



## The Effectiveness of Halal Certification Regulations for MSME Operators in Consumer Protection Efforts

Tina Marlina<sup>1</sup>, Jaenudin Umar<sup>2</sup>, Setia Budiyan<sup>3</sup>, Zelfi Ghaffar Aufiya<sup>4</sup>  
Dessy Ika Putri<sup>5</sup>, Hafidz Wahyudin<sup>6</sup>

<sup>1</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email tina.marlina@ugj.ac.id

<sup>2</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email jaenudin.umar@ugj.ac.id

<sup>3</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email setia.budiyan@ugj.ac.id

<sup>4</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email zelfi.aufiya@ugj.ac.id

<sup>5</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email dessyikaputri525@gmail.com

<sup>6</sup>University of Swadaya Gunung Jati, Cirebon, Indonesia. Email hafidzwahyudin04@gmail

**Corresponding Author:** tina.marlina@ugj.ac.id

### Abstract.

**Background,** The requirement for halal certificates for Micro, Small, and Medium Enterprises (MSMEs) is articulated in the Halal Product Guarantee Law, the Consumer Protection Law, the Job Creation Law, and Government Regulations concerning the Implementation of the Halal Product Guarantee Sector. This is facilitated by the provision of a complimentary halal certificate policy from BPJPH, aimed at enhancing consumer protection through MSME products, ensuring their health, comfort, and safety are assured.

**Aim,** This study seeks to assess the efficacy of compulsory halal certification regulations for MSMEs in the Pekiringan and Sunyaragi subdistricts.

**Methods,** The employed research approach is empirical juridical, focusing on the existing laws within society, particularly with the enforcement of mandatory halal certificate restrictions in the two sub-districts.

**Results,** The MSME actors sampled in this study refrain from acquiring halal certificates due to apprehensions regarding the associated high expenses and also believe that the process of issuing halal certificates will incur a significant tax burden after the halal certificate is issued.

**Conclusions,** The research findings on MSMEs in Pekiringan and Sunyaragi Subdistricts indicate that the enforcement of mandatory halal certification regulations is ineffective, as numerous MSME operators remain uncertified due to concerns over high costs and subsequent taxation following the issuance of the halal certificate.

**Implication,** The effectiveness of halal certification regulations for MSME operators in consumer protection efforts is lacking, considering they are apprehensive about the costs involved during and after halal certification.

**Keywords:** Certification Halal, Consumer, Effectiveness, MSMEs

## INTRODUCTION

In response to the increasing demand for halal products, halal certification has become a significant consideration for customers throughout their purchasing decisions. This does not only apply to the Muslim market, but it is also increasingly favored by non-Muslims in search of products that guarantee cleanliness, quality, and halal status. Article 4 of Law Number 33 of 2014 about Halal Product Assurance mandates that all items entering, circulating, and being traded in Indonesia must possess halal certification. (Sarifah, 2021)

Article 48, paragraph 2, reinforces the amendment to Article 4A of Law Number 6 of 2023, which pertains to enacting Government Regulation in place of Law Number 2 of 2022 regarding Job Creation. This article stipulates that the government mandates MSME (Micro, Small, and Medium Enterprises) operators to obtain halal certification. These MSMEs are essential in alleviating poverty and stimulating economic progress in Indonesia. It is said so because MSME actors can contribute to GDP (Gross Domestic Product) and will certainly create new job opportunities. (Yuanitasari, Sardjono, & Susetyo, 2023) Therefore, halal certification has become one of the marketing strategies considered effective for business operators, especially for MSME operators. Therefore, halal certification has become one of the marketing strategies considered effective for business actors, especially for MSMEs. (Fuadi & Nawawi, 2022)

Products marketed by MSME entities must consider many factors, including product composition, production processes, and the necessity of halal certification for the items offered. Article 8, paragraph (1), letter h of Law Number 8 of 1999 about Consumer Protection delineates the prohibition of trading goods or services that do not conform to halal production standards for sale. This rule mandates that business entities, particularly MSMEs, must affix halal labels to the products they distribute. Consequently, halal certification is crucial in commercial operations, since it instils distinct consumer confidence in the marketed product, facilitating access to a broader market. (Salam & Makhtum, 2022)

Furthermore, the requirement for halal certification is articulated in Article 139 Paragraph (2) of Government Regulation Number 39 of 2021 of the Republic of Indonesia about the Implementation of the Halal Product Assurance Sector. This rule mandates halal certification for three categories of products: food and beverage items, raw materials, food additives, and processing aids, together with products related to slaughtering and slaughtering services. (Wahyudin, Miranda, Ghoni, Gunawan, & Permana, 2024)

According to Article 140 of Government Regulation Number 39 of 2021 of the Republic of Indonesia about the Implementation of the Halal Product Assurance Sector, the requirement for halal certification is effective from October 17, 2019, until October 17, 2024. According to Muhammad Aqil, Head of the Halal Product Assurance Agency (BPJPH) of the Ministry of Religious Affairs, the deadline has been extended to October 2026. (Badan Penyelenggara Jaminan Produk Halal, 2024) Then, BPJPH implemented a free halal certification policy (self-declare) for MSME products.

This self-proclaimed halal certification policy is enacted per the previously mentioned Government Regulation and the Minister of Religious Affairs Regulation Number 20 of 2021 on Halal Certification for MSME Actors on non-meat processed items. (Badan Penyelenggara Jaminan Produk Halal, 2023)

Concerning the regulations mandating halal certification for MSME participants, have these been adequately enforced, or do implementation challenges persist? In the context of effectiveness theory, Soerjono Soekanto defines effectiveness as the degree to which a group attains its objectives. (Soekanto, 2019)

Regarding the measure of whether legislation is effective or not, it can be seen from the behavior of society. It is said to be effective if the community behaves as expected or desired by the legislation and achieves the desired goals, then the effectiveness of the law or legislation has been achieved.

Therefore, the author researched MSME actors located in two sub-districts of Cirebon City to be used as samples or research material, with details of 7 (seven) MSME actors in Sunyaragi Village, Kesambi District, and 55 (fifty-five) MSME actors in Pekiringan Village, Kesambi District, to examine the effectiveness of the legislation regarding the obligation of halal certification.

Based on the data of MSME actors above, there are still many MSME actors who do not have halal certification. This is due to the concerns of the MSME actors themselves, that the halal certification process will incur high costs and tax burdens after the halal certificate is issued, whereas the purpose of obtaining a halal certificate is to enhance consumer protection. If we look at these issues, will MSME actors, particularly in Pekiringan Village and Sunyaragi Village, be charged fees and taxes for the halal certification as a form of consumer protection effort in line with the current laws and regulations?

## **METHOD**

This study employs an empirical legal research method. Soerjono Soekanto and Sri Mamudji define empirical juridical study as legal research that involves the analysis of primary data through the identification of law and the observation of the law's application efficacy in society. The employed data collection method is qualitative, utilizing interviews and observations as primary data sources to assess the efficacy of regulations and policies concerning the mandate of halal certification aimed at safeguarding consumers from MSME operators in Cirebon City, specifically targeting 55 MSME operators in Pekiringan Village and 7 MSME operators in Sunyaragi Village. This research is underpinned by books, legislation, and other pertinent sources as secondary data.

## **DISCUSSION**

### **Financing Burden in the Halal Certification Process for MSME Actors**

Research indicates that 31 out of 55 MSME actors in Pekiringan Village lack halal certification, while 5 out of 7 MSME actors in Sunyaragi Village also lack this certification. The interview results indicate that MSME players refrain from acquiring halal certificates due to apprehensions regarding the associated high expenses. (Risma, 2024) Furthermore, MSME stakeholders anticipate incurring fees after the issuance of the halal certificate, despite their revenue being solely sufficient to cover basic living expenses. (Ika, 2024)

It is essential to note that Government Regulation Number 39 of 2021, which pertains to the Organizer of the Halal Product Assurance Sector, and Minister of Religious Affairs Regulation Number 20 of 2021, which addresses Halal Certification for Micro and Small Business Actors, stipulate that the issuance of halal certificates is a component of the Halal Product Assurance Organizing Agency (BPJPH) program known as SEHATI (Free Halal Certification), commonly referred to as self-declare.

This halal certification serves as a declaration of the halal status of products from micro and small businesses, issued by the business operators themselves, and supported by a Halal Product Companion (PPH) who is registered and has undergone the halal determination process by the Fatwa Commission of the Indonesian Ulema Council (MUI). The PPH is responsible for reviewing and authenticating the halal declaration made by business companies, originating from Islamic community organizations or religious institutions with legal status, and may also include colleges. (Indonesia Halal Training and Education Center, 2022)

This self-declaration program requires MSME participants to fulfill criteria established by the Head of BPJPH Decree Number 150 of 2022, which pertains to the Technical Guidelines for Halal Product Assistance in determining the obligation of halal certification for micro and small enterprises based on the business actor's statement. The criteria are as follows: (Heriani, 2024)

- 1) The product is not risky or uses materials whose halal status is certain,
- 2) A simple production process,
- 3) An annual turnover of a maximum of IDR 500 million,
- 4) Has a business identification number (NIB),
- 5) Has a location, place, and tools for halal product processing that are separate from the location, place, and tools for non-halal product processing,
- 6) Has or does not have distribution permits such as PIRT/MD/UMOT/UKOT,
- 7) The materials used must be ensured for their halal status and not be hazardous; for food or beverage products with a maximum storage period of seven days,
- 8) The products produced by the relevant department/agency must have sanitation hygiene worthiness (SLHS),
- 9) The products must be verified by the halal product process companion (PPH) for their halal status,
- 10) The products must not contain animal elements from slaughtered animals,
- 11) Unless the slaughterhouse is halal certified, using simple tools and production processes like home-based businesses, not factory-produced products,
- 12) The product preservation process is simple, not more than one preservation method,
- 13) Completing the documents to apply for halal certification through the SIHALAL mechanism.

From the numerous criteria for obtaining halal certification for free (self-declare), if we relate it to the research results on MSME actors in Pekiringan Village and Harjamukti Village, the MSME products are food and beverages without meat processing. Therefore, the products produced should be eligible for free halal certification. However, from the interview results, the MSME actors were not aware of the information regarding the free halal certification process based on the policy issued by BPJPH through the Halal Product Process Companion, who will assist in the creation of the free halal certificate.

The MSME actors also believe that they have not received concrete information and that there is a lack of socialization from the local government, such as the local sub-district government, regarding this free halal certification program. Thus, it can be said that this policy has not been effectively implemented in reaching MSME actors in Pekiringan Village and Sunyaragi Village.

### **Tax Burden Provisions after the Issuance of Halal Certification for MSME Actors**

In addition to the aforementioned financing issues, the MSME actors sampled in this study also believe that the process of issuing halal certificates will incur a significant tax burden after the halal certificate is issued. (Karwandi, 2024) In addition, there are also MSME actors who believe that after being subjected to this tax, they will not be able to cope because their income is only IDR 10 million per year. (Azhar, 2024)

Concerning taxation for MSME entities, it is governed by Law Number 7 of 2021 on Tax Harmonization and Government Regulation Number 23 of 2018 on Income Tax (PPh) applicable to income derived from businesses by taxpayers with specified gross turnover, as amended by Government Regulation Number 55 of 2022 on Regulatory Adjustments in the Domain of PPh. Law Number 7 of 2021 on Tax Harmonization stipulates that individual MSME operators with an annual income (turnover) not exceeding Rp500 million shall be exempt from income tax. Article 4, paragraph (2) of Government Regulation Number 23 of 2018, which pertains to Income Tax (PPh) on income derived from businesses by taxpayers with specific gross turnover, as amended by Government Regulation Number 55 of 2022 regarding Adjustments in Income Tax (PPh) regulations, stipulates that MSME operators with a gross turnover not exceeding Rp4.8 billion annually will incur a tax rate of 0.5%. This government regulation has been in effect since July 1, 2018, and is intended for MSME actors, including individuals and entities such as partnerships, limited partnerships, limited liability companies, and cooperatives. (Lathifah, 2024)

There is no correlation between taxpayers and the issue of halal certificates. The Ministry of Finance holds the power for tax collection, executed by the Directorate General of Taxes. Halal certification is governed by the Ministry of Religious Affairs through its implementing body, the Halal Product Assurance Organizing Agency (BPJPH), per Law Number 33 of 2014 regarding Halal Product Assurance. (Sadar Halal, 2023) The issuance of halal certificates at no cost (self-declaration) for MSME actors will not incur tax liabilities,

as it pertains to those with annual incomes below Rp500 million, and there is no correlation between the issuance of halal certificates and tax obligations for these MSME actors.

## CONCLUSION

In the implementation of various regulations and policies regarding the obligation of halal certification to enhance consumer protection for MSME actors, particularly in the Pekiringan and Sunyaragi Villages, it can be said to be less effective, as the majority of these MSME actors have not yet obtained halal certification. This happens due to the lack of information from the government, that halal certification can be obtained at no cost through the free halal certificate program (self-declare) organized by BPJPH (Halal Product Assurance Agency) and there is no connection between tax burden and the halal certification process. Thus, it can be said that the reasons mentioned have caused concern among MSME actors that the halal certification process will incur high costs and taxes after its issuance.

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