



From Formal Halal Certification to Substantive Compliance: Integrating *Maqāsid Al-Shari'ah* and Risk-Based Governance in SMEs

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DOI: doi.org/10.66325/nusantaralaw.v5i1.176

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|| Received: 29-11-2025 || Revised: 14-02-2026 || Accepted: 16-04-2026 || Published On: 24-04-2026

Abstract: The halal industry has evolved into a global economic regime that demands governance based not only on normative compliance but also on the ability to guarantee process integrity and business sustainability. However, in the small and medium enterprise (SME) sector, halal certification is still dominated by administrative compliance that has not been integrated into operational systems. This study aims to analyze the implementation of halal certification policies in SMEs by integrating the *maqāsid al-shari'ah* (Islamic principles) and risk-based governance perspectives. This study employed a qualitative case study design and used document analysis, in-depth interviews, and observations in Padang Panjang City. The results revealed a structural gap between policy design and implementation practices. This gap is reflected in the low halal certification rate of 3.9% (520 out of 13,183 SMEs), the prevalence of self-declaration schemes (93.8%), and weak halal literacy and underdeveloped risk-based control systems in the production process. These conditions suggest that halal compliance remains largely symbolic and has yet to yield substantive outcomes in line with the *maqāsid*. This study contributes to the field by developing an integrative analytical framework that connects *maqāsid*, as the normative basis, with risk-based governance, as the operational mechanism. The framework emphasizes the need to shift from rule-based compliance to system-based governance in halal policy. This study introduces the *Maqāsid*-Based Risk Governance Index (MRGI), an integrative model that uses operational indicators such as safety, traceability, and transparency to measure the achievement of *maqāsid* outcomes.

Keywords: Halal Certification, Substantive Compliance, *Maqāsid al-Shari'ah*, Risk-Based Governance, Small and Medium Industries.



Introduction

The halal industry has evolved into a global economic system that transcends religious and geographical boundaries. Today, halal is not just defined by compliance with Sharia law; it has evolved into standards of quality, safety, and responsible governance. According to the State of the Global Islamic Economy Report, the market value of the global halal industry is projected to exceed USD 10 trillion by 2030. This emphasizes the halal economy's strategic position in the global economic landscape.¹ Several studies confirm that halal standards serve as a trust-based mechanism² increasing product legitimacy, supply chain transparency, and business sustainability.³

Indonesia has a significant opportunity to lead the global halal industry, given its large Muslim population and the important role of small and medium enterprises (SMEs) in its economy.⁴ However, various studies⁵ show that the strength of halal regulations has not fully translated into effective implementation⁶, particularly for SMEs.⁷ Halal certification is still viewed as a compliance obligation rather than an integral part of the

¹ Iqbal Saujan et al., "The Halal Value Chain in Sri Lanka: Economic Contribution Amidst Institutional and Legal Controversies," *JURIS (Jurnal Ilmiah Syariah)* 24, no. 2 (December 11, 2025): 249–64, <https://doi.org/10.31958/juris.v24i2.15860>; Akim Akim et al., "Indonesia's Global Halal Hub: Competitive Strategies for Leadership," *Jurnal Global & Strategis* 18, no. 1 (2024): 29–56, <https://doi.org/10.20473/jgs.18.1.2024.29-56>.

² Muhammad Azam Abdul Halim et al., "Halal Food Certification: Implications for Marketers," *Journal of Islamic Marketing* 7, no. 1 (2016): 4–18, <https://doi.org/10.1108/JIMA-08-2014-0063>.

³ M S Ab Talib, A B Abdul Hamid, and T Ai Chin, "Motivations and Limitations in Implementing Halal Food Certification: A Pareto Analysis," *British Food Journal* 117, no. 11 (2015): 2664–2705, <https://doi.org/10.1108/BFJ-02-2015-0055>.

⁴ Elisa Wardah, Shofiyun Nahidloh, and Fajar Fajar, "Strategies of The SME Cooperative Office And Trade Industry In Sumenep Regency For Accelerating Halal Certification: A Masalah Mursalah Perspective," *Al'Usbuliy: Jurnal Mahasiswa Syariah Dan Hukum* 3, no. 2 (December 4, 2024): 95–102, <https://doi.org/10.31958/alushuliy.v3i2.13684>.

⁵ L Hakim and D Sugianto, "Strengthening Indonesia's Halal Ecosystem: Integration of Trade, Investment, and MSMEs," *Journal of Islamic Economic Studies* 31, no. 1 (2024): 67–85.

⁶ N Mubarak and P Imam, "The Role of Halal Certification in Enhancing Global Market Competitiveness," *Journal of Islamic Marketing* 11, no. 3 (2020): 685–702, <https://doi.org/10.1108/JIMA-05-2018-0081>.

⁷ Dedi Sunardi, Muhammad Najib, and Bin Abd, "Legal Awareness of Micro and Small Enterprise Operators Regarding Halal Certification : A Maslaha Perspective," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 1 (2024): 23–45, <https://doi.org/10.18326/ijtihad.v24i1.23-45>; Endeh Suhartini et al., "Analysis of Halal Certification for Micro and Small Business Actors from the Perspective of Masalah Principles and Legal Certainty," *Al'Adalah* 21, no. 2 (December 26, 2024): 401, <https://doi.org/10.24042/adalah.v21i2.23442>.

production process.⁸ This gap is even more pronounced in SMEs with limited resources and literacy. A weak understanding of halal matters⁹ increases the risk of violations related to materials, processes, and distribution.¹⁰ In this context, a rule-based compliance approach is insufficient without risk-based governance. Although the legal framework is in place, its implementation¹¹ has not been able to encourage substantive compliance due to weak mentoring and the lack of integration of *maqasid al-shari'ah values*.¹²

This phenomenon is evident in Padang Panjang City,¹³ where the halal status of a product is often assumed to be tied to the identity of the business owner rather than to a verified production system. This practice creates the social belief that a product is “definitely halal”, despite inadequate documentation and control mechanisms.¹⁴ Conversely, the Halal Product Guarantee Law and its derivative regulations establish halal certification as a formal instrument to ensure legal certainty and consumer protection at the national level.¹⁵ However, in Padang Panjang City, there is a clear gap between the policy design and business practices. According to data from the Padang Panjang City Department of Industry, Trade, Cooperatives, and SMEs and the BPJPH, only about 520 business units had obtained halal certification by 2024, despite more than 13,000 operating SMEs. The majority of these certifications were obtained through self-declaration schemes. This data reflects not only the low level of certification but also a

⁸ Setiawan bin Lahuri et al., “Halal Certification Governance in Indonesia: An Islamic Legal Appraisal Based on Maṣlaḥah Principles,” *JURIS (Jurnal Ilmiah Syariah)* 24, no. 2 (December 13, 2025): 233–47, <https://doi.org/10.31958/juris.v24i2.15411>.

⁹ A Nasir, D Kurniawan, and N Fadhilah, “Government Support and Halal Industry Development for MSMEs,” *Journal of Islamic Accounting and Business Research* 12, no. 5 (2021): 695–712, <https://doi.org/10.1108/JIABR-03-2020-0079>.

¹⁰ A H Aziz and M Moniruzzaman, “Training and Knowledge Requirements for Halal Supply Chain Management,” *Journal of Islamic Marketing* 13, no. 4 (2022): 890–907, <https://doi.org/10.1108/JIMA-01-2021-0018>.

¹¹ H Fibrianto, E Prasetyo, and S Nurhasanah, “Digitalization of Halal Certification Services for MSMEs in Indonesia,” *Journal of Halal Product and Research* 7, no. 1 (2024): 1–14.

¹² Edian Fahmy et al., “Measuring Contemporary Islamic Banking Sustainability: Integrating ESG and Maqashid Al-Syarī'ah in Indonesia,” *MILRev: Metro Islamic Law Review* 5, no. 1 (April 12, 2026): 351–78, <https://doi.org/10.32332/milrev.v5i1.12880>; Mahmoud Mohamed Ali Mahmoud Edris Edi Mulyono, “From Jurisprudence to Algorithms: The Role of Artificial Intelligence in Contemporary Sharia Financial Decision-Making,” *Journal Of Law Studies* 4, no. NO.2 (2025): 129–42, <https://doi.org/10.5281/zenodo.17341980>.

¹³ Abrar Abrar, Azhariah Khalida, and Haya Hareem, “Revealing Legal Politics in City Branding: A Study of Padang Panjang City as the Kota Serambi Mekah,” *JURIS (Jurnal Ilmiah Syariah)* 23, no. 2 (October 15, 2024): 309, <https://doi.org/10.31958/juris.v23i2.13241>.

¹⁴ Fuad Mustafid, Khoiruddin Nasution, and Ali Sodikin, “Positivization of the Council of Indonesian Ulama’s Halal Fatwa: Policy and Position in Indonesian Legislation,” *JURIS (Jurnal Ilmiah Syariah)* 23, no. 1 (June 30, 2024): 155, <https://doi.org/10.31958/juris.v23i1.10859>.

¹⁵ Warsis Mawardi and Muchammad Ichsan, “Regulation of Halal Product Certification in the Dynamics of Indonesian Legal Politics,” *Justicia Islamica* 20, no. 1 (June 25, 2023): 175–92, <https://doi.org/10.21154/justicia.v20i1.5336>.

structural gap between regulatory demands and business actors' readiness to manage certification and halal practices sustainably.¹⁶

Field observations suggest that some SMEs do not yet consider halal certification to be a strategic necessity. Rather, they view it as a form of symbolic compliance originating from outside their business systems. Daily production processes continue to operate according to traditional patterns, such as purchasing raw materials from general markets without tracking their halal status, sharing equipment, and maintaining minimal records of the production process.¹⁷ Business actors do not consider these practices problematic because they align with local customs and community religious norms. Thus, they perceive halal certification as inherent rather than the result of a structured control system. From an institutional theory perspective, this phenomenon reflects the dominance of coercive isomorphism without normative internalization. This results in external compliance that has not yet become part of the organization's values.

Previous research confirms a gap between formal compliance and truly managed halal practices at the SME level.¹⁸ Through a systematic literature review, Asmawi and Lutfiadi¹⁹ showed that implementation of the halal product assurance law (UU JPH in Indonesian) is hindered by limited business readiness in three areas: cognitive (understanding of regulations), psychological (resistance to costs and administrative burdens), and technical (material traceability, facility segregation, and SIHALAL platform adaptation). This ultimately creates the risk of unintentional noncompliance and potential economic exclusion. Meanwhile, in a socio-juridical study of fried chicken SMEs, Sari and Kushidayati²⁰ found that halal certification is perceived ambivalently as both a religious obligation and a business asset that increases consumer trust and market access. However, there is still a gap between awareness and actual compliance due to procedural complexity, cost issues, and weak socialization and policy assistance, such as the SeHATI program and self-declaration schemes.

¹⁶ Muslimin et al., "Contemporary Approaches to Halal and Sustainable Eco-Tourism: A Study of Community-Based Tourism in Ganoang and Puncak Mas," *MILRev: Metro Islamic Law Review* 4, no. 2 (July 1, 2025): 761–96, <https://doi.org/10.32332/milrev.v4i2.10120>.

¹⁷ Muhammad Deni Putra et al., "When the Sacred Meets the Market: The Commodification of Islamic Housing in Lima Puluh Kota, West Sumatra," *Journal of Islamic Law* 6, no. 1 (February 28, 2025): 135–54, <https://doi.org/10.24260/jil.v6i1.3539>.

¹⁸ Abdul Hamid et al., "Misconception about Halal Certification Placement on Non-Food Commodities: State Coercion over the Territory of Ijtihad," *Al-Manabij: Jurnal Kajian Hukum Islam* 19, no. 2 (2025): 271–88, <https://doi.org/10.24090/mnh.v19i2.14064>.

¹⁹ Muhammad Asmawi and Ardi Lutfiadi, "Challenges Implementing Indonesia's Halal Product Guarantee Law for MSMEs: Legal Readiness Review" 1, no. 1 (2026): 125–42.

²⁰ Khusniati Rofi'ah et al., "Legal Awareness of Halal Products Certification among East Java Business Operators and Society," *Juris: Jurnal Ilmiah Syariah* 23, no. 1 (2024): 55–65, <https://doi.org/10.31958/juris.v23i1.10467>; Dina Yunita and Vintya Sari, "Halal Certification, Legal Awareness, and Maqasid Al-Shariah among Fried Chicken MSMEs in Indonesia" 17, no. 2 (2025).

On the other hand, Wijaya²¹ emphasized the importance of a risk-based governance approach to addressing these issues. This approach involves mapping and prioritizing risks in the halal supply chain and developing structured mitigation strategies using methods such as BWM-PROMETHEE. This approach shows that halal should be treated as a verifiable, auditable risk control system rather than a mere administrative label. Thus, a fundamental imbalance arises between perceptions of halalness grounded in social trust and the demand for halalness grounded in a standardized, sustainable governance system.²²

Previous research has three main limitations. First, the administrative compliance approach is dominant.²³ Second, *maqāsid* is not integrated as an evaluative framework.²⁴ Third, there is no risk-based operational model to explain halal implementation failures at the micro level.²⁵ Thus, a conceptual gap persists in the literature, as there is no analytical framework linking normative Sharia values (*maqāsid*) to operational control mechanisms (risk governance).²⁶

Based on these gaps, this study makes a new theoretical contribution by developing a *maqāsid*-based risk governance framework. This framework reconstructs halal as not only a compliance instrument but also a value- and risk-based governance system that can be evaluated operationally.²⁷ This approach broadens the scope of halal literature by shifting the paradigm from rule-based compliance to purpose-based governance oriented toward achieving substantive benefits. The study aims to analyze the dynamics of halal compliance among SMEs in Padang Panjang City by integrating *maqāsid* and risk-based governance. It offers a substantive, operational, purpose-based framework for evaluating halal policies.

²¹ Danang Setiya Wijaya, “Risk Assessment and Mitigation of Halal Meat Supply Chain Systems Using Best-Worst Method and PROMETHEE” 26, no. 2 (2025): 161–82.

²² Asep Saefullah et al., “Integration of Religious Moderation and Halal Industry: Challenges and Solutions,” *Al-Istinbath: Jurnal Hukum Islam* 10, no. 2 (November 30, 2025): 948–75, <https://doi.org/10.29240/jhi.v10i2.14554>.

²³ Amelia Zahra et al., “Halal Certification and Contract Validity in Islamic Law,” *JISRAH: Jurnal Integrasi Ilmu Syariah* 6, no. 1 (April 30, 2025): 67, <https://doi.org/10.31958/jisrah.v6i1.15765>.

²⁴ Husnul Fatarib et al., “Progressive Legal Reasoning in Contemporary Islamic Legal Reform: Negotiating the Maqāṣid and Hermeneutic Approaches,” *JURIS (Jurnal Ilmiah Syariah)* 24, no. 2 (December 17, 2025): 277–94, <https://doi.org/10.31958/juris.v24i2.16123>.

²⁵ Hidayatul Husna and Sulastris Caniago, “Problematika Sertifikasi Halal Pada Produk Industri Kerupuk Di Surau Pinang,” *JISRAH: Jurnal Integrasi Ilmu Syariah* 3, no. 1 (April 30, 2022): 99, <https://doi.org/10.31958/jisrah.v3i1.5772>.

²⁶ Syafril Wicaksono et al., “Maqashid Sharia Progressive: Anatomical and Transformational of Halal Institutions in UIN KHAS Jember,” *El-Mashlahab* 13, no. 2 (December 31, 2023): 107–32, <https://doi.org/10.23971/el-mashlahab.v13i2.7370>.

²⁷ Faridatun Nisa, Helmi Fitriansyah, and Chaerul Saleh, “The Integration of Maṣlaḥah into Islamic Economic Law through the Policy of Halal and Tayyib Certification in Indonesia,” *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 1 (April 30, 2025): 254, <https://doi.org/10.29300/mzn.v12i1.6968>.

Method

This research uses a qualitative approach with an intrinsic case study design²⁸ to understand the meaning in context and in depth. Padang Panjang City was chosen as a case study setting because it exemplifies the characteristics of SMEs in Indonesia, including a large population of SMEs, low halal certification rates, and the prevalence of self-declaration schemes. This makes it a relevant case to analyze the context of SME halal compliance. Data were collected through three main techniques: policy document analysis, in-depth interviews, and limited observation. The document analysis included the Halal Product Assurance Law, derivative regulations, and the Halal Assurance System (HAS) guidelines. Twelve informants were interviewed: eight SME actors, two halal facilitators, and two regional policymakers. These informants were selected through purposive and snowball sampling techniques based on direct experience with halal certification and practices. Data collection continued until data saturation was reached, or when no new significant information was found in additional interviews. This was indicated by stable thematic patterns in interviews 10-12. Limited observation was used to confirm halal practices in the production process.

Data analysis was conducted using a thematic approach with an inductive-deductive method. This method mapped empirical themes within the framework of *maqāsid al-syarī'ah*²⁹ and risk-based governance, producing comprehensive interpretations. Source triangulation, member checking, and the trustworthiness principle, as proposed by Nowell et al., strengthened the study's validity. Operationalization of *maqāsid* was used to assess value protection, and risk-based governance identified halal risks in materials, processes, and controls. The principles of credibility, transferability, dependability, and confirmability were applied to maintain data validity,³⁰ as well as research ethics, including informed consent and informant confidentiality.

Results and Discussion

Based on the overall findings, this study shows that halal compliance in SMEs is not a single phenomenon.³¹ Rather, it is the result of the interaction between limited actor capacity, institutional asymmetry, and weak risk governance. These three

²⁸ Robert K Yin, *Case Study Research and Applications: Design and Methods* (Thousand Oaks, CA: SAGE Publications, 2018).

²⁹ Istianah Zainal Asyiqin, Muhammad Khaeruddin Hamsin, and Ayesha binti Abul Hisyam, "From Hybrid Contracts to Waqf–Musyarakah-Based Takaful: A Maqāṣid Al-Syarī'ah Comparative Legal Analysis of Indonesia and Malaysia," *JURIS (Jurnal Ilmiah Syariah)* 25, no. 1 (March 31, 2026): 61–81, <https://doi.org/10.31958/juris.v25i1.13147>.

³⁰ Lorelli S Nowell et al., "Thematic Analysis: Striving to Meet the Trustworthiness Criteria," *International Journal of Qualitative Methods* 16, no. 1 (2017): 1–13, <https://doi.org/10.1177/1609406917733847>.

³¹ Musataklima Musataklima, "Self-Declare Halal Products for Small and Micro Enterprises: Between Ease of Doing Business and Assurance of Consumer Spiritual Rights/Self Declare Produk Halal Usaha Kecil Mikro: Antara Kemudahan Berusaha Dan Jaminan Hak Spiritual Konsumen," *De Jure: Jurnal Hukum Dan Syariah* 13, no. 1 (July 28, 2021): 32–52, <https://doi.org/10.18860/j-fsh.v13i1.11308>.

dimensions form a systemic pattern that explains why halal policies have not generated substantive changes in business practices. The following discussion elaborates on the research findings and breaks down the problem into several key, interrelated dimensions to better understand its structure.

Empirical Evidence on Halal Certification and Shariah Compliance

Research findings reveal a notable discrepancy in Padang Panjang City: only 520 of 13,183 SMEs (3.9%) are certified, despite the self-declaration scheme accounting for 93.8%. Interview results indicate that business owners face obstacles such as procedural complexity, limited funding, and low halal literacy. They also assume that market ingredients are “certainly halal,” thereby eliminating the need for further verification. Certification is perceived as a procedural obligation rather than a business management system. From a theoretical perspective, this condition suggests that halal, as a credence attribute, has not been institutionalized in governance.³² Shariah compliance, which includes normative and operational dimensions, has not been substantively realized,³³ in line with the finding that certification does not automatically change operational practices.³⁴

The following analytical synthesis is presented to clarify the structure of the findings:

Table 1. Analytical Structure of the Empirical Findings

Dimension	Empirical Evidence	Analytical Interpretation	Theoretical Link
Certification rate	3.9% certified	Policy output failure	Implementation gap
Certification mode	93.8% self-declared	Weak regulatory depth	Symbolic compliance
Literacy	Low understanding of HAS	Cognitive constraint	Capability theory
Operational constraint	Cost, time, complexity	Entry barriers	Regulatory burden
Risk exposure	Weak traceability	Systemic vulnerability	Risk governance failure

³² Mohamed Syazwan Abdul Talib, Abu Bakar Abdul Hamid, and Tan Ai Chin, “Can Halal Certification Influence Logistics Performance?,” *Journal of Islamic Marketing* 7, no. 4 (2016): 461–75, <https://doi.org/10.1108/JIMA-02-2015-0015>.

³³ Muhammad Hassan Abbas and Hassnian Ali, “An Empirical Study of Shari’ah Compliance in Islamic Banks of Pakistan,” *Journal of Islamic Finance* 8, no. 2 (2019): 21–30. Talib, Hamid, and Chin, “Can Halal Certification Influence Logistics Performance?”

³⁴ Faried K Rahman et al., “*Maqashid Al-Shari’ah*-Based Performance Measurement for the Halal Industry,” *Humanomics* 33, no. 3 (2017): 357–70, <https://doi.org/10.1108/h-03-2017-0054>. Talib, Hamid, and Chin, “Can Halal Certification Influence Logistics Performance?”

Perception	Administrative obligation	External compliance	Institutional theory
Performance	Indirect effect	Mediated impact	Resource-based view

Source: Developed by the author (2026)

Table 1 shows that there is still a fundamental gap between the normative expectations of Sharia compliance and its implementation at the micro level among SMEs. The low halal certification rate of 3.9% suggests that halal policy has not yet been institutionalized and remains limited to formal regulatory exposure. This reflects a gap between the design of halal policy and the capacity of the people involved.³⁵

The dominance of self-declaration schemes (93.8%) indicates that the compliance achieved is shallow in regulatory depth and tends to be symbolic, with certification serving as administrative legitimacy rather than a process control system.³⁶ Low literacy regarding the Halal Assurance System (HAS) demonstrates the limited cognitive capabilities of business actors, which, from a capability theory perspective, is a key factor in the failure to adopt a comprehensive halal management system.³⁷

Constraints of cost, time, and procedural complexity reinforce the perception of certification as a regulatory burden. This perception encourages a minimum compliance strategy due to the imbalance between costs and benefits.³⁸ Furthermore, weak traceability suggests that halal practices are not yet risk-based, despite modern standards requiring systematic risk identification and mitigation.³⁹ This condition indicates that halal is still being practiced for administrative compliance rather than as an integrated preventive control system.

The perception dimension shows that halal certification is viewed as an administrative obligation. This reflects the dominance of coercive pressure over normative internalization. As a result, compliance is external and not value-based.⁴⁰ In the performance dimension, the impact of halal is indirect. Thus, certification is not the

³⁵ Michael Hill and Peter Hupe, "Implementing Public Policy: An Introduction to the Study of Operational Governance," 2021; Xun Wu, Michael Ramesh, and Michael Howlett, "Policy Capacity: A Conceptual Framework for Understanding Policy Competences and Capabilities," *Policy and Society* 34, no. 3–4 (2015): 165–71.

³⁶ Marco Tieman, "Establishing the Principles in Halal Logistics," *Journal of Emerging Economics and Islamic Research* 1, no. 1 (2013): 19–31.

³⁷ John Ward Creswell and Cheryl N. Poth, *Qualitative Inquiry and Research Design: Choosing Among Five Approaches (3rd Ed.)*, 4th ed. (California: Sage Publications, 2018); Abu H Aziz and Moniruzzaman, "Challenges in the Development of Halal Certification System in Bangladesh: A Descriptive and Analytical Study Based on Malaysian Experience," *Halalsphere* 2, no. 1 (2022): 20–43, <https://doi.org/10.31436/hs.v2i1.38>.

³⁸ Enos Julvirta et al., "The Effect of the Halal Certification Label on the Activities of Culinary Business Actors and Non-Muslim Tourists in Palembang," *SIGn Jurnal Hukum* 3, no. 2 (2022): 101–20.

³⁹ Michael Power, "The Risk Management of Nothing," *Accounting, Organizations and Society* 34, no. 6 (2009): 849–55, <https://doi.org/10.1016/j.aos.2009.06.001>.

⁴⁰ Halim et al., "Halal Food Certification: Implications for Marketers."

main determinant of competitive advantage, but rather a mediated capability.⁴¹ This explains why SMEs that only meet administrative requirements do not experience significant performance improvements. Overall, halal compliance remains symbolic, characterized by weak system capabilities and internalization. Therefore, the success of implementation must be measured by the integration of halal principles into actual business processes.

Implementation Gap and Institutional Misalignment

The low adoption of halal certification among SMEs is not solely due to technical limitations; rather, it reflects structural failures in policy implementation and institutional inconsistencies. From a policy implementation theory perspective, this situation indicates an implementation gap—the discrepancy between the intended design and the practical reality at the individual level.⁴² The findings suggest that SMEs have limited administrative, operational, and cognitive capacity, hindering their ability to translate halal policies into operational practices. This situation is further complicated by institutional misalignment between formal regulations and social norms. This misalignment reflects the dominance of coercive isomorphism over normative internalization, resulting in symbolic compliance.⁴³

In a place like Padang Panjang, businesses rely more on social legitimacy than on formal certification. For example, a product is considered halal if it comes from a trusted local market. This creates an institutional dualism that makes halal policies administrative and optional. Furthermore, institutional friction arises from the mismatch between regulations and businesses' economic conditions.⁴⁴ Consequently, business actors tend to implement the minimum level of compliance, thereby widening the gap between policy expectations and actual practices.

Halal Risk Exposure and Weak Risk Governance

The findings suggest that SMEs' exposure to halal risks stems from critical points in the production chain, including unverified raw materials, potential contamination, and weak documentation and traceability. These issues have not been systematically managed. This suggests that halal practices remain administrative, rather than being part of a risk-based control system. According to ISO 31000:2018, effective governance requires an integrated process of identifying, analyzing, and continuously mitigating risks (ISO, 2018; Hopkin, 2018). The limited capabilities of stakeholders, particularly in implementing the Halal Assurance System, prevent risks from being proactively

⁴¹ Rahman et al., “*Maqashid Al-Shari’ah*-Based Performance Measurement for the *Halal* Industry.” Talib, Hamid, and Chin, “Can Halal Certification Influence Logistics Performance?”

⁴² Hill and Hupe; Wu, Ramesh, and Howlett.

⁴³ Paul J DiMaggio and Walter W Powell, ‘The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields’, *American Sociological Review*, 48.2 (1983), 147–160 <<https://doi.org/10.2307/2095101>>;

⁴⁴ Julvirta et al., “The Effect of the Halal Certification Label on the Activities of Culinary Business Actors and Non-Muslim Tourists in Palembang.”

identified. Similarly, halal integrity relies heavily on end-to-end supply chain control.⁴⁵ Therefore, halal risks are structural in nature, as summarized in Table 2.

Table 2. Halal Risk Typology in SMEs

Type of risk	Source of risk	Impact	Level of risk
Raw material risk	Unverified suppliers	Non-halal contamination	High
Process risk	Cross-contamination	Sharia violations	High
Documentation risk	No record-keeping	Failed audits	Medium
Knowledge risk	Low literacy	Procedural errors	High
Perception risk	Halal as a symbol	False assurances	High

Note: Risk levels are classified based on a combination of probability of occurrence and impact (severity × likelihood) with a scale of Low (probability <30%, low impact), Medium (probability 30–60%, medium impact), and High (probability >60% or systemic impact), in line with ISO 31000:2018 guidelines.

As shown in Table 2, halal risks in SMEs are systemic and multi-layered. They encompass raw materials, production processes, documentation, knowledge, and perception. These results confirm that halal issues are not only about compliance with standards but also about the failure to establish an integrated risk governance system across the entire value chain. From a modern risk management perspective, as outlined in ISO 31000:2018 and the IRM framework, effective risk governance requires a structured process that encompasses risk identification and analysis, as well as ongoing risk mitigation.⁴⁶ However, this cycle has not been operationalized in SMEs, so halal management remains sporadic.

Raw Material Risk: Business actors assume that market ingredients are halal without verifying them. The absence of a traceability system is reflected by weak supplier verification and the potential for cross-contamination, which should enable comprehensive tracking and tracing. Without this system, the risk of noncompliance increases significantly, rendering halal merely an operational assumption rather than a control system.⁴⁷ Furthermore, weaknesses in halal documentation and literacy suggest an internal governance failure. Documentation should facilitate continuous auditing and control,⁴⁸ but the lack of understanding among business actors reflects an inability to implement the halal system effectively.⁴⁹

The perceived risk dimension is categorized as high risk and has significant theoretical implications. Understanding halal as merely a symbol or administrative label creates false assurance and a belief in halal status without valid support. From a risk

⁴⁵ Rahman et al., “*Maqashid Al-Shari’ah*-Based Performance Measurement for the *Halal* Industry.” Talib, Hamid, and Chin, “Can Halal Certification Influence Logistics Performance?”

⁴⁶ Power, “The Risk Management of Nothing.”

⁴⁷ Rahman et al., “*Maqashid Al-Shari’ah*-Based Performance Measurement for the *Halal* Industry.” Talib, Hamid, and Chin, “Can Halal Certification Influence Logistics Performance?”

⁴⁸ Power, “The Risk Management of Nothing.”

⁴⁹ Abu H Aziz and Moniruzzaman, ‘Challenges in the Development of Halal Certification System in Bangladesh: A Descriptive and Analytical Study Based on Malaysian Experience’, *Halalsphere*, 2.1 (2022), 20–43 <<https://doi.org/10.31436/hs.v2i1.38>>.

governance perspective, this phenomenon is considered an invisible risk: a latent risk that goes unnoticed yet significantly impacts the system.⁵⁰ This risk is more complex than technical risk because it relates to risk culture and perspectives on halal as a control system. Furthermore, the interaction between risk dimensions reveals interdependent risks: low literacy exacerbates process and documentation risks, and weak documentation increases perceived risk due to a lack of verifiable evidence.

This condition is called systemic risk amplification, which is the systematic spread and strengthening of risk.⁵¹ These findings confirm that a partial approach is ineffective because halal risks are integrated. Theoretically, failures in halal implementation cannot be adequately explained by a compliance approach alone; rather, they require a risk governance framework. Talib et al.⁵² demonstrated that the competitiveness of the halal industry is determined by its ability to manage risks rather than by certification alone. Therefore, high exposure to halal risks indicates weak integration of Sharia principles and risk management, leaving halal products in a state of compliance without control.

Reinterpreting Halal through *Maqāsid al-Sharī'ah*

From the perspective of *maqāsid al-sharī'ah*,⁵³ halal is not merely a formal-legal status; rather, it is a normative instrument that realizes substantive economic benefits.⁵⁴ Auda emphasized that *maqāsid* is an evaluative framework that assesses the achievement of sharia objectives.⁵⁵ Therefore, halal certification must guarantee the protection of fundamental aspects such as consumption safety (*ḥijz al-naḥs*), religious integrity (*ḥijz al-dīn*), information transparency (*ḥijz al-'aql*), and economic sustainability (*ḥijz al-māl*), not just administrative compliance. However, the findings show that halal practices in SMEs remain formalistic and have not produced genuine outcomes in line with the *maqāsid*.

This condition reflects a normative-operational gap: the mismatch between the ideal *maqāsid* values and procedural practices. Al-Raysuni emphasized that failing to operationalize *maqāsid* results in sharia losing its transformative function.⁵⁶ Therefore, reinterpreting halal is crucial to shift the paradigm from a compliance-based approach to an outcome-based evaluation oriented toward tangible benefits. This analytical framework is presented in Table 3.

⁵⁰ Power, "The Risk Management of Nothing."

⁵¹ Power.

⁵² Rahman et al., "Maqāsid Al-Sharī'ah-Based Performance Measurement for the Halal Industry." Talib, Hamid, and Chin, "Can Halal Certification Influence Logistics Performance?"

⁵³ Rizal, Ruslan Abdul Ghofur, and Pertiwi Utami, "The Role of Muslim Generation Community at Zakat Collection on Realizing Sustainable Development Goals (SDGs) in the Era of Digital Society 5.0," *Juris: Jurnal Ilmiah Syariah* 22, no. 1 (2023): 105–18, <https://doi.org/10.31958/juris.v22i1.6562>.

⁵⁴ Aam Rusydiana et al., "Waqf, Maqāsid Al-Sharia, and SDG-5: A Model for Women's Empowerment," *AL-IHKAM: Jurnal Hukum & Pranata Sosial* 17, no. 2 (December 31, 2022): 325–35, <https://doi.org/10.19105/al-lhkam.v17i2.6572>.

⁵⁵ Jasser Auda, *Maqāsid Al-Sharī'ah as Philosophy of Islamic Law: A Systems Approach* (London: International Institute of Islamic Thought, 2008).

⁵⁶ Ahmad Al-Raysuni, *Imam Al-Shatibi's Theory of the Higher Objectives and Intents of Islamic Law* (International Institute of Islamic Thought (IIIT), 2005).

Table 3. Maqāsīd-Based Evaluation

Maqāsīd	Indicator	Empirical findings	Evaluation
<i>ḥifẓ al-dīn</i>	Integrity	Symbolic compliance	Weak
<i>ḥifẓ al-nafs</i>	Security	Risk of contamination	Vulnerable
<i>ḥifẓ al-‘aql</i>	Transparency	Limited information	Weak
<i>ḥifẓ al-māl</i>	Economic Sustainability	Indirect impacts	Moderate

Source: Developed by the author, 2026 | *Evaluation criteria: Weak (indicators are not met or are merely symbolic), Vulnerable (indicators are partially met, but there is a high risk), Moderate (Indicators are met, but the impact is indirect), Strong (Indicators are met and integrated into the operational system).*

Table 3 shows that the implementation of halal in SMEs has not yet achieved substantive outcomes in line with the *maqāsīd*. This is characterized by weak *ḥifẓ al-dīn*, vulnerable *ḥifẓ al-nafs*, and weak *ḥifẓ al-‘aql*. There has been moderate achievement of *ḥifẓ al-māl*. According to the *maqāsīd al-syarī‘ah* framework, this condition indicates a *maqāsīd* gap, or the difference between the normative objectives of sharia and the actual economic practices.⁵⁷ The weakness of *ḥifẓ al-dīn*, evident in symbolic compliance, indicates that halal compliance remains formal and does not reflect the integrity of the process. This contradicts the *usul fiqh* principle: *الأمر بمقاصدها*, which emphasizes that actions must be judged by their substantial purpose. In the dimension of *ḥifẓ al-nafs*, a high risk of contamination indicates inadequate protection of consumer safety. The principle of *لا ضرر ولا ضرار* emphasizes the prohibition of danger; therefore, weak control indicates a failure of the halal system.⁵⁸ Meanwhile, the lack of transparency in *ḥifẓ al-‘aql* leads to *gharar*, which contradicts the principle of *اليقين لا يزول بالشك*.

In the dimension of *ḥifẓ al-māl*, moderate achievements indicate that the economic benefits of halal are not yet integrated. The principle of *ما لا يتم الواجب إلا به فهو واجب* emphasizes that operational and governance systems are mandatory prerequisites. Overall, halal is still in the formal compliance stage and has not yet achieved substantive *realization of the maqāsīd*. This underscores the need for more operational, measurable *maqāsīd* indicators to empirically and systematically evaluate halal.

Integrating *Maqāsīd* and Risk-Based Governance

Integrating *maqāsīd al-syarī‘ah* and risk-based governance is a crucial step in transforming the normative framework of halal into an operational, measurable governance system. According to Auda (2008), in the *maqāsīd* literature, *maqāsīd* must be understood as a dynamic, open system that translates sharia values into complex

⁵⁷ Auda, *Maqāsīd Al-Sharī‘ah as Philosophy of Islamic Law: A Systems Approach*.

⁵⁸ Faiz Zainuddin and Imam Syafi, “Environmental Jurisprudence; Environmental Preservation Efforts In Islam,” *Nusantara: Journal of Law Studies* 2, no. 1 (2023): 23–30.

empirical contexts. Meanwhile, Power⁵⁹ emphasizes that the effectiveness of modern governance depends on an organization's ability to identify, evaluate, and manage risks systematically. The integration of these concepts results in a synthesis of value-based orientation and operational mechanisms, so halal evaluation is based not only on formal compliance but also on a system's ability to prevent risks and create benefits.

Each dimension of the *maqāsid* has an equivalent in the risk structure: *ḥijz al-nafs* (product safety risk), *ḥijz al-dīn* (Sharia compliance risk), *ḥijz al-'aql* (information risk), and *ḥijz al-māl* (economic sustainability risk).⁶⁰ Thus, the *maqāsid* transform into measurable, manageable risk categories within organizational practices.

Based on this conceptual integration, we need an evaluative framework that explains the relationship between value and risk and can operationally measure the level of *maqāsid* achievement. This study proposes the *Maqāsid*-Based Risk Governance Index (MRGI), an applicable and argumentative operational formula:

$$MRGI = \sum_{i=1}^n w_i \cdot (1 - R_i)$$

The *Maqāsid*-Based Risk Governance Index (MRGI) was developed to evaluate the extent to which *maqāsid* are achieved using a risk-based approach. In this model:

1. R_i : represents the level of risk in each *maqāsid* dimension, ranging from 0 to 1. Higher values indicate greater risk exposure.
2. w_i : the relative importance weight of each *maqāsid* dimension with a total of $\sum w_i = 1$.
3. The *maqāsid* dimensions used include *ḥijz al-dīn* (compliance with Sharia law), *ḥijz al-nafs* (product safety), *ḥijz al-'aql* (transparency of information), and *ḥijz al-māl* (economic sustainability).

Conceptually, this model posits an inverse relationship between achieving *maqāsid al-syar'ah* and the level of unmanaged risk: the higher the risk exposure, the lower the resulting benefit. Thus, halal implementation success cannot be reduced to certification as an administrative indicator; rather, it must be measured by the system's capacity to identify, control, and mitigate risks in a structured, sustainable manner. In this framework, halal is not positioned as a legal or formal status but rather as the result of effective risk governance internalized throughout the business process.

Operationally, the *maqāsid* dimensions are translated into the following measurable indicators: *ḥijz al-dīn* (process integrity and compliance); *ḥijz al-nafs* (product safety and hygiene); *ḥijz al-'aql* (information transparency and accuracy); and *ḥijz al-māl* (business sustainability and economic value). This approach emphasizes that achieving

⁵⁹ Power, "The Risk Management of Nothing."

⁶⁰ Mulyadi Thaib, Andriyaldi Andriyaldi, and Yona Rosita, "The Interface of Maqashid Al-Shariah with Human Cognitive Capacity and AI Innovation," *Jurnal Integrasi Ilmu Syariah (Jisrah)* 6, no. 3 (2025): 134–39, <https://doi.org/10.31958/jisrah.v6i03.15987>.

the *maqāsid* requires a system capable of proactively minimizing risk, or *sadd al-dharā'i*.⁶¹ This is in line with the *usul fiqh* principle of *درء المفاسد مقدم على جلب المصالح* (prevention of harm takes precedence over obtaining benefits), which epistemologically confirms that risk control is the main prerequisite for achieving substantive halal compliance.⁶²

This integration shifts the paradigm from compliance-based halal governance to risk-based halal governance, which relies on systems and processes. According to a study by Talib et al.,⁶³ a risk-based approach is more effective at maintaining supply chain integrity because it is both preventive and adaptive. This research confirms that integrating *maqāsid* and risk governance constitutes an epistemological reconstruction, transforming halal into a normative and operational evaluative system.⁶⁴ The MRGI model creates opportunities for further research, including empirical testing, the development of quantitative indicators, and comparisons of halal compliance models over time.

From Symbolic to Substantive Compliance

Research findings indicate that, in SMEs, halal compliance remains predominantly symbolic. This phenomenon can be explained by the concept of decoupling: the separation between formal structures established for legitimacy and actual organizational practices. Thus, halal certification does not serve as a transformative instrument but merely as a symbol of compliance with no significant impact on the quality of production processes or results. This aligns with the finding that halal benefits emerge only when halal practices are integrated into the operational system, not merely as a product attribute.⁶⁵

Transitioning to substantive compliance requires shifting the business perspective from regulatory obligations to strategic capabilities. From a resource-based view, a company's competitive advantage does not come from certification, but rather from its ability to integrate halal practices into its production processes, quality control, and

⁶¹ Rizal et al., "Inconsistency of Shariatization: Exploring The Implementation of Sharia Principles In Baitul Maal Wa Tamwil," *Al-Istinbat: Jurnal Hukum Islam* 10, no. 1 (April 26, 2025): 105–29, <https://doi.org/10.29240/jhi.v10i1.11508>.

⁶² Arim Nasim et al., "Driving Maqāsid Al-Shari'ah Performance in Islamic Banks: The Roles of Islamic Social Reporting, Intellectual Capital, and Sharia Governance," *Al-Muamalat* 13, no. 1 (2026): 102–18, <https://doi.org/10.15575/am.v13i1.54396>.

⁶³ Rahman et al., "*Maqashid Al-Shari'ah*-Based Performance Measurement for the Halal Industry." Talib, Hamid, and Chin, "Can Halal Certification Influence Logistics Performance?"

⁶⁴ Rulyjanto Podungge et al., "Increasing Halal Industry MSMEs in Gorontalo through Maqāsid Asy-Syari'ah," *Asy-Syari'ah* 27, no. 2 (December 30, 2025): 171–92, <https://doi.org/10.15575/as.v27i2.39577>.

⁶⁵ Rahman et al., "*Maqashid Al-Shari'ah*-Based Performance Measurement for the Halal Industry." Talib, Hamid, and Chin, "Can Halal Certification Influence Logistics Performance?"

supply chain management.⁶⁶ Therefore, halal practices must become part of core business processes.⁶⁷

In practice, this transformation encompasses three stages: cognitive internalization, process integration, and continuous verification. Cognitive internalization increases halal literacy as a system. Process integration integrates halal into the entire production process. Continuous verification involves ongoing monitoring. The first stage strengthens cognitive capacity, which is essential for adopting complex practices.⁶⁸ The second stage ensures that halal functions as an ongoing, systematic internal control.

Furthermore, this transformation must be supported by incentive alignment. Compliance will increase when the balance between costs and benefits is optimized, positioning halal as an investment that enhances added value and consumer trust.⁶⁹ Additionally, a capacity-driven approach is necessary because standardized policies are ineffective for diverse SMEs. The failure of halal compliance does not lie in the regulations themselves, but rather in the absence of a mechanism for transforming them into substantive compliance. Halal must be positioned as a value system that is integrated into business processes and supported by the capacity of actors and economic incentives. From an academic perspective, this three-stage model provides an opportunity to test its impact on business performance using SEM-PLS empirically.

Theoretical Contribution and Synthesis

According to the research findings, the failure of halal implementation cannot be explained by a single variable. Rather, it results from the interaction of three main dimensions: the implementation gap, institutional misalignment, and risk governance failure. From a policy implementation theory perspective, the implementation gap reflects a mismatch between the design of a policy and the capacity of those responsible for implementing it.⁷⁰ Meanwhile, institutional misalignment refers to the lack of synchronization between formal institutions and the informal norms that shape business behavior.⁷¹ Conversely, risk governance failure highlights the inadequacy of the control

⁶⁶Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (1991): 99–120; Rahman et al., "Maqashid Al-Sbari'ah-Based Performance Measurement for the Halal Industry."

⁶⁷ Moh. Nayu and Agung Ali Fahmi, "Efforts To Realize A Halal Lifestyle In Madura Through The Synergy Of Islamic Boarding Schools And The Halal Center Of University Trunojoyo Of Madura," *Trunojoyo Law Review* 4, no. 2 (March 2, 2022): 98–113, <https://doi.org/10.21107/tr.v4i2.18616>.

⁶⁸ John W Creswell and Cheryl N Poth, *Qualitative Inquiry and Research Design: Choosing among Five Approaches* (Sage publications, 2016);

⁶⁹ Julvirta et al., "The Effect of the Halal Certification Label on the Activities of Culinary Business Actors and Non-Muslim Tourists in Palembang."

⁷⁰ Hill and Hupe; Wu, Ramesh, and Howlett.

⁷¹ Paul J DiMaggio and Walter W Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, 48.2 (1983), 147–60 <<https://doi.org/10.2307/2095101>>;

system, resulting in unidentified and unmanaged *halal* risks.⁷² Together, these three dimensions form a conceptual framework that shows that halal compliance is a multidimensional phenomenon that requires an integrative understanding.

Theoretically, this research contributes to a paradigm shift from compliance-based to system-based governance. Previous studies tended to view halal as an administrative requirement. However, halal practices add value only when integrated into an organization's operational systems.⁷³ Thus, this study positions halal as an organizational capability that influences process quality and business sustainability.⁷⁴ In practice, this synthesis yields a three-tiered transformation model consisting of an alignment layer to align policies and capacities, an internalization layer to integrate halal values into organizational practices, and a governance layer to build a risk-based control system. The model provides an operational framework to enhance the quality of halal implementation.

Furthermore, this study makes methodological contributions by developing an empirical model based on SEM-PLS, with latent constructs including implementation capacity, institutional alignment, risk governance, and business performance. Analytically, the study confirms that halal implementation failure is systemic rather than individual. Therefore, proposed solutions must be integrative and systemic while opening up opportunities for further research to validate the model and develop more measurable operational indicators.

Conclusion

This study concludes that the failure to implement halal certification in SMEs is not merely an administrative issue. Rather, it is a systemic failure stemming from the disconnect between policy design, actor capacity, and governance mechanisms. The resulting halal compliance is merely symbolic due to the interaction between implementation gaps, institutional misalignment, and weak risk governance. This causes certification to function not as an instrument of transformation, but merely as a form of legitimacy. These findings confirm analytically that, without integrating values (*maqāsid*), structures (institutions), and processes (risk management), halal will not develop into a substantive governance system. Therefore, this study's primary contribution is reconstructing halal from an administrative compliance paradigm to a system-based governance paradigm oriented toward benefit and risk control. Future researchers should direct their research agenda toward empirically testing an integrative model linking *maqāsid*, risk governance, and business performance using quantitative methods, such as Structural Equation Modeling – Partial Least Squares (SEM-PLS). Additionally, developing measurable operational indicators of *maqāsid* is crucial so that the concept

⁷² Power, "The Risk Management of Nothing."

⁷³ Rahman et al., "*Maqashid Al-Shari'ah*-Based Performance Measurement for the *Halal* Industry." Talib, Hamid, and Chin, "Can Halal Certification Influence Logistics Performance?"

⁷⁴ Nurhasanah Nurhasanah et al., "Challenges in Implementing Indonesia's Halal Product Assurance Law: An Analysis of Legal Uncertainty, Supervisory Systems, and Legal Culture," *Nurani: Jurnal Kajian Syari'ah Dan Masyarakat* 25, no. 2 (December 27, 2025): 599–619, <https://doi.org/10.19109/nurani.v25i2.28633>.

can remain normative and be tested empirically as an analytical construct. Comparative research between self-declaration and regular certification schemes is also crucial for identifying the effectiveness of policies in generating substantive compliance. Thus, future research is expected to enrich the literature and produce a more adaptive, applicable, and evidence-based halal governance model.

Acknowledgement

The authors would like to express their sincere gratitude to the Affirmative Research Team for Prospective Professors for their collaboration and support throughout the research process. Appreciation is also extended to UIN Mahmud Yunus Batusangkar for providing research funding in the 2025 fiscal year, which enabled the successful completion of this study. Furthermore, the authors gratefully acknowledge the halal-certified SMEs in Padang Panjang City for their participation and willingness to serve as respondents in this study. The support provided by all parties has been instrumental in the successful implementation of this research.

Author Contributions Statement

RZ conceptualized the study and led the overall research design. CIS contributed to the literature review and the development of the research framework. NF was responsible for data collection and field coordination. MAS conducted the data analysis and interpretation of the results. YZ provided administrative support related to documentation and research coordination. All authors reviewed and approved the final version of the manuscript.

AI Usage Statement

The authors state that the use of Artificial Intelligence (AI) tools in this study was strictly limited to supporting functions, including language editing, grammar checking, and improving the clarity and readability of the manuscript. AI tools were not used to generate research ideas, formulate research questions, or conduct substantive analysis. The authors bear full responsibility for the originality, accuracy, and academic integrity of the manuscript's content. In accordance with established standards of academic publishing ethics, AI tools are not listed or acknowledged as authors or contributors to this work.

Conflict of Interest

The authors declare that there are no conflicts of interest, whether financial, personal, or institutional, that could have influenced the work reported in this article.

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