
LOCAL WISDOM-BASED INNOVATION MODEL IN THE DEVELOPMENT OF THE HALAL INDUSTRY IN MAKASSAR: AN EXPLORATORY STUDY OF SMALL AND MEDIUM ENTERPRISE ACTORS

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ABSTRACT

This research aims to explore the innovation model based on local wisdom applied by Micro, Small, and Medium Enterprises (MSMEs) in the development of the halal industry in Makassar City. In the context of increasing global attention to the halal economy, this study offers an interdisciplinary approach that blends the perspectives of cultural anthropology, community economics, and religious studies. Qualitative methods were used through in-depth interviews, participatory observations, and document analysis on selected MSMEs in the culinary, fashion, and herbal products sectors. Preliminary results show that innovative practices are heavily influenced by local values such as *siri' na pacce*, community solidarity, and contextual religious interpretations. This study concludes that local wisdom is not only a source of business ethics but also a strategic framework in building sustainable halal competitiveness. These findings are expected to enrich the literature on the halal industry from a non-hegemonic perspective and contribute to regional economic development policies based on local values.

Keywords: Halal industry, MSMEs, local wisdom, social innovation, Makassar, *siri' na pacce*

INTRODUCTION

The halal industry has become a strategic sector in the global economy, especially in countries with a Muslim majority such as Indonesia (Meldona & Rochayatun, 2024). According to the Global Islamic Economy Report, Indonesia occupies a strategic position in halal product consumption, but is not yet optimal in production and export (Isywarra et al., 2024). Amid this great potential, MSME actors in regions such as Makassar face challenges in accessing the halal market in a sustainable manner.

Indonesia is currently consolidating its position as a global halal industry hub, as reflected in various national initiatives such as the BSI International Expo 2025 and Halal Indo 2025 (Roeslani 2025) (Faisol 2025). However, despite Indonesia having the largest Muslim population and a strong domestic market, challenges such as low halal literacy, limited access to certification, and a lack of local-based innovation remain major obstacles to the development of an inclusive and sustainable halal industry (GoodnewsfromIndonesia, 2025).

In this context, a local wisdom-based approach is becoming increasingly relevant. Programs such as **Rayakan Usaha Baik** (Celebrate Good Business) launched by ParagonCorp show that training, free certification, and cross-sector collaboration can strengthen the competitiveness of halal MSMEs (ParagonCorp, 2025). In Makassar, support from local governments and institutions such as LPH-LPH also shows that synergy between local values, public policy, and social innovation can create a more adaptive and sustainable halal ecosystem.

Although many studies discuss the development of the halal industry, most still focus on regulatory and certification aspects. Meanwhile, a local wisdom-based approach as a source of innovation is still rarely explored in depth, especially in the context of MSMEs in eastern Indonesia. In fact, local wisdom can be a social and cultural resource that strengthens the competitiveness of halal products (Syuhri et al., 2025).

Reslawati: Local Wisdom-Based Innovation...

The potential of local wisdom as a source of innovation Local wisdom in Makassar, such as the values of *siri' na pacce*, traditional culinary practices, and community social networks, has the potential to be developed as a model of innovation in the halal industry. However, there is no systematic model that explicitly integrates these values into the business strategies of halal MSMEs.

Local context and MSME challenges MSMEs in Makassar face various obstacles such as limited market access, low halal literacy, and minimal product innovation. In this context, an innovative approach based on local strengths is important to create a sustainable and contextual development model.

This study aims to explore and formulate a model of innovation based on local wisdom in the development of the halal industry in Makassar. The main focus is on MSMEs as key actors in the local halal ecosystem, with an exploratory approach to uncovering practices, values, and strategies that have developed organically.

The scope of this research includes exploring the business practices, local values, and adaptation strategies of halal MSME actors in Makassar. Scientific and practical contributions This research is expected to provide theoretical contributions to the development of a local wisdom-based innovation model, as well as practical contributions to MSME actors and policy makers in designing inclusive and sustainable halal industry development strategies. In addition, the results of this research can be used as a basis for developing community-based policies and local values.

LITERATURE REVIEW

Local wisdom is a system of values and practices that has developed within a community as a result of long-term interaction with the social and natural environment. In the context of innovation, local wisdom can be a source of contextual ideas and adaptive strategies. A study by Rahman (2022) shows that MSME actors who integrate local values into their production and marketing processes tend to be more resilient to market changes (Rahman 2022).

The halal industry in Indonesia is growing rapidly, but MSMEs still face challenges in terms of certification, halal literacy, and market access. Research by (Yuwana and Hasanah 2021) emphasizes the importance of community-based approaches and local values to bridge the gap between formal regulations and everyday business practices.

Successful innovation models implemented in local contexts are typically participatory and value-based. In a case study in South Sulawesi, a social innovation approach that incorporated the value of *siri' na pacce* was found to increase consumer loyalty and strengthen product identity.

The creative economy based on local wisdom has become an important strategy in the development of MSMEs in various regions. (Siti Nur Azizah 2017) shows that the integration of cultural values and business strategies can increase the competitiveness of local products in the modern market. This also strengthens social solidarity and economic sustainability in the community.

Regions such as Makassar have great potential for the development of the halal industry, but there is still a lack of studies that focus on a local-based approach. A study by (Chaidir Iswanaji, et al. 2020) emphasizes the importance of developing a model that not only follows national standards but also accommodates local values and community practices.

Social innovation in the context of halal MSMEs often emerges from community initiatives, rather than external intervention (Hendayana and Fauzi 2024). This approach

Reslawati: Local Wisdom-Based Innovation...

enables the creation of more inclusive and sustainable business models. Community-based training programs such as those conducted by ParagonCorp (2025) are concrete examples of how innovation can grow from the bottom up.

Recent literature emphasizes the importance of collaboration between academics, policymakers, and business actors in building an adaptive halal ecosystem. Research by LPH Unhas (2025) shows that involving local communities in the halal certification process can increase the effectiveness and acceptance of policies.

This research occupies a strategic position in the literature because it fills the gap between normative halal industry studies and locally-based innovation approaches. Unlike previous studies that emphasized regulatory or technological aspects, this research proposes an innovation model that grows from local values and the practices of MSME communities in Makassar. Thus, this research contributes to the development of social innovation theory in the context of the halal economy and enriches the discourse on the role of local wisdom in sustainable economic development.

METHODS

This study uses a qualitative descriptive approach to explore local wisdom-based innovation models in the development of the halal industry by MSME actors in Makassar. This approach was chosen because it is able to capture meanings, values, and social practices that cannot be measured quantitatively, as well as enable a deep understanding of the local context (Matthew B. Miles, A. Michael Huberman 2020).

Data collection techniques were carried out through participatory observation, semi-structured in-depth interviews, and documentation. Observations were conducted at halal SME business locations to understand direct practices that reflect local values. Interviews were conducted with SME actors, traditional leaders, and local stakeholders, LPH, Sucopindo Makassar, MUI, Kemenag, etc.

Informants were selected using *purposive* sampling, with the criteria being MSME actors who had been running their businesses for at least two years and integrated local elements into their business practices. This technique allowed researchers to select relevant and informative subjects (Sugiyono 2022).

The data was analyzed using the Miles and Huberman model, which includes three stages: data reduction, data presentation, and conclusion drawing/verification (Matthew B. Miles, A. Michael Huberman 2020). The analysis was conducted thematically to identify patterns of innovation emerging from local practices.

To improve data validity, source and method triangulation techniques were used, namely comparing interview results with observations and supporting documents such as halal certificates, promotional materials, and training records. Validation was also carried out through member checking, namely confirming the interpretation results with the informants.

This study also paid attention to research ethics, including *informed consent*, confidentiality of informant identities, and respect for local values. The researchers sought to maintain cultural sensitivity during the data collection process. With this approach, it is hoped that the research will produce a deep and contextual understanding of how local wisdom can be a source of innovation in the development of the halal industry at the community level.

RESULTS

In the Makassar region, local cultural principles such as *siri' na pacce* have become the moral foundation of community economic activities, encouraging the creation of business practices that uphold integrity, work ethic, and social responsibility. The incorporation of traditional values into business activities not only strengthens the character of the product, but also contributes significantly to increasing the competitiveness and sustainability of MSMEs in the halal industry landscape. An approach that highlights cultural elements through product design and narrative has proven to be an effective differentiation strategy, thus requiring the development of a halal innovation model rooted in local cultural wealth.

However, there is a mismatch between tradition-based business practices and the formal standards set in the halal industry, which causes MSME players to experience obstacles in the certification process. To bridge this gap, a more flexible and contextual certification system is needed, with a community-based approach so that local practices can be accommodated more inclusively within the halal framework.

Local communities play an important role as drivers of innovation, utilizing social networks formed from kinship and customary structures. These networks strengthen social solidarity and accelerate the spread of innovative ideas among business actors. Collaboration between MSMEs in the community results in operational efficiency and joint innovation, such as sharing resources and marketing strategies. Community-based training models demonstrate greater effectiveness than individual approaches, although marginalized groups still require affirmative support to increase their capacity.

In product development, halal SME actors utilize local raw materials and traditional techniques as sources of innovation, which can increase the attractiveness of products in the domestic market. Differentiation strategies through packaging and cultural narratives strengthen value perception and expand product reach. Products that contain elements of local wisdom not only have economic value but also contribute to cultural preservation. However, challenges remain in terms of documentation and compliance with halal certification standards.

Local institutions such as halal inspection agencies, cooperative agencies, and universities have a strategic role in supporting the halal ecosystem through training, certification, and applied research. Synergy between institutions and communities has proven to increase the effectiveness of halal development programs, although coordination between agencies still faces obstacles due to overlapping programs and a lack of information integration. Therefore, a collaborative governance system and structured cross-sector coordination mechanisms are needed to build an inclusive, adaptive, and sustainable halal ecosystem.

Integration of Local Wisdom Values in Halal MSME Business Practices

MSME actors in Makassar actively integrate local values such as *siri' na pacce* into their business practices. These values promote a strong work ethic, honesty, and social responsibility (Syahrudin 2024). Local cultural values can increase product added value and strengthen the value chain. Implicitly, the integration of local values can strengthen the position of MSMEs in the halal ecosystem, thereby broadening the understanding of how local cultural values can be operationalized in halal business practices.

Product design and marketing narratives that highlight the cultural identity of Makassar are an effective *differentiation* strategy. Where cultural narratives increase the appeal of local products, there is a need for culture-based branding training for MSMEs. Therefore, it is important to formulate a halal innovation model based on local cultural narratives.

Reslawati: Local Wisdom-Based Innovation...

However, there is tension between local practices and formal halal industry standards. (Alfarizi 2023) notes that many MSMEs find it difficult to adapt traditional practices to halal regulations. Therefore, a more contextual certification approach is needed. It is necessary to propose an adaptive community-based certification model.

In the researcher's observation, MSMEs that successfully combine local values and halal standards show more stable business performance. This reinforces the argument that local value-based innovation is not merely symbolic but has a real impact on business sustainability. This can be replicated in other regions with similar cultural characteristics. Therefore, it is necessary to provide empirical evidence on the effectiveness of integrating local values into halal innovation.

The integration of local values into halal business practices can be the foundation of a contextual and sustainable innovation model, where local wisdom is a relevant source of innovation in the context of the sharia economy. Therefore, MSME development policies need to accommodate cultural dimensions. It is important to develop a conceptual framework for local value-based halal innovation.

The Role of Communities and Social Networks in Driving Innovation

Local communities in Makassar act as catalysts in driving halal MSME innovation. Family-based social networks and indigenous communities are sources of moral support and information. Research by (Yulia Febriyati 2025) also confirms that local communities strengthen social cohesion in business development. The implication is that strengthening communities can accelerate the diffusion of innovation. It is necessary to highlight the importance of a community-based approach in halal innovation.

Collaboration among MSME actors in the community produces collective innovation, such as sharing raw materials and marketing strategies, and community collaboration increases business efficiency. Therefore, MSME empowerment programs need to be designed collectively by developing community-based social innovation models.

Training programs such as Rayakan Usaha Baik from ParagonCorp (2025) show that a collective approach is more effective than an individual approach. Community-based training increases halal literacy. Training must be adapted to the local social structure and designed based on social networks.

However, not all communities have the same capacity. Diskop Makassar (2024) notes that communities with limited access to technology and information require external intervention. Thus, there needs to be an affirmative strategy for marginalized communities in order to identify gaps in community capacity in halal innovation (Diskop Makassar 2024).

By strengthening community capacity and facilitating social networks, halal innovation can grow organically. These findings expand on the research results by (Permata et al. 2020) on the importance of social capital in innovation. MSME development policies must be based on local social structures. Therefore, it is necessary to develop a halal innovation model based on social networks.

Product Innovation and Market Differentiation Strategies

Halal SME actors in Makassar develop product innovations based on local materials and traditional techniques. Local-based innovations increase product competitiveness in the domestic market. SME actors need to be encouraged to explore local potential as a source of innovation. To that end, it is necessary to formulate a local-based halal product innovation strategy.

Product differentiation through packaging and cultural narratives is an effective marketing strategy. Culture-based packaging increases the perceived value of products. Design and

Reslawati: Local Wisdom-Based Innovation...

storytelling need to be part of MSME development programs and integrate cultural aspects into halal market differentiation strategies.

Products derived from local traditions, such as herbal soaps and family heirloom foods, expand business portfolios. Products based on local wisdom strengthen value chains and commercialization. Product innovation must consider cultural value as an economic asset and connect product innovation with cultural preservation.

However, challenges arise in terms of standardization and certification. (Alfarizi 2023) notes that local innovations are often not formally documented, making it difficult to meet halal standards. Therefore, there needs to be a flexible and contextual certification mechanism with a local practice-based certification approach.

Thus, a local-based product innovation strategy can become a competitive advantage in the halal industry. These findings reinforce the argument (Chaidir Iswanaji, et al. 2020) that innovation based on local values increases business sustainability. Thus, halal product development policies must be based on local potential by formulating a culture-based halal product innovation strategy.

The Role of Local Institutions in Supporting the Halal Ecosystem

Local institutions such as LPH-LPH and the Cooperative Office, Sucopindo, and MUI play an important role in building the halal ecosystem. LPH Unhas (2025) shows that collective certification accelerates halal adoption by MSMEs. The collective approach needs to be expanded to other regions so that a collaborative model between institutions and communities can be designed.

Collaboration between institutions and communities strengthens the effectiveness of training and certification programs. (Diskop Makassar 2024) notes that community involvement in program planning increases participation. Program design must be based on local participation in the development of the halal ecosystem.

Universities such as Makassar State University play a role in applied research and community service. Local-based research produces relevant and applicable innovations; therefore, academic-community collaboration needs to be strengthened so that academic research is connected to MSME practices.

However, coordination between institutions remains a challenge. Roeslani (2025) notes that program overlap and lack of information integration hinder effectiveness. Implicitly, a cross-sector coordination system is needed (Roeslani 2025). This study contributes to proposing a coordination mechanism between local institutions.

By strengthening the role of local institutions and building cross-sector synergies, the halal ecosystem can develop inclusively. These findings support the results of research (Faisol 2025) on the importance of collaborative governance in the halal industry. The implication is that halal development policies must be based on local synergies, therefore it is necessary to develop an institution-based halal ecosystem model.

CONCLUSION

This study shows that a local wisdom-based innovation model has great potential in the development of the halal industry, especially among MSME actors in Makassar. Local values such as *siri' na pacce*, community solidarity, and cultural narratives have proven to be social resources that strengthen halal business practices in an ethical and contextual manner.

The integration of local values into business practices not only increases product competitiveness but also strengthens cultural identity and consumer loyalty. Innovation

Reslawati: Local Wisdom-Based Innovation...

strategies based on local ingredients, traditional techniques, and cultural narratives are key differentiators in an increasingly competitive halal market.

The role of local communities and social networks is significant in driving innovation. Moral support, resource sharing, and collaboration among MSME actors create a participatory and sustainable innovation ecosystem. This is reinforced by the role of local institutions such as LPH-LPH in Makassar and Sucopindo, the Cooperative Office, which provides training, certification, and assistance.

However, challenges remain, particularly in terms of standardization, market access, and production sustainability. Therefore, synergy between business actors, communities, academics, and policymakers is needed to build a halal ecosystem that is inclusive and adaptive to local values.

The innovation model produced by this research can serve as a basis for formulating regional policies and national halal industry development strategies that are more responsive to cultural diversity. Thus, a local wisdom-based approach is not only economically relevant, but also socially and spiritually relevant.

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Reslawati: Local Wisdom-Based Innovation...

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