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Awareness of MSMES on Business Legality in The Business Incubator Program in Makassar City

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Abstract

This study analyzes the level of legal awareness of MSMEs toward business legality obligations within the business incubator program managed by the Makassar City Cooperative and MSME Office. Using a descriptive qualitative approach and Soerjono Soekanto's legal awareness theory—encompassing legal knowledge, legal understanding, legal attitude, and legal behavior—this study examines the extent to which MSME participants understand and comply with legality requirements including the Business Registration Number (NIB), halal certification, and trademark registration facilitated by the incubator. Data were collected through in-depth interviews with seven informants comprising the incubator manager, mentors, and MSME participants. Findings reveal that MSME participants demonstrate graduated levels of legal awareness that progress in line with the incubation stage reached. Legal knowledge and legal understanding improve significantly after structured training and consultation, particularly regarding NIB and halal certification. However, legal attitude and legal behavior remain inconsistent, especially among MSMEs at the early stages. The incubator has significantly contributed to increasing legal awareness through structured training, one-on-one consultations, and free legality facilitation. Factors influencing legal awareness include educational background, digital literacy, length of program participation, and mentoring quality. This study concludes that the business incubator functions as an effective instrument for building MSME legal awareness and recommends development of a dedicated legal literacy module tailored to each incubation stage.

Keywords: ***legal awareness, business legality, MSMEs, business incubator, Makassar.***

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of Indonesia's national economy, contributing more than 60% to Gross Domestic Product (GDP) and absorbing approximately 97% of the national workforce (Kholifah & Andini, 2024). Despite their strategic role, a fundamental constraint persists: the low level of legal awareness among MSME actors regarding business legality obligations. Many MSMEs still operate informally, lacking the required legal permits such as the Business Registration Number (NIB), halal certification, and trademark registration, thereby exposing them to significant legal and economic risks (Anggraeni, 2022).

Indonesia's regulatory framework has progressively strengthened MSME legality obligations. Law No. 20 of 2008 on MSMEs, Government Regulation No. 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and MSMEs, and Law No. 6 of 2023 on the Job Creation Law collectively establish NIB as a single permit covering business licensing, SNI certification, and halal certification for eligible MSMEs (Kebijakan Hukum UMKM, 2025). However, the existence of these legal norms has not automatically translated into MSME compliance, since regulatory knowledge alone is insufficient without being accompanied by understanding, positive legal attitude, and law-abiding behavior (Prasetiasari et al., 2023).

Soerjono Soekanto (1982) formulates legal awareness as an abstract conception in the human mind about the compatibility between order and the desired peace. This foundational theory identifies four indicators of legal awareness that form a developmental hierarchy: (1) legal knowledge, namely awareness that a legal rule exists; (2) legal understanding, namely understanding the purpose and content of the rule; (3) legal attitude, namely appreciating the rule as something important; and (4) legal behavior, namely acting in accordance with the rule. In the MSME context, this framework enables systematic measurement of not only whether MSME actors know the regulations, but also whether they understand, appreciate, and ultimately comply with them in their daily business activities (Analisis Kesadaran Hukum, 2024).

The business incubator program of the Makassar City Cooperative and MSME Office presents a significant empirical case for studying MSME legal awareness. Since 2022, the incubator has assisted approximately 4,000 MSMEs free of charge through three graduated stages: pre-incubation focusing on entrepreneurial mindset and basic legality; incubation focusing on product development and business management; and acceleration focusing on advanced business system management (Interview with Khaerul Umam, Incubator Manager, 2025). This structured program provides a unique institutional setting to examine how organized guidance and mentoring can influence MSME legal awareness across its four dimensions.

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Despite the availability of free legality facilitation, empirical evidence in the field reveals varied MSME consistency in following legality procedures. Pre-incubation mentor Rezki Amalia observed that many MSMEs initially believe their business does not require formal permits, reflecting a fundamental deficit in legal knowledge that the incubator must address first (Interview, 2025). This phenomenon is consistent with national research findings that the majority of MSMEs still operate informally, with limited awareness of legality as a strategic asset rather than a bureaucratic burden (Elyshia et al., 2026).

The academic gap addressed by this study lies in the limited research that systematically examines MSME legal awareness using Soerjono Soekanto's four-indicator framework within the specific context of a government business incubator program. Most existing studies focus on legality assistance activities without measuring the graduated development of legal awareness dimensions. This study therefore aims to: (1) describe the level of MSME legal awareness toward business legality in the Makassar City incubator; (2) analyze factors influencing that awareness; and (3) identify the role of the incubator in systematically building MSME legal awareness.

METHOD

This study uses a descriptive qualitative approach to explore in depth the legal awareness of MSME participants toward business legality obligations within the Makassar City business incubator program. The research was conducted from January to April 2025, focusing on the operational activities of the Dinas Koperasi and UKM Kota Makassar incubator. A qualitative approach was chosen because legal awareness involves complex subjective dimensions knowledge, understanding, attitude, and behavior that require in-depth exploration of informant perspectives and cannot be adequately captured through quantitative measurement alone (Nomos Journal, 2023).

Data were collected through in-depth semi-structured interviews with seven informants selected purposively to represent all key actors in the incubation process: (1) Khaerul Umam, Incubator Manager; (2) Ibu Ratna, MSME participant (kerupuk bawang); (3) Bapak Anugerah, MSME participant; (4) Yuli, MSME participant (lumpia keju); (5) Rezki Amalia, Pre-incubation Mentor; (6) Ibu Andi Nadya, Incubation Mentor; and (7) Ahmad Azhar Razak, Acceleration Mentor. Each interview lasted 45–90 minutes, was conducted in person, recorded, and transcribed verbatim.

The data were analyzed using the interactive model of Miles and Huberman (2014) through three stages: data reduction (sorting interview results by the four legal awareness indicators), data

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presentation (thematic matrix organizing findings by incubation stage and awareness dimension), and conclusion drawing/verification. Data validity was ensured through source triangulation, namely by comparing the perspectives of managers, mentors, and MSME participants, as well as method triangulation between interview results and incubator activity documentation. Soerjono Soekanto's (1982) four-indicator legal awareness theory constitutes the primary analytical framework.

RESULTS AND DISCUSSION

Legal Knowledge: Awareness of Business Legality Regulations

Legal knowledge, the foundational indicator of Soerjono Soekanto's legal awareness hierarchy, refers to the extent to which individuals know that specific legal rules exist. In the incubator context, this encompasses MSME awareness of the existence of NIB obligations under the OSS system, halal certification requirements under PP No. 39 of 2021, and trademark registration provisions under Law No. 20 of 2016 on Trademarks.

Interview findings consistently reveal that MSME participants at the pre-incubation entry stage demonstrate minimal legal knowledge. Pre-incubation mentor Rezki Amalia observed: 'Many used to say their business was already running fine and they didn't need to join training. It turned out their mindset has since changed' (Interview, 2025). This initial deficit in legal knowledge is corroborated by national research finding that the majority of MSMEs operating informally are unaware that their activities are legally required to be registered (Anggraeni, 2022).

The pre-incubation stage systematically addresses this knowledge gap through structured legal counseling sessions covering NIB, halal certification, and business legality. The Incubator Manager emphasized that 'legality is something crucial for running a business, so that problems do not arise in the future' (Interview, Khaerul Umam, 2025). This knowledge transfer approach aligns with research confirming that structured mentoring programs effectively build the legal knowledge base needed for further awareness development (Diana et al., 2022).

By the incubation and acceleration stages, MSME legal knowledge expands substantially. Bapak Anugerah stated that 'before entering, the importance of business legality was unknown. After being helped with intellectual property rights, trademark registration, and halal certification, I now understand' (Interview, 2025). This trajectory from ignorance to awareness is consistent with Hurriati et al. (2024) who demonstrate that structured incubation programs effectively develop entrepreneurial competencies including legal knowledge.

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Legal Understanding: Comprehension of Legality Procedures and Benefits

Legal understanding, the second indicator, refers to comprehension of the purpose, mechanism, and implications of legal rules, not only knowing that NIB exists, but understanding how to obtain it, what it covers, and what rights and obligations follow from it. This dimension requires deeper cognitive engagement than mere knowledge.

MSME participants who have completed the incubation stage demonstrate notably stronger legal understanding than those at pre-incubation. Yuli (lumpia keju business) explained: 'Before, I only focused on selling. After joining the incubator, I now understand that legality—business licensing, financial reporting, digital presence—is very influential for my business development' (Interview, 2025). This progression from knowing to understanding is supported by Fathoni et al. (2025), who document that structured MSME assistance near Geopark Rinjani significantly improved participant comprehension of legality procedures and their strategic importance.

The one-on-one consultation mechanism at the incubation stage is particularly effective in deepening legal understanding. Incubation mentor Ibu Andi Nadya described the process: 'Like a doctor asking about complaints—we ask what the business is lacking: in finance, in digital marketing, in product quality. That way we know where to strengthen the consultation' (Interview, 2025). This tailored approach to building legal understanding is consistent with findings on the effectiveness of personalized legal mentoring for MSME actors (Pramesti & Mawardi, 2024).

Understanding of trademark registration remains comparatively limited relative to NIB and halal certification understanding. Incubator Manager Khaerul Umam acknowledged that trademark-related legal understanding requires more intensive and prolonged mentoring (Interview, 2025). Research by Gunawan and Putra (2023) confirms this pattern, finding that MSME understanding of intellectual property protection requires specialized facilitation beyond general legal education.

Legal Attitude: Valuing Business Legality as a Strategic Asset

Legal attitude, the third indicator, reflects the extent to which individuals value and appreciate legal rules,specifically, whether MSME actors perceive business legality not as a bureaucratic burden but as a strategic investment for their business sustainability and market access. This dimension bridges cognitive awareness and behavioral compliance.

Empirical findings reveal that positive legal attitudes are most strongly formed through

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direct experience of legality's concrete benefits. MSME participant Ibu Ratna described her transformation: 'When I first joined, my product packaging was plain and I didn't know where to market it. After joining the incubator,helped with packaging design, marketing, financial reporting,my products are now in hotels, supermarkets, and major malls in Makassar' (Interview, 2025). This experience-based attitude formation aligns with Armiani et al. (2022), who find that MSMEs develop positive legal attitudes most effectively when they directly observe legality enabling market access and business growth.

Acceleration mentor Ahmad Azhar Razak observed that MSMEs at the acceleration stage demonstrate consistently positive legal attitudes, shaped by their cumulative experience of legality's role in achieving business milestones: 'Those at acceleration are those who are truly serious and have a high desire to learn, they understand that they must increase their production capacity to meet market demand' (Interview, 2025). This stage-based progression in legal attitude is supported by the Kebijakan Hukum UMKM (2025) study, which confirms that positive legal attitudes develop through cumulative compliance experiences rather than single training interventions.

A significant challenge in legal attitude development concerns MSMEs in early incubation stages who have not yet experienced the direct benefits of legality. Research by Kusuma (2023) confirms that MSME legal attitudes tend to be more negative when legality is perceived as a complex bureaucratic process without evident economic return. The incubator addresses this through comprehensive free facilitation services that remove cost and procedural barriers, shifting MSME perception of legality from a burden to an asset.

Legal Behavior: Concrete MSME Actions Toward Business Legality Compliance

Legal behavior, the highest indicator of Soerjono Soekanto's legal awareness hierarchy, refers to concrete actions conforming to legal rules—in this context, actual MSME registration of NIB, application for halal certification, and trademark filing, as well as ongoing maintenance of legal compliance throughout the business lifecycle.

Findings show significant variation in MSME legal behavior based on incubation stage. At pre-incubation, legal behavior is largely limited to NIB registration, given its relative simplicity through the OSS system. Research by Diana et al. (2022) confirms that practical NIB registration training through OSS effectively converts theoretical legal knowledge into actual registration behavior among previously non-compliant MSME actors.

At the incubation stage, legal behavior broadens to encompass halal self-declaration and

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trademark registration for actively participating MSMEs. Incubation mentor Ibu Andi Nadya explains the incentive structure: 'MSMEs who fulfill all training and consultation attendance receive free packaging services—so the more active they are, the more concrete benefits they receive' (Interview, 2025). This aligns with Elyshia et al. (2026), demonstrating that MSME legal behavior increases when structural barriers to compliance are removed through institutional facilitation.

However, legal behavior sustainability remains the most challenging dimension to maintain. Acceleration mentor Ahmad Azhar Razak articulates this challenge: 'Knowledge is nothing, but practicing what you know is everything. We provide training as far as knowledge, but if it is practiced it is different, it becomes more deeply rooted' (Interview, 2025). This insight is consistent with the Peran Regulasi Hukum (2025) review, which identifies ongoing compliance maintenance—permit renewals, product standard adherence—as the most difficult aspect of MSME legal behavior to sustain without continuous institutional support.

Factors Influencing MSME Legal Awareness in the Incubator Program

Analysis across the four legal awareness dimensions reveals five key factors that determine the level of MSME legal awareness within the incubator program. First, educational background and digital literacy significantly influence the rate of legal knowledge and understanding acquisition. Incubation mentor Ibu Andi Nadya noted that older MSME participants with limited digital familiarity require additional assistance from young interns to implement digital legality processes (Interview, 2025). This is consistent with national findings that digital literacy is a critical enabler of MSME legality compliance in the OSS era (Hidayat & Kholik, 2024).

Second, length of participation in the incubator program is the strongest predictor of higher legal awareness across all four dimensions. MSMEs who have passed through all three stages consistently demonstrate higher legal knowledge, better understanding of procedures, more positive legal attitudes, and more consistent legal behavior than those at earlier stages. Third, mentoring quality and personalization directly influence legal understanding and attitude formation, with the one-on-one consultation model being identified as particularly effective by both mentors and MSME participants.

Fourth, direct experience of market access and turnover benefits from legality compliance is the primary driver of positive legal attitude and sustained legal behavior. Ibu Ratna's experience of her products entering major retail channels after legality assistance is the most powerful attitude-formation mechanism the program produces (Interview, 2025). Fifth, time constraints

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and production responsibilities create competing priorities that reduce MSME participation consistency. Ibu Ratna acknowledged: 'I sometimes can't attend training because production orders come in. But because training here is very important, I now have a team, so I ask them to go while I monitor' (Interview, 2025). These multidimensional factors together determine MSME legal awareness trajectories within the incubator (Sunanda et al., 2024).

CONCLUSION

This study confirms that MSME participants in the Makassar City business incubator program demonstrate graduated levels of legal awareness that progress in line with the incubation stage reached. Legal knowledge and legal understanding improve significantly through the structured training and one-on-one consultation model, particularly regarding NIB and halal certification. Legal attitude is most effectively formed through direct experience of market access and turnover benefits from legality compliance. Legal behavior, while strengthening across incubation stages, remains the most challenging dimension to sustain, requiring ongoing institutional support beyond initial facilitation.

The business incubator functions as an effective legal awareness-building instrument through three complementary strategies: structured group training that transfers legal knowledge; personalized consultation that deepens legal understanding; and free legality facilitation that removes barriers to legal behavior. Key factors influencing MSME legal awareness include digital literacy, educational background, length of program participation, mentoring quality, and direct experience of legality's business benefits.

This study recommends: (1) developing a dedicated MSME legal literacy module for each incubation stage with content calibrated to the specific legal awareness deficits of that stage; (2) establishing a post-program legal compliance monitoring system to track legality maintenance after MSMEs graduate from the incubator; (3) strengthening collaboration with banks and financial institutions to create a direct pathway from legality compliance to formal financing access; and (4) developing a periodic MSME Legal Awareness Index as a program effectiveness evaluation tool that measures progress across all four dimensions of Soerjono Soekanto's legal awareness framework.

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