

## Regulatory Support, Quality Standards, and Strategic Partnerships in the Development of Micro, Small, and Medium Food Enterprises (Food SMEs) in Indonesia

*(Dukungan Regulasi, Standar Kualitas, dan Kemitraan Strategis dalam Pengembangan Usaha Mikro, Kecil, dan Menengah Pangan (Food SMEs) di Indonesia)*

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### Abstract

**Objective :** This study aims to comprehensively analyze the institutional ecosystem that supports the sustainability and competitiveness of Indonesia's Food Micro, Small, and Medium Enterprises (SMEs).

**Methods :** Using a descriptive policy analysis approach, the research identifies and maps three core pillars that determine the development of the sector: (1) regulatory compliance and quality standards, (2) government and cooperative support, and (3) strategic partnerships and initial funding. The data were derived from official policy documents, institutional programs, and community-based engagement with Food SME actors.

**Research results :** The study finds that certifications such as Halal, BPOM, P-IRT, NKV, and HACCP are essential to ensure food safety, consumer confidence, and market access. Government bodies and cooperatives enhance SME capacity through training, financial support, and resource sharing, while partnerships with State-Owned Enterprises (PKBL) and private firms (CSR) contribute capital, management guidance, and innovation support.

**Keywords :** Food SMEs, Quality Standards, Halal Certification, Strategic Partnerships

## 1. Introduction

The Micro, Small, and Medium Enterprises (SMEs) sector, particularly within the food industry, holds a vital role in Indonesia's national economy. These Food SMEs are crucial engines for job creation and local economic resilience. Despite their significance, they frequently face substantial hurdles related to compliance with quality standards, food safety protocols, and securing adequate capital access. To navigate these challenges and ensure their long-term viability, the Indonesian government emphasizes the necessity of preventive safety standards. Adherence to these measures is essential for Food SMEs to meet international benchmarks, which ultimately sustains consumer trust and guarantees legal compliance.

The increasing demands of both domestic and global markets have rendered compliance with quality regulations and standards a necessity rather than an optional choice. The need for legal compliance is driven by specific national requirements, such as Halal certification, which is mandatory for food distributed in Indonesia to align with Islamic dietary laws for the majority Muslim population. Furthermore, processed food products aiming for large-scale distribution must secure BPOM certification to signify compliance with regulatory guidelines for quality and safety. Even household-level producers must obtain the P-IRT permit to legally market their products and demonstrate adherence to basic safety practices.

To effectively tackle these compliance and developmental obstacles, a coordinated support ecosystem is indispensable. This system requires the active involvement of various institutional pillars. It mandates the government's role in setting and enforcing clear regulations, the supportive function of cooperative institutions in providing capital and joint marketing channels, and strategic partnerships with State-Owned Enterprises (SOEs) and the private sector for crucial initial funding and skill enhancement.

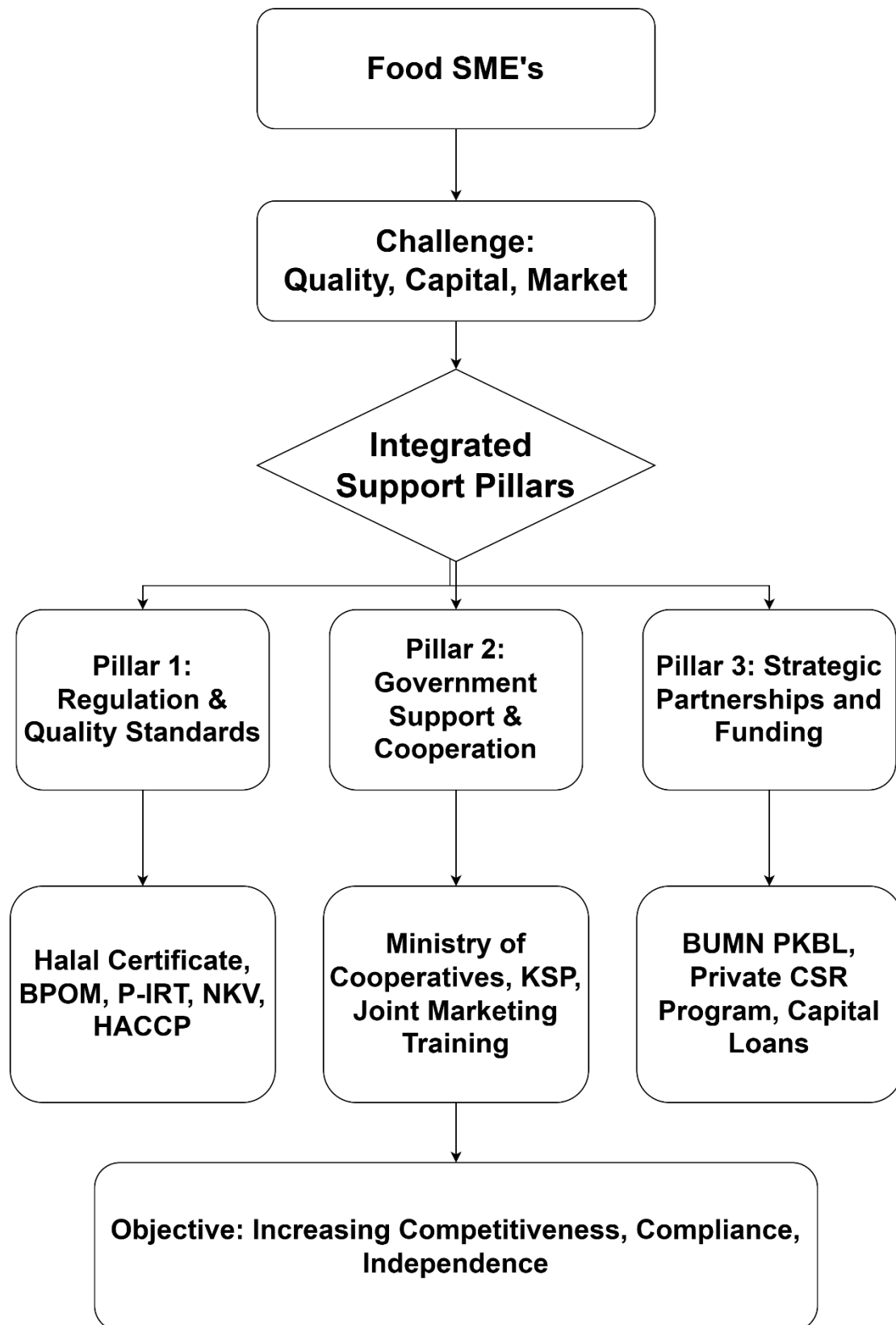


Figure 1. Challenge to Food SME's Sustainability

One critical pillar of this ecosystem involves direct government support and the empowering role of cooperatives. The government facilitates development through initiatives such as diverse training programs organized by the Ministry of Cooperatives and SMEs, which focus on finance, digital marketing, management, and product innovation. Furthermore, institutions like PLUT-KUMKM provide comprehensive support services, offering a one-stop solution from licensing facilitation to advanced product development consultancy. Cooperatives play an equally pivotal role by offering affordable capital access through Savings and Loan Cooperatives (KSP) and enabling cost-saving measures via collective raw material procurement.

The second major pillar centers on Strategic Partnerships and Initial Funding. State-Owned Enterprises (SOEs) contribute significantly through the Partnership and Community Development Program (PKBL) by providing revolving capital loans at low-interest rates. The PKBL program also offers essential management training and advisory services to guide SMEs in financial planning and market strategy, with the ultimate goal of transforming them into self-sufficient enterprises.

Complementary to BUMN support is the crucial role of private companies through Corporate Social Responsibility (CSR) initiatives. CSR focuses on equipping SMEs with essential skills, including product development, digital marketing, and quality control. Through these programs, SMEs receive technical support to comply with advanced industry standards, such as HACCP or NKV (Veterinary Control Number), ensuring their products are competitive in both domestic and international markets.

Therefore, this study aims to descriptively map and analyze the interconnectedness and functionality of these three core support pillars: (1) Regulations and Quality Standards for Food SMEs (Halal, BPOM, P-IRT, NKV, HACCP); (2) Government Support and the Role of Cooperatives; and (3) Strategic Partnerships and Initial Funding (PKBL and CSR). This analysis seeks to provide a comprehensive understanding of the institutional framework driving compliance and capacity building within the Indonesian Food SME sector.

## 2. Literature

### 2.1. Institutional Theory

Institutional theory explains how organizations adapt to regulatory pressures, social norms, and environmental expectations to achieve legitimacy and desirability (DiMaggio and Powell 1983; Scott 2014). In the context of food MSMEs in Indonesia, this theory serves as the basis for understanding compliance behavior with various standards such as Halal certification, BPOM permits, P-IRT, NKV, and HACCP. Institutional pressures arising from the government, consumers, and regulatory agencies encourage MSMEs to adjust their production practices to comply with applicable norms and regulations. This compliance not only serves to meet legal requirements but also serves as an adaptation strategy to maintain business legitimacy amidst global market competition.

### 2.2. Compliance Theory

Compliance theory explains the factors that motivate individuals and organizations to comply with applicable laws and regulations (Tyler 2006; Parker and Nielsen 2011). Compliance can arise for normative reasons namely, the belief that the regulations are fair and worthy of compliance or for instrumental reasons, such as avoiding sanctions and obtaining economic benefits. In the context of food MSMEs, compliance with food safety standards and business legality are important factors in maintaining consumer trust and business sustainability. The implementation of regulations such as Halal certification and BPOM/P-IRT distribution permits is concrete evidence of business actors' awareness of the importance of legal compliance to maintain reputation and competitiveness.

### 2.3. Theory of Government and Cooperative Support

The role of government and cooperative institutions is crucial in supporting the development of MSMEs through policies, training, and access to capital. Based on government support theory, state intervention serves to create a conducive business climate, strengthen the capacity of small business actors, and reduce economic

inequality (Todaro and Smith 2015). In the Indonesian context, the government, through the Ministry of Cooperatives and SMEs and institutions such as PLUT-KUMKM, provides training, mentoring, and licensing facilitation for food MSMEs. On the other hand, cooperatives act as collective platforms that provide access to affordable capital through Savings and Loan Cooperatives (KSP) and reduce production costs through joint raw material purchasing. The synergy between government policies and the institutional strength of cooperatives creates a sustainable empowerment mechanism.

#### 2.4. Strategic Partnership Theory

Strategic partnerships are collaborative approaches between the public and private sectors to create shared value through the exchange of resources, knowledge, and market networks (Dyer and Singh 1998; Austin and Seitanidi 2012). In the context of food MSMEs, partnerships with state-owned enterprises (SOEs) through the Partnership and Community Development Program (PKBL) provide access to revolving capital and managerial training for small business owners. This program enables MSMEs to improve their financial capabilities and business strategies towards independence. Meanwhile, private companies play a role through Corporate Social Responsibility (CSR) activities, which focus on improving production skills, digital marketing, and quality control. This collaboration not only strengthens the financial aspect but also transfers industry best practices to MSMEs so that their products can compete in domestic and international markets.

#### 2.5. Signaling Theory

Signaling theory explains how organizations use certain symbols or certifications to convey positive information to the market about their quality and credibility (Spence 1973; Connelly et al. 2011). In the food industry, certifications such as Halal, BPOM, and HACCP serve as quality signals that build consumer trust and differentiate products from competitors. For food MSMEs, holding these certifications serves as a strategic communication tool that emphasizes their commitment to safety, ethics,

and international standards. Thus, certification serves not only as an administrative obligation but also as a reputational tool that strengthens a business's competitive position in the global market.

## 2.6. Sustainable Development Theory

Sustainable development emphasizes a balance between economic, social, and environmental aspects in all development activities (WCED 1987; Elkington 1997). Empowering food MSMEs aligns with this principle because it aims to improve community well-being without compromising resource sustainability and food security. Regulatory support, government intervention, and strategic partnerships create an ecosystem that enables MSMEs to grow inclusively and independently. This approach strengthens local economic resilience, creates jobs, and maintains product quality to meet national and global standards.

## 2.7. Theoretical Synthesis

Based on the theoretical study above, the development of food MSMEs in Indonesia can be understood as the result of the interaction between institutional pressures, legal compliance, policy intervention, and the synergy of public-private partnerships. Compliance with quality standards (Institutional and Compliance Theory) forms the foundation of business legality, while government and cooperative support (Government Support Theory) provides instruments for economic empowerment. Strategic partnerships (Strategic Partnership Theory) strengthen access to capital and managerial capacity, while signaling theory explains the function of certification as an indicator of credibility. All these components are integrated within a sustainable development framework that emphasizes the independence, competitiveness, and social responsibility of food MSMEs in Indonesia.

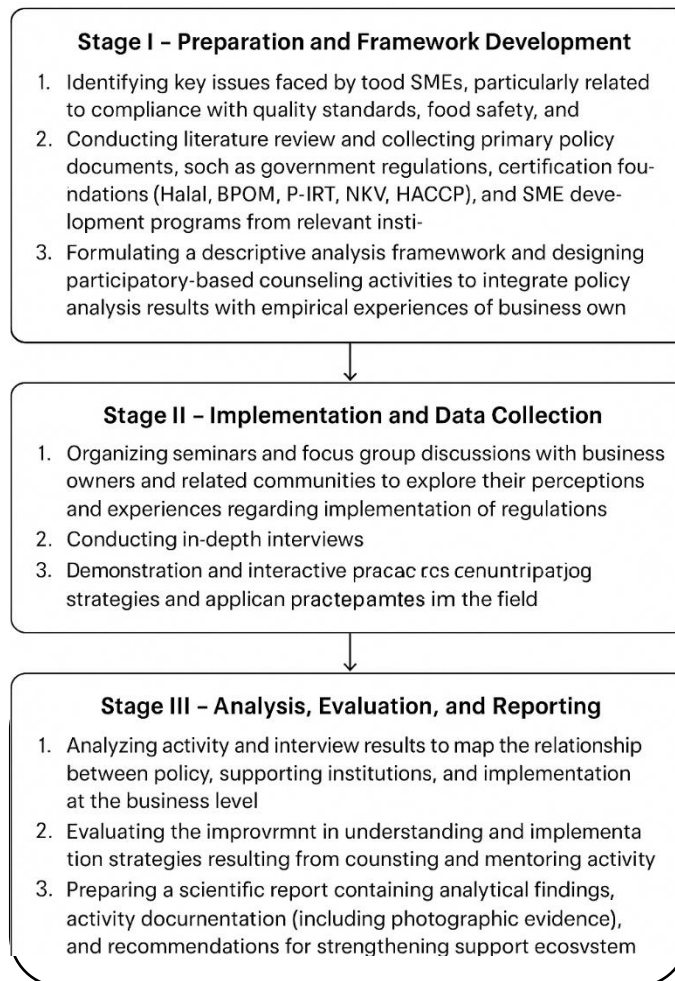
## 3. Research Methodology

In alignment with the descriptive analytical approach employed in this study, the community engagement component was carried out through a series of structured

dissemination activities, including seminars and focused group discussions with business owners and related community representatives. This participatory method aimed to gather firsthand insights, understanding, and experiential reflections concerning the real challenges faced by Food SME actors in implementing regulatory and marketing frameworks.

To complement the document-based policy analysis, in-depth interviews were conducted to validate findings and provide richer contextual understanding of how government-led initiatives and cooperative-based programs affect everyday business practices. The outcomes of these sessions particularly in terms of participants' improved comprehension and the practical application of community-based marketing strategies—serve as qualitative evidence of the initiative's relevance and effectiveness. Documentation from the field activities, including photographic records, further substantiates the implementation process and impact evaluation.

Through this combined methodological approach, the study bridges policy analysis and community-level validation, ensuring that the descriptive classification of regulatory structures is grounded in the lived experiences of SME practitioners. This reinforces the analytical objective of mapping the interconnected ecosystem supporting the sustainability of Indonesia's Food SMEs.



**Figure 2. Analysis Stage**

#### 4. Research Result

##### 4.1. Phase 1: Before Implementation of Activities

###### 1. Lack of Understanding of Community-Based Marketing Strategies

Many food MSMEs lack a grasp of the concept and implementation of community-based marketing strategies. They tend to rely on traditional promotions such as direct sales at markets or through social media without a sustainable engagement strategy. This lack of knowledge about how to build relationships with consumer communities for example, local foodie communities, housewives, or health communities leads to low customer loyalty. As a result, MSME products struggle to build a strong and sustainable brand identity.

## **2. Lack of Engagement with Local Communities**

Most food MSMEs have not yet tapped into the potential of local communities as strategic partners. For example, they rarely participate in community activities such as culinary bazaars, local food festivals, or village entrepreneurship training. Lack of time, resources, and knowledge on how to collaborate with communities deprives them of opportunities to expand their market network and build a business image that cares about the social environment.

## **3. Difficulties in Designing and Implementing Community Marketing Programs**

Food MSMEs often struggle to design engaging marketing programs that resonate with local communities. They may lack the skills to create interactive activities like cooking demonstrations, food safety training, or healthy eating campaigns. A lack of understanding of consumer preferences also leads to ineffective promotional activities. This hinders business growth and reduces their ability to adapt to dynamic market trends.

### **4.2. Phase 2: After Implementation of Activities**

#### **1. Implementation of Community-Based Marketing Strategies**

Food MSMEs are beginning to understand the importance of building relationships with communities as a long-term strategy. They are developing approaches that focus on collaboration and direct engagement, for example by holding local food community events like hygienic packaging training, traditional food festivals, or healthy product campaigns.

These activities not only strengthen customer loyalty but also foster trust and a sense of ownership in local products. Through regular interaction, MSMEs can identify new consumer needs and innovate based on community input.

#### **2. Increased Local Community Involvement**

Following interventions and training, many food MSMEs actively partner with surrounding communities, such as farmer groups, housewives' communities, or

village cooperatives. They participate in collaborative programs like the "Shared Healthy Market" or the "Local Food Movement," which promote local ingredients and sustainable business practices.

This engagement strengthens the local business ecosystem, increases brand visibility, and opens up opportunities for cross-sector collaboration, including with local governments and cooperative institutions.

### **3. Community-Based Product and Program Innovation**

Communities serve as a source of inspiration and innovation for food MSMEs. Through discussions, forums, and joint activities, business owners gain new ideas, such as creating locally processed products based on natural ingredients, developing environmentally friendly packaging, or expanding distribution through food community marketplaces.

Community-based loyalty programs are also being implemented for example, customers who actively participate in educational activities receive discounts or exclusive access to new products. This approach helps MSMEs maintain relevance and competitiveness amid changing market trends.

#### **4.3. Session of Implementation of Activities**

This activity was carried out through discussion sessions (FGD) and interviews with local business managers to determine the effectiveness of the activities carried out for one week, starting from October 1, 2024 to October 7, 2024. Documentation of the activities in the form of photos below shows the implementation directly in the field.

The program was carried out by four Perbanas Institute students at the business premises from October 1–7, 2024. This activity included mentoring, observation, and the implementation of community-based marketing strategies for locally processed food products.



Figure 3. Implementation of FGD's Activities on Food MSME

One focus of the activity is the introduction and socialization of the community loyalty program, which is designed to maintain active customer relationships. Through this approach, business owners offer discounts or special promotions to customers who become community members, in order to increase repeat purchases and customer loyalty.



Figure 4. Socialization of the Customer Loyalty Program in Food MSMEs

#### 4.4. Evaluation of Implementation of Activities

Evaluation of the results of this community service activity was carried out by interviewing food MSME actors regarding the impact of the counseling and mentoring that had been implemented in improving community-based marketing strategies.

**Student:** *"How did you feel and experience it before receiving training on community-based marketing to increase customer loyalty in your food business?"*

**Food MSME:** *"Before the training, we faced several challenges in attracting and retaining customers. We often felt uncertain about determining the right marketing strategy and didn't*

*understand how to build long-term relationships with customers. Furthermore, we didn't fully understand consumers' tastes and needs for our products, making it difficult to create an experience that would make them want to buy again."*

*"This training opened our eyes to the fact that marketing isn't just about selling products, but also about building closeness with the community. When we started interacting directly with the surrounding community, we learned more about what they needed, how they perceived our products, and what we could improve. Good communication with the community turned out to be key to building trust and fostering customer loyalty. When the community feels involved and appreciated, they tend to be more loyal and even volunteer to promote our products."*

**Student:** *"Can you continue this kind of training to maintain relationships with your community and customers?"*

**Food MSMEs:** *"Of course, it's worth continuing. To maintain strong customer relationships, we need to regularly hold activities that involve the community, such as cooking demonstrations, packaging training, or new product tastings with loyal customers. Besides strengthening relationships, these activities are also an effective form of indirect promotion."*

*"Furthermore, we plan to be more active on social media, especially Instagram, by sharing content about the production process, the stories behind our products, and special promotions for community members. This way, customers feel part of our business journey and are more motivated to continue supporting local products."*

## 5. Conclusion

This study concludes that the sustainability and competitiveness of Indonesia's Food Micro, Small, and Medium Enterprises (SMEs) are highly dependent on the synergistic interaction among three core institutional pillars.

1. First, **Regulations and Quality Standards** including Halal, BPOM, P-IRT, NKV, and HACCP certifications serve as the foundation ensuring product safety, legality, and consumer trust. Compliance with these standards not only enhances market access domestically but also opens opportunities for international trade by aligning with global benchmarks.
2. Second, **Government Support and the Role of Cooperatives** are pivotal in strengthening SME capacity through financial assistance, training, and

facilitation services. Institutions such as the Ministry of Cooperatives and SMEs and PLUT-KUMKM play an essential role in providing technical guidance, while cooperatives enable collective efficiency through shared capital and resources.

3. Third, **Strategic Partnerships and Initial Funding**, especially through the **PKBL program of State-Owned Enterprises (SOEs)** and **Corporate Social Responsibility (CSR)** initiatives from the private sector, contribute to business growth and innovation. These partnerships empower SMEs with access to revolving capital, managerial training, and technological improvement, fostering long-term resilience.

Overall, the study highlights that the integration of regulatory compliance, institutional support, and collaborative partnerships creates a comprehensive ecosystem that promotes capacity building, legal adherence, and sustainability within Indonesia's Food SME sector. A coordinated approach across these three pillars is therefore essential to strengthen the competitiveness and self-reliance of food-based SMEs in facing evolving market and quality demands.

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