

Analysis Of The Factors Determining The Success Of Micro, Small And Medium Enterprises (MSMEs) In The Halal Industry In Medan City

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Abstract

Purpose: This study aims to analyze the factors determining the success of MSMEs in the halal industry in Medan City. **Methods:** Using a qualitative approach, the research explores the experiences and strategies of MSME actors in managing their businesses. **Results:** The findings indicate that the success of halal industry MSMEs is influenced by product innovation, the use of digital technology in marketing, and effective financial management. Government support through training, subsidies, and promotions also plays a significant role in enhancing competitiveness. Other factors, such as strategic business location and halal certification, significantly impact success. **Implications:** This study is expected to contribute to the development of theories and practices in the halal MSME sector Halal Industry Business Success, MSMEs and serve as a guide for stakeholders in advancing the halal industry in Medan City.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) in the halal industry in Medan City have great potential in supporting regional economic growth, increasing community income, and strengthening the competitiveness of local products. However, in practice, various obstacles are still found such as limited capital, less strategic business location selection, lack of access to digitalization, low legality and halal certification, and weak business management. This condition shows that although the number of MSMEs continues to increase, not all of them are able to achieve sustainable business success. Theoretically, the success of MSMEs is often explained through entrepreneurship theory and resource-based view that emphasize the importance of capital, business experience, innovation, and external environmental support in improving business performance (Novta & Sumiyana, 2023). In the context of the halal industry, the halal certification aspect is also a strategic factor that affects consumer confidence and product competitiveness (Puspita et al., 2024). Therefore, a study that is able to integrate internal and external factors in explaining the success of halal MSMEs is needed more comprehensively.

A number of recent studies show that business capital has a significant effect on increasing income and business development, because capital determines production capacity and the variety of products offered (Aji & Listyaningrum, 2021). In addition, the location of the business as part of the marketing mix has been proven to affect sales volume and profit achievement. The length of the business is also often associated with increased experience, production efficiency, and the expansion of the customer network which has an impact on revenue. Other research in the field of the halal industry emphasizes the importance of halal certification, product innovation, and government support in increasing the competitiveness of MSMEs (Puspita, 2024). The local government through the Cooperatives and MSMEs Office also plays a role as a facilitator in

providing training, equipment assistance, and business legality for MSME actors (Medan City Government, 2023). However, most of these studies use a quantitative approach and tend to test the influence of variables partially, so they have not described in depth the empirical experience of halal MSME actors at the local level.

Although various studies have discussed factors such as capital, location, business duration, innovation, and government support for the success of MSMEs, the study is generally general and has not specifically studied MSMEs in the halal industry in Medan City. In addition, the relationship between internal and external factors has not been widely analyzed in an integrated manner through a qualitative approach based on case studies. Thus, there is an empirical and theoretical gap in the form of a lack of in-depth understanding of how halal MSME actors in Medan City interpret and manage these factors in real practice. This study seeks to expand on previous studies by integrating various determinants of success in a more specific local context.

Based on these gaps, the question of this study is: How do capital factors, business location, business duration, halal certification, and government support affect the success of halal industry MSMEs in Medan City? This research aims to analyze and understand in depth the factors that determine the success of MSMEs in the halal industry through a qualitative approach. The novelty of this research lies in the integrated analysis between internal and external factors in the specific context of halal MSMEs in the city of Medan, as well as the use of a case study approach to produce findings that are more contextual and applicable for the development of theories and practices of halal MSMEs in Indonesia.

METHODS

This study uses a qualitative approach with a case study design and a descriptive phenomenological perspective to deeply understand the experience of halal industry MSME players in interpreting business success in Medan City. This design was chosen because it is appropriate to answer research questions that focus on subjective experiences, perceptions, and contextual dynamics that cannot be explained through quantitative approaches. The case study allows a comprehensive exploration of one business unit, namely the Mandheling Banana MSMEs, so that the interaction between internal and external factors can be understood in its entirety in a real context.

The subject of the study is the owner and manager of halal industry MSMEs that have been operating for at least three years. This criterion is set to ensure that informants have adequate experience in managing a business and facing various business challenges. The research was carried out in the city of Medan, North Sumatra. The selection of subjects was carried out purposively based on suitability with the research objectives.

Data collection techniques include semi-structured in-depth interviews, field observations, and documentation. Interviews are used to explore the experience, strategies, and views of informants related to business success factors, such as capital, location, innovation, halal certification, digitalization, and government support. Observations are carried out to understand operational practices and the context of the business environment directly. All interviews were recorded and transcribed verbatim as the main data, while field notes and supporting documents were used to enrich and verify the information.

Data analysis is carried out in stages using descriptive phenomenology, namely through the process of epoche (bracketing), horizontalization, grouping meanings into main themes, preparation of textural and structural descriptions, and synthesis of the essence of experience. To ensure credibility, this study applied triangulation of sources and methods as well as member checking to informants. The research procedures are carried out systematically and sequentially,

allowing replication in similar contexts, while still paying attention to research ethical principles such as participant consent and data confidentiality.

RESULTS AND DISCUSSION

MSMEs in Medan City

MSMEs in Medan City are an important sector in the local economy which includes various micro, small, and medium enterprises in the trade, services, and production sectors. Until 2022, there were 38,343 MSMEs in Medan City, with 1,875 of them being fostered by the Industrial and Trade SME Cooperative Office. These fosters receive training in the fields of human resources, digitalization, and financial management to increase competitiveness. In addition, as many as 488 fostered MSMEs already have Business Identification Numbers (NIB), which makes it easier to access funding facilities such as People's Business Credit (KUR). The Medan City Government also launched the Medan Electronic Shop (Kedan) application to encourage the State Civil Apparatus (ASN) to buy local MSME products, which is expected to expand the market for MSME actors (Medan City Portal).

In supporting the development of MSMEs, the Medan City government actively provides guidance, socialization, and ease of business legality. MSMEs in Medan City have also proven to be resilient in facing economic crises, contributing greatly to regional income, and creating jobs for the community. From 2020 to 2022, the number of MSMEs in Medan increased significantly, from 4,900 units to 90,000 units. With a great contribution to the economy, MSMEs are a mainstay sector that supports community welfare and local economic growth. MSME actors who want to be fostered can register through the Industrial and Trade SME Cooperative Office by meeting certain requirements, such as having a running business and domiciled in the city of Medan.

Although MSMEs face challenges such as limited access to modern technology and global markets, great opportunities open up through digitalization and government support. With these various initiatives, MSMEs in Medan City are expected to be able to continue to grow and make a greater contribution, both at the local and national levels. All of these efforts emphasize the importance of MSMEs in encouraging sustainable economic growth in the city of Medan (Nizar Aldi, 2023).

The Medan City Cooperatives and MSMEs Office said that there are 10 products that enter the modern market. The 10 MSME products that enter the modern market include balado banana chips, ori banana chips, and taro chips. Then, there are also anchovy rempeyek, peanut rempeyek, sweet potato tapai, sambal emping, rengginang, brownies and peanut anchovy sauce. The number of products placed in modern market outlets reached 939 product packaging, with an initial profit of Rp 2 million rupiah. Of the ten types of MSME products that enter the modern market, chip-type products are the most in demand by buyers. In fact, the total number of MSME products that enter the modern market per month can reach 1,000 packages. (Anisa Rahmadani, 2024).

Halal MSMEs in Medan City

Halal MSMEs in Medan City are one of the sectors with great potential to be developed, considering the high demand for halal products both in local, national, and international markets. Halal MSMEs include various business fields, such as culinary, cosmetics, medicine, and fashion, which meet halal standards in accordance with government regulations and certification from the Indonesian Ulema Council (MUI). The Medan City Government has shown its commitment to supporting the development of halal MSMEs through various coaching and facilitation programs, one of which is by encouraging business actors to obtain halal certification. This certification is important to increase consumer confidence and open up opportunities for halal MSMEs to enter the global market (Riyan Pradesya, 2021).

Halal MSMEs also make a significant contribution to the economy of Medan City. Halal products from Medan, such as special foods and creative products, have become a special

attraction that is able to compete in the national market. With halal certification, these MSMEs not only improve product quality but also strengthen their competitiveness in the global market. In addition, the development of halal MSMEs is also in line with halal lifestyle trends that are increasingly in demand by people from various walks of life, thus providing a great opportunity to encourage sharia-based economic growth in the city of Medan (Kaswinata et al., 2023).

The city of Medan is one of the cities with a fairly high number of Muslim communities where based on BPS data in 2020 shows that the level of Islamic population in the city of Medan reached 1,601,296 people or reached 70.23 percent of the total population of Medan. In addition, based on data from LPPOM MUI Medan, it shows that there are 90 MSMEs that have halal certification in the city of Medan, including 22 traditional food products, 7 wet cake products, 6 pastry products and other products. In addition, in the city of Medan, there are 35 companies that have been certified halal where the products of these companies mostly produce bread and cakes. In cosmetic and medicinal products, there are 44 restaurants in the city of Medan that have been halal certified (Chairunnisyah et al., 2020).

An example of a halal industrial MSME in the city of Medan is Mandheling Pasir Banana. Pisang Pasir Mandheling is a culinary business located on Jl. Perjuangan No. 134, Sidorejo, Medan Perjuangan District, which specializes in the production of sand bananas, which are fried bananas coated with typical spiced flour and fried until crispy. In addition to sandsandwiches, they also offer a variety of other menus such as fruit juices, fruit salads, and banana kebabs.

Mandheling Pasir Banana has included a halal logo on its packaging, so this product has received halal certification from authorized institutions, such as the Indonesian Ulema Council (MUI). This halal certification is a guarantee that the entire production process, from the selection of raw materials to processing and packaging, is carried out in accordance with Islamic sharia standards.

The existence of a halal logo on the packaging also increases Muslim consumers' trust in the product. In addition, this halal status provides added value for Mandheling Pasir Bananas, especially in the face of competition in the Medan culinary industry that continues to grow. With halal certification, this business can reach more consumers who prioritize halal products.

If their sales also look smooth, as shown by their appreciation and popularity on digital platforms, then this is a successful example of halal culinary MSMEs in the city of Medan. Support for businesses like this not only helps improve the local economy, but also strengthens the halal ecosystem in Indonesia.

In terms of sales, Mandheling Sand Bananas showed good performance. They have received an award as a "Top Merchant 2024" for the Medan region, which shows the popularity and trust of consumers in their products. In addition, they actively utilize digital platforms such as Instagram and food delivery services such as GoFood and GrabFood to expand their market reach and make it easier for consumers to place orders. Overall, Pisang Pasir Mandheling is a successful culinary venture in Medan, with smooth sales and a good reputation among consumers.

The researcher chose Pisang Pasir Mandheling as the object of the research because this business shows significant potential in the MSME sector, reflected in the high level of visits both in person and through online bookings. In addition, the success of this venture in attracting the attention of consumers is one of the reasons to further explore the marketing strategy and the factors that support its growth. The selection of this research object is expected to provide deeper insight into market dynamics and the sustainability of MSMEs in the midst of increasingly fierce competition.

At the time of observation, the researcher also witnessed a large number of customers coming almost at the same time, which shows that these MSMEs have a very good level of development. Plus, their products already have a halal logo on the packaging, so it's relevant to the theme of research focusing on the halal industry in the city of Medan.

Factors of Halal Industry Success

The halal industry in Indonesia has great potential, especially considering the significant number of Muslim populations. However, to achieve success in this industry, some key factors need to be considered, namely:

Location

Location is a configuration of opportunities, conveniences and different facilities in the place of doing business. Determining the location of the business is very important when a new business starts operating or when the business is already operating and growing. In the perspective of location theory (Alfred Weber), the selection of business locations aims to maximize profits by considering market access, distribution costs, and proximity to consumers (Astriyani, 2024).

In the case of Pisang Pasir Mandheling, it shows that the choice of location is one of the important factors in the success of his business. Physically, this business is located in a strategic location and easy to reach, as evidenced by the high number of customer visits that come almost simultaneously during observation. This shows that it is not only easily accessible, but also very close to the target market. In addition, the idea of location has become broader with the use of online platforms such as Instagram, GoFood, and GrabFood. This makes the market not limited to the area around the store only. The existence of a halal logo on the packaging, which is in accordance with the characteristics of the Muslim community of Medan City, increases the business position in the surrounding environment. Therefore, two important elements that support the success of Pisang Pasir Mandheling are a strategic physical location and digital location support.

Research conducted by Iffan & Suharlin (2022) shows that there is an influence between business areas and business success rates, which means that the higher the business location, the higher the success rate.

Capital

Capital is the part used when establishing a business to complete basic needs, in the form of loans or as assets to acquire and increase wealth. Capital plays an important role in the functioning and development of a company. If investment increases, income increases.

In the case of capital in Pisang Pasir Mandheling MSMEs, it can be seen in its expertise in observing and creating resources to support business progress. The success of winning the "Top Merchant 2024" award shows that this business has sufficient financial and operational capital to protect product quality, production consistency, and service to consumers. In addition to financial capital, there is also human capital, which is management expertise and skills when utilizing digital technology including Instagram, GoFood, and GrabFood as a means of marketing and distribution. The use of the platform indicates that there is an investment in digital marketing systems and delivery service partnerships.

In addition, there is a halal logo on the packaging showing that the business also has legal capital and trust (social capital), which is important when growing consumer loyalty, especially in the city of Medan which is predominantly Muslim. Therefore, the capital in Pisang Pasir Mandheling is not only in the form of funds; It also includes human capital, social capital, and technology capital, all of which must be well managed to ensure that businesses remain viable and competitive.

Research conducted by Aprilia & Melati (2021) shows that business capital has a positive influence on the success of MSME businesses in Sentra Bati in Pekanbaru City.

Long Term of Effort

Business length means how far has been taken in a business activity. Over time, each business will be different from the person who manages it. Business continuity depends on the quality and professionalism of the individuals present. Nature's production, people, capital,

management, and the environment are some of the factors that have a long-term impact on the business.

Its ability to survive and improve business performance over time can be seen from a case study of the old Pisang Pasir Mandheling MSME business. Length of business demonstrates experience, management maturity, and ability to adapt to changes and competition in the market. The "Top Merchant 2024" award shows that businesses are not only surviving, but also growing and gaining consumer trust. A business's customer network, marketing strategy, and operational systems usually become stronger over time. Therefore, a long time is an important indicator to evaluate the stability, experience, and sustainability of Pisang Pasir Mandheling MSMEs in the midst of competition in the culinary industry of Medan City.

Research conducted by Riansyah & Andayani (2022) shows that there is an influence on business cleanliness with the use of accounting information as an intervening variable in 2020 – 2021

In addition to the three main key factors, there are other factors that affect the success of the business, namely:

Halal Certification

Halal certification is a crucial first step to ensure that products meet sharia standards. An easy and fast certification process can increase the motivation of manufacturers to get certified, making their products more competitive in local and international markets. Law No. 33 of 2014 concerning Halal Product Assurance and affirms that this law is mandatory. This means that the Government requires Business Actors to have halal certification for products produced and consumed by the wider community. In addition, the goal of 2024 halal certification is not only an effort to protect consumers (especially Muslims) about halal product assurance, but also as an effort to prepare business actors to be able to compete in the market with different demands from time to time (Anam & Purnama, 2021).

The success of the halal industry is influenced by various factors that support each other, including high market demand, especially among Muslim consumers who are increasingly aware of the importance of halal products. Halal certification is the main factor in building consumer trust, as well as government support in the form of policies and incentives for the development of halal products.

Government and Regulatory Support

Supportive government policies, such as subsidizing halal certification, training, and promotion of halal products in the international market, greatly help the halal industry to develop. For example, Law Number 33 of 2014 concerning Halal Product Assurance in Indonesia which regulates the implementation of the halal product assurance system in Indonesia. The main purpose of this law is to provide protection to the public, especially Muslims, to ensure that the products consumed or used are in accordance with Islamic law.

Creative and Innovative Product Innovation

Innovation in creating new products that suit the needs of Muslim consumers, such as eco-friendly or herbal products, is a particular attraction. Creative and innovative product innovation is the key to creating competitiveness and attracting consumer interest. This innovation can be in the form of new product development, functional improvements, attractive packaging, or personalization according to customer needs. Digital technologies such as smart applications and sustainability values, such as eco-friendly products, are also becoming a trend in demand. In addition, the blend of local culture with a modern approach, such as typical foods with a creative twist, can create unique and relevant products. These innovations not only drive business growth but also strengthen relationships with consumers.

Technology Utilization and Digitalization

Technology is the key to improving production efficiency and the quality of halal products. In addition, digital marketing through social media and *e-commerce* such as Shopee and Tokopedia makes it easier for business actors to reach a wider market. In the context of sustainable development, digitalization plays an important role as a driver of innovation, efficiency, and sustainability. The use of technology and digitalization is also very helpful for the halal industry in the city of Medan, especially the object of my research is a banana sand mandheling which utilizes social media and *e-commerce*, namely *Shopee Food, Grab and Gojek*.

Partnerships and Collaborations

Partnerships and collaborations are important aspects in the development of the global halal industry. Various initiatives in Indonesia show efforts to build strong networks between stakeholders, both at the domestic and international levels. The Indonesian government is committed to increasing partnerships with halal industry players from other countries, such as New Zealand. At a business forum in Auckland, the Vice President of Indonesia emphasized the importance of cooperation in the development of human resources, products, and halal recognition between the two countries. This includes plans to sign a Mutual Recognition Arrangement (MRA) that will facilitate the recognition of halal product inspection systems.

The business partnership strategy based on the development of halal industrial estates is also a focus in increasing the productivity and competitiveness of the halal industry in Indonesia. Through the development of special areas, it is hoped that synergy can be created between various business actors in the halal ecosystem.

CONCLUSION

The success of MSMEs in the halal industry in Medan City is greatly influenced by various internal and external factors. The main key factors for success include location, capital, and length of business, in addition to supporting factors including halal certification which is a guarantee of consumer trust, creative product innovations that are relevant to market needs, as well as the use of technology and digitalization in marketing. Government support, such as training and subsidies, also makes a major contribution to increasing the competitiveness of MSMEs. In addition, a strategic business location, adequate capital, and business management experience are important aspects to maintain business sustainability. With these various efforts, halal industry MSMEs in Medan City are not only able to compete in the local market but also have the opportunity to penetrate the global market.

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