

BARRIERS TO HALAL CERTIFICATION AMONG MICRO, SMALL, AND MEDIUM ENTERPRISES IN MAKASSAR: FINANCIAL, DIGITAL, AND GOVERNANCE PERSPECTIVES

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Abstrak: Studi ini mengkaji bagaimana dinamika sertifikasi halal membentuk pengalaman usaha mikro, kecil, dan menengah (UMKM) di Makassar, Sulawesi Selatan, pasca diberlakukannya Undang-Undang Jaminan Produk Halal (UU JPH). Meskipun kajian sebelumnya banyak menyoroti kendala biaya, kompleksitas regulasi, dan kesenjangan teknologi, masih sedikit studi yang menelusuri bagaimana hambatan tersebut terjadi secara nyata dalam konteks lokal. Dengan menggunakan pendekatan kualitatif melalui observasi lapangan, analisis dokumen, dan wawancara semi-terstruktur, penelitian ini mengidentifikasi berbagai tantangan yang dihadapi UMKM serta menilai efektivitas program dukungan pemerintah di Makassar. Temuan memperlihatkan bahwa keterbatasan finansial, rendahnya literasi digital, dan lemahnya koordinasi kelembagaan tetap menjadi hambatan utama dalam proses sertifikasi halal. Analisis dilakukan melalui perspektif implementasi kebijakan, tata kelola, dan kualitas layanan, yang menunjukkan bahwa masalah mendasar terletak pada kelemahan institusional sistemik, bukan sekadar kendala teknis. Dengan menempatkan kasus Makassar dalam diskusi lebih luas tentang tata kelola halal di Indonesia, penelitian ini menegaskan pentingnya pemahaman lokal untuk mengungkap celah implementasi di tingkat nasional. Hasil kajian ini menekankan perlunya model bantuan finansial yang lebih terarah, reformasi tata kelola yang terpadu, serta program penguatan kapasitas berkelanjutan agar UMKM tidak hanya mampu memenuhi persyaratan sertifikasi, tetapi juga memperoleh manfaat nyata dari partisipasi mereka dalam ekonomi halal yang terus berkembang, sekaligus menghadirkan perspektif lapangan yang selama ini jarang diangkat dalam literatur.

Kata-kunci: Sertifikasi halal, UMKM, Literasi digital, Tata kelola, Makassar, Perspektif lokal

Abstract: This study examines how the dynamics of halal certification shape the experiences of micro, small, and medium enterprises (MSMEs) in Makassar, South Sulawesi, in the aftermath of the Halal Product Assurance Law (UU JPH). While previous scholarship has repeatedly highlighted financial burdens, regulatory complexity, and technological gaps, few studies explore how these challenges unfold in specific local contexts. Drawing on a qualitative design that combined field observation, document analysis, and semi-structured interviews, this research identifies the barriers encountered by MSMEs and evaluates the real outcomes of government-led support initiatives in Makassar. The findings reveal that persistent financial constraints, uneven levels of digital literacy, and weak institutional coordination remain the most significant obstacles to effective certification. These issues are analyzed through the lenses of policy implementation, governance, and service quality, showing that systemic institutional weaknesses, rather than mere technical inefficiencies, lie at the heart of these challenges. By situating Makassar's case within broader debates on Indonesia's halal governance, the study demonstrates how localized insights can illuminate gaps in national implementation frameworks. The results underscore the urgent need for targeted financial assistance, integrated governance reforms, and sustained capacity-building programs to ensure that MSMEs are not only able to comply with certification requirements but also benefit from their participation in the growing halal economy, while providing context sensitive field perspectives that are rarely addressed in existing literature.

Keywords: Halal certification; MSMEs, Digital literacy, Governance, Makassar, Local perspectives



INTRODUCTION

The global halal industry has grown into one of the most dynamic sectors, expanding far beyond its religious dimensions to become an economic driver in food, cosmetics, pharmaceuticals, and services. With an estimated market value surpassing USD 2 trillion, halal certification has become not only a symbol of religious compliance but also a mark of quality assurance that strengthens consumer trust across Muslim and non-Muslim populations.¹ For Indonesia, which is home to the world's largest Muslim population, the implementation of halal certification represents both an opportunity and a challenge, especially for micro, small, and medium enterprises (MSMEs) that dominate the national economy.²

The enactment of Law No. 33/2014 concerning Halal Product Guarantee (Jaminan Produk Halal/JPH) marked a pivotal shift in Indonesia's regulatory landscape. The law mandates that all products circulating in Indonesia must obtain halal certification, with phased implementation across different sectors.³ While this legal framework aims to strengthen consumer protection and Indonesia's position in the global halal economy, the burden of compliance is disproportionately felt by MSMEs.⁴ Unlike large corporations with dedicated resources, MSMEs often struggle with the procedural, financial, and technological requirements of certification.

In Makassar, one of Eastern Indonesia's economic hubs, the tension between regulatory ambition and MSMEs readiness becomes particularly visible. The city has long been a center of trade, culinary diversity, and artisanal crafts, making it an important site for observing the intersection of local entrepreneurship and national halal certification policies. However, evidence shows that many MSMEs in Makassar face structural and capacity-related challenges that hinder their ability to meet certification requirements.⁵ These include limited awareness, insufficient digital literacy, fragmented institutional support, and high compliance costs.

Scholars have argued that the global push for halal standardization can create uneven outcomes when local contexts and capacities are not sufficiently considered.⁶ Comparative studies between Indonesia, Malaysia, and Brunei suggest that strong institutional coordination and comprehensive support systems are key to successful implementation.⁷ In contrast, Indonesia's decentralized governance model often results in fragmented responsibilities between national agencies, local governments, and religious authorities, creating uncertainty and inefficiency for MSMEs.

Beyond the Indonesian context, studies on halal governance and Islamic finance indicate that institutional capacity, regulatory coherence, and access to financial ecosystems are decisive in

¹ C Bux et al., "Halal Food Sustainability between Certification and Blockchain: A Review," *Sustainability* 14, no. 4 (2022): 21–52, doi:10.3390/su14042152.

² Baker Ahmad. Alserhan, *The Principles of Islamic Marketing* (Gower, 2011).

³ Republic of Indonesia, "Halal Product Assurance," Pub. L. No. 33 of 2014 (2014).

⁴ H Oemar et al., "Awareness and Intention to Register Halal Certification of Micro and Small-Scale Food Enterprises," *F1000research* 11 (2023), doi:https://doi.org/10.12688/f1000research.75968.3.

⁵ Muhammad Chaeroel Ansar, Takuji W Tsusaka, and Suhardiman Syamsu, "Social Sustainability of Micro, Small, and Medium Enterprises: The Case of Makassar City, Indonesia," *Frontiers in Sustainability* Volume 6-2025 (2025): 1–13, doi:10.3389/frsus.2025.1545072.

⁶ A R Valiev et al., "The Halal Standard: From the Regulatory Norms of Eating Behavior to Large Sectors of the Economy," in *BIO Web Conf.*, vol. 161, 2025, doi:10.1051/bioconf/202516100028.

⁷ Johan Fischer and Eva F Nisa, "Emerging Middles: Class, Development and the Halal Economy in Indonesia and Malaysia," *Research in Globalization* 10 (2025): 1–10, doi:10.1016/j.resglo.2025.100276.

shaping MSMEs' participation in halal markets.⁸ Research on MSMEs mentoring further emphasizes that sustainable capacity-building requires long-term institutional engagement rather than short-term technical interventions.⁹ Moreover, community-based and participatory governance approaches highlight the importance of contextual sensitivity and local agency in policy implementation.¹⁰ From a broader development perspective, access to microfinance remains a critical determinant of enterprise resilience and inclusion in emerging economies.¹¹

In this study, halal certification is understood not only as a technical compliance mechanism but also as a central element of halal governance. It serves as the operational interface connecting regulatory frameworks, institutional structures, and market participants. By analyzing halal certification practices, this study demonstrates how governance principles are enacted in the daily regulatory experiences of MSMEs. The novelty of this study lies in its localized exploration of halal certification challenges within Makassar, highlighting how national policy frameworks translate into ground-level realities. While much of the literature discusses halal certification at a macro level focusing on trade, regulation, and consumer demand, this paper foregrounds the voices and experiences of MSMEs navigating certification in a semi-peripheral urban context. This perspective provides a more nuanced understanding of the barriers to implementation, bridging the gap between structural policies and lived entrepreneurial realities.

Digital literacy emerges as a central theme in this context. Although Indonesia has rapidly expanded its digital infrastructure, MSMEs often lack the skills and knowledge to effectively utilize digital platforms for compliance, marketing, and financial management.¹² In Makassar, studies show that performance expectancy alone does not guarantee technology adoption; rather, social influence, facilitating conditions, and hands-on support play greater roles in determining whether MSMEs can meaningfully engage with digital transformation.¹³ This underscores the need for policies that move beyond infrastructure provision to address capacity-building and contextual mentoring.

At the same time, high certification costs remain a persistent barrier. Even with subsidy schemes, many MSMEs perceive halal certification as financially burdensome and administratively complex.¹⁴ International comparisons reveal similar dynamics in other emerging halal markets such

⁸ Aamir A. Rehman, Ahmad Hafiz Bin Abdul Aziz, Roselee Shah Shaharudin, and Shahira Zaireen Binti Johan Arief Jothi Abayomi A. Alawode, *Islamic Finance and the Development of Malaysia's Halal Economy*, June 2022; Valiev et al., "The Halal Standard: From the Regulatory Norms of Eating Behavior to Large Sectors of the Economy."

⁹ Madie Darbonne, Nadir Shams Dan Berelowitz, "Evidence and Tools for the Effective Mentoring of Micro, Small & Medium Enterprises," June 2020, www.springimpact.org/wp-content/uploads/2020/07/Effective-Mentoring-of-MSMEs-Full-Report.pdf#:~:text=This%20document%20contains%20recommendations%20on,programs%20for%20practitioner%20and%20supporters.

¹⁰ Yan Zhang et al., "Community-Based Participatory Research (CBPR) Approaches in Vaccination Promotion: A Scoping Review," *International Journal for Equity in Health* 23, no. 1 (2024): 227, doi:10.1186/s12939-024-02278-1.

¹¹ Ahmed Idi Kato, "Unlocking the Potential of Microfinance Solutions on Urban Woman Entrepreneurship Development in East Africa: A Bibliometric Analysis Perspective," *Sustainability* 15, no. 20 (October 13, 2023): 2–22, doi:10.3390/su152014862.

¹² Lina Anatan and Nur, "Micro, Small, and Medium Enterprises' Readiness for Digital Transformation in Indonesia," *Economies* 11, no. 6 (2023): 1–21, doi:10.3390/economies11060156.

¹³ Ansar, Tsusaka, and Syamsu, "Social Sustainability of Micro, Small, and Medium Enterprises: The Case of Makassar City, Indonesia."

¹⁴ Muhammad Anwar Fathoni et al., "Unlocking Barriers and Strategies of Halal Certification for Micro and Small Enterprises in Indonesia: Analytic Network Process Approach," *Problems and Perspectives in Management* 23, no. 1 (2025): 169–80, doi:10.21511/ppm.23(1).2025.13.

as Brazil and Thailand, where smaller enterprises struggle to compete with better-capitalized firms in accessing certification and global halal supply chains.¹⁵ Such findings highlight the importance of designing inclusive financial and technical assistance models tailored to small producers.

Institutional fragmentation further complicates the process. Overlapping responsibilities between the Halal Product Assurance Agency (BPJPH), the Indonesian Ulema Council (MUI), and local authorities have created regulatory ambiguity, sometimes leaving MSMEs uncertain about procedures and timelines.¹⁶ Unlike Malaysia's centralized Jabatan Kemajuan Islam Malaysia (JAKIM), Indonesia's pluralistic governance structure risks slowing down the efficiency of certification and weakening international recognition.¹⁷ These institutional challenges emphasize the importance of integrated policy approaches that align national ambitions with local execution.

Beyond regulatory and institutional hurdles, the socio-cultural dimensions of entrepreneurship in Makassar also shape MSMEs' engagement with halal certification. Local business practices often rely on trust-based networks and informal market mechanisms, which may not align seamlessly with formalized certification processes.¹⁸ This creates a tension between traditional forms of legitimacy and the bureaucratic demands of halal certification, requiring culturally sensitive interventions that respect local entrepreneurial norms while ensuring compliance with national standards.

The literature also points to the potential of inclusive assistance models to address these challenges. Studies on Islamic microfinance, waqf-based entrepreneurship, and capacity-building programs suggest that mentorship, peer learning, and long-term technical support are more effective than one-off training programs.¹⁹ In Makassar, pilot programs combining digital marketing training, financial literacy, and halal certification mentoring have demonstrated promising results in enhancing MSMEs readiness and resilience.

Building on these insights, this paper argues that a comprehensive understanding of halal certification in Makassar requires integrating structural, institutional, and cultural analyses. By focusing on MSMEs as both beneficiaries and burden-bearers of certification policies, this study sheds light on the uneven pathways of regulatory compliance in decentralized contexts. Such an approach not only enriches scholarly debates on halal governance but also provides practical implications for policymakers and development practitioners.

The significance of this study rests in its potential contribution to the discourse on inclusive and context-sensitive halal certification. Rather than viewing MSMEs as passive recipients of regulation, this paper positions them as active agents whose challenges and adaptations reveal the strengths and weaknesses of Indonesia's halal governance system. In doing so, it highlights the

¹⁵ Hafiz M. Ahmed, "Challenges Facing the Brazilian Halal Industry," *The Halal Times*, October 23, 2023; Sohibil Wafa Fadlan Zamil and Rahmayati, "Literature Study of Halal UMKM Industry Development Model in Trang, Southern Thailand," *Muhasabatuna: Jurnal Akuntansi Syariah* 5, no. 1 (June 15, 2023): 055–068, doi:10.54471/muhasabatuna.v5i1.2295.

¹⁶ Hayyun Durrotul Faridah, "Halal Certification in Indonesia; History, Development, and Implementation," *Journal of Halal Product and Research (JHPR)* 2, no. 2 (2019): 68–78, doi:10.20473/jhpr.vol.2-issue.2.68-78.

¹⁷ Bank Negara Malaysia, *Promoting a Progressive and Inclusive Islamic Financial System*, 2024, https://www.bnm.gov.my/documents/20124/17493532/ar2024_en_ch1d.pdf.

¹⁸ Irna Nuryani, Muh Thahir Haning, and Hasniati, "Thriving Entrepreneurs: How Makassar City's MSMEs Boost Local Prosperity," *International Journal of Multicultural and Multireligious Understanding* 11, no. 1 (2024): 473–80, doi:<http://dx.doi.org/10.18415/ijmmu.v11i11>.

¹⁹ Kato, "Unlocking the Potential of Microfinance Solutions on Urban Woman Entrepreneurship Development in East Africa: A Bibliometric Analysis Perspective."

urgent need for policies that harmonize national aspirations for halal leadership with the everyday realities of small-scale entrepreneurs in cities like Makassar.

Focusing on the lived experiences of MSMEs, this study aims to bridge the gap between regulatory design and the practical implementation of halal certification. Examining how MSMEs interpret, adapt to, and negotiate certification requirements is crucial for evaluating the inclusiveness of halal governance frameworks. These insights are especially significant for policy refinement in decentralised contexts, where institutional capacity and local business conditions frequently influence regulatory outcomes.

METHOD

This study employed a qualitative descriptive approach to analyze the implementation of halal certification in South Sulawesi, with particular emphasis on the experiences of micro, small, and medium enterprises (MSMEs). The qualitative design was chosen because it allows for an in-depth exploration of social, institutional, and regulatory dynamics that cannot be captured solely through quantitative indicators.²⁰ Reflexivity and transparency were emphasized throughout the research process, consistent with guidelines for qualitative reporting.²¹ Data were obtained through three primary techniques: observation, documentation, and semi-structured interviews. Field observations were conducted in Makassar during the 2023–2024 period to capture the interaction between MSMEs, local government agencies, and the Halal Product Assurance Agency (BPJPH). Documentation included regulatory guidelines, policy reports, and program evaluations issued by BPJPH and the Ministry of Religious Affairs. In addition, 15 semi-structured interviews were conducted with key informants: MSMEs owners (n=10), local government officers (n=3), and halal certification facilitators (n=2). The selection of participants followed purposive sampling, with criteria based on direct involvement in halal certification processes within the region, consistent with approaches used in previous halal certification studies.

The data were analyzed using reflexive thematic analysis following the six-phase framework of Braun and Clarke: familiarization, coding, theme development, review, definition, and reporting. This structured process facilitated the identification of recurring themes, such as financial barriers, digital literacy, and governance coordination. Reflexivity was maintained throughout coding and interpretation.²² Triangulation across data sources (interviews, documents, and observations) was applied to ensure validity and reliability. To enhance credibility, member checking was conducted by sharing preliminary interpretations with selected participants for feedback. Dependability was strengthened through an audit trail of coding decisions, while confirmability was supported by cross-checking between two researchers. Transferability was considered by providing a detailed contextual description of the South Sulawesi setting, enabling readers to assess applicability in other regions. Overall, this methodological design ensures that the findings are not limited to anecdotal experiences but are grounded in systematic analysis, providing a robust basis for discussing the theoretical and practical implications of halal certification in Indonesia.

²⁰ Xiayan Chen et al., “A Qualitative Study on the Management System for Investigator-Initiated Studies in Healthcare Institutions in Beijing, China,” *Health Research Policy and Systems* 22, no. 165 (December 18, 2024): 1–12, doi:10.1186/s12961-024-01264-x.

²¹ Virginia Braun and Victoria Clarke, “Using Thematic Analysis in Psychology,” *Qualitative Research in Psychology* 3, no. 2 (January 21, 2006): 77–101, doi:10.1191/1478088706qp063oa.

²² Anis Najiha Ahmad et al., “Critical Success Factors Affecting the Implementation of Halal Food Management Systems: Perspective of Halal Executives, Consultants and Auditors,” *Food Control* 74 (April 2017): 70–78, doi:10.1016/j.foodcont.2016.11.031.

RESULTS

1. Structural Barriers to Halal Certification

The results indicate that micro, small, and medium enterprises (MSMEs) in Makassar encounter several practical obstacles in obtaining halal certification. Financial limitations, limited digital capacity, and administrative complexity represent the most prominent operational challenges. Many MSMEs operate with narrow profit margins and informal business practices, which makes it difficult to prioritize certification-related expenses over daily operational requirements. Additionally, the growing reliance on digital platforms for registration and documentation presents further challenges for enterprises with limited technological proficiency.

These challenges do not occur in isolation but are consistently observed across various types of MSMEs. Business owners frequently encounter similar difficulties in document preparation, online system navigation, and comprehension of procedural requirements. The persistent nature of these issues indicates that the obstacles are systemic, reflecting common conditions faced by MSMEs within the same regulatory framework.

A closer analysis indicates that the certification process is widely regarded as lengthy and demanding, especially for micro-scale enterprises. Financial constraints, limited familiarity with digital systems, and complex bureaucratic procedures frequently lead to delays, repeated submissions, or withdrawal from the certification process. These findings illustrate the practical challenges MSMEs face in meeting certification requirements prior to any further analytical interpretation.

2. Determinants of Certification Constraints

Several interrelated factors jointly shape MSMEs' difficulties in accessing halal certification. Financial vulnerability limits enterprises' ability to absorb both direct and indirect certification costs; limited digital literacy hinders effective use of online systems. Fragmented coordination between institutions exacerbates uncertainty and delays. These factors reinforce one another in practice. Financial constraints reduce MSMEs' ability to seek professional assistance or invest in digital tools, while digital limitations increase dependence on external guidance that may be inconsistently available.

Institutional fragmentation further intensifies these challenges by generating unclear or contradictory instructions, increasing the likelihood of errors, and prolonging the certification process. This analysis demonstrates that certification constraints extend beyond technical or administrative challenges and are rooted in broader structural conditions impacting MSMEs. The interplay among financial precarity, digital readiness, and governance structures forms a cumulative barrier that disproportionately disadvantages smaller enterprises compared to larger or more formalized businesses.

3. Inclusive Certification Pathways

The results indicate a critical need for inclusive and adaptive certification pathways. MSMEs report that ongoing support beyond initial registration is essential. Short-term workshops or isolated facilitation efforts are insufficient to sustain enterprises throughout the certification process, particularly in the context of persistent financial and digital barriers. Respondents indicate that effective support must integrate administrative guidance, digital mentoring, and financial facilitation. This assistance is regarded not only to fulfill certification requirements but also as a mechanism for building long-term business capacity and confidence among MSMEs.

These findings underscore the need for transformative certification models that prioritize inclusivity and capacity building. MSMEs derive the greatest value from certification when it is integrated within empowerment frameworks that address structural vulnerabilities and facilitate sustained participation in halal markets. The key findings across the descriptive, critical, and transformative dimensions are summarized in Table 1.

Table 1: Summary of Key Findings Across the Three Analytical Dimensions

Analytical Dimension	Key Empirical Themes	Core Findings	Related Studies
Descriptive	Financial Barriers; Digital Literacy Challenges	MSMEs experience practical difficulties related to certification costs, indirect administrative expenses, and limited digital capacity in navigating online certification platforms. These challenges are most visible at the operational level and directly affect daily business practices.	Harahap et al. (2024); Amalia & Andni (2023); Tajuddin et al. (2023)
Critical	Fragmented Governance	Certification constraints are reinforced by weak coordination between central and local authorities, unclear procedural guidance, and prolonged administrative processes. Institutional fragmentation amplifies financial and digital vulnerabilities faced by MSMEs.	Hudaefi & Jaswir (2019); Prasetyanti et al. (2025); Fazila et al. (2025)
Transformative	Inclusive Assistance Models	MSMEs emphasize the need for inclusive certification pathways that integrate sustained mentoring, digital capacity-building, and financial facilitation. Transformative support models are perceived as essential to overcoming structural barriers and enabling long-term participation in halal markets.	Widiastuti et al. (2022); Harsanto et al. (2024); Rusmita et al. (2023)

DISCUSSION

Building on the empirical findings presented above, the following discussion elaborates on their broader theoretical and policy implications. The findings indicate that micro, small, and medium enterprises (MSMEs) encounter significant obstacles in accessing halal certification due to financial constraints, limited digital readiness, and fragmented institutional coordination. These factors collectively create structural barriers that restrict MSMEs' participation. Prior research demonstrates that certification requirements disproportionately impact micro and small enterprises with limited resources and administrative capacity.²³ To clarify the institutional complexity of the certification process, Figure 1 illustrates the main stages and actors involved.

Figure 1.

²³ Nikma Sari Harahap, Rozalinda Rozalinda, and Nora Zulvianti, "The Analysis of Implementation Halal Certification for Micro, Small, And Medium Enterprises (MSMES) In Padangsidempuan City," *Al-Ammwal: Jurnal Ekonomi Dan Perbankan Syariah* 16, no. 2 (December 27, 2024): 193, doi:10.70095/alamwal.v16i2.19107; Widya Faidatul Amalia and Riyan Andni, "The Influence of Education Level, Halal Awareness, and Halal Certification Costs on Halal Certification Decisions with Religiosity as a Moderating Variable: A Case Study of MSMEs in Kudus Regency," *Journal of Islamic Economics Lariba* 9, no. 2 (December 28, 2023): 453–78, doi:10.20885/jielariba.vol9.iss2.art10; M. Topit Hidayat and Sri Rahma Witta, "Halal Certification and Implications for MSMEs: A Systematic Literature Review," *Journal of Business Management and Islamic Banking*, December 30, 2024, 151–66, doi:10.14421/jbmib.v3i1.2373.

Institutional Process of Halal Certification in Indonesia



In Makassar, these barriers are linked to local business practices and institutional arrangements. A substantial proportion of MSMEs operate informally, depend on family-based labor, and have limited familiarity with regulatory procedures. These conditions influence how certification obligations are interpreted and prioritized. Research on MSMEs in Indonesian cities underscores that local administrative capacity and socio-economic conditions significantly affect compliance behavior, especially in regulated sectors such as halal certification.²⁴

Theoretically, these findings are consistent with scholarship on halal governance, which refers to the system of regulations, institutions, and practices overseeing halal certification. This literature emphasizes the importance of institutional coherence and regulatory capacity. The observed misalignment between central authorities and local implementing agencies illustrates broader governance challenges in decentralized systems, where policy design frequently diverges from implementation realities.²⁵ The present study reinforces the view that halal certification operates as a form of regulatory governance that requires effective coordination across institutional levels to achieve inclusivity and effectiveness.

Beyond governance structures, the findings contribute to a deeper understanding of MSMEs' compliance behavior. Decisions to pursue or delay halal certification, the process of official approval ensuring adherence to Islamic standards, are influenced by practical assessments of feasibility, perceived risk, and expected benefits, rather than legal obligation alone. This observation is consistent with studies showing that digital capability and entrepreneurial literacy

²⁴ Imran Tajuddin, Amir Mahmud, and Muhammad Haerdiansyah Syahnur, "Determinants of Strategic Factors for Digital Transformation in Micro and Small Enterprises in Makassar City," *Signifikan: Jurnal Ilmu Ekonomi* 12, no. 1 (April 15, 2023): 131–44, doi:10.15408/sjie.v12i1.31070; Akbar Dwiki Wibowo Tuhuteru and Muhammad Iqbal, "Readiness of Micro, Small, and Medium Enterprises (MSMEs) in The Food and Beverage Sector for Halal Certification Implementation: A Case Study in Magelang, Indonesia," *Journal of Islamic Economics Lariba* 10, no. 2 (December 31, 2024): 1091–1114, doi:10.20885/jielariba.vol10.iss2.art24.

²⁵ Fahmi Ali Hudaefi and Irwandi Jaswir, "Halal Governance in Indonesia: Theory, Current Practices, and Related Issues," *Journal of Islamic Monetary Economics and Finance* 5, no. 1 (May 16, 2019): 89–116, doi:10.21098/jimf.v5i1.1049; Layung Anindya Prasetyanti, Eka Surachman, and Annisa Ciptagustia, "Halal Certification Business Ecosystem in Indonesia: A Stakeholder and Process Analysis," *The International Journal of Business Review (The Jobs Review)* 7, no. 2 (2025): 46–60, doi:10.17509/tjr.v7i2.85795.

(knowledge and skills in business and digital tools) significantly shape MSMEs' ability to engage with formal regulatory systems.²⁶

These findings are consistent with previous research documenting financial, administrative, and digital barriers to halal certification in Indonesia and Malaysia. The present study further illustrates how digitalization and governance fragmentation interact to exacerbate MSMEs' vulnerabilities. Evidence from Malaysia demonstrates that even within established halal ecosystems, small enterprises encounter similar structural constraints.²⁷

These findings have several implications. Theoretically, they underscore the necessity of integrating governance and capability-based perspectives in halal certification research. Practically, the results highlight the importance of sustained mentoring, digital literacy development, and integrated support mechanisms for MSMEs.²⁸ From a policy standpoint, enhancing central and local coordination and linking halal certification with inclusive financial and institutional support, such as Islamic social finance initiatives, are essential for improving MSMEs' participation and compliance.²⁹

Furthermore, the findings indicate that the challenges encountered by MSMEs in halal certification are best understood through an analysis of the interplay between formal regulatory frameworks and everyday business practices. Although regulations establish standardized procedures, their implementation is influenced by local norms, trust-based relationships, and informal coping strategies developed by entrepreneurs. This interplay determines how policies are interpreted, negotiated, and sometimes adapted at the grassroots level. Acknowledging these dynamics is crucial for developing governance mechanisms that are both administratively robust and socially responsive to local contexts

1. Policy and Practical Implications for Halal Governance

The findings of this study have significant implications for halal governance, public policy, and the development of micro, small, and medium enterprises (MSMEs) in Indonesia. Persistent financial, digital, and institutional barriers indicate that halal certification extends beyond regulatory compliance and functions as a component of a broader development system. Policies that focus solely on enforcement and overlook structural capacity gaps risk reinforcing exclusion, particularly for micro and small enterprises.

From a governance standpoint, the findings highlight the need for improved coordination among central regulatory bodies, including the Halal Product Assurance Agency (BPJPH), local

²⁶ Mustari Mustari et al., "The Influence of Entrepreneurial Literacy and Digital Literacy on Business Success Through Digital Platforms as a Mediating Variable Among Metal Artisans in Makassar City," *International Journal of Contemporary Sciences (IJCS)* 2, no. 3 (February 14, 2025): 381–94, doi:10.55927/ijcs.v2i3.13529.

²⁷ Sorna Umme Saima, Radin Badaruddin Radin Firdaus, and Sarjiyanto, "Challenges and Ways Forward for the Malaysian SMEs in the Halal Food Industry: A Systematic Review," *Potravinarstvo Slovak Journal of Food Sciences* 18 (February 28, 2024): 223–38, doi:10.5219/1937.

²⁸ Sylva Alif Rusmita et al., "The Impact of Technical Efficiency on Firms' Value: The Case of the Halal Food and Beverage Industry in Selected Countries," *PLOS ONE* 18, no. 11 (November 27, 2023): e0286629, doi:10.1371/journal.pone.0286629; Jaber Aljalalma and John Slof, "An Updated Systematic Review of Business Accelerators: Functions, Operation, and Gaps in the Existing Literature," *Journal of Open Innovation: Technology, Market, and Complexity* 8, no. 4 (December 2022): 214, doi:10.3390/joitmc8040214.

²⁹ Tika Widiastuti et al., "Developing an Integrated Model of Islamic Social Finance: Toward an Effective Governance Framework," *Heliyon* 8, no. 9 (September 2022): e10383, doi:10.1016/j.heliyon.2022.e10383; Budi Harsanto et al., "Sustainable Halal Value Chain Performance for MSMEs: The Roles of Digital Technology, R&D, Financing, and Regulation as Antecedents," *Cogent Business & Management* 11, no. 1 (December 31, 2024): 1–15, doi:10.1080/23311975.2024.2397071.

governments, and supporting institutions. Fragmented institutional responsibilities often lead to overlapping procedures and inconsistent guidance, placing a disproportionate burden on MSMEs with limited administrative resources.³⁰ Developing a more integrated governance framework with clearly defined roles, streamlined procedures, and shared information systems would enhance policy coherence and improve implementation outcomes.

The results also suggest that the successful digitalization of halal certification depends on significant investment in developing digital competencies among stakeholders. While digital tools can improve efficiency and transparency, they may unintentionally exclude small businesses lacking digital literacy.³¹ Consequently, digital transformation efforts should include ongoing guidance, intuitive platforms, and readily available local technical support. Such measures are consistent with digital equity principles and help mitigate the risk of widening existing disparities.

Financial accessibility represents further critical policy consideration. Beyond subsidizing certification fees, support mechanisms should also address indirect costs such as documentation preparation, production modifications, and compliance monitoring. Integrating halal certification initiatives with Islamic social finance instruments, including zakat, waqf, and microfinance, offers a promising strategy to strengthen MSME resilience while maintaining ethical and religious standards. This integration may reposition halal certification as a developmental opportunity instead of a regulatory obligation.

At the local level, community organizations and groups can function as essential intermediaries between policy formulation and practical implementation. Local business associations, cooperatives, and religious organizations possess contextual expertise that builds trust and supports sustained engagement with MSMEs. Empowering these entities as policy partners can improve outreach and facilitate more effective communication between government officials and business owners.

Finally, the findings emphasize the importance of adopting a long-term, adaptive policy perspective. Rather than treating halal certification as a single administrative requirement, policymakers should regard it as an integral part of a dynamic governance system that responds to changing market conditions, technological advancements, and socio-cultural developments. This perspective enhances regulatory effectiveness and promotes the creation of more inclusive and resilient halal value chains.

2. Limitation and Future Research Directions

This study provides valuable insights into the financial, digital, and governance-related barriers faced by MSMEs in navigating halal certification in Makassar. However, certain limitations must be acknowledged. The findings are largely cross-sectional. This constrains the ability to capture how the experiences and perceptions of MSMEs evolve over time. A longitudinal approach would enable researchers to investigate whether current digitalization efforts, subsidy schemes, and institutional reforms yield lasting improvements or merely short-term compliance. Additionally, the research is bound to Makassar. This limits its generalizability to Indonesia's broader halal ecosystem. Comparative studies across diverse regions, especially between urban and rural contexts

³⁰ Imron Hamzah et al., "Legal Foundations for Inclusive Halal Tourism in West Java: Between Constitutional Principles and Practical Challenges," *Syariah: Jurnal Hukum Dan Pemikiran* 24, no. 2 (January 2, 2025): 503–29, doi:10.18592/sjhp.v24i2.15513.

³¹ Sascha Kraus et al., "Digital Entrepreneurship," *International Journal of Entrepreneurial Behavior & Research* 25, no. 2 (September 20, 2018): 353–73, doi:10.1108/IJEBr-06-2018-0425.

or decentralized governance systems, would be instrumental in illuminating how institutional arrangements, market demand, and socio-cultural dynamics shape certification outcomes.

Future research should deepen its focus on the social and institutional mechanisms that mediate the participation of MSMEs in the halal economy. Empirical investigations into community-based mentoring, entrepreneurial networks, and Islamic social finance such as zakat, waqf, and microfinance remain underexplored. These hold considerable potential to support inclusive certification pathways. Employing mixed methods approaches that integrate large-scale surveys with ethnographic case studies would capture both structural trends and the lived realities of MSMEs actors. Such a holistic lens would enrich theoretical debates on halal economy governance and offer practical insights into designing sustainable, context-sensitive policies. Ultimately, advancing this research agenda will bridge the gap between policy frameworks and grassroots empowerment. It will also contribute to Indonesia's ambition to emerge as a leading global halal hub.

CONCLUSION

The challenges faced by micro, small, and medium enterprises (MSMEs) in obtaining halal certification extend beyond administrative or procedural issues and are instead structural and multidimensional. Factors such as financial vulnerability, limited digital capability, fragmented governance, and insufficient support systems collectively shape MSMEs roles within the halal ecosystem. These barriers intersect and disproportionately disadvantage micro and small enterprises. This analysis contributes to broader discussions on halal governance by illustrating the interplay between regulatory frameworks, digital transformation, and the dynamics of MSMEs development.

The principal contribution of this study lies in its integrated analytical approach. While existing literature often addresses financial constraints, digital literacy, and institutional coordination as distinct challenges, this research demonstrates that these domains form an interdependent system requiring holistic intervention. The findings indicate that digitalization may inadvertently reinforce exclusion without sufficient literacy support, and that fragmented governance can undermine policy objectives. As a result, this research advances theoretical discussions on regulatory inclusivity and adaptive governance within the halal sector. Additionally, the results underscore the importance of embedding halal certification within comprehensive strategies for financial empowerment, digital capability development, and ongoing entrepreneurial mentoring.

The findings underscore the necessity for coordinated governance reform, targeted financial mechanisms, and capacity-building models that extend beyond isolated interventions. Enhanced collaboration among BPJPH, local governments, Islamic financial institutions, and community-based organisations is critical to ensuring meaningful participation of MSMEs in the halal economy. Digital systems should be developed with user readiness in mind, while financial support mechanisms must address both certification fees and the indirect costs that disproportionately affect small enterprises. Facilitating MSMEs access to halal certification represents not only a compliance requirement but also a strategic approach to fostering inclusive economic development, particularly in regions where small enterprises constitute the economic foundation.

Subsequent research should examine the evolution of certification experiences over time and across diverse regional governance structures. Comparative studies and mixed-method

approaches are especially valuable for advancing theoretical understanding and providing actionable insights for policymakers. This study emphasizes the continued necessity of aligning regulatory objectives with the practical realities faced by MSMEs, thereby supporting the equitable and sustainable development of the halal ecosystem.

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