

Building a Halal Ecosystem Through Sharia Business Education and MSME Mentoring

Mohammad Bekti Hendrie Anto¹, Heri Sudarsono², Zahron Abdurrahman^{3*}, Kinanthi Putri
Ardiami⁴, Achmad Rizal⁵

¹²³⁴⁵Faculty of Business and Economics, Universitas Islam Indonesia

*zahron.abdurrahman@uii.ac.id

Abstract

The concepts of halal and thayyib serve as fundamental pillars of Islamic-based business, encompassing not only the products consumed but also the entire underlying business process. Micro, Small, and Medium Enterprises (MSMEs) located around the Faculty of Business and Economics (FBE), Universitas Islam Indonesia (UII), particularly in Dero Hamlet, Ngringin, demonstrate considerable potential for developing Sharia-compliant business practices. However, limited knowledge regarding the concepts of halal, Islamic business management, and the halal certification process remains a major constraint. This community service program was designed to enhance literacy and practical implementation of halal business principles through the Sharia Business School for MSMEs, which integrates educational sessions, training activities, and halal certification assistance. The methodology comprised three main stages: assessment, training, and evaluation. The results indicate an improvement in participants' understanding of the Islamic business cycle and a heightened awareness of the importance of halal certification. This initiative is expected to serve as a sustainable model for community empowerment, contributing to the establishment of a Halalan Thayyiban business ecosystem within the FBE UII environment.

Keywords: MSMEs, sharia business school, halal certification, business mentoring, halal ecosystem

INTRODUCTION

Islamic jurisprudence (fiqh muamalah) and the Sharia business cycle constitute two fundamental aspects in the establishment and management of enterprises grounded in Islamic values (Rosyidah & Rofiah, 2024). The concepts of halal and thayyib (good) are not confined to final products and services but must be reflected throughout every stage of the business process, from bookkeeping and production management to marketing strategies that comply with Sharia principles. The halal dimension of products is a primary concern in the daily lives of Muslims (Sahib & Ifna, 2024). As the country with the largest Muslim population in the world, with the Central Statistics Agency (BPS) reporting that 87 percent of Indonesia's population is Muslim, this demographic reality should serve as a major driver for Micro, Small, and Medium Enterprises (MSMEs) to obtain halal certification. However, in practice, many MSMEs have yet to certify their products as halal (Adiba & Amir, 2023).

Recent data show that out of 64.2 million MSMEs in Indonesia, fewer than 10 percent hold halal certification. In the Sleman region of the Yogyakarta Special Region, only 15,829 of 109,973 MSMEs (approximately 8.4 percent) have obtained halal certification (Kurniawan, 2024). This gap can be attributed to several factors, including limited access to information about the certification process, the perception of high costs, and complex administrative procedures (Sasmita et al., 2025).

The target participants of this community engagement program were MSMEs in Dero Hamlet, Ngringin, located near the Faculty of Business and Economics (FBE), Universitas Islam Indonesia (UII). This community was selected because of its geographic proximity and its potential for empowerment, given its location within an academic environment and its predominantly Muslim population. What makes this community particularly interesting is the gap between its potential and its current practice. Although the environment strongly supports Islamic values, most local MSMEs still face challenges in implementing Sharia-based business principles and obtaining halal certification. The main obstacles identified include limited understanding of Sharia business operations, minimal exposure to structured outreach programs, and the absence of continuous assistance throughout the certification process. These conditions make the community a suitable target for holistic empowerment initiatives.

This program focuses on improving Islamic financial literacy and strengthening entrepreneurial capacity among MSMEs. Several previous community engagement initiatives provide important references for this study. Zakaria (2024) found that intensive mentoring in Islamic business management significantly increased MSME turnover, demonstrating the importance of continuous assistance rather than one-time counseling. (Ramadhani, 2025) also emphasized that the low adoption of halal certification among MSMEs is mainly caused by complex perceptions and the lack of technical support. In addition, (Rahmawati et al., 2025) found that mentoring through a learning management system (LMS) model was more effective in increasing halal certification applications compared to conventional outreach programs. These studies collectively show that capacity building and structured mentoring can enhance MSME performance and sustainability.

The distinguishing feature of the present program lies in its comprehensive and integrative design. While earlier initiatives often concentrated on a single aspect such as marketing, financial management, or certification, this program combines two main pillars. The first is the improvement of understanding regarding the complete Sharia business cycle from production to marketing. The second is direct assistance in addressing the technical and administrative challenges of halal certification. Instead of focusing solely on certification facilitation, the program integrates it with foundational Sharia business training, producing a holistic empowerment model. This integrated approach promotes not only knowledge acquisition but also behavioral transformation through guided practical application.

This community service initiative is expected to substantially enhance the capacity and competitiveness of MSMEs in Dero Hamlet. Specifically, the program aims to achieve three primary outcomes. First, it seeks to improve the understanding and awareness of MSME actors regarding the integration of sharia values across their entire business cycle, thereby strengthening business performance, as supported by empirical evidence from (Hasibuan et al., 2025). Second, it promotes the development of self-reliance among MSME actors in preparing and applying for halal certification, enabling compliance with the Halal Product Assurance Law. Third, it encourages the enhancement of business competitiveness through halal product assurance, which not only fulfills religious obligations but also serves as a source of market differentiation and added value. In the long term, this initiative aspires to foster a sustainable and independent sharia-based business ecosystem at the community level, aligning with Indonesia's broader vision of becoming a global halal hub.

IMPLEMENTATION METHOD

The community service activity was conducted over a three-month period (August–October 2024) in Dero Hamlet, Ngringin, Condongcatur, Sleman. The implementation adopted the Community-Based Participatory Research (CBPR) model, which emphasizes active community engagement throughout all stages of the program. This approach aligns with the findings of Rahmat & Mirnawati, (2020); Riyanto & Heriyanti, (2024); Suswanto et al., (2018), who highlight that participatory methods in MSME empowerment enhance the sense of ownership and ensure program sustainability. The stages of the applied methodology are illustrated in the following flowchart.

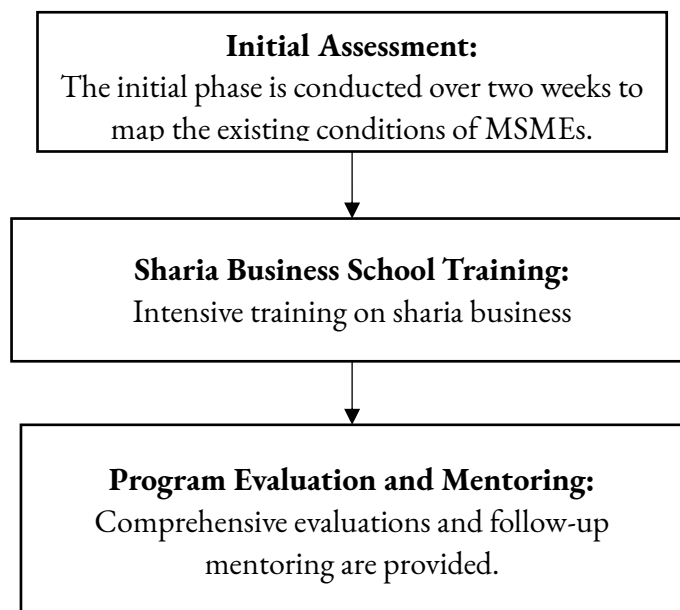


Figure 1. Devotion Stage

The mentoring program was comprehensively and systematically designed to equip MSMEs with both conceptual understanding and practical skills for managing their businesses in accordance with Sharia principles. Employing a structured, step-by-step approach—from initial condition assessment and intensive capacity-building training to continuous evaluation and mentoring—the program seeks to generate tangible and measurable business transformation. Ultimately, it aims to enable MSMEs not only to achieve economic growth but also to establish a robust and ethical business foundation grounded in Sharia values.

Stages of the Sharia MSME Mentoring Program

This mentoring program is systematically designed through three main, interrelated stages: initial assessment, intensive training at MSME Sharia business schools, and evaluation and follow-up by mentoring. Each stage plays a strategic role in ensuring the success of the intervention and the sustainability of the program's impact on the MSMEs being mentored.

1. Initial Assessment

This stage serves as the foundation for the entire program. The assessment process was conducted to obtain a comprehensive picture of the existing conditions of 94 MSMEs, including managerial aspects, sharia compliance, and readiness for halal certification. The main activities included field observations of production processes and business management, along with direct interviews with hamlet officials, group leaders, and MSME actors, and the completion of a survey form by all participants. The results of this assessment served as the basis for formulating the actual needs of MSMEs, allowing training materials to be designed to be precisely targeted and tailored to the context and challenges in the field.

2. Sharia Business School Training for MSMEs

experiential learning approach so that participants not only understand the theory but also are able to apply it in their daily business practices. Training activities include interactive training, individual mentoring tailored to the characteristics of each business, simulations of preparing halal certification documents, and case studies of MSMEs that have successfully implemented sharia business principles. Through this method, participants are expected to understand the concept of sharia business comprehensively, from financial management and ethical marketing to business governance that aligns with halal and *thayyib principles*.

3. Evaluation and Mentoring

This stage serves to ensure the sustainability and effectiveness of the program's results. Evaluation is conducted comprehensively using a modified Kirkpatrick model, encompassing four levels of measurement: (1) participant satisfaction through questionnaires; (2) increased knowledge through discussions; (3) changes in business behavior based on field observations; and (4) the impact of the results in the form of progress in the halal certification process. In addition, regular post-training mentoring

is provided to ensure the knowledge gained is truly implemented and to help participants overcome obstacles that arise in the field. This stage also serves as a means to identify potential for further collaboration, both in the form of business incubation and ongoing coaching.

Taken together, these three stages constitute a comprehensive service cycle that begins with needs assessment, continues with Sharia-based interventions, and concludes with the evaluation of their real-world impact at the business level. The mentoring model developed through this process is expected to serve as a best practice for enhancing the capacity of MSMEs and fostering a competitive business ecosystem grounded in Sharia values.

RESULT

Field Observation and Survey as Initial Assessment

The field survey process was conducted through in-depth interviews and questionnaires. Interviews were conducted with hamlet officials, group leaders, and MSMEs to explore business conditions, challenges, and existing social and institutional support, while also validating the observations. Meanwhile, questionnaires were used to collect standardized data on levels of Sharia compliance and business conditions, which served as the basis for pattern analysis, benchmarking, and a comprehensive evaluation of the program's impact.

Based on the results of an initial survey of 94 MSMEs spread around the UII FBE campus area, a general overview was obtained regarding the characteristics of their businesses and their readiness to participate in the halal certification mentoring and training program. The majority of respondents (around 78.7%) are engaged in the Food & Beverage (F&B) sector, while the remainder came from service sectors, such as laundry, photocopying, and grocery stores. Of the total respondents, 40 respondents (43%) stated their willingness to participate in training and mentoring, while 54 (57%) were not yet willing, generally due to time constraints or a lack of information about the program's benefits. The most popular types of training included operational management, financial management, and digital marketing, indicating that MSMEs' primary needs are in aspects of business management and increasing competitiveness in the digital era. Several respondents also expressed interest in halal certification and business management in accordance with Islamic law, reflecting an awareness of the importance of sharia compliance in business development. Most willing participants chose Saturday as the training time, adjusting to their business operational schedules. These findings indicate that MSMEs in the region have significant potential for development through practical and contextual training approaches tailored to real-world needs, particularly in strengthening management and digital transformation based on Sharia principles.



Figure 1. Field Survey

Interactive Training with an Experiential Learning Approach

A survey of 94 MSMEs revealed that 40 were willing to participate, but only 26 actually participated in the Sharia business training. Figure 2 shows the interactive training, designed with an experiential learning approach that emphasizes learning through direct experience. Participants not only listened to theory but also actively engaged in role-playing, real-life case studies, and problem-solving they faced daily. This method enabled the 26 MSMEs to understand the concept of Sharia business not as rigid rules, but as practical solutions. By experiencing its benefits and applications firsthand, the knowledge gained became more firmly embedded and easily remembered. The reflection process after each activity also helped participants internalize the values learned. Ultimately, this approach transformed from simply "knowing" to "being able to do," thereby increasing the success of implementation. Table 1 shows a list of the MSME Sharia business school training agendas that have been implemented:

<i>Meeting</i>	Main Topics	Activity Title	Focus of Material	Source person
<i>July 26, 2025</i>	Financial Management & Halal Certification	<i>Scale Up Your Business: Manage Your Finances and Achieve Halal Certification!</i>	Separation of personal-business finances, asset recording, simple sharia-based financial reports, and halal certification procedures and benefits.	Sigit Pamungkas, M.Com. (Academician) & Jumarodin, MM (PINBAS MUI)
<i>August 2, 2025</i>	Digital Marketing Management	<i>Selling Like Hotcakes on Social Media: Powerful Digital Marketing Strategies</i>	Digital marketing strategies (social media, e-commerce), Islamic business ethics, and case studies of successful MSMEs.	Masyithoh Annisaush Sholihah, M.Sc (Practitioner).
<i>August 9, 2025</i>	Sharia Economics & Financing	<i>Need Business Capital? A Complete Exploration of Usury-Free Sharia Financing (Guaranteed to Be a Blessing!)</i>	Basic principles of Islamic financing, types of Islamic financial institutions, application procedures, and tips for choosing the right financing scheme.	Jannahar Saddam Ash Siddiqie, MEK. (Practitioner)

Table 1. Training Activities of the MSME Sharia Business School



Figure 2. Interactive Training Activities



Figure 3. Training Documentation: Scale-Up Your Business: Manage Your Finances, Achieve Halal Certification!



Figure 4. Training Documentation: Selling Like Hotcakes on Social Media: Powerful Digital Marketing Strategies.



Figure 5. Training Documentation: Need Business Capital? A Complete Exploration of Usury-Free Sharia Financing (Guaranteed to Be a Blessing!)

Participant Satisfaction Questionnaire

Participants' responses were evaluated using a satisfaction questionnaire administered immediately after the training sessions. The instrument was designed to measure several dimensions of training quality, including the relevance of the materials, facilitator competence, delivery methods, and the adequacy of supporting facilities. The participants' honest responses provided valuable feedback on aspects that met expectations as well as those requiring improvement. All the data were obtained from the questionnaire served as preliminary indicators of the program's acceptance among beneficiaries. The collected data were subsequently analyzed to inform improvements in future training implementation, thereby ensuring continuous enhancement of program quality. The evaluation results showed that all participants (100%) expressed satisfaction and indicated their willingness to engage in future training activities.

Post-Training Assistance

Ongoing post-training mentoring is designed to ensure optimal and long-term implementation of Sharia business principles. Mentoring is provided through various communication channels, such as WhatsApp groups for quick consultations and regular field visits for intensive monitoring. Facilitators act as discussion partners, helping overcome technical challenges that arise as participants apply the knowledge to their businesses. This support is critical in preventing setbacks and maintaining consistent Sharia business practices after the formal program ends. Thus, post-training mentoring serves as a crucial bridge that transforms knowledge from mere training discourse into a sustainable business culture.

DISCUSSION

The "Strategy for Building a Halal Zone with Sharia Business Education and Mentoring for MSMEs in the UII Faculty of Economics and Business Campus" program was designed to address the challenges of low halal literacy and Sharia-based business practices among micro-entrepreneurs around the campus. The program's implementation results demonstrated a significant increase in MSMEs' understanding, awareness, and readiness to implement halal-thayyib principles and comprehensive Sharia business management.

Mapping Initial Conditions and Identification of MSME Needs

The field observation and survey phase provided a critical foundation for understanding the actual conditions of MSMEs in Dero Hamlet, Ngringin. Data collected from 94 respondents revealed that the majority (78.7%) operated in the food and beverage (F&B) sector, while the remaining respondents were engaged in services and small-scale trade. These findings indicate substantial potential for the implementation of halal certification, particularly due to the sector's direct connection with consumer products. However, most business owners still demonstrated limited knowledge of business administration, financial record-keeping, and the halal certification process.

In-depth interviews further revealed that the primary challenges faced by MSMEs extend beyond financial constraints to include a limited understanding of Sharia values in day-to-day business operations. Many MSME actors continued to mix personal and business finances, lacked systematic transaction records, and were unfamiliar with the procedures for halal certification applications. Additionally, village officials and MSME group leaders emphasized the need for intensive mentoring, noting that many business owners expressed apprehension regarding the perceived complexity of the certification process. These findings underscore the importance of practical and educational interventions that contextualize the principles of halal and Sharia within the local business environment.

Effectiveness of Sharia Business School Training for MSMEs

The interactive training activities of the MSME Sharia Business School represented the core component of the mentoring program. Out of the 40 MSMEs that initially expressed their willingness to participate, 26 completed the entire training series. The experiential learning method proved to be highly effective, as it actively engaged participants through case simulations, role-playing exercises, and real-life case studies. This approach enabled participants not only to understand Sharia business concepts theoretically but also to apply them directly within their respective business contexts.

The training materials were developed based on actual needs identified during the initial assessment phase. The first session focused on financial management and halal certification, emphasizing the importance of separating personal and business finances and preparing simple financial reports in accordance with Sharia principles. The second session introduced digital marketing strategies and Islamic business ethics, both of which were highly relevant to the needs of business owners in the social media era. The third session covered the concepts and practices of Sharia-compliant financing, helping participants identify interest-free financing alternatives. Collectively, these sessions provided a comprehensive knowledge framework encompassing financial management, marketing, and financing aspects.

The results of the evaluation questionnaire indicated that all participants (100%) were satisfied with the quality of the training in terms of material delivery, content relevance, and facilitator competence. Active participation levels were also high, as reflected in participants' enthusiasm during discussions and question-and-answer sessions. These findings suggest that experiential learning is more effective in fostering awareness and motivation for behavioral change among MSME actors than conventional outreach-based approaches.

Mentoring and Field Implementation

Post-training mentoring plays a crucial role in ensuring the sustainability of the program. Through online communication groups and periodic field visits, facilitators assist participants in applying Sharia business practices within their daily operations. This mentoring process facilitates the transformation of knowledge into habitual behavior, such as recording transactions in accordance with Sharia principles, managing halal raw materials, and submitting certification applications through the BPJPH OSS system. Several participants have also initiated small networks among MSMEs to exchange experiences in preparing certification documents.

Moreover, this approach generates positive social impacts, including increased self-confidence and solidarity among business actors. The MSME community within the UII FBE area has begun to exhibit the characteristics of a supportive Sharia-based ecosystem. From an institutional perspective, village officials and community leaders have also demonstrated a strong commitment to sustaining similar initiatives independently in the future. Therefore, this program not only produces individual-level impacts but also contributes to strengthening the socio-economic structure rooted in Islamic values at the community level.

Implications for the Development of Halal Thayyiban Areas

The results of this community engagement program indicate that the development of a halal-friendly business area cannot be achieved solely through socialization activities or administrative facilitation. A participatory and educational approach is essential to cultivate a deeper understanding, enhance managerial and technical skills, and build internal motivation among business practitioners. The community-based strategy implemented in the Faculty of Business and Economics (FBE) of Universitas Islam Indonesia has proven effective in encouraging behavioral change among MSME participants toward the consistent application of halal and thayyib values in their business operations.

Furthermore, the success of this initiative demonstrates the strategic role of synergy between academia and the local community in establishing a sustainable model for the Halal Campus Ecosystem. Continuous collaboration between educational institutions, religious authorities, and business actors is expected to reinforce the integration of Islamic values into economic activities. With sustained institutional support, the FBE UII area holds strong potential to become an incubation hub for independent, innovative, and competitive Sharia-compliant MSMEs. This achievement marks an important initial milestone toward realizing a Halal Thayyiban Area that not only strengthens economic performance but also embodies Islamic ethics and spirituality in its entirety.

CONCLUSION

The Sharia Business Education and Mentoring Program for MSMEs around the UII Faculty of Business and Economics has significantly improved participants' literacy and implementation of Sharia-based business practices. The initial assessment of 94 MSMEs provided a clear understanding of their potential and challenges in management, financial recording, and halal certification readiness. Through experiential training and continuous mentoring, participants gained practical skills in Sharia finance, ethical digital marketing, and interest-free financing, which were successfully applied in their daily business operations. The program also fostered collaboration among MSMEs and village officials, contributing to the growth of a local halal business ecosystem. To ensure sustainability, the program recommends establishing a Village Halal Center, strengthening networks with Islamic financial and certification institutions, and enhancing digital halal literacy. This initiative serves as a replicable model for developing a broader Halal People's Economy Area and supports the realization of the UII Halal Campus Ecosystem.

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