

Challenges and Strategies to Enhance the Competitiveness of Indonesian Halal MSMEs in the Global Market

Aulia Ziyadaturrahmah Salsabila¹, Fahath Haikal Aziz², Nur Kholis³

^{1,2}Master Student, Department of Sharia Economics, Faculty of Islamic Economics and Business, UIN Sunan Ampel Surabaya, Indonesia

³Professor, Faculty of Islamic Economics and Business, UIN Sunan Ampel Surabaya, Indonesia

KEYWORDS: Global Market, Halal Certification, Halal Products, MSMEs.

Corresponding Author:
Nur Kholis

Publication Date: 14 June-2025

DOI: [10.55677/GJEFR/06-2025-Vol02E6](https://doi.org/10.55677/GJEFR/06-2025-Vol02E6)

License:

This is an open access article under the CC BY 4.0 license:
<https://creativecommons.org/licenses/by/4.0/>

ABSTRACT

The global halal product sector is experiencing significant growth, driven primarily by the increasing Muslim population and a rising consumer preference for products that are safe, of superior quality, and compliant with Sharia principles. Notwithstanding Indonesia's position as the country with the largest Muslim population and the pivotal role played by Micro, Small, and Medium Enterprises (MSMEs) within its national halal industry, their contribution to global halal product exports remains limited to approximately 3%. Employing a narrative review methodology, this study aims to elucidate the principal challenges, emerging opportunities, and strategic interventions pertinent to enhancing the competitiveness and international market penetration of Indonesian Halal Micro, Small, and Medium Enterprises (MSMEs). The findings underscore the importance of strengthening branding mechanisms, harmonizing international halal standards, enhancing product quality, and securing robust governmental support in certification processes and promotional activities. Through the implementation of targeted strategies, Indonesian halal MSMEs demonstrate considerable potential to augment their share within the global halal marketplace. This research provides a foundational reference for policymakers and industry stakeholders in formulating effective policies to strengthen Indonesia's global halal trade position.

1. INTRODUCTION

The halal product market has experienced exponential growth over the past few decades. This demand is driven by the projected increase in the global Muslim population, which is expected to reach 2.19 billion by 2030, and their adherence to Islamic law, which dictates the consumption of halal products (Harati & Farzaneh, 2024). This growth not only creates a high demand for halal products but also increases awareness of the importance of quality, safety, and sustainability in consumption. The global halal product market is estimated to be huge, reaching USD 3.3 trillion. The Global Islamic Economy Report 2023/2024 reveals that the halal food and beverage sector has undergone a significant transformation, driven by technological advancements and the establishment of halal centers (Admin HiQ, 2024).

Muslim consumer spending in the halal industry is valued at US\$2.55 trillion, growing at an annual rate of 6.3%. This consumption includes food, pharmaceuticals, cosmetics, Muslim fashion, travel, and media. This value is expected to keep increasing with the growing awareness and commitment of the global community to halal products, reaching an estimated USD 3.2 trillion by 2024. Indonesia ranks as the leading consumer country of halal products, accounting for 11.34% of the total global spending, estimated at USD 1.9 trillion, highlighting Indonesia's significant role in the global halal food, beverage, cosmetics, and tourism sectors (Mardira, 2025).

Non-Muslim consumers are increasingly viewing halal products as an attractive option, not only because of the halal aspect but also due to the perception that halal products undergo stricter production processes (Saleh & Rajandran, 2024). Halal products

are seen as safer because they are free from unauthorized ingredients and are produced through hygienic processes. Additionally, the halal production process emphasizes cleanliness and reliability, which boosts consumer confidence in the product. This positive perception has led to wider acceptance and demand for halal products globally, particularly in Europe and the United States. There has been a significant rise in demand for halal products, especially in the food, cosmetics, and pharmaceutical sectors (Riswan, 2024). Branding halal products as premium, ethical, and health-conscious is an effective strategy to expand the market segment beyond the Muslim community. This approach allows halal products to be widely accepted by consumers who prioritize quality, safety, and ethical values when selecting products (Chang et al., 2024).

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the national and global economy, particularly in the emerging halal market. MSMEs account for a significant portion of economic activity in many countries and possess great potential to meet the increasing demand for halal products. According to the latest data for 2024, MSMEs contributed approximately 61.07% to Indonesia's GDP, with micro-enterprises making up 37.8% and small and medium enterprises (SMEs) contributing 23.3%. The halal product sector significantly contributes to Indonesia's GDP, accounting for about 47.27 percent, which is equivalent to IDR 10,600 trillion. The halal food and beverage sectors serve as the main backbone, contributing around 6.5 percent to Indonesia's GDP (Risalah & Puspaningtyas, 2024; Siahaan, 2025). MSMEs have substantial potential to fulfill the growing demand for halal products in both local and global markets. The flexibility and adaptability of MSMEs to market trends are primary advantages that enable them to quickly adjust their products and business strategies in response to consumer needs. One strategic step that can enhance the competitiveness of MSMEs is to integrate halal certification into their production and marketing processes for products.

Halal certification is a crucial element in the trade of halal products, ensuring that the product meets the standards and requirements set by a recognized certification body. The certification increases consumer confidence and expands market access, particularly in global market segments that are highly concerned about purchasing halal products (Fauziah et al., 2024). Halal certification serves as a trust mark that increases the selling value of products in the eyes of global consumers. Until 2024, the halal-certified MSMEs in Indonesia remain relatively small compared to the total number of existing MSMEs. Based on official data, until February 2024, only around 3.8 million business actors (including MSMEs) have successfully obtained halal certificates. Of these, micro-businesses that have been halal certified have only reached around 14% of the potential target of approximately 28 million micro-enterprises in the food sector (Rongiyati, 2024). Obtaining halal certification can be a challenge for MSMEs due to the complexity and time-consuming nature of the process. The process involves several steps, including audits, inspections, and documentation, which can be time-consuming and expensive. For many MSMEs, the financial burden of certification is a significant barrier. High certification costs and compliance-related expenses may deter small businesses from pursuing halal certification despite the potential benefits (Fathoni et al., 2025).

However, despite their enormous potential, MSMEs, especially the halal product sector in Indonesia, face various challenges when competing in the global market. In addition to challenges in obtaining halal certification, differences in halal standards between countries can also pose an obstacle for halal products looking to expand their global market reach. Based on the latest data, the share of Indonesian halal products in the global market remains relatively small, at approximately 3% of the total trade in the worldwide halal industry (Rianto, 2025). The export value of Indonesian halal products in 2024 reached approximately \$64.11 billion, or around IDR 1,079 trillion, standing for a significant increase and becoming one of the key drivers of national economic growth. However, although these exports are substantial as a percentage of the total global halal market, which is estimated to reach \$1.3 trillion by 2025, Indonesia's contribution stays suboptimal, around IDR 20,000 trillion (Merdeka, 2025).

One of the main obstacles facing Indonesia in developing halal MSMEs for the global market is the less-than-optimal branding of Indonesian halal products in the international arena. The lack of focus on branding strategies has caused Indonesian halal products to lose market share to other countries, such as Brazil and Thailand, as well as in Africa, which are more aggressive in marketing their halal products (Nurlaela, 2025). To overcome these challenges and harness the full potential of MSMEs in the halal industry, a strategic approach is necessary, enabling halal MSMEs to compete effectively in the global halal market. Strengthening the right branding strategy, conducting in-depth market research, and adapting to global trends is necessary to enhance the recognition, trust, and competitiveness of Indonesian halal products in the worldwide market. This effort must also be supported by improving product quality, reliable halal certification, and sustainable product innovation.

Therefore, it is crucial to assess the strategies that can be employed to enhance the branding and image of Indonesian halal products, thereby increasing their recognition and trust in the global market. In addition, the role of the government and MSME players in overcoming certification barriers, adjusting international halal standards, and strengthening halal product branding are key factors in expanding global market access and increasing the competitiveness of Indonesian halal products. It is hoped that effective solutions can be found to optimize the contribution of the halal industry to the national economy and make Indonesia a major influential player in the world halal market.

II. METHOD

This research uses a narrative review method to identify, analyze, and synthesize various previous research (Sukhera, 2022) related to halal product trade, MSME competitiveness, and global market access. This method was chosen because it provides a

comprehensive understanding of the developments, challenges, and opportunities faced by MSMEs in the halal industry, especially in the context of exports and international market penetration. Data collection involved searching various credible literature sources, including national and international scientific journals, conference proceedings, industry reports, and policy documents published within the last ten years. The inclusion criteria for the literature consist of studies relevant to the topics of halal, MSMEs, and international trade, discussing aspects of competitiveness, halal certification, branding, and export barriers. The selected literature was analyzed using a thematic approach to construct a coherent synthesis aligned with the research objectives (Boell & Cecez-Kecmanovic, 2015; Sukhera, 2022), including factors related to the competitiveness of halal MSMEs, the main obstacles in obtaining certification and penetrating the global market, and the strategies implemented in various countries. The synthesis process is conducted systematically to produce a comprehensive overview of the dynamics of trade in halal products by Indonesian MSMEs and to formulate strategic recommendations for enhancing the competitiveness and global market access of halal MSMEs in the future.

III. RESULTS

Global Halal Product Market Growth

The global halal market is projected to reach a value of approximately US\$1.3 trillion, or around Rp20,670 trillion, by 2025, representing a significant increase from USD 899.9 billion in 2018, with an annual average growth rate of 5.2% over the period 2018-2028. This growth makes the halal industry one of the fastest-growing sectors in the world (Ichsan, 2024). The increasing value of global halal product transactions is driven by the rapid growth of the Muslim population and growing consumer awareness of the importance of safe, high-quality, and Sharia-compliant halal products. Future projections indicate that the halal market will continue to grow significantly, presenting substantial opportunities for countries that produce and consume halal products (Risalah & Puspaningtyas, 2024).

The global halal industry encompasses a wide array of key sectors. The food and beverage sector remains the largest, accounting for approximately 60% of the total global halal market. Consumers are not only seeking halal products but also healthier options, such as organic and plant-based foods. Meanwhile, the halal cosmetics and pharmaceutical industry is growing rapidly, with a projected annual growth of 10.5%. Products like alcohol-free skincare and sharia-compliant medicines are increasingly in demand, especially in the aftermath of the COVID-19 pandemic. Moreover, the Muslim or modest fashion market is experiencing a significant rise, with its value estimated to reach USD 375 billion by 2025. Countries like Indonesia, Turkey, and Malaysia are major players in this industry. Additionally, halal tourism is expanding, particularly in destinations such as the United Arab Emirates, Malaysia, and Indonesia, with a global market value of around USD 225 billion (Ichsan, 2024; Purwanto, 2025). The growing trend of halal lifestyles among Muslims and non-Muslims makes halal products not only a religious necessity but also an ethical and healthy lifestyle choice.

Contribution of MSMEs to the Halal Industry

MSMEs play a strategic role in the Indonesian economy, particularly in the development of the halal industry. As of February 2024, approximately 3.8 million business actors (including MSMEs) in Indonesia have obtained halal certificates. However, this number remains small compared to the total potential of MSMEs in Indonesia, where halal-certified micro-enterprises have only reached 14% of the targeted 28 million micro-enterprises in the food sector. Indonesia's halal product export contribution in 2024 was recorded at USD 64.11 billion, demonstrating impressive performance in the global market. This achievement is one of the main drivers of Indonesia's economic growth (Agatha & Aprian, 2025). Despite this large export value, Indonesia's share of the global halal product market is still around 3% of the total world halal industry trade, estimated to reach USD 1.3 trillion by 2025.

Indonesian MSMEs have significant potential to meet the demands of the halal market, both domestically and globally. The primary advantage of MSMEs lies in their flexibility and ability to adapt to market trends, allowing them to quickly adjust their products and business strategies in response to consumer needs. The proximity to local communities enables them to understand the preferences of both Muslim and non-Muslim consumers, who are now also beginning to consider halal products due to their safety, hygiene, and ethical aspects of production (Risalah & Puspaningtyas, 2024). However, to be able to compete globally, MSMEs need to overcome several major challenges, such as the halal certification process, which is still considered complicated and expensive, differences in halal standards between countries, which make it difficult to export, and less than optimal branding of Indonesian halal products in the international market.

MSME Challenges in the Global Halal Product Trade

Despite the huge potential of the global halal market, Indonesian MSMEs continue to face various barriers to expanding their exports. Halal certification is the primary prerequisite for products seeking to enter the global halal market, as it ensures the halal nature and safety of products for Muslim consumers. Each country has different halal regulations and standards, which pose a challenge for Indonesian MSMEs when marketing their products internationally. The disharmony in halal standards causes MSMEs to adjust their products and production processes to comply with the regulations of export destination countries, which require additional costs and technical adjustments. This difference also creates legal uncertainty and the risk of product rejection in foreign markets. The lack of coordination and harmonization of international halal standards narrows MSME access to global markets and

hinders business expansion (Annisa, 2020; Shalahuddin et al., 2024).

Strong branding and effective product positioning are essential for winning in the global market. However, Indonesian halal products are still poorly recognized and lack a strong international market presence. Many Indonesian halal products have not effectively highlighted their halal status in packaging and promotion, making them less attractive to global consumers. The lack of an integrated marketing strategy and the underutilization of digital technology hinder market penetration and the building of consumer loyalty. Halal products from other countries, such as Thailand and Brazil, are more aggressive in building strong global brands, making them more easily accepted in the international market (Nurlaela, 2025). This situation highlights the need to enhance the capacity of MSMEs in terms of branding, digital marketing, and storytelling of halal products, enabling them to compete effectively.

Overall, Indonesia's market share of halal products in the global market is currently only around 3%, which shows that although Indonesia has great potential as a country with the largest Muslim population, there are still many challenges to overcome for Indonesian halal products to be more competitive and widely accepted in the global market.

New Opportunities and Trends in the Global Halal Market

New opportunities and trends in the global halal market show very positive dynamics and great potential for halal MSME players, especially from Indonesia. Halal products are no longer only in demand by Muslim consumers but are also increasingly accepted by non-Muslim consumers in various countries. Awareness of the quality, safety, and hygiene of halal products makes them considered a healthier and safer option than non-halal products. Non-Muslim consumers view halal products as those that meet strict standards in the production process, thereby ensuring high quality and hygiene. This phenomenon opens a wider and more inclusive market for halal products, increasing the potential for MSME expansion to a more diverse consumer segment (Jauhari, 2024; Mabrurroh & Nursalikah, 2021).

The perception of halal products as premium, ethical, and healthy is also growing. Non-Muslim consumers are drawn to halal products due to their quality assurance and transparent production processes, which adhere to ethical and sustainable principles, adding value to Indonesian halal products in the global market, particularly among consumers who prioritize healthy and sustainable lifestyles (Ningsih, 2024).

The development of digital technology and e-commerce opens broader and more accessible market opportunities for MSMEs. Through e-commerce platforms, MSMEs can connect with consumers worldwide without needing physical stores in each country. Social media and digital marketing also enable MSMEs to establish their brands and engage directly with consumers (Jauhari, 2024). Halal product innovation, aligned with global trends, is crucial for enhancing the competitiveness of MSMEs. This innovation can take the form of developing new products that cater to consumer preferences, utilizing new technology in the production process, or crafting creative and effective marketing strategies. Halal products are also now entering non-traditional sectors, such as halal tourism, Muslim fashion, and halal cosmetics, presenting new opportunities for MSMEs (Yana, 2024).

IV. DISCUSSION

Competitiveness Analysis of Indonesian Halal MSMEs

Indonesia has great potential to become a major player in the global halal industry, given its largest Muslim population in the world and rich natural resources that support the production of halal products. Halal MSMEs in Indonesia have several key strengths that support their competitiveness in the global market, including 1) high-quality halal products produced by Sharia principles to build domestic and international consumer confidence, 2) government support through free halal certification policies, training, and facilitation of market access that provides opportunities for the development of halal MSMEs, 3) large domestic market potential, considering that Indonesia is a country with the largest Muslim population in the world so that halal MSMEs have a strong and loyal consumer base, 4) increasing consumer awareness of the importance of halal products, both domestically and in the global market, which opens up opportunities for expansion of Indonesian halal products (Akbar, 2020; Hartini & Malahayatie, 2024).

Despite having great potential, halal MSMEs face various weaknesses that hinder their competitiveness. Limited resources, including capital, production technology, and skilled human resources, are the primary obstacles to increasing production capacity and product innovation (Akbar, 2020). The halal certification process is still considered complicated, expensive, and less affordable for many MSMEs, so only a small proportion of MSMEs have official halal certificates. In addition, the lack of optimization of branding and marketing of Indonesian halal products in the global market makes it difficult for products to penetrate the international market widely. Differences in halal standards between countries also add complexity for MSMEs in meeting export requirements (Khairawati et al., 2025).

Halal certification serves as an essential trust that enhances consumer confidence both domestically and in export markets. Halal certificates are crucial for entering the markets of countries with large Muslim populations and global markets that are increasingly aware of halal. With halal certification, MSMEs can access broader markets, including export opportunities to countries that enforce strict regulations on halal products. It also enhances product competitiveness through the official recognition of halal and product quality while supporting effective branding and marketing strategies by displaying halal labels that are recognized both nationally and internationally (Karim & Syafrida, 2022). Nonetheless, many MSMEs still lack halal certification due to various challenges, and as a result, this potential has not been fully leveraged.

The low proportion of MSMEs with halal certificates has led to suboptimal national competitiveness in the halal product sector. Many MSMEs have struggled to meet certification requirements due to various obstacles, including high costs, complex processes, and a lack of understanding regarding the importance of halal certification (Khairawati et al., 2025). This situation restricts MSMEs' ability to penetrate the global market and diminishes the export potential of Indonesian halal products. Consequently, Indonesia has been unable to fully capitalize on its position as the world's largest producer of halal products despite having a substantial domestic market and abundant resource potential. To enhance the competitiveness of Indonesian halal MSMEs, strategic measures are essential, including providing subsidies, streamlining the certification process, training on global halal standards, and supporting digital marketing and exports. The government must also strengthen collaboration with global halal industry players and create a more integrated supply chain. Through these actions, Indonesia can optimize its potential as a global halal hub and enhance the halal sector's contribution to the national economy. If these challenges are addressed, Indonesian halal MSMEs will not only be positioned to compete in the global market but also become key drivers of economic growth in the future (Hariani & Sutrisno, 2023).

Strategies to Improve Global Market Access

1. Harmonization of International Halal Standards and Indonesian Diplomacy

Differences in halal standards between countries are significant obstacles for Indonesian MSMEs aiming to penetrate the global market. Harmonizing international halal standards is crucial for creating uniformity in requirements and facilitating the export process of halal products. Indonesia needs to actively engage in halal standards diplomacy through various international forums, such as the Organization of Islamic Cooperation (OIC) and global halal certification bodies, to strengthen its position in halal certification and promote mutual recognition among countries (Shalahuddin et al., 2024). Economic diplomacy through bilateral and multilateral trade agreements can also enhance market access, particularly with Middle Eastern and ASEAN countries that already maintain robust halal policies. This initiative is expected to minimize certification duplication and additional costs that burden MSMEs. Harmonization also presents opportunities for Indonesian halal products to gain wider acceptance in the global market, enhancing competitiveness and boosting exports of national halal products (Mardi, 2023; Ningrum, 2022).

2. Simplification of Certification Process and Cost Subsidy for MSMEs

The current halal certification process is still viewed as complicated and costly by many micro, small, and medium-sized enterprises (MSMEs), which makes it a significant barrier to expanding access to the global market. Thus, there is a need to simplify halal certification procedures, such as by digitizing certification services, reducing administrative paperwork, and speeding up the verification process. Additionally, the government should consider subsidizing or incentivizing the costs of halal certification, particularly for micro and small enterprises (MSMEs), to ensure that financial burdens do not hinder access to this certification. The government's implementation of a free or affordable halal certification program is a positive step that should be continued, further expanded, and refined for optimal effectiveness. With a streamlined process and lower costs, more MSMEs can achieve halal certification, opening opportunities for broader global market penetration (Apriliani, 2025; KNEKS, 2021).

3. Multi-stakeholder Collaboration

The strengthening of Indonesia's halal industry and the export capacity of MSMEs is increasingly supported through strategic collaboration across government institutions, certification bodies, associations, and business actors. The Halal Product Assurance Agency (BPJPH), for instance, has expanded its network by establishing 77 Halal Examining Agencies (LPH) and 268 Halal Product Process Assistant Agencies nationwide, significantly enhancing access to halal certification services for MSMEs (BPJPH, 2024). In parallel, the Ministry of Trade, in collaboration with the Ministry of State-Owned Enterprises, has launched export assistance programs targeting MSMEs, providing training and technical support, and facilitating market access to 33 countries, with a projected export value of USD 18.84 billion by 2025 (Isaac, 2025). In addition, the Indonesian Chamber of Commerce and Industry (KADIN) has strengthened international business networks through partnerships such as its agreement with JETRO, enabling MSMEs to expand product promotion and engage in policy advocacy relevant to halal sector development (Bayu S & Kenzu, 2024).

Furthermore, collaborative models, such as the development of a Halal Value Chain (HVC) ecosystem based on digital platforms, have shown success in East Java, where these initiatives have led to a marked increase in halal-certified MSME exports (Rakhmad et al., 2023). These examples underscore the vital role of coordinated, multi-stakeholder efforts in enhancing the global competitiveness of Indonesian halal products. Thus, this multi-stakeholder collaboration not only accelerates the halal certification process but also enhances production ability, product quality, and global market access for Indonesian halal micro and small enterprises (MSMEs), driving export growth and strengthening the national halal industry ecosystem.

Strengthening Halal Product Branding and Innovation

Indonesia's halal product branding faces several interrelated challenges that hinder its global competitiveness. Firstly, many Indonesian halal products lack clear differentiation from competitors, often focusing solely on halal certification without establishing a unique product identity. This approach makes it difficult for Indonesian products to stand out in the global market, where branding and added value are crucial (Viartasiwi et al., 2024). Secondly, investment in branding and marketing for Indonesian halal products remains significantly lower compared to competing countries (Haryono, 2024). For instance, Malaysia's comprehensive halal branding strategy has positioned it as a global leader in the halal industry, attracting international consumers through consistent quality and effective marketing (Sariah et al., 2023).

Thirdly, a lack of market research into global consumer preferences poses a serious obstacle. Without understanding the target market's tastes and expectations, Indonesian halal products may not align with consumer demands, leading to ineffective marketing strategies (DinarStandard, 2022). Fourthly, coordination among stakeholders, including government bodies, businesses, and certification agencies, remains suboptimal. This disjointed approach hinders the development of a cohesive national branding strategy, thereby limiting the potential for Indonesian halal products to establish a stronger foothold in international markets (Viartasiwi et al., 2024). Additionally, there is a shortage of qualified human resources with international marketing experience, which is essential for crafting and executing effective branding strategies on a global scale (Idris et al., 2025; Syamsiyah & Ardana, 2022).

In contrast, countries like Thailand and Brazil have successfully established strong halal product images globally through innovative branding strategies. Thailand emphasizes quality, hygiene, and flavor excellence, actively participating in international trade shows and collaborating with global distributors. Brazil, recognized as a leading exporter of halal meat, highlights its modern, hygienic, and internationally compliant production processes in targeted marketing campaigns. These examples demonstrate that a long-term commitment, significant investment, and creative marketing are essential for establishing a strong global halal product image (DinarStandard, 2022; Idris et al., 2025).

To enhance the competitiveness of Indonesian halal products, effective branding strategies should incorporate visually appealing and informative packaging, utilize digital promotions through social media and e-commerce platforms, and employ storytelling that highlights sharia-compliant production processes and local cultural values. Moreover, obtaining internationally recognized halal certification can enhance credibility and trust among global consumers, providing wider market access and assuring product quality (Muntholip & Setiawan, 2025; Viartasiwi et al., 2024).

Innovation in halal products is also crucial for competitiveness. Developing products that align with global trends, such as organic, vegan, and gluten-free options, can attract a broader market segment. Utilizing modern production technology can improve quality and efficiency, while digital marketing facilitates more effective global market penetration and product personalization according to consumer needs. Continuous innovation, supported by robust branding strategies and trusted halal certification, can significantly enhance the global market share of Indonesian halal products and strengthen Indonesia's position in the global halal industry (Hariani & Sutrisno, 2023; Sariah et al., 2023).

By integrating a robust branding strategy and ongoing product innovation, supported by trusted halal certification and the use of digital technology, Indonesian halal products have the potential to boost their global market share and strengthen Indonesia's position as a significant player in the global halal industry.

Government's Role in Supporting MSMEs

The Indonesian government plays a pivotal role in enhancing the global competitiveness of Micro, Small, and Medium Enterprises (MSMEs), particularly within the halal industry. A primary area of intervention is the simplification of the halal certification process, which has long been a barrier for small businesses due to its complexity and associated costs. In response, the government enacted Regulation No. 42 of 2024, extending the mandatory halal certification deadline for MSMEs until October 17, 2026, allowing additional time for compliance (Salim, 2024). Complementing this, Regulation No. 80 of 2024 introduced standardized guidelines tailored to the needs of MSMEs to streamline the certification process (GPC Gateway, 2025).

To further reduce financial burdens, the government offers fiscal incentives, including free halal certification for micro and small businesses with annual revenues under Rp1 billion, as part of the Job Creation Law (Syarofi & Syam, 2025). Additionally, fiscal subsidies and marketing support have been provided to help MSMEs scale up their production and branding capacity (Ahmed, 2025). Capacity building is another critical pillar of support. The government has launched various training and mentoring programs focused on enhancing managerial capabilities, technical skills, and digital marketing literacy to help MSMEs adapt to global market demands (Hidayat et al., 2025). Importantly, the integration of digital transformation in halal certification and business operations has shown significant potential in improving efficiency and market access for MSMEs (Syarofi & Syam, 2025). These comprehensive initiatives demonstrate the government's strategic commitment to positioning Indonesian MSMEs as competitive players in the global halal market. Collaboration between the government and private institutions through strategic partnerships will also bolster the position of MSMEs in addressing global challenges. For instance, collaborating with universities or research institutions can foster innovation and enhance product quality (Hidayat et al., 2025).

Economic and Social Implications

Optimizing the halal industry has a significant impact on Indonesia's national economic growth. As one of the fastest-growing sectors, the halal industry not only boosts export value but also strengthens the domestic economic structure through the development of micro, small, and medium-sized enterprises (MSMEs), which serve as the backbone of the national economy. With the rising production and export of halal products, the country's foreign exchange earnings are expected to increase, which will encourage overall economic growth (Fazila, 2024) and ultimately boost national income (Rufaedah et al., 2024).

Moreover, the growth of the halal industry creates significant job opportunities. MSMEs involved in the halal sector, from production to distribution and marketing, employ a substantial number of workers, including both skilled and unskilled labor. This contributes to a reduction in the unemployment rate and an increase in community income, particularly in regions with potential

halal resources. Consequently, the halal industry plays a vital role in promoting economic equality and alleviating poverty. Furthermore, the development of the halal industry also enhances community welfare by improving access to Islamic financing for micro and small enterprises (MSMEs), enabling business expansion and increased production capacity (Arti et al., 2024).

Indonesia has enormous potential to become a major player in the global halal industry, given its strategic position as a country with the world's largest Muslim population and abundant natural resources. However, it must strategically overcome various challenges, such as simplifying the halal certification process, strengthening halal product branding, and increasing product innovation and global market access. With the largest Muslim population in the world and a substantial domestic market, Indonesia can capitalize on this comparative advantage to enhance its status as a global hub for halal product production and distribution (Adamsah & Subakti, 2022).

V. CONCLUSION

Indonesian MSMEs have significant potential to meet the growing demand of the global halal market. This study has important implications for policymakers, industry stakeholders, and researchers concerned with advancing Indonesia's halal economy. The suboptimal export performance of Indonesian halal MSMEs, despite their strong potential, signals the need for institutional reforms—particularly in simplifying and subsidizing the halal certification process to reduce burdens for small businesses. Moreover, the diversity of halal standards across countries underscores the importance of Indonesia's active involvement in international halal standard harmonization and mutual recognition agreements, particularly within the OIC and ASEAN contexts. Weak global branding also suggests that MSMEs require greater support in building strategic marketing capabilities, including digital branding, storytelling, and innovation aligned with ethical and health-conscious global consumer trends.

Furthermore, the study emphasizes that collaborative partnerships between government agencies, MSME stakeholders, certification bodies, and business associations are essential to fostering an enabling environment for halal entrepreneurship. For the academic community, these findings highlight a research gap in empirically assessing the long-term effects of national halal development programs. Moving forward, Indonesia must adopt a strategy that goes beyond regulatory compliance to one that is innovation-driven, market-responsive, and globally competitive, enabling the national halal industry to position itself as a leading player in the international halal market.

REFERENCES

- Adamsah, B., & Subakti, G. E. (2022). Perkembangan Industri Halal Terhadap Pertumbuhan Ekonomi Indonesia. *Indonesian Journal of Halal*, 5(1), 71–75. <https://doi.org/10.14710/halal.v5i1.14416>
- Admin HiQ. (2024, January). *The State of the Global Islamic Economy 2023/24 Report \vert Halal Industry Quest*. Halal Industry Quest. <https://halalindustryquest.com/the-state-of-the-global-islamic-economy-2023-24-report>
- Agatha, T., & Aprian, D. (2025, April). *Wamenperin Sebut Ekspor Industri Halal RI Tembus 64,11 Miliar Dolar AS Sepanjang 2024*. <https://voi.id/ekonomi/478902/wamenperin-sebut-ekspor-industri-halal-ri-tembus-64-11-miliar-dolar-as-sepanjang-2024>
- Ahmed, H. M. (2025, May). *Indonesia Aims To Lead the Global Halal Industry—The Halal Times*. Halal Times. <https://www.halaltimes.com/indonesia-aims-to-lead-the-global-halal-industry>
- Akbar, F. M. A. (2020). Analisis Tantangan Dan Peluang Pengembangan Umkm Halal Dalam Era Pasar Nasional. *Zhafir Journal of Islamic Economics, Finance, and Banking*, 2(2), 105–130. <https://jurnalsains.id/index.php/zhafir/article/view/91>
- Annisa, I. B. N. (2020). Urgensi Harmonisasi Standarisasi Halal Oleh The Standards And Metrology Institute For The Islamic Countries (Smiic). *Dalam Upaya Mengurangi Sengketa Perdagangan Internasional*, 6(2), 82–95. <https://doi.org/10.20961/belli.v6i2.59983>
- Arti, S. W., Zakiyuddin, A. S., Ridwan, F. A., Setiyawati, L., & Latifah, E. (2024). Dampak Hilirisasi Pada Industri Halal Di Indonesia. *JJAR : Journal Of International Accounting Research*, 2(02), 86–97. <https://doi.org/10.62668/jjar.v2i02.1149>
- Bayu S & Kenzu. (2024, July). *Kadin, JETRO boost MSME capacity through MoU signing*. Antara News; ANTARA. <https://en.antaranews.com/news/317811/kadin-jetro-boost-msme-capacity-through-mou-signing>
- Boell, S. K., & Cecez-Kecmanovic, D. (2015). On being ‘Systematic’ in Literature Reviews in IS. *Journal of Information Technology*, 30(2), 161–173. <https://doi.org/10.1057/jit.2014.26>
- BPJPH. (2024, September). *BPJPH Wins International GIFA Championship Award 2024 on Halal Certification*. Badan Penyelenggara Jaminan Produk Halal. <https://bpjph.halal.go.id/en/detail/bpjph-wins-international-gifa-championship-award-2024-on-halal-certification>
- Chang, Y. C., Loong, Y. J., Soon, Y. Y., & Soon, Y. S. (2024). Exploring The Motivations Behind Non-Muslims In Malaysia Purchasing Halal Food: An Analysis Of Push And Pull Factors. *International Journal of Science and Management Studies (IJSMS)*, 216–229. <https://doi.org/10.51386/25815946/ijsms-v7i4p127>

12. DinarStandard. (2022). State of the Global Islamic Economy 2022. In *DinarStandard*. DinarStandard. <https://www.dinarstandard.com>
13. Fathoni, M. A., Priyatno, P. D., Faizi, W., S., F., Rachbini, W., & Suryani. (2025). Unlocking barriers and strategies of halal certification for micro and small enterprises in Indonesia: Analytic network process approach. *Problems and Perspectives in Management*, 23(1), 169–180. [https://doi.org/10.21511/ppm.23\(1\).2025.13](https://doi.org/10.21511/ppm.23(1).2025.13)
14. Fauziah, S., Afiah, N., & Hiljati. (2024). Urgensi Sertifikasi Halal dalam Pemberdayaan Ekonomi Perempuan. *International Conference on Islamic Economic*, 3(2), 210–226. <https://doi.org/10.58223/icie.v3i2.326>
15. GPC Gateway. (2025, June). New Guidelines for Halal Certification of Micro and Small Enterprises MSEs in Indonesia: Regulation No. 80 of 2024. GPC. https://gpcgateway.com/common/news_details/MTkwMg/MjI/SW5kb25lc2lh?
16. Harati, A., & Farzaneh, P. (2024). Advancement in global halal industry from farm to fork. *Journal of Halal Product and Research*, 7(2), 113–124. <https://doi.org/10.20473/jhpr.vol.7-issue.2.113-124>
17. Hariani, D., & Sutrisno, S. (2023). Potensi dan Strategi Pengembangan UMKM Halal di Indonesia. *Ilmu Ekonomi Manajemen dan Akuntansi*, 4(1), 76–91. <https://doi.org/10.37012/ileka.v4i1.1492>
18. Hartini, H., & Malahayatie, M. (2024). Implikasi Sertifikat Halal Dalam Manajemen Bisnis Industri Makanan Dan Minuman. *GREAT: Jurnal Manajemen dan Bisnis Islam*, 1(2). <https://doi.org/10.62108/great.v1i2.688>
19. Haryono, E. (2024, February). *Sektor Halal Value Chain Tumbuh Positif, Dukung Pertumbuhan Ekonomi Nasional*. https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_263924.aspx
20. Hidayat, Y., Machmud, A., Zulhuda, S., & Suartini, S. (2025). Legal aspects and government policy in increasing the role of MSMEs in the Halal ecosystem. *F1000Research*, 13, 722. <https://doi.org/10.12688/f1000research.148322.3>
21. Ichsan, R. N. (2024). Strategies to Increase the Competitiveness of Indonesian Msmes in the Global Market Through Halal Product Development. *Strategic Management Business Journal*, 4(02). <https://doi.org/10.55751/smbj.v4i02.110>
22. Idris, R., Ali Tareq, M., Pehin Dato Musa, S. F., & Sumardi, W. H. (2025). Past, Present, Future: Opportunities and Challenges for the Halal Industry. In R. Idris, M. A. Tareq, S. F. Pehin Dato Musa, & W. H. Sumardi (Eds.), *The Halal Industry in Asia* (pp. 3–23). Springer Nature Singapore. https://doi.org/10.1007/978-981-96-0393-0_1
23. Isaac, J. (2025, June). *Govt targets US\$18.84 B in MSME exports by 2025 via inter-ministerial collaboration*. Indonesia Business Post. <https://indonesiabusinesspost.com/3661/markets-and-finance/govt-targets-us-18-84-b-in-msme-exports-by-2025-via-inter-ministerial-collaboration>
24. Jauhari, M. S. (2024). Analisis Proyeksi Peningkatan Konsumsi Produk Halal Di Berbagai Sektor Ekonomi Indonesia Hingga Tahun 2025. *Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam*, 8(01). <https://doi.org/10.30868/ad.v8i01.6495>
25. Karim, L., & Syafrida, I. (2022). Strategi Peningkatan Ekspor Produk Makanan Halal Pada UKM di Kota Bogor. *Seminar Nasional Akuntansi Dan Manajemen PNJ*, 3(0). <https://prosiding-old.pnj.ac.id/index.php/snampnj/article/view/5847>
26. Khairawati, S., Murtiyani, S., Wijiharta, W., Yusanto, I., & Murtadlo, M. B. (2025). Kendala Sertifikasi Halal Pada UMKM di Indoneisa: Sebuah Kajian Literatur. *Jurnal Akuntansi, Manajemen Dan Ilmu Ekonomi (Jasmien)*, 5(02), 242–256. <https://doi.org/10.54209/jasmien.v5i02.1018>
27. Mabruroh, & Nursalikah, A. (2021, Desember). *Permintaan Produk Halal di Kalangan Non-Muslim Meningkat* / *Republika Online*. <https://khazanah.republika.co.id/berita/r3izc3366/permintaan-produk-halal-di-kalangan-nonmuslim-meningkat>
28. Mardi, M. (2023). Meningkatkan Pertumbuhan Ekonomi Indonesia di Pasar Global dengan Produk Halal. *Journal of Economic and Islamic Research*, 2(1), 97–114. <https://doi.org/10.62730/journalofeconomicandislamicresearch.v2i1.79>
29. Mardira, S. (2025, February). *Indonesia Has the Potential to Become a Key Player in the Global Halal Industry*. Jakarta Globe. <https://jakartaglobe.id/business/indonesia-has-the-potential-to-become-a-key-player-in-the-global-halal-industry>
30. Merdeka, R. (2025). Indonesia Berambisi Pimpin Industri Halal Global, Ekspor Tembus US\$64,11 Miliar. *Merdeka.Com*. <https://planet.merdeka.com/hot-news/indonesia-berambisi-pimpin-industri-halal-global-ekspor-tembus-us6411-miliar-390578-mvk.html>
31. Muntholip, A., & Setiawan, N. (2025). Sertifikasi Halal dan Daya Saing UMKM di Indonesia: Studi Systematic Literature Review. *Jurnal Manajemen Dan Akuntansi Medan*, 7(1), 26–38. <https://doi.org/10.47709/jumansi.v7i1.5257>
32. Ningrum, R. T. P. (2022). Problematika Kewajiban Sertifikasi Halal bagi Pelaku Usaha Mikro dan Kecil (UMK) di Kabupaten Madiun. *Istithmar : Jurnal Studi Ekonomi Syariah*, 6(1), 43–58. <https://doi.org/10.30762/istithmar.v6i1.30>
33. Ningsih, R. N. (2024). Meningkatnya Permintaan Produk Halal, Tren Global dan Peluang Bisnis. In *Pascasarjana UIN Syahada Padangsidimpuan*. <https://pasca.uinsyahada.ac.id/meningkatnya-permintaan-produk-halal-tren-global-dan-peluang-bisnis/>
34. Nurlaela. (2025). Peran Strategi Branding Produk Halal dalam Meningkatkan Daya Saing Pasar Global dan Tantangan Ekspornya. *At-Tajir: Jurnal Manajemen Bisnis Syariah*, 2(2). <https://ejournal.alkifayahriau.ac.id/index.php/attajir/article/view/415>
35. Purwanto, N. P. (2025). Strategi Umkm Indonesia Untuk Memasuki. *Info Singkat: Kajian Singkat Terhadap Isu Aktual*

Dan Strategis, 17(6). http://berkas.dpr.go.id/pusaka/files/info_singkat/Info%20Singkat-XVII-6-II-P3DI-Maret-2025-235-EN.pdf

36. Rakhmad, A. A. N., Kurniawan, D. T., Parahiyanti, C. R., & Hidayat, W. N. (2023). Halalhub.id: Development of Halal Value Chain (hvc) Ecosystem Based on Digital Platform to Improve Halal Certified Products on Msmes in East Java. In D. T. Kurniawan & A. A. Nur Rakhmad (Eds.), *Proceedings of the 3rd International Conference on Halal Development (ICHaD 2022)* (Vol. 246, pp. 156–163). Atlantis Press International BV. https://doi.org/10.2991/978-94-6463-188-3_16
37. Rianto, M. N. (2025). Menatap Indonesia sebagai Pusat Halal Dunia. *Kompas.Com*. <https://money.kompas.com/read/2025/05/30/070000726/menatap-indonesia-sebagai-pusat-halal-dunia?page=all>
38. Risalah, D. F., & Puspaningtyas, L. (2024). *KNEKS: Sektor Halal Jadi Kontributor Utama Pertumbuhan Ekonomi Indonesia 2025*. Republika Online. <https://sharia.republika.co.id/berita/sovbkx502/kneks-sektor-halal-jadi-kontributor-utama-pertumbuhan-ekonomi-indonesia-2025>
39. Riswan, K. K. (2024). *Penjualan makanan halal di AS diprediksi tumbuh 9,33 persen pada 2030*—ANTARA News. <https://www.antaranews.com/berita/4022244/penjualan-makanan-halal-di-as-diprediksi-tumbuh-933-persen-pada-2030>
40. Rongiyati, S. (2024). Pemberlakuan Kewajiban Sertifikasi Halal Bagi Umkm. *Info Singkat: Kajian Singkat Terhadap Isu aktual dan Strategis*, 16(7). https://berkas.dpr.go.id/pusaka/files/info_singkat/Info%20Singkat-XVI-7-I-P3DI-April-2024-195.pdf
41. Rufaedah, D. A., Kholis, N., Mugiyati, M., & Patih, H. (2024). Regional Trade Partnerships and ASEAN Economic Growth: Implications for Indonesia. *Int.Jour.Sci.Res.Mana*, 12(08), 7050–7057. <https://doi.org/10.18535/ijserm/v12i08.em07>
42. Saleh, H., & Rajandran, T. (2024). Non-Muslim Acceptance of Halal Product in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 14(12), 4616–4634. <https://doi.org/10.6007/IJARBS/v14-i12/24093>
43. Salim, H. (2024, November). *Navigating Indonesia's New Halal Certification Rules*. ASEAN Briefing. https://www.aseanbriefing.com/news/navigating-indonesias-new-halal-certification-rules/?utm_source=chatgpt.com
44. Sariah, S., Luth, T., Sukarmi, S., & Hamidah, Siti. (2023). Comparison of Halal Product Assurance System Criteria Arrangement in Indonesia and Malaysia. *International Journal of Environmental, Sustainability, and Social Science*, 4(2), 417–429. <https://doi.org/10.38142/ijesss.v4i2.344>
45. Shalahuddin, M. A., Fitroh, K., & Margianto, R. (2024). Studi komparasi Regulasi Sertifikasi Produk Halal Antara Indonesia dan Malaysia. *Journal of Fiqh in Contemporary Financial Transactions*, 2(1), 20–35. <https://doi.org/10.61111/jfcft.v2i1.657>
46. Siahaan, M. (2025). Contribution of micro, small, and medium enterprises (MSMEs) as a share of the gross domestic product (GDP) in Indonesia from 2013 to 2022. In *Statista*. https://www.statista.com/statistics/1546161/indonesia-msme-contribution-to-gdp/?__sso_cookie_checker=failed
47. Sukhera, J. (2022). Narrative Reviews: Flexible, Rigorous, and Practical. *Journal of Graduate Medical Education*, 14(4), 414–417. <https://doi.org/10.4300/JGME-D-22-00480.1>
48. Syamsiyah, N., & Ardana, Y. (2022). Halal Industry in Indonesia: Opportunities, Challenges and Strategies: Halal Industry in Indonesia: Opportunities, Challenges and Strategies. *IEB*, 1(2), 36–46. <https://doi.org/10.19109/ieb.v1i2.13318>
49. Syarofi, M., & Syam, N. (2025). Digital Transformation in Halal Certification: Opportunities for SMEs in Indonesia. *Klabat Journal of Management*, 6(1), 28. <https://doi.org/10.60090/kjm.v6i1.1234.28-39>
50. Viartasiwi, N., Ramadhani, G. P., & Fitrie, I. (2024). Indonesia Halal Diplomacy: Strategizing Nation Branding to Win Global Market. *Andalas Journal of International Studies (AJIS)*, 13(2), 174. <https://doi.org/10.25077/ajis.13.2.174-194.2024>
51. Yana. (2024, December 30). Strategi Indonesia Merebut Pasar Halal Dunia | Lembaga Pemeriksa Halal (LPH) LPPOM Sertifikasi Halal. <https://halalmui.org/strategi-indonesia-merebut-pasar-halal-dunia/>