

## THE ROLE OF BUSINESS LEGALITY, HALAL LABELING AND PROMOTION IN INCREASING THE COMPETITIVENESS OF MSME PRODUCTS IN KWALA SERAPUH VILLAGE, LANGKAT

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**Abstract:** MSMEs are one of the important economic sectors that play a role in the Indonesian economy. However, MSMEs still face various challenges, one of which is increasingly fierce competition with imported products. Therefore, MSMEs need to improve their competitiveness in order to survive and develop. This study aims to analyze the role of business legality, halal labeling, and promotion in increasing the competitiveness of MSME products in Kwala Serapuh Village, Langkat. This research uses a survey method with 50 respondents, namely MSME actors in Kwala Serapuh Village. The results showed that business legality, halal labeling, and promotion have a significant role in increasing the competitiveness of MSME products in Kwala Serapuh Village. Business legality can increase consumer confidence in MSME products, thereby increasing their competitiveness. Halal labeling can improve the image of MSME products in the eyes of consumers, thereby increasing their competitiveness. Promotion can increase consumer awareness of MSME products, thereby increasing their competitiveness. Based on the results of this study, it is recommended that MSMEs in Kwala Serapuh Village can improve the legality of their business, obtain halal labeling, and actively promote to increase the competitiveness of their products.

**Keywords:** Business Legality, Halal Labeling, Promotion, Competitiveness, MSMEs

### Introduction

Micro, Small and Medium Enterprises (MSMEs) have a considerable influence on the regional and national economy because MSMEs are one of the drivers of the people's economy. The role of MSMEs is very important to strengthen the nation's competitiveness, this is stated in the National Long-Term Development Plan (RPJPN) 2005-2025. The domestic economy in this case is MSMEs. Therefore, MSMEs have a very significant role for the economic development of a country (A. Fadhila & A. B. Cahyono, 2017). Even the products produced by MSMEs provide the largest contribution to the Indonesian economy to reach around 98.7% and become a source of domestic labor of 89.27% (H. A. Sarwono, 2015). As markets become more globalized, the need for competitive advantage increases critically. Competitive advantage is defined as an organization's ability to create a sustainable defense with a position above its competitors through value creation for customers (D. Wahjudi et al., 2015; S. Sutoyo et al., 2022).

Product quality has a very important role for companies, this is because the quality of manufactured products or services provided is one of the key factors in determining organizational

competitiveness. Quality determines what strategy to do among competitors. To win the market, the quality of the product/service must always meet the requirements that have been set both by determining the competitiveness of a product. However, the main factor that must also be considered is the desire of consumers, so that their needs are met (E. E. G. Permata et al., 2020; I. I. Khafizov & I. G. Nurullin, 2017). The importance of legalisai, halal labels and promotion for MSME products. Business legality is an official source of information which contains information related to the business in order to facilitate anyone who needs all types of data about the business such as identity and all those related to the business world and company establishment, and its position (Purnawan & Abdillah, 2020). According to (Peraturan Menteri Perdagangan Republik Indonesia Nomor:46/-DAG/PER/9, 2009) concerning the issuance of permits, business legality is defined as a form of approval or granting permission from the authorities for the implementation of a business activity by a business person or a company. For the government, forms of business legality include SIUP, TDP, NIB and SITU.

With the existence of Presidential Regulation Number 98 of 2014 concerning Licensing for Micro, Small and Medium Enterprises, permits for MSMEs are only 1 sheet and can be issued in just 1 day by the sub-district. With a permit sheet that can be completed in a day, MSMEs can get four (4) benefits. First is business legality, second is the ease of getting capital because it is legal, then access to get business assistance from the government, and fourth is the opportunity to get empowerment assistance from the government. So that your business runs well and has clear legality. Of course, there needs to be an official license from the government. Many MSME players have ruled out this one. Most of them, argue that licensing is only needed by businesses that have moved on a large scale. In addition, there are still many who think that taking care of a business license is complicated and takes a lot of time.

Indonesia in the face of free trade at regional, international and global levels, it is feared that it is being flooded with food and other products that contain or are contaminated with haram elements. In processing, storing, handling, and packing techniques, preservatives that endanger health or additives containing haram elements are often used which are prohibited in Islam. Imported products are now starting to flood our homeland with various types of attractive packaging. People need to be careful in choosing these products, there could be something hidden behind these food products that are not suitable for consumption by Muslims. For Muslims mistakes in choosing food products consumed can cause physical and mental losses, outwardly consuming products that contain harmful ingredients can interfere with health, while mentally consuming products that are not halal can cause sin. This requires the Muslim community to find information about the products to be consumed, one way is to look at halal labeling.

Some things that need to be considered by consumers before consuming a product are understanding the language /writing, registration number, product name, manufacturer and production address, halal label, list of ingredients used Inclusion of halal labels means information from producers to consumers about the products they will sell, so that consumers really know what ingredients are used, including additional ingredients listed on the packaging. Correct labeling in accordance with applicable regulations will form the creation of honest and responsible trade, so that it will facilitate halal labeling which in principle is a label that informs product users, that the product is really halal and the nutrients it contains do not contain elements that are prohibited by sharia so that the product can be consumed.

Furthermore, the participation of MSMEs in promotions to penetrate the international market needs to be increased in frequency. Promotion is one type of communication that is often used by marketers. As one of the elements of the promotion mix, sales promotion is an important element in product promotion activities. The definition of sales promotion according to the American

Marketing Association (AMA) quoted from Sustina's book is: "Sales promotion is media and non media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial, increase consumer demand, or improve product quality". The definition above shows that promotion is a marketing effort that is media and non-media to stimulate trial and error from consumers, increase demand from consumers or to improve product quality. Thus the function of promotion is to prospect someone to become a consumer for the product created so that it can encourage product recognition through the chosen distribution channel by creating products with brands that are easily recognized by dealers and consumers in various places along the distribution channel and purchase series.

## **Literature Review**

### **Business Legality**

Permission can also be defined as a form of approval or granting permission from the authorities for the implementation of a business activity by a business person or a company. For the government the definition of a trading business is a tool or means to foster, direct, supervise and regulate trading business licenses. In order for business activities to run smoothly, every entrepreneur is required to take care of and have a business license from a government agency in accordance with their field. Business legality can also be called a business license which is an important element in showing self-identity to legalize the business so that it can be accepted by the community. Business legality is also a form of recognition from the State of a business so that it can be used as a condition in cooperation with various parties. Legality is a fundamental factor for the sustainability of a business. It is not uncommon for many businesses that have been running to eventually get some problems (Falah, 2018).

### **Halal Labeling**

According to (Kotler, 2019) in (Adinugraha et al., 2017) a label is a simple display on a product or an intricately designed image that is a unity with packaging. One of the labels listed on the product is "halal label". Halal labeling is the inclusion of halal writing or statements on product packaging to show that the product in question has the status of a halal product (Rangkuti, 2015) in (Adinugraha et al., 2017). Label is a part of a product that carries verbal information and is part of the packaging about the product inside (Tjiptono, 2012) in (Tarigan, 2016). One of the labels listed on the product is the halal label. The halal label is a guarantee given by an authorized institution such as the Institute for the Assessment of Food, Drugs, and Cosmetics, the Indonesian Ulema Council (LP POM MUI) to ensure that the product has passed halal testing in accordance with Islamic law.

### **Promotion**

In modern marketing activities the company deals with planning and developing good products, determining prices that are attractive to customers. Establishing good marketing channels that are easily accessible to target consumers will facilitate the company's goals. Promotion is a communication that invites, urges, persuades, convinces, the targeted consumer. According to A. Hamdani in (Sunyoto, 2015) explained, "Promotion is one of the variables in the marketing mix that is very important for companies to implement in marketing products. Bukajasa's promotional activities function as a communication tool between the company and consumers". but also as a tool to influence consumers in purchasing activities or using products in accordance with needs and desires. Meanwhile, according to (Kotler & Keller, 2016) in (Abdurrahman, 2017) promotion is a specific blend of advertising, sales promotion, public relations, personal sales, and direct

marketing that companies use to communicate customer value persuasively and build customer relationships.

### **Competitiveness**

Competitiveness is an effort that must be made by business/economic actors in order to continue to exist in carrying out their activities (Sulistiyani, 2004). Competitiveness relates to how effective an organization is in a competitive market, compared to other organizations offering the same or similar products or services. Companies that are able to produce good quality products or services are effective companies in the sense that they will be able to compete. Companies that lack competitiveness will be left behind by the market. Because not having competitiveness means having no advantage, and not excelling means there is no reason for a company to survive in the competitive market for the long term. Competition is at the core of a company's success or failure. There are two sides posed by competition, namely the success side because it encourages companies to be more dynamic and compete in producing products and providing the best service for their market, so that competition is considered a motivating opportunity

### **MSMEs**

According to Rudjito, MSMEs are a business that helps the Indonesian economy, because the existence of MSMEs will open new jobs and increase the country's foreign exchange through the payment of business corporate tax (Ariyanto, 2021). In (Undang-Undang Nomor 20 Tahun 2008, n.d.) concerning Micro, Small and Medium Enterprises (MSMEs) explains that micro businesses are businesses with a net worth of less than 50 million rupiah or generate sales of less than 300 million rupiah for one year (Beik & Arsyianti, 2017). Small businesses are businesses that Done by relying on a fairly small capital with not large risks carried out by a few people or communities and managed using simple management with products in the form of goods, services, or manufacturing. Small businesses have a net worth of more than 50 million rupiah up to a maximum of 500 million rupiah excluding land and buildings for business premises, have annual sales of more than 300 million rupiah up to a maximum of Rp 2,500,000,000.00 (two billion five hundred thousand rupiah) (Dhewantao, 2019).

### **Method**

The research method carried out in this study is an empirical normative method. Normative methodology is a method by examining literature studies related to research (Marzuki, 2017). Then empirical means applying the literature review to the reality that occurs in society.

### **Result and Discussion MSMEs in Kwala Serapuh Village, Langkat**

Kwala Serapuh Village, Langkat, North Sumatra, is a coastal village that has great potential in the development of Micro, Small and Medium Enterprises (MSMEs). This village is inhabited by people who mostly make a living as fishermen and farmers.

MSMEs in Kwala Serapuh Village are engaged in various fields, such as:

1. Seafood processing; a) Salted fish, b) Shredded fish, c) Shrimp paste and d) Shrimp crackers
2. Processing of agricultural products; a) Palm sugar, b) Cassava chips, c) Shredded jackfruit and d) Traditional cakes
3. Handicrafts; a) Pandan weaving, b) Batik, c) Embroidery and d) Woodcarving

### **Empowering MSMEs with Business Legality in Kwala Serapuh Village, Langkat**

Current State In Kwala Serapuh Village, Langkat, many MSMEs do not yet have business legality. This makes it difficult for them to:

1. Access capital. Banks and financial institutions generally require business legality as one of the requirements for applying for a loan.
2. Marketing products. Business legality increases consumer confidence and opens opportunities to participate in government tenders or projects.
3. Get legal protection. Without business legality, MSMEs are vulnerable to various risks, such as fraud and unfair competition.

### **Development of Halal Labeling Products for MSMEs in Kwala Serapuh Village, Langkat**

#### Potential of Halal Products

Kwala Serapuh Village, Langkat has great potential in the development of halal products. The majority of villagers are Muslims, and there are many MSMEs that produce food and beverages. Halal labeling can provide several benefits for MSMEs in Kwala Serapuh Village, including:

1. Increase competitiveness. Halal products have a wider market share, both domestically and abroad. Consumers are increasingly aware of the importance of halal products.
2. Opening new markets. Halal products can be marketed to Muslim countries in Southeast Asia, the Middle East, and Africa.
3. Increase consumer confidence. Halal labeling indicates that the product has met sharia standards and is safe for consumption.

#### Empowerment Efforts

1. Counseling and education
  - a. Provide information about the importance of business legality and the types of business legality and halal labeling available.
  - b. Socialization on how to get business legality and halal labels easily and cheaply.
2. Mentoring
  - a. Assisting MSMEs in the process of obtaining business legality and halal labels, such as assisting in understanding and meeting requirements.
3. Provision of incentives
  - a. Provide incentives, such as capital assistance, training, or access to markets, to MSMEs that already have business legality and halal labels.

#### Expected Results

1. An increase in the number of MSMEs that have business legality.
2. Increased access of MSMEs to capital, markets, and legal protection.
3. Increased productivity and competitiveness of MSMEs.
4. Increased contribution of MSMEs to the village economy.

### **Increasing MSME Product Promotion to Increase the Competitiveness of Kwala Village as Fragile, Langkat**

#### Current State

MSMEs in Kwala Serapuh Village, Langkat have many high-quality products. However, many of them still struggle to market their products effectively. This causes the competitiveness of the village to be still low.

### Promotion Improvement Efforts

1. Training and education
  - a. Provide training to MSMEs on how to market products online and offline.
  - b. Socialization about the importance of promotion and its benefits for MSMEs.
2. Digital platform development
  - a. Building an online platform to market MSME products in Kwala Serapuh Village.
  - b. Assisting MSMEs in creating websites and social media accounts.
3. Out-of-village promotions:
  - a. Participate in exhibitions and events outside the village to promote MSME products.
  - b. Working with influencers and media to promote MSME products.

### Expected Results

1. Increased awareness of MSME products in Kwala Serapuh Village.
2. Increased sales of MSME products.
3. Increased competitiveness of the village.

### Conclusion

Kwala Serapuh Village, Langkat has great potential to develop thanks to the existence of MSMEs engaged in various fields. However, obstacles such as business legality, limitations of halal products, and promotion need to be overcome so that MSMEs are more competitive.

1. The empowerment of MSMEs with business legality in Kwala Serapuh Village, Langkat has great potential to improve the village's economic progress.
2. The development of halal labeling products for MSMEs in Kwala Serapuh Village, Langkat has great potential to increase the competitiveness of MSMEs and open new markets.
3. Increasing the promotion of MSME products in Kwala Village Serapuh, Langkat can increase village competitiveness.

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