

OBLIGATORY HALAL CERTIFICATION FOR MSEs IN INDONESIA: THE NEED FOR SUSTAINABLE FUNDING SUPPORT

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Abstract: *This research explores the critical need for sustainable funding to support the obligatory halal certification of Micro and Small Enterprises (MSEs) in Indonesia. Mandatory halal certification, which ensures products meet Islamic dietary laws, was introduced to promote consumer trust and expand market opportunities. However, MSEs often face significant challenges due to limited financial resources, hindering their ability to comply with certification requirements. The study aims to understand the financial challenges faced by MSEs in meeting halal certification requirements and to propose viable solutions. Data were collected through in-depth interviews with key stakeholders, including MSE owners, certification bodies, and financial institutions. A content analysis of the interview data was conducted to identify common themes and insights. The findings reveal significant barriers to obtaining halal certification, primarily due to the high costs involved and the limited financial resources of MSEs. The study underscores the necessity for a comprehensive funding strategy to ensure that halal certification is accessible and sustainable for all MSEs, ultimately contributing to their growth and the broader economic development of Indonesia. Recommendations include the implementation of government subsidies, financial incentives, and partnerships with private sectors to alleviate the financial burden on MSEs.*

Keywords: Obligatory Halal certification, Micro and Small Enterprises (MSEs), Sustainable funding support

1.0 Introduction

The Indonesian government has transformed halal certification from a voluntary practice to a legal mandate by enacting Halal Assurance Law No. 33 of 2014. This change emphasises Indonesia's commitment to preserving the integrity of halal and meeting the needs of the Muslim population. Before this law, companies could choose to be halal certified at their discretion. However, the enforcement of this law has ushered in a new era where halal certification is mandatory for businesses in Indonesia, which has fundamentally changed the dynamics of the halal certification ecosystem.

The government's mandate for halal certification of food and beverages extends to Micro, Small, and Medium Enterprises (MSMEs), which form the majority of businesses nationwide (Izzah, 2024). This requirement ensures products meet halal standards, enhancing the competitive edge of Indonesian MSMEs in both local and global markets (Ismail & Kornitasari, 2022). Beyond regulatory compliance, halal certification boosts tourism marketing and bolsters performance in the food sector (Katuk et al., 2020), making Indonesian halal products appealing to Organization of Islamic Cooperation (OIC) countries (Anggarkasih & Resma, 2022).

Implementing programs like the SEHATI initiative is crucial for MSMEs to meet halal standards (Umami et al., 2023). However, challenges such as economic constraints, limited facilities, and awareness persist among MSMEs seeking certification (Khasanah, 2024). Addressing these issues requires broader outreach, financial aid, improved facility access, and training programs (Khasanah, 2024). The Sehati Program, offering free halal certification, presents a significant opportunity for Indonesian MSMEs to enhance competitiveness (Jakiyudin & Fedro, 2022).

For MSMEs in Indonesia, halal certification is not merely a regulatory necessity but a strategic business choice, particularly in a predominantly Muslim nation (Muslichah & Ibrahim, 2021). Studies underscore its positive impact on financial performance and consumer trust (Urumsah & Puspitasari, 2021; Budiyoko, 2022). Perceptions of certification costs and the process itself influence the decisions of food and beverage SMEs (Santoso et al., 2021).

The shift to mandatory halal certification in Indonesia signals a move towards a state-driven certification system (Akim et al., 2019), aligning religious observance with cultural and legal frameworks (Disemadi, 2024). Integrating halal certification into intellectual property laws underscores its societal importance (Disemadi, 2024).

In summary, Indonesia's mandatory halal certification carries profound implications for MSMEs, tourism, consumer confidence, and global trade. While challenges persist, supporting MSMEs with financial aid and effective certification programs can bolster Indonesia's reputation as a leader in halal product markets.

2.0 MSEs and Financial Constraints

Limited financial resources among Micro and Small Enterprises (MSEs) pose a significant challenge to their operations and growth. Wang et al. (2015) highlighted that inadequate financial resources are a primary factor hindering the financing of MSEs during their startup and growth stages (Wang et al., 2015). This limitation can impede MSEs from accessing the necessary capital to expand their operations and invest in their businesses (Wang et al., 2015; Njiraini et al., 2018) further emphasized that limited access to resources, especially finance, restricts MSEs from making decisions to innovate, which could potentially drive their growth and competitiveness (Njiraini et al., 2018). Additionally, Atiase et al. (2019) pointed out that MSEs without adequate access to credit facilities struggle to raise sufficient financial capital, hampering their ability to enhance their equity base and expand their businesses (Atiase et al., 2019).

The impact of limited financial resources on MSEs is exacerbated during times of crisis, such as the COVID19 pandemic. Research by "Drawing Insights from Adversity" (2024) has shown that the financial repercussions of crises like the pandemic disproportionately affect MSEs due to their typically constrained financial and personnel resources, which may not be adequate to address the challenges posed by such crises (-, 2024; . Farani et al., 2022) further supported this notion by concluding that rural MSEs, particularly in areas like Iran, require

increased financial support and managerial guidance to navigate and overcome the adverse effects of crises like the COVID19 pandemic (Farani et al., 2022).

Moreover, the limited financial resources of MSEs impact their ability to access essential services and resources for growth. Ishengoma & Kappel (2008) found that MSEs' growth potential is negatively affected by restricted access to productive resources such as finance and business services, high taxes, and lack of market access (Ishengoma & Kappel, 2008). This lack of access to resources hinders MSEs from scaling up their operations and reaching their full potential in terms of growth and profitability. Additionally, Pertiwi & Prijadi (2018) highlighted that financial constraints experienced by MSEs limit their sustainability, underscoring the critical role that financial resources play in ensuring the longterm viability of these enterprises (Pertiwi & Prijadi, 2018).

In addressing the challenges posed by limited financial resources, various strategies and interventions have been proposed. For instance, Jalil et al. (2022) emphasized the importance of microfinance services in fostering the growth of MSEs, particularly in vulnerable regions like Pakistan, where MSEs face significant financial constraints (Jalil et al., 2022). Similarly, suggested that participation in Rotating and Savings Credit Associations (ROSCAs) can be beneficial for MSEs as it provides access to capital with minimal interest, fosters savings, strengthens networks, and aids in asset accumulation (O et al., 2020). Furthermore, Huang et al. (2022) highlighted the significance of sustainability-oriented innovation for MSEs, especially in the context of limited resources. The research emphasized that with constrained financial resources, the costs and benefits of different types of innovations vary, necessitating a strategic approach to innovation that aligns with the budgetary constraints of MSEs (Huang et al., 2022). In conclusion, the research on limited financial resources among MSEs underscores the critical role that access to capital and financial resources plays in the growth, sustainability, and resilience of these enterprises. Addressing the challenges posed by inadequate financial resources requires a multi-faceted approach that includes leveraging alternative financing mechanisms, fostering innovation within budgetary constraints, and providing targeted support during times of crisis to ensure the long-term success of MSEs.

3.0 Budget Problem in Halal Certification

In mandatory halal certification, the challenges faced by the authorities play a crucial role in shaping the overall effectiveness of the certification process. Latifah (2022) points out the challenges associated with the authorities and emphasises the high certification fees and the complicated procedures involved in appointing a halal supervisor.

Kamaluddin et al., (2023), Mohammad & Maulidiyah (2021), and Muhamad (2020) address the authority's struggles with complex procedures and the financial burden associated with implementing and enforcing halal certification. Arifin et al., (2020) further contribute by highlighting challenges such as limited facilities, complicated requirements, and high costs, emphasising the need for a systematic overhaul of the regulatory landscape.

Sulistyaningsih et al., (2019) contribute specific insights by highlighting the challenges associated with the authority, including the high cost of certification, its limited validity of four years, and the complexity of the requirements. Their proposed strategies include socialising the Halal Act among SMEs and related offices, exploring cross-subsidies or other measures to reduce costs, establishing rules to guide implementation, and providing technical guidance. In addition, they suggest creating simple conditions and a quick procedure, as well as the immediate establishment of BPJPH at the city/municipality or residence level.

The challenges authorities face emphasises the delicate balance between enforcing regulations and ensuring that the certification process is workable for businesses. Complex procedures and high costs can hinder the widespread adoption of mandatory halal certification, making it imperative to

streamline processes and explore innovative funding models. Furthermore, addressing the challenges related to authority requires collaboration between regulators and businesses to create an environment where compliance is mandatory, mandatory, and sustainable.

4.0 Data and Method

4.1 Data collection

4.1.1 Semi-structured interview

In qualitative research, data acquisition is significantly influenced by interviews, where some or all information is gathered through this method, as highlighted by Merriam & Tisdell (2016). Qualitative research encompasses a range of data collection techniques, including observation, questionnaires, and unobtrusive research. A prevalent method in this realm is interviews, which manifest in various types, such as individual or group interviews, and may be structured or unstructured. Sekaran & Bougie (2016) emphasize that these interviews can occur through diverse mediums, including face-to-face, over the phone, or online.

Merriam & Tisdell (2016) contribute to the understanding of interviews by proposing categorizations based on both type (individual, group, expert panel) and structure (unstructured, structured, semi-structured). This classification underscores the versatility of interviews as a data collection tool. Interviews can be conducted through multiple channels, encompassing face-to-face interactions, telephone conversations, or online platforms.

Semi-structured interviews, identified as a valuable tool in social research by Adams (2015), introduce a conversational approach that unveils unexpected insights. The interactive nature of these interviews is essential, with both the interviewer and interviewee actively contributing to the construction of meaning, as articulated by Grindsted (2005). This collaborative process enhances the depth and richness of the data gathered.

4.1.2 Interviewees

A diverse group of interviewees was carefully selected in Indonesia to understand the multifaceted landscape of mandatory halal implementation. Each interviewee represents a different perspective and brings a wealth of insight.

Purposive sampling was chosen to choose the interviewees or interview participants. Purposive sampling is a key method in qualitative research, allowing for the selection of participants who can provide in-depth insights into the research topic (Campbell et al., 2020). This method is particularly useful in ensuring the trustworthiness of the data and results (Bagnasco et al., 2014). However, the purposive sampling process can be complex, with various sampling strategies available (Robinson, 2014). Despite this complexity, the method is essential for identifying specific groups of people with relevant characteristics or experiences (Jalali, 2013).

The list of interviewees for this study is as follows:

Table 1: List of Interviewees

No	Interviewee	Position	Year(s) of expertise/ experience
1	Representing Authority 1	Head of BPJPH Division of Halal Registration and Certification Center	30
2	Representing Authority 2	Director of Lembaga Sertifikasi Profesi Majelis Ulama Indonesia (LSP MUI: Professional Certification Institute of the Indonesian Ulema Council) Halal Product Guarantee	12
3	Representing Authority 3	Deputy Director of Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS: National Committee for Islamic Economy and Finance) Halal Products Industry	5
4	Representing Halal Center 1	Former Director of BPJPH, Director of Halal Center Universitas Brawijaya	34
5	Representing Halal Center 2	Director of Gadjah Mada University Halal Center	24
6	Representing Halal Center 3	Director of Halal Center Institut Agama Islam Tazkia	9
7	Representing Halal Influencer 1	Business Owner, certified halal supervisor	3
8	Representing Halal Influencer 2	Director of Kuliner Muslim.id,	5
9	Representing Halal Influencer 3	Halal Influencer, official of Indonesia Halal Center Training	3
10	Representing Halal Business Owner 1	Halal Influencer	9

BPJPH is a key figure in the regulatory landscape. Its role is to oversee the implementation of halal standards and regulations and to provide an authoritative perspective on the legal and institutional aspects of halal certification. MUI occupies a key position in shaping religious perspectives on halal practises. As a religious authority, the insight will shed light on the theological aspects that influence halal certification and compliance. MUI is also the former halal authority in Indonesia. KNEKS is tasked with providing strategic thinking on implementing halal standards in the Indonesian financial landscape, so the perspective is important.

Interviewees 4-6, representing various halal centres, are at the forefront of academic research and development in halal studies. The halal centre is important as it provides educational and consultancy services. The Halal Centre of Brawijaya University is one of the leading halal centres in East Java. Gadjah Mada University Halal Centre is one of the leading halal centres in Central Java. Agama Islam Tazkia Halal Centre Institute is one of the leading halal centres in West Java. Their insights will provide an academic perspective that addresses

the evolving nature of halal practises and the role of educational institutions in shaping the discourse.

Interviewees 7-9. representative halal influencers: Instagram, YouTube, and TikTok content creators. They represent the public's perception and understanding of halal practises and reflect the cultural and societal aspects that play a crucial role in accepting and implementing halal. They usually receive likes or comments, which can be positive or negative, from people who see this content and, therefore, know the general public's view on halal in Indonesia.

The perspective of halal business owners is also important. FnB business operators in Indonesia consist of local individual, imported, and franchise kitchens. The challenges faced by each type may be different. Their insights will provide a down-to-earth perspective on the challenges businesses face in complying with halal standards and their strategies to navigate this terrain.

4.2 Data Analysis Method

Content analysis will be used to analyse the document and text. Content analysis analyzes written, verbal, or visual communication messages (F.L, 1988). It is a careful, detailed, systematic examination and interpretation of a particular material body for identifying patterns, themes, biases, and meaning (Berg & Lune, 2012).

4.2.1 Validity and Reliability

The discussion on the reliability of qualitative research interviews encompasses various perspectives. Appleton (2006) underscores the often-overlooked critical issues of validity and reliability in research reports. Mouter (2012) focuses on intercoder reliability checks, providing practical recommendations based on experiences, particularly in the transport field. Zedeck et al., (1983) find that interviewers function similarly but exhibit higher reliability and individual differences when analysed individually, with the interview decision lacking validity for training performance evaluations. Brink (1993) addresses major risks to validity and reliability, emphasizing strategies like triangulation. Kelly et al., (1990) explore the reliability of structured interviews in a hospital-based study, showing varying reliability for different factors. Nasrabad (2018) stresses that the criteria for validity and reliability depend on researchers' perspectives, with evaluation methods linked to ontological, epistemological, and theoretical attitudes, emphasizing credibility and trustworthiness in qualitative research results.

4.2.2 Triangulation

Triangulation is a process to ensure the validity and reliability of interview data collected from people with different perspectives (Merriam & Tisdell, 2016). Triangulation in qualitative research, as discussed by Carter et al., (2014), Breitmayer et al., (1993), and Natow (2019), is a methodological approach that enhances the credibility and reliability of findings. It involves the use of multiple methods, data sources, and researchers to provide a comprehensive understanding of the research topic. Carter (2014) and Santos (2020) emphasize the importance of triangulation in achieving validity and reliability. Breitmayer (1993) further highlights its role in confirming and completing the data set. Natow (2019) underscores the significance of triangulation in studies using elite interviews, particularly in combining interviews with document reviews to address potential biases.

5.0 Findings

MSEs have limited resources

Limited resources can prevent MSEs from applying for and maintaining halal certification in many ways. In general, MSEs have limited financial and human resources. I.1 pointed out the limited human resources and budget of MSEs, explaining,

"MSEs, including home-based businesses that produce only one or two types of products sold in local shops, have very limited human resources. Sometimes, the owner of the micro-business does everything himself... There is a solution, but it's not easy because while halal intermediaries are willing to support MSEs, it does not mean that businesses can afford them."

Because of limited resources, MSEs' attention is mainly on surviving the business. I.2 emphasised the perspective of MSEs who put their survival above halal certification:

"To be honest, halal certification is not the highest priority for MSEs. They must work very hard to survive. If they can sell their products with enough revenue to cover their basic needs, that's remarkable."

I.3 spoke about the limited resources and capacity of MSEs and explained:

"However, when discussing aspects of MSEs, we cannot leave them alone. Not only in halal certification but also in the capacity and sustainability of their business... Understanding halal is fundamental before we look at halal certification itself. Because business owners have a personal responsibility for what they do... Halal certification is one thing, but the halal knowledge of the players themselves is a fundamental thing."

I.4 pointed out the challenges faced by home-based and micro businesses with limited resources:

"So far, home-based and micro businesses must be on their own. Sometimes, someone must pawn their motorbike to get the initial capital, which may not be successful. Small micro-enterprises are volatile. Their business may shut down because it's not competitive or it's not competitive or its market reach is limited, and so on. That should be taken into account."

I.5 mentioned MSEs' limited understanding and knowledge of halal practises, stating:

"Because, not to mention the issue of halal certification, their knowledge of what is halal or not is still a question." I.6 discussed the resource constraints in terms of staff and budget for MSEs, explaining, "The first point is the resource constraints, both in terms of staff and budget. MSEs usually have limited human resources. A single person takes care of the finances, the business, the production process and halal certification, at best, with the help of family members."

I.7 talked about the challenges MSEs face in terms of staff and awareness, explaining:

"Especially those who are still micro businesses and just trying to survive and make weekly or monthly sales and profits are still struggling. There, it is even more difficult to talk about halal certification... Also, MSEs, including home-based businesses that produce only one or two types of products sold in local shops, have very limited human resources."

I.8 discussed the financial constraints faced by MSEs, stating:

"I see in practise that many people want to take care of halal certification of their products but are hindered by capital."

I.10 mentioned that MSEs may be reluctant to allocate resources to halal certification due to financial concerns:

"If we start with the seller or producer with a business, he will calculate: 'Later I have to spend a special budget (how much is it for halal certification)'. He will feel burdened if I don't make a profit."

Budget and Pricing Policy

The interviewees frequently mention this issue, indicating that this is the main problem. Budget refers to the budget available to the relevant departments, while pricing policy refers to the cost structure of halal certification. Budget and pricing policy issues include budget availability, especially in supporting a sustainable free certification programme and pricing policy. The pricing policy includes the cost of halal certification, the cost of training halal supervisors, the cost between LPHs, and the fees for halal intermediaries.

The issue of budget and pricing policy for halal certification poses several challenges, as emphasised by various interviewees. I.5 expressed concern about the readiness of the BPJPH institution for halal certification, stating:

"In my opinion, the BPJPH is not ready institutionally. Why is it not ready? Their budget is still very limited. The budget support from the government must also be sufficient."

I.10 acknowledged the different financial capabilities of businesses and emphasised the importance of finding basic funding solutions to make halal certification accessible to all. I.10 explained:

"Or maybe the government can work with certain institutions to make it easier for them to get halal certification because the average obstacle is funding."

I.6 felt the institution needed a dedicated budget and incentives to deal with bureaucratic challenges effectively. I.6 stated:

"It needs a dedicated budget, which means it needs incentives. Bureaucratic problems are sometimes difficult if there are no incentives."

I.5 added:

"If I am not mistaken, I have even heard that some are unpaid, so they work in their free time."

Regarding the funding aspect, I.6 mentioned the importance of having a stable funding source for halal certification. Funding can come from various sources, including central and local government, the state or regional budget, non-governmental organisations such as Islamic banks, and corporate social responsibility (CSR) initiatives. This diversity of funding sources can contribute to a sustainable certification system. I.5 suggested:

"Only the payer is not the micro-enterprise, but the government, whether through the APBN (Anggaran Pendapatan dan Belanja Negara: State Government Budget) or APBD (Anggaran Pendapatan dan Belanja Daerah: Local Government Budget) or others. So, there is the same standard."

The fee to be paid is relatively high for MSEs, which generally have limited funds. For example, I.10 said:

"For us, it may only be a few hundred thousand, but there are MSEs that start from zero."

This is also confirmed by I.8. This, in turn, means that MSE prices are not competitive, as I.7 explained:

"Halal certification also involves costs, so it is normal for raw material producers to demand a higher margin. Because sometimes it is not cheap".

To get the certification, I.10 added that the fees are one of the main reasons for the low number of halal certifications. I.10 stated:

"Basically, it may be a funding issue. It has to be free of charge."

I.1 added:

"In fact, there is still a cost imposed on economic operators for the accommodation and transport of the halal auditor. This is because, in this case, the costs of accommodation and transport are not yet regulated by the Ministry of Finance. Those who apply can easily set the rate, but not too expensive or too cheap, so that the halal audit authority, for example, incurs losses."

Certain companies with a simple production process can handle halal certification through the self-declaration system, as I.6 also points out. The government has also set up a free halal certification system called Sehati. However, there are still additional costs for businesses. I.5 pointed out the complexity of free halal certification despite the government's Sehati programme. I.5 explained:

"Currently, the government has promised free halal certification, Sehati. Yes, it is free, but you still have to pay for the assessment process by the LP3H. And the fee is relatively expensive. And why? LPH will assign an intermediary... You have to pay for expense allowances and transport costs... If the place is far away, they need lunch and pocket money. That cannot be free."

MSEs excluded from self-declaration have to pay a higher fee for halal certification. I.3 said:

"For MSEs, the processing fee for self-declaration has been greatly reduced, so we hope this system can be further improved. But the regular [process] is quite expensive for MSEs. In the long run, we hope that MSEs [companies] can expand their business." I.5 added, "I also heard a complaint: a halal certificate costs 600K (equivalent to 38.72 USD), and the share for LPH is 250K (equivalent to 16.13 USD), right? (In fact, according to the latest regulation, it is only IDR 150K (equivalent to USD 9.68) and is only given to halal intermediaries, not LPH). Do the halal agents have the same religious knowledge as the halal auditor? No, of course not. Especially when the pay is very cheap, only 150, which is very cheap. Why is it perhaps so cheap? Because the pay is adapted to the MSEs. But it's dangerous if the exam task is given to someone who does not have that ability. That will be dangerous. The standard so far has been that the LPH can also get paid. For example, if he is paid cheaply, how should he pay for lunch, petrol, and pocket money? This question is indeed complex."

If low costs are to help MSEs, this may pose a problem for those responsible for supporting the halal certification process. I.6 explained:

"For self-declaration, the budget is very limited. For the fatwa hearing, if I am not mistaken, it is only 100 K IDR (equivalent to 6.45 USD). Several people are required to determine the fatwa. If the entrepreneur pays 300 K IDR (equivalent to 19.36 USD), the certification fee of 350 K IDR (equivalent to 22.59 USD) is free."

Another challenge is the different examination fees charged by the various halal testing centres (LPHs). Interviewee 5 notes that the lack of standardisation of audit fees can lead to discrepancies in business certification costs. I.5 explained,

"There is also the problem of no standardised fees between LPHs. There is no standardisation between Sucofindo, Surveyor Indonesia, LPPOM, Salman and the Ministry of Industry. This means that each sets its examination fee. The government's standardisation is already standardised, but the individual LPHs' are not. This is because there is no standardisation. Some LPHs charge up to 4 million, others up to 5 million."

For MSEs, the cost of halal certification is still a problem. I.3 hopes for further improvements to make certification more affordable for MSEs. However, I.1 mentioned the cost of accommodation and transport for halal auditors, which the Ministry of Finance does not yet regulate. Proper cost management is important to avoid undue financial burden on businesses during certification.

Considering the long-term implications, I.3 suggested that government support for halal certification should focus on helping businesses access their first certification. This support can pave the way for businesses to commit funds to future certifications, thus promoting self-reliance.

"This MSE is indeed a crucial point to evaluate in the long run, as government support is expected to only be provided for the first halal certification application so that more people (businesses) can access halal certification. For the second, third and fourth certifications, they are expected to be able to allocate it themselves. How can they get halal certification even though there may be programmes/institutions? The expectation is that support will be provided to access the first halal certification."

I.8 proposed potential solutions to address funding challenges for halal certification. She suggested exploring government cooperation with certain institutions to provide subsidies for halal certification. Additionally, I.8 advocated for a rational calculation of fees based on business turnover, allowing for a gradual implementation of fees over time. This approach aims to strike a balance between affordability for businesses and maintaining the financial sustainability of the certification process.

I.4 proposed a rational approach to calculate the fees for halal certification based on company turnover. I.4 suggested a phased approach where the facilities are initially provided free of charge, but when the turnover reaches a certain level, the fees can be phased in. The interviewee emphasised the need for financial support for halal intermediaries and stated:

"Yes. In my opinion, the fee should be calculated rationally according to turnover. The free facilities should be extended when the turnover reaches a certain limit. It can't always be free, can it? If it's free, who pays for the halal facilitator? Who pays for the training? If we want wider coverage, we need to group it. For example, the first year is free. The second year is still free. Then, in the third year, it becomes chargeable because, eventually, the government has to bear the risk of funding other mechanisms. For example, who will be the halal facilitator who wants to go here and there as a volunteer without financial support for transport costs? Nobody wants to do that. It's all about how well this problem is translated into action."

In summary, addressing the budget and pricing policy for halal certification requires a balanced approach that considers the financial capabilities of businesses, ensures fairness and standardisation in audit fees, and provides sufficient government support. Collaboration between the government, businesses, and relevant institutions is crucial to developing an effective and sustainable halal certification system that benefits all stakeholders. By considering the insights and perspectives of the various stakeholders, a comprehensive solution can be developed to address the challenges and ensure accessible and reliable halal certification processes.

Funding support

Interviewees emphasise the importance of financial support for MSEs to obtain halal certification. As mentioned in I.5, the critical issues related to halal certification are the same for large companies and MSEs. For example, the ingredients used by MSEs and large companies, such as salt, sugar and cooking oil, are the same, but this does not guarantee that cooking oil from MSEs is necessarily halal. Therefore, proper audits and assessments should be conducted by the relevant authorities. I.5 suggested that the government could provide funds to support these audits and reduce the financial burden on MSEs. I.5 suggested:

"The procedures are the same, but maybe the government will bear the cost later."

Government funding is one of the most frequently mentioned suggestions by interviewees. I.8 said:

"There is no denying that halal certification needs money, right? But maybe we can use a system of cooperation here. How can entrepreneurs who want to move forward still be supported in getting halal certification? Maybe through government support, maybe through the provision of funding so they can apply for halal certification. Or perhaps there is at least halal training so that they feel committed to halal, even if they are not yet halal certified."

In addition, I.1 advocated cross-subsidy by larger companies to subsidise the cost of halal certification for MSEs. I.1 mentioned that support is needed, for example, from other ministries, institutions and companies to encourage more MSEs to become halal certified. I.1 expressed:

"We have already started this strategy with Sehati, a free halal certification programme supported by BPJPH, and we are working with other ministries, institutions and companies, asking them to subsidise halal certification for MSEs, even if there is cross-subsidy by big companies, which we will accept."

Furthermore, I.10 emphasised the role of local governments in providing funds to support MSEs that cannot afford halal certification. For MSEs that are just starting and may be struggling with financial constraints, government support is crucial to ensure access to halal certification. I.10 suggested that local governments should contribute funds to support MSEs with halal certification, which may be a financial challenge for some of them. I.10 elaborated:

"For us, it may only be a few hundred thousand (rupiah), but some MSEs are starting from scratch. The government's job is to make sure they do not incur costs. If they are willing to get certified, that's fine, alhamdulillah."

Moreover, the interviewees advocated for collective efforts from various stakeholders, including the community, institutions, and businesses, to support MSEs in obtaining halal certification. I.10 suggested a proactive approach to form partnerships and pool CSR resources from companies to support the management of halal certification for surrounding MSEs. By pooling resources and building partnerships, the community can play a crucial role in supporting MSEs in achieving halal certification. The interviewee emphasised:

"For example, if there is such an initiative in each area, whether it is from institutions or the government or from the community initiative, to form partnerships that will later link the CSR of the companies in the area. As each company has CSR funds, we can allocate them to manage halal certificates for the surrounding MSEs, and the community also needs to be proactive and critical."

I.3 added that Islamic financial institutions, for example, have provided this support. I.3 said:

“Islamic financial institutions are now also facilitating this certification. This is what can be optimised in the short term.”

Optimising self-declare and Sehati

Optimising the self-declaration programme, especially the Sehati programme, is a short-term strategy to increase halal certification under MSEs. I.1 mentioned the Sehati programme, a free halal certification programme supported by the BPJPH:

“We have already started this strategy with Sehati, a free halal certification programme supported by the BPJPH, and we are working with other ministries, institutions and companies, asking them to subsidise halal certification for MSEs, even if there is cross-subsidisation by large companies.”

This indicates that the Sehati programme aims to offer free halal certification to MSEs and that cooperation from various stakeholders is needed to ensure its successful implementation.

I.3 stressed the importance of making the best use of the Sehati programme as it is free and funds are already available:

“In my opinion, the Sehati programme, which is a free halal certification programme, should be made the best use of as it is free. It also involves all parties involved in halal certification because the funding is already in place.”

This suggests that the Sehati programme offers a great opportunity to accelerate halal certification for MSEs and that its implementation should be optimised to ensure its effectiveness.

I.6 also acknowledged the importance of optimising self-declaration, which probably includes the Sehati programme.

“In the short term, I think optimising self-declaration is also important.”

This again highlights the importance of using free halal certification programmes such as Sehati to encourage MSEs to become halal certified.

6.0 Conclusion and Recommendations

Halal certification involves multiple processes, beginning with the compilation of the SJPH, which requires facilitators and halal executives for verification and validation. For products that are not self-declared, an additional auditing process is conducted by the LPH. These processes are complex and require human resources, leading to associated expenses.

MSEs, with their limited resources, may face significant challenges in obtaining halal certification without financial support. External parties should cover the costs of halal certification. The government has taken a significant step by mandating halal certification, and the next crucial step is establishing sustainable funding support for MSEs. This funding could be sourced from the central state or local government

budgets. Additionally, the government may incentivize state-owned enterprises or private institutions to contribute to this funding support through their CSR initiatives.

Once funding is secured and maintained, the government could further support MSEs by providing digitalization facilities to help them maintain their halal assurance implementation. With these resources in place, the government could develop an integrated halal application that caters to the needs of all halal stakeholders, especially halal businesses, allowing them to upgrade and update their halal assurance system continuously.

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