



Legal Status of MSMEs in Giripanggung Village, Gunungkidul, Yogyakarta, Indonesia

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Abstract

This study comprehensively explores the legal compliance of Micro, Small, and Medium Enterprises (MSMEs) in Giripanggung Village, Tepus District, Gunungkidul Regency. The research aims to identify the current state of business legality, including registration and certification such as Business Identification Number (NIB), Home Industry Food Production Certificate (SPP-IRT), Hygiene and Safety Certificate, and Halal Certification. Based on a dataset of 21 MSMEs, the findings indicate that while there is notable entrepreneurial activity in the village, the level of legal compliance is still low. These results underscore the importance of targeted mentoring and capacity-building programs for MSMEs to improve competitiveness and access to wider markets.

Keywords: *Legality, Giripanggung, MSMEs, Empowerment, Regulation*

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have long been recognized as the backbone of local and national economies. In rural areas such as Giripanggung Village, these enterprises provide employment opportunities, diversify the economy, and contribute to community resilience. However, their potential is often limited by a lack of legal compliance. Legal documentation is crucial as it formalizes the status of the enterprise, enables participation in government programs, and facilitates access to capital. Giripanggung is a rural village located in Tepus District, Gunungkidul Regency, Special Region of Yogyakarta. The area is characterized by the karst landscape of Gunungkidul, with hilly dry land and limited access to the main urban center of Wonosari. Most residents rely on agriculture, livestock, and informal work, with a high level of dependence on local natural resources.

Basic infrastructure such as roads, markets, schools, and health services is available but remains limited. Due to its location far from the main tourism routes of Gunungkidul, Giripanggung receives very few visitors compared to other villages that benefit from the tourism industry. This geographic condition makes MSMEs one of the key drivers of the local economy. Although small in scale, these enterprises have



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begun to develop in sectors such as processed foods, handicrafts, services, and other local products. However, without adequate legal compliance and access to broader markets, this potential has not yet significantly contributed to improving the community's welfare.

Giripanggung Village has unique challenges compared to other villages in Gunungkidul Regency. The village is located in a relatively remote area, far from major access roads, public transportation, and essential public facilities such as markets, schools, and health services. Although Gunungkidul is well-known for its natural attractions and tourism industry, Giripanggung does not yet have established tourism objects that attract visitors. This isolation has a direct impact on the development of its local economy, resulting in slower market exposure and more limited access to resources for MSMEs.

Despite the dynamic entrepreneurial landscape in Giripanggung, many businesses operate informally. Without proper registration and certification, MSMEs face significant challenges, including limited market reach and reduced consumer trust. This study was conducted to systematically map out the extent to which MSMEs in Giripanggung comply with essential legal standards and to highlight areas for improvement.

2. Methodology

This study employed a descriptive quantitative method. The analyzed data were collected from a survey conducted in Giripanggung Village covering 21 MSMEs. Each enterprise was assessed for four key types of legal compliance:

- a. Business Identification Number (NIB)
- b. Home Industry Food Production Certificate (SPP-IRT)
- c. Hygiene and Safety Certificate
- d. Halal Certification

The data were then tabulated and visualized using bar charts and pie charts to identify patterns of compliance. In addition to the survey, qualitative data were collected through observation and documentation during mentoring activities for MSMEs that began in early 2023. These mentoring activities focused on assisting MSMEs in obtaining legal documentation, improving branding, and preparing for digital marketing.

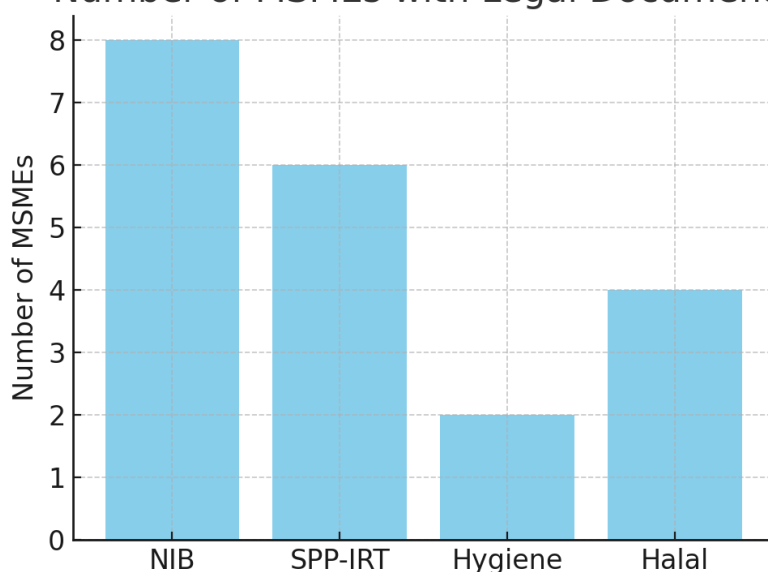
3. Results and Discussion

The surveyed MSMEs encompass a wide range of business types, including traditional food stalls, catering services, snack producers, laundry services, mobile phone and credit shops, traditional herbal drink makers, garment production, and salted egg producers. This diversity indicates significant potential for local economic development. However, due to the village's limited

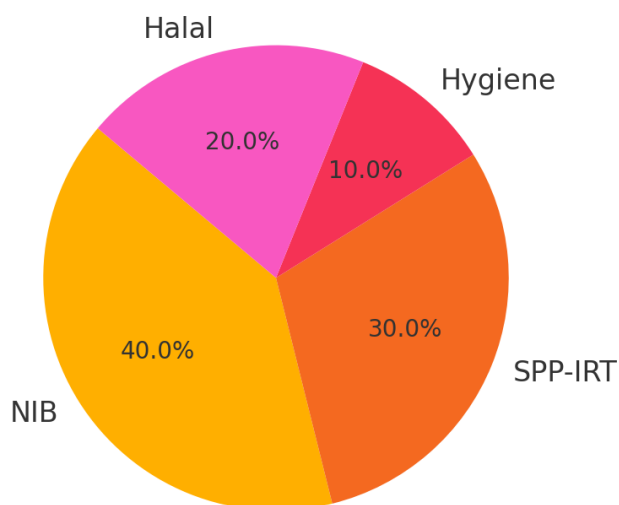
accessibility, these businesses often struggle to reach wider markets outside the immediate community.

The analysis revealed that 9 MSMEs (42.8%) possess a Business Identification Number (NIB), 6 MSMEs (28.5%) hold an SPP-IRT, 3 MSMEs (14.2%) have obtained a Hygiene and Safety Certificate, and 4 MSMEs (19%) are certified halal. Remarkably, only one enterprise – Mustika Cake & BGM Production – has fulfilled all four legal requirements.

Number of MSMEs with Legal Documents



Distribution of Legal Compliance





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Legal compliance for MSMEs is vital as it provides formal recognition of the business, grants access to markets, allows participation in government assistance programs, and improves consumer trust. It also encourages good management practices and opens up opportunities for financing and partnerships. However, in Giripanggung Village, the majority of MSMEs have not yet fulfilled these legal requirements. This is largely due to limited access to administrative services, the distance from urban centers where legal assistance is available, and a lack of knowledge and awareness among entrepreneurs about the benefits of legal compliance. These factors make it difficult for MSMEs to formalize their businesses even when they have the motivation to grow.

Several key factors contribute to the low rate of compliance:

- Limited knowledge and awareness about legal requirements.
- Administrative complexity and time-consuming procedures.
- Financial barriers, as certain certifications require fees.
- Lack of mentoring and support from relevant institutions.
- Geographic isolation of Giripanggung Village, which limits access to training, mentoring, and institutional support.

After the COVID-19 pandemic (2021-2022), observations revealed that no MSMEs in Giripanggung had formal legality. This was a critical concern as it hindered local entrepreneurs from reaching broader markets and participating in any government-supported programs.

In 2023, a structured mentoring program began under the facilitation of the researchers, who actively guided MSME actors to start with the most basic form of legality: the Business Identification Number (NIB). This mentoring was accompanied by the legalization of the Village-Owned Enterprise (BUMDes), which became a hub for collaborative economic development.

From January 2023 to June 2024, these mentoring activities covered:

- Assisting MSMEs to obtain NIB – at least 9 enterprises successfully registered by mid-2024.
- Awareness building on the importance of legality – workshops and socialization sessions were held, attended by MSME owners.
- Training for digital marketing and branding – MSMEs were trained on how to promote products online, which became critical because local market demand was very limited.
- Mentoring on legal certification (SPP-IRT and Halal) – step-by-step guidance was provided for MSMEs to fulfill certification requirements.
- BUMDes strengthening – BUMDes was developed to act as a collective business entity that could help in product aggregation, licensing, and market access.

The primary goal of these interventions is to prepare MSMEs in Giripanggung to enter wider markets. Reliance on the local market alone will not allow them to grow sustainably due to the geographical limitations: Giripanggung is far from



urban centers and lacks direct tourism inflows. By achieving legal compliance and enhancing their digital presence, these MSMEs can access urban markets and even online platforms to increase revenue.

Beyond these mentoring activities, there are also cultural and behavioral aspects that influence the compliance of MSMEs in Giripanggung. Many entrepreneurs still perceive legality as a burden rather than as a long-term investment. Changing this mindset requires consistent education and examples of success stories from fellow entrepreneurs who have benefited from legal compliance.

Another challenge lies in the sustainability of mentoring programs. While significant progress has been achieved during 2023 and early 2024, there is a need for a long-term institutionalized mentoring model that can be implemented at the village level, ideally led by BUMDes and supported by higher education institutions, local governments, and private sector partners. Through such a collaborative model, the capacity of MSMEs can be continuously strengthened rather than relying solely on project-based mentoring that ends once the external facilitators leave.

Moreover, market access remains one of the primary obstacles. Even after meeting legal requirements, MSMEs still need to overcome logistical challenges, limited production capacity, and the lack of networks to connect with buyers outside the local area. Addressing these obstacles requires a comprehensive approach that integrates legality with entrepreneurship training, cooperative marketing strategies, and partnerships with e-commerce platforms or urban retailers.

Finally, the experience from Giripanggung demonstrates that legal compliance is not only a bureaucratic necessity but also a stepping stone toward sustainable rural development. When MSMEs are legally established, they gain confidence to innovate, participate in broader markets, and contribute more significantly to the economic resilience of their community. Thus, legality serves as the foundation for long-term empowerment and local economic growth.

4. Conclusion

The study concludes that MSMEs in Giripanggung Village have diverse and promising economic activities but still lack formal legal compliance. The combination of limited infrastructure, geographic isolation, and a lack of tourism or major economic hubs further hinders their growth. There is an urgent need for structured interventions, including education, mentoring, and facilitation to assist these businesses in obtaining the required legal documents.

5. Recommendations

The legal status of Micro, Small, and Medium Enterprises (MSMEs) in Giripanggung Village, Gunungkidul, Yogyakarta, Indonesia, requires strategic efforts to ensure sustainable development and compliance. To address existing challenges, it is recommended to launch regular mentoring programs that guide



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MSME actors through the often complex legal documentation process. Additionally, organizing targeted training sessions and workshops can significantly raise awareness about the importance of legal compliance and certification. Providing financial assistance and simplifying the certification process would further support these enterprises in becoming legally recognized. Establishing a village-based MSME forum is also crucial for encouraging collaboration and peer learning among business owners. Lastly, improving infrastructure and enhancing access to public facilities will serve as a vital foundation for boosting local economic growth and supporting the broader development of MSMEs in the area.

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