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Feasibility Study Analysis of Halal Industri SMEs: The Role of Halal Certification in Enhancing Business Competitiveness and Sustainability through an Approach

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Abstract
This study examines the implementation of halal certification in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, specifically at the Azwar Refillable Drinking Water Depot, using the Input-Process-Output-Outcome (IPOO) analytical framework integrated with the perspectives of business feasibility studies and the halal industry economy. Through a descriptive qualitative approach involving field observations and unstructured interviews, it was found that the Free Halal Certification (SEHATI) program from BPJPH has successfully eliminated cost barriers that have long been the primary obstacle for SMEs. Halal certification has proven to enhance consumer trust and strengthen business competitiveness, which are key indicators in the aspects of market viability and socio-economic feasibility. The IPOO framework systematically outlines how regulations (Input) trigger the certification process (Process), resulting in formal recognition (Output), and ultimately leading to increased consumer trust and competitive advantage (Outcome). This study affirms that inclusive halal regulations can drive the development of the halal industry from the grassroots level, while also providing a strong foundation for comprehensive and sustainable business feasibility studies.

Keywords: *Halal Industry Economics, Business Feasibility Studies, MSMEs, Halal Certification, IPOO, Competitiveness, Business Sustainability*

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INTRODUCTION

Indonesia holds the distinction of being the country with the largest Muslim population in the world, as well as one of the largest global consumers of halal products (Fuadi, Soemitra et al., 2022). However, this potential has not yet been fully realized, as imports of halal products still dominate over exports (Fauzah & Rohman, 2024). This reality underscores the urgency of strengthening domestic halal industry regulations and ecosystems, starting with the Micro, Small, and Medium Enterprises (MSMEs) sector, which serves as the backbone of the national economy (Rohman, 2025).

This strategic initiative began with the enactment of Law No. 33 of 2014 on Halal Product Assurance (Halal Product Assurance Law), which shifted the paradigm of halal certification from voluntary to mandatory. This regulation simultaneously institutionalized certification authority within the Halal Product Guarantee Agency (BPJPH) under the Ministry of Religion, replacing the previously exclusive role of LPPOM MUI (Fuadi, Soemitra et al., 2022).

For MSMEs, which contribute significantly to the national economy, this regulatory transition presents both challenges and opportunities. On the one hand, the mandatory halal certification requires adjustments to processes and administration that are not always easy for small-scale businesses. On the other hand, halal certification opens access to broader markets, strengthens consumer confidence, and enhances product competitiveness (Winarto & Santoso, 2024).

In the context of developing halal industry SMEs, a business feasibility study serves as a crucial tool for evaluating the potential success and sustainability of a business (Harahap, 2022) A business feasibility study considers not only financial aspects but also market, technical, managerial, legal, socio-economic, and environmental factors. Integrating halal aspects into business feasibility studies is crucial to ensure that the business is not only economically profitable but also aligns with Sharia principles and meets the demands of the ever-expanding halal market (Azzahra, Dara, 2025). This study aims to analyze how business feasibility studies can be integrated with the principles of the halal industry economy, focusing on the role of halal certification in enhancing the competitiveness and sustainability of SMEs, using the IPOO framework. A case study of the Azwar Refillable Drinking Water Depot will be used to describe the implementation of halal regulations and their impact on various aspects of business feasibility. Thus, this study is expected to provide a comprehensive understanding of the synergy between the halal industry economy and business feasibility studies in the context of SMEs in Indonesia.

RESEARCH METHODOLOGY

This study employs a descriptive qualitative approach using a single-case study design. This approach was chosen because the research aims to provide an in-depth understanding of the phenomenon of halal regulation implementation within a specific context, rather than to draw statistical generalizations (Prof. Dr. Sugiyono, 2023). The unit of analysis is the Azwar Drinking Water Refill Depot in Penggung Utara, selected purposively based on the following criteria: (1) it falls under the MSME category, (2) it operates in the food products sector, and (3) it holds an official halal certificate from BPJPH.

Data was collected using two techniques. First, direct observation was conducted to examine the physical conditions of the business premises, production equipment, filtration

processes, and the placement of halal labels. Second, an unstructured interview was conducted with Mrs. Siti Hawa, the business owner, to explore her experiences, perceptions, and understanding regarding halal regulations, the certification process, and the impact on her business. The field data was then analyzed using the IPOO (Input–Process–Output–Outcome) framework, which was selected for its ability to systematically map the interrelationships between regulations as drivers, implementation processes, immediate results, and long-term impacts on the business, and to integrate these with aspects of business feasibility studies.

RESULTS AND DISCUSSION

1. The Halal Industry Economy

The halal industry economy encompasses all economic activities related to the production, distribution, and consumption of products and services that comply with Sharia principles. It involves various sectors, including food and beverages, pharmaceuticals, cosmetics, tourism, fashion, media, and Islamic finance (Hasna, 2025). The global halal industry has shown rapid growth, driven by increasing awareness among Muslim consumers regarding the importance of halal products (Rohman, 2025).

Halal regulations in Indonesia have undergone significant transformation. Prior to the 2014 JPH Law, halal certification was voluntary and under the authority of the MUI. However, the 2014 JPH Law and Government Regulation No. 39 of 2021 made halal certification mandatory, with the BPJPH as the authorized government agency. This shift reflects the state's recognition of halal as a standard for product quality and safety, not merely a religious matter (Fuadi, Soemitra et al., 2022).

Halal certification serves as a quality signal that addresses information asymmetry between producers and consumers. With the halal label, Muslim consumers can be confident that the products they consume meet Sharia standards (Winarto & Santoso, 2024) This directly correlates with increased consumer trust, which in turn drives purchase loyalty and sales growth for SMEs (Muntholip et al., 2025). Additionally, halal certification provides a tangible competitive advantage, particularly in markets with homogeneous products, as it serves as a key differentiating factor (Wahyuni, Handayani, & Wulandari, 2023)

2. Business Feasibility Study

A business feasibility study is an in-depth analysis to determine whether a business idea has the potential to succeed and be sustainable(Harahap, 2022). This analysis involves various aspects, including:

a) Market and Marketing Aspects: Analyzing product demand, market segmentation, market potential, marketing strategies, and competition.
b) Technical and Operational Aspects: Evaluating location, production processes, production capacity, technology, and layout.
c) Management and Organizational Aspects: Assessing organizational structure, management qualifications, human resource needs, and compensation systems.
d) Financial Aspects: Analyzing capital requirements, revenue and cost projections, profitability, cash flow, and return on investment.
e) Legal and Regulatory Aspects: Ensuring compliance with laws and regulations, permits, and intellectual property rights.

f) Socio-Economic and Environmental Aspects: Evaluating the business's impact on the surrounding community, job creation, as well as environmental impacts and mitigation efforts.

In the context of the halal industry, a business feasibility study must integrate halal aspects into every analysis. For example, in the market aspect, the size and growth of the halal market must be considered (Fauzah & Rohman, 2024). rom a technical perspective, the production process must meet halal standards. The legal aspect must include compliance with halal certification regulations (Azzahra, Dara, 2025). This integration is essential to ensure that businesses are not only economically viable but also comply with Sharia requirements and remain competitive in the halal market (Rohman, 2025).

3. The IPOO Conceptual Framework

The Input-Process-Output-Outcome (IPOO) framework is an evaluation model used to analyze the effectiveness of a program or intervention. In this context, IPOO is used to systematically map the relationships between regulations as drivers, implementation processes, immediate outcomes, and long-term impacts on businesses (Winarto & Santoso, 2024). The components of IPOO include:

a) **Input:** The resources and initial conditions required to launch a program or activity. In the context of halal certification, inputs may include government regulations, business operator awareness, and product (Khairawati et al., 2025).
b) **Proses:** A series of activities or steps undertaken to transform inputs into outputs. This includes certification application procedures, guidance, and maintenance of halal standards (Ariska et al., 2024).
c) **Output:** The direct and measurable results of the process carried out. Examples of outputs include the issuance of a halal certificate and transparency of information provided to consumers(Winarto & Santoso, 2024).
a) **Outcome:** The long-term impact or changes resulting from the output. Outcomes may include increased consumer trust, business competitiveness, and contributions to the halal ecosystem(Wahyuni, Handayani, & Wulandari, 2023) .

3. Previous Research

Previous research has shown that halal certification has a positive impact on MSMEs. Khumairo and Rohman(2025) assert that the combination of a business feasibility study, OSS registration, and halal certification is key to building a sustainable and legally compliant halal business. Fauzah and Rohman (2024) also found that product halal status is a critical factor in determining the viability and sustainability of SME businesses in the food sector.

Through a systematic literature review, Bastian and Fitri (2025) highlight that clear and integrated government regulations and policies, including halal certification standards, can enhance consumer confidence and expand market access, as well as drive innovation and business growth. This study also identifies implementation challenges such as a lack of inter-agency coordination and differences in certification standards (Bastian & Fitri, 2025).

Overall, the literature indicates a close relationship between the halal industry economy, business feasibility studies, and halal certification in the context of SMEs. Halal certification is not only a regulatory requirement but also an effective business strategy to enhance competitiveness and ensure business sustainability in the competitive halal market.

4. Overview of the Study Object

The Azwar Drinking Water Refill Depot is a micro-enterprise engaged in the refilling of gallon-sized drinking water containers, serving the needs of residents in the Penggung Utara area. Managed directly by Mrs. Siti Hawa, this depot plays a vital role as a provider of daily drinking water for the surrounding community. Based on field observations, the business premises appear clean and well-organized; production equipment—including a multi-stage filtration machine, gallon containers, and filters—is in good condition. The most notable aspect regarding regulations is the official BPJPH halal certification label, which is prominently displayed in the business area, reflecting the owner's commitment to transparency toward consumers.

The production process consists of five sequential stages: (1) receiving empty gallon containers from customers; (2) washing the containers using safe and halal cleaning agents; (3) filtering raw water through a multi-stage filtration system—sediment, activated carbon, and ultraviolet or ozone; (4) filling the filtered water into clean gallons; and (5) sealing and delivery to customers. All stages are carried out with a focus on cleanliness and hygiene in accordance with the principles of product halal certification.

5. Analysis Using the IPOO Framework and Its Integration with a Business Feasibility Study. Input: Regulations as a Driver and Initial Capital

The input dimension encompasses the factors that form the foundation for the implementation of halal regulations at Azwar Depot. The primary driving factors are the regulatory framework of the 2014 JPH Law and Government Regulation No. 39/2021, which establish formal obligations for businesses producing consumer goods (Fuadi, Soemitra et al., 2022) . It is important to note that Ms. Siti Hawa has a good understanding of these obligations—a condition that cannot be assumed to apply uniformly to all SMEs. Khairawati et al. (2025) emphasize that business owners' understanding of halal regulations is a prerequisite for the successful implementation of certification.

The second input factor is the characteristics of the product and production process, which inherently support compliance with halal standards. Drinking water sourced from clean sources and processed through mechanical filtration carries a very low risk of non-halal status. This is what enables Depot Azwar to qualify for the self-declaration pathway in the SEHATI program—a pathway that is actually the most relevant and accessible for the majority of low-risk food product SMEs (Ariska et al., 2024). From a business feasibility study perspective, these inputs are relevant to the Legal and Regulatory Aspects (regulatory compliance) as well as the Technical and Operational Aspects (conformity of products and processes with halal standards).

6. Process: A Simple and Cost-Free Certification Process

The process dimension yielded the most interesting and policy-relevant field findings. Ms. Siti Hawa stated that the process of obtaining halal certification through BPJPH was very straightforward and did not incur any costs at all. This testimony directly reflects SEHATI's success in achieving its primary objective: eliminating cost barriers, which are a classic reason why MSMEs do not pursue halal certification Ariska et al., (2024).

This positive experience aligns with the program's design, which targets low-risk products with simple production processes.Ariska et al. (2024) note that through a well-targeted

self-declaration mechanism, SEHATI successfully issued halal certificates to SME operators via a process significantly shorter than conventional channels. However, it must be critically noted: Depot Azwar's experience cannot be directly generalized. Many other SMEs face barriers related to digital literacy and technology-based procedures, indicating that ease of access remains uneven (Saefullah, Ciptaningtyas, Irma, Kuraesin, & Anggraini, 2023).

The process of continuously maintaining halal standards is also an integral part of this dimension. Halal certification is not a one-time activity—it requires a long-term operational commitment, ranging from maintaining the cleanliness of business premises and using halal cleaning products to ensuring there is no cross-contamination. The visible display of halal labels at the depot reflects the internalization of this commitment while also serving as a mechanism for public accountability that consumers can see firsthand. From a business feasibility study perspective, this process is closely related to the Management and Organizational Aspects (commitment and process efficiency) as well as the Technical and Operational Aspects (maintenance of production standards).

7. Output: Formal Recognition and Market Transparency

The primary and most tangible outcome of the halal regulation implementation process at Depot Azwar is the acquisition of an official halal certificate from BPJPH. This is not merely an administrative achievement—it places Depot Azwar among the MSMEs that have fully complied with halal requirements, a group that, prior to the enforcement of full compliance, constituted a very small proportion of the national total.

The second output, which is no less strategic, is the transparency of information provided to consumers through the display of clear and easily visible halal labels. Within the framework of the information economy, this action represents a classic form of market signaling: producers communicate the quality of their products to consumers who lack direct access to verify the production process (Winarto & Santoso, 2024). Halal labels serve as an efficient bridge of trust, eliminating the need for consumers to conduct impractical independent verification. From a business feasibility study perspective, this outcome directly contributes to the Legal and Regulatory Aspects (compliance with regulations) and the Market and Marketing Aspects (creation of quality signals and market transparency).

Outcome: Consumer Trust and Competitive Advantage

The outcome dimension gets to the heart of the question of why halal regulation is relevant to industrial development. Ms. Siti Hawa explicitly stated that after obtaining halal certification, consumer trust increased—as reflected in growing customer loyalty. This finding is consistent with the literature (Winarto & Santoso, 2024) confirm that halal certification is directly correlated with increased consumer trust, which in turn drives loyalty and continued purchases.

From a competitiveness perspective, the halal certificate gives Depot Azwar a tangible advantage in the local market of Penggung Utara. In the refillable drinking water market—where products are homogeneous and difficult to distinguish physically—the presence of the official BPJPH label is one of the few available differentiating factors. Wahyuni, Handayani, & Wulandari (2023) show that a similar phenomenon occurs among other food MSMEs: halal certification assistance directly impacts the improvement of product competitiveness in local markets. In a broader context, Depot Azwar's compliance with halal regulations also

contributes to the development of a halal ecosystem at the community level—an outcome with implications that extend far beyond individual business profits (Wahyuni, Handayani, & Wulandari, 2023). From a business feasibility study perspective, these outcomes are highly relevant to the Market and Marketing Aspects (increased customer loyalty and product differentiation) as well as the Socio-Economic Aspects (contributions to the community and business sustainability). This increase in trust and competitiveness directly supports the long-term sustainability and growth of the business.

CONCLUSIONS

This study concludes that integrating business feasibility studies with the principles of the halal industry economy—particularly through halal certification—is an effective strategy for enhancing the competitiveness and sustainability of MSMEs. The case study of Azwar Refillable Drinking Water Depot, analyzed using the IPOO framework, shows that halal certification not only fulfills regulatory obligations (Input), streamlines business processes (Process), and generates formal recognition (Output), but also significantly boosts consumer trust and provides a competitive advantage (Outcome) in the market. Government programs such as SEHATI have proven successful in removing cost barriers, making it easier for MSMEs to obtain halal certification, and ultimately supporting their business viability.

Based on the research findings, several policy implications can be formulated:

a) **Enhancing Outreach and Assistance:** Although the SEHATI program has simplified the certification process, more extensive outreach efforts and comprehensive assistance for MSMEs are still needed, particularly regarding digital literacy and meeting administrative requirements (Bastian & Fitri, 2025). This will strengthen the “inputs” and “prosesses” within the IPOO framework.
b) **Harmonization of Standards and Procedures:** The government needs to continue efforts to harmonize halal certification standards and procedures, both at the national and internationals levels, to reduce complexity and facilitate MSMEs’ (Bastian & Fitri, 2025). This harmonization will improve he certification process and expand market access.
c) **Integration of Halal Aspects into the Enterpneurship Curriculum:** It is important to integrate halal aspects and Islamic business feasibility studies into the entrepreneurship education curriculum, so that prospective MSME entrepreneurs have a strong understanding from the outset (Rohman, 2025). This will improve the quality of inputs in the form of enterpreneurs’ awareness and knowledge.
d) **Development of a Supportive Ecosystem:** A robust supportive ecosystem must be developed—including sharia financial institutions, halal raw material suppliers, and digital marketing platforms—to holistically support the growth of halal industry (Hasna, 2025). Developing this ecosystem will strengthen the entire IPOO cycle, from inputs to sustainable outcomes.

Thus, synergy between inclusive regulations, government support, and business operators’ awareness of the importance of halal certification and business feasibility studies will be key to realizing Indonesia’s vision of becoming a sustainable global hub for the halal industry.

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