

## Product Innovation Enhancement through Halal Food Certification: Evidence from Mondoretno MSMEs”

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### ABSTRACT

Halal food industry in Indonesia is growing rapidly, creating a significant opportunity for UMKM to develop halal product innovations. This innovation not only enhances product quality but also expands export opportunities, positioning Indonesia as a key player in the global halal industry. This study aims to analyze the role of halal certification in driving product innovation among UMKM in Mondoretno. The research employs a qualitative approach, with data collection methods including interviews, observations, and documentation, expected to provide direct data from the sources. The data analysis techniques involve data collection, reduction, and conclusion drawing from field findings, along with triangulation to ensure data validity. The research subjects are UMKM in Mondoretno operating in the halal food sector. The findings are expected to provide effective strategies for UMKM to enhance product innovation through halal certification. Halal certification not only increases consumer trust but also encourages UMKM to continuously innovate in creating high-quality products.

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### Introduction

Various types of imported food products are now increasingly flooding our country, ranging from raw materials to processed or ready-to-eat products, offered at highly attractive prices and packaging (Idris, 2020). Despite this situation, as Indonesian citizens we must remain vigilant and cautious in selecting such products, as we do not know whether they are made from ingredients that are safe for consumption (Muhtadii & Tawakal, 2016). For Muslims, an error in choosing food products may cause harm both in this world and in the hereafter, since products containing hazardous substances can negatively affect health, and from a religious perspective, consuming unlawful (haram) food constitutes a sin. Therefore,

Muslim communities are encouraged to seek food products that are guaranteed to be halal (Hadida, 2019).

The global market is currently projected to experience an increase in demand for halal products, driven by rapid population growth reaching approximately two billion people across fifty-seven countries worldwide with Muslim-majority populations. This trend can be observed from the rising number of halal food consumers and products, which now reach approximately four billion people. Indonesia is one of the countries with the largest Muslim populations in the world. Consequently, Indonesia is categorized as having the highest level of halal food consumption globally. As cited from an article on the Katadata.co.id website under the theme “data industry for all” in 2017, Indonesia ranked first in the category of Muslim Food Expenditure, with a value of USD 170 billion. The article further explains, based on data published by Statista.com (Katadata.co.id, n.d.), that this figure is projected to increase significantly by 2025.

In Islamic teachings, halal food is defined as food that is tayyib and jayyid, as stated in the Qur’an, Surah An-Nahl (16), verse 114, which reads:

فَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا وَاشْكُرُوا نِعْمَتَ اللَّهِ إِنْ كُنْتُمْ إِيَّاهُ تَعْبُدُونَ

Meaning: “So eat of what Allah has provided for you as lawful and good sustenance, and be grateful for the blessings of Allah if it is truly Him that you worship.”

The verse above explains that Muslims are commanded to consume halal food granted by Allah and to express gratitude for His blessings if they are truly among His servants. On this basis, Islamic teachings obligate Muslim communities to consume halal food. Moreover, halal food offers significant benefits and positive impacts on health.

Not only Muslims, but even non-Muslim communities increasingly prefer halal food due to its assured quality, cleanliness, and safety through halal labeling. Although such conditions may not yet be fully realized in Indonesia, this phenomenon at least serves as evidence that many non-Muslim consumers choose halal food based on its guaranteed quality and hygiene. The halal food industry in Indonesia has experienced very significant growth (numuwān ṣināʿī), thereby creating golden business opportunities, particularly in the development of halal products (Waharini & Purwantini, 2018).

Indonesia's success in establishing a halal system in the food sector must be maximally utilized by business actors and production communities, especially small entrepreneurs or MSMEs that primarily operate in the food industry (Syarifudin & Fahma, 2022). Micro, Small, and Medium Enterprises (MSMEs) represent a business group that has proven most resilient during periods of economic crisis. Government support through various plans, programs, mechanisms, and mentoring initiatives has greatly influenced the growth of MSMEs in Indonesia. MSME products will not sell automatically without deliberate efforts in marketing, promotion, and advertising (Rachmawati, 2014).

Although MSMEs do not possess equal capabilities, they must be proactive in identifying opportunities to enhance product innovation in order to remain competitive. Product innovation generally refers to activities such as renewing, modifying, or adding features to improve product effectiveness. One important aspect of product innovation is registering MSME products with halal certification institutions. MSMEs in Temanggung Regency have strong prospects for development as a means of addressing unemployment and improving community income, particularly in the food sector, which represents one of the most promising MSME categories in the region.

Mondoretno Hamlet in Bulu District is one area that hosts several food-based MSMEs, both long-established enterprises and newly founded businesses. It has been observed that some MSMEs that have operated for decades have not experienced significant development, whereas newly established MSMEs have successfully enhanced their products. Notably, these newer MSMEs have already obtained halal food certification, which is part of a government program as conveyed by the Head of the Halal Product Assurance Organizing Agency (BPJPH). The findings of this study are expected to provide effective strategies for MSMEs to enhance product innovation through halal certification.

## **Method**

This study employs a qualitative research method, which is widely used to accurately describe populations, situations, and phenomena based on empirical facts (Ahyar et al., 2020). The type of research applied in this study is field research, namely research conducted directly in the field or at a predetermined location to identify observable phenomena and factual conditions, which can then be systematically compiled into a scientific report. The research locus of this study is MSMEs in Mondoretno Village.

Data were collected through interviews, observations, and documentation, which are

expected to generate primary data directly from the sources. The data analysis technique follows the stages proposed by Sugiyono (2018), including data collection, data reduction, and data conclusion/verification derived from field findings. In addition, triangulation was employed to ensure the validity and credibility of the collected data.

## Results and Discussion

### Types of Product Innovation among MSMEs in Mondoretno Village

Product innovation is often defined as changes made to a product, including modifications in raw materials, production stages, technology, packaging, services, and other aspects aimed at creating or improving existing products, thereby generating added value and increasing their market value (Pattipeilohy, 2018). Based on field findings, the level of innovation among food-based MSMEs in Mondoretno Village shows considerable variation. Most business actors are aware of the importance of innovation in product development; however, the degree of implementation differs significantly. Some MSMEs have actively introduced innovations in terms of taste, packaging, and marketing strategies, while others continue to operate conventionally with minimal changes over the years.

Several MSME actors, such as SZ, AM, and MD, acknowledged that product innovation is essential for business sustainability, yet they lack concrete strategies for its implementation. SZ, who operates an onde-onde business, has only introduced simple innovations by adding variations in fillings and colors, without considering other aspects such as attractive packaging or digital marketing strategies. Meanwhile, AM, a mie ayam vendor, perceives innovations in flavor variants or product appearance as less relevant to his type of business, although he recognizes that halal certification could enhance business attractiveness. MD, who sells various traditional snacks, also stated that product innovation remains limited due to capital constraints and limited access to information regarding modern food trends that are more appealing to the market. Although MD aspires to

develop his business to become more competitive—such as by adopting business models from larger cities he continues to face challenges in realizing these ideas.

According to Pattipeilohy (2018), key aspects that must be considered in developing product innovation include branding, attractive packaging, and trading up and trading down strategies—namely creating higher-priced products that enhance prestige alongside existing lower-priced products that prioritize affordability over prestige. Conversely, several other MSME actors have implemented innovation actively and in a more structured manner. SN, for instance, successfully developed an innovative product known as dawet nila, a unique combination of a traditional beverage and tilapia fish as the main ingredient. This innovation emerged after conducting small-scale research and comparative studies in Magelang, where SN discovered opportunities to further develop tilapia processing into beverage products. Although initially facing difficulties in eliminating the fishy odor, SN eventually identified appropriate processing techniques, resulting in a product that was well received by the market. EL, a bread producer, also introduced innovations by developing various unique flavors and shapes, such as bread made from purple sweet potato and bread filled with dates. Furthermore, EL has registered halal certification for his products in order to expand market reach and enhance consumer trust. Meanwhile, SM, who manages a chips production business, introduced innovation in raw materials by developing a fermented flour mixture that improves texture and flavor. This innovation not only enhances product quality but also increases competitiveness in both local and regional markets.

The findings of this study indicate that halal certification plays an important role in encouraging product innovation among food MSMEs in Mondoretno Village. Business actors who understand the benefits of halal certification tend to be more open to innovation and strive to improve product quality to remain competitive. Nevertheless, several major obstacles hinder innovation and halal certification among MSMEs, including limited

capital, lack of access to information and training related to product innovation, and the perception that innovation is not always necessary for certain types of businesses.

In Islamic teachings, halal food is defined as food that is *tayyib* and *jayyid*, as stated in the Qur'an, Surah An-Nahl (16):114. On this basis, Islam obligates Muslim communities to consume halal food, which also provides significant benefits and positive impacts on health (Mardani, 2020). In addition to internal factors, external factors such as support from the government, halal certification bodies, and MSME communities also play a crucial role in fostering innovation. Several MSME actors who have successfully implemented innovation reported gaining new insights through training programs and comparative studies facilitated by local governments and non-governmental organizations. Therefore, continuous mentoring and training for MSME actors in Mondoretno Village are essential to ensure that they not only survive market competition but also achieve sustainable business growth through innovation. Through synergy between business actors, government institutions, and related organizations, innovation among food MSMEs in Mondoretno Village is expected to continue developing—not only in terms of product diversification but also in digital marketing, attractive packaging, and the utilization of technology in halal food production. Ultimately, such developments will enhance the competitiveness of MSMEs in both local and national markets and support sustainable economic growth based on the halal industry.

### **The Role of Halal Food Certification for MSMEs in Mondoretno Village**

In conducting micro and small business activities, business actors have responsibilities and obligations to create and maintain a healthy business environment through the implementation of legal norms. Fundamentally, the public expects food safety, namely food products that are nutritious and do not pose risks to human health (Madjid, 2023).

Not all MSMEs in Mondoretno Village have registered their food products for halal certification. However, for those that have obtained halal certification — such as SN, EL, and SM — this certification plays a significant role in enhancing product innovation and business competitiveness. Based on interviews with these MSME actors, it was found that halal certification not only provides assurance of product permissibility for consumers but also encourages innovation in various aspects, including raw materials, packaging, and marketing strategies.

SN, an MSME actor who has obtained halal certification, stated that the certification greatly assists in convincing customers of the halal status and quality of his products. He also expressed satisfaction with the extension of the halal certificate's validity period to six years, compared to the previous two-year validity. With this certification in place, SN feels more confident in marketing his products and more open to developing new innovations that comply with halal standards.

EL similarly acknowledged that after obtaining halal certification, his products have become more popular in the market. He perceives an increase in consumer trust, which has facilitated competition in the marketplace. When asked about its role in product innovation, EL confirmed that halal certification has made innovation easier, particularly in selecting high-quality and safe raw materials. He feels more motivated to introduce new product variations while consistently maintaining halal compliance. SM, who has also acquired halal certification, explained that the innovations he implemented not only increased customer satisfaction but also enhanced the selling value of his products. With halal certification, he is able to display the halal label on product packaging, which he believes conveys a more exclusive and professional image. SM emphasized that although his products are slightly more expensive than similar uncertified products, consumers continue to choose them due to greater confidence in their quality and halal assurance. According to SM, the process of obtaining halal certification was not overly difficult, as it primarily involved verifying the halal status of raw materials used in production. He highlighted that even basic ingredients, such as salt, must be halal-certified to ensure that the entire production chain complies with established standards.

SM further noted that halal certification contributes to healthier market competition, as certified products possess stronger competitiveness. Consumers, particularly Muslims, tend to prefer products with guaranteed halal status, which increases the confidence of certified business actors in operating their enterprises. Moreover, SM observed that innovation becomes more structured after certification, as he becomes more selective in sourcing raw materials and more willing to explore new product variations that remain aligned with halal principles.

Overall, halal certification has a significant positive impact on product innovation among MSMEs in Mondoretno Village. In addition to strengthening consumer trust, halal certification encourages business actors to become more creative and innovative in developing their products. With halal assurance, MSMEs can more easily expand their market reach and enhance business competitiveness. Therefore, it is essential for other MSMEs in Mondoretno Village to consider halal certification as a strategic step toward improving product quality and competitiveness in an increasingly competitive market.

## **Conclusion**

The findings of this study indicate that not all MSME actors in Mondoretno Village fully understand the different types of product innovation. This is evidenced by several MSMEs that have not yet obtained halal certification and perceive that their current business practices do not constitute innovation. They tend to associate product innovation with extraordinary or radical changes, whereas, based on the results of this study, many of the practices they have implemented already fall within the scope of product innovation.

In contrast, MSMEs that have obtained halal certification have demonstrated a higher level of product innovation. These enterprises have implemented various forms of innovation in their products, including improvements in raw materials, product design, and packaging models, as well as the inclusion of halal certification on product labels. Therefore, it can be concluded that MSMEs in Mondoretno Village have engaged in diverse types of product innovation, ranging from innovation in materials used, innovation in product form, to innovation in unique packaging designs that incorporate halal certification. Furthermore, based on statements from MSME actors in this study, halal food certification provides multiple benefits for product quality and business performance. These benefits include increased sales,

enhanced business confidence, and strengthened consumer trust, as customers feel more assured about products that are halal-certified.

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