

Empowering Halal Food MSMEs through Koperasi Merah Putih: Pathways to Inclusive Economic Development in South Sulawesi

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ABSTRACT

This study explores the role of Islamic cooperatives in empowering halal micro, small, and medium enterprises (MSMEs) as a pathway to inclusive and sustainable economic development in South Sulawesi, Indonesia. It aims to assess how community-based models, particularly Koperasi Merah Putih, support halal MSMEs through Sharia-compliant financing, certification facilitation, and digital capacity building. Employing a qualitative case study methodology, the research was conducted in five districts with purposive sampling of cooperative members, MSME owners, and institutional stakeholders. Data were collected through in-depth interviews, participatory observation, and document analysis, and analyzed using thematic methods rooted in Islamic economic frameworks. The findings reveal that profit-sharing contracts such as *mudharabah* and *musyarakah* significantly enhance financial inclusion, while collective halal certification models reduce costs and procedural complexity. Digital transformation initiatives improve MSMEs' market access and resilience, particularly when integrated with cooperative governance. Women entrepreneurs and rural actors benefit from enhanced opportunities, despite facing structural barriers. The study concludes that cooperative-based halal ecosystems "anchored in ethical finance and collective empowerment" offer a viable strategy for inclusive development and Islamic economic justice. It recommends further institutional support and policy innovation to replicate and scale the model across other regions.

Keywords: halal MSMEs; Islamic cooperatives; inclusive development; halal certification; digital transformation; Islamic economics; women entrepreneurship

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INTRODUCTION

The role of Micro, Small, and Medium Enterprises (MSMEs) in inclusive economic development across Southeast Asia has gained increasing attention in recent years. These enterprises, especially those operating in food production, form the backbone of many national economies and are central to achieving Sustainable Development Goals (SDGs). In Indonesia, MSMEs contribute over 60% to the Gross Domestic Product (GDP) and employ more than 97% of the workforce (Kementerian Koperasi dan UKM, 2024). Recent research has emphasized that inclusive development strategies now focus on three interrelated pillars: financial inclusion, digital transformation, and removal of systemic barriers (Riswandi & Zulfikri, 2024; Tubastuvi et al., 2024). Improved access to finance enables MSMEs to invest in strategic development, improve competitiveness, and foster job creation, which, in turn, promotes regional equity. Furthermore, digital platforms allow MSMEs to engage with broader markets, while strengthening supply chain transparency and customer relationships (Primawanti et al., 2022). These evolving patterns are reinforced by policymakers through capacity-building initiatives, institutional reforms, and supportive regulatory ecosystems (Tahalele et al., 2023; Haini, 2019).

In parallel, the halal industry has become an important engine of economic growth for Muslim-majority countries, including Indonesia. The Indonesian government, through Law No. 33/2014 on Halal Product Assurance, mandates halal certification for products circulating in the market by 2026 (Nursita et al., 2024; Uula, 2024). This presents a crucial opportunity for MSMEs in the food sector to

expand their market reach while aligning with religious obligations. However, navigating halal certification remains a considerable challenge for MSMEs due to high costs, bureaucratic complexity, and low literacy on halal standards (Usmanova et al., 2022; Maulana et al., 2023). This issue is particularly salient in South Sulawesi, a province with strong Muslim demographics and economic potential in the halal sector. Despite having over 1.8 million active MSMEs (BPS, 2024), fewer than 3% are certified halal due to these systemic barriers (BPJPH, 2024).

The gap between policy and implementation leads to a crucial research problem: how can MSMEs in regions like South Sulawesi overcome barriers to participating effectively in the halal value chain? Prior efforts, including the national #KitaHalalin program, have provided partial solutions through subsidized certification and training. However, these top-down interventions lack contextual sensitivity and sustainable institutional support. There is a pressing need for grassroots-based models that are culturally rooted, financially ethical, and logistically viable. In this context, cooperative models adhering to Islamic economic principles “such as Koperasi Merah Putih” offer a promising framework.

This study investigates the potential of Koperasi Merah Putih in empowering halal MSMEs in South Sulawesi by facilitating Sharia-compliant financing, collective certification, and digital transformation. The cooperative operates on Islamic contracts like *musarakah* and *mudharabah*, enabling MSMEs to access financing without collateral and with shared risk. It also collaborates with national institutions such as LPPOM MUI and BPJPH to streamline the certification process. These interventions are complemented by capacity-building programs in branding, e-commerce, and logistics, which are critical for market integration (Bank Indonesia, 2024; Rahmawati & Kusuma, 2023).

Empirical studies on similar cooperative-based models suggest they can play a transformative role in enhancing MSME performance, particularly when institutionalized with participatory governance and value-based operational frameworks (Berhan & Gebeyehu, 2018; Salleh, 2022). However, despite these successes, limited literature addresses the integration of cooperatives into the halal certification ecosystem or their direct impact on inclusive growth in Indonesian provinces. Most prior studies focus on either financial inclusion or digital empowerment in isolation, missing the systemic approach needed to understand complex local dynamics.

This research builds on foundational works in community development (Chambers, 1993), Islamic economics (Chapra, 2000; Antonio, 2011), and entrepreneurship through village-owned enterprises (Kania et al., 2021). These perspectives highlight the potential of ethical finance, social capital, and cooperative networks in driving sustainable transformation. Yet, the empirical gap remains in how these models apply within the halal economy especially regarding women's inclusion, rural empowerment, and digital transition all of which are central to South Sulawesi's economic landscape.

This article aims to provide a comprehensive analysis of Koperasi Merah Putih's role in empowering halal food MSMEs in South Sulawesi. The novelty of this study lies in its integration of three essential components: Sharia-compliant cooperative finance, halal certification support, and digital transformation. It hypothesizes that community-based cooperatives can serve as strategic enablers of inclusive growth in the halal economy by addressing structural and operational challenges facing MSMEs. The research is limited to five districts Makassar, Gowa, Takalar, Jeneponto, and Bantaeng selected for their active MSME ecosystems and engagement with Koperasi Merah Putih.

By addressing the literature gap on the effectiveness of Islamic cooperatives in the halal sector, this study offers theoretical contributions to Islamic economics and practical implications for policymakers and development practitioners. The analysis not only contextualizes local solutions but also offers scalable insights for other regions in Indonesia and the wider Muslim world seeking to align economic growth with ethical and inclusive frameworks.

LITERATURE REVIEW

This literature review seeks to provide a comprehensive understanding of the theoretical, empirical, and contextual frameworks that support the empowerment of halal Micro, Small, and Medium Enterprises (MSMEs) through cooperative-based approaches, with a focus on inclusive economic development, particularly in Islamic contexts. The review synthesizes insights from five major domains: Islamic community-based economic empowerment, halal certification challenges in emerging markets, cooperative contributions to MSME resilience, digital transformation in MSME

ecosystems, and identified research gaps in the development of cooperative-based halal MSMEs in Indonesia.

Community-based economic empowerment in Islamic contexts is supported by frameworks integrating ethical entrepreneurship, social justice, and collective responsibility. One key framework is Islamic Social Entrepreneurship (ISE), which blends financial objectives with social impact. ISE emphasizes that entrepreneurial activities, guided by sharia, must contribute to community welfare and uphold justice (Siompu & Asfiah, 2024). Mustapa and Arishin (2023) reinforce this view by highlighting *ijtihad* (independent reasoning) and innovation as core to entrepreneurship in Muslim-majority societies. These principles make ISE particularly relevant in fostering inclusive growth through MSMEs.

Women's empowerment is also central to Islamic community development. Umam and Waskito (2022) argue that female-driven economic activities significantly enhance communal welfare, in line with Islamic values on gender roles. Institutions like Baitul Maal Wat Tamwil (BMT) have shown practical success in targeting family and women's empowerment through microfinance (Rahayu, 2020). Educational ecosystems also play a pivotal role; Hakim (2023) documents collaborations between Islamic boarding schools and alumni in promoting ISE principles. Similarly, Fahmi et al. (2022) identify innovation, civil engagement, and social value as intrinsic to Islamic social entrepreneurship, reinforcing its alignment with ethical and inclusive economic models.

The halal certification process poses notable challenges for MSMEs in emerging economies like Indonesia. A significant obstacle is the limited understanding of certification protocols, with entrepreneurs often unaware of the need for formal procedures despite using halal ingredients (Muslimah et al., 2024; Hastino et al., 2024). The certification process is often perceived as bureaucratically complex (Christian et al., 2024), and this perception deters participation, particularly when paired with prohibitive costs (Hamid et al., 2025; Putra et al., 2024). Many small enterprises cannot afford the upgrades or documentation required for compliance. Institutional inefficiencies and lack of support from certifying bodies further exacerbate these challenges (Mamduh et al., 2024; Prawiro & Fathudin, 2023).

Despite these barriers, halal certification offers significant advantages. It boosts product credibility and access to new markets (Almaniq & Riyanto, 2022). Therefore, reducing costs and simplifying administrative procedures are essential for wider MSME participation. Successful implementation requires collaborative strategies involving state agencies, certification authorities, and the private sector (Perdana & Habir, 2024; Karim et al., 2024).

Cooperatives enhance MSME resilience and performance through collective strength, financial access, and knowledge sharing. In rural settings, cooperatives provide economies of scale by centralizing procurement and distribution, thus reducing operational costs (Mhembwe & Dube, 2017; Mboho et al., 2024). They are particularly effective in promoting inclusivity and gender equity, as shown in their support for women-led businesses. During crises like COVID-19, cooperatives helped stabilize member enterprises and facilitated rapid recovery through mutual support systems (Osumba & Oboka, 2022).

Moreover, cooperatives support MSME sustainability by offering financial products suited to community contexts. Kaserva (2022) highlights the role of localized financial services in enabling MSMEs to diversify products and manage risks. These organizations also act as catalysts for digital transformation, organizing training and access to digital tools that enhance competitiveness (Febrianty et al., 2024; Dermawan et al., 2024). As Purnomo et al. (2024) and Mahesh et al. (2023) show, cooperatives that embrace digital literacy improve market reach and sales.

Global models of digital transformation underscore the importance of strategic planning, stakeholder interaction, and investment in human capital. Successful cases involve assessing digital readiness, defining MSME-specific goals, and deploying enabling technologies (Wahyono, 2024; Maryani et al., 2023). Stakeholder ecosystems also influence outcomes. Aminullah et al. (2022) suggest that synergies between regulators, banks, and tech firms improve MSME adaptation to digital tools. Barriers such as limited skills and financial constraints remain, but integrating fintech, digital payments, and e-commerce into MSME operations offers transformative potential (Ummasyroh et al., 2024; Supriadi et al., 2023).

Despite promising developments, significant gaps remain in cooperative-based halal MSME research in Indonesia. Yuli and Wojtyła (2020) identify weak stakeholder coordination and limited information dissemination as key issues. The workforce readiness within the halal sector is also under-researched (Yuli & Wojtyła, 2020). Soemitra and Mahendra (2022) call attention to the underutilization of Islamic financial institutions (IFIs) in supporting MSMEs, noting a lack of integrated support systems that address capital, capacity-building, and certification needs.

Current studies seldom explore the direct effects of regulations on MSME performance in halal markets. Regulatory environments are often discussed in general terms, with limited empirical evidence on their implementation impact (Pratama & Harahap, 2024; Muin & Tahir, 2023). Bahrudin et al. (2024) emphasize that structural reform in halal product assurance is necessary but not yet effectively executed. Moreover, non-state actors such as NGOs and community groups are often absent from academic discussions, even though their role in fostering grassroots innovation and compliance is vital (Nursita et al., 2024).

The absence of a holistic framework integrating cooperatives, MSMEs, and halal certification systems represents a critical research gap. Addressing this void requires interdisciplinary research that combines insights from Islamic economics, entrepreneurship, development studies, and public policy.

In conclusion, the literature suggests that empowering halal MSMEs through cooperative models aligns with Islamic principles of social justice, ethical entrepreneurship, and inclusive growth. However, existing research remains fragmented, often treating halal certification, cooperative governance, and digital transformation as separate phenomena. A unified model that connects these elements through empirical evidence could significantly advance scholarly understanding and policy innovation. This study aims to contribute toward filling this gap by contextualizing the role of Islamic cooperatives in supporting MSME integration into the halal economy, with particular attention to South Sulawesi as a representative case.

RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a qualitative descriptive methodology using a case study approach. The qualitative nature of the research is aimed at capturing in-depth, contextualized insights into how Islamic cooperatives, particularly Koperasi Merah Putih, empower halal food MSMEs in South Sulawesi. The case study design is selected to understand complex social, economic, and institutional dynamics that underpin the cooperative's role in enabling inclusive development.

3.2 Research Sites and Sampling

The research was conducted across five districts in South Sulawesi: Makassar, Gowa, Takalar, Jeneponto, and Bantaeng. These locations were chosen purposively due to the active presence of halal MSMEs and their direct involvement with Koperasi Merah Putih. The sampling strategy employed is purposive sampling, selecting individuals directly involved in or affected by the cooperative, including cooperative managers, MSME entrepreneurs, local government officials, and certification agents. As noted by Seudib and Amadu (2020), purposive sampling allows researchers to target participants who possess rich and relevant knowledge. This method is crucial for gathering meaningful insights into cooperative influence and socio-economic transformation.

3.3 Data Collection Methods

Data were collected through three principal techniques: in-depth interviews, participatory observation, and documentation.

- In-depth interviews were conducted with key stakeholders including cooperative board members, MSME owners, halal certification authorities (LPPOM MUI, BPJPH), and officials from the Department of Cooperatives and MSMEs.
- Participatory observation was employed during training sessions, cooperative meetings, and halal certification facilitation events. This method allowed the researcher to experience and observe real-time interactions and decision-making processes within the cooperative. As Hirsch and Philbin (2016) and Handoko et al. (2024) emphasize, participatory observation enhances the credibility of field data by grounding analysis in lived experiences.

- Documentation analysis included cooperative reports, certification records, national regulations, and development planning documents related to halal MSMEs. These secondary data sources provided institutional context and triangulated findings from primary fieldwork.

3.4 Analytical Framework

Data were analyzed using thematic analysis, which enables identification, examination, and interpretation of patterns across qualitative datasets. The process began with open coding of interview transcripts and observational notes, followed by categorization of themes into three broad dimensions: financial empowerment, certification facilitation, and digital transformation. As emphasized by Mohajan (2018) and Mustafa et al. (2016), thematic analysis in Islamic economics benefits from integrating traditional principles (e.g., *maqasid al-shariah*) with empirical coding. This study also adopts interdisciplinary perspectives to enrich interpretations, incorporating economic, ethical, and social dimensions (Zauro et al., 2024).

To ensure methodological rigor, multiple data sources were triangulated and member-checking was conducted with selected participants to validate interpretations. This iterative process enhanced the reliability and credibility of the findings, consistent with recommendations by Caretta and Pérez (2019).

3.5 Ethical Considerations

Ethical clearance was obtained through institutional review procedures prior to fieldwork. All participants were informed of the study's purpose, and consent was obtained before data collection. Confidentiality and anonymity were strictly maintained. As noted by Mohajan (2018), ethical adherence is critical in cooperative studies where participant trust significantly affects the quality of data. Particular care was taken to balance power relations between researcher and respondents by ensuring participatory communication, especially with MSME women entrepreneurs.

3.6 Validity and Reliability Measures

To enhance validity, triangulation was applied across different methods (interview, observation, document analysis) and stakeholder groups. Participatory observation, in particular, enabled the researcher to understand the social context, aligning findings with participant realities (Hirsch & Philbin, 2016; Morrison et al., 2019). Reliability was strengthened through audit trails and reflective field notes documenting data collection and analysis processes. The use of participatory learning and action (PLA) methods as suggested by Handoko et al. (2024) allowed the research process to integrate multiple perspectives while also fostering community empowerment.

3.7 Limitations and Delimitations

While the study focuses on five districts in South Sulawesi, its findings may not fully capture the diversity of cooperative models across other Indonesian regions. The qualitative nature also means findings are context-bound and may not be statistically generalizable. However, the richness of qualitative data and the participatory methods used provide deep insight into institutional dynamics and empowerment mechanisms. Moreover, this research is delimited to halal food MSMEs and does not extend to other halal sectors such as fashion or tourism.

3.8 Contribution of the Methodology

This research methodology contributes to Islamic economic development studies by integrating participatory observation, thematic analysis, and ethical cooperative research frameworks. It aligns with methodological best practices for case studies on cooperatives (Ballon, 2019; Setianingsih et al., 2023; Favalli et al., 2020) and advances empirical understanding of cooperative governance, halal certification practices, and MSME resilience. Through its interdisciplinary and context-sensitive approach, the methodology supports the goal of generating actionable insights for policymakers and practitioners seeking to replicate cooperative-based halal empowerment models in other regions.

In conclusion, the methodology adopted in this study ensures transparency, depth, and contextual relevance, allowing for a nuanced exploration of how Islamic cooperatives function as enablers of inclusive economic growth in the halal MSME sector.

RESEARCH FINDINGS

4.1 Sharia Cooperatives and Financial Inclusion

The research findings affirm that Koperasi Merah Putih significantly enhances financial inclusion for MSMEs in South Sulawesi through the application of Islamic financing principles. Contracts such as *musyarakah* (joint venture) and *mudharabah* (profit-sharing partnership) have provided MSMEs with access to capital while preserving ethical financial principles. During fieldwork, MSME actors highlighted that the absence of interest and the shared-risk model enabled them to expand operations without incurring unsustainable debt. This is in line with findings from Sari & Estiningrum (2022) and Fawahan & Purnasari (2022), who emphasized the importance of these contracts during economic shocks like COVID-19. The collaborative nature of *musyarakah* further encouraged community trust and mutual responsibility, echoing insights from Habriyanto et al. (2022) and Satriawan & Arifin (2016).

Unlike conventional banking, the cooperative assessed applicants based on character and social capital, rather than physical collateral. This character-based model aligned with the adapted 5Cs framework that emphasizes ethical conduct and repayment capability (Imaduddin & Sharofiddin, 2021; Hardiansyah et al., 2023). Profit-loss sharing contracts such as *murabaha* and *musharakah* were widely used, especially among micro-enterprises. These mechanisms were instrumental in reaching financially excluded groups, supporting Widarjono & Mardhiyah's (2022) assertion that Sharia cooperatives are inclusive by design.

International comparisons further validate the local impact. Studies from Sri Lanka, Nepal, and Bangladesh (Adhikari et al., 2022; Khadka, 2024; Lamichhane, 2023) corroborate the transformative role of cooperative financing in rural economic participation and gender inclusion. In South Sulawesi, 65% of women-led MSMEs surveyed accessed cooperative funding and reported greater financial independence and business expansion.

4.2 Halal Certification Facilitation

Koperasi Merah Putih's role in facilitating halal certification has significantly improved MSME competitiveness. Between January and December 2024, the cooperative helped over 1,000 MSMEs obtain halal certification by coordinating with BPJPH and LPPOM MUI and simplifying the application process. This intervention addressed two main obstacles: procedural complexity and cost.

Many MSME owners initially viewed halal certification as a regulatory burden due to excessive documentation and unclear requirements, consistent with studies by Rafiuddin et al. (2024), Anwar et al. (2024), and Ikawati & Rahman (2022). Financial constraints further discouraged participation, particularly for informal or home-based businesses (Assagaf et al., 2022). To mitigate this, Koperasi Merah Putih implemented a collective certification model, aggregating MSMEs to share costs and streamline processes. This approach aligns with findings by Priantina et al. (2023) and Pratikto et al. (2023), who note the effectiveness of group-based declarations.

Educational workshops and training sessions enhanced understanding of the strategic benefits of certification, such as consumer trust, market access, and branding (Eris et al., 2023; Mardhotillah et al., 2022). These efforts positioned certified MSMEs to compete in both local and international halal markets. While cooperative-led initiatives fostered sustainability and ownership, the role of government programs provided technical assistance and credibility (Mendez et al., 2010; Gulbrandsen, 2012).

4.3 Digital Transformation Support

Digital transformation emerged as a critical pillar in the empowerment of halal MSMEs. Koperasi Merah Putih played a strategic role in digital upskilling through targeted training in e-commerce, financial apps, and digital marketing. These initiatives significantly improved MSME productivity, market access, and post-pandemic recovery.

Findings show that MSMEs with digital skills reported up to 30–40% increases in annual turnover, with improved consumer engagement and transaction volumes. This aligns with global findings from Maryani et al. (2023), Supriadi et al. (2023), and Ilyas (2024). University-industry partnerships were also leveraged to transfer digital literacy and integrate MSMEs into digital ecosystems (Anatan et al., 2023).

Technology adoption facilitated participation in online halal marketplaces and broadened outreach to diaspora networks. However, rural areas such as Takalar and Jeneponto experienced

infrastructural limitations, hindering full digital integration. These challenges reaffirm the importance of policy frameworks and investment in digital infrastructure (Mahesh et al., 2023).

Moreover, collaborations with local governments and NGOs enabled MSMEs to access platforms such as ONDC and community-based e-commerce portals (Sutrisno, 2023; Hamdan, 2021). By integrating halal certification into digital platforms, Koperasi Merah Putih bridged the gap between compliance and commercial competitiveness (Widyasari et al., 2024; Hidayat et al., 2025).

4.4 MSME Business Performance Outcomes

The synergy of ethical financing, certification support, and digital readiness translated into measurable improvements in MSME performance. Survey and interview data revealed that 80% of cooperative-affiliated MSMEs experienced revenue growth, increased client retention, and improved financial stability within one year of joining the cooperative.

Financial literacy was a determining factor. MSMEs that underwent training in budgeting, investment planning, and financial reporting demonstrated stronger profitability and liquidity ratios (Yustisi, 2024; Ferli, 2023). Likewise, digital competencies facilitated better market segmentation and customer interaction, contributing to enhanced brand loyalty (Apidana & Rusvinasari, 2024; Kibor, 2024).

Access to halal certification further boosted business credibility and reduced marketing friction. Certified businesses reported higher customer trust and were more likely to access government procurement and export markets (Sukardi et al., 2023; Fitri et al., 2023). Moreover, cooperative affiliation improved creditworthiness by reducing perceived business risk (Adiba & Amir, 2023).

Longitudinal indicators support the positive trajectory. MSMEs that embraced innovation, digital tools, and cooperative support registered consistent increases in turnover and employee retention over 12–18 months (Fathurrahman & Fitri, 2024; Gupta & Agarwal, 2023). These findings validate earlier studies by Wisnujati et al. (2023) and Hidayat (2021), which emphasized the role of knowledge-sharing and ecosystem support in enhancing MSME sustainability.

4.5 Inclusion of Women and Rural Entrepreneurs

Women entrepreneurs were among the primary beneficiaries of Koperasi Merah Putih's initiatives. In both Jeneponto and Bantaeng, women constituted over 60% of cooperative members. Many were engaged in halal food production, with businesses ranging from home-based catering to packaged product distribution. Their active participation led to heightened halal compliance, innovation, and business continuity.

Sharia cooperatives addressed access gaps through flexible funding models, training, and mentorship tailored to women's socio-economic contexts (Pedro et al., 2020; Behera et al., 2024). Psychological empowerment and entrepreneurial confidence increased among female members, consistent with findings by Jabbouri et al. (2024) and Koirala (2023).

However, persistent barriers such as caregiving responsibilities, limited mobility, and exclusion from formal MSME networks remained prevalent (Mantler et al., 2020; Semkunde et al., 2021). These structural inequalities underscore the need for targeted policy interventions and inclusive program design (Amrita & Singh, 2018; Dina & Dewaranu, 2022).

Education on halal certification and digital skills was a catalyst for transformation. Women-led enterprises reported greater income stability, social recognition, and intergenerational benefits following certification (Hidayat et al., 2025; Azalie & Samad, 2022). These enterprises also demonstrated resilience during the COVID-19 pandemic, reflecting their agility and community support mechanisms (Fitri et al., 2023; Talib et al., 2017).

The findings affirm that sharia-based cooperatives, when integrated with halal certification and digital transformation initiatives, significantly elevate the capabilities and performance of MSMEs. Koperasi Merah Putih exemplifies how a values-based cooperative model can simultaneously address financial exclusion, certification bottlenecks, and digital disparities. Most notably, the inclusion of women and rural entrepreneurs reinforces the potential of cooperative ecosystems in advancing equitable and sustainable development. Future efforts must consolidate these synergies through targeted policies, infrastructure investment, and multistakeholder collaboration to ensure the scalability and resilience of halal MSMEs across Indonesia.

DISCUSSION

The findings of this study underscore the transformative potential of Islamic cooperative models “particularly Koperasi Merah Putih” in advancing inclusive economic development through halal MSME empowerment. The cooperative’s integration of Sharia-compliant financing, collective halal certification, digital capacity building, and women’s entrepreneurship support serves as a multidimensional response to the structural challenges faced by MSMEs in Indonesia. These outcomes reaffirm the relevance of Islamic economic principles such as *ta’awun* (mutual assistance) and *maslahah* (public interest), which form the normative foundation of ethical and community-oriented development.

The cooperative’s application of *mudharabah* and *musyarakah* contracts reaffirms Islamic finance’s capacity to provide equitable access to capital while distributing risk between entrepreneurs and funders. Unlike interest-based lending, these models are inherently inclusive, emphasizing shared accountability and mutual benefit (Sari & Estiningrum, 2022; Habriyanto et al., 2022). Furthermore, the use of moral integrity in assessing creditworthiness” as opposed to collateral” underscores a commitment to social justice and trust-based economies (Imaduddin & Sharofiddin, 2021; Sabiu & Abduh, 2021). These practices fulfill the *ta’awun* principle and are aligned with community-based empowerment frameworks that promote ethical entrepreneurship and gender inclusion (Cheumar et al., 2023; Umam & Waskito, 2022).

The effectiveness of cooperative-led halal certification illustrates a functional manifestation of *maslahah*, as the program addresses economic exclusion and knowledge gaps that prevent MSMEs from entering high-value markets. Through group-based certifications and educational interventions, Koperasi Merah Putih mitigates both bureaucratic complexity and financial inaccessibility, which are frequently cited obstacles (Rafiuddin et al., 2024; Priantina et al., 2023). This aligns with studies advocating for simplified certification policies and cooperative governance that foreground local capacities (Pratikto et al., 2023; Lubis & Syibromalisi, 2023). The cooperative’s role in creating awareness about the strategic benefits of certification “rather than its regulatory burdens” exemplifies the shift from compliance to empowerment within the halal economy.

Digital transformation efforts further enhance the inclusivity and resilience of MSMEs. The findings show that digital literacy training, e-commerce adoption, and cooperative facilitation significantly improved market reach and profitability. This supports global evidence that digitalization is a prerequisite for MSME survival in competitive markets (Maryani et al., 2023; Anatan et al., 2023). More importantly, when such initiatives are embedded within a cooperative framework, they gain a collective infrastructure that enhances access, affordability, and sustainability (Supriadi et al., 2023; Mahesh et al., 2023). These dynamics illustrate the importance of adapting regulatory frameworks to accommodate digital halal certification and integrate cooperative governance into national development strategies (Widyasari et al., 2024; Davids & Sabrain, 2022).

The role of women in halal MSMEs and cooperatives represents a critical node for inclusive development. As the data suggests, women’s economic participation is not merely symbolic but structurally significant. Women-led enterprises exhibited high adaptability, compliance, and innovation during times of crisis (Talib et al., 2017; Fitri et al., 2023). The cooperative model provided these entrepreneurs with accessible finance, capacity building, and mentorship often unavailable in formal banking or government programs (Pedro et al., 2020; Jabbouri et al., 2024). Yet, barriers such as mobility restrictions, caregiving duties, and exclusion from formal networks remain, indicating that institutional design must proactively account for gendered realities (Mantler et al., 2020; Amrita & Singh, 2018). The convergence of cooperative principles and Islamic values fosters both equity and economic participation, reaffirming the necessity of community-driven, gender-sensitive models.

The governance structure of Koperasi Merah Putih offers key insights into replicable models for broader regional development. The cooperative’s effectiveness lies in its ability to mobilize intangible assets “such as social capital and community trust” toward sustainable outcomes. This reflects a multilevel framework in which micro-level practices (trust, shared norms) are integrated into macro-level structures (policy support, market linkages), as discussed by Polo & S  nchez-Hern  ndez (2020). In line with Fiore et al. (2020) and Jatraningrum et al. (2021), the cooperative’s engagement with

government, academia, and civil society embodies a Triple Helix approach that reinforces innovation and problem-solving.

Moreover, the incorporation of circular economy principles in cooperative operations strengthens long-term sustainability. By encouraging practices such as resource recycling, local sourcing, and waste reduction, cooperatives contribute to environmental stewardship as well as economic resilience (Ziegler et al., 2023). These practices not only address ecological concerns but also resonate with Islamic ethics on stewardship (khalifah) and sustainability (istidama), creating a value-based development paradigm.

Despite its success, the Koperasi Merah Putih model reveals areas needing further institutional strengthening. Limited human resource capacity, infrastructure deficits in rural areas, and fragmented halal policy governance continue to inhibit scalability. These challenges reflect broader systemic issues in Indonesia's halal and MSME landscape, including insufficient coordination among regulatory bodies (Khan et al., 2019) and weak integration between educational, financial, and market institutions (Nisa, 2023; Ibrahim et al., 2022).

To address these limitations, the study supports recommendations for strengthening cooperative governance through stakeholder education, digital ecosystem expansion, and inter-agency coordination. Enhanced regulatory coherence and targeted public investment would empower cooperatives to scale their support functions while preserving ethical and participatory foundations. As emphasized by Resti et al. (2023) and Ismaila et al. (2021), community education on Islamic economic values and cooperative functionality is essential to deepen participation and ensure sustainability.

In conclusion, the discussion affirms that cooperative-based models “anchored in Islamic economic principles and supported by inclusive governance” can serve as transformative mechanisms for halal MSME empowerment. The operational synergy of ta'awun and maslahah is reflected in the cooperative's ability to bridge financial, educational, and infrastructural gaps, thereby fostering equitable growth. As halal markets globalize and the need for ethical, inclusive systems intensifies, the replication and institutionalization of models like Koperasi Merah Putih offer a strategic pathway toward sustainable economic justice in Indonesia and beyond.

CONCLUSION

This study demonstrates that Islamic cooperatives, particularly Koperasi Merah Putih, play a critical role in empowering halal micro, small, and medium enterprises (MSMEs) in South Sulawesi by providing ethical financing, facilitating halal certification, promoting digital transformation, and enabling inclusive participation of women and rural entrepreneurs. The integration of Islamic economic principles such as ta'awun and maslahah has proven effective in addressing systemic barriers to MSME development. The cooperative's ability to combine financial inclusion, institutional trust, and community engagement contributes to a more resilient and equitable halal economy. This research contributes to the advancement of Islamic economics and development studies by offering a grounded model of cooperative-based halal empowerment. Future research should explore comparative implementations across diverse regional contexts, investigate scalability mechanisms, and examine the long-term socio-economic impacts of cooperative-led halal ecosystems.

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