partner trust, and opens broader access to business development opportunities.

Branding Implementation: Business Logos and Banners

After the logos were created, MSME actors in Padukuhan Sangon II engaged in food processing, agriculture, and handicrafts began to see improvements in their visual identity and brand recognition. The professionally designed logos were considered capable of strengthening the image of the business in the eyes of consumers. Additionally, local elements such as images of coconut trees, Java sugar, and craft motifs were incorporated into the logo design to reflect the local culture. This finding aligns with the research by Nasution et al. (2020), which emphasizes that visual identity, particularly logos, significantly influences creating a positive first impression and enhancing business competitiveness.

On the other hand, the use of banners, both physical and digital, has also proven to help expand the reach of promotions. Physical banners are placed at strategic points, such as in front of production sites, at village entrances, and in crowded areas. Meanwhile, digital banners are beginning to be used for promotions through social media. According to Kotler & Keller (2016), consistent promotion, both offline and online, can strengthen the relationship between consumers and the brand, thereby fostering loyalty. From the results of the mentoring program, several SMEs reported that after having a logo and banner, their businesses became easier for the local community to recognize and even attracted buyers from outside the village, including tourists visiting the Kulon Progo hill area.

Challenges in Implementing Digital Transformation and Legal Compliance

The implementation of digital transformation and legal compliance through the application of NIB, logos, and business banners in Sangon II Village is not without challenges. One of the main obstacles is the low level of digital literacy among SME operators. Most are still accustomed to running their businesses conventionally, so the use of digital technology whether for NIB registration through the OSS system or for promotional activities using social media is perceived as difficult and confusing. In addition, limited understanding of legal and administrative aspects is also an obstacle. Many business actors are not yet aware of the importance of formal legality for the sustainability of their businesses, so they lack the motivation to apply for NIB independently (Ranca, 2025).

Another obstacle faced is the issue of branding costs. Creating logos and banners requires additional funds, which some MSMEs consider a burden, even though visual identity is very important in enhancing business professionalism and attracting consumer attention. On the other hand, resistance to change also arises from some business actors who still believe that traditional systems, such as word-of-mouth promotion and simple operations, are sufficient to maintain their businesses. This attitude indicates psychological barriers to accepting digital innovation. Not only internal factors, but external constraints also play a role. Infrastructure limitations, particularly uneven and unstable internet access in rural areas, often hinder the digitalization process, whether in NIB registration or online promotional activities. Additionally, the lack of ongoing support is a significant issue. Existing mentoring programs do assist SMEs in the initial stages, but without consistent support from the government, academia, or the community, business operators may revert to their old manual ways (Chadafi et al., 2025).

Thus, the challenges in implementing digital transformation and legalization in Dusun Sangon II encompass aspects of literacy, legal understanding, cost constraints, resistance to change, infrastructure, and the sustainability of support (Nurpibadi et al., 2024). All these obstacles underscore that digitalization and legal compliance are not sufficient with merely providing facilities; they also require education, long-term support, and sustained collaboration to ensure that SMEs can truly adapt and develop competitively.

The Impact of Legality and Digitalization on Business Growth

Business legality through the possession of a Business Identification Number (NIB) has a significant impact on MSME players in Sangon II Hamlet. Before the assistance program, most

business players did not have official permits, which limited their access to government programs, including capital assistance, certification, and business training. After registering for an NIB through the Online Single Submission (OSS) system, SMEs obtained legal identity. This legal status enhances consumer and business partner trust while opening opportunities for collaboration with external parties. This aligns with the findings of Astutik et al. (2023), who noted that NIB registration is a crucial prerequisite for SMEs to expand their business networks and secure support from various stakeholders. Thus, the NIB serves not only as a formal identity but also as a key to business sustainability amid increasingly competitive competition.

Beyond legal compliance, business digitalization has brought significant changes to the development of SMEs in Sangon II. Through mentoring, SME operators have begun to utilize digital platforms such as WhatsApp, Instagram, and Shopee for promotional purposes. The creation of logos and banners tailored to the characteristics of local products strengthens the visual identity of the business while serving as the first step in building a digital brand. These efforts have proven to enhance marketing appeal, as products become easier to recognize and project a more professional image. According to Luthfa (2024), digitalization can expand the market reach of SMEs beyond geographical boundaries, so sales opportunities are not only dependent on local consumers but can also reach buyers from outside the region.

The implementation of digitalization also impacts business management. With the introduction of simple record-keeping through applications or digital media, SME operators can manage finances in a more structured manner. This finding aligns with Hafifulsyah's (2023) research, which shows that digitally-based SMEs post-pandemic are more adaptive in managing marketing strategies and financial record-keeping. However, digital literacy among the community in Sangon II remains a major challenge, as some business operators are still accustomed to conventional methods. Therefore, ongoing support is needed to ensure that digital transformation can proceed sustainably.

The synergy between legality and digitalization has proven to be an effective strategy for promoting SME growth in Sangon II Village. Legality through the NIB provides formal legitimacy that strengthens consumer trust and opens access to various government facilities, while digitalization expands the market, strengthens branding, and improves business management efficiency. Purwanti et al. (2022) emphasize that strengthening legality accompanied by digitalization can accelerate the integration of MSMEs into the formal and modern digital economic ecosystem. With the support of the village government, educational institutions, and active community participation, this mentoring model is a concrete example of how local MSMEs can transform to become more competitive and competitive.

Participatory Mentoring as a Process of Social Learning and Community Capacity Building

Beyond the tangible outputs of obtaining Business Identification Numbers (NIB), designing business logos, and producing promotional banners, the mentoring program generated broader social impacts by strengthening the capacity of MSME actors through participatory learning. Rather than positioning community members as passive beneficiaries, the program actively involved them in identifying business problems, discussing possible solutions, and implementing practical strategies together with the mentoring team. This participatory approach encouraged

business actors to become active learners who gradually developed confidence in adopting new knowledge and technologies.

The mentoring process functioned as a form of social learning, where knowledge was not transferred in a one-way manner but was constructed collaboratively through interaction among MSME actors, village government representatives, academics, and local partner institutions. During the registration of NIB through the Online Single Submission (OSS) system, participants learned not only the technical procedures but also the importance of business legality for long-term business sustainability. Likewise, discussions on branding enabled MSME actors to understand that logos and promotional media represent strategic business assets rather than merely aesthetic components. Continuous interaction throughout the mentoring process encouraged peer learning, experience sharing, and collective problem-solving, which strengthened the participants' ability to adapt to digital and administrative changes.

From the perspective of community empowerment theory, this process reflects capacity building, which aims to enhance the knowledge, skills, and self-reliance of local communities (Eade, 1997). Capacity building is achieved not only through the provision of technical assistance but also by enabling communities to develop the competence and confidence required to manage their own development processes. The mentoring activities therefore contributed to improving institutional capacity at the hamlet level by fostering collaboration between MSME actors, village authorities, universities, and supporting organizations. Such collaboration established a local support network that can sustain business development beyond the completion of the community service program.

Furthermore, the mentoring activities also contributed to social change within Sangon II Hamlet. Initially, many MSME actors perceived legal registration, digital promotion, and administrative record-keeping as unnecessary or overly complicated. Through participatory engagement and continuous assistance, these perceptions gradually shifted toward recognizing legality and digitalization as essential components of business competitiveness. This transformation illustrates that community empowerment is not limited to producing immediate outputs but also involves changing attitudes, behaviours, and collective awareness. As argued by Freire (1970), participatory education encourages critical consciousness (conscientization), enabling communities to identify their own challenges and actively participate in solving them.

Therefore, the success of this program should not be assessed solely by the number of NIB registrations or branding outputs produced, but also by the emergence of stronger community capacity, collaborative learning practices, and a greater willingness among MSME actors to embrace innovation. These intangible outcomes provide an important foundation for sustaining digital transformation and legal compliance initiatives at the village level, ensuring that community empowerment continues beyond the duration of the mentoring activities.

D. CONCLUSION

This study demonstrates that integrating business legality and digital transformation through participatory mentoring effectively strengthens the competitiveness and institutional capacity of MSMEs in Sangon II Hamlet. The implementation of the Business Identification Number (NIB) has provided formal legal recognition, increased business credibility, and expanded access to government support programs, including business financing, certification, and

entrepreneurship development initiatives. At the same time, branding activities through the development of business logos and promotional banners have enhanced the visual identity of MSMEs, improved product recognition, and supported broader marketing efforts both offline and through digital platforms. More importantly, the mentoring process encouraged community capacity building by improving digital literacy, strengthening business management skills, and fostering greater awareness of the importance of legality and innovation for sustainable business development.

Despite these positive outcomes, several challenges remain, particularly limited digital literacy, inadequate technological infrastructure, financial constraints for branding activities, and the need for continuous technical assistance. These findings indicate that digital transformation is not solely a technological issue but also a process of social learning that requires sustained institutional support and community participation.

From a policy perspective, village governments should play a more proactive role by establishing regular facilitation services for Business Identification Number (NIB) registration, disseminating information on business legality, and integrating MSME development into village economic planning. Local governments are also encouraged to strengthen digital infrastructure, especially internet accessibility in rural areas, while facilitating access to branding assistance, product certification, and digital marketing programs. Furthermore, higher education institutions should expand community engagement through continuous mentoring, business incubation, and digital entrepreneurship training to ensure that MSMEs receive long-term assistance beyond short-term community service programs. Collaboration among village governments, universities, financial institutions, and community organizations is therefore essential to creating a sustainable local MSME ecosystem.

Future studies are recommended to evaluate the long-term impacts of participatory mentoring on MSME performance, including business income, digital adoption, business resilience, and market expansion. Comparative studies across different rural communities would also provide a broader understanding of how participatory empowerment models can support sustainable local economic development under diverse socio-economic conditions.

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