

# Chapter 1

## Economic Necessity, Fatwa Authorities, and Halal Awareness: How Mandatory Certification Shapes Producer Practices

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### **ABSTRACT**

*This study explores the intersection of economic necessity, fatwa authorities, and the construction of halal awareness among producers in the context of Indonesia's mandatory halal certification. Originally voluntary, halal certification is now obligatory for all businesses, particularly in the food sector. The government has introduced two certification pathways: regular halal certification for large-scale, high-risk products and self-declare certification for small and medium enterprises (SMEs) producing low risk goods. However, the implementation of self-declare certification raises concerns about the integrity of halal standards due to insufficient audits and the profit-driven motivations of halal certification bodies. Findings suggest that while mandatory certification enhances the visibility of halal practices, it can also result in a superficial understanding of halal, where compliance is driven more by business necessity than religious commitment.*

DOI: 10.4018/979-8-3373-3917-7.ch001

## INTRODUCTION

In recent years, halal certification in Indonesia has undergone significant regulatory transformations following the enactment of Law number. 33 of 2014 on Halal Product Assurance (Saviera et al., 2024). This regulation marked a crucial shift from voluntary to mandatory halal certification, making it a legal requirement for all businesses, especially those in the food industry (Aziz et al., 2021). The law's introduction has not only redefined the role of halal certification but has also led to major institutional changes (Rusydziana & Mahsyar, 2024). Previously, all halal certification activities, from registration to audit and issuance of halal logos, were managed by the Indonesian Ulama Council (MUI) through its Assessment Institute for Food, Drug and Cosmetics-The Indonesian Ulama Council (AIFDC-MUI) body (Rachman, 2019). However, with the implementation of the new law, the responsibility has transitioned to the Halal Product Assurance Organizing Agency (BPJPH), under the Ministry of Religious Affairs (Nurein, 2023).

This regulatory shift has transformed the meaning of “halal” from a purely religious principle to a market-driven attribute of traded products (Indung Amalia & Nahidloh, 2023). While traditionally “halal” referred strictly to religious permissibility, under the new framework, it is increasingly associated with product safety and consumer protection (Jamil et al., 2020; Nursita et al., 2024). This evolution in meaning stems from growing consumer demands for assurance regarding the integrity of products in the marketplace. Prior to mandatory certification, several incidents revealed the presence of prohibited substances, such as pork derivatives and harmful chemicals, in food products. For instance, the Ajinomoto scandal in 2003 and the controversy surrounding carmine, a colorant derived from insects, underscored the necessity for stricter halal oversight to prevent public health risks (Masruroh, 2020b).

These incidents led to a growing mistrust among consumers, fundamentally altering purchasing behaviors. Where products were once sold with little scrutiny, market demand began to shift in response to violations of halal standards (Masruroh et al., 2024). The classical economic theory by Jean-Baptiste Say, which asserts that supply creates its own demand, proved ineffective in this context, as consumer skepticism disrupted the traditional supply-demand dynamic (Spithoven, 1996). The breakdown in market trust compelled consumers to demand greater assurances regarding product safety and compliance. In response, the Indonesian government introduced mandatory halal certification under Law No. 33 of 2014, aimed at restoring consumer confidence and regulating industry practices (Loussaief et al., 2024).

Although the implementation of this law has been gradual, on October 17, 2021, the Indonesian government, through BPJPH, introduced a comprehensive plan to ensure that all products eventually receive halal certification. This initiative aligns with Indonesia's ambition to become a global leader in the halal industry (Zuhudi

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