

What Can Government Do to Help SMEs's Product Sales through Halal Certificate?

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Abstract

Halal is an important concept that facilitates and simplifies the consumption of food and beverage products, particularly for Muslim consumers. For a Muslim consumer, halal foods and drinks mean that the product has met the Shariah law requirements, whereas for a non-Muslim consumer, it represents the symbol of hygiene, quality, and safety when produced strictly under the Holistic Halal Assurance Management System. As a result, today's consumers are extremely concerned and are constantly conscious of what they eat, drink, and use. Muslim and non-Muslim consumers' awareness describes their perception and cognitive reaction to products or foods on the market. According to the study, developing Halal is a communally obligatory (fardhu kifayah) for Small Medium Enterprises (SMEs) and a personally obligatory (fardhu ain) for Muslim consumers. The Indonesian government has already recognized the importance of SMEs by implementing various policies and action plans, as well as introducing Halal-related programs to assist SMEs.

Keywords

employee readiness to change;
change leadership; affective
commitment to change



I. Introduction

Indonesia is now on track to become a developed country by 2020. The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020). Thus, with such a vision, Indonesia does not rely on a single sector, but rather on a variety of economic generators that can contribute to the country's wealth and economic growth. In this context, one of the most important sectors is the halal food/product sector (Satriana & Faridah, 2018), which is no longer just an industry that complies with religious requirements to feed about 87% of Indonesia's Muslim population but is also becoming an economic force both domestically and globally.

Today, the global Muslim population is estimated to be around 1.6 1.8 billion people, accounting for roughly one-fifth of the total global population (Ratanamaneichat & Rakkarn, 2013). Indonesia is the world's most populous Muslim country. In 2004, more than 200 million Indonesians, or 88 percent of the population, were Muslims, almost entirely Sunnis (Sunna: the path of the prophet). Furthermore, Muslim consumers described as religious and high in religiosity will have different consumption patterns and will tend to consume halal products and services (El-Bassiouny, 2014).

Halal food refers to food items and beverages that are strictly prepared according to the rules underlined by the Islamic dietary law. According to this law, alcohol, blood, pork, by-products of pork and blood, animals that are dead before slaughtering, and those not

killed in the name of Allah are considered 'haram' or impermissible for consumption. Moreover, halal food products are packaged and stored in utensils, which have been cleaned as per the prescribed guidelines.

Although Indonesia has the biggest Muslim population in the world, the accomplishment of national concerns on Halal foods just appeared in 1989, especially after the Assessment Institute for Food, Drugs and Cosmetics Indonesian Council of Ulama (AIFDC ICU, or LPPOM-MUI) was established. Since then, Halal certification activities in the food industry have increased rapidly as Muslim consumers' awareness and demand for Halal products has grown (Muda, Abd Rahim, Abdul Rahim, Muhammad, & Abd. Aziz, 2020). The demand for Halal foods is enormous, and as a result, Indonesia has emerged as a significant and profitable market for the Halal food industry.

Much has been said in recent years about Indonesia's efforts to become a halal hub. According to President Joko Widodo's target, Indonesia's government is tasked with making Indonesia as the halal center by 2040. Meanwhile, the issue of Halal food in Malaysia which focuses on the food and beverage industry, has recently gained attention. They specialize in the implementation of food quality practices such as Good Manufacturing Practices (GMP) and ISO9000/Hazard Analysis Critical Control Points (HACCP) (HACCP). As a result, the Department of Standards Malaysia developed MS1500:2004, a Halal standard for foods that covers everything from Halal food production to preparation, handling, and storage. Aside from these, food quality is required to be safe, sanitary, and healthy.

Halal certification did not begin in Muslim countries, but rather in the United States in the mid 1960s by Muslim food and technical experts as a necessary safety measure for Muslims living in non-Muslim societies in order to preserve their Muslim identity and fulfill their religious obligations. Halal is a religious requirement imposed on products and services for Muslim consumption that is now regarded as a quality certification standard.

The halal quality standard is applied to product supply and manufacturing, including processed food, cosmetics, pharmaceutical, and medical products, and has been extended to services involved in halal product logistics. According to research conducted by the Canadian government, the global halal market is worth more than \$632 billion per year (Noordin, Noor, & Samicho, 2014). The global halal food market reached a value of US\$ 1.9 Trillion in 2020.

According to these statistics, there will be a high demand for halal products, which will fuel the growth of the halal industry and, as a result, increase the supply of halal certificates. Because halal product certification is required for entry into the global halal market, businesses that export their products can use the halal certificate to help them meet the halal requirements of the importing countries, which can help the business expand its marketplace and increase its sales and revenue.

Indonesian government efforts began in 2010, but there is still much to be done to make Muslim consumers more aware of what they eat, drink, and use in terms of halal and Shariah compliance. The effectiveness of halal certification must be emphasized in order to remain competitive. From a strategic standpoint, competitiveness in the halal industry can be achieved by addressing sales issues.

Halal is an important concept that facilitates and simplifies the consumption of food and beverage products, particularly for Muslim consumers. According to the study, developing Halal is a communally obligatory (*fardhu kifayah*) for Small Medium Enterprises (SMEs) and a personally obligatory (*fardhu ain*) for Muslim consumers. The Indonesian government has already recognized the importance of SMEs by implementing various policies and action plans, as well as introducing Halal-related programs to assist SMEs.

II. Review of Literature

2.1 Halal Food and Beverage

Halal food items have grown in popularity among both Muslim and non-Muslim consumers in recent years, as they have evolved from being an identification mark of religious observance to assurance of food safety, hygiene, and dependability. Halal is a simple concept at its core (Aini & Khudzaeva, 2019). The word is an Arabic term that means 'lawful' or 'permissible.' Haram, which means 'unlawful' or 'forbidden,' is at the other end of the spectrum. The requirements outlining what is halal and what is haram are derived from both the Quran, the Muslim faith's holy book, and Hadith, teachings from the Prophet Muhammad (peace be upon him) (Nafis, 2019).

For example, slaughtered halal animals are subjected to two health inspections, as opposed to a single inspection for other conventional animals (Fuseini, Knowles, Hadley, & Wotton, 2017). Its first requirement is that the animal be killed by a sharp knife cut to the neck. The slaughterers must be Muslims, they must invoke God's name while cutting the animal's throat, and the animal must be left to bleed out completely (Regenstein, 2017). This blood loss must have been the cause of the animal's death, implying that the animal was alive until its neck was severed. Depending on the Islamic school of thought, opinions differ on whether or not stunning is permissible, but scholars agree that stunning must be non-lethal (Ferrari, 2009).

Aside from that, several Islamic and non-Islamic countries are putting in place stringent regulatory frameworks based on globally accepted standards in order to attract new market entrants. The absence of pork and alcohol, as well as ingredients derived from these sources such as enzymes, stearates, or fats, are two of the most well-known aspects of halal food (Khaisam, 2020). Other less well-known but equally important requirements include *zabihhaslaughter* (not using meat from carnivorous animals, including birds of prey), and the removal of blood from all products.

These requirements must apply to every part of a finished product in order for it to be considered halal. Each animal-derived ingredient must be derived from a halal animal slaughtered according to these guidelines, and no porcine-derived materials may be used at any time. Consumers are typically not privy to a company's manufacturing process, and they may lack the in-depth knowledge of food science required to determine which ingredients may be problematic. Because of these factors, they are unable to confirm the halal status of a product simply by reading the ingredients on the back of a package. Instead, they must engage in the time-consuming task of speaking with the company to confirm that the product is indeed halal – unless the product is halal certified.

2.2 Halal Certificate

The concept of halal products or foods is now gaining traction around the world as an alternative benchmark for the safety, hygiene, and quality assurance of what we consume or drink on a daily basis. Thus, products or foods produced in accordance with halal prescriptions are readily accepted by both Muslim and non-Muslim consumers. For a Muslim consumer, halal foods and drinks mean that the product has met the Shariah law requirements, whereas for a non-Muslim consumer, it represents the symbol of hygiene, quality, and safety when produced strictly under the halal certification process or known as Halal Product Process (HPP).

Halal certificate is issued by the Indonesian Ministry of Religious Affair (MoRA) through the Halal Product Guarantee Agency. The process of certifying products or services in accordance with Shariah law is known as halal certification. A system of halal certification and verification is seen as a key element in providing assurance to Muslim consumers on halal quality.

III. Results and Discussion

3.1 Muslim Consumer Behavior in Consuming Halal Products

Indonesian Muslim communities continue to ignore halal and illegitimate all ingredients (food and drink) consumed. This issue is actually the responsibility of each individual to be more selective in choosing food and beverages consumed, aside from the rules regarding consumer protection (Muslims) from products that are still in question. When examined closely, it is discovered that not all food and beverage products are guaranteed halal.

As a result, there is an urgent need for community awareness to pay attention to the material consumed. In relation to the halal-haram status of a product or ingredient consumed by the Muslim community, the Indonesian Ulama Majlis (MUI) has established a Food, Drug, and Cosmetics Study Institute (LPPOM) to protect Muslim consumers from halal-questionable food, beverages, medicines, and cosmetics. Following an assessment, the agency is tasked with providing halal certification for a product.

The purpose of halal certification is to provide consumers with the assurance that halal food, drink, medicines, and cosmetics are halal after they have been examined through research and testing, by following the flow of halal certification procedures that companies must understand halal certification requirements and follow training in the Halal Assurance System (SJH), implementing SJH, and preparing halal certification documents such as material I The company uploaded certification data, as well as pre-audit and post-audit monitoring, in preparation for the subsequent legitimate halal certification it received.

As a result, after going through the research and testing process, a product is labeled halal. As a result, the community will have no doubts about the product they consume. The issue is that not all people (Muslims) in Indonesia always pay attention to the halal labels that are usually attached to a product, including food and drink. It appears that not all of them are concerned about this, so the government.

The MoRA assisted by the Majlis The Indonesian Ulama (MUI) needs to provide information to the public about the importance of choosing a product, including food and drink by paying attention to its halal label, rather than being indifferent, meaning that every Muslim has the responsibility of how important it is to pay attention to the basic principles of Islamic life.

3.2 Halal Certification for SMEs; Policy Perspective

Halal certification is not only a valuable tool for consumers, but it also allows businesses to market their products to a whole new segment of the population. Islam is one of the world's fastest growing religions. According to the Pew Research Center, while adherents accounted for approximately 23% of the population in 2010, they are expected to reach 30% by 2050 (Hackett, Stonawski, Potančoková, Grim, & Skirbekk, 2015).

Interestingly, while the global population is expected to grow by 35% during that time, the Muslim population is expected to grow by 73%, more than doubling the global population growth (State of the Global Islamic Economy, 2021). These consumers have a lot of money to spend. Muslim spending is expected to reach \$2.4 trillion by 2024, according to the 2020/21 State of the Global Islamic Economy Report. Muslim food expenditure, in particular, accounts for a sizable portion, with the same report predicting it will reach \$1.38 trillion by the same year.

According to these projections, investing in halal products is a must for today's food executives. Consumers are already requesting halal options, and this demand is expected to

grow. If halal certification investments are postponed, a company may lose the first-mover advantage and struggle to catch up when it does decide to invest.

Many Muslim-majority countries already have government bodies tasked with determining a product's halal status, and others are in the process of establishing them. Indonesia, the country with the largest Muslim population, has enacted legislation requiring food and beverage products to be certified halal and labeled as such, or risk being labeled haram. Any international company that wants to sell its products in Indonesia must be certified by one of the international halal certification bodies listed on the LPPOM MUI website.

Malaysia, Singapore, and the United Arab Emirates are just a few of the countries with halal labeling regulations. To export to these countries, a company must ensure that its products are halal certified and appropriately labeled, which usually requires an external review. Many of these government bodies also recognize halal-certifying bodies from other countries, so a company that obtains halal certification in one country may be able to export its products to other Muslim-majority countries. The inverse is also true: a company that has had its products certified halal for export purposes may decide to use this certification to sell its products in the domestic market later on.

Recently, in October 2019, the Indonesian government implemented mandatory halal labeling and certification rules, as a result of which consumers now prefer halal food. Manufacturers have broadened their product portfolio in response to increased demand by introducing several value-added food items such as hot dogs, soups, candies, burgers, sandwiches, cookies, creams, and pizzas. Furthermore, the thriving e-commerce industry has made halal-certified food products easily accessible to consumers. Looking ahead, the publisher anticipates that the global halal food market will expand rapidly over the next five years. Currently, meat, poultry and seafood are the most preferred food products in the market.

Large corporations are now aware of the potential of halal-labeled products, as evidenced by the large number of halal products on their shelves. According to the LPPOM MUI (Indonesian Ulama Council), there were 470 halal certificates issued in 2009, with 10,550 halal-certified products. Meanwhile, 921 halal certificates were issued in 2014, and there are 23,713 halal-certified products. According to the data presented above, there has been a significant increase in the last five years. The third factor is policymakers based on Law No. 33 of 2014 concerning the guarantees of halal products, which shifts MUI's role as a halal certification provider, and this has not been well-communicated to the public as well as producers.

Clearly stated that Muslim consumers must consume Halal products and the SMEs especially that owned by the Muslim must find a way on how to produce Halal products to cater the Muslim consumers. In general, once consumers aware on Halal products means it is a great power to educate manufacturer to acquiring Halal certification. In order to complete the Halal system MoRA and the LPPOM MUI must actively play their role in monitoring the Halal certification and be proactive in dealing with the Halal issues in order to gain the trust of the Muslim consumers towards the Indonesian Halal certification. In ensuring the Halal system is complete all the existing parties must play their role and keep monitoring and auditing each other. As highlighted by Azmi et al. (2018) and also mentioned by Zailani et al. (2015) Halal integrity is the most influential factors in determining the adoption of Halal. It is hoped that the results from the paper would provide another avenue for government and policy makers to improve their policy decisions and mechanisms of making SMEs in Malaysia to be Halal certified and more responsible in producing Halal products and services.

IV. Conclusion

The values of a Halal certificate in a business have broader appeal beyond religion and also contribute to Malaysia's position as a Halal tourism destination and a hub for the global Halal market as targeted by the government. The Halal industry is growing continuously, there are demand and interest from locals and overseas for Halal products and services that are increasing day by day. When such a big opportunity like this emerges, there is a lot of competition, whether SMEs like it or not, they have to invest in certain aspects, such as in technology or obtaining more information, so that they can compete better locally and globally. The adoption of electronic commerce also may be another option to consider for widen the accessibility of the products to consumers (Sultan & Noor, 2017). It is interesting to note that technology and Halal can be used for Muslims to lead a virtuous life. There is massive potential ahead for other technology uses in Halal and it is limited only by our imagination. In conclusion, the findings and discussion of this study is subjected to certain limitations. Nevertheless, the present study provides a solid platform for future scholars to work on.

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