

# Strengthening Community Empowerment Through Business Legalization Assistance for MSMEs: Evidence from Panaikang Village, East Sinjai

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**Abstract:** Business legality is a crucial foundation for strengthening the identity, credibility, and competitiveness of micro, small, and medium enterprises (MSMEs), particularly in rural areas. Many MSME actors face obstacles in accessing formal legality due to limited knowledge and administrative capacity. This community service program aimed to empower MSMEs in Panaikang Village, East Sinjai District, through assistance in obtaining business legality, specifically the Business Identification Number (NIB) and Halal Certification. The program employed a participatory approach consisting of an initial survey, program socialization, data collection, training sessions, and direct assistance in issuing legal documents. The target group included MSME actors engaged in food processing, snacks, beverages, and local products. The results demonstrate a significant increase in participants' understanding of the importance of business legality, product packaging, and basic marketing strategies. Most MSME actors successfully obtained their NIB, while several culinary businesses proceeded to the halal certification application stage. This assistance also enhanced entrepreneurs' confidence and readiness to expand market access, including participation in local MSME exhibitions. The program contributed to strengthening local economic potential and promoting sustainable community-based economic development. Overall, business legality assistance proved to be an effective empowerment strategy for improving MSME resilience, formalization, and competitiveness in rural communities. Continuous collaboration between universities, local governments, and supporting institutions is recommended to ensure sustainability and broader impact.

**Keywords :** community empowerment, business legality, MSMEs, business identification number, halal certification

## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are widely acknowledged as a fundamental pillar of economic development, particularly in developing countries. They play a crucial role in generating employment, reducing poverty, fostering innovation, and strengthening local economic resilience. In Indonesia, MSMEs account for more than 99 percent of all business entities and absorb a significant proportion of the labor force, making them indispensable to national and regional economic stability (Tambunan, 2019). Beyond their macroeconomic contribution, MSMEs serve as engines of grassroots economic empowerment, especially in rural and coastal communities where formal employment opportunities are limited. Despite their strategic importance, MSMEs continue to face persistent structural challenges that hinder their growth and sustainability. These challenges include limited access to capital, inadequate managerial capacity, low levels of technological adoption, and weak integration into formal markets. Among these constraints, the absence of formal business legality remains one of the most critical yet under-addressed issues. Many MSMEs operate informally, lacking official registration and legal certification, which exposes them to legal vulnerabilities and restricts their access to financial institutions, government support programs, and broader market networks (OECD, 2017).

Business legality represents a foundational requirement for MSME development. It provides legal recognition, ensures regulatory compliance, and enhances business credibility in the eyes of consumers, financial institutions, and government agencies. In Indonesia, business legality is primarily formalized through the issuance of the Business Identification Number (Nomor Induk Berusaha/NIB), which is integrated into the Online Single Submission (OSS) system. The OSS system was introduced to streamline business licensing procedures, reduce bureaucratic complexity, and promote MSME

formalization. Through this system, MSMEs are expected to obtain legal status more efficiently and benefit from a more transparent regulatory environment.

However, the implementation of the OSS system has not fully achieved its intended outcomes, particularly at the rural level. Empirical studies indicate that many MSME actors experience difficulties in navigating digital platforms, understanding regulatory requirements, and completing administrative procedures (Kurniawati & Yuliando, 2021). Limited digital literacy, inadequate infrastructure, and weak institutional facilitation further exacerbate these challenges. As a result, a significant proportion of MSMEs remain outside the formal economic system, perpetuating informality and limiting their development potential. In addition to general business registration, halal certification has emerged as an increasingly important dimension of business legality, particularly for MSMEs operating in the food and beverage sector. Halal certification serves as an official assurance that products comply with Islamic principles in terms of raw materials, processing methods, and distribution practices. Given that Indonesia is home to the world's largest Muslim population, halal certification plays a critical role in shaping consumer trust and purchasing behavior. Moreover, the global halal market has experienced rapid growth, driven by increasing demand for ethically produced and quality-assured products, creating new opportunities for halal-certified MSMEs to access international markets (Azam & Abdullah, 2020).

Despite its strategic value, halal certification remains underutilized by MSMEs, especially in rural areas. Many small-scale entrepreneurs perceive the certification process as complex, time-consuming, and costly. A lack of awareness regarding the economic benefits of halal certification, combined with limited access to technical assistance, further discourages MSME participation (Rohman & Widodo, 2022). Consequently, many potentially competitive local products fail to meet formal market standards, restricting their market reach and value creation. These challenges highlight the critical need for targeted interventions that address both regulatory barriers and capacity constraints faced by MSMEs. Community empowerment has been widely recognized as an effective approach for enhancing MSME capabilities, particularly in rural contexts. Empowerment-based approaches emphasize participatory engagement, capacity building, and local ownership of development initiatives (Chambers, 2014). Rather than relying solely on top-down policy implementation, community empowerment focuses on strengthening the ability of local actors to understand, access, and utilize available resources and institutional frameworks.

In this regard, assistance and mentoring programs play a pivotal role in facilitating MSME formalization. Through structured guidance, MSME actors can be supported in understanding regulatory requirements, completing administrative procedures, and recognizing the strategic benefits of business legality. Previous studies have demonstrated that mentorship-based interventions significantly improve MSME compliance, managerial performance, and market orientation (Fitriani et al., 2021). Such interventions are particularly effective when they involve multi-stakeholder collaboration, including universities, local governments, and community organizations. Universities, as centers of knowledge production and social engagement, have a strategic role in promoting MSME empowerment through community service programs. University-led initiatives can bridge the gap between policy frameworks and grassroots implementation by providing technical assistance, training, and facilitation tailored to local needs. Through community engagement, universities contribute not only to MSME development but also to the broader agenda of inclusive and sustainable development.

Panaikang Village, located in East Sinjai District, South Sulawesi, exemplifies a rural setting with substantial yet underutilized economic potential. The village is characterized by diverse local economic activities, including traditional food processing, snack production, beverage manufacturing, and tourism-related enterprises. These MSMEs contribute to household income and local livelihoods. However, preliminary field observations reveal that the majority of MSME actors in Panaikang Village

operate informally and lack essential business legality, such as NIB and halal certification. This condition constrains their ability to access formal financing, participate in government programs, and expand into wider markets. The lack of business legality among MSMEs in Panaikang Village reflects broader structural issues faced by rural entrepreneurs, including limited awareness, inadequate institutional support, and low administrative capacity. Addressing these challenges requires context-specific interventions that combine regulatory facilitation with capacity building. Community-based assistance programs that focus on business legality can serve as an effective strategy for empowering MSMEs and unlocking local economic potential.

This study aims to contribute to the literature on MSME empowerment and formalization by examining a community service program that provides assistance in obtaining business legality for MSME actors in Panaikang Village. Specifically, the program focuses on facilitating the issuance of the Business Identification Number (NIB) and supporting halal certification processes. By adopting a participatory and collaborative approach, the program seeks to enhance MSME awareness, improve legal compliance, and strengthen competitiveness.

The contribution of this study is threefold. First, it provides empirical insights into the challenges of MSME formalization in a rural Indonesian context. Second, it demonstrates the effectiveness of community-based assistance as a strategy for promoting business legality and economic empowerment. Third, it highlights the role of universities as key actors in bridging policy implementation gaps and fostering sustainable local economic development. Ultimately, strengthening business legality among MSMEs should be viewed not merely as an administrative obligation but as a strategic pathway toward inclusive growth, community resilience, and long-term economic sustainability.

## 2. Research Methodology

### Approach and Design of Community Service

This community service program was designed using a participatory and empowerment-based approach, aiming to strengthen the capacity of micro, small, and medium enterprises (MSMEs) through structured assistance in obtaining business legality. The program emphasized active involvement of MSME actors as primary stakeholders, ensuring that the empowerment process was contextually relevant and sustainable. The overall design adopted a community-based development model, which integrates education, mentoring, and practical implementation to address real challenges faced by MSMEs in rural areas. The program was implemented as a descriptive-action-based community service, focusing on improving knowledge, skills, and administrative capacity related to business legality, including Business Identification Number (NIB) registration and halal certification. This approach allowed direct observation of community conditions while simultaneously implementing concrete solutions.

### Location and Participants

The community service activity was conducted in Panaikang Village, East Sinjai District, Sinjai Regency, an area characterized by the dominance of small-scale household businesses, particularly in the food and beverage sector. The selection of this location was based on preliminary observations indicating that many MSME actors operated informally and had limited access to legal business documentation. Participants consisted of MSME actors operating in various sectors, including food processing, traditional snacks, beverages, and local products. The selection of participants was conducted purposively, with the following criteria: (1) operating an active business, (2) not yet possessing formal business legality or having incomplete legal documentation, and (3) willingness to participate throughout the program stages. Local village officials and community leaders were also involved to support coordination and sustainability.

## Stages of Implementation

The community service program was implemented through several systematic stages to ensure effectiveness and measurable outcomes.

### 1. Preliminary Survey and Needs Assessment

The initial stage involved conducting a preliminary survey and needs assessment to identify the main challenges faced by MSME actors regarding business legality. Data collection methods included direct observation, informal interviews, and structured questionnaires. This stage aimed to map the level of participants' understanding of business legality, identify administrative constraints, and determine readiness for formal registration.

The results of this assessment provided a baseline for program design and served as a reference for evaluating changes in participants' knowledge and legal status after the intervention.

### 2. Socialization and Program Orientation

Following the needs assessment, a socialization session was conducted to introduce the objectives, scope, and benefits of business legality to MSME actors. This session focused on increasing awareness of the importance of legal business identity in improving market access, consumer trust, and eligibility for government support programs.

Materials were delivered through interactive presentations, discussions, and case examples relevant to participants' business contexts. This stage aimed to build motivation and commitment among MSME actors to engage fully in the assistance process.

### 3. Training and Capacity Building

The next stage involved capacity-building activities, including training on business legality procedures, administrative requirements, and basic documentation management. Training topics covered:

- Introduction to MSME legal frameworks in Indonesia
- Procedures for obtaining a Business Identification Number (NIB)
- Overview of halal certification requirements for food-based businesses
- Basic principles of product labelling and packaging compliance

Training methods included lectures, demonstrations, and hands-on practice sessions. Participants were encouraged to actively ask questions and discuss obstacles encountered in their businesses.

### 4. Direct Assistance and Mentoring

The core stage of the program was direct assistance and mentoring, where participants received step-by-step guidance in registering their business legality. This included assisting MSME actors in preparing required documents, filling out online registration forms, and submitting applications through relevant government platforms. Mentoring was conducted individually and in small groups to ensure personalized guidance. For businesses eligible for halal certification, assistance extended to preparing supporting documents and understanding the certification process. This hands-on approach ensured that participants were not only informed but also capable of independently managing legal administrative processes in the future.

### 5. Monitoring and Evaluation

Monitoring and evaluation were conducted to assess the effectiveness of the program. Evaluation methods included comparison of pre- and post-intervention data, participant feedback, and

documentation review. Indicators of success included increased knowledge of business legality, number of MSMEs successfully obtaining NIB, and progress toward halal certification.

Qualitative feedback was also collected to evaluate participant satisfaction and perceived benefits. The evaluation results were used to identify strengths, challenges, and areas for improvement in future community service programs.

### Data Collection and Analysis

Data collected during the program consisted of qualitative and quantitative information. Qualitative data were obtained from interviews, discussions, and observations, while quantitative data included the number of MSMEs registered and training participation levels. Data analysis was conducted descriptively to illustrate changes in knowledge, legal status, and business readiness among participants.

### Ethical Considerations

The implementation of this community service program adhered to ethical principles, including voluntary participation, informed consent, and confidentiality of participant information. All activities were conducted transparently and respectfully, ensuring that participants fully understood the purpose and benefits of the program.

### Sustainability Strategy

To ensure sustainability, the program emphasized collaboration with local government institutions and village authorities. Participants were encouraged to disseminate knowledge to other MSME actors within their community. Follow-up mentoring and coordination with relevant agencies were recommended to maintain legal compliance and support long-term business development.

## 3. Results and Discussion

### 3.1 Implementation of Community Empowerment Activities

The community empowerment program through business legality assistance was implemented systematically following the stages described in the methodology section. The initial phase focused on direct engagement with MSME actors in Panaikang Village to understand their business characteristics, production processes, and legal status. Field observations and interviews revealed that most MSMEs operated informally, relying on traditional production methods and local marketing channels. Products included processed foods such as chips, crackers, traditional cakes, and various homemade beverages. Despite the quality and local uniqueness of these products, most lacked standardized packaging, labeling, and formal business identity. The implementation phase began with socialization and training activities conducted at the Panaikang Village Hall and several strategic community locations. These activities were attended by village officials, MSME actors, and members of the community service team. Training sessions emphasized the importance of business legality as a foundation for sustainable business development, access to government support programs, and consumer trust.



**Figure 1. Socialization and Training on Business Legality**

During the training sessions, participants were introduced to the concept of the Business Identification Number (NIB), its legal basis, and its practical benefits. The discussion also covered halal certification requirements, particularly for MSMEs engaged in food and beverage production. Interactive discussions allowed participants to express their concerns, including difficulties in accessing online registration systems, limited digital literacy, and uncertainty about administrative requirements. These insights informed the mentoring approach applied in subsequent stages.

### 3.2 Outcomes of Business Legality Assistance

One of the most significant outcomes of this community service program was the successful facilitation of business legality registration for MSME actors. Prior to the intervention, approximately 98% of MSMEs in Panaikang Village did not possess an NIB. Through direct assistance and mentoring, most participating MSMEs were able to complete the registration process and obtain their NIB. This achievement represents a critical step toward formalizing local businesses and integrating them into the formal economic system.



**[Figure 2. Assistance Process for NIB Registration]**

The issuance of NIB provided MSME actors with a legal identity that enables access to various forms of support, including financing, training programs, and participation in exhibitions. Participants reported increased confidence in running their businesses, as legal recognition reduced uncertainty and fear of operating informally. This finding aligns with previous studies emphasizing the role of business legality in enhancing MSME resilience and growth. In addition to NIB registration, assistance for halal certification was provided to MSMEs in the food and beverage sector. While not all participants completed the certification process during the program period, several MSMEs successfully advanced to the application and verification stages. This progress reflects improved understanding of halal standards and documentation requirements.



**[Figure 3. Mentoring for Halal Certification Preparation]**

Halal certification was perceived by participants as a strategic asset rather than merely a regulatory requirement. Given that Indonesia has a predominantly Muslim population, halal labeling

enhances consumer trust and expands market opportunities. The results indicate that awareness of halal certification contributes to a shift in mindset among MSME actors, from short-term survival to long-term business development.

### 3.3 Improvement in Knowledge and Entrepreneurial Capacity

Beyond legal registration outcomes, the program contributed to increased knowledge and capacity among MSME actors. Training sessions on packaging, labeling, and basic marketing strategies complemented the legality assistance. Participants learned about the importance of product presentation, compliance with labeling regulations, and branding consistency. Improved packaging and labeling were observed in several MSMEs following the intervention. Although changes varied in scale, even modest improvements had a positive impact on product attractiveness and perceived value. This finding supports the notion that legality assistance should be integrated with capacity-building activities to maximize empowerment outcomes. The participatory nature of the program encouraged active engagement and peer learning among participants. MSME actors shared experiences, challenges, and solutions, fostering a sense of collective empowerment. Such social capital is an important yet often overlooked component of community-based economic development.

### 3.4 Economic and Social Implications

The empowerment program generated both economic and social implications for the Panaikang Village community. Economically, the formalization of MSMEs through NIB registration opened opportunities for business expansion and market diversification. Some participants expressed interest in participating in local and regional MSME exhibitions, which require formal business documentation. Socially, the program strengthened collaboration between the university, village government, and MSME actors. The involvement of village officials enhanced legitimacy and encouraged community participation. This collaboration is consistent with the triple helix model, which emphasizes the role of academia, government, and community in driving local development. Moreover, the program contributed to changing perceptions about business legality. Initially viewed as complicated and unnecessary, legality was reframed as an enabling factor for growth and sustainability. This shift in perception is a critical outcome, as it influences long-term compliance and entrepreneurial behavior.

### 3.5 Challenges and Lessons Learned

Despite its positive outcomes, the program encountered several challenges. Limited digital literacy among MSME actors posed difficulties during online registration processes. Internet connectivity issues and unfamiliarity with digital platforms required intensive mentoring and hands-on assistance. Another challenge was the time required for halal certification processes, which often extend beyond the duration of community service programs. This limitation highlights the need for continuous mentoring and institutional support beyond initial interventions. From these challenges, several lessons can be drawn. First, community empowerment programs should allocate sufficient time and resources for administrative processes. Second, collaboration with relevant institutions, such as halal certification bodies and government agencies, is essential to ensure continuity. Third, integrating legality assistance with broader capacity-building activities enhances program effectiveness.

### 3.6 Discussion in the Context of Community Empowerment Theory

The results of this program align with community empowerment theory, which emphasizes capacity building, participation, and sustainability. By focusing on business legality, the program addressed structural barriers that limit MSME development. The participatory approach ensured that empowerment was not imposed but co-created with community members.

Legal empowerment, as demonstrated in this program, enables MSME actors to claim their rights and access opportunities previously unavailable to them. This finding supports the argument that legal frameworks, when made accessible and understandable, can serve as tools for inclusive economic development. Furthermore, the integration of halal certification within the legality framework reflects the importance of cultural and religious considerations in community empowerment. Tailoring interventions to local contexts enhances relevance and acceptance.

### 3.7 Sustainability and Future Development

The sustainability of this community service program depends on continued collaboration and follow-up activities. Participants expressed interest in further training on digital marketing, financial management, and product innovation. These interests indicate readiness for advanced capacity-building interventions. The involvement of the university as a facilitator positions it as a long-term partner in community development. Future programs may expand coverage to neighboring villages, creating a broader impact. Establishing a local MSME support network within Panaikang Village could also enhance sustainability by enabling peer mentoring and information sharing.

## 4. Conclusion

### 5.1 Conclusion

This community service program confirms that structured assistance in business legality significantly contributes to the empowerment of micro, small, and medium enterprises (MSMEs) in rural areas. The mentoring activities conducted in Panaikang Village, East Sinjai District, successfully enhanced MSME actors' understanding of the importance of legal business identity through the acquisition of a Business Identification Number (NIB) and the initiation of halal certification processes. The results demonstrate that legal formalization is not merely an administrative requirement but a foundational element that strengthens business legitimacy, credibility, and sustainability. The program outcomes also indicate positive behavioral and capacity changes among participants. MSME actors showed increased awareness of regulatory compliance, product standardization, and market-oriented business practices. This transformation reflects a shift from informal economic activities toward more structured and growth-driven enterprises. Moreover, the integration of legal assistance with training in packaging and basic marketing strategies contributed to improved product readiness for wider market access. Overall, the findings emphasize that business legality assistance, when implemented through a participatory and community-based approach, can effectively reduce structural barriers faced by MSMEs and foster inclusive local economic development.

### 5.2 Practical Implications

The results of this program offer important practical implications for stakeholders involved in MSME development. For local governments, the findings highlight the importance of facilitating accessible and simplified legal registration services at the village level. Proactive support mechanisms can accelerate MSME formalization and encourage broader participation in government empowerment programs. For higher education institutions, this study demonstrates the strategic role of universities in bridging policy frameworks and grassroots implementation through community service activities. Universities can act as facilitators, educators, and partners in strengthening MSME capacity and legal compliance. For MSME actors, obtaining legal status opens opportunities for access to financing, participation in exhibitions, and entry into regulated markets. Legal formalization also enhances consumer trust, particularly for food-based products that require halal certification in predominantly Muslim markets.

### 5.3 Limitations of the Program

Despite its achievements, this program has several limitations. First, the duration of assistance was relatively limited, which affected the completion of halal certification for all eligible MSMEs. The certification process requires extended verification and institutional coordination beyond the program timeline. Second, the scope of activities focused primarily on legal assistance and basic capacity building. More advanced components such as digital transformation, financial literacy, and supply chain integration were not comprehensively addressed. Third, the findings are context-specific and based on a single village, which may limit generalizability. However, the core approach and lessons learned remain applicable to similar rural MSME contexts.

### 5.4 Recommendations for Future Community Service Programs

Based on the program outcomes and limitations, several recommendations are proposed. Future community service initiatives should adopt a longer-term mentoring model to ensure continuity and sustainability, particularly for regulatory processes requiring extended follow-up. Additionally, integrating business legality assistance with digital marketing training, bookkeeping systems, and product innovation workshops would enhance MSME competitiveness in the digital economy. Strengthening collaboration with certification agencies, financial institutions, and MSME networks is also essential to create a comprehensive support ecosystem. Finally, replicating this empowerment model in other rural areas with similar characteristics is strongly recommended. Comparative studies across regions could further enrich understanding of the role of legal empowerment in driving sustainable MSME development.

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