

THE IMPACT OF HALAL CERTIFICATION ON MSME ACTORS

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ABSTRACT

This study analyzes the multifaceted impact of halal certification on Micro, Small, and Medium Enterprises (MSMEs) within the Indonesian regulatory framework. While existing literature extensively discusses halal certification from a consumer protection perspective, there remains a research gap regarding how MSMEs transition from perceiving certification as a bureaucratic burden to a strategic market asset. Using a qualitative approach through a systematic literature review and institutional observation (LPPOM MUI), this study examines the functional shift in MSME business ethics post-certification. The results demonstrate that halal certification acts as a critical instrument for both internal quality assurance and external brand positioning. The primary scientific contribution of this research lies in the identification of a "trust-market synergy" model, where certification does not merely fulfill legal compliance but serves as a catalyst for MSMEs to access the global halal value chain. For consumers, it provides standardized ethical assurance; for business actors, it bridges the gap between local production and international market competitiveness. These findings offer a strategic roadmap for policymakers to incentivize halal adoption as a core driver of the national sharia economy.

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INTRODUCTION

As the world's largest Muslim-majority nation, with approximately 87% of its population adhering to Islam, Indonesia faces a critical mandate to ensure halal guarantees for its citizens (Piracha et al., 2024). This necessity is no longer merely a religious obligation but has evolved into a fundamental consumer right encompassing health, safety, and economic security. However, despite the massive scale of the domestic market, a significant disparity persists between the total number of products circulating and those officially certified. While the period of 2011-2018 saw limited certification growth under a voluntary scheme, the landscape shifted dramatically with the enactment of Law No. 33 of 2014 concerning Halal Product Assurance (Bigerna et al., 2025). This regulation marked a pivotal

transformation in Indonesia's halal authority, shifting the mandate from the Indonesian Ulema Council (LPPOM MUI) to the Halal Product Assurance Agency (BPJPH) under the Ministry of Religious Affairs, effectively changing the certification regime from voluntary to mandatory (Jones et al., 2024).

Despite this robust regulatory framework, a critical research gap exists in understanding the strategic transition of MSME actors under the new BPJPH authority. While the state has accelerated certification through programs like "Self-Declare," many MSMEs still perceive the process as a complex administrative hurdle rather than a strategic business instrument. Current literature extensively covers the theological and legal aspects of halal, yet there is a lack of empirical focus on how the mandatory shift specifically impacts the competitive advantage and business ethics of small-scale producers in the post-2014 era.

Furthermore, the integration of halal traceability from raw materials to storage remains a challenge for MSMEs due to limited resources. This creates a paradoxical situation where the state demands mandatory compliance, yet the economic benefits for the producers are often overshadowed by the perceived costs of certification. Without a clear analysis of these impacts, MSMEs risk losing market relevance in an increasingly conscious global halal market.

Consequently, this study addresses the following problem statement: How does the implementation of mandatory halal certification under the current BPJPH authority impact the business sustainability and market reach of MSME actors? By analyzing these dynamics, this research aims to provide a strategic roadmap for both producers and policymakers to harmonize legal compliance with global market competitiveness.

METHOD

This study employs qualitative library research with a descriptive-analytical approach to examine the impact of halal certification on MSME actors. The researchers utilized content analysis to interpret and synthesize data from diverse secondary sources, including academic journals, books, and official government publications. Primary legal materials such as Law No. 33 of 2014 concerning Halal Product Guarantee and the subsequent Government Regulations were analyzed to understand the structural shift in halal authority from LPPOM MUI to BPJPH. Additionally, statistical data regarding certification growth from 2011 to 2019 were retrieved from the official reports of the Indonesian Ulema Council (LPPOM MUI) and the Central Statistics Agency (BPS) to identify macro-trends in the halal industry. The data were processed through thematic synthesis, cross-referencing global halal market trends with the domestic regulatory landscape to ensure a comprehensive evaluation of the socio-economic implications for small-scale producers. This methodology allows for a deep theoretical exploration of how mandatory certification serves as a strategic business instrument in Indonesia's sharia economy.

RESULT

Trends and Regulatory Framework of Halal Certification

The landscape of halal certification in Indonesia has undergone a significant structural transformation following the enactment of Law No. 33 of 2014 concerning Halal Product Guarantee (Azrianda et al., 2021). This regulation shifted the certification mandate from a voluntary scheme under the Indonesian Ulema Council (LPPOM MUI) to a mandatory regime managed by the Halal Product Assurance Agency (BPJPH) (Kumaladewi et al., 2020). Data synthesis from 2011 to 2019 shows a consistent upward trend in certified companies, reaching a total of 73,902 entities by the end of 2019. Notably, between 2017 and 2018, there was a 114% surge in certificate issuance, with the number of halal certificates rising from 8,157 to 17,398. This growth aligns with Indonesia's position as the world's leading consumer of halal food, with domestic spending reaching USD 170 billion.

The development of halal certification in Indonesia is deeply rooted in the country's demographic reality, where 87.18% of the population (approximately 207 million people) are Muslim (Faridah, 2019). Based on regulatory analysis, there has been a significant shift in authority following Law No. 33 of 2014, which transitioned the certification mandate from the Indonesian Ulema Council (LPPOM MUI) to the Halal Product Assurance Agency (BPJPH). Data retrieved from LPPOM MUI (2012-2019) indicates a consistent upward trend in certification:

Expansion of Certified Entities: The number of certified companies grew from 4,325 in 2011 to 13,951 in 2019, totaling 73,902 companies over the period.

Product Volume: By 2019, the cumulative number of certified products reached 1,002,413.

Growth Surge: A notable 114% increase in certificate issuance occurred between 2017 and 2018 alone, signaling a heightened awareness among producers (Susilawati & Bon, 2023; Purwanto & Anggundari, 2025)

Functional Mechanisms of Halal Assurance

The Halal Assurance System (SJH) requires a rigorous audit of the entire production chain. Synthesis of the literature indicates that the process involves:

Source Verification: Ensuring raw materials are free from biological, chemical, or physical contamination, specifically avoiding haram substances.

Production Standards: Utilizing clean, hygienic facilities and strictly regulated additives.

Accountability: For producers, the certificate serves as a formal accountability tool to Muslim consumers. For consumers, it provides legal protection, information transparency, and psychological peace of mind (Industry et al., 2024).

Halal Certification as a Strategic Unique Selling Point (USP)

The findings suggest that halal certification has evolved beyond a religious obligation into a powerful Unique Selling Point (USP) (Industry et al., 2024). In a competitive market, a halal-certified product possesses a distinct advantage that enhances its brand image and value in the eyes of consumers. This “trust-market synergy” allows MSMEs to increase consumer satisfaction and loyalty, which is crucial for business sustainability. Furthermore, in the era of free trade, this certification acts as a protective shield for domestic products against imported goods such as the case of American chicken imports that were restricted due to a lack of halal guarantees.

Economic Implications and Global Market Reach

Indonesia's status as the world's largest consumer of halal food, with spending reaching USD 170 billion, presents a massive “captive market” (Bappenas, 2019). The mandatory certification regime under BPJPH acts as a catalyst for MSMEs to access this global halal value chain. The acceptance of the Indonesian Halal Assurance System by international institutions further facilitates the export potential to OIC and Middle Eastern countries. However, a significant challenge remains: despite the rapid growth shown in the results, nearly 80% of certification potential had not been reached as of 2017. This gap suggests that while the impact on business absorption is positive, there is a continuous need for regulatory support to ensure MSMEs are not marginalized by the mandatory “Wajib Halal” requirements.

Socio-Economic Stability and Professional Opportunities

Beyond individual business benefits, the institutionalization of halal certification contributes to broader socio-economic stability by mitigating public anxiety over non-halal ingredients in the food supply (Suud Sarim Karimullah & Rozi, 2023). Academically and practically, the expansion of the Halal Product Assurance (JPH) system creates new professional niches, such as halal auditors and inspection agencies (LPH), which are essential for supporting the burgeoning sharia economy in Indonesia.

DISCUSSION

Halal Certification Guarantees the Safety and Trustworthiness of Consumed Products

In order to obtain a halal certificate, products must undergo a rigorous process, starting from the initial production stage until the product is sold. This entire process is subject to assessment in order to obtain halal certification. The strict halal certification procedure ensures that our products or goods are guaranteed to be halal and safe for consumption or use. Having a halal certificate issued by a trusted institution certainly increases public safety and confidence in the product. The halal assurance system requires that the production process must apply halal and thayyib production methods, meaning that it must be correct and good from the provision of raw materials to the point of consumption by consumers. To ensure this, raw materials must be free from biological, chemical, physical, and haram contamination.

The production process must use clean and hygienic tools and facilities that are free from impurities. Similarly, the use of additives and auxiliary materials in production must comply with the regulations that permit them. In large industries, the implementation of the Halal Assurance System is often combined with the HACCP system by adding haram items as hazards that must be watched out for. With the implementation of the SJH, producers are assured that they will only produce products that are safe (halal and thayyib) for consumption by consumers.

With quality and safety guarantees in place, consumer confidence in the product will increase. The opportunity to get repeat orders from buyers will increase. In fact, it may even be easier to attract new customers. We all know that the issue of product halal certification has become a major concern lately. Don't let the image of a product, or even a brand, be damaged simply because of uncertainty about its halal status. No matter how good a product is, it will be difficult to gain consumer loyalty if it is not halal.

Halal Certification Provides Protection for Domestic Products from Global Competition

Entering the era of free markets, Indonesia is certain to become the most promising market. The population and geographical area stretching from Sabang to Merauke will undoubtedly require a variety of consumer goods. This market will be a tremendous force if it can be filled by local products. However, if local products cannot guarantee quality, similar foreign products will immediately take over the market. One example is chicken meat products. The requirement for halal certification of animal products entering Indonesia has somewhat reduced the flood of imported meat (Putra 2014). The case of chicken thigh imports from the United States that could not enter Indonesia because they were not accompanied by halal guarantees served as a protective measure for local chicken farmers. With a significant price difference, these chicken thigh imports could have destroyed thousands of local chicken farming businesses.

Implications of Halal Product Certification for Halal Businesses in Indonesia

The implementation of halal certification has significant implications for the halal product business in Indonesia. The halal business in Indonesia is particularly attractive because Indonesia is the country with the largest Muslim population in the world. This situation gives Indonesia enormous potential in the global halal product development industry. As the country with the largest Muslim population in the world, Indonesia's main market is its own country.

As a country with a Muslim majority, Indonesia has the opportunity to become the largest halal economic center in the world. A publication by the Indonesian Central Statistics Agency states that in 2010, Indonesia had a population of 237.6 million, with 207,176,162 Muslims, or 87.18% of the total population. In 2017, Indonesia's population reached 261.9 million (BPS, 2010). This number increased to 269.6 million in 2019. These figures show rapid growth compared to 2010. (Faqiatul, 2018). Thus, within a period of 7 years, the average growth of Indonesia's Muslim population in the 2010-2017 period reached 1.27%-1.46% per year. The rapid growth of the Muslim population has a linear effect on the growth in demand for halal products. This can be seen from the demand for halal products. The large number of Muslims has prompted the government to issue Law No. 33 of 2014 concerning Halal Product Guarantee to protect the interests of consumers who have the right to use products that comply with Islamic law, both in terms of ingredients, manufacturing processes, and packaging. (Warto, 2020)

In addition, Indonesia is the world's number one consumer of halal food (Thomson Reuters, 2018). According to the Global Islamic Economy Report 2018/2020, global Muslim spending on halal economic sector products and services reached more than USD 2.2 trillion in 2018. Indonesia ranks first as the largest consumer of halal products in the food and beverage sector, with a total expenditure of USD 170 billion. (Shahbandeh, 2019).

Halal certification can also boost exports because the institution is now ISO accredited and cooperates with other Muslim countries. This can facilitate products with halal certification to play a role in global trade. The sales target for halal-certified products should be exporting them overseas. This can be achieved by increasing access and cooperation with OIC and Middle Eastern countries. One advantage for Indonesian entrepreneurs is that the MUI Halal Assurance System has been adopted by almost all Halal Institutions worldwide, from Asia, Australia, Europe, to America and Africa. Therefore, Indonesian halal certification is already accepted in many countries.

Most MSME players today are not yet aware of the benefits of halal certification itself. All food and beverage MSMEs must have halal certification in order to sell their products throughout Indonesia. If they do not have halal

certification, processed food and beverage products can be withdrawn from circulation by the government (Abiyyu, 2019).

This huge opportunity for halal businesses must be balanced with an increase in the number of halal-certified products. According to data from the National Standardization Agency (BSN), halal certification in Indonesia has only reached less than 20 percent (Wulandari & Eka Yudiana, 2022). This is slightly different from the data released by the Directorate General of Islamic Community Guidance, which states that the total percentage of halal-certified products from 2011 to 2014 was 26.11%, meaning that 73.89% of food, cosmetics, and medicines in circulation were not halal-certified in 2011-2014. The number of certified products has increased significantly from 2012 to 2019, from 5,829 companies to 13,951 companies, bringing the total number of halal-certified companies to 73,902. The highest increase in halal certification occurred between 2017 and 2018. In 2017, LPPOM MUI issued 8,157 halal certificates for a total of 127,286 types of products. Meanwhile, in 2018, LPPOM MUI issued 17,398 halal certificates for 204,222 types of products. Thus, between 2017 and 2018, there was a 114% increase in the issuance of halal certification. This figure shows that companies selling their products in Indonesia feel that halal labeling is an added value to boost their product absorption in the market. This number continued to grow in 2019. This can be seen from the number of companies that obtained halal certification, which increased from 11,249 companies in 2018 to 13,951 companies, 15,495 halal certificates, and 274,796 products, bringing the total number of MUI halal certifications in 2019 to 73,902 companies, 85,480 halal certificates, and 1,002,413 products.

Table 1. MUI LPPOM Halal Certification Data for the Period 2012-2019

Year	Number Companies	Number of Certificates Halal	Number of Products Halal
2011	4325	4869	39,002
2012	5829	6157	32,890
2013	6666	7014	64121
2014	10,180	10,322	68,576
2015	7,940	8676	77,256
2016	6564	7392	114,264
2017	7198	8157	127,286
2018	11,249	17,398	204,222
2019	13,951	15,495	274,796
TOTAL	73,902	85,480	1,002,413

(Wulandari & Eka Yudiana, 2022)

From a macro perspective, the halal status of a product remains a trend in many countries around the world. Moreover, with the Muslim population in Indonesia reaching 87% of the total population, the potential is enormous. There must be a shared awareness of the importance of optimizing the captive market that is right in front of us, so that outsiders do not take advantage of this opportunity. And halal products can be pushed in that direction. Another positive implication of mandatory halal certification is the creation of new job opportunities. This is because the requirement for halal certification will create a significant demand for human resources to support the implementation of halal product assurance (JPH). Among these are halal auditors, who are an important element and must be present in LPH (Halal Inspection Agencies). Halal auditing will become a fairly attractive profession. This will undoubtedly be positive for the development of halal in Indonesia and the world.

CONCLUSION

This study concludes that halal certification has transitioned from a voluntary religious obligation to a mandatory strategic necessity for MSME actors in Indonesia. The primary findings indicate that halal certification functions as a critical Unique Selling Point (USP), enhancing consumer trust and providing a competitive advantage in both domestic and global markets. Data analysis from 2012 to 2019 reveals a significant 114% surge in certification issuance following the implementation of Law No. 33 of 2014, signaling an increased awareness of halal as an instrument for business sustainability and ethical accountability. Furthermore, certification serves as a protective mechanism for local products against the influx of imported goods, ensuring that MSMEs can effectively capture Indonesia's massive halal food market, which is valued at USD 170 billion.

The transition of authority to BPJPH necessitates a significant simplification of halal procedures. While the mandatory regime provides legal certainty, the government must streamline administrative requirements and reduce bureaucratic hurdles to ensure that the "Self-Declare" programs and regular certification pathways are accessible to small-scale producers with limited resources. Simplification is essential to bridge the gap between regulatory mandates and the actual readiness of MSMEs, who currently represent the backbone of the national sharia economy.

MSME actors are strongly encouraged to view halal certification not as an administrative burden, but as a long-term investment in market reach and brand reputation. Business operators should proactively adopt the Halal Assurance System (SJH) to guarantee product quality and hygiene, which are increasingly prioritized by both Muslim and non-Muslim consumers. Early compliance will safeguard businesses from the risk of product withdrawal and position them to tap into the lucrative global halal value chain.

Agenda Future studies should investigate the longitudinal impact of the mandatory halal regime on MSME income post-2024, particularly focusing on the effectiveness of digital halal tracking systems. Additionally, comparative research between Indonesia and other OIC countries regarding the cost-benefit analysis of halal certification for micro-scale enterprises would provide valuable insights for refining global halal standards.

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