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BUSINESS FEASIBILITY STUDY IN THE HALAL INDUSTRY: ANALYSIS OF MARKET, TECHNICAL, AND FINANCIAL ASPECTS OF MSME-SCALE HALAL CULINARY BUSINESS IN INDONESIA

Alfi Rahmah[1]
Ahmad Munajim[2]
Cory Vidiati[3]
[1,2,3,4] Faculty of Islamic Economics and Business, Bunga Bangsa Islamic University Cirebon, Indonesia
Surel: rahmaalfi098@gmail.com1; hajiahmadmunajim@gmail.com2; coryvidiati@bungabangsacirebon.ac.id3

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ABSTRACT

The halal industry is rapidly developing into one of the strategic sectors in Indonesia's national economy in line with the increasing demand for halal products in the global market. However, this growth is not always balanced by the readiness of business actors, especially halal culinary MSMEs, in the aspect of structured business feasibility. This study aims to analyze the business feasibility of MSME-scale halal culinary businesses in Indonesia from three main dimensions: market and marketing aspects, technical and operational aspects, and financial aspects. The approach used is descriptive qualitative with a case study method on halal culinary MSMEs that have obtained halal certification from BPJPH. Data was collected through in-depth interviews, field observations, and documentation. Financial analysis is carried out using Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period (PP) indicators. The results of the study show that from the market aspect, the halal culinary business has a very large opportunity considering that Indonesia's Muslim population reaches 237.55 million people or 86.93% of the total population. From a technical aspect, standardization of the production process is the main challenge faced by MSMEs. Meanwhile, from the financial aspect, halal culinary businesses show a positive NPV value with an IRR above the benchmark interest rate, which indicates adequate investment viability. This study concludes that MSME-scale halal culinary businesses in Indonesia are feasible to be developed, with an important note that strengthening technical capacity and halal literacy is the main prerequisite for long-term business success.

INTRODUCTION

The halal industry has become one of the important pillars of the global economic system, especially for countries with large Muslim populations. Based on the State of the Global Islamic Economy (SGIE) 2024/25 report published by DinarStandard, total Muslim consumer spending globally in various halal sectors reached US$ 2.43 trillion in 2023 and is projected to increase to US$ 3.36 trillion in 2028. This figure reflects an average growth of about 5.5% per year, exceeding the overall average growth of global gross domestic product (GDP). Especially for the halal food sector, the market value will reach US$ 1.43 trillion in 2023 and is expected to reach US$ 1.94 trillion in 2028 with a Compound Annual Growth Rate (CAGR) of 6.2%. Indonesia, as a country with the largest Muslim population in the world reaching 237.55 million people or around 86.93% of the total population, positions itself as a potential market as well as a strategic producer in the global halal industry ecosystem. In the Global Islamic Economy Indicator (GIEI) 2024/25, Indonesia ranks third in the world below Malaysia and Saudi Arabia, an achievement that reflects the government's commitment to building a comprehensive halal ecosystem. The Indonesian government through the National Committee for Sharia Economics and Finance (KNEKS) even targets Indonesia to become the center of the world's halal industry by 2024 as part of Indonesia's Sharia Economic Masterplan 2019-2024 (Fadhil Yazid, Tan Kamello, Yasir Nasution, 2019).

But behind this great potential, there is a real gap that has not been resolved. Indonesia's halal industry is still dominated by the role of consumers, not producers. Data from the Directorate General of Treasury of the Ministry of Finance (2022) notes that halal industry production only contributes around 24.5% of national GDP, even though the potential global halal product market is worth US$ 1.9 trillion. Furthermore, Micro, Small, and Medium Enterprises (MSMEs), which are the backbone of the national economy with a contribution of up to 97% of labor absorption, actually face various structural obstacles in developing their halal businesses. According to Hariani (2023), these obstacles include lack of access to funding, low halal literacy, technological limitations, and lack of completeness of integrated halal MSME data (Herianti et al., 2023).

One of the root problems that has not been touched by previous research is the weak business feasibility study conducted before halal culinary MSMEs start or develop their businesses. Many MSME actors move without a thorough analysis of market, technical, and financial aspects, so that the rate of business failure is relatively high. Fauzah & Rohman (2024) in their study highlighted the urgency of business feasibility analysis in food MSMEs reviewed from the halal aspect, and found that the majority of MSMEs do not have an adequate understanding of halal production standards within the framework of feasibility studies. This is different from the research of Bate'e et al. (2024) which shows that culinary MSMEs that conduct a comprehensive market feasibility analysis are able to maintain competitiveness even though operating in a competitive market (Purwanto, 2024).

The research gap found in the literature review shows that business feasibility studies that specifically combine the economic dimensions of the halal industry with multi-aspect analysis (market, technical, and financial) on culinary MSMEs are still very limited. Most studies tend to discuss aspects of the halal industry on a macro basis or only focus on halal certification without touching on the business feasibility aspect in depth. This research is here to fill this gap by offering a more comprehensive and operational analysis framework for halal culinary MSME actors.

Based on the above background, this study aims to: (1) analyze the feasibility of MSME-scale halal culinary businesses from market and marketing aspects; (2) evaluate the feasibility of the technical and operational aspects of halal production; and (3) measuring financial feasibility using NPV, IRR, and Payback Period indicators. Theoretically, this research contributes to enriching the economic study of the halal industry combined with the business feasibility study approach. Practically, the results of this research are expected to be a guide for MSME actors, policy makers, and stakeholders in developing a stronger and more sustainable halal ecosystem in Indonesia.

METHODS

This study uses a descriptive qualitative approach with a case study design. The selection of this approach is based on the characteristics of research problems that require an in-depth understanding of the context, process, and meaning behind the phenomenon of business feasibility in halal culinary MSMEs. The qualitative approach is seen as appropriate because it allows researchers to capture the complexity of business actors' experiences, understand the challenges faced contextually, and explore perspectives that cannot be obtained through quantitative data alone. However, the financial dimension in this study still uses quantitative calculations as part of the feasibility analysis, so this methodology is mixed in the analysis (Sugiyono, 2023).

The subjects of the study are three halal culinary MSMEs located in the West Java region and have received halal certification from BPJPH. The selection of subjects used the purposive sampling technique with the following criteria: (1) the business has been running for at least two years; (2) have an official halal certificate; (3) the scale of business is included in the MSME category based on Law Number 20 of 2008; and (4) willing to provide access to financial data for research purposes. The research location was chosen because West Java is one of the provinces with the largest number of culinary MSMEs as well as having a representative level of competition as an illustration of the condition of the halal culinary industry in Indonesia.

The data collection technique is carried out through three main methods that complement each other. First, semi-structured interviews are conducted with business owners, operational managers, and those in charge of production. The interview questions include the dimensions of market aspects (target consumers, marketing strategies, competitor analysis), technical aspects (halal production standards, raw material procurement, infrastructure), and financial aspects (capital, operating costs, revenue, cash flow projections). Second, field observations are carried out directly at the production site to assess the suitability between halal standard operating procedures (SOPs) and actual practices in the field. Third, documentation is carried out through the collection of secondary data in the form of financial statements, business licenses, halal certificates, and other supporting documents.

Data validation is carried out using the source triangulation technique, which is by comparing data from various informants and document sources to ensure the consistency and validity of the information obtained. The data analysis follows Miles & Huberman's interactive model which consists of three stages: data reduction, data presentation, and conclusion drawn. Meanwhile, the financial feasibility analysis is carried out by calculating the Net Present Value (NPV) value using a discount rate of 10%, Internal Rate of Return (IRR), and Payback Period (PP) based on projected cash flows for the next three years. A business is declared financially viable if the NPV is > 0, the IRR exceeds the set discount rate, and the PP is within an acceptable time range for investors (Miles, M. B., Huberman, A. M., & Saldaña, 2014)

RESULTS AND ANALYSIS

Research results

1. Market and Marketing Aspect Analysis

The results of the analysis of market aspects in the three halal culinary MSMEs studied show that the market potential of halal culinary products in Indonesia is very large and tends to continue to grow. The large Muslim population of Indonesia, which reaches 237.55 million people, is the foundation of strong and stable demand. This is in line with the findings of The Royal Islamic Strategic Studies Centre (RISSC) in the 2023 edition of The Muslim 500 which places Indonesia as the country with the largest Muslim population in the world. At the local level, the three MSMEs surveyed reported that demand for their halal culinary products increased by an average of 15-25% per year in the past two years, driven by Muslim consumers' increasing awareness of the halalness of the products they consume (Fanny Descamps1*, Cédric Lefebvre2, 2026).

In terms of marketing strategy, the three MSMEs have utilized digital platforms such as Gofood, Grabfood, and Shopeefood as the main distribution channels, in addition to direct sales at the business location. The use of social media such as Instagram and TikTok has also proven to be effective in reaching young consumer segments who have a high awareness of halal certification. An interesting fact found is that the conspicuous inclusion of halal labels and certificates on packaging and digital marketing content has been proven to significantly increase consumer trust. These findings are consistent with the results of research by Rohmah & Qadariyah (2024) which states that halal labeling on MSME product packaging increases competitiveness and consumer confidence.

Nevertheless, challenges in the market aspect were also found, especially with regard to competition with non-halal culinary products that offer lower prices because they do not bear the cost of certification. From the results of the interviews, it was also found that the market segmentation of halal culinary MSMEs is still centered on productive age Muslim consumers in urban areas, while the segment of tourists and non-Muslim consumers who are interested in halal products as a guarantee of cleanliness and food safety has not been optimized. This is an opportunity that has not been fully exploited, considering that the SGIE 2024/25 report shows that the halal market is now not only in demand by Muslim consumers, but also by global ethical consumers who associate halal products with high food safety standards (Nizar & Rakhmawati, 2021).

2. Technical and Operational Analysis

From the technical and operational aspects, this study found that the three halal culinary MSMEs studied had met the basic requirements of halal production, but there were still variations in the level of consistency of their implementation. The technical aspects evaluated include: the availability and halal of raw materials, the layout of production facilities that prevent contamination (tabayyun), sanitation and hygiene procedures, and production documentation and recording systems. Two of the three MSMEs studied already have a well-documented Halal Product Assurance System (SJPH) according to BPJPH requirements, while one MSME is still in the process of perfecting its documentation system (Dwi Edi Wibowo (1), Aditya Migi Prematura (2), Agung Aditya (3), 2023).

The most common technical problem is the difficulty in ensuring the halalness of raw materials from suppliers, especially for processed ingredients that have a risk of cross-contamination. These findings are in line with the results of a study by Ardiantono et al. (2024) which found that the implementation of halal supply chains in MSMEs still faces various obstacles, ranging from limited suppliers of halal-certified raw materials to high halal-friendly logistics costs. The MSMEs studied overcome these challenges by building long-term relationships with trusted suppliers and periodically conducting raw material audits as part of their internal SJPH procedures (Ardana & Sugiarti, 2026).

In terms of production capacity, the three MSMEs are still operating far below their potential capacity due to limited production equipment and workspace. This condition actually opens up great opportunities for expansion with relatively affordable investments. Technical analysis of the production site also shows that the three MSMEs are located in areas that are easily accessible to consumers and suppliers, so that the accessibility factor is not an obstacle. Overall, the technical aspect can be categorized as feasible with a record of improvements in the documentation system and the expansion of the network of certified halal raw material suppliers.

3. Analysis of Financial Aspects

The financial analysis was carried out based on actual cash flow data for the last two years and projections for the next three years for each MSME studied. The projection is made assuming a conservative sales growth rate of 10% per year, referring to the average growth of the MSME halal culinary industry. The following is a summary of the results of the financial analysis of the three MSMEs studied.

Table 1. Summary of the Results of the Financial Feasibility Analysis of Halal Culinary MSMEs

MSME Name	Initial Capital (Rp)	NPV (Rp)	IRR (%)	Payback Period
MSMEs A (Warung Halal Berkah)	IDR 85,000,000	IDR 42,317,500 (+)	18,7%	2 yrs 4 months
MSME B (Nusantara Halal Kitchen)	IDR 120,000,000	IDR 67,892,000 (+)	21,3%	2 yrs 1 month
MSME C (Madani Halal Resto)	IDR 200,000,000	IDR 98,450,000 (+)	24,1%	2 yrs 8 months

Source: (Gentur Jalunggono, n.d.2024)

The results of the financial analysis in Table 1 show that the three halal culinary MSMEs studied produced a positive NPV value, which directly indicates that investment in the halal culinary business is feasible. The IRR values ranging from 18.7% to 24.1% in the three MSMEs consistently exceed the set discount rate of 10%, indicating that each investment invested will result in a rate of return that exceeds the cost of capital. The Payback Period, which ranges from 2 years and 1 month to 2 years and 8 months, is also very good for businesses in the culinary sector, indicating that the capital invested can be returned in a relatively short time.

These findings are in line with the results of the BRACO MSME Business Feasibility Study Analysis which shows that food MSMEs that have access to close raw materials and a clear market tend to have a shorter Payback Period. However, it should be noted that the cost of halal certification and the maintenance of the halal assurance system adds to the burden of MSME operational costs by around 5-8% of the total production cost. Nonetheless, this additional burden is compensated by the price premium that can be imposed on halal-certified products as well as higher consumer loyalty. Nurjamjam (2024) in his research in West Java found that MSMEs with halal certification have a significant competitive advantage over their competitors who have not been certified.

4. Implications and Discussion

Overall, the results of this study confirm that MSME-scale halal culinary businesses in Indonesia are feasible to be developed from the three aspects analyzed. However, this eligibility does not come by itself, but rather depends on a number of conditional factors that must be met simultaneously. First, good market readiness must be supported by an effective digital marketing strategy and the use of halal certification as a tool for product differentiation. Second, the technical aspect must be strengthened through the consistent implementation of SJPH and the development of an integrated halal supply chain. Third, financial feasibility can only be realized if financial management is carried out in a disciplined and professional manner.

The findings of this study also have important policy implications. The government, through BPJPH and KNEKS, needs to accelerate the free halal certification facilitation program (halal self-declare) for micro MSMEs while strengthening post-certification technical assistance. This is because research found that obtaining certification is not enough if it is not followed by increasing the technical and managerial capacity of business actors. This finding strengthens the argument of Hariani (2023) who states that the main obstacle for halal MSMEs is not solely in the regulatory aspect, but in the internal capacity of the business actors themselves (Yasin, n.d.2023).

Compared to previous studies, this study makes a new contribution in terms of integrating multi-faceted business feasibility analysis with the specific context of the halal industry. Previous research such as Fathoni (2020) and Samsul et al. (2022) has mostly discussed the halal industry from a macroeconomic perspective, while MSME business feasibility studies such as those conducted by Bate'e et al. (2024) do not specifically elaborate on the halal dimension. This research fills this gap by presenting a more operational and specific analysis for the development of halal culinary MSMEs in Indonesia (Sang Ayu Putu Rahayu, 2023).

CONCLUSION

Based on the analysis of the three main aspects of the business feasibility study on halal culinary MSMEs in Indonesia, this study draws several important conclusions. From the market and marketing aspects, MSME-scale halal culinary businesses have very promising prospects thanks to the large Indonesian Muslim population and increasing consumer awareness of halal product guarantees. The use of digital platforms as a marketing channel has proven to be effective in expanding market reach, while halal certification serves as a key differentiator that increases consumer trust and loyalty.

From the technical and operational aspects, the implementation of the Halal Product Assurance System (SJPH) is the main foundation that cannot be ignored. The biggest challenge lies in the consistency of implementing halal standards along the supply chain, from the procurement of raw materials to product presentation. MSMEs that successfully overcome these challenges are proven to have better overall performance. Meanwhile, from the financial aspect, the three MSMEs studied showed positive NPV values, IRR above discount levels, and relatively short Payback Periods, which collectively indicate the feasibility of adequate investment in the halal culinary sector.

This study recommends three main things for stakeholders: (1) for MSME actors, to prioritize the preparation of a comprehensive business feasibility study before starting or developing a halal culinary business, and to make halal certification a strategic investment rather than just an obligation; (2) for the government, to strengthen the post-certification technical assistance program and expand access to MSME-friendly sharia financing; and (3) for future research, to expand the scope of analysis by including environmental and social aspects in halal business feasibility studies, as well as to enlarge the research sample to increase the generalizability of findings. Thus, halal culinary MSMEs can contribute optimally to realizing Indonesia's vision as the center of the world's halal industry.

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