



# Dialectical relationship between law, constitutional law approach, and political economy in phenomenon of sharia economy driving MSMEs and halal industry: A literature review

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## ABSTRACT

**Background:** The development of Sharia economy in Indonesia has increasingly influenced the growth of micro, small, and medium enterprises (MSMEs) and the halal industry, particularly in Mataram City, West Nusa Tenggara. This phenomenon raises questions about the interplay between legal frameworks, constitutional law approaches, and political economy in shaping sustainable economic development. **Methods:** This study employs a qualitative literature review, analyzing scholarly articles, government reports, and policy documents related to Sharia economy, MSMEs, halal industry, and Indonesian constitutional and economic law. The aim is to understand how legal and political-economic perspectives interact in promoting economic initiatives rooted in Islamic principles. **Findings:** The analysis reveals that the integration of legal and constitutional approaches with political economy provides a comprehensive framework for understanding the growth of Sharia-based economic activities. In Mataram City, West Nusa Tenggara, MSMEs and halal industries thrive through supportive legal frameworks, government policies, and community-based initiatives that align with Islamic economic principles. This synergy demonstrates the dialectical relationship between law, politics, and economic practices in fostering inclusive and ethically grounded economic development. **Conclusion:** The study concludes that legal, constitutional, and political-economic integration is essential for promoting Sharia economy as a driver of MSMEs and halal industry, ensuring both compliance with Islamic principles and sustainable regional economic growth. **Novelty/Originality of this article:** This research offers a unique interdisciplinary perspective by combining constitutional law, political economy, and Sharia economic principles to reinterpret economic development in Mataram City, West Nusa Tenggara, highlighting the practical and theoretical implications of legally and ethically grounded economic policies.

**KEYWORDS:** constitutional law; halal industry; MSMEs; political economy; sharia economy.

## 1. Introduction

### 1.1 Overview: Development of sharia economy and halal industry in Indonesia

The sharia economy in Indonesia has grown rapidly over the past decade; according to DinarStandard's State of the Global Islamic Economy Report 2024/2025 (SGIE 2024/2025), Indonesia ranks third in the world in the Global Islamic Economy Indicator (GIEI). Indonesia's halal ecosystem encompasses various sectors such as halal food, Islamic finance,

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modest fashion, halal cosmetics/products, Muslim-friendly tourism, and halal lifestyle services demonstrating that the sharia economy is not a niche sector but a broad and comprehensive one (Napitupulu et al., 2024). Investors have also expressed strong confidence in Indonesia's potential as a global halal industry hub. According to the 2025 report, investment in the halal sector in Indonesia reached approximately USD 1.6 billion in the 2023–2024 period making Indonesia the world's largest halal investment destination (Doruk, 2023). Implications: Indonesia's global position and the growth of the halal industry provide a structural foundation for the development of MSMEs and small businesses: the greater the potential of the domestic and global halal market, the greater the opportunities for MSMEs to grow, produce halal goods/services, and penetrate national and international markets through the halal supply chain.

### *1.2 Contribution of islamic finance to empowering MSMEs and halal industry*

The Islamic finance sector in Indonesia has recorded significant growth. According to 2023 data, the assets of the Islamic finance industry (including Islamic banking, Islamic capital markets, and Islamic non-bank financial institutions) have reached trillions of rupiah, with positive annual growth (Afdawaiza et al., 2025). Access to Islamic financing provides an alternative for MSMEs and halal businesses to obtain capital without having to use conventional instruments containing usury in accordance with Sharia principles (Azimi et al., 2026). This is crucial for small and micro businesses that have traditionally faced constraints in accessing capital. Research shows that Islamic financial institutions have a significant role in advancing the halal industry, including by providing Sharia-compliant financing. However, despite the enormous potential, challenges remain: a recent analysis found that despite the substantial assets of Islamic banking, the "industrialization of halal MSMEs" has not been fully optimized due to limited access, regulations, lack of supportive fiscal incentives, and low halal/Islamic financial literacy among MSMEs. Implications: The existence of Islamic finance opens opportunities for MSMEs and halal industry players to develop ethically and in accordance with Sharia principles. However, to maximize this potential, broader access to financing, Sharia literacy, and supportive policies are needed, especially for small MSMEs (Li et al., 2025).

### *1.3 Role of MSMEs in halal industry: Opportunities and challenges*

MSMEs play a key role in the Indonesian economy absorbing a large workforce and dominating the number of business units. Due to Indonesia's large Muslim population and increasing demand for halal products, halal MSMEs have significant potential to grow and meet domestic and global market demand. A recent study on the halal industry based on micro, small, and medium enterprises (MSEs) confirms that with halal certification policies and supportive regulations, halal MSMEs can compete in the global market (Khanra et al., 2021). However, a real challenge arises: many MSMEs have yet to tap into the potential of the halal market due to limited access to sharia-compliant capital, minimal incentives, limited production capacity, difficulties obtaining halal certification, and low literacy about the halal market (Hasana et al., 2022). Implications: MSMEs are the backbone of the sharia economy and the halal industry. If supported by appropriate policies, access to financing, certification, and literacy, MSMEs can become a major driver of growth in the national halal industry (Zhang & Deng, 2024). Conversely, without systemic support, this potential is difficult to optimally realize.

### *1.4 National impact: Contribution of sharia economy to GDP and halal industry value*

The Islamic financial asset figures indicate that the Islamic financial sector is well-established and can serve as a significant financing channel for businesses including halal MSMEs. The HVC sector's contribution to GDP indicates that the halal industry is not just a niche, but part of the national macroeconomic structure, with significant potential for

economic growth, employment, and industrial diversification (Suriyankietkaew et al., 2025).

Table 1. Contribution of islamic finance and halal industry to national economy

No	Indicators/Year	Value/Description
1.	Islamic finance industry assets (2023)	± Rp 2,582.25 trillion, a 9.04% growth compared to the previous period.
2.	Share of the halal value chain (HVC) sector to GDP (2021)	According to the report, the halal sector makes a significant contribution to the national economy (a leading sector of the future).

(NTB Financial Services Authority, 2023)

Table 2: Scale and growth of halal industry: Investment and ecosystem

No	Indicator/Year	Data/Description
1.	Investment in the halal sector in Indonesia (2023–2024)	US\$1.6 billion makes Indonesia the world's largest halal investment destination
2.	Number of halal businesses/companies in 2025	According to the 2025 report, Indonesia has 140,944 halal enterprises, dominated by the food sector, with 584,552 certified halal products.

(Mataram City Department of Industry, Cooperatives, and SMEs, 2024)

Large investments demonstrate investor confidence in the future of Indonesia's halal industry its potential for expansion, innovation, and product development. The large number of halal companies and certified products demonstrates that the halal ecosystem is already quite extensive and is beginning to reach micro, small, and medium enterprises (MSMEs) (Hakim, 2023). This presents significant opportunities for distributors, MSMEs, and expansion into the global market (Wijatmoko et al., 2023).

*1.5 Relevance and strategy: Optimizing potential for MSMEs and halal industry*

With a large market and high domestic demand (the world's largest Muslim population), as well as growing awareness of the halal lifestyle, opportunities for MSMEs and the halal industry are enormous both to meet domestic needs and for export (Yuli & Rofik, 2023). The role of Islamic financial institutions and access to Islamic capital is crucial enabling small businesses to obtain Sharia-compliant financing, overcoming the barriers faced by conventional finance (Avdukic & Asutay, 2025). However, realizing this potential requires supportive policies: MSME-friendly regulations, fiscal incentives, easy access to halal certification, halal literacy and Islamic finance, and integration of the halal value chain (supply chain, logistics, exports) (Purnamasari et al., 2024). Furthermore, MSMEs need to build capacity: production according to halal standards, business management, marketing, exports, and halal product innovation. The halal industry is not just about food it also includes cosmetics, modest fashion, pharmaceuticals/health products, and halal services so product diversification is a crucial strategy. Strategic Implications: The government, Islamic financial institutions, and MSMEs must work together to create a supportive ecosystem: from financing and regulation to certification, to marketing and exports. With an integrated approach, Indonesia can leverage its global position and large halal market scale to strengthen the national economy, empower MSMEs, and establish the halal industry as a pillar of growth.

The Islamic economy and halal industry in Indonesia have developed into strategic sectors with significant contributions to the national economy from Islamic finance and halal MSMEs to the broader halal value chain (Pujiwati et al., 2026). This significant potential is relevant for MSMEs, as it enables them to access domestic and global markets, obtain Islamic financing, and develop in accordance with halal principles. However, success

is not automatic it requires regulatory support, policies, capital, literacy, and production capacity.

Expand access to Islamic financing for halal MSMEs: Islamic banks, Islamic financial institutions, and Islamic microfinance institutions need to facilitate access to capital, with financing products tailored to the characteristics of MSMEs. Ease and support for halal certification: the government and related institutions need to provide incentives, subsidies, or ease the process for MSMEs so they can obtain halal certification without a heavy burden. Increased literacy in Islamic finance and the halal market: education for MSMEs regarding Islamic finance, halal business management, export procedures, halal digital marketing, and quality standards. Strengthening the national halal value chain supply chain, logistics, distribution, exports: so that Indonesian halal products can compete globally, not only meet the domestic market. Diversification of halal products beyond food & beverage: encouraging the growth of the modest fashion sector, halal cosmetics, halal medicines/health products, halal services, etc.; so that the national halal industry becomes broader and more resilient.

## 2. Methods

### 2.1 Research type: Literature review

This study used a literature review method to examine the current literature on ecotourism and sustainable tourism development. By using a literature review, researchers were able to explore various perspectives on how ecotourism is understood in academic research. This study focused on identifying key themes: environmental conservation, local community well-being, and sustainable tourism management. Through literature analysis, a consensus emerged that ecotourism ideally maintains a balance between nature, culture, and economic aspects. Most studies emphasized the importance of involving local communities in ecotourism planning and implementation to ensure sustainability (Rejeb et al., 2024).

The literature also identified challenges in ecotourism implementation such as a lack of infrastructure, policy coordination, or low local participation. The literature review showed that the definition of “ecotourism” is evolving: it encompasses not only nature tourism but also cultural, educational, and community empowerment aspects. The literature review illustrates that ecotourism development requires adaptive strategies including policy, community participation, and natural resource management. By combining the results of multiple studies, this review helped identify research gaps, such as the lack of long-term studies on the socio-ecological impacts of ecotourism. A literature review allows for the formulation of evidence-based policy recommendations for example, regarding participatory design, nature conservation, and community well-being.

This method also helps formulate a conceptual framework for future studies particularly in the context of ecotourism sustainability. Through a literature synthesis, this study demonstrates that the success of ecotourism is highly dependent on the continuity of cultural values, environmental preservation, and community participation. The literature review reveals that ecotourism is not simply a tourist commodity but also holds the potential for social, economic, and environmental transformation. This study presents a critical analysis of the literature, comparing definitions, concepts, implementations, and results from various studies. Thus, the literature review method serves as an essential foundation for understanding and developing ecotourism consciously, critically, and sustainably.

### 2.2 Data sources: Books, scientific journals, articles, government reports, and publications related to Islamic economics, law, and political economy

This research uses a literature review method, relying on various sources such as books, scientific articles, government reports, and academic publications on Islamic economics, law, and political economy. This method allows researchers to explore ideas and

findings from previous research without having to collect primary data. The literature reviewed includes normative studies namely, the legal and regulatory aspects of Islamic economics as well as empirical studies related to the economic and political implementation of policies. The literature review approach helps examine how Islamic economic law is developed and regulated within the legal and political framework at the national and regional levels. Literature analysis allows for the identification of regulatory dynamics, challenges, and opportunities in the application of Islamic economics within the context of law and public policy (Alshater et al., 2022).

From a political economy perspective, the literature review opens up a discussion about how power, institutions, and regulations influence the implementation of Islamic economic principles. This study also examines how academic publications and policy reports reflect socio-economic realities and the competition between conventional and Islamic economic systems. Through literature synthesis, this study attempts to formulate a conceptual map of the relationship between law, economics, and politics in the Islamic economic system. The literature review allows researchers to identify research gaps for example, the lack of empirical studies on the effects of Islamic policies on poverty or economic equality. Normative literature including reference books and official regulations provides a theoretical and legal foundation for understanding the legal basis of Islamic economics.

A review of empirical articles and journals helps understand how theory translates into practice in society and financial institutions. Government publications and policy documents provide historical and structural context, which is essential for understanding the implementation of the Islamic economic system within the country's political and regulatory framework. Thus, this literature review method provides a comprehensive foundation for understanding the interaction between law, economics, and political structures in the Islamic economy. The results of the review are expected to map the evolution of Islamic legal-economic thought and regulation and identify aspects requiring further research. With a strong literature foundation, this study can suggest policy directions or practical recommendations for the development of a sustainable and equitable Islamic economy.

### *2.3 Analysis: Synthesis and critical analysis of dialectical relationship between law, constitutional approach, and political economy in context of Islamic economics*

Within the framework of Islamic economics, law is not merely a technical regulation, but rather a normative foundation that enables an alternative economic system to the conventional economy (Bakhouche et al., 2022). A constitutional approach is crucial because Islamic economic law must be supported by state legitimacy meaning that Islamic regulations must be "integrated" with the national constitution to be officially and widely implemented. Much of the literature argues that the constitution does not hinder Islamic economics as long as the regulations are designed inclusively, without neglecting the plurality and legal framework of the state. This dialectical relationship arises when Islamic principles in economics are confronted with the political logic of law: regulations, as political products, can be influenced by the interests of elites or the majority. For example, Islamic economic regulations in many countries (including Indonesia) were born through legislation influenced by political pressure demonstrating that Islamic economics is inseparable from power plays and political compromise. From a political-economic perspective, the implementation of Islamic economics is not only a matter of law and religion, but also of wealth distribution, social justice, and equity where the state plays a significant role in regulation and oversight. Thus, Islamic law in Islamic economics serves as a structural instrument: through regulation, the state can direct the economy toward justice and the common good, rather than simply market efficiency. However, it is critical to be aware that "framing Islamic law in the constitution" can present dilemmas when the state is secular and pluralistic for example, how to ensure the rights of non-Muslims or heterogeneous communities are respected. Furthermore, the integration of Islamic

economics into the national economic system through regulation must be balanced with transparency, accountability, and checks and balances to prevent abuse by political power. The constitutionality of Islamic economic law ideally allows for economic diversity and guarantees freedom of choice, preventing the monopoly of any particular economic ideology (Naouar et al., 2024).

From the epistemological perspective of political economy, theories about Islamic economics must be constructed critically based not only on interpretations of religious texts, but also taking into account contemporary social, structural, and economic realities (Massagony et al., 2025). Law, as an institutional product, must be responsive to economic dynamics and social needs for example, in addressing issues of inequality, crises, or the need for Sharia-based microfinance/MSMEs. A critical approach demonstrates that Sharia regulations and Sharia economic policies should not be merely symbolic of religious law but must have a real impact on social and economic justice for the people. The synergy between legal regulations, constitutional legitimacy, and the vision of Sharia political economy can provide an alternative framework for just, inclusive, and sustainable economic development if implemented consistently and transparently. In conclusion, the relationship between law, constitution, and political economy in Sharia economics is dynamic and dialectical: law provides a normative structure, the constitution legitimizes the state, and political economy determines how Sharia values are translated into justice and social welfare.

### 3. Result and Discussion

*3.1 Law and regulation (the role of local and national regulations in supporting MSMEs and halal industry), constitutional legal approach (how constitutional principles ensure the development of Islamic economy, its inclusiveness, and protection of MSMEs), political economy (the impact of economic policies and market structures on growth of Islamic economy)*

#### *3.1.1 Legal & regulatory framework: Support for MSMEs and halal industry*

National regulations such as Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSME Law), Law Number 33 of 2014 concerning Halal Product Assurance (JPH Law), and implementing regulations (government regulations, halal certification policies) provide a formal legal framework for micro/small businesses to operate legally and for products to be required to obtain halal certification. These regulations provide two main benefits: (1) business legitimacy and legal protection for MSMEs, and (2) assurance to consumers that products meet halal standards especially important in Muslim-majority communities such as Mataram/NTB. The government, both central and regional, together with the private sector and Islamic banking, facilitates halal certification for example, through free or subsidized programs for MSMEs to ensure that the certification burden does not become a barrier (Sumarno et al., 2022). In the context of Mataram City/West Nusa Tenggara (NTB), the role of these regulations is evident: for example, in 2024–2025, there was a halal certification facilitation program for hundreds to thousands of MSMEs. This legal regulation serves as the foundation of the legal and institutional structure: ensuring that the halal industry and MSMEs do not operate outside the legal framework, providing certainty for businesses, consumers, and the state.

#### *3.1.2 Constitutional approach and principle of justice: Inclusivity and protection of MSMEs*

Within the framework of a state based on the rule of law and the principle of social justice, MSME and halal regulations reflect efforts to guarantee citizens' economic rights: freedom of business, consumer protection, and fair market access without discrimination against small businesses. The MSME Law and the JPH Law serve as constitutional and legal instruments for small businesses to obtain legal protection and clarity. For the Islamic

economy, halal regulations with official certification guarantee that production, distribution, and consumption practices comply with Sharia values, thereby protecting the rights of Muslim consumers and businesses seeking to operate in accordance with Sharia (Ghلامallah et al., 2021). This strengthens inclusivity: small businesses from various backgrounds can access halal certification. The principle of legal protection is also accompanied by facilitation efforts from the government and financial institutions (e.g., Islamic banking, financing support, and mentoring). In West Nusa Tenggara (NTB), for example, the government and financial authorities encourage the public to enter the Islamic economy, utilize Islamic banks, and produce halal products. Thus, halal regulations and MSME policies constitutionally function not only as obligations, but also as rights and facilities providing space for micro/small businesses to grow, gain recognition, and compete, while maintaining standards and consumer protection. This constitutional principle also supports an inclusive economy: not only large businesses receive leniency, but small businesses and local communities—including in regions like Mataram/NTB are given real opportunities to develop within the framework of the Islamic and halal economy.

*3.1.3 Political economy: Impact of policy and market structure on growth of halal industry and MSMEs in Mataram*

The MSME sector is the backbone of the national economy, and the potential for the halal industry in West Nusa Tenggara and Mataram is enormous. The mass halal certification program and Islamic financial support demonstrate that policies are geared towards harnessing this potential. However, according to a recent analysis by the Center for Sharia Economic Development (CSED), despite the rapid growth of the Islamic financial system (large Islamic banking assets), the real sector namely, halal MSMEs has not yet developed optimally (Islam, 2025). The industrialization of halal MSMEs has slowed, partly due to structural barriers such as market access, capital, literacy, and supply chains. The competitive market structure, the need for quality standards, distribution, and access to capital make it difficult for many small MSMEs to advance. Due to their small scale, they are vulnerable to the pressures of certification, production, and regulatory costs. On the political and economic policy side, a combination of regulations (laws, halal certification policies), financial support, and incentives are needed to enable halal MSMEs to compete not only in the local market but also nationally and internationally. In NTB, these efforts have begun: collaboration between the government, Islamic banking, and the private sector to support the halal ecosystem. However, there is a caveat: if policies and market structures continue to favor large players (corporations), while obstacles for MSMEs are not addressed, then the growth of the halal industry will be dominated by large players even though the majority of players are MSMEs.

*3.1.4 Implementation in Mataram: Latest data and reality on ground*

Table 3. Regular private (banking) programs are able to encourage many MSMEs to obtain halal certification, and local financial conditions enable MSMEs and halal actors to gain access to financing from Islamic banks

No	Indicators/Statistics	Latest Data (2024–2025)	Brief Explanation
1.	Number of MSMEs in West Nusa Tenggara (NTB) receiving halal certification through the 2024–2025 program	475 MSMEs by BCA (early 2024) + additional program for 1,000 MSMEs facilitated with free halal certification (2024)	This demonstrates that regulations and facilitation programs have successfully reached many business actors, including in Mataram/NTB, providing opportunities for small businesses to obtain legal status and access the halal market.
2.	Sharia banking assets in West Nusa Tenggara	West Nusa Tenggara's Islamic banking assets were	This indicates that the Islamic financial infrastructure in

(NTB) as of August 2025 demonstrate local financial capacity to support the sharia economy.	recorded at IDR 24.85 trillion; Islamic financing of IDR 18.23 trillion, representing 11.02% growth.	Mataram/NTB is quite developed and offers significant potential to support halal MSMEs through Islamic financing and financial services.
(Mataram City Department of Industry, Cooperatives, and Small and Medium Enterprises, 2024; NTB Financial Services Authority, 2025)		

The first data indicates that regular and private (banking) programs have been able to encourage many MSMEs to obtain halal certification a crucial step for product acceptance in both Muslim and global markets. The second data shows that local financial conditions allow MSMEs and halal players to access financing from Islamic banks a crucial component in the development of the Islamic economy.

### 3.1.5 Structural and political challenges: Barriers to growth of MSME-based halal industry

Despite the availability of regulations and facilities, many MSMEs face barriers such as production costs, distribution, access to capital, certification availability, and literacy on halal standards and marketing (Rofik et al., 2025). These barriers create structural inequalities: large players have an easier time moving up the ranks than smaller MSMEs. The halal industry in Indonesia is considered to be heavily dependent on MSMEs (around 87% of halal industry players are MSMEs). If structural support is not strengthened, the growth of the halal sector could stagnate and the potential of the Islamic economy could be underdeveloped. Policies and regulations often overlap certification, distribution permits, halal standards, and distribution/marketing regulations which can burden small players without real guidance and support. Furthermore, the national and international market penetration capabilities of halal products from small MSMEs remain limited due to production scale, branding, and supply chain access, making it difficult for them to compete, despite supportive regulations. The national legal framework and policies through the MSME Law, the JPH Law, Implementing Regulations, and pro-MSME policies provide a crucial foundation for the development of MSMEs and the halal industry in Indonesia. At the local level, such as Mataram City/West Nusa Tenggara (NTB), these regulations are accompanied by facilitation: mass halal certification, sharia-compliant financial support, and collaboration between the government, banks, and businesses. However, the political economy and market structure present serious obstacles: barriers to capital, small business scale, literacy, distribution, and bureaucratic/overlapping regulations hindering the potential transformation into a large halal industry. To maximize the potential of the sharia economy, a combination of policies, financial support, training, and an inclusive ecosystem is needed.

Expand free or subsidized halal certification programs for small MSMEs taking into account capital readiness and business capacity. Strengthening access to sharia financing and microfinance services for halal MSMEs ensuring financing is available and affordable. Simplifying regulations and bureaucracy for MSMEs making legalization and certification pathways easier, more transparent, and more user-friendly. Improving halal literacy and business management training in halal production, quality standards, marketing, exports, branding, and supply chains so MSMEs can move up a level. Encouraging collaboration between central and regional governments, banks, the business community, and the private sector building an inclusive, equitable, and sustainable sharia economic ecosystem.

### *3.2 Dialectic between the three elements: Interplay of regulations, constitutional principles, and political economic policies in creating a thriving sharia economic ecosystem*

#### *3.2.1 Synergy of regulations and legal framework for halal industry and MSMEs in Mataram*

National regulations, such as Law Number 33 of 2014 concerning Halal Product Assurance (UU JPH) and its implementing regulations, constitute the legal foundation for the halal industry in Indonesia ensuring that products circulating in the market meet clear halal standards. Studies show that these regulations are a pillar of the growth of the national halal industry. In NTB/Mataram, these regulations are integrated with local policies and facilitation programs such as mass halal certification and support for Islamic banking so that regulations are not merely abstract frameworks but are implemented concretely, reaching micro and small enterprises (MSMEs). Structural changes, such as the transformation of the regional development bank into Bank NTB Syariah, demonstrate how financial regulations and local policies can support Islamic finance making financing, savings, and halal financial instruments available at the regional level. With regulations and policies like these, MSMEs/halal industry players gain legal certainty and formal access to markets and capital essential elements for the widespread and sustainable growth of the sharia economy (Saleem et al., 2025). However, regulations alone are not enough they require ease of implementation, public awareness, and institutional support to ensure that small-scale entrepreneurs (MSMEs) are not burdened by bureaucracy or certification costs. This is where local policies and facilitation programs play a crucial role.

#### *3.2.2 Constitutional principles & economic justice: Inclusivity, business rights, and business actor protection*

Constitutional principles in a state based on the rule of law affirm that every citizen has the right to freely engage in business and receive legal protection this is reflected when halal regulations and MSMEs provide space for small-scale entrepreneurs to produce, market, and compete fairly. In the context of the sharia economy, halal regulations and the existence of sharia-compliant financial institutions ensure that Muslim businesses and consumers receive products and services that comply with sharia values this supports inclusivity: not only large businesses but also MSMEs can participate. In Mataram/West Nusa Tenggara, this is manifested through bank support and halal certification programs. The local government (NTB) actively supports the sharia economy as a basis for economic development prioritizing social justice, equity, and financial access for the wider community so that regulations and the constitution are integrated into policies that are pro-MSME and pro-financial inclusion. The principles of consumer protection and product transparency (through halal certification) also ensure that businesses are accountable and consumers receive assurance important constitutional and ethical aspects of the sharia economy. Constitutionality, regulations, and local policies form the foundation of the formal structure providing legitimacy, protection, and space for small businesses to thrive without discrimination or legal uncertainty (Maulina et al., 2023).

#### *3.2.3 Political economy and market structure: How public policy and market dynamics shape halal ecosystem in Mataram*

Global and national market structures indicate that demand for halal products is growing the halal industry is not limited to food and beverages, but extends to tourism, fashion, sharia services, and other real sectors (Riaz et al., 2023). Studies of the Indonesian halal market confirm this significant potential. In NTB/Mataram, government policies and sharia regulations capitalize on this potential: the halal industry and sharia economy are pillars of development through the development of halal MSMEs, sharia financing, and the promotion of local halal products. However, the reality on the ground shows that despite regulatory and sharia financial support, structural challenges remain: many MSMEs

struggle to meet halal production standards, halal supply chains, distribution, substantial investment, and broad market access all of which require policy and market support for the MSME-based halal industry to develop optimally. Political economic policies that facilitate sharia financing, halal literacy, and support from local institutions (e.g., sharia economic forums, expos, and financial inclusion) help shape the ecosystem but success depends heavily on implementation, the capacity of business actors, and global/local market dynamics. Therefore, market structure, public policy, and regulation must work together: regulation provides the framework, policy provides access, and the market provides incentives all three influence each other in shaping the sharia economic ecosystem in Mataram/NTB.

### *3.2.4 Dynamic interaction: Interdependence and mutual reinforcement between regulation, constitution, and economic policy*

National regulations (the JPH Law, Islamic financial regulations) provide the legal framework but without policy support at the regional level and local Islamic financial facilities, regulations can become mere formalities without real impact (Wijaya et al., 2025). In Mataram/NTB, the transformation of a regional bank into Bank NTB Syariah demonstrates how regulations and regional policies work together to strengthen the ecosystem. Constitutional principles and economic justice underpin regulations and policies ensuring that efforts to support the Islamic economy and halal MSMEs are not merely economic projects, but part of social justice and inclusivity. Inclusive policies in NTB emphasize the participation of all citizens and business actors, including micro-enterprises. Political economic policies (financing, mass certification, literacy, promotion) enable regulations and constitutional principles to be implemented giving small businesses real access to the halal market and obtaining Islamic financing. On the other hand, market dynamics and the demands of global competition require continuous updating of regulations and policies: halal standardization, quality, supply chain, and distribution otherwise, small players could be marginalized despite formal regulations. This interaction is not static: regulations drive policies; policies support the market; the market provides incentives; the market and consumer needs drive new regulations forming a dynamic (dialectical) loop between these three elements to build a vibrant and thriving sharia economic ecosystem in Mataram/NTB.

### *3.2.5 Evaluation & dialectical challenges: Barriers, vulnerabilities, and need for systemic improvements*

Although regulations and policies exist, implementation challenges remain significant for example, many MSMEs are unable to meet halal standards, and difficulties with supply chains, distribution, capital, and business management (Harsanto et al., 2022). This demonstrates that regulation alone is insufficient without real empowerment. There is a risk that regulations and policies favor large or established businesses, while small MSMEs struggle and thus inequality may arise in the halal sector if support is uneven. The reliance on consumptive (rather than productive) financing in sharia financing in NTB, as recorded by the Financial Services Authority (OJK), indicates that funds have not yet significantly flowed to the productive sector/MSMEs this hampers the transformation of the sharia economy from consumption to production. Regulatory and certification systems must continue to adapt to the needs of small businesses for example, by simplifying certification processes, low costs, and providing assistance to prevent regulations from becoming an administrative burden. Weaknesses in the halal value chain (raw materials, distribution, marketing, exports) can hamper the competitiveness of local halal products so regulations and policies need to be complemented by infrastructure support for the halal industry to truly thrive.

Table 4. The sharia financial infrastructure in NTB is very supportive, and halal policies and regulations can reach small players

No	Indicators/Statistics	Current Value/Data	Brief Explanation
1.	Sharia Banking Assets and Financing in NTB (as of August 2025)	Total assets: IDR 24.85 trillion; Sharia financing: IDR 18.23 trillion	This demonstrates the significant capacity of Islamic financial institutions in NTB, offering significant potential to support MSMEs and the halal industry through Islamic financing and financial services. This data demonstrates that regulations and facilitation policies have successfully reached many micro/small businesses, demonstrating the concrete implementation of the regulatory and support framework.
2.	Number of MSMEs in NTB that received halal certification through the 2024–2025 program	475 MSMEs through private bank programs (2024) + 1,000 MSMEs receive free halal certification (2024)	

(NTB Financial Services Authority, 2025; Mataram City Department of Industry, Cooperatives, and Small and Medium Enterprises, 2024)

The first data shows that the Islamic financial infrastructure in NTB is very supportive this is crucial so that halal financing is not just theoretical, but available to MSMEs. The second data shows that halal policies and regulations can reach small players providing a real opportunity for MSMEs to obtain legal status and access the halal market. The dialectic between regulations, constitutional principles, and political-economic policies forms a crucial foundation for the growth of the Islamic economic ecosystem in Mataram/NTB. Regulations provide the legal framework, the constitution and principles of justice guarantee inclusiveness and business rights, while local and national policies provide concrete support (financing, certification, facilitation). The dynamic interaction between the three enables the halal industry and MSMEs to thrive but the results depend heavily on effective implementation, the capacity of business actors, and adaptation to market dynamics (Siow et al., 2026). Without synergy and the involvement of all elements, regulations can stagnate, policies can become formalities, and the market can dominate undermining the original goals of inclusiveness and justice.

Strengthen support for small MSMEs in halal certification and financing: certification subsidies, streamlined procedures, and access to productive capital through banks and Islamic institutions. Improve financial and halal literacy among the public and businesses: education on sharia economics, halal standards, business management, and the halal supply chain to better prepare businesses and improve consumer understanding. Strengthen inclusive policy frameworks at the local and national levels: ensure regulations and policies provide space for micro-enterprises, not just large industries. Build a comprehensive halal value chain ecosystem: infrastructure support: halal raw materials, distribution, logistics, marketing, and exports; to ensure local halal products are competitive. Regular monitoring and evaluation of regulatory and policy implementation: assess the real impact on MSMEs, the halal industry, inclusivity, and the growth of the Islamic economy so that policies can be revised and adjusted as needed.

### 3.3 Examples of phenomena in Mataram: Increased halal MSMEs, product innovation, and local government support

#### 3.3.1 Growth of halal MSMEs: Official certification and legitimacy

In recent years, many MSMEs in Mataram have obtained halal certification as part of an effort to increase competitiveness and market access for halal products. According to 2023

data, more than 700 MSMEs in Mataram have obtained halal certification. The Mataram City Government actively assists MSMEs in obtaining halal certification from the Indonesian Ulema Council (MUI), including subsidizing certification costs of up to approximately IDR 3 million per MSME. This mentoring program targets dozens to hundreds of businesses annually, both through regular mechanisms and through self-declaration for micro/small businesses with simple production processes (Azizah et al., 2025). The issuance of halal certificates to MSMEs in West Nusa Tenggara (NTB) including Mataram is also supported by private banks. For example, a program by BCA facilitated the issuance of 475 halal certificates to MSMEs in NTB by early 2024. This halal certification provides legal legitimacy and consumer confidence in products, increasing marketing opportunities, including in local, national, and (potentially) export/outside-region markets, as halal products now constitute a distinct segment of the growing sharia economy. Implications: The increase in the number of halal MSMEs reflects the well-received acceptance of regulations and supporting facilities in Mataram. MSMEs are using halal legality to strengthen their position. This demonstrates the alignment between business interests and institutional/regulatory support.

### *3.3.2 Product innovation and diversification: From culinary to halal tourism and creative products*

MSMEs in Mataram are not only exploiting food and beverages, but also leveraging sharia and halal economic opportunities in broader sectors, including halal tourism. In recent research, the halal tourism sector in West Nusa Tenggara (NTB) is described as “strategic” in growing the local economy and MSMEs. To support this, local MSMEs are required to innovate combining aspects of halal certification, quality, and local wisdom: for example, processed food products, halal catering, snacks, and packaging that meets halal standards and the needs of Muslim consumers (Sari et al., 2024). Certification assistance and MSME training help encourage this kind of innovation. In addition, the integration between the MSME sector, Islamic banking, and Islamic economic policies in NTB opens up space for creative halal products including non-culinary products or integrated halal products (food + tourism + services) in line with the halal industry vision. The large halal market opportunity both domestic and global encourages MSMEs/industry in Mataram to consider innovation: production quality, product diversification, supply chain efficiency, and marketing based on halal and sharia values. Thus, the phenomenon of product innovation in Mataram is not simply a reaction to regulations, but part of an adaptation strategy in facing halal market demand and competition reflecting the dynamics of the market + regulations + business actors' aspirations. Implications: Product diversification and innovation help MSMEs in Mataram expand business opportunities not just rely on one type of product and address evolving consumer needs, especially Muslim consumers who prioritize halal certification.

### *3.3.3 Government and local institutional support: Financing, training, and sharia infrastructure*

The Mataram City Government and the West Nusa Tenggara Provincial Government have demonstrated their commitment to the sharia economy: in addition to providing halal certification assistance, they also support the strengthening of local sharia banking as a basis for financing and financial services for halal MSMEs. Data from the Financial Services Authority (OJK) as of August 2025 shows that sharia banking assets in NTB have reached IDR 24.85 trillion and sharia financing IDR 18.23 trillion representing the potential of local financial infrastructure to support the halal industry and MSMEs. Financial institutions, the government, and sharia banks are working together to conduct capacity-building, MSME digitalization training, halal value chain training, and halal certification assistance, so that small MSMEs can comply with regulations, production standards, and access markets (Fischer & Nisa, 2025). The combination of national halal regulations, local policies, and

sharia financing facilities creates an ecosystem for MSMEs giving them access to capital, legality, training, and potential halal markets. This model supports business sustainability and encourages halal-based local economic transformation. The local government is also actively advocating the importance of halal certification for all MSME products in Mataram including calling for all MSMEs to obtain halal labels, as an effort to maintain quality, consumer trust, and broader market access. Implications: Institutional support and local policies facilitate MSMEs' upgrading giving them access to financing, training, and halal legitimacy so that the small business sector can grow independently and sustainably.

### *3.3.4 Economic and social impacts: Increased competitiveness, market access, and economic inclusion*

With halal certification and access to Islamic banking, many MSMEs in Mataram are able to improve the quality of their products both in terms of safety, halal standards, and consumer appeal thus increasing opportunities to expand market share (Syahidin et al., 2024). Economic inclusion increases: Small MSMEs gain access to legitimacy and facilities that were previously more difficult to access helping to achieve economic equality and narrow the gap between large and small businesses. The combination of regulation, facilitation, and Islamic finance offers hope that the Islamic economy can become a driving force for development in West Nusa Tenggara (NTB). The halal industry and sharia economy can empower local communities not only entrepreneurs, but also workers, local raw material suppliers (agriculture, agriculture, and the sea), and downstream businesses thus creating a significant multiplier effect on the local economy. With a large number of halal MSMEs, the local halal-based market (Muslim consumers) obtains products tailored to their needs strengthening local consumption and increasing trust in local halal products. This is especially important in Muslim-majority regions like Mataram/NTB. Overall, this phenomenon demonstrates how regulation, innovation, and institutional support create synergies that support a community-based sharia economy a potential for inclusive and sustainable development. Implications: A halal economy developed through MSMEs and institutional support can be the basis for local economic resilience, poverty alleviation, and improving the quality of life of the community particularly in regions like Mataram/NTB.

### *3.3.5 Challenges and areas for improvement: Supply chain, standardization, and broader market access*

Although many MSMEs have obtained halal certification, challenges remain particularly in the halal supply chain, quality standardization, production capacity, distribution, and broader market access (national or international) (Rivana et al., 2025). Many MSMEs still rely on micro-scale with small production capacity, limited resources, and limited access to capital/marketing so that even if halal legality is met, businesses struggle to scale up without continued support. A continuous mentoring system is needed: business management training, halal production standards, marketing, and business digitalization so that MSMEs not only comply with regulations but also remain competitive. Developing a comprehensive halal ecosystem from raw materials, production, certification, distribution, marketing, to domestic and international market access is crucial for the halal industry in Mataram/NTB to grow significantly, scalably, and sustainably. Without increased capacity, market access, and production chain integration, there is a risk that many MSMEs will stagnate at the micro level thus preventing the full realization of the halal economy's potential as a driver of development. Implications: Medium- to long-term strategies are needed, collaboration between many parties (government, banking, communities, business actors), and improvements to institutional infrastructure to overcome obstacles so that the great potential is not wasted.

Table 5. Halal certification has become a real part of MSMEs in Mataram, and the local Islamic financial system institutionally supports financing capacity and liquidity

No	Indicators/Statistics	Latest Data	Brief Explanation
1.	Number of MSMEs in Mataram with Halal Certification (as of 2023)	> 700 MSMEs have obtained halal certification, primarily in the food processing/culinary sector.	This demonstrates that the adoption of halal legality by local MSMEs has significantly increased the legitimacy and competitiveness of halal products.
2.	Sharia Banking Assets & Financing in West Nusa Tenggara (as of August 2025)	Assets: IDR 24.85 trillion; Sharia financing: IDR 18.23 trillion.	This demonstrates that the Islamic financial infrastructure in West Nusa Tenggara (NTB) is very strong, offering significant potential for halal MSMEs to obtain Islamic capital and financial services.

(Mataram City Department of Industry, Cooperatives, and Small and Medium Enterprises, 2023; NTB Financial Services Authority, 2024)

The first data highlights that halal certification has become a significant part of MSMEs in Mataram halal products are no longer a niche, but a vital part of the local economy. The second data shows that the local Islamic financial system institutionally supports financing capacity and liquidity critical for the development of halal businesses and MSMEs. In Mataram City, the growth of halal MSMEs and product innovation demonstrates that the sharia economy is no longer merely a concept, but a growing economic reality. Institutional support halal regulations, certification, Islamic banking, and training has provided opportunities for MSMEs to grow, gain legitimacy, and expand their markets. However, to make the halal economy a pillar of sustainable local development, strengthening the production chain, distribution, business capacity, and market access is necessary.

Continue and expand mentoring programs halal certification subsidies, business management training, and halal production standards to encourage more MSMEs to join and achieve standards. Strengthen access to Islamic financing local Islamic banks must be supported to ensure accessibility for small MSMEs, with low requirements and micro-services. Encourage product innovation and diversification not just food/culinary products, but also creative products, services, and halal tourism so that MSMEs are not dependent on a single product. Build a local halal value chain from raw materials, production, certification, distribution, and marketing to increase competitiveness and maintain product quality. Facilitating marketing & market access through digitalization, e-commerce, halal tourism promotion, partnerships, so that Mataram's halal products can penetrate nationally or internationally.

### 3.4 Law, constitutional law approaches, and political economy interplay in development of islamic economy in Mataram

#### 3.4.1 Regulation and law: Formal foundation for islamic economy and halal industry

The transformation of local financial institutions namely, the conversion of Bank NTB Syariah from a conventional regional bank to an official Islamic bank demonstrates the implementation of regulations at the local level. This change, implemented through regional regulations and approval from financial authorities, makes Islamic finance not merely an idealism, but an institutional reality. National and local regulations support the existence of the Islamic financial system: Islamic banks and financing in accordance with Islamic principles are formally legalized, providing a legal foundation and legitimacy for Islamic economic activities in Mataram/NTB. Furthermore, regulations help organize the halal

industry through Islamic banks, micro/MSME financing, and Sharia-based economic empowerment enabling the development of halal businesses from upstream to downstream (production, distribution, consumption) within a clear legal framework. Regulations and laws help shape a "sharia ecosystem": sharia financial institutions are sufficiently strong and formalized, providing communities and businesses with alternatives to conventional systems, expanding economic choices in accordance with sharia principles. Thus, regulations serve as a structural foundation providing an institutional and legal framework for the growth of the sharia economy, not merely as an ideal but as a practical practice in Mataram/NTB.

#### *3.4.2 Constitutional principles and economic justice: Inclusivity and right to do business*

Constitutional principles and economic justice underlie the belief that every citizen/native of the region including micro and small business owners has the right to do business and access financing without discrimination. With the presence of local sharia banks, inclusive opportunities for small businesses in Mataram have increased. Local regulations and policies supporting sharia banks and sharia microfinance reflect the state's/region's efforts to ensure financial access and support for MSMEs part of implementing the principles of social justice and the distribution of economic opportunities. The local government (and policymakers) emphasize that the Islamic economy is not just a religious issue, but a way to strengthen the local economy, support the halal industry, and provide space for communities to choose a financial system that aligns with their beliefs demonstrating a pluralistic and inclusive commitment. Therefore, constitutional principles that guarantee freedom of business, the community's right to justice and opportunity, and legal protection are integral to building an Islamic economy not just for a select few, but for all, including small MSMEs. This helps ensure that the Islamic economic transformation in Mataram not only benefits large players but also provides access for smaller groups, promotes equal opportunities, and strengthens economic inclusion.

#### *3.4.3 Political economy and public policy: Market dynamics and islamic financing*

Recent data shows that as of August 2025 total Islamic banking assets in West Nusa Tenggara (NTB) had reached approximately IDR 24.85 trillion, indicating that Islamic finance has grown significantly. Financing by Islamic banks, including microfinance, has been used to support local businesses demonstrating that the political economy in Mataram is beginning to coalesce: Islamic finance is a productive channel, not just a consumptive one. Inclusive policies such as microcredit assistance, training for MSMEs, and easy access to Islamic financial institutions help strengthen the foundation of the Islamic economy: with this support, MSMEs can obtain capital, expand their businesses, and participate in halal market structures. The local political economy influences the orientation of development strategies in NTB, the Islamic economy is seen as a driver of economic growth and inclusion; this drives pro-Sharia public policies and supports the economic transformation from the conventional to the Islamic sector. However, data shows that the majority of Islamic financing in NTB is still channeled for consumption suggesting that despite a strong Islamic financial infrastructure, challenges remain in shifting flows to productive/MSME financing.

#### *3.4.4 Interaction and dialectics: How three elements reinforce or sometimes contradict each other*

Regulation and institutional transformation (Islamic banking) provide the legal and structural basis; constitutional principles guarantee rights and access; and policy and political economy provide the dynamics together, these three elements shape the Islamic economic ecosystem in Mataram. When one element is weak, the ecosystem can be disrupted. For example, regulations enable Islamic banking, but without inclusive policies and financial literacy, small MSMEs can struggle to access financing thus thwarting the

potential for inclusion and equity. In West Nusa Tenggara (NTB), consumer financing remains prevalent suggesting that Islamic banking needs to be directed to be more productive. On the other hand, if constitutionality and political commitment are weak (e.g., discrimination or heavy bureaucracy), regulations and policies will be ineffective small players will be marginalized, and the Islamic economy can become exclusive. Therefore, aspects of justice, inclusivity, and transparency are crucial. Political economy for example, investment orientation, financing, and incentives can strengthen regulations: if funds and capital are available, regulations are not merely formalities, and the Islamic economy can truly grow. However, if the political economy leans toward large or conventional capital, regulations can become mere symbols without full impact. Thus, the relationship between regulations, the constitution, and economic policy is dialectical they influence and reinforce each other, and must be maintained simultaneously to prevent the sharia economic ecosystem from eroding.

Table 6. Financial and institutional aspects are quite well established capital, liquidity, and Islamic financial services are readily available

No	Indicators/Statistics	Latest Data (2025)	Brief Explanation
1.	Total Sharia Banking Assets in NTB	Rp 24.85 trillion (August 2025) up 11.02%	This demonstrates that the local Islamic financial infrastructure is strengthening, providing financing capacity and liquidity for the Islamic economy and MSMEs.
2.	Sharia Bank Financing and Third Party Funds (TPF) in NTB	Financing: Rp 18.23 trillion; Third-party funds: Rp 16.66 trillion (as of August 2025)	This indicates that the public and businesses are utilizing Islamic banks, which has significant potential for business development, but it is important to encourage financing to be directed towards productive sectors (MSMEs, the halal industry).

(NTB Syariah Bank, 2025)

Explanation: This data demonstrates that the financial and institutional landscape is well established capital, liquidity, and Islamic financial services are readily available. This provides concrete opportunities for businesses in Mataram to access halal financing and participate in the Islamic economic ecosystem. The current development of the Islamic economy in Mataram/NTB is the result of a constructive dialectic between formal regulations, constitutional principles of justice and inclusiveness, and political-economic dynamics (policy, financing, and markets). Regulation and institutional transformation (Islamic banks) provide the framework constitutionality legitimizes rights and access while public policy and economic structures provide real opportunities. However, success depends on the balance between the three: regulation without access to capital and broad participation can stagnate; access to capital without a legal framework and inclusiveness can be unfair; and policy without regulation can easily stall.

Encourage productive Islamic financing facilitate credit/financing for MSMEs and the halal industry, not just for consumption. Strengthen Islamic financial literacy and business management so that small business owners can capitalize on opportunities, understand contracts, and manage their businesses effectively. Ensure inclusive regulations and policies so that access to Islamic finance is open to all small business owners, without discrimination or burdensome conditions. Strengthen institutions and infrastructure Islamic banks, financing institutions, the halal value chain, and halal certification to ensure a holistic sharia ecosystem. Regular monitoring and evaluation monitor economic impact, inclusion, social equity, and benefit distribution to ensure the sharia economy truly has a broad, positive impact.

## 4. Conclusion

**Conclusion:** The sharia economy in Mataram develops through the interaction of law, constitution, and political economy, which dialectically strengthens MSMEs and the halal industry. This study finds that the development of the sharia economy in Mataram is strongly influenced by the interaction between sharia law, constitutional regulations, and political economic dynamics. Sharia law serves as a normative framework that guides business practices, including MSMEs and the halal industry. The constitution and local regulations support the sustainability of the sharia economy through fiscal policy, licensing, and micro-enterprise protection. Political economic factors, such as support from financial institutions and investment, act as catalysts for the growth of sharia MSMEs. The findings indicate that the interaction of these three elements dialectically strengthens the capacity of MSMEs and the halal industry to develop sustainably. In conclusion, the success of the sharia economy in Mataram depends not only on formal law but also on the multidimensional synergy between regulations, politics, and local economic practices. This study emphasizes the importance of a holistic approach in analyzing the sharia economic ecosystem at the city level. The research's novelty lies in the integration of legal, constitutional, and political economy perspectives to explain the growth of MSMEs and the halal industry. The article's originality is evident in its emphasis on the dialectic between norms, regulations, and economic practices as a mechanism for strengthening the sharia economy. The results of this study provide an empirical basis for developing more integrated and sustainable sharia economic policies in Mataram.

**Recommendations:** Strengthen pro-sharia economic regulations and policies, encourage the integration of constitutional principles in the development of the halal industry, conduct further empirical research to support the growth of sharia-based MSMEs. This study concludes that strengthening pro-sharia economic regulations and policies is a key factor in supporting the growth of MSMEs and the halal industry in Mataram. The integration of constitutional principles in the development of the halal industry has been proven to strengthen the legitimacy and sustainability of sharia economic practices. Active participation from the government and relevant institutions is necessary to create a conducive sharia economic ecosystem. The research recommendations emphasize the need for further empirical research to comprehensively map the challenges and opportunities for sharia-based MSMEs. In conclusion, the synergy between regulations, constitutional principles, and local economic practices is the foundation for sustainable sharia economic development. The findings indicate that this multidimensional approach enhances the competitiveness of MSMEs and the halal industry at the regional level. The research's novelty lies in the integration of legal, constitutional, and political economy perspectives to formulate strategic recommendations. The article's originality is evident in its focus on integrating constitutional principles as an instrument for strengthening the halal industry. This research offers practical contributions to policymakers in designing measurable, pro-Sharia economic regulations. This study opens up opportunities for further research examining effectiveness of implementing regulations and constitutional principles in supporting Sharia-compliant MSMEs.

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