

DIFFERENTIATED CHALLENGES, SHARED OBLIGATIONS: NAVIGATING HALAL CERTIFICATION AND FOOD SECURITY IN MALAYSIA AND INDONESIA

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ABSTRACT

Halal certification serves as a critical mechanism for strengthening food systems, particularly within Muslim-majority nations where religious compliance intersects with public health and economic development. This study examines how Malaysia and Indonesia, despite sharing Islamic foundations, navigate distinct pathways in implementing Halal certification among Small and Medium-sized Enterprises (SMEs) while addressing divergent national food priorities. Indonesia continues addressing fundamental food insecurity challenges where access, affordability, and availability remain paramount concerns, while Malaysia has transitioned toward managing nutrition security by focusing on food quality and health value optimization. Employing the Strategy Management Policy Outcome (SMPO) framework, this comparative analysis synthesizes secondary data from regulatory documents, academic literature, and policy reports to explore how national food priorities influence certification practices. The research reveals that Malaysia's JAKIM-administered MS1500:2019 standard, though globally respected, creates substantial managerial challenges for SMEs through cost burdens, procedural complexity, and audit requirements. Conversely, Indonesia's BPJPH framework offers greater accessibility through extended validity periods and simplified requirements yet face implementation challenges due to the nation's scale, decentralized governance structures, and predominance of informal SMEs. Findings demonstrate that while both nations maintain commitment to Halal integrity, their strategic orientations and institutional realities differ

significantly. Malaysia's policy environment emphasizes export-driven, quality-centric Halal assurance, whereas Indonesia's evolving system prioritizes inclusivity and national coverage. The SMPO analytical lens underscores the necessity for context-sensitive support systems enabling SMEs in both countries to contribute meaningfully to their respective food or nutrition security agendas. This research contributes to Halal governance discourse by linking certification challenges with broader developmental outcomes, offering insights for policymakers and Halal authorities to tailor SME support strategies aligned with national priorities.

Keywords: *Halal Certification, Small and Medium Enterprises, Food Security, Nutrition Security, SMPO Framework*

1. INTRODUCTION

The global Halal economy has emerged as a transformative force within Muslim-majority countries, driven by increasing demand for Halal-certified products that satisfy not only religious obligations but also contemporary consumer expectations regarding hygiene, ethics, and safety (Talib, Ali, & Jamaludin, 2016; Thomson Reuters, 2020). Within this evolving landscape, *ḥalāl* certification transcends its traditional religious symbolism to function as a comprehensive regulatory mechanism with profound implications for public health, market access, and national development trajectories, serving both the letter and spirit of Islamic law (*shari'ah*) (Daud et al., 2023; Nuryakin et. al, 2024).

Contemporary discourse on food systems increasingly distinguishes between food security and nutrition security, as both concepts address different but interconnected development concerns. Food insecurity refers to inadequate access to sufficient, safe, and nutritious food, which may impair physical development, cognitive functioning, and long term health outcomes, particularly among vulnerable groups such as children and pregnant women (FAO, 2023). Nutrition insecurity, by contrast, arises when food is available but lacks balance, diversity, or nutritional quality, thereby contributing to obesity, diabetes, and other non communicable diseases. In both cases, the effects extend beyond individual well being because they also undermine national productivity, increase healthcare expenditure, and widen socio economic inequality (MOH Malaysia, 2021; WHO, 2022). This distinction is important because it allows a more nuanced understanding of how Muslim majority countries experience food related challenges in different ways.

This distinction is especially relevant in Southeast Asia's Muslim majority context. Indonesia continues to face food insecurity in several rural and

marginalised areas where access, affordability, and availability remain urgent concerns (World Food Programme, 2023). Malaysia, however, faces a different challenge. Although food is generally available, the country is increasingly burdened by nutrition related problems, including overconsumption, imbalanced diets, and the growing prevalence of lifestyle diseases. Masood and Abdul Rahim (2022) highlight that Malaysia is experiencing a double burden of malnutrition, where undernourishment persists among vulnerable groups while obesity and diet related illness continue to rise among other segments of society. This suggests that Malaysia's concern is no longer limited to food availability alone, but increasingly involves whether the food consumed is wholesome, balanced, and aligned with the broader spirit of *halalan tayyiban*.

Within this context, the role of Small and Medium sized Enterprises (SMEs) becomes especially significant. In Malaysia, SMEs make up more than 97 per cent of all business establishments and contribute substantially to domestic food production and distribution (SME Corp Malaysia, 2022). Yet, less than 10 per cent of Halal certified companies are SMEs, with certification still dominated by larger firms that possess stronger financial, technical, and administrative capabilities (Yusof et al., 2021). This imbalance is important because SMEs are deeply embedded in the everyday food environment of ordinary consumers. When a large proportion of SMEs remain outside the formal Halal certification system, the broader capacity of Halal governance to shape food hygiene, sourcing practices, process control, and the provision of wholesome food becomes constrained. In this sense, Malaysia's double burden of malnutrition should not be viewed solely as a public health issue. It must also be understood as a food governance issue, where the limited participation of SMEs in Halal certification weakens the ability of the national food system to support both religious assurance and nutrition security at the same time

Indonesia presents similar patterns where SMEs comprise 99.9% of all businesses and provide over 97% of total employment (Ministry of Cooperatives and SMEs, 2021). Despite Law No. 33/2014 implementation and BPJPH establishment, substantial portions of food-producing SMEs, particularly within rural and informal sectors, remain uncertified due to limited awareness, administrative capacity, and institutional reach (Nurhayati & Hati, 2019). These gaps threaten broader objectives of ensuring Halal integrity and equitable food access for Indonesia's 277 million citizens.

Addressing these challenges transcends mere industry regulation, representing a strategic imperative with long-term implications for population health, religious governance, and socio-economic resilience (Masood, A., & Mohd Soffian Lee, (2024). In an era of escalating food-related health crises, equipping SMEs to deliver *halāl*-certified, nutritious food serves both public good

(*maṣlahah*) and religious trust (*amānah*). While Malaysia and Indonesia share religious obligations to promote *ḥalāl* assurance, their challenges differ significantly, shaped by contrasting national priorities: Malaysia emphasizes nutrition security while Indonesia addresses fundamental food insecurity concerns.

To explore this dynamic comprehensively, this study adopts the Strategy Management Policy Outcome (SMPO) framework, providing a structured yet flexible analytical lens for examining how Halal certification is conceptualized strategically, executed managerially, institutionalized through policy, and translated into broader societal outcomes. Compared to technical or innovation-based models such as the Technology-Organization-Environment framework, SMPO proves better suited for analyzing policy-driven issues involving regulatory institutions, SME capabilities, and national food priorities. By mapping strategic intentions of Halal certification against managerial realities and policy constraints, the framework enables context-sensitive comparison of Malaysia and Indonesia as nations united by faith yet navigating divergent socio-economic trajectories.

This research, grounded in secondary data analysis, investigates how national priorities, institutional structures, and SME capacities shape the Halal ecosystem's capacity to support food system resilience. The investigation proceeds through comprehensive literature review, methodological exposition, findings presentation, analytical discussion, and policy recommendations formulation.

2. LITERATURE REVIEW

2.1 *Halal Certification Frameworks: Comparative Regulatory Landscapes*

2.1.1 *Malaysia's JAKIM System: Centralized Excellence with Implementation Challenges*

Malaysia's Halal certification operates under the Department of Islamic Development Malaysia (JAKIM), functioning within the Prime Minister's Department purview. JAKIM administers a highly centralized and structured certification system guided by the MS1500:2019 standard, which establishes specific requirements for Halal food production encompassing sourcing, processing, hygiene, packaging, logistics, and storage protocols.

The certification process initiates through online applications via the Malaysia

Halal Management System (MyeHALAL), requiring comprehensive documentation including company profiles, business registration, Halal Assurance System manuals, ingredient listings with Halal certificates, product formulation charts, cleaning schedules, staff training evidence, and internal Halal Committee structures. Following documentation review, JAKIM or State Islamic Religious Departments conduct on-site audits encompassing premises inspection, sourcing assessment, Standard Operating Procedures verification, personnel interviews, and Halal Assurance System evaluation.

These audits assess both physical compliance and systemic integrity, documenting any non-compliance requiring rectification before certification approval. Upon successful audit completion and Halal Certification Panel approval, certificates are issued within 30 to 60 working days, depending on industry complexity and applicant readiness. Certificates maintain two-year validity requiring renewal applications and re-audits, with potential surveillance audits conducted without prior notice during certification periods.

While this rigorous process ensures high Halal integrity standards, it creates substantial challenges for SMEs lacking formal documentation systems, trained personnel, or digital infrastructure (Yusof et al., 2021; Zulfakar et al., 2019). The emphasis on procedural perfection, detailed documentation, formal HAS structures, and recurring audits imposes compliance burdens particularly challenging for smaller enterprises operating with limited resources and administrative capacity.

2.1.2 Indonesia's BPJPH System: Inclusive Access with Coordination Complexities

Indonesia's Halal certification system is governed under Law No. 33 of 2014 and administered by the Badan Penyelenggara Jaminan Produk Halal (BPJPH) under the Ministry of Religious Affairs. The system replaced the earlier model led solely by the Indonesian Ulema Council and was introduced to widen certification access while preserving religious legitimacy through institutional collaboration. In contrast to Malaysia's more centralized structure, Indonesia adopts a broader governance arrangement that combines state administration with religious oversight, reflecting its effort to build a more inclusive national Halal assurance system.

The certification process is conducted through the SIHALAL platform, where businesses submit the required administrative and product related documents. A distinguishing feature of the Indonesian model is the involvement of Halal Inspection Bodies (Lembaga Pemeriksa Halal or LPH), which are licensed institutions authorized to conduct audits before the findings are forwarded to the Indonesian Ulema Council's Fatwa Commission for Halal determination. BPJPH then finalizes the process and issues the certificate. This arrangement improves institutional reach and access, particularly for a large and diverse business landscape, but it also introduces coordination challenges across agencies, regions, and levels of implementation (Huda et al., 2020; Nurhayati & Hati, 2019).

Following fatwa issuance, BPJPH finalizes certification and issues Halal labels valid for up to four years, exceeding Malaysia's two-year cycle. This decentralized and collaborative model faces challenges regarding consistency, inter-agency coordination, and access among rural and informal SMEs (Huda et al., 2020; Nurhayati & Hati, 2019).

A significant differentiator involves BPJPH's allowance for small businesses to self-declare Halal status under the "Sertifikasi Halal Gratis (Sehati)" program, particularly for microenterprises. This flexibility represents an inclusive measure, though critics argue potential dilution of Halal assurance robustness without sufficient audit capacity or religious oversight (Ministry of Religious Affairs, 2022).

Indonesia's Halal certification framework operates under Law No. 33 of 2014 on Halal Product Assurance (JPH), administered by the Halal Product Assurance Organizing Agency (BPJPH) under the Ministry of Religious Affairs. This institutional reform marked a critical shift from the previous system managed solely by the Indonesian Ulema Council (MUI) toward a more transparent and inclusive governance structure. The transformation reflects the state's intention to broaden certification accessibility, enhance public accountability, and institutionalize religious oversight through a dual-agency collaboration combining regulatory authority and religious legitimacy.

The certification process is conducted through the SIHALAL digital platform, designed to streamline administrative procedures and improve transparency. Applicants are required to submit business licenses, company profiles, product and ingredient lists, supplier declarations, formulation charts, and internal

monitoring documentation. A distinctive feature of Indonesia's model lies in the role of Halal Inspection Bodies (Lembaga Pemeriksa Halal – LPH), which are licensed independent institutions—often affiliated with Islamic universities, research institutes, or civil society organizations—authorized to conduct on-site Halal audits. The audit reports are then submitted to MUI's Fatwa Commission for religious assessment and Halal determination, after which BPJPH finalizes the certification and issues a Halal label valid for up to four years, exceeding Malaysia's two-year renewal cycle.

Despite its decentralized and collaborative design, implementation challenges remain significant. As highlighted by Sugianto (2024). (2024), the system faces persistent issues of institutional asymmetry, limited auditor capacity, and uneven distribution of LPH across regions, particularly in eastern Indonesia. Coordination gaps among BPJPH, MUI, and local authorities further constrain efficiency, while limited digital literacy and awareness among micro, small, and medium enterprises (MSMEs) hinder participation. To address these barriers, the government introduced the “Sertifikasi Halal Gratis (Sehati)” program, enabling microenterprises to self-declare their Halal status. While this represents an inclusive and democratizing policy innovation, scholars have expressed concern that the self-declaration mechanism may dilute the robustness of Halal assurance if not supported by sufficient audit capacity, technological monitoring, and post-certification supervision (Huda et al., 2020; Nurhayati & Hati, 2019).

In line with KNEKS's strategic direction, Indonesia is now advancing toward a technology-driven Halal ecosystem, emphasizing Halal traceability, digital integration, and industrial innovation. The incorporation of *blockchain*, *Internet of Things (IoT)*, and *big data analytics* into the SIHALAL system aims to enhance transparency, efficiency, and real-time compliance monitoring. This technological transformation aligns with the broader objectives of *maqāsid al-sharī'ah*—ensuring *ḥifẓ al-dīn* (protection of faith) through certified Halal assurance, *ḥifẓ al-nafs* (protection of life) through safety and *ṭayyib* (wholesome) standards, and *ḥifẓ al-māl* (protection of wealth) through the empowerment of MSMEs and the development of a globally competitive Halal industry. Consequently, Indonesia's Halal certification policy is evolving beyond a mere regulatory mechanism into an integrated, inclusive, and innovation-oriented Halal industrial ecosystem, positioning the nation toward its vision of becoming a global Halal hub by 2045 (Sugianto, 2024).

2.2 SME Participation Challenges and Institutional Readiness

Small and Medium-sized Enterprises constitute the economic foundation of both Malaysia and Indonesia, particularly within food production and distribution sectors. While their participation in Halal ecosystems is acknowledged as vital, especially given their proximity to local communities and informal markets, their representation in formal Halal certification remains disproportionately low. This gap stems not from disinterest but from structural and institutional challenges impeding inclusion into formal Halal assurance frameworks (Ab Talib & Chin, 2018; Norazmi et al., 2020).

2.2.1 Financial and Operational Barriers

SMEs in both countries encounter complex combinations of financial, operational, and informational barriers. In Malaysia, costs associated with obtaining and maintaining Halal certification, including application fees, consultancy charges, system upgrades, and staff training, often prove prohibitive for small operators (Yusof et al., 2021; Zulfakar et al., 2019). Requirements to source exclusively from Halal-certified suppliers create additional logistical hurdles, particularly for SMEs relying on niche, artisanal, or imported ingredients lacking existing certification.

Operationally, many SMEs lack dedicated Halal personnel or internal Halal committees required under Malaysia's Halal Assurance System. Basic record-keeping and traceability protocols remain absent in microenterprises, complicating compliance with audit requirements (Talib & Ali, 2009). In Indonesia, despite BPJPH's more flexible certification model through SEHATI, challenges persist. Many SMEs operate informally without legal registration, a prerequisite for certification. Additionally, awareness of Halal procedures, documentation practices, and certification commercial value often remains low, particularly outside urban centers (Huda et al., 2020; Ali & Muslim, 2021).

2.2.2 Institutional and Governance Challenges

Institutional readiness appears unevenly distributed across both nations. Malaysia maintains a centralized Halal governance ecosystem coordinated by JAKIM, Halal Development Corporation, and SME Corp, yet limited cross-agency integration and inadequate outreach to underserved SME

segments persist. Efforts including the Halal Industry Master Plan 2030 encompass SME empowerment, yet implementation often favors export-oriented sectors while neglecting small domestic players (HDC, 2021). Indonesia's BPJPH model permits greater flexibility through multiple Halal Inspection Bodies and religious collaboration with MUI. However, the country's scale and provincial governance disparities result in inconsistent SME outreach. In some regions, LPHs remain unavailable in remote areas, causing certification delays or excessive reliance on urban-centric religious institutions (Nurhayati & Hati, 2019).

2.3 Food Security versus Nutrition Security: National Priority Divergences

Contemporary food systems require evaluation beyond caloric delivery capacity to encompass long-term well-being, equity, and sustainability promotion. While "food security" and "nutrition security" are often used interchangeably, they represent distinct yet interconnected challenges. The Food and Agriculture Organization defines food security as existing "when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs" (FAO, 2023). Nutrition security extends beyond availability to encompass food quality, diversity, and bodily nutrient absorption capacity essential for preventing undernutrition, obesity, and non-communicable diseases (Fanzo et al., 2021).

Table 1. Predominant concerns in Malaysia and Indonesia

Country	Predominant Concern	Key Impacts	Halal Certification Opportunity
Indonesia	Food insecurity	Stunting, poor rural access, inequality	Expand Halal to rural SMEs for food equity and trust
Malaysia	Nutrition insecurity	Obesity, non-communicable diseases (NCD), health expenditure	Reframe Halal around <i>tayyiban</i> nutrition and food literacy

2.3.1 Indonesia's Food Insecurity Context

Indonesia experiences acute and chronic food insecurity forms, particularly within rural and remote regions including Papua, Nusa Tenggara

Timur, and Maluku. World Food Programme (2023) estimates indicate over 8.3 million Indonesians suffer from undernourishment, with child stunting rates exceeding 30% in certain provinces. These issues connect to poverty, infrastructure deficiencies, and inconsistent food distribution systems. Research by Arif et al. (2020) identifies climate shocks, including floods and droughts, disproportionately affecting subsistence farmers while limiting food production and access.

Socio-economic implications prove significant, with malnutrition reducing educational attainment, weakening immune systems, and undermining future labor productivity (Kurniawan et al., 2019). Macroeconomically, poor nutrition costs nations up to 11% of GDP annually through lost productivity and increased healthcare expenditure (Galasso & Wagstaff, 2019). For Indonesia, achieving Sustainable Development Goal 2 (Zero Hunger) and reducing persistent inequality requires robust food governance and improved Halal food assurance mechanisms extending beyond urban centres. The socio-economic implications of malnutrition are highly significant, as undernutrition has been shown to reduce educational attainment, weaken immune systems, and decrease future labor productivity (Kurniawan et al., 2019, Anggraini et al., 2024)

At the macroeconomic level, malnutrition can lead to losses of up to 11% of Gross Domestic Product (GDP) annually due to reduced productivity and higher healthcare costs (Galasso & Wagstaff, 2019). In Indonesia, these challenges are further compounded by structural disparities between urban and rural areas, where access to nutritious, affordable, and Halal-certified food remains limited. According to the National Committee for Islamic Economy and Finance (Sugianto, 2024), achieving Sustainable Development Goal (SDG) 2 – Zero Hunger, and reducing persistent socio-economic inequality require a comprehensive Halal food governance system capable of integrating food security with Halal integrity. KNEKS emphasizes that Halal assurance should not be confined merely to ritual compliance but must also encompass the *ṭayyib* dimension ensuring that food is safe, nutritious, and produced through ethical and sustainable practices.

Strengthening the Halal food ecosystem, therefore, necessitates enhanced traceability, transparency, and technological integration across the food supply chain through innovations. Furthermore, expanding Halal certification to rural-based micro, small, and medium enterprises (MSMEs) and agricultural

cooperatives represents a crucial step toward broadening access and fostering inclusive economic growth.

2.3.2 Malaysia's Nutrition Insecurity Challenge

Malaysia confronts challenges of excess and imbalance rather than scarcity. Despite achieving food security by global benchmarks, Malaysia experiences growing obesity, diabetes, and micronutrient deficiency rates. The National Health and Morbidity Survey (NHMS) 2019 indicates nearly 50% of adults are overweight or obese, while one in five children under five experiences stunting, depicting paradoxical overconsumption and undernutrition within identical households.

Malaysia's rising Non-Communicable Disease rates directly correlate with dietary shifts from traditional, nutrient-rich meals to convenient, calorie-dense options offered by fast food outlets, many Halal-certified but not necessarily *tayyiban* or healthy. This "double burden" of malnutrition represents not only health concerns but national economic liability. Prolonged poor nutrition leads to reduced cognitive capacity, lower academic performance, and increased public healthcare dependency (Cheah et al., 2021). The World Bank classifies Malaysia among countries at risk of long-term productivity decline without nutrition interventions integrated into food policy (World Bank, 2022).

2.4 Strategic Management and Policy Alignment in Halal Governance

Effective Halal governance requires strategic coherence across institutions, sectors, and development goals beyond regulatory enforcement. In Malaysia and Indonesia, Halal certification has evolved from religious prerogative to national policy instrument tied to economic competitiveness, health outcomes, and international reputation. However, the degree of strategic, management capacity, and policy design alignment, particularly regarding SME inclusion and food system resilience, differs significantly between nations.

2.4.1 Malaysia's Strategic Economic and Health Integration

Malaysia has positioned itself as a global Halal governance leader through strategic planning dating from the Halal Industry Master Plan (HIMP) 2008-2020 to HIMP 2030, aiming for global Halal hub status. These blueprints

integrate Halal certification into national economic agendas, particularly under the Ministry of International Trade and Industry, collaborating with the Halal Development Corporation and JAKIM. The strategy emphasizes export-oriented growth, value-added manufacturing, and digital transformation of Halal compliance systems (HDC, 2021).

However, scholars argue this focus often marginalizes domestic SMEs lacking capacity or intent to export yet playing key roles in everyday food access (Norazmi et al., 2020). While Malaysia's Halal certification benefits from structured policies and technical expertise, procedural perfection emphasis creates compliance burdens on smaller enterprises. Malaysia has attempted aligning Halal governance with public health policy through the National Plan of Action for Nutrition (NPANM III) and National Strategic Plan for Non-Communicable Diseases (NSP-NCD). Yet, Halal assurance remains disconnected from nutrition indicators, permitting high sugar or fat products to receive Halal certification while raising questions about absent *tayyiban* considerations within certification regimes (Masood & Abdul Rahim, 2022).

2.4.2 Indonesia's Religious Assurance and Access Strategy

Indonesia's Halal governance under Law No. 33/2014 represents a shift toward formalizing nationwide Halal certification. BPJPH creation within the Ministry of Religious Affairs intended expanding certification beyond urban elites while better integrating SMEs into religious compliance structures. BPJPH collaborates with the Indonesian Ulema Council and Halal Inspection Bodies networks to operationalize its mandate.

Strategically, Indonesia's Halal governance connects less to economic exports and more to inclusive religious assurance, providing Halal access to its 230+ million Muslim citizens. Programs like SEHATI for microenterprises and community-based outreach reflect this people-centered approach (Ali & Muslim, 2021).

Nevertheless, coordination remains challenging. With multiple agencies involved, from provincial governments to religious councils and inspection bodies, policy execution often fragments. Studies reveal inconsistencies in timelines, audit capacity, and follow-up monitoring, particularly within rural and island provinces (Huda et al., 2020). Moreover, strategic alignment with nutrition policy or food safety systems remains underdeveloped, creating gaps

in integrating Halal governance with broader socio-economic development.

Indonesia's Halal governance, as established under Law No. 33 of 2014 on Halal Product Assurance (JPH), signifies a major transformation toward the institutionalization of a nationwide Halal assurance system. The establishment of the Halal Product Assurance Organizing Agency (BPJPH) under the Ministry of Religious Affairs is intended to broaden access to Halal certification for all segments of society not only large urban-based industries but also micro, small, and medium enterprises (MSMEs) across the regions. This institutional reform represents a paradigm shift from a model centered on a single religious authority (the Indonesian Ulema Council, MUI) to a state-religious collaborative model that balances Shariah legitimacy with public accountability.

In practice, BPJPH works in close collaboration with the Indonesian Ulema Council (MUI) and a network of Halal Inspection Bodies (Lembaga Pemeriksa Halal – LPH), many of which are affiliated with Islamic universities, research institutions, and civil society organizations. This collaboration strengthens the functions of audit, fatwa, and Halal supervision within an integrated system. Strategically, Indonesia's Halal governance as emphasized in the Sugianto, (2024) framework focuses more on inclusive religious assurance and Halal food sovereignty rather than a mere export-oriented agenda. With a Muslim population exceeding 270 million people, national Halal policy aims to ensure that all citizens have access to safe, nutritious, and affordable Halal products, while simultaneously reinforcing national food security and the self-reliance of the domestic Halal industry (Ali & Muslim, 2021).

The Sertifikasi Halal Gratis (SEHATI) program for microenterprises, together with various community based initiatives, reflects a people centered and inclusive approach. Nevertheless, implementation challenges remain significant, particularly in relation to inter agency coordination, auditor capacity, and disparities in certification infrastructure across regions (Huda et al., 2020). Institutional fragmentation between the central government, local administrations, religious bodies, and Halal Inspection Bodies often weakens process efficiency and creates inconsistencies in monitoring and enforcement. In this regard, the technological direction promoted by Sugianto (2024) becomes especially relevant. The integration of digital systems such as blockchain, Internet of Things (IoT), and real time traceability tools could help reduce coordination gaps by strengthening data transparency, improving audit

trail visibility, and enabling more consistent information sharing among BPJPH, MUI, LPH, and local inspectors. Blockchain, for instance, may support immutable record keeping across the certification chain, while IoT based monitoring can enhance real time supervision of compliance practices, particularly in geographically dispersed areas. When supported by stronger institutional alignment, these technologies may help Indonesia move beyond fragmented implementation towards a more integrated Halal governance ecosystem that is both inclusive and credible.

2.5 Theoretical Framework: Strategy Management Policy Outcome (SMPO)

The relationship between Halal certification, SME readiness, national food policy, and socio economic outcomes is too complex to be understood through operational or technology adoption models alone. Although frameworks such as the Technology Organization Environment model and Institutional Theory have been widely applied in Halal studies, these approaches tend to focus more narrowly on adoption behaviour, organizational readiness, or regulatory compliance (Talib & Ali, 2009; Ab Talib & Chin, 2018). They are less effective in explaining how Halal certification is strategically positioned at the national level, managed across institutions and business actors, and ultimately translated into broader developmental outcomes. For this reason, the present study adopts the Strategy Management Policy Outcome (SMPO) framework as a more suitable lens for examining Halal governance in Malaysia and Indonesia.

This study adopts the Strategy Management Policy Outcome framework as a systems-oriented approach capturing upstream and downstream dimensions of Halal governance. Originally developed within strategic management and public policy disciplines (Bryson, Crosby, & Bloomberg, 2014), SMPO provides analytical lenses evaluating how high-level strategies influence internal management practices, filter through institutional policies, and eventually produce outcomes affecting citizens, businesses, and national priorities.

The Strategy dimension considers national visions and objectives behind Halal certification. Malaysia frames Halal as branding and trade strategy linked to global competitiveness and Islamic economic diplomacy (HDC, 2021). Indonesia's strategy roots in religious inclusivity and compliance, focusing on enabling Halal-certified product access for its majority Muslim population (Ali

& Muslim, 2021).

At the Management operational level, this refers to how SMEs manage Halal certification processes internally, including documentation, supplier management, internal Halal Committee formation, and staff training. While some large firms have institutionalized these processes through dedicated Halal departments, most SMEs struggle with resource limitations, capacity gaps, and poor digital integration (Norazmi et al., 2020; Zulfakar et al., 2019).

The Policy dimension assesses regulatory ecosystems including how certification standards are designed, enforced, and monitored. Malaysia's MS1500:2019 standard and JAKIM's centralized control offer consistency but often create SME entry barriers. Indonesia's BPJPH model provides more decentralization and inclusivity but suffers from coordination inconsistencies and rural province monitoring gaps (Huda et al., 2020).

The Outcome dimension evaluates societal effects of Halal certification beyond compliance rates to encompass food security, nutrition, public trust, and SME participation. This dimension requires alignment with Sustainable Development Goals and Maqasid Shariah principles. Certification must serve life preservation (*Hifz Al-Nafs*), intellect (*Hifz Al-'Aql*), and wealth (*Hifz Al-Mal*), not merely religious formalities (*Hifz Al-Din*). Without this alignment, Halal certification risks becoming bureaucratic checkbox rather than food system transformation driver (Arif & Sidek, 2015).

The SMPO framework can be integrated with the Maqasid al-Shariah to better reflect the Islamic epistemological foundations of Halal governance. At the strategic level, certification embodies *ḥifẓ al-dīn* through lawful assurance; at the management level, it protects *ḥifẓ al-māl* by ensuring economic integrity; at the policy level, it preserves *ḥifẓ al-'aql* through transparent knowledge systems; and at the outcome level, it safeguards *ḥifẓ al-nafs* and *ḥifẓ al-nasl* through nutrition, safety, and generational well-being. This alignment positions Halal certification not merely as administrative compliance but as an integrated governance model for sustainable Islamic development.

3. METHODOLOGY

This research employs a comparative secondary data analysis approach to examine Halal certification implementation in Malaysia and Indonesia through the Strategy Management Policy Outcome framework lens. The

methodology emphasizes comprehensive document synthesis and cross-national comparison to understand how different national contexts shape SME experiences with Halal certification systems.

3.1 *Research Design and Approach*

The study adopts a qualitative comparative analysis design (Mello, 2021) utilizing secondary data sources to explore complex policy interactions and institutional dynamics. This approach proves particularly suitable for examining how macro-level strategies translate into micro-level SME experiences across different national contexts. The comparative framework allows for identification of similarities and differences in how Malaysia and Indonesia approach Halal certification while addressing distinct food security challenges.

3.2 *Data Sources and Collection*

The study utilized a structured secondary data collection strategy to assemble a multi source evidence base relevant to Halal certification, SME participation, and food system priorities in Malaysia and Indonesia. Data were purposively drawn from five categories of documents: Government publications, academic literature, policy and regulatory documents, international institutional reports, and industry based reports. Government sources, including publications from JAKIM, BPJPH, relevant ministries, and national statistical agencies, were used to establish the formal regulatory and policy context. Peer reviewed journal articles, conference papers, and scholarly books were examined to identify conceptual debates and empirical findings related to Halal certification, SME readiness, and food or nutrition security. Policy documents, such as certification standards, strategic plans, implementation guidelines, and legal instruments, were analysed to capture the institutional architecture governing Halal certification in both countries. To strengthen contextual comparison, the study also incorporated selected reports from international organizations, including the World Food Programme, Food and Agriculture Organization, and World Bank, as well as industry reports that provided supplementary insights into market conditions, implementation trends, and SME engagement.

3.3 *Analytical and Comparative Procedure*

The collected documents were analysed using the **Strategy Management Policy Outcome (SMPO)** framework to guide coding and cross national comparison. Data were organized into four analytical dimensions, namely **strategy, management, policy, and outcome**, and then examined

across the two country cases to identify points of convergence and divergence in Halal certification governance. The comparison focused on how institutional structure, SME readiness, regulatory design, and national food priorities shaped implementation in **Malaysia and Indonesia**. This procedure enabled a systematic interpretation of the relationship between Halal certification, SME participation, and broader food or nutrition security concerns within each national context.

3.4 *Limitations and Scope*

This research acknowledges limitations inherent in secondary data analysis, including potential data gaps, varying methodological approaches across source materials, and temporal differences in data collection periods. The study scope focuses specifically on SME experiences with Halal certification systems rather than examining large corporation perspectives or international trade implications. Geographic scope encompasses Malaysia and Indonesia while acknowledging that findings may have limited generalizability to other Muslim-majority countries with different institutional contexts.

4. FINDINGS

4.1 *Strategic Orientations: Export Excellence versus Inclusive Access*

Analysis reveals fundamental differences in how Malaysia and Indonesia conceptualize Halal certification within their national development strategies. Malaysia's approach emphasizes global competitiveness and export market penetration, positioning Halal certification as a premium branding mechanism for international market access. The Halal Industry Master Plan 2030 explicitly targets making Malaysia a global Halal hub, with certification serving as a quality assurance mechanism for export-oriented businesses (HDC, 2021).

This strategic orientation manifests in rigorous standards development, international mutual recognition agreements, and emphasis on meeting global market expectations. However, this export-focused strategy often overlooks domestic SMEs serving local markets, creating a two-tiered system where international market participants receive priority attention and support.

Indonesia's strategic approach prioritizes inclusive religious assurance and national coverage, emphasizing certification accessibility for the domestic

Muslim population. The BPJPH framework explicitly aims to ensure all Indonesian Muslims have access to Halal-certified products, reflecting a more domestically oriented strategy (Ali & Muslim, 2021). This approach recognizes SMEs' crucial role in feeding the population and attempts to create pathways for their inclusion in formal Halal assurance systems.

Indonesia's strategic approach to Halal governance places inclusive religious assurance and nationwide coverage as top priorities, emphasizing the importance of accessible Halal certification for the entire domestic Muslim population (Ali & Muslim, 2021). The framework of the Halal Product Assurance Organizing Agency (BPJPH) is explicitly designed to ensure that every Muslim citizen in Indonesia can consume products guaranteed to be Halal, aligning with the National Committee for Islamic Economy and Finance (Sugianto, 2024) vision of positioning Indonesia as a global Halal industry hub grounded in equitable development and economic self-reliance of the Muslim community. This approach reflects a domestically oriented strategy, focusing not merely on exports but on ensuring fair distribution of Halal benefits down to the grassroots level. According to Sugianto (2024), more than 90% of business actors in Indonesia are micro, small, and medium enterprises (MSMEs), yet only a small fraction has obtained Halal certification. This condition highlights a significant access gap between the economic potential of the Muslim community and the implementation of the national Halal assurance system, underscoring the need for more inclusive, affordable, and capacity-building mechanisms to integrate MSMEs into Indonesia's formal Halal ecosystem.

4.2 Management Challenges: Resource Constraints and Operational Complexities

SMEs in both countries face substantial management challenges in implementing Halal certification requirements, though the nature and intensity of these challenges differ significantly. Malaysian SMEs encounter particularly demanding documentation requirements, including comprehensive Halal Assurance System development, detailed supplier verification, and formal internal committee establishment. These requirements often exceed SME administrative capacities and financial resources (Yusof et al., 2021).

The requirement for dedicated Halal personnel and ongoing training programs creates additional burden for SMEs operating with limited staff and resources. Many small businesses lack formal organizational structures necessary to

implement required management systems, creating barriers to certification access.

Indonesian SMEs face different but equally significant challenges related to informal business operations, limited institutional reach in rural areas, and varying levels of awareness about certification processes. While BPJPH's approach offers greater flexibility, many SMEs struggle with basic requirements such as business registration and formal documentation (Nurhayati & Hati, 2019).

4.3 Policy Implementation: Centralized Control versus Decentralized Coordination

The findings show that policy implementation differs markedly between Malaysia and Indonesia, particularly in the balance between regulatory control and certification accessibility. In Malaysia, Halal certification is administered through a highly centralized structure under JAKIM, which supports procedural consistency, standard uniformity, and strong institutional control. This centralized model strengthens the credibility of certification and facilitates quality assurance across the system. However, the same features may also create access barriers for SMEs, especially those with limited administrative capacity, financial resources, or formal internal systems. As a result, the Malaysian model demonstrates regulatory strength, but not always regulatory accessibility (HDC, 2021; Yusof et al., 2021).

In contrast, Indonesia adopts a more decentralized policy arrangement through BPJPH, in collaboration with MUI and multiple Halal Inspection Bodies (LPH). This structure enables broader institutional reach and creates greater opportunities for SME participation, particularly in a large and geographically dispersed country. At the same time, decentralization introduces coordination challenges across agencies, regions, and implementing actors. Differences in audit capacity, institutional readiness, and local enforcement conditions may affect the consistency of certification practices and the reliability of post certification monitoring. Thus, while Indonesia's model improves access, it also depends heavily on effective inter agency coordination and oversight to preserve system integrity (Huda et al., 2020; Nurhayati & Hati, 2019).

The SEHATI program further reflects Indonesia's policy commitment to inclusivity by allowing eligible microenterprises to enter the Halal assurance

system through a more accessible mechanism. This initiative is important in expanding formal participation among small businesses that may otherwise remain outside the certification framework. Nevertheless, its long term effectiveness depends on more than numerical participation alone. It also requires strong supervision, reliable monitoring, and consistent information sharing across BPJPH, MUI, LPH, and local authorities. In this regard, digital systems such as SIHALAL, together with wider technological tools discussed earlier, may help reduce institutional fragmentation by improving traceability, strengthening audit visibility, and supporting more coordinated implementation. Without such reinforcement, policy inclusiveness may expand faster than the institutional capacity required to sustain Halal assurance credibility (Sugianto, 2024; Huda et al., 2020).

4.4 Outcomes: Differential Impacts on Food System Resilience

Certification system outcomes differ significantly between the two countries, reflecting their distinct strategic orientations and implementation approaches. Malaysia achieves higher certification standards and international recognition but with limited SME participation, potentially compromising domestic food system Halal assurance. The emphasis on export quality may create gaps in local food system coverage where SMEs play crucial roles.

Indonesia's more inclusive approach potentially achieves broader population coverage but faces challenges in maintaining certification quality and religious oversight. The system's success in reaching rural and informal SMEs may improve food system Halal assurance breadth while potentially compromising depth and consistency.

A major finding of this study is that neither Malaysia nor Indonesia has yet integrated Halal certification in a meaningful way with broader food or nutrition security objectives. In both contexts, Halal certification continues to function primarily as a mechanism of religious compliance, market regulation, and institutional assurance, rather than as a coordinated policy tool for strengthening the quality, accessibility, and nutritional value of the food system. This disconnect represents a significant policy gap. In Malaysia, Halal governance remains largely separated from national responses to obesity, diet related illness, and the wider *tayyiban* agenda. In Indonesia, Halal certification expansion has not been fully aligned with food insecurity concerns, particularly in relation to rural access, affordability, and the inclusion of vulnerable

communities. As such, the missed integration of Halal certification with food and nutrition security is not merely an administrative limitation, but a strategic weakness that constrains the broader developmental contribution of Halal governance in both countries.

5. RESULTS & DISCUSSION

5.1 *SMPO Framework Application: Revealing System Dynamics*

The SMPO framework analysis reveals how strategic choices cascade through management practices and policy implementations to produce differential outcomes in Malaysia and Indonesia. The framework demonstrates that while both countries share commitment to Halal integrity, their strategic orientations create distinct pathways with different implications for SME inclusion and food system resilience. Malaysia's strategy-management-policy-outcome chain emphasizes excellence and international competitiveness but creates barriers for domestic SME participation. The rigorous management requirements and centralized policy implementation produce high-quality outcomes for participating businesses while potentially excluding many SMEs from formal Halal assurance systems.

Indonesia's chain prioritizes inclusivity and accessibility, creating more flexible management requirements and decentralized policy implementation. This approach potentially produces broader coverage outcomes but faces challenges in maintaining consistency and quality assurance across diverse implementation contexts.

5.2 *Contextual Factors Shaping System Performance*

The analysis identifies several contextual factors significantly influencing certification system performance in each country. Malaysia's higher economic development level and stronger institutional capacity enable more sophisticated certification systems but may create barriers for smaller businesses. The country's export orientation and international integration influence system design toward meeting global standards rather than local accessibility.

Indonesia's larger population, greater geographic diversity, and higher levels of informality in the business sector create different challenges and opportunities. The country's decentralized governance structure and strong religious institutional presence enable more flexible and locally adapted approaches but complicate coordination and quality assurance.

Food system characteristics also influence certification system design and performance. Malaysia's transition toward nutrition security concerns requires different policy responses than Indonesia's continued focus on basic food security and access issues.

5.3 *SME Inclusion Challenges: Beyond Technical Barriers*

The research reveals that SME inclusion challenges extend beyond technical certification requirements to encompass broader institutional and socio-economic factors. Financial constraints, while significant, represent only one dimension of a more complex challenge involving administrative capacity, institutional support, and strategic alignment.

In Malaysia, the emphasis on formal organizational structures and sophisticated management systems often conflicts with SME operational realities. Many small businesses operate through informal networks and traditional practices that, while potentially compliant with Halal principles, do not align with formal certification requirements.

Indonesia's challenges center more on institutional reach and coordination, with many SMEs operating outside formal economic structures entirely. The country's approach through programs like SEHATI and SIHALAL attempts to address these challenges but raises questions about long-term sustainability and religious oversight adequacy.

5.4 *Food Security Integration: Missed Opportunities*

Both countries demonstrate limited integration between Halal certification systems and broader food security or nutrition security objectives. This represents a significant missed opportunity for policy coherence and system optimization. Malaysia's focus on export quality could be enhanced through greater attention to domestic nutrition security concerns, particularly regarding *tayyiban* principles integration.

From the Maqasid al-Shariah perspective, integrating the concept of *tayyiban* into national nutrition policy supports both *hifz al nafs* through the protection of life and health, and *hifz al 'aql* through the preservation of cognitive and intellectual well-being. In the Malaysian context, this argument is increasingly relevant given the country's rising burden of obesity, diet related illness, and poor dietary quality (Masood & Abdul Rahim, 2022; MOH Malaysia, 2021). While Malaysia's Ekonomi MADANI framework places emphasis on balanced growth, well-being, and sustainability, translating these aspirations into

nutrition sensitive Halal standards would require more than conceptual alignment alone. It would likely necessitate stronger coordination between JAKIM and the Ministry of Health, including the development of clearer indicators linking Halal assurance with selected nutritional and public health priorities. At the same time, such expansion should be approached carefully, as SMEs already face substantial certification burdens related to documentation, sourcing, and process compliance (Yusof et al., 2021; Zulfakar et al., 2019). For this reason, any move toward nutrition sensitive Halal governance should be gradual, targeted, and supported through practical guidance, capacity building, and incentives so that the broader *tayyiban* agenda strengthens, rather than overwhelms, SME participation.

Indonesia's inclusive approach could benefit from stronger linkages to food security improvement efforts, particularly in rural and remote areas where both food insecurity and limited Halal certification access persist. The potential for Halal certification to serve as a mechanism for improving food safety, quality, and nutritional value remains unrealized in both countries.

5.5 Implications for Islamic Food Governance

The comparative analysis reveals important implications for Islamic food governance beyond the immediate scope of Malaysia and Indonesia. The tension between maintaining religious integrity and ensuring broad accessibility appears across different contexts and implementation approaches. Neither centralized nor decentralized approaches fully resolve this tension, suggesting the need for hybrid models and context-specific solutions.

The research also highlights the importance of aligning Halal certification with broader Islamic objectives related to health, social welfare, and community well-being. The focus on procedural compliance without attention to outcomes related to *Maqasid Shariah* principles may limit certification systems' contribution to broader Islamic social objectives.

6. CONCLUSION

This comparative analysis of Halal certification systems in Malaysia and Indonesia demonstrates that, although both countries share a strong commitment to Halal integrity, their certification systems operate within different strategic, institutional, and developmental contexts. Malaysia's system reflects a more centralized and quality driven model that supports international credibility and regulatory consistency, yet it remains challenging for many SMEs to access and sustain. Indonesia, by contrast, adopts a more inclusive and decentralized approach that broadens access to certification,

particularly for micro and small enterprises, but continues to face coordination, monitoring, and implementation challenges across its wider institutional landscape. These findings show that Halal certification is not shaped by religious commitment alone, but also by governance structure, policy orientation, and the national food priorities within which it is embedded.

The study further shows that Halal certification should be understood as more than a compliance mechanism. It also functions as a policy instrument with implications for SME participation, public trust, and food system resilience. Through the Strategy Management Policy Outcome (SMPO) framework, the analysis reveals how differences in strategic intent, management capacity, and policy implementation contribute to different certification outcomes in both countries. At the same time, one of the most important findings is that neither Malaysia nor Indonesia has yet integrated Halal certification in a sufficiently systematic way with broader food security or nutrition security objectives. This limits the wider developmental role that Halal governance could play in advancing both religious assurance and public well-being (Khasanah, 2025).

In light of these findings, several recommendations emerge. For Malaysia, greater attention should be given to improving SME inclusion without undermining the credibility of its certification system. This may involve more proportionate support mechanisms, simplified pathways for smaller firms, stronger digital assistance, and closer alignment between Halal assurance and the broader *tayyiban* agenda. For Indonesia, the priority lies in strengthening coordination among BPJPH, MUI, LPH, and local actors, while improving consistency in implementation, monitoring, and post certification oversight. In both countries, Halal governance would benefit from stronger policy alignment with food and nutrition related goals so that certification contributes not only to compliance and market trust, but also to healthier, safer, and more resilient food systems (Masood, et.al 2025).

This study also highlights three priority gaps for future research. First, there is a need for primary empirical research involving SMEs, regulators, and Halal auditors to capture lived experiences, implementation barriers, and institutional constraints that cannot be fully understood through secondary analysis alone. Second, future studies should examine how Halal certification can be more systematically integrated with food security and nutrition security objectives, particularly through the operationalization of *halalan tayyiban* within national policy and SME practice. Third, further research is needed on the role of digital technologies, traceability systems, and data integration tools in improving coordination, monitoring, and governance effectiveness, especially in decentralized certification environments such as Indonesia. Focusing on these three areas would enable future scholarship to build more directly on the

comparative findings of the present study while addressing the most urgent gaps identified in this research.

Table 2. SMPO Framework: Comparative Analysis of Halal Certification Systems in Malaysia and Indonesia

SMPO Dimension	Malaysia	Indonesia
Strategy (<i>Istratijiyyah</i>)	Nutrition Security Focus	Food Security Focus
	Export-Driven Global Hub Strategy	Inclusive Coverage Strategy
	<ul style="list-style-type: none"> Halal Industry Master Plan 2030 Global competitive positioning Premium quality branding International market penetration Islamic economic diplomacy 	<ul style="list-style-type: none"> Domestic Muslim population priority Religious assurance (<i>damān dīnī</i>) Rural and remote area inclusion Food security alignment Community-based outreach
	<ul style="list-style-type: none"> ✓ High International Recognition × Limited Domestic SME Focus 	<ul style="list-style-type: none"> ✓ Broad Population Coverage × Limited Export Competitiveness
Management (<i>Idārah</i>)	Rigorous Halal Assurance System (HAS)	Flexible SME-Friendly Approach
	<ul style="list-style-type: none"> Comprehensive documentation requirements Dedicated Halal committee mandatory Formal staff training programs Strict supplier certification chains Digital integration 	<ul style="list-style-type: none"> SEHATI self-declaration program Simplified micro-SME documentation Community-based religious oversight Informal sector accommodation Local language accessibility

	(MyeHALAL)	✓ SME Accessibility
	✓ High Quality Standards	✓ Inclusive Design
	× Heavy SME Compliance	× Quality Consistency Risks
	× Burden Resource-Intensive Requirements	
Policy (<i>Siyāsah</i>)	JAKIM Framework	BPJPH Framework
	<ul style="list-style-type: none"> MS1500:2019 standard Centralized authority 2-year validity Surprise audits Coordinated with HDC and SME Corp 	<ul style="list-style-type: none"> Multiple Inspection Bodies (LPH) BPJPH-MUI religious collaboration 4-year certificate validity Provincial implementation flexibility SIHALAL digital platform
	Centralized unified	Decentralized Halal Bodies
	JAKIM	
	certificate	
	surveillance	
✓ Standards Consistency		
✓ Clear Authority	Regulatory	✓ Greater Accessibility
× Limited Accessibility	SME	✓ Religious Integration
		× Coordination Complexities
Outcome (<i>Natā'ij</i>)	Quality over Quantity Results	Breadth over Depth Results
	<ul style="list-style-type: none"> Less than 10% SME certification participation Strong international market access High standards global recognition Limited <i>tayyib</i> nutrition 	<ul style="list-style-type: none"> Higher potential SME participation Improved rural area coverage Enhanced religious compliance access Variable implementation

integration	quality
<ul style="list-style-type: none"> • Domestic food system gaps ✓ International Competitiveness ✓ Quality Assurance ✗ SME Inclusion Gap ✗ Nutrition Disconnect 	<ul style="list-style-type: none"> • Limited international recognition ✓ Inclusive Coverage ✓ Rural Accessibility ✗ Quality Monitoring ✗ Export Limitations

Source: Authors' analysis based on secondary data from government reports, academic literature, and policy documents

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