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## Evolving Halal Certification Regulations and Indonesia's Competitive Position in the Global Halal Market: Challenges and Opportunities for Market Access

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**Abstract:** Halal certification plays a crucial role in enhancing economic competitiveness for countries with substantial Muslim populations, and Indonesia is making significant efforts to strengthen its standing in the rapidly expanding global halal market. This study explores recent policy reforms within Indonesia's halal certification framework and examines their implications for the country's competitiveness and access to international markets. Through a qualitative analysis of regulatory updates, government policy initiatives, and industry data, the research assesses changes in certification procedures, implementation strategies, and sectoral developments influencing market access. The findings highlight that recent government policy reforms have markedly streamlined certification processes, expanded opportunities for Micro, Small, and Medium Enterprises (MSMEs), and reduced barriers through initiatives like the SEHATI program, which provides free certification for select non-critical product categories. These efforts have improved operational efficiency, encouraged broader MSME participation, and facilitated Indonesia's growth into halal sectors beyond food, including pharmaceuticals and cosmetics. Evidence of export growth and an enhanced international presence further reflect these positive developments in market access. Nonetheless, challenges remain in fully aligning Indonesia's certification system with international halal standards, managing certification costs, and boosting competitiveness in emerging halal industries. Continued refinement of regulations, deeper harmonization with global standards, and strengthened institutional support for MSMEs are essential for Indonesia to seize new opportunities within the global halal economy and sustain its leadership role.

**Keyword:** Halal certification, Global halal market, Indonesia competitiveness, Market access, MSME development

### INTRODUCTION

The global halal market has experienced unprecedented growth over the past decade, reaching an estimated value of \$2.4 trillion in 2023 and projected to exceed \$3.2 trillion by

2028 (State of Global Islamic Economy Report, 2024). This exponential expansion reflects not only the increasing global Muslim population, currently estimated at 1.8 billion people, but also the growing mainstream acceptance of halal products among non-Muslim consumers who associate halal certification with quality, safety, and ethical production standards. Within this dynamic landscape, Indonesia occupies a strategically important position as the world's largest Muslim-majority country, home to approximately 231 million Muslims representing 87% of its total population.

Indonesia's significance in the global halal economy extends beyond demographic advantages. The country has emerged as a major producer and consumer of halal products, contributing substantially to various sectors including food and beverages, pharmaceuticals, cosmetics, fashion, and tourism. Government data indicates that Indonesia's halal industry contributed approximately \$170 billion to the national economy in 2023, representing nearly 15% of the country's gross domestic product (Ministry of Trade, 2024). However, despite these impressive figures, Indonesia's market share in global halal exports remains relatively modest at approximately 3.2%, significantly trailing behind countries such as Brazil, India, and Australia in halal food exports.

The regulatory framework governing halal certification in Indonesia has undergone substantial transformation in recent years, particularly following the implementation of Law No. 33 of 2014 concerning Halal Product Assurance. This landmark legislation established the Halal Product Assurance Agency (BPJPH) under the Ministry of Religious Affairs as the sole authority responsible for halal certification, effectively transitioning certification responsibilities from private organizations to a centralized government body. The law mandated that all products circulated and traded in Indonesia must obtain halal certification by October 2024, creating both opportunities and challenges for domestic and international businesses operating in the Indonesian market.

Recent scholarly attention has focused on various aspects of halal certification systems and their economic implications. Research by Abdullah and Rahman (2023) highlighted the critical role of standardization in enhancing consumer confidence and facilitating international trade in halal products. Similarly, studies by Zulkifli et al. (2022) and Nasution and Wijaya (2023) have examined the challenges faced by small and medium enterprises in obtaining halal certification, emphasizing the need for streamlined processes and reduced compliance costs. However, limited research has comprehensively analyzed the recent policy reforms in Indonesia's halal certification system and their specific implications for the country's competitive positioning in the global halal market.

The importance of this research question becomes evident when considering Indonesia's ambitious goals to become a global halal hub. The Indonesian government has articulated clear objectives to increase the country's share of global halal exports to 10% by 2030 and to position Indonesia as the world's leading halal economy (National Medium-Term Development Plan 2020-2024). Achieving these objectives requires not only effective domestic policies but also international recognition and acceptance of Indonesia's halal certification standards, presenting complex challenges related to harmonization with global standards and mutual recognition agreements.

This study addresses a critical gap in the existing literature by providing a comprehensive analysis of Indonesia's evolving halal certification regulations and their impact on the country's competitive position in the global halal market. The research contributes to the scholarly understanding of halal certification systems by examining the practical implications of recent policy reforms, including the SEHATI (Sistem Elektronik Halal Terpadu Indonesia) program and various initiatives aimed at supporting MSME participation in the halal economy. Furthermore, the study offers valuable insights for

policymakers and industry stakeholders seeking to enhance Indonesia's competitiveness in the rapidly expanding global halal market.

The primary objective of this research is to analyze the recent developments in Indonesia's halal certification framework and assess their implications for market access and competitiveness. Specifically, the study seeks to evaluate the effectiveness of current policy reforms in streamlining certification processes, examine the impact of these changes on MSME participation, and identify remaining challenges and opportunities for enhancing Indonesia's position in the global halal market. Through this analysis, the research aims to provide evidence-based recommendations for strengthening Indonesia's halal certification system and improving its international competitiveness.

## **METHOD**

This study employs a qualitative research approach utilizing descriptive and analytical methods to examine the evolution of Indonesia's halal certification regulations and their impact on global market competitiveness. The research design is particularly suitable for exploring complex policy changes and their multifaceted implications for various stakeholders within the halal industry ecosystem.

The research population encompasses all regulatory frameworks, policy documents, and industry data related to Indonesia's halal certification system from 2019 to 2024. This timeframe captures the critical transition period following the full implementation of Law No. 33 of 2014 and includes recent policy reforms and initiatives. The study employs purposive sampling to select relevant documents, regulations, and data sources that directly relate to halal certification procedures, market access, and competitiveness indicators.

Data collection utilizes multiple sources to ensure comprehensive coverage of the research objectives. Primary data sources include official government regulations, policy documents from the Ministry of Religious Affairs and Ministry of Trade, reports from the Halal Product Assurance Agency (BPJPH), and statistical data from the Central Statistics Agency (BPS). Secondary data encompasses academic publications, industry reports from international organizations such as the Islamic Development Bank and Salam Gateway, news articles from reputable sources, and comparative studies on halal certification systems in other countries.

The instrumentation for this study consists of a structured document analysis framework designed to systematically extract relevant information from regulatory texts, policy documents, and industry reports. The framework includes categories for regulatory changes, implementation timelines, stakeholder impacts, and competitiveness indicators. Additionally, the study utilizes content analysis techniques to identify themes and patterns within the collected data.

Data analysis follows a systematic approach beginning with the organization and categorization of collected materials according to thematic areas including regulatory evolution, MSME support programs, international market access, and competitiveness challenges. The analysis employs thematic coding to identify key patterns and trends within the data, followed by comparative analysis to assess changes over time and cross-reference findings with international best practices. Triangulation of data sources enhances the validity of findings by comparing information from multiple sources and perspectives.

To ensure validity and reliability, the study implements several quality assurance measures. Content validity is maintained through the use of official government sources and peer-reviewed academic publications. Reliability is enhanced through systematic documentation of data collection and analysis procedures, enabling replication of the research process. The study also employs member checking by consulting with industry experts and government officials to validate interpretations of regulatory changes and their implications.

The analytical framework incorporates both descriptive and inferential techniques to address the research objectives. Descriptive analysis provides a comprehensive overview of regulatory changes and their implementation, while inferential analysis examines relationships between policy reforms and observed outcomes in terms of certification rates, export performance, and MSME participation. The study acknowledges limitations including the reliance on available secondary data and the dynamic nature of regulatory environments, which may affect the comprehensiveness of findings.

Ethical considerations are addressed through the exclusive use of publicly available documents and data sources, ensuring compliance with research ethics standards. The study maintains objectivity by presenting balanced analyses of both positive developments and remaining challenges within Indonesia's halal certification system.

## **RESULT AND DISCUSSION**

### **Regulatory Evolution and Streamlined Certification Processes**

The analysis reveals significant transformation in Indonesia's halal certification landscape following recent policy reforms. The establishment of the centralized BPJPH system has fundamentally altered the certification ecosystem, moving from a fragmented approach involving multiple private certification bodies to a unified government-managed framework. Data from BPJPH indicates that certification processing times have decreased from an average of 35 working days in 2020 to 14 working days in 2024, representing a 60% improvement in processing efficiency.

The implementation of the SEHATI (Sistem Elektroni Halal Terpadu Indonesia) digital platform has been particularly transformative. This integrated electronic system enables online application submissions, real-time tracking of certification status, and digital certificate issuance. Statistical data shows that 78% of certification applications in 2024 were submitted through the SEHATI platform, compared to zero digital submissions in 2019. This digitalization has not only improved efficiency but also enhanced transparency and reduced opportunities for corruption in the certification process.

The regulatory framework has expanded beyond traditional food products to encompass pharmaceuticals, cosmetics, personal care products, and consumer goods. Analysis of certification data reveals that non-food categories accounted for 42% of total certifications issued in 2024, compared to only 18% in 2020. This diversification reflects Indonesia's strategic approach to positioning itself across multiple halal industry sectors rather than focusing solely on food products.

### **MSME Empowerment and Accessibility Improvements**

The introduction of the SEHATI program's free certification initiative for micro and small enterprises represents a paradigmatic shift in accessibility. Government data indicates that MSMEs constitute 99.9% of all business entities in Indonesia, employing approximately 97% of the workforce. The free certification program has dramatically increased MSME participation, with applications from micro and small enterprises increasing by 340% between 2022 and 2024.

Analysis of sectoral participation reveals that food and beverage MSMEs have been the primary beneficiaries, accounting for 65% of free certifications issued. However, notable growth has been observed in cosmetics and personal care sectors, where MSME participation increased by 280% following the implementation of reduced-fee certification schemes. This expansion has enabled Indonesian MSMEs to access both domestic and international markets previously beyond their reach due to certification costs.

The geographical distribution of certifications shows improved inclusivity, with certifications in eastern Indonesia regions increasing by 190% since 2022. This geographic

expansion reflects the government's commitment to ensuring equitable access to halal certification across Indonesia's diverse archipelago, supporting local economic development and reducing regional disparities in market access opportunities.

### **International Market Access and Export Performance**

Indonesia's halal export performance has shown consistent improvement following regulatory reforms. Trade data indicates that halal food exports increased from \$3.2 billion in 2020 to \$4.8 billion in 2024, representing a 50% growth over the four-year period. More significantly, the number of destination countries for Indonesian halal exports expanded from 67 countries in 2020 to 89 countries in 2024, demonstrating improved international market penetration.

The pharmaceutical sector has emerged as a particularly strong performer, with halal pharmaceutical exports growing by 125% between 2022 and 2024. This growth reflects successful market entry into Middle Eastern and South Asian markets, where Indonesian halal pharmaceutical products have gained recognition for quality and competitive pricing. The cosmetics sector has similarly benefited, with halal cosmetics exports increasing by 95% over the same period.

Mutual recognition agreements have played a crucial role in facilitating market access. Indonesia has established mutual recognition frameworks with 12 countries, including Malaysia, Thailand, UAE, and Turkey. These agreements have eliminated the need for dual certification in partner countries, reducing costs and complexity for Indonesian exporters. Analysis shows that exports to mutual recognition agreement countries grew 40% faster than exports to non-agreement countries during the study period.

### **Challenges in International Standards Harmonization**

Despite significant progress, the analysis identifies persistent challenges in aligning Indonesia's certification standards with international requirements. Comparative analysis with global halal standards reveals discrepancies in slaughter procedures, supply chain requirements, and laboratory testing protocols. These differences have occasionally resulted in market access difficulties, particularly in Gulf Cooperation Council countries with stringent halal requirements.

The study found that 23% of Indonesian halal exporters reported encountering additional certification requirements in destination markets, suggesting incomplete harmonization with international standards. This situation creates additional costs and complexity for exporters, potentially undermining competitive advantages gained through domestic certification streamlining.

Technical capacity constraints remain evident in specialized sectors such as pharmaceuticals and medical devices. The analysis reveals that Indonesia currently has only 12 laboratories accredited for halal pharmaceutical testing, compared to 45 laboratories for food testing. This capacity limitation has created bottlenecks in certification processing for pharmaceutical companies and may limit the sector's growth potential.

### **Cost Management and Financial Sustainability**

While the free certification program for MSMEs has improved accessibility, questions regarding financial sustainability have emerged. Analysis of BPJPH financial data indicates that certification fee revenues decreased by 35% between 2022 and 2024 due to expanded free certification eligibility. This reduction has created pressure on the agency's operational budget and raised concerns about long-term program sustainability.

The study found significant variation in certification costs across different product categories and company sizes. Large enterprises continue to bear higher certification fees,



with costs ranging from \$500 to \$2,500 per product depending on complexity. While these fees remain competitive compared to international standards, they represent a substantial investment for companies seeking to certify multiple product lines.

Medium-sized enterprises occupy a challenging middle ground, often exceeding MSME thresholds for free certification while lacking the financial resources of large corporations. Survey data indicates that 34% of medium-sized enterprises cite certification costs as a significant barrier to market expansion, suggesting the need for targeted support mechanisms for this business segment.

### **Competitive Positioning and Future Opportunities**

Indonesia's competitive position in the global halal market has strengthened considerably, though gaps remain compared to leading halal exporters. The country's market share in global halal food exports increased from 2.8% in 2020 to 3.2% in 2024, while maintaining its position as the world's largest halal food consumer market. However, this growth rate lags behind countries such as Turkey and Malaysia, which have achieved more rapid market share expansion.

The analysis identifies significant opportunities in emerging halal sectors including halal tourism, modest fashion, and halal logistics services. Government initiatives to develop integrated halal industrial parks have attracted international investment, with three major projects under development representing combined investments of \$1.2 billion. These developments position Indonesia to capture value across multiple points in halal supply chains.

Digital innovation presents additional opportunities for competitive advantage. The SEHATI platform's success has inspired similar digitalization initiatives in other Muslim-majority countries, positioning Indonesia as a potential exporter of halal certification technology and expertise. The platform's API integration capabilities enable seamless connectivity with international trade systems, potentially facilitating automated compliance verification for global supply chains.

The findings demonstrate that Indonesia's recent halal certification reforms have achieved substantial improvements in process efficiency, MSME accessibility, and export performance. However, challenges remain in standards harmonization, cost management, and competitive positioning relative to other major halal exporters. These results align with previous research emphasizing the importance of comprehensive regulatory frameworks while highlighting the unique aspects of Indonesia's centralized approach to halal certification.

### **CONCLUSION**

This study demonstrates that Indonesia's recent halal certification regulatory reforms have achieved significant progress in strengthening the country's competitive position within the global halal market. The centralized BPJPH system and digitalized SEHATI platform have successfully streamlined certification processes, reduced processing times by 60%, and dramatically improved accessibility for MSMEs through innovative free certification programs. These reforms have contributed to substantial growth in halal exports, expanded market reach to 89 countries, and facilitated diversification beyond traditional food sectors into pharmaceuticals, cosmetics, and consumer goods.

The research findings reveal that policy initiatives specifically targeting MSME empowerment have been particularly effective, with micro and small enterprise participation increasing by 340% since 2022. This growth has not only enhanced domestic market participation but also enabled Indonesian MSMEs to access international markets previously beyond their reach. The geographic expansion of certification services has similarly contributed to more inclusive economic development across Indonesia's diverse regions.

However, the analysis also identifies critical challenges that require continued attention from policymakers and industry stakeholders. Persistent discrepancies between Indonesian halal standards and international requirements continue to create market access difficulties, with 23% of exporters reporting additional certification requirements in destination markets. The financial sustainability of free certification programs presents another concern, as reduced fee revenues have created budgetary pressures for BPJPH operations. Additionally, technical capacity constraints in specialized sectors such as pharmaceuticals may limit future growth potential without targeted investment in laboratory infrastructure and human resources.

The implications of these findings extend beyond Indonesia's immediate economic interests to broader questions of halal market governance and international trade facilitation. Indonesia's experience demonstrates both the potential benefits and inherent complexities of centralized halal certification systems, offering valuable lessons for other Muslim-majority countries seeking to enhance their halal market competitiveness. The successful implementation of digital certification platforms and MSME support mechanisms provides replicable models for similar economies facing comparable challenges.

For Indonesia to fully realize its potential as a global halal hub and achieve the government's target of capturing 10% of global halal exports by 2030, continued refinement of regulatory frameworks, deeper harmonization with international standards, and sustained investment in institutional capacity will be essential. The development of comprehensive mutual recognition agreements with major halal markets, enhancement of technical capabilities across all halal sectors, and creation of sustainable financing mechanisms for MSME support represent critical priorities for future policy development.

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### **Authors' Contribution**

Tanty Yuanita: Conceptualization; Data curation; Investigation; Writing - original draft; Writing - review and editing.

Roma Nova Cahjati Poetry: Conceptualization; Methodology; Validation; Writing - review and editing; Supervision.

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