Legal Effectiveness of Halal Product Certification in Improving Business Economics in Indonesia and Malaysia

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Abstract

Law No. 33 of 2014 and Government Regulation No. 31 of 2019 in Indonesia shifted halal certification from voluntary to mandatory on October 17, 2019, contrasting with Malaysia’s voluntary system under the 2011 Akta Perihal Dagang (APD). This study aims to scrutinize the legal regulations of halal certification in both countries and assess their impacts on business entities. Employing a qualitative method with a phenomenological approach reveals differences in certification procedures, notably in application-to-issuance stages. Indonesia provides a self-declaration mechanism for micro and small businesses, while Malaysia lacks such a provision. Nonetheless, material inspection principles align in both nations. Most respondents perceive halal certification as crucial for sales turnover, despite challenges posed by the COVID-19 pandemic. This research is significant for businesses and governments on how to manage halal certification in both countries.

Keywords: business actors; halal; halal certification

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Abstract


Kata Kunci: pelaku bisnis halal; sertifikasi halal

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Introduction

Indonesia is the largest consumer of halal food in the world with spending on halal products reaching 154.9 billion US dollars. However, as a supplier of halal food, Indonesia is ranked after Malaysia, Singapore, and the United Arab Emirates based on the Halal Food Indicator 2020.1 Regarding halal product certification, in Malaysia, halal certification is handled by an institution under the government.2 Since 1965, Malaysia has been certifying halal products under the auspices of the Selangor Islamic Religious Department (Jabatan Agama Islam Selangor/JAIS). In 1974, halal product certification was carried out under government supervision, namely by the Malaysian Islamic Development Department (Jabatan Kemajuan Islam Malaysia/JAKIM). JAKIM’s Halal Management Division is specifically tasked with managing everything related to halal product certification in Malaysia.3

Meanwhile in Indonesia, after the promulgation of Statute Number 33 of 2014 concerning Halal Product Assurance, the authority to certify halal products was given to the Halal Product Assurance Organizing Agency (Badan Penyelenggara Jaminan Produk Halal/BPJPH) under the auspices of the Ministry of Religion of the Republic of Indonesia.4 BPJPH, in carrying out halal product certification, collaborates with various parties, including the Ministry, LPH, and MUI to realize the Halal Product Guarantee Statute. BPJPH also cooperates with the Halal Inspection Agency (Lembaga Pemeriksa Halal/LPH) to conduct audits of products. Furthermore, it collaborates with the Indonesia Ulema Council (Majelis Ulama Indonesia/MUI) through meetings to determine and establish halal fatwas.5

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One method of choosing halal products is by checking the information contained in the product attributes. Product attributes are elements that are considered important by consumers and are used as the main basis for consumer decision-making. By knowing the product attributes, consumers can get answers on whether the product purchased is following what is wanted and needed. However, not all of the products circulating in Indonesia are guaranteed to be halal.

Based on data from the Assessment of Food, Drugs, and Cosmetics - Indonesian Ulema Council (Lembaga Pengkajian Pangan, Obat-obatan, dan Kosmetika - Majelis Ulama Indonesia/LPPOM MUI), in the last eight years, from 2011 to 2018, there were 59,951 companies; of the 727,617 products produced, only 69,985 products received halal certification or about 9.6%. The rest have not yet received halal certification.

One of the sectors related to the production of halal products, especially food and beverage products, is the Micro, Small, and Medium Enterprises (Usaha Mikro, Kecil dan Menengah/UMKM) sector. Based on data from the Ministry of Cooperatives and SMEs, around 99.85% of businesses in Indonesia are SMEs (Usaha Kecil dan Menengah/UKM). This means that only around 0.15% are companies with corporate status. The sheer number of MSMEs (UMKM) will have an impact on the amount of labor that can be absorbed, so this is a positive thing for the Indonesian economy.

Even though the COVID-19 pandemic has harmed global health and the economy, with the IMF projecting global economic growth to fall by 3%.

According to Pakpahan, three areas have been impacted by the COVID-19 pandemic in Indonesia, namely the tourism sector, the trade sector, and the investment sector. In Indonesia, MSEs (UKM) as the backbone of the economy

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have been greatly affected by the COVID-19 pandemic.\textsuperscript{12} It can be seen from the decline in production, trade value, and number of workers due to the PPKM policy implemented by the government in various regions. The community is also worried about the loss of jobs and income due to this policy.\textsuperscript{13}

BPJPH is holding an acceleration program of 10 million halal certificates to support Indonesia’s economic recovery. This program is in accordance with Minister of Finance Regulation No. 57/PMK.05/2021 concerning BPJPH Tariffs at the Ministry of Religion. The government provides free halal product certification facilities for MSEs (UKM), including independent halal certification services, certificate extensions, and additional product variants. This program is supported by the Central Java Provincial Government to accelerate economic growth in the era of the COVID-19 pandemic. The Central Java Provincial Government will increase the number of Halal Inspection Institutions (LPH) so that the issuance of halal certificates is faster. However, there are still business actors who experience delays in processing halal certification. Data from the Ministry of Cooperatives and SMEs shows that 85% are micro businesses, 13.13% are small businesses, and 0.87% are medium businesses.\textsuperscript{14} The halal certification program will help halal businesses expand their markets to the global market.

The research of Sari and Sulistyowati\textsuperscript{15} highlights the low legal awareness among micro, small, and medium-sized enterprises (MSMEs) regarding the ownership of halal certificates for processed food products. Factors such as education level and access to information influence this legal awareness, while the preventive efforts by the Cooperative and SME Agency of Gresik Regency are limited to installing halal certificate banners and conducting seminars. Another study by Muhamad\textsuperscript{16} indicates the low participation of MSMEs in mandatory halal


\textsuperscript{14} Interview with Endah Ariyanti, SH. Head of Business Restructuring and Financing Division, Central Java Provincial Office of Cooperatives and SMEs, Juni 21, 2023


certification policies. Challenges faced by MSMEs include document requirements, limited capital, manual processes, and the paradigm that halal certification is only relevant for large companies.

On the other hand, research by Mutiara Fajrin Maulidya Mohammad\(^\text{17}\) underscores the importance of regulating halal product certification in Indonesia, following the enactment of Law No. 33 of 2014 concerning Halal Product Assurance, Government Regulation No. 31 of 2019, and Minister of Religious Affairs Regulation No. 26 of 2019. The three main institutions involved in the halal certification process are BPJPH, LPH, and MUI, with BPJPH responsible for issuing halal certificates in collaboration with relevant institutions. The halal certification application procedure involves six stages, from submission to certificate issuance. Conversely, research by Warto and Samsuri\(^\text{18}\) asserts Indonesia’s significant potential as a global halal industry hub, supported by various instruments including the Halal Product Assurance Law. To realize this potential, necessary strategies include maximum government intervention, utilizing Law No. 22 of 2014 concerning Halal Product Assurance as a tool for change, developing a strong human resource base, and integrating halal certification as part of excellent service provision.

Previous research only touched on the legal awareness of business actors regarding ownership of halal certification, but did not explore legal regulations regarding halal product guarantees and the impact on the food and beverage sector without halal certification. This research focuses on a comparison of regulations between Indonesia and Malaysia, two countries where the majority of the population is Muslim. Based on this description, the researchers of the present study are interested in studying the legal effectiveness of the halal certification acceleration program to improve the economy of business actors in Indonesia and Malaysia. The type of research used in this research is qualitative research. Qualitative research aims to describe and also analyze events, phenomena, attitudes, social activities, perceptions, beliefs, and people’s thoughts, both individually and as a group.\(^\text{19}\) The purpose of qualitative research


\(^\text{19}\) Ariesto Hadi Sutopo and Adrianus Arief, *Terampil Mengolah Data Kualitatif dengan NVIVO* (Jakarta: Prenadamedia Group, 2016), 68.
is to describe an event or phenomenon in depth using structured and in-depth data collection, which can show the importance of data that is examined in detail and depth.\(^{20}\)

This research will focus on halal certificate-issuing institutions such as BPJPH in Indonesia and JAKIM in Malaysia. The research locations include areas in Central Java Province such as Semarang City, Surakarta City, Pemalang Regency, Magelang Regency, and Kudus Regency. In Malaysia, research will focus on Kuala Lumpur, Selangor, and surrounding areas. These locations are the focus for collecting accurate data in research.

**The Theory of Effectiveness**

The word "effective," means successful or can be summarized as something done well. There are several theories related to effectiveness, among them Lawrence M. Friedman, Robbin, Gibson et. al., and Duncan. According to Lawrence M. Friedman,\(^{21}\) there are three elements in the legal system, are the legal structure, legal substance, and legal culture. The legal structure is interpreted as the entirety of rules covering lawmakers, law implementers, and law enforcers. The legal structure plays an important role in the law-making process, dissemination of law, law enforcement, and legal administration. Meanwhile, legal substance is interpreted as the result of the law-making process carried out by lawmakers (legal structure), which can be in the form of written or unwritten regulations. Legal culture is interpreted as the attitudes, behaviors, and customs of society that can influence society’s awareness of and compliance with the law.

Robbin defines effectiveness as the level of achievement of an organization in the short term and the long term.\(^{22}\) Gibson et al. define effectiveness using two approaches, namely the entire input-process-output cycle, not just limited to output alone and the reciprocal relationship between the organization and its environment.\(^{23}\)


Therefore, effectiveness is the level of achievement of a goal or organizational target as established. Effectiveness is how well a job has been done, and to what extent someone produces outputs as expected. This can be interpreted as if a job can be done well as planned, then it can be said to be effective regardless of time, energy, members, and related factors.

In evaluating whether an organization is deemed effective or not, there are several opinions from experts. Expert opinions on approaches that can be used to measure organizational effectiveness. Gibson et al. explain that the approaches to measuring organizational effectiveness are the goal approach and the system approach. Meanwhile, Robbins divides it into four approaches to measuring effectiveness, namely the goal achievement approach, the system approach, the constituency-strategic approach, and the competing values approach.

Meanwhile, several critical factors in measuring organizational success are based on several indicators. Duncan, as quoted by Richard M. Steers in his book, explains several indicators that can be used to measure organizational effectiveness: goal attainment, efforts in achieving a goal should be seen as a process. Therefore, for the final goal to be achieved successfully, various stages are required, both in its components and in its timing. In this regard, goal achievement involves several factors, namely the time factor of achievement and the concrete targets set; Integration, Integration is a measure of the level of an organization’s ability to socialize, develop consensus, and communicate with various other organizations. Such integration is related to the socialization process; Adaptation, Adaptation is the organization’s ability to adjust to its environment. Thus, the measure used is the process of acquiring and controlling manpower. Furthermore, the effectiveness theory used in this study is the effectiveness theory by Friedman and Duncan to analyze data.

The Law of Halal Certification

Halal certification is a process to obtain a halal certificate through various stages to prove that the ingredients, production processes, and Halal Assurance Systems comply with the standards set by LPPOM MUI. After the issuance of

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24 Gibson, Ivancevich, and Donnelly, Organisasi dan Manajemen: Perilaku, Struktur, Proses.
Law No. 22 of 2014 concerning Halal Product Assurance, halal certification is intended as recognition of the halal status of products issued by BPJPH based on written fatwas from MUI.\(^{27}\)

Each country has its policies regarding halal certification and its implementation and management, whether handled by government agencies or non-governmental organizations. In Malaysia, for example, the implementation of halal product certification is currently under the auspices of the government.\(^{28}\) Unlike in other countries such as Thailand, where the implementation of halal certification is conducted under the auspices of non-governmental organizations.\(^{29}\)

In Indonesia, before the enactment of the Halal Product Assurance Law, halal certification was carried out by the Indonesian Ulema Council (Majelis Ulama Indonesia) through LPPOM MUI. The certification conducted by MUI was voluntary, upon request from businesses wishing to obtain halal certification for their products. With the establishment of the Halal Product Assurance Organizing Agency (Badan Penyelenggara Jaminan Produk Halal/BPJPH), it is hoped that there will be protection and legal certainty to ensure the halal status of products circulating in Indonesia. With the establishment of BPJPH, halal certification is no longer voluntary but mandatory. This is an effort to support the increase in the production and consumption of halal products in Indonesia.\(^{30}\)

**Halal Product Certification in Indonesia and Malaysia**

The study on the acceleration program effectiveness of halal product certification to boost the economy of Small and Medium-sized Enterprises (SMEs) in Indonesia and Malaysia employed a structured interview method for data collection. The respondents in this study consisted of 25 MSMEs (UMKM)


operators with their halal certificates distributed across Indonesia, and 18 MSMEs (UMKM) owners with halal certificates in Malaysia. The respondents’ profiles were categorized based on areas in Malaysia and districts in the Central Java province of Indonesia, including the cities of Semarang, Pemalang, Solo, Magelang, and Kudus. The data grouping description is as follows:

**Indonesian Respondents by Region**

In Semarang City, 5 business operators have their halal certificate, accounting for 20% of the total. In Malang Regency, there are also 5 business operators with their halal certificate, representing 20%. Surakarta has 5 business operators with halal certificates, making up 20% of the total. Similarly, in Magelang, there are 5 business operators with their halal certificate, also constituting 20%. Kudus has 5 business operators with their halal certificate, accounting for 20% of the total (see Figure 1).

**Indonesian Respondents Based on Product Type**

In this study, the types of food businesses were grouped into several categories. Mild food accounted for 8 cases, representing 32% of the total. Drinks and beverage ingredients comprised 3 cases, making up 12%. Spices, seasonings, and condiments were categorized in 3 instances, also constituting 12%. Chocolate, confectionery, and supporting ingredients were identified in 2 cases, accounting for 8%. Pasta and noodles were found in 1 case, totaling 4%. Additionally, there were 7 instances of bread and cakes, representing 28% of the total, along with 1 case of eggs and refined ingredients, making up the remaining 4% (see Figure 2).

Based on the type of products among Malaysian respondents, the grouping in this study revealed several categories. Processed fish products accounted for 1 case, representing 5.5% of the total. Food and beverages comprised 4 cases, totaling 22.2%. Additionally, there was 1 case of food in team 1, constituting 5.5%, and 5 cases of general food, making up 27.7%. Keropok lekor products were identified in 1 case, representing 5.5%. Moreover, there were 3 instances of spices, condiments, and seasoning products, totaling 16.6%. Pasta and noodles were found in 1 case, accounting for 5.5%. Additionally, there were 1 instance each of instant food and bird’s nest products, each representing 5.5% of the total. See Figure 3.
Figure 1
Indonesian Respondents by Region

Figure 2
Indonesian Respondents Based on Product Type
Procedure for Establishing Halal Certification in Indonesia and Malaysia

In Indonesia, halal product certification is carried out by BPJPH under the auspices of the Ministry of Religion in collaboration with the relevant authority, namely the MUI. Figure 4 is the procedure for obtaining a halal certificate in Indonesia following the Halal Product Guarantee Statute.\footnote{Kamsari Amrullah, Mekanisme Pengajuan Sertifikasi Halal Dan Fasilitasi Halal Bagi UMK (Jakarta: BPJPH Kementerian Agama, 2022), 9.}
From Figure 4, it is evident that the process of obtaining a halal certificate in Indonesia begins with business operators submitting applications for halal certification through the Sihalal application. Subsequently, BPJPH reviews the application documents within a maximum of 10 working days. If there are deficiencies in the completeness of the documents, the applicant is allowed to rectify them within a maximum of 5 working days. After that, BPJPH determines the LPH based on the applicant’s choice within a maximum of 5 working days, then the LPH conducts product inspection and/or testing within a period of 40 to 60 working days. After checking and inspecting the product, BPJPH receives and verifies documents resulting from LPH inspection and/or testing within 5 working days. After that, the MUI will hold a halal fatwa meeting and issue a decision to determine the halalness of the product. After the halal trial is carried out, BPJPH issues a halal certificate based on the decision to determine halal from the Indonesian Ulema Council.

To find out the flow of the halal certification registration process in Indonesia, you can see Figure 5.\(^\text{32}\)

As for applying for halal certification for micro and small business actors, it can only be done by attaching a self-declared halal statement. Businesses can submit a written application for a halal certificate addressed to BPJPH through the Sihalal website accompanied by several supporting documents. For more details, see Figure 6.\(^\text{33}\) Next is the inspection and proposal for the product’s halalness. For more details, see Figure 7.\(^\text{34}\)

The next step involves the process of certifying the halal product by engaging experts, relevant ministries, and/or associated institutions. Here, BPJPH forwards the outcomes of document verification to the Indonesian Ulema Council to initiate a trial for issuing a halal fatwa based on the verification results provided by BPJPH. This ensures that the process of certifying halal products can be conducted through a meeting of the halal fatwa commission of the Indonesian Ulema Council. For further details, please refer to Figure 8.\(^\text{35}\) The final stage is the issuance of a halal certificate. See Figure 9 for the detailed process.\(^\text{36}\)

\(^{32}\) Amrullah, 10.
\(^{33}\) Amrullah, 11.
\(^{34}\) Amrullah, 12.
\(^{35}\) Amrullah, 13.
\(^{36}\) Amrullah, 14.
Legal Effectiveness of Halal Product Certification...

Figure 5
Flow of the Halal Certification Registration Process in Indonesia

Figure 6
Application for Halal Certification Submission in Indonesia
Figure 7
Halal Product Inspection and Testing in Indonesia

The maximum duration is 40 working days with an additional 20 working days if it is not completed (for domestic purposes)

The LPH submits the results of the halal product examination and/or testing to the BPPH

The BPPH verifies the document verification and the results of the halal product examination and/or testing to the MUI within a maximum of 3 working days

Maximum 2 working days

Figure 8
Halal Product Determination in Indonesia

The BPPH conveys the document verification results to MUI

In the event that the Halal Fatwa session requires additional information, MUI returns the documents for completion within a period of 10 working days

It is conveyed to BPPH within a maximum of 30 (thirty) working days from the date MUI receives the verification results from BPPH and serves as the basis for issuing the Halal Certificate

Involving: Experts; Relevant Ministry Representatives; Relevant Institutions; and/or Relevant Organizations.

Decision on Halal Product Determination

Signed by the Chairman and Secretary of MUI's Fatwa Commission and acknowledged by the Chairman of MUI.
Meanwhile, in Malaysia, halal certification is carried out by the Department of Islamic Development Malaysia (JAKIM). JAKIM also guides the classification of halal certification in Malaysia. In Malaysia, halal certification is based on several general principles, which are as follows: 1) Development of an effective and efficient halal assurance management system, the focus of which is to minimize and eliminate all forms of non-halal things. 2) Emphasis on halal assurance management systems (halal assurance management points) in all supply chains with constant verification and control. 3) The halal assurance management system must include effective product recall procedures; effective product material traceability documentation; proper preparation system in terms of halal applications, procedures, documents and records that must be made and available when checked by a credible institution.

JAKIM also provides conditions for the existence of an Internal Halal Committee (IHC) for business actors who intend to certify their products. IHC has a minimum number of 4 people consisting of two people who are Muslim at the management level; one person who is responsible for purchasing and procuring product materials; employees who are responsible for managing halal products for companies that will become IHC coordinators; and specifically for slaughterhouses, the halal inspector must be a member of the committee. Control of IHC must be carried out regularly, at least once a year. This is intended to control if something happens that causes ineffectiveness such as a change in IHC, a change in the monitoring schedule, a change in the operating schedule and/or a change in the material supply chain.
Halal certification in Malaysia is also carried out with specific principles in general, namely the principles of the halal assurance management system. After carrying out the certification process through IHC as explained in the Halal Assurance Management System, JAKIM or MAIN will carry out an audit of the process carried out by IHC in each company. If it complies with all the elements and requirements of the production provisions in a halal and good manner, then JAKIM will issue a halal certification for the product. See Figure 10.

Figure 10
Registration of Malaysia Halal Certification
Certainty on Halal Product Certification for MSEs Business Actors in Indonesia and Malaysia

Legal certainty is a form of legal protection for justice seekers to obtain certainty regarding something that is carried out. This legal certainty takes the form of norms which are manifested in regulations that regulate people’s behavior. To ensure that people’s behavior conforms to the desired norms, law enforcement is necessary. The success or failure of law enforcement is influenced by the legal system as expressed by Friedman, which includes legal substance, legal structure and legal culture. In substance, the legal regulations for halal product certification for MSE business actors in Indonesia and Malaysia have been regulated in both countries.

In substance the law is based on data that shows Halal certification serves as a protective measure for Indonesian society. Since 2017, up to 2024, the Government has mandated that all food and beverage products must be labeled as halal. This policy is accompanied by government efforts to accelerate the halal certification program. Furthermore, the government is also striving to enforce the requirement of a halal label for the public, emphasising penalties and the closure of businesses for manufacturers who fail to obtain labels or halal certification for their products.

The enactment of Statute No. 33 of 2014 concerning Halal Product Assurance aligns with the fundamental objective of the Indonesian state, as outlined in Paragraph IV of the 1945 Constitution of the Republic of Indonesia, which is to protect all citizens and the integrity of Indonesian identity. Consequently, the government bears the responsibility of ensuring public safety and security concerning the consumption of ḥalāl and ṭayyīb (wholesome) food products. Statute No. 33 of 2014, regarding the Assurance of Halal Products, provides a legal framework ensuring the halal status of products and holds businesses accountable for their compliance. Legal certainty, as interpreted by Julyano and Sulistyawan, refers to a clear understanding of legal circumstances. The principle of legal certainty serves as a safeguard for justice seekers, offering clarity on what actions are required.

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38 Mario Julyano and Aditya Yuli Sulistyawan, ‘Pemahaman terhadap Asas Kepastian Hukum melalui Konstruksi Penalaran Positivisme Hukum’, *Jurnal Crepido: Jurnal Mengenai Dasar-dasar...*
The demand for halal certification for businesses in Indonesia is stipulated in Statute No. 33 of 2014. This legislation outlines the responsibilities of halal product guarantors and specifies penalties or criminal provisions for businesses operating without proper halal certification. Furthermore, it includes criminal sanctions for individuals involved in the halal product assurance process who fail to maintain the confidentiality of food formulas disclosed during the certification process.

In Malaysia, unlike the provisions in Indonesia, the obligation for businesses to obtain halal certification is not mandatory but rather seen as a necessity. Legal certainty regarding halal certification in Malaysia is provided through the Deed of Trade Matters (Akta Perihal Dagang/AD) 2011. Differences in regulations between the two countries can influence the behavior of business actors in order to increase halal certification both in terms of quantity and quality.

In terms of legal structure, data shows that the authority for halal certification in Indonesia is given to the Halal Product Guarantee Organizing Agency (BPJPH) under the auspices of the Ministry of Religion of the Republic of Indonesia. Implementation of BPJPH in collaboration with various parties including the Ministry, LPH and MUI to realize the Halal Product Guarantee Statute. Whether this legal structure is effective or not is influenced by the professionalism of implementing halal certification as mandated by law. The authority given by law to impose criminal sanctions on business actors who violate halal certification aims to ensure that business actors comply with these regulations. It's different in Malaysia halal certification in Malaysia is overseen by JAKIM (Department of Islamic Development Malaysia), the lead agency responsible for coordinating and establishing guidelines, procedures, standards, regulations, and circulars for halal certification. JAKIM’s functions are further supported by Malaysia Majlis Agama Islam Negeri/MAIN (State Islamic Religious Council) and Jabatan Agama Islam Negeri/JAIN (State Islamic Religious Office).

Over the years, Malaysian halal certification and its logo have undergone significant innovations and technological advancements. The role of JAKIM, MAIN, and JAIN is crucial in Malaysia’s halal certification process, particularly from a legal standpoint. The journey of halal certification in Malaysia dates back to 1965, spanning 55 years, and reflects the evolution of JAKIM to its current status. It’s
important to note that halal certification falls under the jurisdiction of JAKIM, MAIN, and JAIN in Malaysia. The law ensures strict penalties for businesses that misuse the halal label on their products, with measures including the cancellation of company registrations for those who manipulate the image of Islam by misusing the halal logo. Authorities take consumer complaints seriously, particularly those from the Malay community, regarding the misrepresentation of non-Muslim products using Malay and Muslim names. Such actions may cause inconvenience and distrust among Muslim consumers. Consequently, the Ministry of Domestic Trade and Consumer Affairs (Kementerian Perdagangan Dalam Negeri dan Hal Ehwal Pengguna /KPDNHEP) and JAKIM closely monitor these issues due to their sensitivity to Muslims in the country.

These actions are based on the 2011 Trade Information Act and the 2011 Trade Information (Halal Certification and Marking) order. Violations include the unauthorised use of the halal logo not approved by JAKIM and the display of Quranic verses in restaurants without a halal certificate. Such practices not only violate existing statutes and regulations but also constitute attempts to deceive customers.

Based on the Trade Matters Act (APD) 2011, using and displaying a supplier's halal certificate at a business location without permission is an offense. If found guilty, a fine of up to RM100,000 or imprisonment of not more than three years, or both for individuals, while the penalty for corporations is a fine of up to RM250,000. Whereas based on the Trade Description (Definition of Halal) Order 2011, using any indication that the food can be eaten by Muslims is an offense. If found guilty, a fine of up to RM1 million or imprisonment of not more than three years or both for individuals, while for companies or corporations a fine of up to RM5 million. Next is in a case involving misuse of the halal label in Malaysia. There are 5 actions that can be taken, namely notifications and warnings, notifications of suspension, revocation of halal certificates, power of attorney for fines and closure of places. Although JAKIM leads these government agencies on halal matters, it does not have any law enforcement powers. JAKIM/JAIN/MAIN as the authority in halal certification can only issue warning letters, freeze halal certificates, or revoke issued halal certificates. The order to close the premises is not within the jurisdiction of JAKIM/JAIN/MAIN, and must come from KPDNKK or Ministry of Health Malaysia. Coordination between government agencies involved in halal certification is important because many government agencies are involved.

In terms of legal culture, Indonesia and Malaysia have different legal systems, Indonesia is influenced by the civil law system because it was once
colonized by the Dutch, while Malaysia is influenced by the common law system because it was once under British rule. These differences can influence the legal culture in each country. The legal culture of community compliance with halal certification cannot be separated from regulations and legal structures or implementing apparatus in the field. In Indonesia, providing criminal sanctions for violations of halal certification does not increase public awareness in complying with regulatory rules regarding halal certification. This can be seen in data from LPPOM MUI out of 727,617 only around 9.6% were halal certified, meaning that even though halal product certification is an obligation for companies, the legal culture to be aware of halal certification is low. In Malaysia, halal certification is a recommendation but violations are treated seriously. Violations of the 2011 Trade Affairs Law receive strict sanctions because misuse of the halal label will result in inconvenience to the Muslim community.

The Legal Effectiveness of Halal Product Certification in Improving Business Economics in Indonesia and Malaysia

One way to stimulate the economy for both individuals and the country is through community-run businesses, which are classified as Micro, Small, and Medium Enterprises (MSMEs). According to Statute No. 20 of 2008 concerning MSMEs, micro-businesses are those owned by individuals or entities with a net worth of up to IDR 50,000,000, excluding land and buildings, and with annual sales of up to IDR 300,000,000. Small businesses, on the other hand, are productive economic activities conducted by individuals or other business entities, including subsidiaries or controlled branches of medium to large companies, with net worth ranging from IDR 50,000,000 to IDR 500,000,000, excluding land and buildings, and annual sales ranging from IDR 300,000,000 to IDR 2,500,000,000. Meanwhile, medium-sized businesses are productive economic entities operated independently by individuals or business entities, not subsidiaries or controlled branches of other companies, with net worth ranging from IDR 500,000,000 to IDR 10,000,000,000, excluding land and buildings, and annual sales ranging from IDR 2,500,000,000 to IDR 50,000,000,000. Small, Micro, and Medium Enterprises (MSMEs) aim to contribute to the balance, development, and enhancement of the national economy, ultimately alleviating poverty. Achieving this objective is crucial for the country’s prosperity and the well-being of its people. One significant strategy for promoting business growth among MSMEs is through obtaining Halal certification. Halal certification is considered instrumental in fostering business expansion as it provides quality assurance and instills consumer trust,
particularly in countries with sizable Muslim populations like Indonesia and Malaysia. Given that food is a fundamental necessity, ensuring its safety, quality, and nutritional value is paramount, especially for a country aiming to become a global leader in population size. Therefore, prioritising food safety and quality standards not only safeguards public health but also contributes to the overall well-being of the population.\(^39\)

Social change is inevitable and necessary to meet the evolving needs of human life. It also highlights the adaptability and dynamism of Islam as a universal religion, referencing specific Quranic verses (QS. al-Aḥzāb: 40, Saba’: 28, and al-Anbiyā’: 107) that emphasize its flexibility and applicability in addressing various aspects of human existence through its legal frameworks. This perspective suggests that Islam provides guidance and solutions for contemporary challenges by drawing upon its rich legal tradition, including issues related to halal certification.\(^40\)

Therefore, out of the 43 respondents who own businesses in Indonesia and Malaysia and possess Halal certification, the majority emphasise the necessity and importance of such certification. They acknowledge that having a Halal label on their products, particularly food items, significantly boosts sales turnover. This is attributed to the ease of distribution to various shops and souvenir centers, as well as the preference of consumers for products labeled as Halal, as they trust that these items have been certified by the Indonesian Ulema Council (MUI). On the other hand, some respondents believe that not having a Halal certification may actually enhance sales effectiveness, especially during the COVID-19 pandemic, as consumer purchasing power decreases. However, the free Halal Certification Acceleration Program for micro and small businesses undeniably supports sales effectiveness. With zero capital investment required, business owners can attract consumers by prominently displaying the Halal label on their products.

Judging from the perspective of Friedman’s legal theory,\(^41\) the inclusion of halal certification in legal regulations and the increasing public awareness of the


\(^{41}\) Friedman, Sistem Hukum: Perspektif Ilmu Sosial.
importance of consuming halal products, has an effective impact on the enforcement of halal certification policies.

The research findings on this are consistent with the effectiveness theory presented by Duncan as quoted by Richard M. Steers,\(^\text{42}\) which includes goal attainment, integration, and adaptation. The research results indicate that the majority of businesses obtaining halal certification experience an increase in sales turnover. This reflects goal achievement from an economic perspective, where increased turnover serves as a success indicator. In organizational effectiveness theory, goal achievement is necessary to measure the success of an organization. Thus, the effectiveness of halal certification can be seen as a successful effort in achieving the economic goals of businesses.

In the context of halal certification, integration can be interpreted as the ability of businesses to interact and communicate with certification bodies, governments, and consumers. Through halal certification programs, businesses can engage in socialization processes related to halal standards and consumer needs. Research results show that the adoption of halal certification has increased the integration of businesses with markets requiring halal products. This aligns with organizational effectiveness theory, which emphasizes the importance of integration in achieving organizational success.

As for adaptation in organizational effectiveness theory, it refers to an organization’s ability to adapt to its environment. In the context of halal certification, adaptation can be interpreted as a response to market demands for halal products. Businesses that can adapt their products to halal standards are more likely to succeed in reaching this growing market. Research results indicate that halal certification acceleration programs for SMEs support sales effectiveness by facilitating business adaptation to halal market demands.

Overall, this research consistently reinforces the organizational effectiveness theory introduced by Duncan and quoted by Richard M. Steers. Goal attainment, integration, and adaptation, which are key concepts in that theory, are proven to be relevant in the context of halal certification effectiveness in improving the economies of businesses in Indonesia and Malaysia. The majority of businesses obtaining halal certification experience increased sales turnover, indicating success in achieving economic goals. Additionally, the adoption of halal certification also increases the integration of businesses with markets requiring halal products, aligning with the importance of integration in

\[^{42}\text{Steers, Efektivitas Organisasi.}\]
achieving organizational success. Finally, halal certification acceleration programs for SMEs help in business adaptation to halal market demands, reflecting the importance of adaptation in adjusting to a changing business environment. Thus, this research not only provides new insights into halal certification effectiveness but also strengthens the theoretical foundation of organizational effectiveness concepts in a relevant context.

**Conclusion**

Based on the discussion and analysis above, this research can be concluded that mechanisms and procedures for halal certificates in Indonesia and Malaysia are different. The differences are in the stages from application to publication of the halal certificate. In Indonesia, micro and small business owners can obtain a halal certificate through a self-declaration mechanism. Under this system, business owners simply need to make a halal statement when they want to submit their halal certification. This statement is then validated by the Halal Assurance Organizing Agency (BPJPH) and submitted via the halal website. In contrast, Malaysia does not have a self-declaration system. However, both countries share similarities and uniformity in terms of the materials used for inspection and the risk control systems for non-halal products. With the publication of halal certificates on products from micro and small businesses, there is legal certainty regarding the product's status. In Indonesia, following the enactment of Statute No. 33 of 2014 concerning Guarantee of Halal Products, halal certification falls under the authority of the Halal Product Assurance Organizing Agency (BPJPH), which operates under the Ministry of Religion.

Halal certification has transitioned from being voluntary to mandatory for businesses. BPJPH collaborates with the Indonesian Ulema Council (MUI) to determine the halal status of products and with LPPOM MUI for inspection and testing. In Malaysia, the governing statute for halal standardisation is the 2011 Trade Matters Act (APD). However, the regulation of halal certificates in Malaysia remains voluntary. And from the 43 respondents who are Indonesian and Malaysian businesses holding halal certification, the majority acknowledge the importance of halal certification. They affirm that having a halal label on food products increases sales turnover, as the products are easily distributed to shops and souvenir centers. Moreover, the community tends to choose halal-labeled food products because they trust that these products are indeed halal and safe for consumption. On the other hand, some respondents believe that not having halal certification makes sales more effective, particularly during the COVID-19 pandemic, as the purchasing power decreases. Consequently, they
argue that the absence of halal certification does not significantly impact product sales.

Based on the description provided above, there are some important considerations and suggestions arising from the ideas in this research are Intensive socialisation by halal certification providers to micro and small business owners is necessary to ensure that they are aware of the latest rules related to guaranteeing halal products. This will help ensure that the efforts of these business owners receive proper attention and compliance; There is a need for oversight by halal certification providers to monitor the implementation of halal certification within the community. This includes conducting evaluations and monitoring the certification process to ensure that it aligns with the established standards.[a]

**Author Contribution Statement**

**Supriyadi Supriyadi**: Conceptualization; Funding Acquisition; Methodology; Validation.

**Rahma Aulia**: Data Curation; Formal Analysis; Funding Acquisition; Investigation; Methodology; Resources; Project Administration; Visualization; Writing Original Draft; Writing, Review & Editing.

**Labib Nubahai**: Data Curation; Formal Analysis; Methodology; Resources; Project Administration; Visualization; Writing Original Draft; Writing, Review & Editing.

**Rozanah Ab. Rahman**: Data Curation; Investigation; Resources; Validation.

**Rosmam Binti Mohamed**: Data Curation; Investigation; Resources; Validation.

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