



Strategy to increase the number of halal self declared certification in Indonesia

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ABSTRACT

The aim of self-declared halal certification is to make it easier for micro and small enterprises (MSEs) to obtain certification. Although this form of certification is available in Indonesia, its utilization has not reached its full potential. Out of the 349,834 free halal self-declared certifications offered by the government, only 119,662 have been utilized (BPJPH 2022). Despite the benefits of self-declared halal certification, there are still several issues with its implementation. As a result, only a small percentage of MSEs in Indonesia have obtained halal certification. Therefore, it is necessary to develop a strategy to address this issue. The objective of this research was to identify the strengths, weaknesses, opportunities, and threats (SWOT) associated with self-declared halal certification and to propose a strategy to increase its use from a stakeholder perspective. The SWOT analysis was used to evaluate the potential development strategies of self-declared stakeholders, such as the Indonesian Ulema Council (MUI) and the PPH Assistance and Halal Product Guarantee Organization (BPJPH). The ANP method was used to prioritize these four aspects and determine the best strategy for developing halal self-declaration policies. To address the issue of low self-declared halal certification, an assertive strategy is needed that involves providing fair information dissemination and optimizing support for PPH assistants. Based on our research, we recommend that the government provides a reasonable honorarium for PPH assistants. BPJPH can enhance its governance and utilize AI and blockchain technologies to expedite the document collection process for UMK and PPH assistants. Additionally, PPH assistants can adopt more proactive and creative approaches to their assistance.

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1. Introduction

Halal certification is classified into four categories based on the BPJPH Report in 2021: the independent halal certification program, the Sehati program, the self-declared halal program, and the facility/agency program. The independent halal certification program mandates businesses to cover the costs of certification applications, accommodation, and transportation for halal product inspections carried out by Halal Inspection Institution (LPH) auditors, as per the Halal Product Guarantee Organizing Body's Decision No. 141 of 2021 concerning the determination of agency service rates for public services provided by BPJPH. The Sehati Program is a free halal certification scheme that encompasses all parties that finance halal certification. The self-declared halal certification is based on a statement from business actors, accompanied by PPH (halal product processing) assistants. Lastly, the facility/agency program is a collaborative certification program involving private parties or specific agencies, as outlined in the BPJPH 2021 report.

Self-declared halal certification is a certification policy where MSEs can obtain halal certification through a self-declared process, aiming to facilitate MSMEs in their business activities. The self-declare halal certification has uniqueness compared to other halal certifications, namely the role of the LPH (Halal Inspection Agency) replaced by PPH assistants, thus reducing costs in the halal certification process. Halal certification is also specifically Self-declared halal certification is a process that allows MSEs to obtain halal certification for their products without the involvement of an LPH (Halal

Inspection Agency), which can significantly reduce costs. This type of certification is unique, as it is specifically designed for MSEs that have non-risky ingredients and a guaranteed halal status. The goal of this policy is to facilitate MSEs in their business activities by providing a more affordable and accessible halal certification option.

MSEs applying for regular halal certification must pay a fee of 650 thousand rupiah to cover registration and examination fees for halal products at the Halal Inspection Institute (LPH). However, MSEs applying for self-declaration halal certification do not need to pay any fees, though this does not mean the certification is free. Instead, eligible MSEs can apply for the Sehati program, which offers free halal certification for those with financing from sources such as APBN, APBD, partnership funds, grants, and other valid or non-binding sources amounting to 300 thousand rupiah. The nominal fee for self-declaration halal certification is determined by Regulation of the Minister of Finance of the Republic of Indonesia number 57/pmk.05/2021 concerning Service Tariffs for the Public Service Agency for the Halal Product Guarantee Organizing Agency at the Ministry of Religion (Kemenag 2021). Despite the advantages of self-declaration halal certification, there are still several challenges in its implementation in the field, including low numbers and completion times that do not meet standards. Therefore, a suitable strategy is needed to address this issue.

The rationale behind conducting this research is the significant Muslim population in Indonesia as of December 31, 2021, amounting to 237.57 million individuals, accounting for 86% of the nation's total population (The Royal Islamic Strategic Studies Centre 2023). Consequently, ensuring halal

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(permissible under Islamic law) in Indonesia is of paramount importance. This is stipulated in the 1945 Constitution's Article 29, paragraph 2, which guarantees religious freedom for Indonesian society. Muslims consider the guarantee of halal status for their food as a spiritual right, as stated by Musataklima (2021).

Food is an essential requirement for human beings to carry out their daily activities. As per the data provided by Badan Penelitian Statistik (BPS) in 2021, consumption takes up the largest portion of the Indonesian society's expenditure, accounting for an average of 49.25%. The remaining expenditures are allocated to non-food items such as housing, clothing, and other goods and services. The BPS statistics reveal that consumption plays a significant role in the everyday lives of the Indonesian society. The global halal food sector is estimated to grow by 3.5% and is projected to reach \$1.38 trillion USD, as per the State of Global Islamic Economy Report (SGIE) 2020/2021. Moreover, Bank Indonesia has reported an export opportunity of \$2 billion USD from the food industry sector in both OIC and non-OIC markets in the Islamic Economy and Financial Report for the year 2021 (BI 2021).

One important aspect of maximizing the potential of the halal industry is ensuring that businesses in Indonesia have halal certification. This is because the large number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, totaling 65 million units, can significantly impact the industry (BPS 2021). Therefore, the government has made halal certification mandatory for businesses in accordance with Law No. 33 of 2014, which states that "Products entering, circulating, and being traded in Indonesia must be certified halal." Despite this mandate, only a small percentage of MSMEs have obtained halal certification, with the current number of MSMEs with halal certification standing at 305,754 or 0.4% of the total MSMEs in Indonesia (BPJPH 2022). Furthermore, when compared to other types of halal certification issued by MUI, the number of Self Declared halal certifications is relatively low. These differences in the number of halal certification issuances based on certification type can be observed in Figure 1, which shows that Self Declared is the lowest in number compared to other types of halal certification. Additionally, there are differences in the number of applicants for halal certification Self Declare in every province of Indonesia due to uneven distribution (BPJPH 2021).

The process of obtaining self-declared halal product certification, assessed by Badan Penyelenggara Jaminan Produk Halal (BPJPH), typically takes 21 days to fulfill their requirements. Nevertheless, the actual duration is often prolonged, as evidenced by the 2021 Public Satisfaction Survey Report, which indicated an average completion time of 52 days. This prolongation emphasizes the need for seamless coordination and communication among BPJPH, PPH (Halal Assurance Partner), and MUI (Indonesian Ulema Council), as their collaboration is essential for issuing halal certificates in a timely manner.

According to Law No. 33 of 2014, three key entities work together in the halal certification process: the Halal Product Guarantee Administering Body (BPJPH), the Halal Inspection Institute (LPH), and the Indonesian Ulema Council (MUI). The BPJPH is in charge of developing regulations, reviewing and verifying halal application submissions, and granting halal certification. The LPH is responsible for testing and assessing the halal status of large-scale business products, medium-sized businesses, and micro and small enterprises (MSEs) that do not meet the Self-Halal certification requirements. In addition, the LPH's role has been replaced by PPH assistants for MSEs to conduct self-declaration halal certification. The MUI plays a role in determining the halal status of products by issuing halal fatwas through trials. These three institutions play a crucial role in the certification process for self-declared halal products. Therefore, it is essential to maximize the synergies between these three entities to increase the number of self-declared halal certifications in Indonesia. A study by Pratama (2020) emphasized the importance of stakeholders' policy contributions in optimizing the acceleration of halal certification for MSMEs under the Halal Self Declare scheme and minimizing potential negative consequences. Similarly, Aprilia and Pranita (2022) and Kasanah (2022) highlighted the lack of information and outreach as the main problem with halal certification in South Bangka. It can be concluded that literacy issues remain the primary challenge for self-declared halal certification from the community's perspective. However, studies on national self-declared halal certifications are rare.

This research seeks to develop and implement strategies to increase the number of self-declared halal certifications in Indonesia. To achieve this, the study examines the strengths, weaknesses, opportunities, and threats of self-declared halal certification programs using the Analytic Network Process (ANP) method. The research focuses on the stakeholders of the self-declared halal certification, including PPH, BPJPH, and MUI as internal aspects, and MSMEs and the general public as external aspects. The study is divided into five parts. The first part provides an introduction to the background and previous research on the topic, as well as the research gap and objectives. The second part explains the SWOT-ANP analysis method used in the study. The third section presents the results and discussion of the SWOT analysis and related strategies for self-declared halal

certification. The fourth part provides a conclusion, and the final part offers policy recommendations.

2. Methodology

2.1 Sources and Methods of Data Collection

This study was undertaken between January and March of 2023. The study comprised interviews and questionnaire surveys of practitioners, academics, regulators, and experts who have knowledge of the halal industry, particularly self-declared halal certification at the national level. There were four participants in the in-depth interviews and seven in the questionnaire survey. The locations for data collection were flexible, either in person or through online Zoom meetings, depending on the availability of the respondents.

2.2 General Description of Analytical Network Process

This research used a combination of qualitative and quantitative methods. Specifically, the Analytical Network Process (ANP) analysis method was employed with the Strengths, Weaknesses, Opportunities, and Threats (SWOT) approach, which was processed using Microsoft Excel 2019 and Super Decision software. ANP is a qualitative method that is non-parametric and non-Bayesian, allowing for decision making by creating a general framework without making assumptions about the independence of elements at different levels. It is an extension of the Analytic Hierarchy Process (AHP) method, first developed by Thomas L. Saaty (Ascarya 2005). ANP analysis enables systematic dependence and feedback by combining tangible and intangible factors, and the analysis consisted of three stages: model construction, model quantification, synthesis, and analysis.

2.2.1 Model Construction

The construction of the ANP model was based on a theoretical and empirical literature review. The constructed ANP model obtained from the literature review was then confirmed by experts, practitioners, academics, and regulators with expertise in the relevant topic of the thesis. This step is necessary to ensure that the constructed model reflects the actual situation.

2.2.2 Model Quantification

The quantification stage involved using the ANP questionnaire to obtain pairwise comparisons between elements within clusters. The quantified elements must have inconsistency values below 10% (Ascarya 2005). This pairwise comparison was conducted to determine which elements were more dominant and to what extent their influence was, using a numerical scale of 1-9.

Table 1. Research Respondents In-depth Interview and Questionnaire

Respondent In-depth Interview		
Regulators	Sub-Coordinator of Planning and Information System Section of BPJPH	M Yanuar Arief
Academics	Lecturer at Muhammadiyah Makassar University and KDEKS Makassar	Syafri Haliding
Practitioner	Program coordinator of the Center for Halal Science Studies (Halal Center) Bogor Agricultural University	Agy Wirabud
Practitioner	Owner of UMK Coco Jelly Fresh	Yusup Firmanudin
Questionnaire Respondents		
Practitioner	Economic Analyst of the Coordinating Ministry for Economic Affairs	Riski A. M. Dewi
Practitioner	Owner of UMK Coco Jelly Fresh	Yusuf Firmanudin
Academics	Lecturer in Islamic Economics IPB university	Ranti Wilasih
Academics	Lecturer at Muhammadiyah Makassar University and KDEKS Makassar	Syafri Haliding
Pakar	KNEKS Sharia Business and Entrepreneur Director	Putu Rahwidhiyasa
Practitioner	Program coordinator of the Center for Halal Science Studies (Halal Center) Bogor Agricultural University	Agy Wirabudi
Regulators	BPJH Expert Statistics Ministry of Religion	Mena Salawati

2.2.3 Synthesis and Analysis

The geometric mean was used to determine the individual assessments of the respondents and consensus within a group. The geometric mean was calculated based on pairwise comparisons provided by respondents (Vargas, 2006). The comparative responses were combined to form a consensus. Rater Agreement, which measures the level of agreement among respondents (R1-Rn) on a problem within a cluster, was also considered and presented in Table 1 ANP Respondents.

3. Result

This research proposes alternative methods for enhancing self-declared halal certification in Indonesia. It focuses on 16 internal and external factors, resulting in five potential solutions. The internal factors involve the stakeholders involved in the self-declared halal certification program, such as MUI (Majelis Ulama Indonesia), BPJPH (Badan Penyelenggara Jaminan Produk Halal), and PPH (Proses Produk Halal) Assistants. The internal evaluation assesses the strengths and weaknesses of these factors. The external factors are directed at the targets of the self-declared halal certification program, including micro and small businesses

(UMK) and the Indonesian society as a whole. The external analysis examines the opportunities and threats related to these targets. These criteria were derived from literature studies and in-depth interviews with regulators, academics, practitioners, and experts knowledgeable about the development of self-declared halal certification in Indonesia. The internal and external criteria were then used to develop alternative strategies using the SWOT network structure. The previously identified internal and external aspects from the literature studies and in-depth interviews were transformed into a SWOT network, and the alternative strategies were utilized to formulate an ANP model, as illustrated in the diagram below.

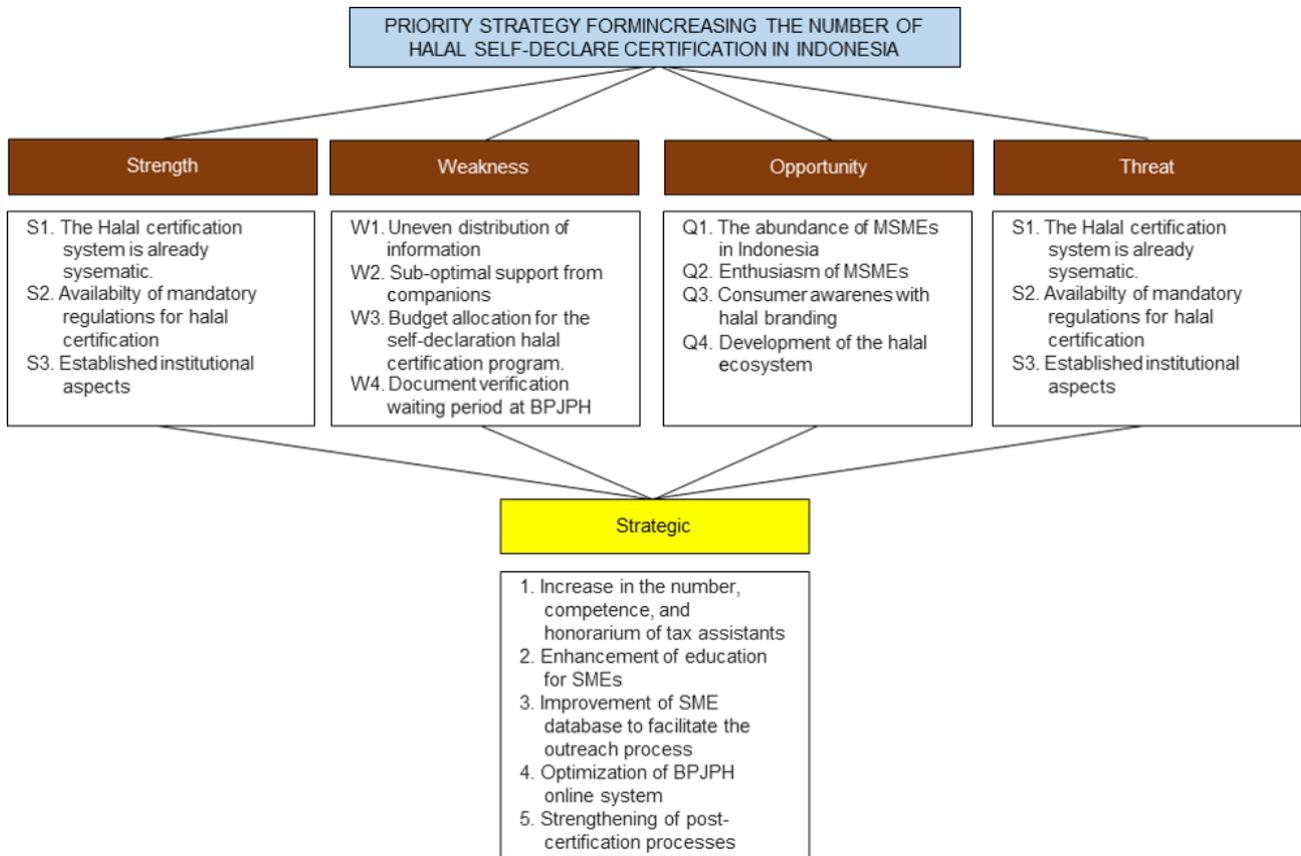


Figure 1. Analytic Network Proses Framework in the Research

3.1 Elements of SWOT aspect

The primary focus of the SWOT analysis is on the weakness aspect, which holds the highest priority among the four aspects identified through data analysis. This aspect has a geometric mean value of 0.297880, indicating that it has the greatest influence on improving self-declared halal certification in Indonesia. The degree of agreement among respondents can be gauged from Kendall's Coefficient of Concordance (W), which has a value of 0.27. Although this value is small, it does not negate the usefulness of the model. The results reveal that respondents have diverse perspectives on the priority of SWOT aspects, leading to differing answers. The Kendall coefficient is not used to assess the model's quality but rather to measure the level of agreement among experts (Ali & Kasim 2021). The priority order of the SWOT aspects is depicted in Figure 2.

3.2 Element of Strength

The strength aspect consists of four elements: a systematic halal certification system, the availability of halal certification regulations, established institutional aspects, and centralized online halal certification registration. The highest priority level from data processing results is the availability of mandatory halal certification regulations with a geometric mean of 0.271. The agreement among respondents (rater agreement) can be seen W (Kendall's Coefficient of Concordance), which has a value of 0.02. The result indicates that respondents have different perspectives on the strength aspects, leading to variation in answers (figure 3).

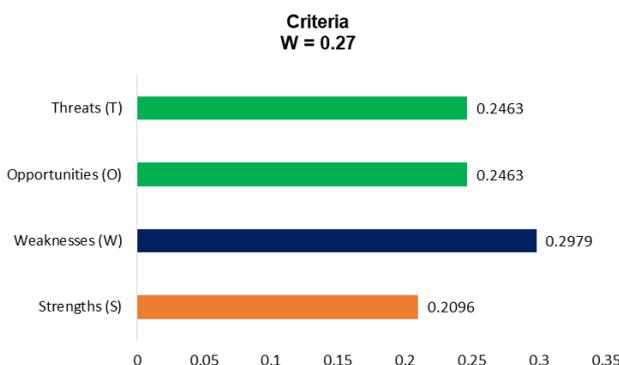


Figure 2. Priority of SWOT Aspects (own estimation)

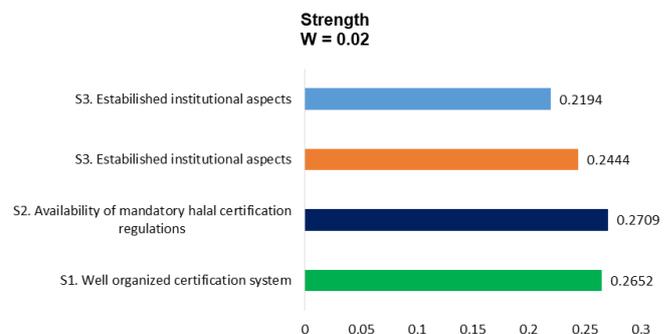


Figure 3. Priority of Strength Aspects (own estimation)

3.3 Elements of Weakness

The weakness aspect comprises four components: inadequate distribution of information, subpar support for PPH, limited budget for self-

declared halal certification program, and extended waiting time for files at the BPJPH. Based on the data processing outcomes, uneven information dissemination received the highest priority level, with a geometric mean of 0.2897. The respondents' varying perspectives on the priority of SWOT aspects are indicated by W (Kendall's Concordance Coefficient) with a value of 0.33, which suggests that there are variations in the answers (as shown in figure 4).

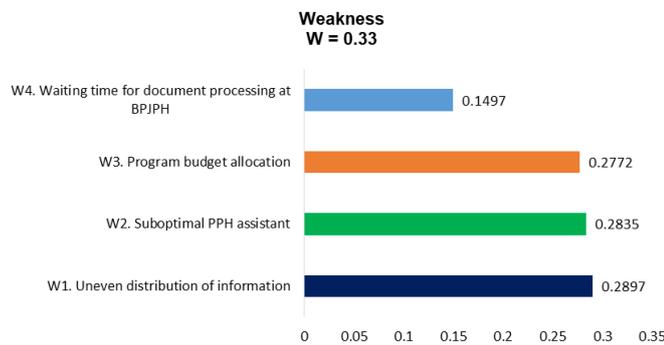


Figure 4. Priority of Weakness (own estimation)

3.4 Elements of Opportunity

The elements that make up the opportunity aspect are the significant number of MSMEs in Indonesia, favorable public opinion, increased consumer awareness of halal branding, and the growth of the halal ecosystem. According to the data processing results, the most important factor in this aspect is the large number of MSMEs in Indonesia, with a geometric mean of 0.2849. The respondents' varying perspectives on the priority of the SWOT aspects can be seen in the Kendall's Coefficient of Concordance (W) value of 0.04, which indicates that their answers varied.

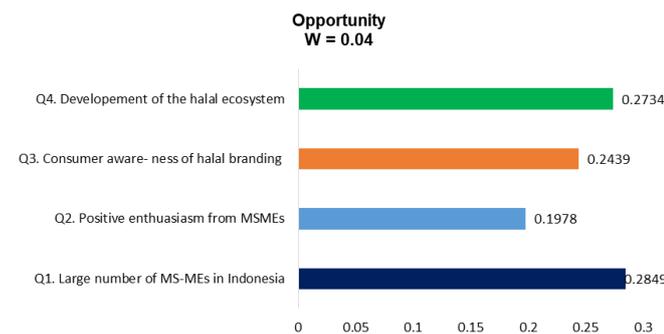


Figure 5. Priority of Opportunity (own estimation)

3.5 Elements of Threats

The components of the threat aspect encompass the Moral Hazard faced by MSMEs, the constantly changing halal certification regulations, the disparate public comprehension and literacy regarding self-declared halal certification, and the inadequate technological comprehension among the public. Based on the data analysis outcomes, the highest priority level in Indonesia was the significant number of MSMEs, with a geometric mean of 0.3854. The degree of agreement among the respondents (rater agreement) can be observed through W (Kendall's Coefficient of Concordance) with a value of 0.37, indicating 37% agreement among the respondents. Although the rater agreement is relatively low, this does not necessarily imply that the utilized model is incorrect or ineffective. These findings suggest that there are disparities in the SWOT aspect priorities among respondents, as depicted in figure 6.

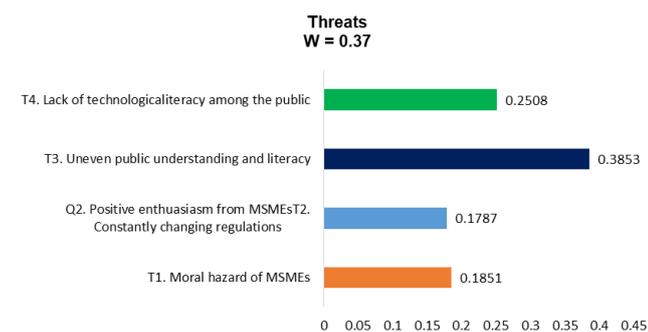


Figure 6. Priority of Threats (own estimation)

3.6 Elements of Strategies

The elements of the threat aspect include the moral hazards associated with MSMEs, continually evolving halal certification regulations, inadequate public understanding and literacy regarding self-declared halal certification, and a lack of technological comprehension among the general public. According to the data processing results, the highest priority level was identified as the significant number of MSMEs in Indonesia, with a geometric mean of 0.3854. The agreement among respondents (rater agreement) can be measured through W (Kendall's Coefficient of Concordance), which had a value of 0.37, indicating 37% agreement among the participants. Although the rater agreement was relatively low, this does not necessarily mean that the utilized model is incorrect or ineffective. These results indicate that respondents had varying perspectives on the priorities of the SWOT aspect, which led to variations in their answers (as shown in figure 6).

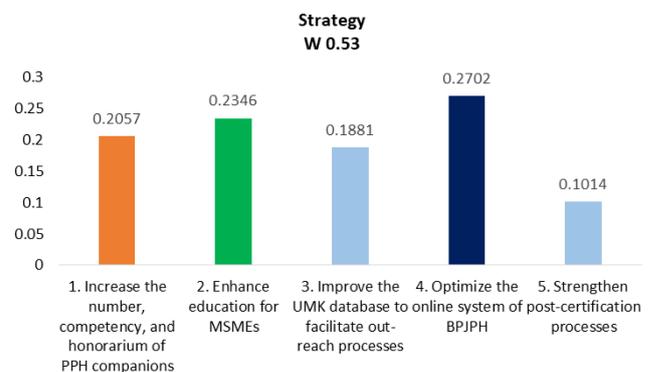


Figure 7. Priority of Strategy (own estimation)

4. Discussion

4.1 Elements of Strength

The first priority to strengthen the self-declared halal certification program was the availability of mandatory halal certification regulations. The obligation to obtain halal certification is stipulated in Law No. 33 of 2014, which makes the community, especially business actors, more aware of the importance of obtaining halal certification for their products. In addition, according to academic sources, there were ministerial circulars, BPJPH circulars, BPJPH regulations, and others that have made the regulations for self-declared halal certification quite good.

The second priority that strengthens the self-declared halal certification program was its well-organized and regulated process, from UMK assistance to certification issuance. Academic sources and the UMK explained that the procedures were effective and clear because everything was regulated, which avoided making the Self-Declared Halal Certification program useless. However, there were still many challenges and obstacles in the halal certification process, especially in meeting the targets for free halal certification.

The third priority that strengthens the self-declared halal certification program was a well-established institutional aspect. The institutions referred to are BPJPH, Halal Centre, LPPOM MUI, KNEKS, KDEKS, community organisations, universities, and other ministries that can help optimise self-declared halal certification. In addition, support was obtained from institutions such as state-owned enterprises, region-owned enterprises, and local governments. According to the Halal Center's IPB source, the political will for self-declared halal certification was quite good. The government is also continuously improving institutional capacity by strengthening Islamic economic institutions in regions with the President's Regulation regarding KDEKS (BI 2022).

The fourth priority of the strength aspect of the self-declared halal Certification program was the centralised online registration of self-declared halal certification through the SiHalal website. According to academic expert sources, the centralization of self-declared halal certification was a progressive step taken by BPJPH. The centralization of the halal certification process online means that UMK no longer needs to send physical documents to BPJPH, which eliminates additional costs, such as shipping fees, and can be more time-efficient. According to the 2019 public satisfaction survey, businesses found it easier with the online process because it does not require significant expenses (BPJPH 2019).

4.2 Elements of Weakness

The primary concern regarding the weakness aspect was the uneven distribution of information. This pertains to the procedures, policies, and literacy associated with self-declared halal certification. Some academic sources have reported that they are unable to access information concerning halal center registration. Although the information in BPJPH

was already relatively accessible, its reach was still inadequate. Other issues with self-declared halal certification include insufficient socialization, education, and training on the use of the SiHalal website. Furthermore, there is overlap between the regular pathway and self-declared halal certification, which leads many MSMEs to view halal certification as expensive and challenging to obtain (Kasanah *et al.* 2022). The Halal Center IPB source also indicated that information distribution remains uneven, particularly for individuals residing in remote locations or without internet access.

The second priority of the self-declared halal certification program that became a weakness was inadequate support from Halal Assurance Agencies (PPH). Academic sources indicate that PPH assistants lack a comprehensive understanding of the raw materials and products owned by business actors. This view is shared by the Halal Center IPB, which states that many PPH assistants, despite receiving training, are not yet ready to provide assistance due to a lack of understanding of self-declared halal certification. Nevertheless, academic sources emphasize that PPH assistants are crucial in achieving the halal certification target as they interact directly with MSMEs. Results from in-depth interviews with academic sources and the Halal Center reveal that many PPH assistants are not actively providing assistance. For instance, if the Halal Center recruits up to 100 PPH assistants, only 20-30 would be actively providing assistance. Therefore, the number of PPH assistants must be increased. Academic sources and the Halal Center IPB state that the number of PPH assistants is limited and unevenly distributed across Indonesia. Data from BPJPH shows that out of a target of 35,500, only 20,078 PPH assistants are currently registered, with 71.8% located in Java. This is one of the reasons why the self-declared halal certification target has not been achieved in several regions of Indonesia (BPJPH 2022). The RPJMN 2020-2024 identifies limited human resources as one of the obstacles to implementing halal product assurance (RPJMN 2020).

The third issue with the self-declared halal certification program is the program's budget allocation, which has not been optimized and lacks priority for PPH assistant honorariums. The PPH assistants were given an honorarium of IDR 150,000 per MSME, including costs for consumption and transportation. This honorarium was given without considering factors such as the distance between the PPH assistant and the MSME, the conditions in each region of Indonesia, and other important considerations. The Halal Centre's IPB and academic sources state that this low honorarium reduces PPH assistants' motivation. Many PPH assistants view their assistance activities as more social in nature. The total budget realization from the halal registration and certification service unit is IDR 98 billion. If this total budget is divided by the number of MSMEs that were certified as halal in 2022, which is 119,662 MSMEs, each MSME's budget is approximately IDR 800,000. However, only IDR 150,000 was allocated to the PPH assistants. This indicates that the PPH assistants, who are crucial to achieving the target for self-declared halal certification, were not prioritized in the budget allocation. Therefore, the budget allocation needs to be re-evaluated with a focus on prioritizing PPH assistant honorariums.

The fourth most significant concern regarding the weakness aspect was the extended waiting period for file verification at BPJPH. Unfortunately, this timeframe did not adhere to the established standards. It is worth noting that academic sources attribute this issue to the inadequate number of human resources at BPJPH, which is further exacerbated by the growing demand for PPH assistants and the aim to grant halal certification to more MSMEs.

4.3 Elements of Opportunity

The highest priority that became an opportunity for a self-declared halal certification program was the high number of MSMEs in Indonesia. This was supported by data indicating that 96% of the MSMEs were micro-enterprises and 1.2% were small enterprises. The number of MSMEs in Indonesia has reached 64.1 million (Kasanah *et al.* 2022).

The second most important objective for opportunities was to establish an ecosystem for self-declared halal certification. During this process, small and medium-sized enterprises (MSMEs) were required to submit their business documents, which were subsequently used to create a halal MSME database. Academic sources emphasize the significance of this data, as it can serve as a foundation for the future growth of the halal industry. This information could be utilized to support the halal ecosystem in Indonesia, such as through financing or the creation of a halal marketplace. The development of the halal ecosystem is also a key priority in the efforts to expand the Islamic economy in 2023, as outlined in the guidelines of the Vice President of the Republic of Indonesia presented during the KNEKS plenary meeting. These guidelines include enhancing the quality and quantity of suitable business opportunities for MSMEs, strengthening programs for Sharia-compliant companies, providing technical expertise for the digitalization of halal MSMEs, advancing research, and implementing incubation for Sharia-based MSMEs.

The third priority for the self-declared halal certification program was to raise consumer awareness about halal branding. Sources from BPJPH indicate that the growing awareness of consuming halal food in Indonesian

society has led to increased demand and created a need for halal products. MSMEs have responded to this need by producing products that meet halal standards. An internal survey conducted by LPPOM MUI in 2010, presented by Lukmanul Hakim, the director of LPPOM MUI, showed that the level of public concern for the halal status of products was 92.2%. This percentage significantly increased from 70% in 2009 (Puji 2011).

The fourth priority of the self-declared halal certification program was to generate public enthusiasm for halal certification. This was evident from the willingness of communities, particularly MSMEs, to participate and seek further information about the process. MSME sources believed that halal certification was crucial as consumer awareness of the halal status of products was increasing. Halal certification was also seen as a producer's responsibility to ensure consumer comfort when consuming products. Academic sources indicated that the public's response and acceptance of self-declared halal certification were generally positive, and the halal certification of MSMEs continued to grow.

4.4 Elements of Threat

The primary challenge facing the self-declared halal certification program was a lack of public understanding and literacy, which made it difficult for business owners to comprehend the procedures involved in obtaining this certification. This was also the reason why the program had not reached its target of 10 million business owners by 2022 (BI 2022). A study conducted by Bank Indonesia found that only 20% of the Indonesian public had adequate knowledge of the Islamic economy (BI 2022). This was partly due to the low level of education and management skills among human resources in MSMEs that specialize in halal products (Pratama 2022). Additionally, the RPJMN 2020-2024 identified low awareness among business owners about obtaining halal certification as a significant obstacle to implementing halal product assurance (RPJMN 2020).

The second most significant challenge faced by self-declared halal certification programs was the general public's limited technological comprehension. This is particularly problematic given that the self-declared halal certification process is managed online through the SiHalal platform. Unfortunately, many MSMEs still lack the necessary technological proficiency to utilize the platform effectively, as indicated by sources from the Halal Center IPB. This deficiency in digital literacy is also highlighted in the Economic and Sharia Finance Study conducted by Bank Indonesia in 2022 (BI 2022). Moreover, a survey conducted by the BPJPH in 2022 revealed that MSMEs found the halal certification process to be overly complicated and difficult to navigate due to its digital nature. This may be attributed to the misconception that small businesses like MSMEs do not require extensive digital application usage (Kasanah *et al.* 2022).

The third issue that emerged as a threat to the self-declared halal certification program was the moral hazard faced by MSMEs. Moral hazard refers to providing false information about business conditions during the self-declared halal certification process. Sources from the Halal Center IPB revealed that business owners might only commit to using registered halal materials and processes at the beginning of the process, but then not adhere to the standards after obtaining halal certification. This was because the desire to obtain halal certification was driven more by government obligations than by the willingness of MSME owners. This finding was supported by a study by Pratama (2022), which suggested that moral hazard was more likely to occur in the self-declared halal certification scheme due to the absence of halal testing and examination at the BPJPH level. The halal testing and examination functions were delegated to PPH partners (Pratama 2022).

The fourth issue that posed a threat to the self-declared halal certification program was changes in regulations. According to academic sources, one potential threat from the regulatory side is that the halal certification law, which was initially mandatory, has become voluntary. Modifications to regulations related to the technical aspects and issuance process of self-declared halal certification could undermine public trust in this type of certification. The Halal Center IPB reported that constantly updated regulations led to changes in the halal certification process, which hindered the performance of PPH partners in the field and confused MSMEs. These shifting regulations also impacted the SiHalal platform, which was temporarily suspended for improvements to adhere to the latest regulations, specifically the Government Regulation in Lieu of Law (Perppu) No. 2 of 2022 on Job Creation, which established a fatwa committee to replace the fatwa commission. As a result, adjustments to the SiHalal platform are necessary, which could impede the proper implementation of the self-declared halal certification process.

4.5 Elements of Strategies

The first priority among the alternative strategies is the optimization of the BPJPH system. This included accelerating the verification process, providing solutions, and responding to complaints. According to an explanation from BPJPH, the organization is currently focusing on accommodating the SiHalal platform to comply with the new regulation, which is the establishment of a fatwa committee. This was done to enable The primary objective of the BPJPH system is to enhance its optimization,

which includes expediting the verification process, offering solutions, and addressing complaints. According to BPJPH, they are currently working on integrating the SiHalal platform with the new regulation of establishing a fatwa committee. This is to allow the fatwa committee to perform its functions online via the SiHalal platform. BPJPH is also exploring the potential of artificial intelligence (AI) and blockchain technology. AI is being utilized to recommend ingredient selection based on MSME products, thus accelerating the halal certification application process and streamlining fatwa sessions. Meanwhile, blockchain technology is being developed to enhance the traceability of halal-certified products. A representative from BPJPH explained that the SiHalal platform enables consumers to trace the halal status of a product, including the origin of beef, distribution channels, grinding locations, and cooking processes. In the future, halal certification will not only be a label, but will also involve transparent and traceable processes from upstream to downstream. Academic sources and the Halal Center IPB emphasize the significance of BPJPH as the regulator and central authority for halal certification, continuously improving services, governance, institutional arrangements, and addressing issues related to self-declared halal certification.

The second priority in terms of alternative strategies is enhancing the education provided to MSMEs. This education is delivered through widely accessible media, such as online platforms and social media, and includes information on how to prepare products, ingredients, processes, and other aspects to ensure compliance with halal standards. BPJPH continuously provides online education through videos, social media posts, and webinars for socialization. However, online education can be challenging for individuals with limited digital literacy. Currently, PPH companions primarily provide education for MSMEs with low digital literacy, assisting and educating them on the halal certification process and compliant materials, especially in uploading documents through the SiHalal platform for MSMEs with limited knowledge. To maximize the function of educating MSMEs, the establishment of halal and smart MSME centres, as proposed by the Halal Center IPB, can be considered. These centres aim to provide training, guidance, and support for MSMEs in terms of halal, thoyib, Sharia finance, and the use of digital applications in the era of Industry 4.0. The improvement of MSME education aligns with the Vice President of Indonesia's directive regarding efforts to develop the Indonesian sharia economy, which includes prioritizing a 50% literacy rate in sharia economics among the Indonesian population and implementing integrated programs in the Indonesian Sharia Economy Master Plan (MEKSI) 2024-2029 (BI 2022).

One of the most crucial strategies is to increase the number, competency, and appropriate compensation for PPH companions. PPH companions play a pivotal role, as they interact directly with MSMEs. They function as educators for MSMEs, visit and grant halal certification directly to MSMEs without certification, and offer assistance to MSMEs facing difficulties using the SiHalal platform for self-declared halal certification. Therefore, optimizing the number of PPH companions throughout Indonesia will accelerate the increase in the number of self-declared halal certifications. This notion is supported by academic sources, which explain that the optimal number of PPH companions is crucial for achieving the target of self-declared halal certification. Currently, there are 20,078 PPH companions in Indonesia, which is still insufficient compared to the number of MSMEs. Moreover, the distribution of PPH companions is not uniformly spread across all regions in Indonesia, presenting a challenge to the self-declared halal certification program (BPJPH 2022).

Enhancing the proficiency of PPH partners can be accomplished by fostering communication between PPH partners and the Halal Center or relevant community organizations. This proficiency enhancement can also be facilitated by establishing Halal Product Process Companion Institutions (LP3H) to educate and support partners. Current efforts in Indonesia include prioritizing training for halal supervisors in Halal Safe and Healthy Culinary Zones (Zona KHAS) as part of the 2023 initiative to develop the sharia economy through the acceleration of the Zona KHAS program (BI 2022). Academic sources concur that PPH partners are vital for achieving the halal certification target. However, the current honorarium of 150,000 IDR per MSME for PPH partners is insufficient, leading to this role being considered more as a side job rather than a primary profession. To rectify this situation, academic sources suggest increasing the minimum honorarium for PPH partners to 300,000 IDR to 500,000 IDR per MSME. BPJPH recommends that PPH partners adopt creative methods, such as collective assistance through districts or production centers, to supplement their income. While this approach can help, it does not fully compensate PPH partners for their work. Therefore, a reevaluation of the honorarium for PPH partners is necessary, with priority given to the existing budget for this purpose.

The primary objective of enhancing the MSME database is to simplify outreach efforts. BPJPH has gathered crucial information from various sources, including the Online Single Submission (OSS), BPUM (Bantuan Produktif Usaha Mikro), Ministry of Cooperatives and MSMEs, regional cooperative agencies, and other pertinent organizations, to expedite the acquisition of halal certifications for MSMEs. PPH partners will conduct in-

person visits to MSMEs that have not yet obtained halal certification, educating them and encouraging them to do so. This initiative is designed to streamline the halal certification process (BI 2022). However, according to Halal Center IPB sources, the database still contains a substantial amount of erroneous information, such as unreachable phone numbers or inaccurate addresses, which impedes outreach efforts.

Frequent discrepancies between the recorded number of MSMEs and their actual presence in the field were discovered, which led to the recurring issue of duplicated data. Despite these challenges, BPJPH is continuously working towards improving the quality of its MSME database by collaborating with various relevant parties. However, it is acknowledged that the existing data may not always be accurate due to the dynamic nature of MSMEs, where businesses may change or even cease operations. To address this issue, PPH partners visited local MSMEs to ensure the accuracy of the data. Strengthening post-certification processes by conducting supervision and post-audits of halal-certified products is the fifth priority among the alternative strategies. These post-audit activities are crucial as a preventive measure to enhance the supervision of MSMEs and maintain public trust (Pratama 2022). To prevent fraud and ensure compliance with halal standards, MSMEs are required to sign a Halal Product Assurance Letter called Surat Jaminan Produk Halal (SJPH). At present, the post-certification processes involve periodic reporting of production processes every six months to monitor any changes made by MSMEs. The supervision conducted is generally applicable to all types of halal certifications, and specific supervision is yet to be implemented. This supervision is carried out jointly with the Indonesian Food and Drug Authority (BPOM) and regional supervisors.

5. Conclusion

An aggressive plan is necessary that involves equitable distribution of information and enhancing the support provided by PPH assistants to tackle the challenge of a lack of self-declared halal certifications by providing appropriate compensation for PPH assistants. Additionally, Indonesia should also capitalize on its opportunities, particularly the significant number of micro and small enterprises in the country. The strategy to address the low number of self-declared halal certifications includes the following steps: (1) Enhancing the online system of the Halal Certification Authority (BPJPH), (2) Providing education to UMK, (3) Increasing the number, competence, and compensation for PPH assistants, (4) Improving the UMK database for proactive outreach, (5) Strengthening post-certification processes.

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