

*Research Article***Regulation of Halal Labeling on Indonesian MSME Food Products Based on Positive Law****Yulies Tiena Masriani<sup>1\*</sup>, Maruf Maruf<sup>2</sup>, Afif Noor<sup>3</sup>****<sup>1</sup>Faculty of Law, Universitas 17 Agustus 1945 Semarang, Indonesia****<sup>2</sup>School of Law, Dalian Maritime University, China****<sup>3</sup>Faculty of Sharia and Law, Universitas Islam Negeri Walisongo Semarang, Indonesia****\*yulies-tm@untagsmg.ac.id****ABSTRACT**

Halal food has become an increasingly important concept over the past decade, driven by growing consumer awareness of the significance of halal products that comply with national positive law. However, challenges such as the high cost of halal certification and limited understanding of halal labeling remain major obstacles, particularly for micro, small, and medium-sized enterprises (MSMEs). This study aims to examine the regulation of halal labeling and its implications for consumer protection and the development of MSMEs in Indonesia. The research method employed is normative juridical, utilizing legal sources including laws and regulations. The findings indicate that Indonesia, as the country with the largest Muslim population in the world, represents a significant market for halal products. Halal labeling, as regulated by Law Number 33 of 2014 concerning Halal Product Assurance, plays a crucial role in ensuring the halal status of products for Muslim consumers. The study concludes that halal certification not only provides essential consumer protection but also opens broader access to global markets. Therefore, the government, through certification bodies such as BPJPH and MUI, plays a pivotal role in ensuring product halalness and promoting the growth of the halal industry in Indonesia.

**Keywords: Food; Halal; Label; Law; Regulation; MSME****A. INTRODUCTION**

Halal food has become an increasingly important concept over the past decade. Consumers are increasingly aware of the importance of halal food that not only complies with Islamic law but also meets standards of cleanliness, quality, and safety (Sucipto et al., 2022). This growing awareness presents opportunities for the development of new markets. The government plays a vital role in maintaining consumer trust by establishing halal certification authorities (Susilowati et al., 2018). Indonesia, as the country with the largest Muslim population in

the world, represents a significant market for halal food products. Halal food refers not only to what is consumed but also to how it is processed and prepared. Despite its potential, challenges remain in obtaining halal certification, particularly for micro, small, and medium enterprises (MSMEs) in Indonesia. The expansion of the halal industry has encouraged many business operators to seek halal certification for their products (Susilowati et al., 2018).

The impact of globalization and free trade has led to an increased circulation of food and beverage products, both domestic and imported.

Muslim consumers have specific requirements regarding the halal status of food and beverages in accordance with Islamic law. They seek assurance of the halal integrity of the products they consume. The government has an obligation to protect its citizens in accordance with their religious beliefs (Adnani, Hindarsah, & Kania, 2021). The Consumer Protection Law mandates that producers be transparent in disclosing the ingredients of their products. However, many food products still do not carry halal labels, which are essential for Muslim consumers (Hidayat & Siradj, 2015). The presence of a halal label offers reassurance to consumers and can significantly influence their purchasing decisions. As a result, producers are increasingly seeking halal certification from the relevant authorities.

Halal certification and labeling are essential for gaining global market share and maintaining consumer trust. In Indonesia, public awareness of healthy and safe food consumption is also increasing. To support informed consumer choices, halal labels on products are crucial, providing important information such as the product name, ingredients, and halal status. The obligation to include halal labeling is regulated by Law Number 33 of 2014 concerning Halal Product Assurance, which mandates that all products circulating in Indonesia must be halal-certified. Concerns arise when Muslim consumers unknowingly consume products without halal labels. Therefore, related regulations, including the Halal Product Assurance Law (UU JPH) and the collaboration between the Halal Product

Assurance Agency (BPJPH) and the Indonesian Ulema Council (MUI), are critical in ensuring halal products (Bobby & Rahmadani, 2024). MSMEs also face challenges in the intense competition with domestic and foreign products. To survive, they must ensure their products are halal-certified, which is vital for business sustainability in a predominantly Muslim country like Indonesia.

The issue of halal and haram products has become a national concern due to the low sensitivity of some Muslim consumers toward halal food (Agus, 2018). The assumption that all products are halal and the lack of knowledge about additives and terminology in the food industry contribute to this situation. The government must protect the public as consumers through health protection and compensation. The Indonesian Ulema Council (MUI) and LPPOM MUI strive to meet public expectations by providing halal certification. Additionally, trader awareness is essential in maintaining the halal status of their goods (Armawi, 2016), and in Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation, there is the addition of a new institution, namely the Fatwa Committee at BPJPH which is authorized to issue halal certificates. Previous research in Malaysia shows that the majority of the population pays attention to halal products when shopping. This underscores the importance of halal labels and certification in influencing consumer preferences (Armawi, 2016). The research also draws on surveys indicating that halal assurance is a

primary consideration for consumers when purchasing food, beverages, cosmetics, and dining at restaurants. This literature review serves as the foundation for research on halal certification and its impact on business sustainability.

Economic advancement, along with developments in technology, telecommunications, informatics, and trade, has led to a vast array of products being made available for public consumption (Maulana, Makhrus, & Hasanah, 2022). The forces of globalization and free trade have expanded international markets for goods and services, granting consumers greater freedom to choose products that align with their needs and financial capabilities. However, businesses may sometimes overlook product quality, potentially causing harm to consumers (Wajdi & Susanti, 2021). Therefore, this study is essential in providing a comprehensive explanation of regulations that aim to balance the interests of both parties. Consumers must be educated and guided to protect themselves from irresponsible business practices, while also having the freedom to choose high-quality products. In Indonesia, consumer protection is governed by Law Number 8 of 1999 concerning Consumer Protection (Charity, 2017).

Based on the points outlined above, the primary issue examined in this research is the challenges faced by Micro, Small, and Medium Enterprises (MSMEs) in obtaining halal certification in Indonesia. This issue is crucial not only because halal certification ensures

compliance with Islamic law but also because it plays a key role in fostering consumer trust, particularly among the Muslim population, which constitutes the majority of Indonesia's inhabitants. Halal certification is essential for ensuring business sustainability amid increasingly intense competition in both domestic and international markets.

This research is necessary to provide a deeper understanding of halal certification regulations and their impact on MSMEs, which frequently encounter obstacles in the certification process. Additionally, the study is important for raising awareness among business owners about the significance of halal certification in protecting consumers from products that may contain non-halal ingredients.

Consumer protection, as discussed, is closely aligned with the legal protection theory proposed by Philipus M. Hadjon. This theory emphasizes the role of the state in providing both repressive and preventive legal safeguards. In the context of this research, halal certification serves as a preventive legal measure by the state to protect Muslim consumers from unknowingly consuming non-halal products available in the market (Hadjon, 2007).

In the context of halal labeling in Indonesia, the ideal legal framework should provide comprehensive protection for Muslim consumers, ensuring that the products they consume conform to Islamic principles. This includes the obligation for all business operators, particularly Micro, Small, and Medium Enterprises (MSMEs), to

comply with halal certification regulations in accordance with Law No. 33 of 2014 concerning Halal Product Assurance, which mandates that all halal products circulating in the market must be officially certified. The government and relevant institutions, such as the Halal Product Assurance Agency (BPJPH) and the Indonesian Ulema Council (MUI), are expected to enhance oversight and facilitate the certification process, especially for MSMEs that often face challenges due to high costs and complex procedures. On a normative level, all products consumed by the Muslim population should be guaranteed halal, supported by extensive public education on the importance of halal certification for both producers and consumers.

However, the reality on the ground falls short of these expectations. Although Law No. 33 of 2014 has been enacted, only a limited number of MSMEs have successfully obtained halal certification due to the high costs and stringent requirements, as highlighted in a study by Riskia Putri titled *"Challenges of Halal Certification for Micro, Small, and Medium Enterprises (MSMEs) in Food Products in Pamekasan Regency"* (Putri, 2024). This is concerning, given that MSMEs are a key driver of Indonesia's economy, and many of their products are consumed by the Muslim population. Furthermore, despite government initiatives to promote and facilitate halal labeling, there remains a significant gap in field implementation. Many products either lack halal labels or are not officially certified, creating uncertainty among Muslim consumers regarding

the halal status of the products they consume. As a result, Indonesia's halal market—which holds significant potential—continues to lag behind neighboring countries such as Malaysia, which is more advanced in terms of halal regulation and industry development (Hakim et al., 2017).

This research presents a state-of-the-art review, demonstrating the originality of the study compared to previous research. For example, Ranu Nugraha's research, titled *The Influence of Halal Labeling on Consumer Purchase Intention (A Survey of Muslim Students as Consumers of Samyang Noodles with the Halal Logo from the Korean Muslim Federation in Malang City)*, concluded that the halal label significantly influences consumer purchase intention for Samyang noodle products in Malang City. Although the influence accounts for only 13.3% based on the R-square value, the results indicate that the presence of the halal label from the Korean Muslim Federation (KMF) affects consumers' purchase intentions (Nugraha, Mawardi, & Bafadhal, 2017). The author's research differs from previous studies in terms of scope, approach, and a more specific objective. While the previous study focused on the impact of halal labels on consumer purchase intentions in Malang, this study takes a broader view by focusing on the regulatory aspects and challenges of halal labeling in Indonesia.

The second relevant study is by Endang Irawan Supriyadi, titled *Regulation of Halal Food Product Policies in Indonesia*. This research concludes that regulations such as Law No. 33 of

2014 on Halal Product Assurance are crucial to protect Muslim consumers in accordance with the guarantee of religious freedom stipulated in Article 29, paragraph 2 of the 1945 Constitution (Supriyadi & Asih, 2021). The difference in the present study lies in its focus on the challenges faced in the implementation of halal labeling, especially by Micro, Small, and Medium Enterprises (MSMEs).

The third related study, conducted by Siti Muslimah, is titled *Halal Labels on Packaged Food Products from the Perspective of Muslim Consumer Protection*. This study found that halal labeling on packaged food products in Indonesia has not yet provided optimal protection for the rights of Muslim consumers. Some packaged food producers use halal labels without official certification and without undergoing verification procedures by LPPOM MUI (The Assessment Institute for Foods, Drugs, and Cosmetics of the Indonesian Ulema Council) (Muslimah, 2012). Unlike this previous research, the author's study analyzes the barriers MSMEs face in obtaining halal labels, while prior research tends to focus on issues related to counterfeit halal labels.

The fourth study was conducted by Wanda Gema Prasadio Akbar Hidayat, titled *The Influence of Halal Label and Product Quality on the Purchasing Decision Process of Wardah Cosmetics Using Brand Image as an Intervening Variable*. This research shows that halal labels and product quality have a strong and positive relationship with brand image. Partially, the halal label also significantly influences brand image. In

the purchasing decision process, brand image plays a strong role, indicating that the better the brand image, the higher the likelihood consumers will purchase the product (Hidayat, 2023). In contrast, the author's research investigates the specific challenges MSMEs face in obtaining halal certification, rather than focusing on the relationship between halal labels and consumer purchasing decisions.

The fifth study, conducted by Siti Nur Azizah, is titled *The Regulation of Halal Label in Non-Packaged Fast-Food Products in Indonesia's Online Business*. This study concludes that halal certification aims to ensure the halal integrity of both ingredients and the production process of non-packaged ready-to-eat products from start to finish. It highlights that production tools and storage must be separated between halal and non-halal products. The implementation of halal labeling on these products can be driven by factors such as national campaigns, consistent halal certification procedures, accessible and affordable certification for MSMEs, and cooperation between product owners and online platforms to obtain halal certification according to business operational needs (Azizah, 2022). The difference between this research and the author's study is that the previous research proposed national campaigns and more accessible certification procedures to encourage the implementation of halal certification, particularly for MSMEs. The author's research, on the other hand, emphasizes the importance of the role of the government and certification bodies such as

BPJPH and MUI in ensuring ease of obtaining halal certification and supporting the growth of the halal industry in Indonesia. Meanwhile, this study focuses on examining the issues regarding the scope of halal labels and issues regarding the regulation of halal labels for MSMEs in Indonesia. This study aims to examine halal labeling regulations and their implications for consumer protection and MSMEs development in Indonesia.

## B. RESEARCH METHODS

The research method employed is a normative legal approach, specifically doctrinal legal research, which primarily utilizes secondary data sources such as laws, court decisions, articles, scientific journals, and books related to the research topic (Soekanto & Mamuji, 2015). Additionally, this study collects data through literature review, involving the examination of previous academic works. The author reviews literature and other scientific materials relevant to the research problem to compile theoretical and legal foundations that support the discussion (Soekanto & Abdurrahman, 2003).

## C. RESULTS AND DISCUSSION

### 1. Legal Scope Related to Halal Labeling

Labeling is closely related to marketing, as it serves as part of the product that conveys essential information. The term "halal" originates from Arabic, meaning "permissible" or "allowed," and etymologically refers to things that are permitted without prohibition. A halal label is a mark on product packaging indicating that the

product is halal. In Indonesia, halal certification is conducted by the Indonesian Ulema Council (MUI) through the Food, Drug, and Cosmetics Assessment Institute (LPPOM), while supervision of halal labels is regulated by the Food and Drug Monitoring Agency (BPOM). Halal labeling in Indonesia has been implemented even before formal halal certification and is regulated through a joint decree of the Minister of Health and the Minister of Religious Affairs in 1985 concerning halal labeling on food. The latest development in the issuance of halal certificates is the establishment of the Fatwa Committee at BPJPH, based on Law No. 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 regarding Job Creation into Law (Jumarni, 2022).

According to MUI, a product is considered halal if it does not contain pork, alcohol (khamr), or their derivatives, and any animal-based ingredients must be slaughtered in accordance with Islamic law. The criteria for halal include (Jumarni, 2022):

1. Halal in substance (e.g., vegetables that are naturally halal),
2. Halal in the way it is obtained (not acquired through prohibited means),
3. Halal in its processing (e.g., slaughtering according to Islamic law),
4. Halal in storage (not stored with prohibited items).

Indicators of halal label recognition include images and text on packaging that can be easily identified by consumers. Consumer protection

concerning halal products is a critical issue in Indonesia, given its predominantly Muslim population. In 2023, the global Muslim population reached 2.19 billion, with Indonesia comprising approximately 86.7% of its national population (HS, 2023). As the largest halal market in the world, Indonesia holds significant potential both as a consumer and producer. Despite this, Indonesia still imports a substantial portion of its halal food products from other countries (Charity, 2017). The extensive domestic market presents significant opportunities for developing local halal products, particularly given the large number of Micro, Small, and Medium Enterprises (MSMEs). However, Indonesia continues to lag behind Malaysia in the production of halal products and services (Mayasari, 2019).

The Indonesian government has implemented various policies to promote the growth of the halal products and services sector, including the enactment of Law No. 33 of 2014 on Halal Product Assurance (Lisnawati, Triyono, & Sulisty, 2023). This law aims to provide protection and ensure the availability of halal products for Indonesian Muslim consumers. Halal products are defined as goods or services related to food, beverages, pharmaceuticals, cosmetics, and other categories (Charity, 2017). However, only a small fraction of MSMEs are able to meet the requirements for obtaining halal certification.

## **2. Halal Labeling Regulations for MSME Food Products in Indonesia**

The state has an obligation to protect its citizens in practicing their religion and beliefs. To

safeguard the halal status of the food and beverages they consume, the government needs to provide halal labeling (Adnani, Hindarsah, & Kania, 2021). Law No. 33 of 2014 on Halal Product Assurance was enacted to guarantee Muslims' right to consume halal food and beverages. The growth of the halal industry is driven by changing perspectives among Muslim communities and consumers worldwide, including in Indonesia (Martini et al., 2020). This is reflected in the continuously increasing prospects of the halal industry each year. According to the Global Islamic Report 2019 (Adamsah & Subakti, 2022), approximately 1.8 billion Muslims are consumers of the halal industry, with total consumer spending reaching US\$2.2 trillion. Consumer opportunities in the halal industry are expected to grow by 5.2% annually (Destriyansah, Imsar, & Harahap, 2023).

The Compound Annual Growth Rate (CAGR) for the halal industry is projected to reach 6.2% from 2018 to 2024. By 2024, halal industry consumers are expected to spend US\$3.2 trillion, indicating a promising future for this sector. A table illustrating halal product consumption in Indonesia and Indonesia's economic growth is available. Indonesia has significant potential to develop the halal industry due to its large population, particularly its sizable Muslim population. As a global market for halal products, Indonesia, with a population of 273 million people, accounts for 12.7% of the world's Muslim population (Fathoni, 2020).

**Table 1: Consumption of Indonesian Halal Products and Indonesian Economic Growth 2015-2021**

| Year | Halal Food | Halal Fashion | Halal Pharmacy & Cosmetic | Halal Travel & Tourism | Halal Media & Recreation | Islamic Finance | Growth Economy |
|------|------------|---------------|---------------------------|------------------------|--------------------------|-----------------|----------------|
| 2015 | \$154,9    | \$13,28       | \$5                       | \$9.1                  | \$8.8                    | \$23            | 4.79%          |
| 2016 | \$169.7    | \$13.5        | \$9.4                     | \$9.7                  | \$9                      | \$26.7          | 5,02%          |
| 2017 | \$170      | \$20          | \$9.1                     | \$10                   | \$10                     | \$82            | 5,07%          |
| 2018 | \$173      | \$21          | \$9                       | \$11                   | \$10                     | \$86            | 5.17%          |
| 2019 | \$144      | \$16          | \$9,4                     | \$10                   | \$22                     | \$99.2          | 5,02%          |
| 2020 | \$135      | \$15,6        | \$28.13                   | \$3.37                 | \$20.73                  | \$127.71        | 2.07%          |
| 2021 | \$146.7    | \$10,1        | \$10.1                    | \$11,2                 | \$22,4                   | \$119.5         | 3.69%          |

**Source: (Destriyansah, Imsar, & Harahap, 2023)**

The demand for halal products is increasing due to Indonesia's large Muslim population. Each year, the halal industry contributes approximately \$3.8 billion to Indonesia's GDP and generates 127,000 jobs. Additionally, it attracts foreign investment totaling \$1 billion. Halal labels on products serve both as informational tools and as assurances that the products are safe and free from haram substances. However, public awareness and understanding, particularly among SMEs, regarding halal labeling remains limited (Ismaya et al., 2023), necessitating further education and outreach. The use of halal labels is regulated under the Halal Product Assurance Law.

The term "halal" refers to food, beverages, pharmaceuticals, and other products that are permissible under Islamic law (sharia). In Indonesia, regulations concerning halal products have existed since the 1990s. Government regulations state that halal food must not contain

any haram substances, including those processed through genetic engineering or food irradiation (Apriani & Syafrinaldi, 2022). The Halal Product Assurance Law, enacted in 2014, mandates halal certification for all products labeled as halal (Siregar & Razali, 2022).

There are three key institutions responsible for halal certification in Indonesia: the Halal Product Assurance Agency (BPJPH), the Halal Inspection Agency (LPH), and LPPOM MUI. BPJPH, an agency under the Ministry of Religious Affairs, is authorized to issue halal certifications and oversee certified products (Siregar & Razali, 2022). LPH is responsible for conducting inspections and testing products to verify their halal status. LPPOM MUI focuses on ensuring food safety for Muslims, particularly with regard to food additives.

The Fatwa Commission issues religious rulings (fatwas) on the halal status of food, drugs, and cosmetics based on audits conducted by LPPOM MUI. LPPOM MUI, which operates at both the central and provincial levels, plays a vital role in the certification process. However, it faces challenges related to the availability of experts and laboratory facilities (Asri, 2016). Currently, LPPOM MUI is only present at the Central MUI and Provincial MUI offices (Siregar & Razali, 2022). The potential of halal-based SMEs is a key focus for the Indonesian government as part of its efforts to build a sustainable economy. The government has implemented various initiatives to support the development and growth of SMEs in



Indonesia (Purwaningsih, Anisariza, & Basrowi, 2023).

Consumer protection for halal products is a critical issue in Indonesia, given its predominantly Muslim population. In 2023, the global Muslim population reached 2.19 billion, with Muslims comprising approximately 86.7% of Indonesia's total population. As the largest halal market in the world, Indonesia holds substantial potential both as a consumer and a producer of halal products (BKF Kemenkeu RI, 2023). However, Indonesia continues to import the majority of its halal food products from other countries.

The vast domestic market offers significant opportunities to develop locally produced halal goods, especially considering the large number of Micro, Small, and Medium Enterprises (MSMEs) operating in the country (Yulia, 2015). Despite this potential, Indonesia still lags behind Malaysia in the production and development of halal products and services (Kumaratih & Ispriyarso, 2020). In response, the Indonesian government has implemented various policies to foster the growth of the halal product and service sector. These include the enactment of Law No. 33 of 2014 on Halal Product Assurance (Minister of Law and Human Rights, 2014) and Government Regulation (Peraturan Pemerintah/PP) No. 42 of 2021 on the Facilitation of National Strategic Projects, which includes provisions for implementing halal product regulations in Indonesia.

### 3. Halal Labeling from an Islamic Law Perspective

Information regarding halal products must be provided by the government through certification and halal labeling on all food and consumer products in circulation, as part of efforts to protect Muslim consumers. Halal labels serve to assure and guarantee the halal status of a product. Therefore, the protection of Muslim consumers must be prioritized, including their rights to food safety and the freedom to practice their religion (Adnani, Hindarsah, & Kania, 2021). The halal industry not only brings economic benefits but also promotes values such as justice, health, and trust. Furthermore, it contributes to the global understanding and appreciation of Islamic culture and beliefs (Destriyansah, Imsar, & Harahap, 2023).

Article 29(2) of the 1945 Constitution of the Republic of Indonesia guarantees the freedom of every citizen to embrace and practice their religion according to their beliefs. As part of the state's responsibility, it must ensure the halal status of products consumed and used by the public (Subagyo et al., 2020). However, not all products currently in circulation are guaranteed to be halal, making the establishment of specific regulations necessary. Since the enactment of Law No. 33 of 2014 concerning Halal Product Assurance, which became effective in 2019, all food products are required to obtain halal certification (Herianingrum et al., 2024).

Previously, halal certification was issued by the Indonesian Ulema Council (MUI) through its

Assessment Institute for Foods, Drugs, and Cosmetics (LPPOM MUI). However, with the implementation of the new law, the responsibility for issuing halal certification has shifted to the Halal Product Assurance Agency (BPJPH) under the Ministry of Religious Affairs (Kemenag) (Subagyo et al., 2020). Although MUI still holds the authority to issue fatwas on what is considered halal or haram, the formal certification process, including scientific evaluation and the issuance of certificates, is now managed by BPJPH. The halal product assurance system is based on the principles of protection, fairness, legal certainty, transparency, and professionalism (Lahaling, Makkulawuzar, & Rukka, 2015).

Sectors experiencing growth within the halal industry include food, clothing, pharmaceuticals, travel, tourism, media, cosmetics, and finance. The halal food market in other countries is also expanding, creating new business opportunities, increasing revenue, and generating employment. Producers who follow ethical practices will label each product as halal, reflecting their adherence to business ethics in accordance with the Qur'an and the example set by the Prophet Muhammad (SAW) (Novia et al., 2020). Halal labeling supports Muslim consumers who may be unaware of the halal status of the products they consume (Maulana, Makhrus, & Hasanah, 2022).

In business, the Prophet Muhammad (SAW) consistently demonstrated exemplary conduct, and producers who follow his example are perceived as honest in their business

practices (Khalimy et al., 2023). Producers who implement halal labeling are those who refrain from engaging in fraudulent practices in production and sales. They also support the Muslim community and comply with religious guidelines in the production and distribution of halal products (Puspaningtyas, Sucipto, & Santoso, 2023). Honesty is a core principle emphasized by the Prophet Muhammad (SAW) in business, reflecting one's faith and obedience to Allah (SWT) (Zahara, Jatiningrum, & Utami, 2023). Honest producers act with awareness of divine supervision, fear violating ethical or religious regulations, treat employees justly, and avoid demeaning the contributions of others.

When linked to the theory of *aqidah*, in the Islamic context, it refers to the fundamental principles of faith firmly held by every Muslim (Maslul & Utami, 2018). *Aqidah* is the foundational aspect of Islam and encompasses belief in Allah, angels, the holy books, messengers, the Day of Judgment, and *qada* and *qadar* (divine will and predestination).

#### **4. Barriers to Obtaining Halal Certification in Indonesia**

As previously discussed, halal labeling in Indonesia is governed by a series of regulations designed to protect Muslim consumers. Law No. 33 of 2014 on Halal Product Assurance serves as the primary legal framework mandating halal certification for food, beverages, pharmaceuticals, cosmetics, and other products. The law's main objective is to ensure that products consumed by the Muslim community comply with Sharia

principles. This is accomplished through a certification process administered by the Halal Product Assurance Agency (BPJPH), verified by Halal Inspection Agencies (LPH), and endorsed by the Fatwa Commission of the Indonesian Ulama Council (MUI).

While the global halal industry is projected to grow significantly, Indonesia—home to the world's largest Muslim population—has substantial potential to become a leading producer of halal products. However, in the context of Micro, Small, and Medium Enterprises (MSMEs), there are several barriers that hinder access to halal certification. These challenges contribute to the low rate of certification among MSMEs, despite the considerable domestic and global market for halal products (Balqis & Santoso, 2020).

One of the key challenges is that many MSMEs rely on raw materials that are not yet halal certified, making it difficult for them to qualify for halal certification under the self-declare program. This issue is exacerbated in regions where halal-certified suppliers are limited, making it hard for MSMEs to find suitable alternative raw materials that meet halal standards (Bahiej, Munajat, & Maulana, 2021).

Another barrier is that, even when halal-certified raw materials are available, they are often more expensive or differ in quality from those traditionally used. Substituting these materials can impact both production costs and product quality. For instance, alternative ingredients may not yield the same final product,

discouraging business owners from making changes—ultimately preventing them from pursuing halal certification. However, MSMEs that are willing to adapt their product formulations or production processes can still obtain certification, although this often requires additional time and financial investment, as well as adjustments in product pricing to accommodate increased production costs.

#### **D. CONCLUSION**

Halal labeling in Indonesia, although regulated under Law No. 33 of 2014 on Halal Product Assurance, faces several challenges, particularly for Micro, Small, and Medium Enterprises (MSMEs). Despite Indonesia's significant potential in the global halal industry due to its majority Muslim population, MSMEs are often constrained by high certification costs, complex bureaucratic procedures, limited awareness and understanding of the importance of halal labeling, and inadequate access to certification facilities, especially in remote areas. These barriers contribute to the low rate of halal certification among MSMEs, even as both domestic and international halal markets continue to demonstrate substantial growth potential.

Therefore, greater support from the government and relevant institutions is essential, particularly in the form of financial assistance, awareness campaigns, and technical guidance to help MSMEs obtain halal certification. This includes providing structured support and

facilitation by institutions responsible for halal certification.

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