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SMEs' Perspectives on the Benefits and Challenges of Halal Certificate Application in Brunei Darussalam

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SPECIAL ISSUE ARTICLE

SMEs' Perspectives on the Benefits and Challenges of Halal Certificate Application in Brunei Darussalam

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Abstract

The knowledge and research on SMEs and Halal-related studies in Brunei Darussalam are scant. Guided by the principles of Resource-Based View theory, this qualitative study aims to identify the benefits and challenges of Halal certificate application from the perspectives of Bruneian Halal food SMEs, as they obtain the Brunei's Halal certificate and label. Based on the purposive and snowball sampling, four semi-structured interviews were conducted with business owners and managers in the Halal food industry. Government officials were also interviewed to enhance the findings. Thematic analysis, supplemented by secondary data, was employed for a comprehensive understanding. Four themes emerged, covering two benefits and two challenges. The primary benefits include the gaining of government support and consumers' trust and satisfaction. Conversely, the main challenges include a time-consuming certification process and limited international recognition of the Halal logo. This study contributes to a deeper understanding of the country's capabilities in the Halal industry and advances the landscape of SME research. Implications for SMEs, policymakers, and academic scholars, along with limitations, are also discussed. To the best of the authors' knowledge, this study is among the first to investigate the Halal food industry in Brunei Darussalam, particularly in the field of Halal certification. This study's value also lies in addressing the gap that there is a need to study SMEs' perspectives towards the Halal certification, including in Brunei Darussalam.

Keywords: Benefits and challenges, Halal certificate application, Halal food SMEs, Halal food industry, Halal certificate and label, Halal certification, Brunei Darussalam

1. Introduction

S mall and Medium Enterprises (SMEs) are widely recognised as the key engine for the economic development of a country (Abdul, Ismail & Mustapha, 2013), including in Brunei Darussalam. Consequently, there is a strong emphasis to the need of stimulating economic growth through the development of these enterprises (Isaga et al., 2015; Rahayu & Day, 2015; The World Bank, 2021). In Brunei, the government has highlighted for the SMEs, including those operating in the food and Halal industries, to play their role in helping with the urgent objective of the country's economic diversification, as well as with its broader agenda of industrial and economic growth (OECD, 2018).

Prior studies, such as that by Ab Talib (2020), revealed that despite Brunei's achievements in the Halal industry, published data on the Halal-related studies is limited, making the understanding on the country's capabilities in the Halal industry become



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inadequately explained. Sulaiman and Abdullah (2023) further affirmed that research specifically onto Brunei's Halal certification should be more readily available hence others can learn about the related issues and fill the knowledge gap as no comprehensive research on such field has ever been done in the country.

According to Abdul, Ismail and Mustapha (2013, p. 1):

"Given the importance of the Muslim consumer market, this gave rise to the question: how do the SMEs view the Halal certification?". In other words, the perspectives from the Halal certificate holders are important as they may have their own views in the application of Halal certificates and subsequently, it will bring awareness to the SMEs in the Halal industry about issues in relation to the Halal certification (Hashim & Nor, 2022). Therefore, this study aims to identify the benefits and challenges of Halal certificate application from the perspectives of the Bruneian Halal food SMEs, as they obtain the Brunei's Halal certificate and label. In general, the Halal certification and labelling in Brunei are performed solely by the officers of Halal Food Control Division (HFCD) under the Department of Religious Affairs (DoRA), starting from the application through site auditing to certification and follow-up audit (Kifli, 2019).

2. Literature Review

2.1. Halal certificate and its importance

The Halal industry (inclusive of Halal food industry) is known for its importance in verifying and certifying measures at all production stages in order to ensure for the food products to not be contaminated with the non-Halal materials or processes, which would involve such rigorous analytical techniques (Dube et al., 2016; Nakyinsinge et al., 2012). According to Hashim and Nor (2022, p. 110):

"Halal certification is the process of accrediting goods and services in conformity with Shariah Law".

In 2017, the application of a Halal certificate (used to certify businesses in food preparation as well as service providers) and Halal permit (used to verify businesses that produce products locally and abroad) are made mandatory for all local food businesses operating in Brunei, as per the requirement by DoRA (Ibrahim, 2022). Brunei follows a Halal food standard PBD24: 2007 that basically highlights general guidelines, rules, and policies of Halal food production in the country and the details of how the standard works can be referred on a paper written by Deuraseh (2020, pp. 123–140) titled 'Review of Halal Food Standard PBD24: 2007 in Negara Brunei Darussalam towards Quality and Safety Food'.

Sulaiman and Abdullah (2023) revealed that Halal certification logo or label certainly identifies a product's country of origin which is crucial for every country, as to develop its Halal matters to gain people's trust and subsequently be a Halal hub. Hashim and Nor (2022) echoed a view that with a Halal certificate, businesses can easily draw consumers, including both the Muslims and non-Muslims, who are looking for food products that are hygiene and clean or simply, Halal. It was further added that with a Halal certificate, it will help businesses to reassure the Halal consumers in importing countries, should these businesses plan to export or are exporting, as consumers around the world now become more aware of their responsibilities to consume properly prepared food that should also be Halal. Interestingly, Dube et al. (2016) further reasoned that a highly influential and reliable Halal certification system is a major asset that can help businesses to overcome obstacles that are inherent in a transition towards the international markets. Undoubtedly, Halal certified products are crucial for the growth of food SMEs, both locally and internationally.

However, there is relatively little research on Brunei's Halal certification from the beginning of their establishments to the present, which results in the need for future study to fill the knowledge gap (Sulaiman & Abdullah, 2023). As suggested by Ab Talib (2020), a dedicated study on revealing the unique Halal related issues in Brunei is necessary. Therefore, an understanding on the benefits and challenges of Halal certificate application experienced by the Bruneian Halal food SMEs as they obtain the Brunei's Halal certificate and label, is important as it allows for a better insight on the importance of Halal certificate in developing a good outlook for the country's overall Halal industry (Hashim & Nor, 2022).

2.2. Resource-based view: halal certificate as a resource

The Resource-based View Theory (RBV), proposed by Barney (1991), suggests that effective and efficient utilisation of a firm's resources can transform them into a competitive advantage. Whether tangible or intangible, these attributes can generate unique, rare, irreplaceable, and valuable assets. Possessing resources with these characteristics may ultimately grant a firm a lasting competitive edge.

As outlined earlier, the Halal certificate and label play a pivotal role in both the establishment and operation of SMEs. Beyond merely certifying a product's Halal status, they serve as a valuable identifier of the product's country of origin. Moreover, they function as a potential tool to attract consumers, instill confidence in Halal consumers in the markets, and aid businesses in overcoming inherent obstacles when venturing into international markets.

In light of these considerations, the Halal certificate and label are recognised as a valuable organisational resource, holding the potential to significantly enhance the performance of SMEs (Defee et al., 2010). The effective integration and efficient implementation of Halal certificate and label within internal processes and operations can, therefore, contribute substantially to positive performance outcomes (Ab Tal, Abdul Hamid & Chin, 2016).

Given its focus on resource utilisation, RBV emerges as a fitting theoretical framework for studies pertaining to Halal, especially those seeking to establish between Halal practices and performance (Ab Talib, Abdul Hamid & Chin, 2016; Syazwan et al., 2017). In alignment with this theory, this study asserts that the Halal certificate and label are vital resources, aiming to explore the associated benefits and challenges in enhancing the performance of Bruneian Halal food SMEs.

3. Methodology

This study uses a qualitative method to conduct semi-structured interviews with the owners and/or managers of the Bruneian Halal food SMEs, those of whose business engage in exporting. Although semi-structured interviews do not require an overly formal interaction due to its nature of asking majorly open-ended questions, this method still allows for such in-depth understanding of a phenomenon under study (Hashim & Nor, 2022).

Based on the purposive and snowball sampling techniques used for this study, four participants were involved in the in-depth interviews which were conducted online, through the combinations of video, audio and written means, as what had been preferred by the respective participants. The participants were coded as A, B, C and D respectively to maintain their privacy and confidentiality. According to Andadari (2019, pp. 505–513), having fewer than five SMEs as interviewees is still acceptable, as long as data saturation is achieved. Correspondingly, data saturation significantly contributes to the internal validity in qualitative research (Hayashi et al., 2019; Kolb, 2012).

Furthermore, this study broadened its sample size by including government officials identified as Govt 1 and Govt 2. Govt 1 is dedicated to supporting SMEs in their export initiatives, while Govt 2 specifically concentrates on the development of food-related SMEs. This inclusion aims to enrich the findings.

Prior to conducting the interviews, potential participants were contacted via email, and interviews proceeded only with those who agreed to participate. This approach is considered an essential research measure, designed to address ethical considerations by providing comprehensive information and obtaining voluntary consent from research participants (Rashid et al., 2019).

During the extensive online interviews, which each lasted nearly an hour, exporting SMEs were queried about the benefits and challenges associated with the application of the Bruneian Halal certificate and label for their products, businesses, or both. Similarly, tailored questions were posed to government officials. The interviews were intentionally unstructured, with no predefined questions or assumptions made before or during the discussions. This approach allowed for the application of inductive analysis (Hashim & Nor, 2022). Throughout the interviews, the researchers priortised facilitating natural conversation flow and appreciating the participants' accounts, such critical aspects of qualitative research (Dempsey et al., 2016).

To obtain the important themes for this study, a thematic analysis was conducted after transcribing the interview data, where the summary is shown in Table 1. According to Suter (2012), the analysis of data helps in revealing for the emerging themes through the extraction of the most meaningful explanations by the participants. Additionally, in order to further supplement the empirical findings, secondary data was also used.

4. Findings and Discussions

This study identifies two main benefits and two main challenges experienced by the Halal food SMEs, as they apply or obtain the Brunei's Halal certificate and label/logo. The identified benefits could potentially facilitate in the further growth of Halal businesses whilst, the identified challenges could potentially hinder the pursuit of business success, both of which are significant to help understand the state of the Halal industry in Brunei, especially considering the scarcity of prior studies on the subject.

4.1. Benefits of Halal Certificate application

The primary benefits that Bruneian Halal food SMEs enjoy for their products, businesses, or both,

Ta	ble	1.	Summary	of	thematic	anal	ysis.
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Identified Themes	Excerpts from Interview Transcripts - Coding
Benefits: Gain Government Support	<i>"The government helps my company to join in the international expos"</i> (Participant A).
	" the government has helped in terms of production such as by providing certain budget for my company" (Participant C).
	" allows my business to join a prestigious Halal exhibition organised by the government" (Participant D).
	"It is compulsory for SMEs to apply the Halal certificate, in return, it will be easier for us to help market their products and make them a bigger enterprise" (Govt 1).
Benefits: Earn Consumer's	"Halal in this country is moving just right This gives the confidence
Trust and Satisfaction	and satisfaction for the consumers" (Participant B).
	"Bruneian Halal standard is okay This is important so that it suits the
	consumer taste and preference" (Participant C).
Challenges: Time Consuming	"The government has many procedures that every business needs to complete
Certification Process	in order to be certified as Halal" (Participant A).
	"Halal certification takes some times to be approved by the government
	as the personnel are inefficient" (Participant B).
	"There are a number of relevant government agencies that my company needs to approach" (Participant C).
	"The government takes some times to approve. We just to ensure the SMEs to comply to all the standards" (Govt 2).
Challenges: Limited International	"Brunei Halal logo is not recognised in other countries" (Participant A).
Recognition of Halal Logo	"I had to find myself a Halal certifier whose Halal certification is recognised
0 0	globally" (Participant D).
	"In order for the SMEs to export, they will need to apply for the
	internationally-recognised Halal certificate such as from Malaysia in complementary to the current one. We still lack that particular aspect and we are working to make our certification more efficient" (Govt 1).

upon obtaining Brunei's Halal certificate and label, include firstly, gaining government support and secondly, earning consumers' trust and satisfaction.

4.1.1. Gain government support

Due to the paramount significance of Halal certification within the Halal food industry, the Bruneian government has implemented regulations mandating SMEs to apply for such certification. As highlighted by one government official:

"It is compulsory for SMEs to apply the Halal certificate, in return, it will be easier for us to help market their products and make them a bigger enterprise" (Govt 1).

In essence, Bruneian Halal food SMEs are aware of the necessity to apply for both a Halal certificate and a Halal permit as part of the country's Halal certification process. This awareness is particularly crucial given that their business involves food preparation and services, as well as food production. The participants agreed that obtaining Halal certification allows them to receive government support for the further development of SMEs.

According to Participant A:

"To be certified as Halal in Brunei means that my company is being serious in doing what we are doing".

This participant also added that:

"The government helps my company to join in the international expos through their marketing efforts such as those expos held in China and Singapore, and so my company is exposed to how the international markets work".

This has been further emphasised by the other participants as well, as written in the following:

"One of the government's agendas is for the country to become a Halal Hub and my company is among the ones that the government has helped in terms of production such as by providing certain budget for my company to make suitable packaging for my innovative products being export ready" (Participant C).

"Having certified as Halal in Brunei allows my business to join a prestigious Halal exhibition organised by the government such as BruHAS where I could showcase my products" (Participant D).

It is therefore evident that having certified as Halal, it has opened up more opportunities for the SMEs to be assisted in programmes or events that may help them grow and expand, locally and internationally. This concurs with RBV (Barney, 1991), which posits that firms can achieve a competitive edge through strategic resource utilisation. This concept remains applicable when examining the acquisition of the Halal certificate and label, recognised as a valuable asset. It empowers SMEs to tap into exclusive government support not easily accessible within the industry, similar to the findings by Ab Tal, Abdul Hamid and Chin (2016).

As a matter of fact, the Ministry of Religious Affairs (MoRA) has introduced a Halal certification system through two important legislations to govern all the Halal-related matters in the country, namely Halal Meat Act, Chapter 183, which is basically used to regulate the importation, slaughtering, distribution and sale of Halal meat in Brunei Darussalam, and also, Halal Certificate and Halal Label Order, 2005, which mainly is used to regulate the Halal certification-related matters for food premises, products and services.

According to Ibrahim (2022), there are two types of Halal certification in Brunei Darussalam which are firstly, Halal certificate which is used to certify businesses in food preparation such as restaurants, cafes, food courts and others, as well as businesses that are providing services including of warehousing, retailing and transportation. Secondly, Halal permit is for businesses that are producing products locally and abroad and subsequently, with this permit, it would enable Bruneian firms to use MoRA's Halal labels on their products.

As emphasised by Ibrahim (2022, p. 89):

"In 2017the application for a Halal certificate and Halal permit are made mandatory for all local food businesses operating in Brunei Darussalam. This new policy does not apply to food products manufactured outside Brunei Darussalam, but yet, a Halal permit can still be obtained voluntarily".

4.1.2. Earn consumers' trust and satisfaction According to Hashim and Nor (2022, p. 109):

"Any business' success depends on gaining the customers' trust". This phrase also applies to the Bruneian Halal food SMEs. The participants agreed that given Islam's status as the official religion in the country, it implies that the Bruneian market is accustomed to ensuring that food products, whether locally or internationally produced, are Halal certified. This certification translates to the food being permissible, wholesome, and overall Halal. According to the participants:

"Halal in this country is moving just right. My company produces a line of different products and all of them are Brunei Halal certified. This gives the confidence and satisfaction for the consumers to purchase and they do not have to be worried" (Participant B).

"Bruneian Halal standard is okay. My company's products are of premium quality and of course Halal. This is important so that it suits the consumer taste and preference" (Participant C).

This is in line with a study by Abdullah and Abdul Razak (2020) where the authors found that awareness acts as an important factor especially for the Bruneian Muslim consumers' intention to purchase the Halal foods. Moreover, the study also highlighted for the food manufacturers and sellers to use a reliable Halal certification and logo as a way to inform their consumers that the products offered are truly Halal. Kifli (2023) further asserted that particularly for the SMEs to be able to be accepted nationally (not internationally at most), the Bruneian Halal logo is sufficient to win over the consumers' hearts in a local market.

This aligns with the principles of RBV (Barney, 1991), asserting that the possession of a Halal certificate and label serves as a unique resource for SMEs. This strategic asset enables SMEs to garner consumer trust and satisfaction, particularly when offering valuable food products within the competitive landscape of this industry.

4.2. Challenges of halal certificate application

The two main challenges faced by Bruneian Halal food SMEs for their products, businesses, or both, as they obtain Brunei's Halal certificate and label, include firstly, the time-consuming certification process, and secondly, the lack of international recognition for the Halal logo.

4.2.1. Time consuming halal certification process

The participants concurred that obtaining Halal certification from MoRA involves a time-consuming and complex process. This, in turn, poses a challenge for Bruneian Halal food SMEs, as they may face a waiting period before they can commence sales, both locally and internationally (i.e., export). According to Participant A:

"The government has many procedures that every business needs to complete in order to be certified as Halal. One of them includes us being instructed that for every ingredient used in the production, it all needs to be certified as Brunei Halal".

This participant also explained how this inflexibility would result in such a delay in the certification process and subsequently, this lack of innovations by the government in return, makes the company to be less competitive.

Participant B added a comment, stating:

"Halal certification takes some times to be approved by the government as the personnel are inefficient".

This participant asserted that the personnel were inadequate in disseminating proper and comprehensive information. Moreover, they exhibited a reluctance to assist SMEs facing issues during the Halal certification process. This recurrent issue raises whenever the SMEs seek to renew or reapply for the Halal certificate and label.

Participant C echoed similar views as the other participants, expressing concerns as follows:

"There are a number of relevant government agencies that my company needs to approach, making the process to take forever to complete and overall, hectic".

Govt 2 defended the agency's position, stating that their primary objective is to ensure products adhere to high standards. The meticulous approach and time investment are necessary due to the required level of strictness, as quoted:

"The government takes some times to approve. We just to ensure the SMEs to comply to all the standards" (Govt 2).

A study by Sulaiman and Abdullah (2023, p. 81 and p. 83) provides detailed insights into the Bruneian Halal certification process. The study indicates that, assuming all standards are met by SMEs, the Halal certification process typically takes only 45 calendar days from start (application) to finish (issuance). However, the participants in this study contested this timeline, asserting that the process takes several months to complete.

In connection with this, Khalid et al. (2018, p. 109p. 111) offered a comprehensive explanation into this matter, describing that the Halal standard procedure is both highly stringent and timeconsuming, often extending from six months to a year before a Halal certificate is issued. The authors pointed out that Malaysian and Indonesian Halal certifications are more convenient, both in terms of process, approval, and possibly cost-effectiveness. Nevertheless, Bruneian SMEs refrain from obtaining certifications from these countries due to nonacceptance by Bruneian authorities. This predicament arises primarily because a Halal certificate is required for each premise and product consignment, as observed in this study, presenting various intricate challenges, especially concerning meeting export standards.

This study emphasises that the process of obtaining a Halal certification may encompass distinctive procedures, sourcing, or manufacturing methods that are not easily replicated by competitors and require a considerable amount of time to complete. This inimitability matches with the principles of RBV (Barney, 1991), which posits that valuable resources should be challenging for competitors to imitate or acquire.

4.2.2. Limited international recognition of halal logo

Given the mandatory requirement for all Bruneian food SMEs to obtain a Bruneian Halal certificate and label, the participants acknowledged that the Brunei Halal logo faces limited recognition in other countries. This gap poses a challenge for them when venturing into exporting. As expressed by one participant:

"Brunei Halal logo is not recognised in other countries and that my company has to apply for other internationally-recognised Halal standards as well. This further results in more time being consumed and more costs to bear" (Participant A).

Additionally, even the Brunei Halal logo alone is expensive due to its colour scheme and specification (Muhamad, Nasri & Khalid, 2019).

The other participants (B and C) also supported this claim. One reason being the fact that each country follows different standards, leading to a lack of standard harmonisation (Asa, 2019; Othman, Shaarani & Bahron, 2016).

Participant D further affirmed as follows:

"I had to find myself a Halal certifier whose Halal certification is recognised globally or that is ISO-recognised and this way, I can then be able to export my products".

Put differently, Bruneian Halal food SMEs must engage a trusted external auditor, typically from Malaysia or Singapore, before acquiring an internationally-recognised Halal certificate and logo. This incurs substantial costs, encompassing expenses such as the fees for foreign auditors and their flight tickets, among other considerations.

In light of this concern, Govt 1 recognised the limitations of the current Halal logo in attaining international recognition, as quoted:

"In order for the SMEs to export, they will need to apply for the internationally-recognised Halal certificate such as from Malaysia in complementary to the current one. We still lack that particular aspect and we are working to make our certification more efficient". Deuraseh (2020) contended that Halal certifications meeting global standards should incorporate the Halal Analysis Critical Control Point (HACCP), addressing two main aspects:

- ✓ Good Manufacturing Practice (GMP), and
- ✓ Good Hygiene Practice (GHP).

Contrary to the findings by authors such as Khalid et al. (2018, p. 95), this study does not support the claim that the Halal certification standard in Brunei is internationally-recognised by both Muslim and non-Muslim countries. The certification is exclusively administered by a single robust religious institution in the country, which, while seen as reliable, does not necessarily guarantee widespread international recognition.

Deuraseh (2020, p. 123) highlighted a critical point, asserting that the Bruneian Halal food standard PBD24:2007 may contribute to global food quality and safety. The country, with its comprehensive standard and law, aims to meet the needs of the local and international Halal food industry. However, this does not necessarily translate to internationally recognised and accepted Halal certification in Brunei, as acknowledged in some countries.

Kifli (2023, p. 46) further argued that Brunei Halal logo is unfortunately not well known in countries such as those located in the European markets as the Brunei Halal logo still lacks in comprehensive awareness and in the practice that places more emphasis on GMP and HACCP.

Hence, the absence of international recognition may constrain the significance of the Halal certificate and logo as a resource, especially in markets where the certification is not actively sought or does not serve as a substantial differentiator. RBV (Barney, 1991) underscores the importance of resources, and if the lack of recognition diminishes their perceived value, it conforms to the theory.

5. Conclusions

This study aims to uncover the benefits and challenges in the Halal certification application faced by the Halal food SMEs. Guided by the RBV theory and informed by the interviews held with exporting SMEs, further supplemented by insights from government officials, this study identifies benefits such as gaining government support and earning consumers' trust and satisfaction. Simultaneously, this study highlights the challenges that include a time-consuming certification process and limited international recognition of the Halal logo.

The findings of this study shed light on how Halal certification contributes to the development of SMEs. Given the crucial role of the Halal certificate and logo in securing government support and gaining trust from the consumers, it becomes imperative for SMEs to undergo a streamlined certification processes and possess a logo that is recworldwide. necessitates ognised This the government efforts to ensure a less tedious vet effective certification system. Such measures not only contribute to the growth of SMEs within the local markets but also pave the way for expansion into global markets. This aligns with the Bruneian government's vision of leveraging the food industry to diversify the economy and promote sustainability, as outlined in Brunei Vision 2035. Consequently, as SMEs access foreign markets through exportation, they are prompted to innovate in response to the diverse demands in those markets.

In essence, the acquisition of a Halal certificate and logo proves be invaluable for SMEs as internal resources, enabling them to establish a competitive edge in both local and international markets. Thus, enhancing the government's Halal certification system can facilitate seamless export for SMEs, serving as a pivotal step in diversifying the country's economy. This shift is crucial, especially given the historical heavy reliance on oil and gas.

This study presents an early assessment of the Halal-related studies, with a specific focus on Brunei's Halal certification. The insights derived from this study hold potential benefits for SMEs, policymakers, and academic scholars alike. The findings offer valuable information to SMEs and policymakers, aiding in the comprehension and evaluation of the current state of the country's Halal industry. This, in turn, facilitates strategic decisionmaking, such as the optimisation of the certification system for the greater benefits to SMEs and the overall economy (Kifli, 2023). Moreover, this study establishes a foundation for future academic scholars, encouraging further exploration in this research field, which remains relatively unexplored in Brunei (Ab Talib, 2020).

Like any other studies, this study also has few limitations. Firstly, despite achieving for the data saturation, the sample size of this study is small because the Bruneian SMEs were not willing to participate. Secondly, the focus of this study is only towards the exporting SMEs. Thirdly, this study only discusses two main benefits and challenges respectively. Therefore, future qualitative research should include more samples or undertake a quantitative approach to overcome the stated limitations. Furthermore, conducting additional empirical investigations in the areas of SMEs and Halal is also considered highly significant.

Conflict of interest

There is no conflict of interest.

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