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SHARIA-BASED MSME DEVELOPMENT STRATEGY IN TEBING TINGGI CITY

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Abstract

The purpose of this study is to develop a development plan for sharia-based MSMEs in Tebing Tinggi City to encourage more equitable and inclusive regional economic development. This study used a qualitative descriptive method. Five MSMEs that have implemented sharia principles in their operations were observed and interviewed to collect data. The collected data were then analyzed thematically to identify trends, obstacles, and development tactics. The study findings demonstrate that sharia-based MSMEs in Tebing Tinggi City have adopted Islamic values such as being free from usury, using halal materials, and contributing to social welfare. However, they still face significant challenges such as limited access to sharia financing, a lack of Islamic economic literacy, and suboptimal utilization of digitalization. Recommended development strategies include improving sharia literacy, partnerships with Islamic financial institutions, training in digitalization and halal marketing, and facilitating halal certification. An integrative approach based on spiritual values, technology, and institutionalization is needed to strengthen the competitiveness of sharia-based MSMEs sustainably. This study contributes to the strategic framework for sharia-based MSME development at the regional level, integrated with Islamic economic principles and local challenges. The uniqueness of this study lies in the focus on the local context of Tebing Tinggi City and the direct interview approach to formulate sustainable strategies.

Keywords: Sharia-compliant MSMEs, development strategy, finance, local economy, Tebing Tinggi City

INTRODUCTION

The abundance of MSMEs is one of the main drivers of Indonesia's current economic growth. Because the business sector uses creativity and innovation to solve problems and find opportunities for a better life, this sector is a key engine of national progress. The fundamental goal of business management activities is to raise sufficient funds to finance the owner's operations and generate profits for a long-term lifestyle (Kasus et al. 2024).

One business sector with the potential to grow and continue to drive the national economy is Micro, Small, and Medium Enterprises (MSMEs). MSMEs provide an excellent platform for creating profitable jobs. MSMEs are labor-intensive enterprises that do not require specific skills or educational backgrounds. They also require basic technology and very limited capital. In terms of business, job creation, and national economic development, as reflected in GDP, MSMEs continue to play a vital role in improving the Indonesian economy (Ridzal et al. 2023).

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Crucial issues that make MSMEs highly vulnerable to competition include low capital and low quality human resources (HR) (Barus et al. 2023). MSMEs still struggle to obtain funds for investment and working capital. Limited access to financial institutions, particularly banks, that assist with financing MSMEs in rural areas, a lack of high-quality human resources, and marketing and market data issues are key obstacles to the growth of Sharia-based MSMEs, according to Suhartini (2024). Limited digital skills pose a significant challenge for MSMEs, as many MSME personnel lack the skills necessary to evaluate the use of digital technology and applications, in addition to the capital and human resource quality issues they face (Naufalin, 2020). Furthermore, Hidayat & Andarini (2020) state that the challenge of building their own networks is one of the issues faced by MSMEs. Due to limited financial and human resources, MSMEs struggle to build strong and extensive networks. Development is a government effort in the commercial and social sectors, providing strong direction and support to help small businesses grow and increase their capacity, thus becoming resilient and independent. Whether run by individuals or legal entities, established and domiciled within a country, business is defined as the regular and continuous implementation of operations with the goal of generating profit (Maulidah and Oktafia 2020).

MSMEs are defined by Law No. 20 of 2008 as small businesses owned and operated by one person or a small group of people with a certain level of wealth and income. One industry that has successfully survived the economic crisis is MSMEs. The number of MSMEs actually increased, rather than decreased, due to the economic crisis. Despite their simple management, MSMEs were able to survive (Suhartini and Syariah Bengkalis, Jl Poros - Sei Alam - Selatbaru - Bengkalis Regency 2024).

The growth of MSMEs has been quite positive from year to year. The government is serious and paying attention to these businesses. The reason is that these small businesses are the backbone of the workforce. As a developing country, Indonesia places significant importance on MSMEs. This is because MSMEs perform better in terms of productive workforces, increasing high productivity, and being able to survive alongside large businesses (Anam and Qadariyah 2024). In North Sumatra, MSME growth can be seen in the table below. MSME growth in North Sumatra in 2020 was 117.83%. MSME growth declined by -33.28% in early 2021 due to the impact of the pandemic, which devastated several industries, including manufacturing, tourism, and MSMEs. Along with improving public health conditions, the reopening of economic sectors, and government policies supporting the strengthening of cross-sectoral development plans, MSME growth recovered by 49.89% in 2022. Despite the significant contribution from productive sectors and the increasing importance of MSMEs, MSME growth did not increase in 2023; instead, the decline indicated a recovery that almost reached pre-pandemic levels. All things considered, the expansion of MSMEs in North Sumatra over the past five years demonstrates a remarkable capacity to adapt to global challenges.

Table 1.1 Number of MSME data in North Sumatra Province 2019-2023

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Year	Number of MSMEs		Micro Enterprises	Small business	Medium Enterprises
	Amount	Pert. (%)			
2019	1.178.116	-	1.061.403	100.753	15.960
2020	2.566.239	117,83	1.571.526	762.232	232.481
2021	1.712.091	-33,28	1.167.156	312.254	232.481
2022	2.566.239	49,89	1.571.526	762.232	232.481
2023	2.566.239	0,00	1.571.526	762.232	232.481

Source: Department of Cooperatives, Small and Medium Enterprises, North

Sumatra ProvinceAmidst the ever-changing economic landscape, the concept of sharia economics has emerged as an alternative business model because it prioritizes the principles of justice, sustainability, and adherence to Islamic law. Sharia-based MSMEs have significant growth potential, particularly in areas with a predominantly Muslim population, such as Tebing Tinggi City. However, despite the significant potential of Sharia-based MSMEs, many business owners do not fully understand and implement Sharia principles in their operations. Therefore, it is crucial to develop a Sharia-based MSME development strategy in Tebing Tinggi City to encourage sustainable economic growth, increase MSME competitiveness, and more effectively empower the local community.

The establishment of Sharia-based MSMEs can also be a solution to existing problems, such as providing MSMEs with access to financing through Sharia-compliant financial institutions and providing counseling and training on how to run a business in accordance with Sharia principles. To encourage more inclusive and equitable regional economic growth, this study aims to design a Sharia-based MSME development plan in Tebing Tinggi City.

Sharia-based MSMEs are small and medium enterprises (SMEs) committed to producing or providing goods and services in accordance with Islamic law. The concept of halal, or halal laws and regulations outlined in Islam, is the first of many characteristics of Sharia-compliant MSMEs. Second, halal certification. Many Sharia-compliant MSMEs strive to obtain official halal certification from licensed agencies when deciding whether to certify halal products. Third, Community Empowerment: Sharia-compliant MSMEs help improve the livelihoods of communities and the local economy. When identifying Sharia-compliant MSMEs, it's important to remember that "halal" encompasses more than just the ingredients or production process. It encompasses marketing, advertising, and the entire product lifecycle (Femy Sasongko et al. 2021).

Sharia-compliant MSMEs play a significant role in local economic development, particularly in increasing community income and reducing unemployment. However, several significant challenges remain, such as limited access to capital, low levels of Islamic financial education, and suboptimal implementation of regulations to support a halal business environment (Luthfiyah et al. 2025). Overall, Islamic MSMEs have become a key pillar in the economic recovery process following the Covid-19 pandemic. Many small businesses have begun adopting Islamic-based financing systems, such as

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mudharabah and musyarakah contracts, which are considered fairer and less burdensome than conventional loans (D. A. Khairunnisa and Nofrianto 2023). Optimizing Islamic MSMEs in local communities can be achieved by integrating Islamic economic principles with open innovation, which is one way to maximize their potential in improving community welfare. This can also improve operational efficiency in local communities and strengthen the Islamic-based financial structure of MSMEs (An, Menignkatkan, dan Lokal 2025). Developing Sharia-based MSMEs based on verses of the Quran means conducting business in accordance with Islamic economic principles derived from the Quran and Sunnah, such as the prohibition of usury, gambling, and gharar, as well as the requirement to produce halal products, justice, transparency, and social responsibility like in Surah At-Taubah · Ayat 105 :

وَقُلِ اعْمَلُوْا فَسَيَرَى اللّٰهُ عَمَلَكُمْ وَرَسُوْلُهٗ وَالْمُؤْمِنُوْنَۗ وَسَتُرَدُّوْنَ اِلٰى عٰلِمِ الْغَيْبِ وَالشَّهَادَةِ فَيُنَبِّئُكُمْ بِمَا كُنْتُمْ تَعْمَلُوْنَۚ ١٠٥

wa quli‘malû fa sayarallâhu ‘amalakum wa rasûluhû wal-mu'minûn, wa saturaddûna ilâ ‘âlimil-ghaibi wasy-syahâdati fa yunabbi'ukum bimâ kuntum ta‘malûn

Meaning: Say (Prophet Muhammad), “Work! Then Allah, His Messenger, and the believers will see your work. You will be returned to the Knower of the unseen and the seen. Then He will inform you of what you used to do.” And say, to those who repent, “Work, with various works that bring benefit, so Allah will see your work, that is, reward you for your work, and His Messenger and the believers will also witness and judge your work, and you will be returned, that is, die and on the Day of Resurrection all creatures will return to Allah, the Knower of the unseen and the seen, then He will inform you of what you used to do in the world, whether you showed it or concealed it.”

MSMEs are businesses run by individuals or legal entities, and are distinguished by assets, annual turnover, and number of employees. According to the World Bank, MSMEs control approximately 90% of businesses and more than 50% of global employment. In developing countries, MSMEs contribute up to 40% of GDP, demonstrating their importance to economic growth, job creation, innovation, and sustainable development. In recent decades, MSMEs have become a dynamic part of the economy by providing numerous job opportunities and supporting industrialization in rural areas. They also reduce regional inequality and ensure a more equitable distribution of income, complementing large-scale industries, and contributing to social development (Hadi Mustofa and Luhur Prasetiyo 2024).

MSME development aims to overcome the obstacles faced by this sector and create more competitive MSMEs. The responsibility for achieving this goal lies with the government and the community together. Business development plans are crucial in addressing issues and providing operational guidelines. Several factors must be considered, including improving access to capital and technology, expanding market entry opportunities, and providing entrepreneurship training. Market strengthening and effective oversight are also essential. Furthermore, developing a distribution system through independent initiatives or collaboration is necessary to achieve social justice and business partnerships (Mohadi and Aminy 2023).

Halal certification is the process of obtaining a certificate indicating that ingredients and production methods meet the criteria of the Indonesian Ulema Council (LPPOM MUI). The purpose of this certification is to ensure the halal status of a product, which is crucial for consumer rights as it influences their purchasing choices. Many people assume that halal only relates to food, but in fact, halal encompasses all aspects of a Muslim's life, including cosmetics, medicines, finance, and transportation (Hadi Mustofa and Luhur Prasetiyo 2024).

Gaining customer trust, developing marketing, and boosting sales are all aided by halal certification. Furthermore, halal certification is a strategic step for companies to build consumer loyalty, differentiate themselves from competitors, and add value to their products. The halal label has a positive impact on increasing company profits due to the increased consumer trust associated with the inclusion of halal certification on products. In addition to maintaining consumer trust, halal certification also impacts a company's revenue or turnover (H. Khairunnisa, Lubis, and Hasanah 2020).

RESEARCH METHODS

To gather in-depth information on the growth strategies of Sharia-based MSMEs in Tebing Tinggi City, this study employed qualitative descriptive techniques. The respondents were five Sharia-based MSMEs in Tebing Tinggi City, with data collected using interviews and observation techniques. The collected data were analyzed using qualitative descriptive methods, namely by grouping them thematically to identify patterns, challenges, and potential. Based on these groupings, conclusions were drawn regarding the development strategies of Sharia-based MSMEs in Tebing Tinggi City.

RESULT AND DISCUSSION

Tebing Tinggi City, a strategic region in North Sumatra, is showing rapid growth in the MSME sector, including Sharia-based businesses. Sharia-compliant MSMEs are more than just businesses; they are also systems founded on Islamic principles such as fairness, transparency, and halal product certification. In this regard, corporate actors consider the social benefits generated from their operations in addition to monetary gains. The five MSMEs selected for this study were Roti Kacang Hj. Eliya, Daifuku Mochi, Seblak Attar, Toko Malabar, and Risol Kita.

Roti Kacang Hj. Eliya Lubis is a renowned Tebing Tinggi specialty. Established in 2010, Roti Kacang Hj. Eliya Lubis is located on Jl. Sudirman, PLN Housing Complex, Tebing Tinggi City. Roti Kacang Hj. Eliya Lubis was originally located in front of the PLN office, but later relocated to the back of the office. The factory and the owner's house have a fairly spacious, clean place, and a large yard. The factory conditions are always

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maintained to remain clean and hygienic during the production process and product purchasing services. Roti Kacang Hj. Eliya Lubis maintains the cleanliness of the store by enforcing buyers to remove their shoes when purchasing their products. This business has one branch store located on Jl. Sudirman in front of Pamela Hospital, Tebing Tinggi City, precisely Jl. Lintas Medan-Siantar. This peanut bread maintains a production process that is in accordance with the principles of halal and hygiene. While the branch closes at 22.00. WIB, Roti Kacang Hj. Eliya Lubis is open from 07.00 to 18.00. WIB. Roti Kacang Hj. Eliya Lubis owner, Mr. Hayul Amin Nasution, 73, clarified in an interview:

“We have approximately 30 employees, from shopkeepers to those involved in the production process. Our work system is structured, yet flexible, as we are still a small and medium enterprise (SME). In the morning, we usually focus on the kitchen for production, and in the afternoon, we pack and ship. In the morning, if there are any customers, we usually let them know overnight sales, but we usually notify them in advance. We usually start the morning by making the dough and filling, then moving on to the filling process. Once baked, we let the bread cool before packaging it. We can produce 1,000-1,500 boxes per day, depending on the number of orders. This peanut bread can last up to 5-7 days at room temperature. We don't use any preservatives, which is why it only lasts a week at most. So, we take great care in the production process, from baking to selecting quality ingredients, and keeping the kitchen clean.”

Daifuku Mochi is a popular food item. It's located on Jl. Sutomo, right in front of Bank Mandiri. Daifuku Mochi has one branch located on Jl. Sutoyo, in front of the Mediska Clinic. Both are strategically located, especially the one located in the city center. Daifuku Mochi is open from 4:00 PM to 7:00 PM WIB, every day except Monday. In an interview, Mrs. Ayu (23 years old), a Daifuku Mochi employee, explained, "We have five people working: production, packing, outlet security, and delivery couriers. The work system is flexible; the work is usually divided into shifts, sometimes the outlet security is handled by production, and vice versa. Usually, when there are lots of orders, like at events or bazaars, the workload increases. In the morning, we start by making the mochi dough and then filling it with 17 flavors. We can produce around 300-500 pieces per day, depending on the order. Because we don't use preservatives, the mochi lasts for 2-3 days. For resellers, we offer special prices above the usual selling price. Payment can be made by bank transfer (down payment or full payment) or directly. We have approximately 10 active resellers. Running a sharia-compliant MSME might be more profitable, but it's not just about the nominal amount; having more customers is also an advantage for us. These days, many people ask questions before buying, for example, whether this is halal or not, even if they don't ask." directly to us.”

Seblak, a SME food, is no less viral than mochi, with many seblak enthusiasts, especially teenagers and even older people, still wanting to try it. One of the seblak in Tebing Tinggi City is Seblak Attar, this seblak is one of the seblak places that is popular

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with the people of Tebing Tinggi City. Seblak Attar is located on Jl. Ir. H. Juanda, precisely at the intersection towards Dolok Masihul. The shop is next to Alfamart, Seblak Attar provides a place to eat directly in the shop. Seblak Attar provides 8 tables inside the shop and 2 tables outside the shop. Their kitchen is in the back used for washing dishes only, while cooking is in the front right next to the shop. Operations start from 12:00 WIB to 19:00 WIB. Seblak Attar is open Monday - Saturday, while Sunday is closed. In an interview, Mrs. Nita (25), a Seblak Attar employee, explained, "We have about five people here: cooking, tending the outlet, and washing dishes. The work system here is that one person can handle two tasks, such as cooking and serving, but that's only if someone is absent. We start preparing from the morning, from arranging the toppings, making the seblak seasoning, and cleaning the shop. Everything is prepared before opening. So when we open, we just serve, so it's not a hassle, as sometimes customers have already ordered before we open. We can sell 100-150 portions per day, depending on the orders. The toppings and noodles are the only ingredients that can last for a few days, and even then, they last for 3-5 days. We don't have any resellers, just this shop."

Gunung Malabar Shop operates in the retail sector, focusing on daily necessities and prayer supplies. In practice, the business implements Islamic economic principles such as the prohibition of usury, honesty in transactions, and a commitment to halal products. Gunung Malabar Shop is located on Jl. Jend. Ahmad Yani, precisely at the four-light intersection in the city. Located between a paint shop and a curtain shop, Gunung Malabar is strategically located, making it easy for customers to find. Gunung Malabar is quite well-known in Tebing Tinggi City. It is frequently visited by people purchasing prayer items, especially Qurans. The shop consists of two shophouses combined into one. Gunung Malabar is open from 8:00 a.m. to 6:00 p.m. WIB. In an interview, Mrs. Eni (31), an employee at the Gunung Malabar shop, explained, "The shop is open from 8:00 a.m. to 6:00 p.m. every day. We have three employees. Our work system is open from morning to evening. Men's items are handled by men, as they are more knowledgeable and have better communication skills. The cashier is handled directly by our lady, who handles the serving. We sell a wide variety of items, including religious items, fishing tackle, funeral supplies, books, and even herbal medicine. Revenue varies daily, as it's not always the same, but it's around 800-1 million rupiah, depending on sales and resellers' intake. We have approximately 10 resellers who frequently take in customers, including herbal medicine sellers, almost every day."

Risol Kita is a well-known food business. This type of food, known as risol, is a dish that can be prepared at home. Risol is a snack that is widely sold by people during the fasting month as a source of additional income. Merdeka Square, where Risol Kita is located, is a favorite hangout for residents, especially after dark. Merdeka Square is a strategic MSME center and attracts residents and visitors from outside the area. Risol Kita is located near the Tebing Tinggi Police Station, on Jl. Pahlawan. Risol Kita's operating hours are from 4:00 PM to 9:00 PM WIB. The owner of Risol Kita, Mrs. Yuli (28), explained in an interview:

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"Here, I'm alone, I don't have any employees. I mostly produce by myself, and my family helps me. I don't have any employees right now. Besides risol, I also added dim sum to my menu because mentai dim sum is currently trending, so I tried making it, and thank God, it's going well. I can produce 30-50 pieces per day, depending on orders, and I might make more. I have two resellers, and they don't pick up every day, and I limit orders to 50 pieces for risol and 10 packs of dim sum."

The five MSME profiles above demonstrate the diversity of business types while simultaneously sharing a common commitment to Sharia values. Their business practices go beyond the legality of halal products to include honesty, social responsibility, interest-free transactions, and concern for the welfare of the surrounding community. Although they still face obstacles such as limited capital, digitalization, and not all of them have official halal certification, they demonstrate that integrating Sharia values into MSMEs is not impossible. In fact, this approach strengthens consumer loyalty, provides a sense of spiritual security, and creates a fairer business climate.

Sharia-compliant MSMEs in Tebing Tinggi City have unique and diverse characteristics. These MSMEs span the food and beverage, handicraft, and service sectors, all of which operate under Sharia principles that prioritize justice and prosperity. According to data from the Tebing Tinggi City Cooperatives and SMEs Office, approximately 30% of the city's MSMEs have implemented Sharia principles in their operations. This demonstrates a growing awareness among MSMEs of the need to use business models that align with Islamic values.

Within the framework of the Sharia economy, Sharia-compliant MSMEs in Tebing Tinggi City serve as catalysts for the regional economy and a means of improving community welfare. For example, halal food businesses managed by MSMEs not only meet the needs of consumers who prioritize halal products but also create jobs for the local community. Data shows that the food and beverage sector contributes 40% of total MSME revenue in the city, a key indicator of local economic growth.

The advantages of Sharia-compliant MSMEs are also evident in the social benefits they generate. For example, many MSMEs implement corporate social responsibility (CSR) concepts in their operations, such as donating to communities in need or contributing to social programs. This not only enhances their business image but also strengthens social bonds within the community. A study by the Center for Islamic Economics shows that MSMEs operating according to Sharia principles tend to have a more positive social impact than conventional MSMEs.

Based on field observations and interviews, five MSMEs are considered representative of the growing Sharia-compliant business model in Tebing Tinggi City: Roti Kacang Hj Eliya, Daifuku Mochi, Seblak Attar, Toko Malabar, and Risol Kita. These

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MSMEs apply Sharia principles, such as avoiding transactions involving usury and maintaining halal (halal) and hygiene in production.

Thus, the profile of Sharia-based MSMEs in Tebing Tinggi City shows significant potential to contribute to the local economy. However, to fully realize this potential, an appropriate development plan is needed to capitalize on existing potential and address existing challenges. Therefore, further study and involvement of various stakeholders in the development of Sharia-based MSMEs in this metropolitan city are crucial.

Challenges Faced

The development of Sharia-based MSMEs in Tebing Tinggi City faces several significant challenges. According to a 2022 survey by the Central Statistics Agency (BPS), approximately 60% of MSMEs in Tebing Tinggi City do not fully understand the concepts and principles of Sharia in business. As a result, many business owners are forced to engage in unhealthy business activities, involving elements of usury, and violating Sharia norms. This lack of understanding not only hinders the growth of Sharia-based MSMEs but also erodes public trust in their products (In Figures 2023).

Another challenge is access to capital and financing. Although several Islamic financial institutions offer financing for MSMEs, many still struggle to access these funds. According to 2023 data from the Financial Services Authority (OJK), only around 35% of all MSMEs in Indonesia have access to financing from financial institutions (Financial Services Authority (OJK) 2024).

Several previous studies (Simangunsong 2022) identified challenges faced by MSMEs, including low participation in ongoing training, difficulty accessing capital and productive loans, supply chain disruptions, and declining sales. Other prior research (Suhartini 2024) explains that the main challenge for Sharia-compliant MSMEs lies in systemic unpreparedness on the part of both business actors and their supporting institutions. Inequality in access to financing, technology, the lack of Sharia principles in business practices, and the market are barriers. In general, the challenges faced by MSMEs include limited access to financing, low quality human resources, limited market and technology access, a lack of understanding of digitalization and business management, and legal and licensing issues (Indonesian MSME Sector 2020).

The most fundamental real challenge faced by Sharia-compliant MSMEs in Tebing Tinggi City, according to interviews, is a limited in-depth understanding of Sharia principles. Some business owners only understand Sharia as far as halal ingredients, without mastering proper transactions and governance. Furthermore, according to interviews with Hayul Amin Nasution (73), the owner of Roti Kacang Hj Eliya, "There are many challenges. Starting with the fluctuating price of peanuts, we must maintain the quality of our bread despite rising raw material prices. Furthermore, competition is also

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a challenge, especially since there are already quite a lot of peanut breads from various brands in this city. Therefore, we create new flavors to maintain our superior taste."

In an interview with the Daifuku Mochi SME, Ms. Ayu (23), an employee, said, "There are definitely challenges, like the fluctuating price of raw materials, not to mention the competition, especially now that there are so many people selling mochi everywhere. And it's a bit difficult for us to access Sharia financing. The biggest challenge is just the processing, which requires a lot of back and forth."

In an interview with the Seblak Attar MSME, Nita (25), an employee, said, "From the sometimes scarce raw materials like toppings, to competitors copying the concept, but luck is predetermined. Even though there's a lot of competition, there's still a lot of customers because they've already experienced the different quality. Capital is also a challenge for us, and obtaining halal certification is quite a difficult process, requiring numerous processes, especially since our business isn't a large one yet."

In an interview with the Toko Malabar MSME, Eni (31), an employee, said, "So far, there haven't been any challenges, because that's just the way it is with selling, but there haven't been any major challenges at the moment."

In an interview with the Risol Kita MSME, Mrs. Yuli (28), the owner, stated, "So far, there haven't been any. It's just that the weather has an impact, and when it rains, sales are slow, but that's what fortune is all about. There are plenty of competitors, but as with any business, there will always be some. But tastes vary, and customers who already know the taste, if it's good, will definitely come back, thank God, and they'll buy again. From a sharia perspective, the difficulty lies in accessing sharia financing because there are many things to handle, such as reporting to the MSME office."

It can be concluded that the challenges faced by MSMEs include understanding, access to capital, high costs, halal certification, and digitalization. This challenge is supported by previous research, which also found that the challenges often faced by MSMEs in general are a lack of understanding, limited access to capital, and rising raw material costs.

Sharia-Based MSME Development Strategy in Tebing Tinggi City

One of the main strategies is through education and training for MSMEs. This education includes not only an understanding of sharia principles but also effective managerial and marketing skills. According to data from the Central Statistics Agency (BPS) in 2021, approximately 60% of MSMEs in Indonesia lack an adequate understanding of Sharia principles in business. Therefore, training programs specifically designed for Sharia-compliant MSMEs need to be implemented sustainably (BPS Tebing Tinggi City 2022).

Collaborating with Islamic financial institutions is a second tactic that must be employed. For MSMEs to thrive, they must have access to funding that aligns with Islamic values. According to a 2022 report from the Financial Services Authority (OJK), Sharia financing in Indonesia grew by 15% compared to the previous year, demonstrating significant potential for Sharia-compliant MSMEs (Financial Services Authority 2022).

Previous research (Hadi Mustofa and Luhur Prasetiyo 2024) indicates that halal certification is a strategic factor in MSME development in Ponorogo Regency. This certification not only guarantees halal and product safety for consumers but also significantly increases the competitiveness of MSMEs in both local and global markets. Previous research (Andrianti and Oktafia 2021) suggests that the use of online media is highly effective in MSME development strategies, particularly in the context of Islamic marketing. A case study of the Paper Flower Project business shows that implementing the right plan can increase market expansion, competitiveness, and company sustainability. Fair and transparent pricing and digital advertising are the main development techniques used.

One of the main reasons why MSMEs struggle to grow is their lack of adaptability to technological advances. Many MSMEs still rely solely on offline sales methods, limiting their market reach. This inability to utilize digital technology stems from a number of factors, including low digital literacy, a lack of human resources, and a lack of relevant training, even though digital technology advancements have created more opportunities through e-commerce platforms, social media, and other digital marketing applications. The use of digitalization in entrepreneurship for MSMEs has yielded positive results in improving understanding and skills in using digital technology (Febriani SM et al. 2025).

According to the Tebing Tinggi City Trade, Cooperatives, and SMEs Office, in an interview with Mr. Muhammad Faisal Tanjung (47), the development strategy explained: "From the office's perspective, our MSME development strategies include facilitating halal certification for MSME products to ensure public consumption, digital marketing training, product marketing application development, entrepreneurship training, business mentoring, and support for sharia financing. Furthermore, it is also important to build partnerships with various parties and optimize the use of digital technology." It can be concluded that development strategies that can be implemented to develop MSMEs include providing an understanding of Sharia principles, facilitating halal certification of MSME products to ensure public consumption, providing digital marketing training, business mentoring, and supporting Sharia financing.

CONCLUSION

The application of sharia principles to micro-enterprises not only impacts the economic dimension but also strengthens the social, spiritual, and cultural dimensions of community life. Five MSMEs interviewed demonstrated that sectors such as food, beverages, crafts, and educational services have significant potential for fostering a halal business ecosystem based on Islamic values. In practice, they have adopted the concepts of halal certification, sharia contracts, and social responsibility as part of their business models.

Nevertheless, the challenges facing sharia-compliant MSMEs remain significant. Limited access to sharia-compliant microfinance, a lack of Islamic financial literacy, and limited use of digital technology are significant obstacles to the development of sharia-compliant MSMEs. On the other hand, their strengths lie in the loyalty of Muslim consumers, strong social values, and business ethics that prioritize transparency and blessings. Therefore, a collaborative and systematic strategic approach is needed for the sustainable development of sharia-compliant MSMEs.

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