

The Implications of Halal Certification in Business Management of the Food and Beverage Industry

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Abstract

*This research discusses the food and beverage industry in Indonesia, which has shown significant growth and is an important contributor to the processing industry's GDP. This growth aligns with public awareness of the importance of consuming halal food and drinks, especially amid global trends that prioritize halal and *thayyiban* lifestyles. Halal certification is crucial in meeting the demands of consumers who are increasingly concerned about halal products. This certification guarantees that the product has met halal and quality standards, reached a wider market, and earned consumer trust. However, there are still challenges in implementing halal certification as a whole, especially related to the lack of awareness and compliance of business actors. Research shows that halal certification has implications in business management, including its influence on marketing strategy, global market access, and operational efficiency. Sharia business management becomes relevant in this context, organizing business operations in accordance with Sharia principles to ensure compliance with the rules and principles established by Islam. By strengthening business management in accordance with sharia principles and leveraging halal certification, business players can increase competitiveness, expand markets, and build consumer trust, thereby supporting the growth of the halal food and beverage industry in Indonesia and globally. It was found that halal certification has a strategic impact in product marketing, providing global market access, and strengthening the position of business actors. Implementing sharia business management is also important for ensuring compliance with sharia principles in business operations. Thus, halal certification is the key to entering a wider market and maintaining a competitive advantage in the food and beverage industry.*

Keywords: food, drink, halal certificate, global industry

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INTRODUCTION

The continuously growing food and beverage sector is an important component of Indonesia's economy. According to data from the Central Statistics Agency (Badan Pusat Statistik/BPS), the food and beverage industry grew by 4.62% (yoy) in the second quarter of 2023, slightly lower than the 5.35% (yoy) in the previous quarter. Nevertheless, this sector remains the main driver of the manufacturing industry, contributing 34% to the manufacturing GDP in the second quarter of 2023 (Mustajab, 2023). Along with the increasing contribution of the food and beverage industry, public awareness of the importance of consuming halal food and beverages has also increased. As the industry develops, awareness of public health has grown (Subianto, 2019). A lifestyle that prioritizes halal and *thayyiban* is emerging as a global trend. Today, halal is no longer merely a cultural or religious matter; it has become part of a broader international market segmentation.

In the halal food and beverage industry, ensuring compliance with halal standards is a significant challenge. Consequently, halal certification has become increasingly important for

businesses in this sector, as they must provide halal assurance to meet the needs of consumers who are increasingly concerned about halal matters. A Halal Certificate is an official recognition of a product's halal status issued by the Halal Product Assurance Organizing Agency (BPJPH) based on a written fatwa from the Indonesian Ulema Council (MUI). Halal certification verifies that companies producing food and beverages have complied with the regulations and standards established by law. This includes various elements such as the provision of raw materials, processing, storage, packaging, distribution, sales, and product presentation. Halal certification assures Muslim consumers that the product meets quality and safety standards as well as halal requirements (Badan Penyelenggara Jaminan Produk Halal, Ministry of Religious Affairs of the Republic of Indonesia, 2014). Muslim business actors must ensure that their products are halal, including food, medicines, and goods for use. Since halal-certified products are guaranteed to be safe and healthy, they are favored by both Muslim and non-Muslim communities. Halal certification is therefore crucial for compliance with religious and business laws, especially in the food and beverage sector (Mega Novita Syafitri, 2022).

The concept of sharia business management involves organizing, managing, and conducting business operations in accordance with sharia principles. This means that business activities must comply with Sharia rules derived from the Qur'an and Hadith and must not involve methods prohibited by Allah. Seeking profit is not the sole objective of Islamic business; rather, it is guided by underlying ethical principles (Heri Cahyo Bagus Setiawan, 2020). Poor management can harm a business; therefore, companies must maximize managerial effectiveness. Rules and principles governing business transactions are essential to ensure that neither producers nor consumers are harmed or exploited. For this reason, the food and beverage industry is highly relevant to the concept of halal business management, as it plays a vital role in the economy and requires products and services that comply with sharia principles.

Businesses that adhere to sharia principles conduct their operations in an Islamic manner, do not engage in actions that harm others, and do not produce prohibited food or beverages. Companies are required to obtain halal certification from government-designated institutions to ensure their products comply with halal standards. Through halal certification, businesses can reach wider markets, gain consumer trust, gain a competitive advantage, and capitalize on greater market opportunities. This is particularly relevant in the modern era, where many countries with Muslim populations require halal certification for products entering their markets. Unfortunately, business actors have not fully tapped the potential of the rapidly growing halal market. Under the Halal Product Assurance Law No. 33 of 2014, all products that enter, circulate, or are traded in Indonesia must be halal-certified. However, many businesses have not fully complied with halal certification requirements. Although full enforcement of halal certification was expected in 2019, many products remain uncertified. This situation persists partly because public awareness is still limited, with halal often viewed solely as a religious issue (Wirdyaningsih et al., 2020).

Another issue faced by businesses relates to the financial implications of halal certification. Compared to businesses prior to obtaining halal certification, profits after certification are not significantly different. This has become one of the reasons companies are less motivated to pursue halal certification. According to Bernadetta Vivi Kristiana et al. (2020), this is due to a lack of innovation among business actors in improving their business management after obtaining halal certification. Therefore, companies need to introduce new

strategies to enhance their business management, including strengthening top management's commitment to halal policies, ensuring the continuous availability of raw materials, building cooperative relationships with various stakeholders, providing employee training, maintaining clear financial records, and establishing a strong organizational structure that involves all relevant parties.

Various studies have been conducted in this field. Among them, Muhammad Alfarizi found that halal culinary certification programs, compliance with halal practices, and halal quality assurance influence business operational performance. The study also showed that improved operational performance positively impacts financial performance (Alfarizi, 2023). Mega Novita Syafitri et al. found that halal food labeling is very important for Muslim consumers, as it serves as an effective communication tool between producers and consumers and as a means of compliance with Islamic law that requires halal consumption throughout the entire production and distribution process. Nurjanah et al. found that awareness of the obligation to obtain halal certification among business actors is relatively high, given its positive impacts; halal certification is a positive action that offers many benefits to businesses. However, research examining the implications of halal certification on business management in the food and beverage industry remains limited. Therefore, such research is necessary, as it can provide valuable insights to business actors on the implications of halal certification for business management. Through this information, food and beverage industry players can develop more well-planned strategies for innovation and business development. Thus, the purpose of this study is to examine the implications of halal certification on business management in the food and beverage industry.

Awareness of Halal Food and Beverage Consumption

Public awareness of the importance of consuming halal food and beverages has increased along with the growth of this industry. This development is driven by global trends that promote a halal and *thayyiban* lifestyle. Halal certification has become essential to meet the needs of consumers who are increasingly concerned about halal matters.

Halal Certification and Sharia Business Management

Halal certification plays a crucial role in the food and beverage industry, verifying a product's halal status and ensuring compliance with safety and quality standards. Halal certification is closely linked to sharia-based business management, which governs business operations in accordance with Islamic principles. Certification not only affects product marketing and access to global markets but also influences overall business management practices, including planning, implementation, and operational control.

Effective Marketing Management

Halal certification can be used as an effective marketing tool to attract consumer interest and expand market share. The halal certification logo or label often becomes a determining factor in consumers' purchasing decisions, thereby influencing marketing strategies and product branding.

Access to Global Markets

Halal certification enables the food and beverage industry to gain access to global markets, particularly the rapidly growing Muslim market. This article highlights the

importance of halal certification in facilitating international trade and enhancing the competitiveness of Indonesian products in the global market.

RESEARCH METHODOLOGY

This research employs a literature review (library research), a research activity that collects information and data from various library sources. These sources include reference books, previous studies with similar topics, articles, notes, and various journals relevant to the issues being addressed. This activity is carried out systematically to collect, process, and analyze data using specific methods and techniques to address the problems encountered. In this study, the researcher collects data from various sources, including books, journals, reports, laws and regulations, and articles, to obtain relevant data. The collected data are then analyzed to formulate the implications of halal certification on business management in the food and beverage industry.

RESULTS AND DISCUSSION

Halal Certificate

A halal certificate is an official recognition of the halal status of a product issued by the Halal Product Assurance Organizing Agency (BPJPH), based on a written halal fatwa issued by the Indonesian Ulema Council (MUI) (Ministry of Religious Affairs of the Republic of Indonesia, 2021). Halal certification is a formal procedure in which individuals or institutions that are accredited or have the authority assess and verify products, including their attributes, characteristics, quality, qualifications of goods, procedures or processes, as well as events or conditions, in accordance with established requirements or standards. The business implications of halal certification constitute an important part of the production process. In general, halal certification is a means by which the government protects consumer rights. In terms of value, the concept of halal is considered a standard that encompasses aspects such as health, hygiene, safety, sustainability, and integrity. It has become a characteristic of modern society and a global standard for halal quality. Halal products have become part of a highly profitable global business targeting both Muslim and non-Muslim consumers (Muhammad Aqil Irham, 2023). The production of halal food and beverages is not only related to operational and material aspects, but also has a deeper spiritual dimension compared to other products that generally focus solely on safety and security. Halal status becomes a primary requirement in food and beverage production to provide legal certainty for consumers.

Halal certification applies not only to food and beverage products but also to cosmetics, pharmaceuticals, chemical products, biological products, and products with utility value that are widely used by the public. As a country with a Muslim-majority population, Indonesia has an obligation to fulfill the need for good and halal food and beverages for its people. Therefore, through the halal assurance system, every product circulating in society must have halal certification, providing consumers with confidence when choosing food and beverages. Halal certification plays a very important role in various areas, including fulfilling religious obligations as Muslims, protecting consumer rights, especially regarding product quality, increasing business profitability, and strengthening the competitiveness of the halal industry on the international stage.

The product production process, which includes management, procurement of materials, storage, packaging, distribution, sales, and product preparation, assures the

product's halal status. In addition, the production facilities and equipment used must be separated to prevent cross-contamination between halal and non-halal products. Maintaining product quality is also part of the halal process. Therefore, the business sector, especially in the food and beverage industry, must ensure that production processes are clean and avoid the use of non-halal or impure materials. The government established the Halal Product Assurance Organizing Agency (BPJPH) to ensure the implementation of halal product assurance. BPJPH operates under and is accountable to the Minister of Religious Affairs and has also established Halal Product Process Assistance Institutions (LP3H) to assist in the halal certification process. Several Indonesian government regulations also govern halal certification. One of them is Government Regulation of the Republic of Indonesia Number 39 of 2021 concerning the Implementation of the Halal Product Assurance Sector. This regulation provides a framework for obtaining halal certification, comprising two schemes: the self-declare scheme and the regular scheme. Halal certification is a requirement for maintaining the integrity of halal products and serves as a guarantee and foundation of consumer trust in their halal status. Halal certification helps consumers avoid confusion when choosing products that comply with halal principles.

Sharia Business Management

Management is the process of organizing what individuals or organizations do to achieve goals. This is achieved through effective and efficient cooperation in utilizing available resources. Management can also be defined as an effort to provide guidance and direction by involving planning, coordination, integration, division of tasks carried out professionally and proportionally, organizing, controlling, and optimizing the use of available resources. In this way, management can be seen as an art that involves integration (Burhanudin Gesi, 2019). Business implications: In the Islamic perspective, *itqan* means that everything must be done in a good, orderly, systematic, neat, correct, clear, and thorough manner. To facilitate the application of Islamic values in personal, family, and community life, management is indispensable. However, in general, there is no clear understanding of the concept of Islamic management (Hakim, 2014). Management plays a very important role in Islamic business. Islam has established guidelines that require compliance with the principles of Islamic law (the Qur'an and Hadith) in conducting business activities. Islamic business management is a solution for practicing business management that aligns with sharia principles, as conventional business management has failed to create an environment that prioritizes integrity, happiness, and respect for fellow human beings. Islam provides guidance for all Muslims in running a business, not only in management functions but also in other rules found in the Qur'an and Hadith (Mahela, 2016).

Sharia business management is a scientific discipline that studies how to organize, manage, and carry out business activities in accordance with Sharia principles. In managing human life worldwide, knowledge, insight, skills, and professional work attitudes are required, including in business activities. Business activities are an integral part of social life that reflect interdependence among individuals. Humans, as social beings, are unable to meet all their needs independently and therefore require collaboration and exchange with others. Business activities should serve to realize religious values that involve moral, ethical, and spiritual aspects.

Sharia business management is universal and can be applied to various sectors and types of businesses. Management provides a framework and tools to allocate and direct resources to achieve business objectives effectively. Management includes:

- Planning, which includes setting business goals and targets, creating strategies to achieve them, determining the required resources, and establishing standards and indicators of success. Planning is also the initial stage to determine appropriate strategies and tactics to achieve business objectives.
- Implementation/Directing (actuating/directing), which is the stage of implementing programs that enable all members of the organization to carry out their duties and responsibilities with high awareness and productivity.
- Controlling/Supervision (controlling), which is the stage used to ensure that all planned, organized, and implemented activities run according to the expected targets. Control activities include evaluating progress toward achieving business goals and targets against established indicators, clarifying and correcting deviations, and developing alternative solutions (Suhadi, 2008).

Through these four stages, business actors can achieve success, maintain operational efficiency, and run businesses that are integrated with sharia principles. These four stages form the main foundation for every business actor in carrying out activities, both individually and collectively. The objective is for business activities to run effectively and efficiently while remaining aligned with Sharia principles. Meeting halal certification requirements is one of the benefits of implementing business management in accordance with Sharia principles. Halal certification indicates that a company's products or services comply with Sharia principles throughout their production and distribution. This provides customers with confidence that the goods and services they purchase are halal and in accordance with Islamic principles. To ensure that the resulting products or services meet halal standards, businesses can implement effective management practices to comply with halal requirements, including sourcing halal raw materials, conducting production processes in accordance with sharia principles, and maintaining strict quality control.

Implications of Halal Certification and Business Management

Halal product certification, particularly for food and beverage products, influences the business world and the marketing of halal products, for both consumers and food and beverage industry players. Halal certification, displayed as logos, trademarks, or product labels, indicates that these products have undergone a strict inspection by authorized institutions. This certification confirms that the sources of ingredients, product composition, and production processes comply with sharia principles (Akbarizan, 2018). In addition, halal certification also has a significant impact on ensuring business sustainability and strengthening the position of business actors. Halal certificates are one indicator that can influence consumer purchasing interest, potentially increasing sales or revenue for business actors. Therefore, the implications of halal certification for business management have a strategic impact that can meet consumer demand for products.

Effective Marketing Management

Marketing is an important part of business management, especially in encouraging management to view the future differently. One way businesses can innovate and adapt to market changes is by obtaining halal certification. In addition to meeting customer needs, halal certification can help businesses remain sustainable in a constantly changing environment. Therefore, companies must consider the benefits of halal certification to remain competitive in the future. Business management in a competitive environment requires effective marketing strategies to remain present in the market. Marketing products with halal certification is an important step in maximizing their benefits. The presence of halal certification on products provides a guarantee of safety to Muslim consumers and also benefits producers by increasing consumer appeal. Therefore, producers must clearly communicate to consumers that their products have met halal standards. This can be done by including halal certification logos on product labels, as well as through marketing campaigns that emphasize the halal status of the products.

Halal certification campaigns play an important role in shaping consumer awareness and engagement in choosing halal food and beverage products. Therefore, it is important to provide education to Muslim consumers, especially regarding their understanding of halal and haram laws and their ability to identify prohibited products, as important aspects of halal product marketing. This will help expand market segments, especially among Muslim consumers (Mukhlis, 2012). Halal certification is an important part of food and beverage product marketing because it can influence customer behavior and preferences. Halal certification can be used as a Unique Selling Point (USP) for halal products. The concept of USP is an important part of marketing strategy that enables a product to be differentiated from competitors (Samsuri, 2020). Products with halal certification have advantages and provide greater value to customers. The halal logo on product packaging has unique selling value and can create a positive impression on customers. Halal certification not only fulfills halal requirements but also builds customer trust, especially among Muslim customers who are highly concerned about the halal status of the products they purchase. In an era of increasingly intense business competition, products with guaranteed halal status stand out more than similar products that have not yet obtained certification. In the marketing context, halal products can emphasize halal certification as a key feature to attract consumers seeking halal products. Thus, halal certification becomes a key factor in meeting the evolving market's demands. This presents significant growth opportunities in the halal food and beverage industry, driven by global dynamics that favor products meeting halal standards. In addition, certified halal products can build a strong reputation and thus attract more consumers.

Access to Global Markets

The food and beverage industry can engage in global trade thanks to halal certification. Industry players will plan concrete actions to gain access to global markets through effective management processes. This is possible because, according to the 2022 State of the Global Islamic Economy Report, global trade has increased significantly due to halal food, especially among member countries of the Organization of Islamic Cooperation (OIC). Indonesia ranks second in the halal food industry. Halal food exports to OIC countries increased by 16%. With the launch of global trade data systems and the codification of halal products, losses will

continue to increase. To enhance halal certification, Indonesia has also implemented measures such as codification and digitalization. This shows that Indonesia's food and beverage industry can compete with those abroad.

According to the *State of the Global Islamic Economic Report*, several factors are driving global demand for halal products, including:

- A large, rapidly growing, and young Muslim population,
- Expansion of the global Islamic economy,
- Islamic values that encourage the choice of halal products and services,
- Digital connectivity and the rise of e-commerce, and
- Growth of ethical consumption (Standard, 2022).

Halal-standard products must become an important part of global trade and economic practices that require international standards and quality to gain the trust of consumers worldwide. With halal certification, businesses can compete both domestically and in global markets (Hani, 2023).

CONCLUSION

The implications of halal certification in business management within the food and beverage industry can be observed from the product marketing aspect. Halal certification serves as a Unique Selling Point (USP) that adds value and creates a positive image for consumers. This can be achieved by displaying the halal logo on product labels and through marketing campaigns that emphasize the halal status of the products. In addition, awareness of halal products in the global market continues to grow alongside the worldwide trend toward a halal lifestyle. Therefore, through halal certification, businesses in the food and beverage industry can enter and access broader markets, particularly in countries that are members of the Organization of Islamic Cooperation (OIC).

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