

Strategic Pathways for MSME Development Through Business Legality and Halal Certification: Evidence from Ambon City

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Abstract

This study examines the internal and external factors influencing the development of Micro, Small, and Medium Enterprises (MSMEs) in Ambon City, with particular attention to business legality through the Business Identification Number (Nomor Induk Berusaha, NIB) and halal product certification. A qualitative, descriptive-analytical approach was employed, drawing on in-depth interviews, observations, and document analysis involving 20 informants comprising MSME actors and relevant stakeholders. The findings indicate that internal motivation, awareness of legal compliance, and commitment to halal principles constitute key strengths. In contrast, limited access to capital, low administrative literacy, and reliance on external facilitators emerge as significant internal constraints. Externally, free NIB registration and halal certification programs, mentoring initiatives, and improved access to financing and markets present substantial opportunities. However, these opportunities are tempered by challenges such as limited availability of halal raw materials and technical barriers associated with digital systems. A weighted SWOT analysis (Internal Factor Analysis Summary, IFAS and External Factor Analysis Summary, EFAS) identifies four strategic directions: (1) accelerating business legality and halal certification (S-O); (2) strengthening internal capacity through integrated mentoring (W-O); (3) mitigating external threats through internal discipline and regulatory adaptation (S-T); and (4) adopting defensive strategies based on business scale adjustment (W-T). The study concludes that integrating NIB registration with halal certification can enhance MSME competitiveness, expand market access, and support long-term sustainability in Ambon City.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have long been recognized as the backbone of the Indonesian economy, contributing substantially to gross domestic product (GDP) and employment generation (Tambunan, 2021; Sahetapy, et al., 2025). At the local level, Ambon City, as an economic hub in the Maluku Islands, relies heavily on MSMEs to sustain regional economic stability, particularly those engaged in processed food industries based on marine resources and spices (Cooperative and MSME Office of Ambon City, 2025). Despite this considerable potential, the majority of MSMEs in Ambon City continue to operate informally. Recent data indicate that out of 30,828 MSME units, only about 4% (1,199 enterprises) have obtained a Business Identification Number (Nomor Induk Berusaha, NIB), and merely 397 MSME units have secured halal certification as of 2024 (Halal Product Assurance Organizing Agency, Ministry of Religious Affairs of Maluku Province, 2025). These figures point to a substantial gap between local economic potential and the institutional capacity and legal compliance of business actors.

Business legality through NIB should not be viewed as a mere administrative requirement, but rather as a foundational instrument enabling MSMEs to participate in the formal economic ecosystem. As a legal identity, the NIB facilitates access to bank financing, eligibility for government procurement, and legal protection of business assets (Fadilah & Syifa, 2025; Hutagalau & Parhusip, 2024). In parallel, within the world's largest Muslim consumer market, halal product certification has evolved into a global standard that extends beyond religious considerations. It functions as a credence attribute that assures product safety, quality, and Sharia compliance, thereby shaping competitiveness in both domestic and international markets (Anggarkasih & Resma, 2022; Ibrahim et al., 2023).

The integration of business legality and halal certification is therefore expected to generate a reinforcing effect for MSMEs. Legal status provides institutional legitimacy and regulatory security, while halal certification strengthens market positioning and consumer trust (Fathoni et al., 2024). In practice, however, achieving such synergy in archipelagic regions such as Ambon City remains challenging. Geographic fragmentation, limited infrastructure, restricted access to information, and uneven digital connectivity create a complex policy environment in which national initiatives are often implemented unevenly (Zuan et al., 2024). This makes Ambon City a particularly relevant empirical setting for examining MSME development grounded in legal compliance and halal standards.

A central issue faced by MSMEs in Ambon City is the pronounced gap between government policies promoting MSME formalization and certification and the actual capacities and conditions of grassroots entrepreneurs. On one hand, the government has introduced a range of affirmative measures, including the Online Single Submission (OSS) system for NIB registration and the Free Halal Certification Program (Sertifikasi Halal Gratis, SEHATT) administered by the Halal Product Assurance Organizing Agency (Badan Penyelenggara Jaminan Produk Halal, BPJPH) (Fathoni et al., 2024; Jubaedah, 2023). On the other hand, the policy implementation encounters structural barriers. Preliminary observations reveal that MSMEs in Ambon City often struggle with perceived bureaucratic complexity, low digital literacy, hidden costs associated with meeting production standards, and limited access to certified halal raw materials (Cooperative and MSME Office of Ambon City, 2025).

These challenges are not merely administrative in nature; they are also shaped by socio-cultural and psychological factors. Many micro-entrepreneurs still perceive business legality as a burden associated with taxation rather than as an opportunity for growth (Hutagalau & Parhusip, 2024). Similarly, halal certification is frequently understood in ritual terms, without being recognized as a strategic tool for marketing and quality assurance (Mellita et al., 2020). Such perceptions contribute to passive resistance and low compliance, ultimately excluding MSMEs from modern supply chains, formal financing, and government support programs that increasingly require NIB registration and halal certification. As a result, MSMEs remain trapped in informality and low competitiveness.

Scholarly attention to MSME development strategies has increased, particularly with respect to business legality and halal certification as separate themes. Studies by Fadilah and Syifa (2025) and Asrofi and Supriyono (2025), for instance, emphasized the role of NIB in enhancing legal status and access to finance. Meanwhile, researches focusing on halal aspects, such as that of Anggarkasih and Resma (2022) and Fitri et al. (2023), highlighted the influence of certification on consumer trust and sales performance. Nevertheless, integrative analyses that link both dimensions within an MSME empowerment framework remain limited. Although Sukardi et al. (2023)

examined the combined effects of legality and halal labeling on income, their quantitative approach offered limited insights into the lived experiences, perceptions, and adaptive strategies of MSME actors.

Moreover, most existing studies are concentrated in economic centers on Java Island, where infrastructure, market access, and institutional capacity differ markedly from those of eastern Indonesia's archipelagic regions (Ma'arif & Rahmawati, 2023). Further, researches that explicitly address the unique constraints and socio-geographic characteristics of island regions are still underexplored. To date, in-depth qualitative studies integrating business legality (NIB) and halal certification to explore both enabling and constraining factors from the perspective of MSMEs in archipelagic contexts, such as Ambon City, remain largely absent.

This present study seeks to contribute in three key ways. First, by employing a qualitative approach, it captures the narratives, experiences, and subjective meanings constructed by MSME actors and stakeholders throughout the processes of legalization and certification, thereby complementing earlier quantitative works. Second, it proposes an integrative analytical model using a weighted SWOT framework (Internal Factor Analysis Summary, IFAS and External Factor Analysis Summary, EFAS) grounded in empirical qualitative data, allowing not only identification but also relative assessment of strategic factors based on the fieldwork. Third, by focusing on Ambon City as an archipelagic setting, this study offers a rich contextual contribution to MSME, business law, and halal studies.

Based on these considerations, the main research question addressed in this study is: "How can MSME development strategies in Ambon City be formulated through the integration of business legality (NIB) and halal product certification?" This main question is further elaborated into four operational inquiries: (1) What internal and external factors influence MSME development through NIB registration and halal certification in Ambon City?; (2) What are the key internal strengths and weaknesses of MSMEs in managing NIB and halal certification?; (3) What external opportunities and threats shape MSME engagement with these two instruments?; and (4) How can integrative MSME development strategies be formulated based on a SWOT analysis (IFAS–EFAS)?

Through this approach, this study is expected to extend the literature on MSME economics, business law, and halal studies by offering an integrative and context-sensitive perspective drawn from an archipelagic region.

METHODS

This study adopted a qualitative approach with a descriptive-analytical design. This approach was considered appropriate because the research problem extends beyond quantitative indicators, such as the number of MSMEs holding a NIB or halal certification, and instead involves a deeper exploration of complex social phenomena (Creswell & Poth, 2018). This study seeks to understand the meanings, experiences, perceptions, motivations, and adaptive strategies of MSME actors and relevant stakeholders in relation to business legality and halal certification processes in Ambon City. The descriptive-analytical design would enable a systematic portrayal of the factors shaping these processes, while also allowing analysis of the relationships among factors in order to formulate development strategies.

Fieldwork was conducted over a four-month period, from April to July 2025. This timeframe was selected in consideration of informant availability and the implementation cycles of relevant government programs. The research site was Ambon City, Maluku Province. Ambon City was selected because it serves as the economic and administrative center of the Maluku Islands, hosts a substantial number of MSMEs, and yet exhibits relatively low levels of NIB ownership and halal certification. In addition, its archipelagic characteristics, marked by unique infrastructural limitations and accessibility challenges, provide a distinctive and relevant context for examining MSME development.

Primary data were obtained directly from field sources and were qualitative in nature, consisting of transcripts from in-depth interviews, field notes from observations, and visual documentation such as photographs of production processes and facilities, as well as screenshots of digital systems. Secondary data were used to support and contextualize the primary findings and to facilitate triangulation. These data included policy documents (laws, government regulations, and local regulations), official reports from relevant agencies (e.g., Cooperative and MSME Office and BPJPH of Maluku Province), MSME statistical data, and related scholarly publications.

A total of 20 informants were selected to represent the broader ecosystem of MSME development related to business legality and halal certification in Ambon City. They were grouped into three categories. The first group comprised eight MSME actors operating MSMEs in the processed food sector, including businesses that had already obtained NIB and/or halal certification, those in the process of doing so, and those that had not yet initiated the process. The second group consisted of four facilitators, including MSME mentors from the Regional Technical Implementation Unit for Integrated Business Services (Unit Pelaksana Teknis Daerah Pusat Layanan Usaha Terpadu, UPTD PLUT) of Ambon City and halal facilitators from the Halal Inspection Assistance Institution (Lembaga Pendampingan Pemeriksaan Halal, LP3H). The third group included eight stakeholders from government agencies and related institutions, such as the Cooperative and MSME Office, the Investment and One-Stop Integrated Services Office (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu, DPMPSTP), BPJPH of Maluku Province, the Indonesian Ulema Council (Majelis Ulama Indonesia, MUI) of Maluku Province, and the Cooperative and MSME Training Center.

Informants were selected using a combination of purposive sampling and snowball sampling. Initially, key informants were identified based on their roles and expertise within the MSME legality and halal certification ecosystem, such as senior officials in the Cooperative Office or the head of LP3H. These key informants then recommended additional participants with relevant experience, including MSME actors with specific involvement in the processes under

study. Data collection continued until data saturation was reached, defined as the point at which new interviews no longer yielded substantially new information or themes (Saunders et al., 2018).

The primary data collection method was semi-structured, in-depth interviews. An interview guide was developed based on the research questions, while maintaining flexibility to follow the informants' narratives. Interviews were conducted face-to-face and audio-recorded with the informants' consent. In addition, non-participant observations were carried out to examine business locations, production processes, facility cleanliness, and mentoring activities. Document analysis was also undertaken, focusing on relevant legal regulations, annual agency reports, and technical guidelines for OSS and the SIHALAL system.

Data analysis followed the interactive model proposed by Miles et al (2014), which involves three concurrent stages: data reduction, data display, and conclusion drawing/verification. During data reduction, raw data from transcripts and field notes were selected, focused, simplified, and organized into initial themes or codes aligned with the research focus, such as "motivation for NIB registration" or "constraints in accessing halal raw materials." The reduced data were then presented in the form of concise descriptive narratives, matrices, and relational diagrams to facilitate interpretation. Conclusions were developed iteratively and continuously verified throughout the analysis process.

The qualitative findings subsequently became the foundation for a further analysis, which was a weighted SWOT analysis (IFAS and EFAS). Internal factors (strengths and weaknesses) and external factors (opportunities and threats) identified through qualitative analysis were assigned weights based on their frequency and impact intensity, as well as ratings reflecting the actual conditions faced by MSMEs. The resulting IFAS–EFAS matrix was used to formulate S-O, W-O, S-T, and W-T strategies grounded in empirical evidence. To ensure the validity of the data and findings, triangulation method was employed by comparing information obtained from MSME actors, facilitators, and government representatives (Sahetapy, et al., 2024).

RESULTS AND DISCUSSION

Dynamics of Internal Factors in MSME Development

The findings reveal a complex configuration of internal factors shaping MSME development in Ambon City, where strengths and weaknesses are closely intertwined, simultaneously forming both the foundation and the constraints for business growth based on legality and halal compliance. One of the most salient internal strengths is the emergence of instrumental motivation and normative awareness among business actors regarding the importance of formal legality. This motivation is no longer passive; rather, it is increasingly driven by a deliberate intention to access government programs such as capital assistance, capacity-building training, and marketing facilitation through e-catalog platforms, all of which explicitly require possession of a NIB. This shift reflects a broader transformation in mindset, from

informal, subsistence-oriented activities toward a more formal and sustainable business orientation (Hutagalau & Parhusip, 2024). Such motivation constitutes an important form of psychological capital that encourages MSME actors to initiate formalization processes and internalize principles of effective business governance.

With regard to halal certification, internal strength is primarily generated through market-driven pressure and trust. Field evidence indicates that consumers, including those engaging through social media, increasingly inquire about and actively seek halal labels on MSME products. In response, business owners tend to view halal certification not merely as a religious obligation, but as a strategy for reputation and marketing crucial for maintaining and expanding customer bases (Anggarkasih & Resma, 2022). High levels of consumer trust associated with halal labels function as an intangible asset that enhances product competitiveness in increasingly saturated markets. From a Resource-Based View (RBV) perspective, such trust represents a valuable, rare, and difficult-to-imitate resource that can underpin sustainable competitive advantage (Barney, 1991).

At a more fundamental level, this study also identifies a substantive commitment to halal principles that is already embedded in the daily practices of many MSMEs, particularly those operating in the food sector. This commitment is reflected in consistent efforts to select ingredients believed to be halal and to maintain hygiene throughout the production process, even prior to formal certification. These practices suggest that halal values have become part of the production ethos, serving as both a moral foundation and a quality assurance mechanism. As a latent strength, this consistency can be readily transformed into a strong product differentiation strategy once supported by formal certification. In this context, halal certification functions as formal recognition of existing good practices and as a credible signal to consumers.

Despite these strengths, this study uncovers significant internal weaknesses, most notably limited financial capital and inadequate production facilities. For many home-based MSMEs, the costs associated with upgrading production spaces, such as separating business kitchens from household kitchens or replacing equipment with food-grade materials, pose substantial barriers. These financial constraints often delay or even prevent compliance with the technical standards required in halal certification audits. As a result, intentions to pursue certification are frequently constrained by limited economic capacity, creating a mismatch between entrepreneurial aspirations and the ability to invest in initial improvements.

Another critical internal weakness lies in low levels of administrative and digital literacy among MSME actors. Although the OSS system for NIB registration and the SIHALAL platform for halal certification were designed to simplify procedures, they often become sources of anxiety and confusion. Many MSME owners, particularly older individuals or those with limited formal education, struggle with system navigation, the selection of appropriate Indonesian Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha Indonesia, KBLI) codes, and electronic document uploads. Consequently, there is a high degree of dependence on external facilitators from institutions such as PLUT. While such assistance is valuable in the short term, excessive reliance may inhibit long-term self-reliance and learning capacity, while simultaneously straining the limited resources of mentoring institutions.

Weaknesses also emerge from the realm of perception and psychological construction. Persistent stigmas that “licensing is complicated and costly”, along with fears that obtaining a NIB will automatically attract tax obligations, remain deeply embedded among many MSME actors. These negative perceptions, although often inconsistent with the availability of free or

subsidized programs, create psychological barriers and passive resistance to formalization. This resistance is compounded by time constraints faced by MSME actors who typically operate as sole workers, making administrative tasks appear disruptive to core productive activities. The combination of negative perceptions and limited time thus forms a non-technical barrier that cannot be addressed solely through the provision of digital services.

Overall, the internal dynamics of MSME development in Ambon City reveal a clear paradox. On one hand, there exists strong social and motivational capital in the form of legal awareness, market responsiveness, and commitment to halal quality. On the other hand, these capitals are constrained by structural limitations, including financial capacity, administrative and technical skills, and psychological resistance. The dialectical interaction between strengths and weaknesses defines a critical starting point for development efforts. The effectiveness of MSME development strategies, therefore, depends on the ability to reinforce and mobilize positive internal assets while systematically and empathetically addressing the underlying constraints that hinder the transition from informal enterprises to legally recognized, halal-certified, and competitive businesses.

Dynamics of External Factors in MSME Development

The external environment surrounding MSMEs in Ambon City constitutes a landscape shaped by both strategic opportunities and structural threats, each playing a decisive role in either accelerating or constraining business growth. One of the most prominent opportunities arises from affirmative government policies that have created low-cost pathways toward formalization. Programs such as SEHATI administered by BPJPH and OSS system for NIB registration are designed as direct interventions to reduce financial and bureaucratic barriers. These initiatives illustrate how public policy can actively expand business opportunities by fostering a more supportive regulatory ecosystem. Complementing these policies, the presence of mentoring infrastructure, particularly through PLUT and LP3H, serves as an important, albeit limited, catalyst in bridging policy objectives with the technical capacities of MSMEs on the field.

Beyond policy support, market trends and shifts in consumer behavior constitute demand-driven external opportunities. Growing consumer awareness of halal products is no longer rooted solely in religious considerations, but increasingly in perceptions of quality, safety, and sustainability. The global halal industry, valued at trillions of dollars, sends a strong market signal that reinforces the relevance of halal standards for local MSMEs. At the same time, lifestyle changes have encouraged the expansion of modern distribution channels, including retail chains and e-commerce platforms, where legal status and certification function as minimum entry requirements. The ability of MSMEs to respond to these socio-cultural and market transformations is therefore central to accessing broader and more relevant markets.

Conversely, MSMEs in Ambon City face structural threats stemming from weaknesses in supply chains and supporting ecosystems. A fundamental constraint lies in the limited availability of locally sourced, halal-certified inputs, such as meat from certified slaughterhouses or specific auxiliary materials. This scarcity increases production costs and logistical complexity, revealing a misalignment between output-oriented policies (product certification) and input-level strengthening (availability of certified raw materials). As a result, MSMEs are often compelled to source inputs from outside the region at higher costs, thereby eroding price competitiveness.

Technical and institutional threats also emerge from the digitalization of licensing systems that have yet to become fully inclusive. Although the OSS and SIHALAL platforms were

designed to enhance efficiency, their implementation is frequently hampered by system errors, difficulties in selecting appropriate KBLI codes, and dynamic document upload requirements. Regulatory changes, including new Government Regulations, often add further layers of administrative complexity. These challenges are compounded by an imbalance between the number of available facilitators and the large population of MSMEs requiring assistance, resulting in mentoring services that are limited in reach, continuity, and sustainability. This condition underscores that digital transformation in the public sector must be accompanied by adequate facilitation and literacy efforts to prevent the creation of new forms of exclusion.

Additional external threats arise from competitive pressures within modern markets. Retail chains and supermarkets, often targeted by MSMEs seeking market expansion, impose stringent standards that extend beyond halal compliance to include volume capacity, consistency of quality, packaging, and delivery punctuality. For MSMEs with limited production capacity and relatively simple operational management, meeting these industry standards presents a significant challenge. Failure to adapt can marginalize MSMEs from formal value chains, thereby widening the gap between the MSMEs and more established business actors.

The interaction between these opportunities and threats creates a dynamic and, at times, paradoxical external environment. On one hand, the state plays an enabling role through supportive policies, while the market offers clear and growing demand. On the other hand, underdeveloped supporting infrastructure, technical constraints, and competitive pressures create a demanding terrain, particularly for resource-constrained MSMEs. Consequently, the ability to capitalize on available opportunities is closely tied to the capacity of MSMEs and their supporting ecosystems to address these structural threats simultaneously.

At this level, it becomes evident that MSME development strategies cannot focus solely on encouraging the utilization of existing opportunities. They must also actively build resilience and adaptive capacity in response to external challenges. This requires policy approaches that go beyond providing access, such as free certification, and instead strengthen the underlying ecosystem, including halal supply chains and sustainable mentoring systems. Only through such comprehensive support can the opportunities available be effectively accessed and utilized by MSMEs across Ambon City.

Synthesis of IFAS-EFAS Analysis and Integrative SWOT Strategies

The empirical findings analyzed through a quantitative SWOT framework (IFAS-EFAS) confirm that the strategic position of MSMEs in Ambon City, when developed through NIB registration and halal certification, falls within the aggressive growth quadrant. The total IFAS scores for business legality (3.38) and halal certification (3.61), alongside even higher EFAS scores (3.64 for NIB and 3.52 for halal), consistently indicate that internal strengths and external opportunities outweigh existing weaknesses and threats. This positioning suggests a highly supportive external environment and the presence of sufficient internal foundations for strategic advancement. Under such conditions, a defensive or survival-oriented policy stance would be suboptimal; instead, an offensive strategy that maximizes the interaction between strengths and opportunities (S-O) is both rational and necessary to accelerate large-scale formalization and certification.

The S-O (Strength-Opportunities) strategy should, therefore, serve as the core policy axis. Its central premise is to leverage strong internal motivation and growing legal awareness among MSMEs, together with high levels of consumer trust in halal products, to actively engage with

available government programs. In practical terms, this can be operationalized through integrated campaigns, such as a “Satu Gerakan, Dua Legitimasi” (“One Movement, Two Forms of Legitimacy”) initiative, where assistance for NIB registration via OSS is directly synchronized with halal certification registration through SIHALAL platform in a single service package. The local government can further support this approach by establishing “Gerai UMKM Naik Kelas” (“MSME Upgrading Service Booths”) in public spaces or relevant agencies, offering technical assistance, consultation, and even initial marketing facilitation for MSMEs that have completed both processes. Such measures reposition legality and certification from perceived administrative burdens into gateways to broader business ecosystems.

Recognizing, however, that MSMEs differ in their levels of readiness, complementary strategies that are corrective and adaptive remain essential. The W-O (Weakness-Opportunities) strategy is specifically designed to address capacity gaps by capitalizing on policy opportunities. Its focus lies in transforming mentoring and training programs from generic formats into thematic and tiered interventions. Examples include the establishment of “Sekolah Literasi UMKM Digital” (“Digital Literacy Schools for MSMEs”), which provide hands-on guidance in navigating OSS and SIHALAL systems, or “Klinik Pemenuhan Standar Halal” (“Halal Standards Clinics”) that assist MSMEs in overcoming production facility limitations through gradual, affordable solutions. In this way, opportunities in the form of free programs and mentoring are more precisely deployed to reduce the technical and administrative weaknesses that most constrain MSME development.

The S-T (Strength-Threats) strategy functions as a mitigation mechanism, enabling MSMEs to remain resilient in the face of structural threats. Internal strengths, particularly strong halal commitments and established reputational capital, are mobilized to counter challenges, such as the scarcity of halal-certified raw materials and technical barriers within digital systems. One concrete application involves facilitating the formation of collective purchasing groups among MSMEs operating in similar sectors. By pooling demand, these MSMEs can procure halal-certified inputs in larger volumes from trusted suppliers outside the region, thereby securing better prices and more stable supply chains while reducing deficiencies in local input markets. Through this approach, social networks are transformed into sources of economic bargaining power.

Finally, the W-T (Weakness-Threats) strategy serves as a socio-economic safety net for the most vulnerable segment of MSMEs, namely home-based MSMEs with severe constraints in capital, time, and literacy, which simultaneously face complex market and regulatory pressures. This defensive and pragmatic strategy prioritizes business survival rather than expansion, aiming to prevent complete exclusion from formalization pathways. Its implementation may take the form of extreme simplification, such as “Basic Certification Packages” with minimal initial requirements, or “Scheduled Door-to-Door Assistance” targeting MSME clusters in remote areas. The underlying objective is to ensure that no business actor is left so far behind that formalization becomes unattainable.

In sum, this analysis synthesis yields a differentiated and multi-layered model of MSME development strategy. It rejects a one-size-fits-all approach and acknowledges the heterogeneity of MSME capacities. The four strategies (S-O, W-O, S-T, and W-T) should be implemented in parallel and in a mutually reinforcing manner, supported by clear resource allocation and well-defined target groups. The S-O and W-O strategies function as the primary engines of growth, the S-T strategies act as stabilizers and problem-solvers, while the W-T strategies underpin policy

inclusivity. Only through such a comprehensive and balanced approach can the strong potential reflected in the IFAS-EFAS scores be translated into tangible, equitable improvements in competitiveness and welfare for MSMEs in Ambon City.

MSME Development Strategies through Business Legality and Halal Product Certification in Ambon City

The empirical findings from MSMEs in Ambon City indicate that MSME actors' strong motivation to obtain business legality (NIB) and halal certification is driven more by the desire to access government programs, such as financing schemes and inclusion in e-catalog platforms, than by purely intrinsic awareness. This pattern is consistent with the concept of "institutional pressure", in which compliance is largely shaped by external incentives rather than internalized norms (Scott, 2014). Nevertheless, the findings also reveal a gradual shift in perception, where business legality is increasingly understood not as an administrative burden, but as a strategic asset that provides legal certainty and institutional legitimacy. A previous research by Hutagalu and Parhusip (2024) similarly emphasized the importance of legal status for MSME protection in Semarang; however, this study extended the discussion by highlighting the equally strong role of market-driven motives, such as entry requirements for modern retail channels. This "market pull" phenomenon reflects a broader paradigm shift in which consumer legitimacy becomes a key driver of formalization.

Constraints related to capital and production facilities among MSMEs in Ambon City in meeting halal standards reflect broader patterns of "structural poverty" in MSME development. These limitations extend beyond financial limitation to include restricted access to adequate production infrastructure, such as separate kitchens, and reliable halal-certified supply chains. This finding resonates with empirical studies on Batik Blora MSMEs, which identified fundamental weaknesses in capital, technology, and human resources as barriers to sustainable business growth. What distinguishes the Ambon City context is the compounded geographic challenge, where as an archipelagic region, logistical constraints intensify the scarcity of locally available halal inputs and raise production costs. These conditions create structural barriers that differ markedly from those faced by MSMEs in Java's economic centers, as highlighted in studies on MSME strengthening strategies based on comparative advantage.

Low levels of digital and administrative literacy, which result in a high degree of dependence on facilitators in Ambon City, further reinforce earlier findings on the challenges of MSME digital transformation. Researches by Oppier et al. (2023) demonstrated that while digital adoption among MSMEs has increased, managerial and record-keeping capacities often remain weak. Findings in the case of Ambon City not only confirm these observations, but also add a new dimension: the complexity of dual digital systems. MSME actors are required to navigate both the OSS platform for NIB registration and the SIHALAL system for halal certification, each with distinct logics and procedural requirements. This digital gap fosters dependence on a limited number of facilitators, a challenge also acknowledged in national halal certification programs that rely heavily on Halal Product Process Assistants (Pendamping Proses Produk Halal, P3H). These findings suggest that digital policy initiatives often advance faster than the actual capacities of their intended users.

On the opportunity side, government-supported NIB registration and free halal certification programs represent powerful affirmative policies. Such initiatives align with "short-term poverty alleviation strategies" that emphasize resource transfers, as discussed in

development literature, and form part of a broader national effort to strengthen MSMEs and reduce poverty. Field evidence from Ambon City, however, reveals a critical implementation gap. Quota limitations and the self-declare mechanism within free halal certification schemes often fail to accommodate the complexity of local MSME products, leaving many enterprises reliant on regular, fee-based certification pathways. This underscores how the effectiveness of top-down policies is constrained by the technical readiness of MSMEs and the procedural flexibility available at the implementation level, a recurring challenge in growth-oriented development planning (Development Model I).

Further, external threats related to the scarcity of halal-certified inputs and unstable supply chains in Ambon City contribute meaningfully to discussions on MSME resilience. Business model studies frequently identify “key partners” and “key resources” as essential components of value creation. Disruptions in these components, such as the absence of halal-certified slaughterhouses or certified raw material suppliers, directly undermine MSMEs’ value propositions. These threats are structural in nature and call for policy interventions that extend beyond end producers to include upstream ecosystem strengthening. Such efforts require a social mobilization approach to planning, in which development is driven with and by communities – for example, through facilitating cooperatives for halal raw material suppliers or encouraging certification among local input producers.

The findings on the dual role of halal certification, as both a religious obligation and a market strategy, enrich existing discussions on the “added value” of certification. Anggarkasih and Resma (2022) emphasized halal certification as an export opportunity, while the Ambon case demonstrates that even non-Muslim consumers increasingly view halal labels as indicators of quality and safety. This broadens the relevance of halal certification within the domestic market. In this sense, halal certification functions as a quality signal that reduces information asymmetry between producers and consumers, similar to the role of branding. From a RBV perspective (Barney, 1991), a valid halal certificate can be considered a valuable and rare resource that supports competitive advantage, particularly in sensitive markets, such as food products.

The SWOT analysis, which recommends differentiated strategies (S-O, W-O, S-T, and W-T) for MSMEs with varying capacities, aligns strongly with the broader MSME strategy literature. The endorsement of aggressive growth strategies (S-O) for MSMEs ready to scale corresponds with findings that entrepreneurial orientation and innovation are central to growth. Conversely, defensive strategies (W-T) that emphasize simplification and prioritized assistance for the most vulnerable MSMEs are consistent with poverty alleviation frameworks that distinguish between transient and chronic poverty, as well as with presidential directives on targeted poverty reduction. This differentiated policy approach acknowledges MSME heterogeneity, an aspect often overlooked in uniform assistance programs.

Overall, this study highlights that the MSME development in archipelagic regions, such as Ambon City, is a complex process situated at the intersection of policy pressures, structural constraints, and market dynamics. While the integration of NIB registration and halal certification is conceptually synergistic, combining legal legitimacy with market legitimacy, its practical implementation is challenged by fragmented digital systems, capacity gaps, and imperfect supply chains. Accordingly, successful development strategies depend not on optimizing internal MSME factors or exploiting external opportunities in isolation, but on the ability to synchronize these interventions within a contextual, adaptive, and sustainable framework. Such an approach is essential to transforming latent potential into tangible competitiveness and to enabling MSMEs

to fulfill their vital role in driving the local economy.

CONCLUSION

Based on the analysis, this study concludes that the MSME development in Ambon City through the integration of business legality (NIB) and halal product certification is a multidimensional and context-specific transformative process. This integration goes beyond the fulfillment of administrative requirements; it functions as an upgrading strategy that enables MSMEs to transition from the informal sector into a more competitive and sustainable formal economic ecosystem. Internally, the MSMEs in Ambon City demonstrate strong social capital and a high level of motivation to transform. This motivation is dual in nature, shaped by external incentives, such as access to government programs, and by the market pull arising from increasingly discerning consumers who value halal labeling. However, this motivational capital is constrained by deep-rooted structural weaknesses, particularly limited financial resources for facility adjustments and low levels of digital and administrative literacy. These constraints foster heavy reliance on facilitators and hinder the MSMEs' ability to independently navigate formalization processes.

Furthermore, externally, the policy environment is broadly supportive, as reflected in affirmative initiatives such as the free NIB registration through the OSS system and the SEHATI Program. Despite this favorable context, the effectiveness of these opportunities is undermined by systematic structural threats, notably the underdeveloped local halal raw material supply chain and the imbalance between the number of available facilitators and the volume of MSMEs requiring assistance. This situation points to a misalignment between policies focused on output-level achievements (certification) and the insufficient strengthening of input-level support systems (the enabling ecosystem). The synthesis of the IFAS-EFAS analysis confirms that the MSMEs in Ambon City occupy a growth-oriented strategic position. The dominance of strengths and opportunities over weaknesses and threats indicates that offensive and aggressive strategies are the most rational choice. At the same time, the heterogeneous capacities of MSMEs necessitate a differentiated, rather than uniform, development approach

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