
ANALYSIS OF THE INFLUENCE OF HALAL CERTIFICATION ON IMPROVING THE PERFORMANCE AND PROFITABILITY OF SMEs IN SURAKARTA



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Abstract

Halal certification is a strategic issue for the development of SMEs in Indonesia in increasing competitiveness and market access. This study analyzes the influence of halal certification on the performance and profitability of SMEs in the city of Surakarta. The mixed method approach was used by distributing questionnaires to 70 SMEs (42 halal-certified, 28 non-certified) and in-depth interviews with SMEs actors and sharia economists. Quantitative data were analyzed using correlation and regression tests, while qualitative data were analyzed by triangulation for validation of findings. The results showed a significant positive effect of halal certification on operational performance ($r_1 = 0.687$), marketing performance ($r_2 = 0.732$), and profitability ($r_3 = 0.573$) with $p < 0.01$. Halal certification improves performance through expanding institutional market access, premium pricing, and increasing consumer confidence. Qualitative findings confirm that halal certification serves as a quality signal and effective product differentiation. Implementation faces the challenges of high costs, procedural complexity, and limited human resources. The research recommends government subsidy programs, simplification of certification procedures, and the development of halal business clusters to optimize the impact of halal certification for Surakarta SMEs.

Keywords: Halal Certification, SMEs, Profitability, Performance

INTRODUCTION

As a country with the majority Muslim population in the world, Indonesia has enormous potential to develop the halal industry (Saestu, 2023). One of the pillars of the national economy is micro, small, and medium enterprises (SMEs), which contribute to GDP and labor absorption (Janah & Tampubolon, 2024). In the third quarter of 2022, MSMEs have shown extraordinary resilience in the context of economic growth after the COVID-19 pandemic, with positive growth of 1.81%.

The issuance of Law No. 33 of 2014 concerning Halal Product Assurance (UUJPH), which was later strengthened by Government Regulation No. 39 of 2021 concerning the Implementation of the JPH (Halal Product Guarantee) Sector, stipulates that all goods entered, circulated, and traded in Indonesia must have a halal certificate (Sudarmono, 2022).

Halal certification for MSMEs is not only a matter of compliance but also a strategy to increase competitiveness and business performance (Nurjamjam, 2024). Halal certification has implications for standardizing production processes, improving product quality, and ensuring safety that can expand market access (Khairunnisa et al., 2020; Zed et al., 2024) and increase consumer confidence (Muntholip et al., 2025).

The city of Surakarta, as one of the economic and cultural centers in Central Java, has unique characteristics in the development of the halal economy. With a population of 522,364 people, 91% of whom are Muslims, Surakarta is a very promising potential market for halal products and services. Data from the Surakarta City Cooperatives and SMEs Office (2023) shows that there are 47,832 SMEs units operating in various sectors, ranging from culinary, fashion, to handicrafts.

However, the reality on the ground shows that the adoption rate of halal certification among Surakarta MSMEs is still relatively low. Based on data from LPPOM MUI Central Java (2023), only around 892 SMEs or 1.9% of the total SMEs in Surakarta have halal certification. This figure is far below the government's target of 25% of halal-certified SMEs by 2024. This low adoption is due to the perception of the complexity of certification procedures, limited resources, and a lack of understanding for business performance (Pereira, et., al, 2023).

Research conducted by (Akbar & Rohman, 2023) have studied various aspects of SMEs halal certification. Research using the Propensity Score Matching (PSM) has compared the performance of SMEs that are certified halal with those that have not been certified; The results showed that both groups were good. Another study in Malang conducted by (Fitri, 2024) halal certification is also able to have an impact on financial performance and innovation performance for market development. This is also supported by research (Indriastiningsih et al., 2025) which shows that halal certification has a positive impact on the profitability and operational performance of SMEs, which is proven through a higher increase in Net Profit Margin, ROA, and ROE in SMEs after being halal certified compared to before having certification.

Although several studies have been conducted, there are still many research gaps that need to be filled. First, most of the existing research focuses on quantitative aspects only, so it has not been able to comprehensively explain the mechanisms and factors that affect the relationship between halal certification and the performance and profitability of SMEs. Second, research using a mixed methods approach to analyze this phenomenon is still very limited, even though this approach is very necessary to gain a more holistic understanding.

This study aims to provide a comprehensive analysis of the influence of halal certification on the performance and profitability of SMEs (Pratama et al., 2025). A mixed-method approach and an integrated analysis framework will help formulate effective strategies in increasing the adoption of halal certification among SMEs (Susiang et al., 2024)- (Ardiantono et al., 2024).

REVIEW OF LITERATURE

Halal Certification

The word "halal" comes from Arabic and means what is allowed, justified, and consumed according to Islamic law. All products, especially food and beverages, are halal, except for some prohibitions mentioned in the postulate (Haque et al., 2018). In the context of industrial products, halal can be defined as a product that is allowed to be consumed by Muslims (Akmal, 2021).

Halal certification is the process of providing written guarantees that state that a product or service has met halal standards in accordance with Islamic law. According to Law No. 33 of 2014, halal certification is the recognition of the halalness of a product issued by the Halal Product Assurance Agency (BPJPH) based on a halal fatwa issued by the Indonesian Ulema Council.

With the increasing awareness of the Muslim community to make Islamic sharia the basis for choosing what they buy, manufacturers are starting to consider adding halal certification labels to their products to differentiate them from non-halal competitors in the market. Thus, Muslim buyers have also expressed their desire for imported goods labeled halal and demanded that the imported goods be labeled halal. This phenomenon has led to an increase in domestic demand for halal goods. Some Islamic countries face the problem of importing food from other countries that do not have halal guarantees (Charity, 2017)

Micro, Small, and Medium Enterprises (SMEs)

MSMEs have unique features that distinguish them from large companies. According to Law No. 20 of 2008, small and medium enterprises (SMEs) are categorized based on their assets and annual turnover. Some of the characteristics of Indonesian SMEs, include the ability to survive economic crises, linkages with local consumers, and the ability to adapt to market changes. However, they have limitations in terms of capital, market, and technology (Syiraf & Hidayat, 2022).

The Relationship of Halal Certification with Performance and Profitability (SMEs)

Empirical research related to the impact of halal certification on the performance of SMEs shows positive results. (Lestari et al., 2024) in a study of 108 MSME actors in Brebes, it was found that MSMEs with halal certification were able to affect performance by 17.9%. This is also strengthened by research conducted by (Alfarizi, 2023) A study conducted on 183 culinary owners showed that halal certification was able to improve performance positively, because it led to consumer trust.

Halal certification can not only have an impact on the performance of SMEs, but also be able to increase the profitability of SMEs better than before being halal certified. This has been carried out by research by (Maghfirah & Arsil, 2025), which researches SMEs in the field of processing fishery products. The same thing was also done (Silmi & Ashlihah, 2025), which researched 30 MSME actors, finding that the existence of halal certification has a

positive and significant effect on profitability, because it invites public trust, so that purchasing power increases.

RESEARCH METHOD

This study uses a mixed-method approach with a sequential explanatory design, which begins with the collection and analysis of quantitative data, followed by the collection and analysis of qualitative data to deepen the understanding of the phenomenon being studied. This design was chosen to provide a comprehensive understanding of the influence of halal certification on the performance and profitability of SMEs, both in terms of statistics and the perspective of business actors' experiences.

The research population is all SMEs in Surakarta City that are registered with the Surakarta City Cooperatives and SMEs Office. The sampling technique for the quantitative stage uses stratified random sampling with stratification based on:

1. Halal certification status (certified vs. uncertified)
2. Business sectors (food and beverages, fashion, handicrafts, and services)
3. Business size (micro, small, medium)

The number of samples for this study was set at 70 SMEs in relevant sectors. The data used in this study was by distributing questionnaires to SMEs actors in Surakarta. For the qualitative stage, samples were selected using purposive sampling, by selecting 8 SMEs (4 halal certified and 4 uncertified) representing variations in business sectors, size, and performance. In addition, 4 key informants from the halal economic ecosystem (agencies, certification bodies, business associations, academics) were also interviewed to gain a broader perspective.

The data analysis technique obtained from the respondents was processed quantitatively using a correlation test used to show whether a variable depends on another variable. The variable coefficient indicates the degree of relationship between variables. This study uses the Pearson Product-Moment Correlation Test (r), which aims to determine the degree of tightness of the relationship between variables represented by the correlation coefficient (r).

Table 1.
Relationship Degree Guidelines

Interval Cowphysin	Relationship Level
0,00 - 0,199	Very weak
0,20 – 0,399	Weak
0,40 – 0,599	Keep
0,60 – 0,799	Strong
0,80 – 1,000	Very Powerful

RESULTS AND DISCUSSION

Respondent Characteristics

Based on the results of a questionnaire distributed to 70 SMEs in the city of Surakarta, a picture of the characteristics of diverse respondents was obtained. In this case, the largest number of respondents were women with 50 respondents and male respondents with 20 respondents. The majority of respondents were engaged in food and beverage (65.7%), followed by fashion and handicraft products (22.9%), and cosmetics and care products

(11.4%). This reflects the great potential of the halal industry in Surakarta, especially in the food sector which is indeed the primary need of the Muslim community.

Regarding the status of halal certification, out of 70 respondents, 42 SMEs (60%) already have halal certificates, while 28 SMEs (40%) have not been certified. This data shows that awareness of the importance of halal certification is quite high among Surakarta SMEs, but it still needs to be improved to achieve an optimal level of certification.

Table 2.
Operating Age of SMEs in Surakarta

Age (Years)	Sum	Percentage (%)
< 1	5	7,14%
1 – 2	18	25,71%
3 – 5	38	54,29%
6 -10	6	8,57%
>10	3	4,29%
Total	70	

Source: data processing, 2025

Table 1 shows the length of operation of MSMEs in Surakarta. From this data, most MSMEs have been operating between 3-5 years (54.29%), less than 1 year (7.14%), 6-10 years old by 8.57% and others more than 10 years (4.29%). This shows that most of the respondents surveyed are experienced, and the business is stable.

Table 3.
Number of SMEs Employees

Employee (people)	Sum	Percentage (%)
1 - 4	57	78,57%
5 - 19	12	17,14%
20 - 99	3	4,29%
Total	70	

Source: data processing, 2025

In Table 2, it can be explained that the number of employees owned by SMEs actors is still at the micro-scale stage, namely, for the number of employees 1-4 people is as low as 78.57%, the number of employees 5-19 people is 17.14%, and for the number of employees 20-99 is 4.29. Therefore, this is in line with the characteristics of SMEs in general in Indonesia, which are in the nature of work.

Table 4.
Pearson's Correlation Test on Performance (Operational and Marketing)

	Coefficient
Operational Performance (r_1)	0,687
Marketing Performance (r_2)	0,732
Profitability (r_3)	0,573

Source : Data processing, 2025

From the results of the analysis above, it is shown that there is a positive and significant influence between halal certification and the operational performance (r_1) of SMEs of 0.687, this shows an increase in terms of performance. This finding was also strengthened by an interview with SMEs actors, namely Mrs. S, the owner of the Krokret business, saying that, "*after obtaining halal certification, we are working on being more disciplined in choosing raw materials and maintaining cleanliness in production. The result will be that the quality of the product will be more consistent and customers will also be more trusted*".

In terms of marketing performance (r_2), halal certification has a positive impact on marketing performance, which is $r_2 = 0.732$. Certified SMEs have experienced an expansion of market access, increased consumer satisfaction, and a stronger brand image compared to before being certified. This is also supported by the results of an interview with Mr. R, the owner of the catering business who shared his experience, "*previously our orders were only limited to around the house, but after being certified halal, our orders began to penetrate out of town and there were repeat orders*". This phenomenon shows that halal certificates not only function as compliance with Islamic law, but also as an effective product differentiation strategy to penetrate a wider market segment, including non-Muslim consumers who consider halal products to be safer and of higher quality.

In the profitability section, halal certification has an effect on the profitability of SMEs, which is 0.573. It also shows that halal certification not only has an influence in terms of marketing and performance but also in terms of operational costs. This got supporters from an interview with Mrs. E who revealed, "*that in the past before the crowd of halal certification, we invested not a little money, but we got great benefits, namely people began to trust our products and sales increased*".

There are several challenges and obstacles in implementing halal certification, which can be obtained from interviews with SMEs actors and experts:

1. Mr. J as an MSME selling tempeh said, "*I want to apply for halal certification for our products, but the cost of applying for it must be expensive and of course we also have to replace the raw materials that we have run*".
2. Mrs. SA, revealed "*Many SMEs do not understand the requirements for halal certification comprehensively. They think it's enough to not use pork and alcohol, even though the process is more complex than that.*"

The results of this study are consistent with a study conducted by (Indriastiningsih, 2025) in Karanganyar, which states that halal certification is able to influence performance and profitability. In addition, halal certification affects the intention of SMEs actors to adopt certification, which ultimately has an impact on actual behavior and business performance.

CONCLUSION

Halal certification is a strategic issue for the development of SMEs in Indonesia, especially in increasing competitiveness and market access. This study aims to analyze the influence of halal certification on improving the performance and profitability of SMEs in Surakarta City, focusing on the impact mechanism and factors that affect the effectiveness of halal certification in the context of SME business.

The research uses a mixed-method approach. Quantitative data were obtained through a questionnaire distributed to 70 SMEs in the city of Surakarta, consisting of 42 halal-certified SMEs and 28 non-certified SMEs. Qualitative data was collected through in-depth

interviews with SMEs actors and Sharia economists. Quantitative analysis uses correlation and regression tests to test the relationships between variables, while qualitative data is analyzed using triangulation techniques for validation and deepening of findings.

The results showed a positive and significant influence of halal certification on the performance of SMEs ($r_1 = 0.687$, $r_2 = 0.732$, $p < 0.01$) and profitability ($r_3 = 0.573$). Halal certification improves performance through three main mechanisms: expanding institutional market access, implementing premium pricing, and increasing consumer confidence, which encourages repeat purchases. Qualitative findings confirm that halal certification functions as a quality signal and effective product differentiation. However, implementation faces challenges in the form of high certification costs for micro-scale SMEs, procedural complexity, and limited human resources. The research recommends government subsidy programs, simplification of certification procedures, and the development of halal business clusters to optimize the impact of halal certification on the development of SMEs in Surakarta.

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