

THE MEANING OF HALAL CERTIFICATION FOR BUSINESS ACTORS (SMEs) IN THE FOOD SECTOR AS A DRIVING FACTOR FOR COMPLIANCE WITH LAW NO. 33 OF 2014

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ABSTRACT

The halal industry is a very developed sector in recent years, quite a lot of countries are competing to exist in this industry, including Indonesia. Halal certification mandated by Law No. 33 of 2014 is an effort by Indonesia to be part of it and the key to entering this industry. As a country with Muslim-majority citizens, halal certification should not be difficult. However, in reality, until now, there are still more products that have not been certified than those that already have halal certificates, especially in the food sector (food and beverages). Of course, this is interesting to study how the community, especially Micro, Small, and Medium Enterprises (SMEs), are concerned about halal certification. This becomes important because someone does something depending on how someone means to do it. To find out how SMEs mean halal certification, this study uses a qualitative research design where data mining is done through interviews and documentation. The results of this study concluded that there is a classification of SME meaning halal certification, namely the first SME that states this halal certification is their religious obligation, therefore, even if the government does not require it through the law, this halal certification is a necessity that must be done. Second, SMEs believe that halal certification is important for their business, namely that they can expand their market expansion and of course can increase their income so that they certify their halal products for the benefit of the economy. Third, SMEs who understand that this halal certificate is a trend must be followed because of the law's encouragement. Therefore, this SME certifies its halal products because of a grant from the relevant agency for the halal certification process.

Keywords: Halal certificate; small and medium enterprises (SMEs); Islamic business

1. INTRODUCTION

The halal issue in recent years has become an unstoppable trend in Indonesia and abroad. The same trend in the business field causes many studies on this matter. Based on a report from the State of Global Islamic Economy Report in 2022 that in 2021 the amount of spending from 1.9 billion

Muslims in 6 (six) halal industry sectors is USD 2 Trillion (Dinar Standard, 2022, p. 8). Therefore, it is considered the fastest-growing business sector as it has promising potential.

The great potential of the halal industry is considered a great opportunity for many countries, including countries whose citizens are minority Muslims. Based on the State of the Global Islamic Economy Report 2020-2021, it is stated that the largest halal food exporting countries in the world for Islamic countries are Brazil (16.2 Billion Dollars), India (14.4 Billion Dollars), the USA (13.8 Billion Dollars), Russia (11.9 Billion Dollars) and Argentina (10.2 Billion Dollars). Meanwhile, the halal food consumer market is Indonesia (144 Billion Dollars), Bangladesh (107 Billion Dollars), Egypt (95 Billion Dollars), Nigeria (83 Billion Dollars), and Pakistan (82 Billion Dollars) (Dinar Standard & Salam Gateway, n.d., pp. 40–41).

From the data above, it can be seen that Indonesia is still the world's largest consumer market for halal products. and not a producer. This means that Indonesia must catch up with this, considering that it is the country with the highest number of Muslims in the world not only in the field of halal food but also in other fields in 6 halal industry sectors, namely Islamic Finance, Modest Fashion, Media and Recreation, Muslim Friendly Travel, Pharma and Cosmetics.

This potential can also be seen from the development of religions in the world, Islam has experienced fairly rapid development, it occupies the second position as the most widely adopted religion in the world after Christianity. Christianity is estimated to have 2.38 billion followers, while Islam has 1.91 billion adherents (World Population Review, 2022). This means that the halal market will also follow the size of the Muslim population. However, it is undeniable that not a few non-Muslims also access this halal market, especially in terms of halal food.

Halal food is the second largest sector of the 6 (six) sectors above, Muslim spending in this sector until mid-2022 is USD 1.27 trillion and is expected to continue to grow until the end of this year with an estimated development of 7.0% (Dinar Standard, 2022, p. 5). Therefore, it is unsurprising that Indonesia wants to become a player in this industry and no longer only become a target market for halal products.

As one of the efforts to realize this desire, Indonesia encourages existing business actors to certify their halal products. This encouragement is manifested in one of the articles in Law No. 33 of 2014, which states that in 2024 all products circulating in Indonesia must have halal certification. As

an effort to accelerate the fulfillment of the wishes of the law, relevant agencies have carried out various strategies such as providing routine socialization about halal certification, various kinds of training, including training on halal certification registration procedures, assistance, halal certification grants, and even the government also preparing a free certification program (SEHATI).

All of these programs have received a pretty good response even though in quantity, there are still more business actors who have not applied for this halal certification. However, the fact that every year the number of certified products is quite large, of course, this needs to be appreciated, even based on the latest information from the head of BPJPH (Halal Product Assurance Agency) that currently, BPJPH has certified 250,000 halal products every year (Firdausi, 2022).

What is interesting about the data is whether or not the increase in the number of certified halal products is directly proportional to the increase in halal awareness of business actors. Halal awareness, in this case, can be interpreted as the level of understanding of Muslims related to issues regarding the concept of halal, including what is halal, how the production process is, and the priority to consume halal food based on Islamic standards that he has learned (Arifin & Shaari, 2009; Faturohman, 2019). Halal awareness means that business actors understand the true meaning of a halal certificate.

Thus, it is necessary to study how their interpretation of halal certification encourages them to comply with and implement the Mandate of Law no. 33 of 2014, whether this compliance is based on real halal awareness or is it driven by other motives. This paper will describe a typology of the meaning of SMEs' halal certification, and this study focuses on SMEs in the food sector in Bangkalan Regency. The results of this study will contribute knowledge to related agencies as the basis for the design of strategies and policies related to halal certification.

2) METHODS

This study aims to determine how SMEs mean halal certification, which is an important determinant in fulfilling the Mandate of Law No. 33 of 2014. This research pattern when viewed from the perspective of a social research approach includes research using an Interpretive approach, which is an approach that seeks to understand social symptoms by positioning individuals as active beings (Martono, 2014, pp. 11–13). This approach then gave birth to qualitative methods, therefore this type of research is Qualitative research or what is also often referred to as naturalistic research (Natural Setting), namely research conducted on natural conditions (Sugiono, 2017, p. 8).

In qualitative research, five approaches are generally used: narrative research, Phenomenology, Grounded Theory, Ethnography, and Case Studies (Creswell, 2007, p. 10). The qualitative approach used in this study is phenomenology. Phenomenology is research that seeks to understand the meaning of events and interactions in humans in certain situations. Phenomenology comes from the Greek word "phenomenon" which means to show oneself (to show itself). Phenomenology means knowledge, in the sense of what a person perceives, what is perceived and known through his consciousness or experience (Wekke, n.d., p. 125).

Researchers use research instruments like interviews and documentation to obtain data on this meaning. Documentation data is in the form of data on the number of SMEs in Bangkalan regency obtained from the Bangkalan Regency Cooperatives and MSMEs Office. From this documentative data, researchers selected informants to interview. The subjek of this study is 10 small micro business actors in Bangkalan Regency and already have halal certificates on their food products. The data obtained in this field is then analyzed with Miles and Huberman analysis techniques, which are divided into three steps: data condensation, display data, and verification/conclusion.

3) RESULTS AND DISCUSSION

Micro, Small, and Medium Enterprises are business group that contributes significantly to a country's economy. MSMEs are a reasonably necessary sector because they can create jobs, can open up more business opportunities (Karim, 2012), employment also plays a role in the distribution of development results (Kristiyanti, 2012, p. 63). With this contribution, MSMEs are considered the backbone of a country. However, behind these advantages, there are many problems faced by MSMEs in general. This problem then makes existing MSMEs experience relatively slow growth. Several studies examine the problems of MSMEs, including Ariani and Utomo's research (Ariani & Utomo, 2017, p. 104) which states that the problems of MSMEs are as follows:

1. Limited capital owned by MSME actors.
2. There is still little knowledge and understanding of MSME actors in developing and maintaining a business.
3. Lack of availability of facilities and infrastructure needed by MSME actors in helping the development and improvement of their business.

4. External impacts such as the willingness of electric power which is considered to interfere with the operational activities of MSMEs.
5. Lack of understanding from MSME actors about strategies, systems, and marketing processes for their production sharing.
6. Lack of understanding of bureaucracy in the business world to be able to penetrate a broader market than the local market they have done and the lack or lack of information about business development for
7. The ability to use or apply technology to support business improvement and the ability to apply MSME product standards is still limited.
8. Access to information facilities that the public can access is still limited, and policies still look biased.

Another study (Hamid & Susilo, 2015, p. 51) divides MSME problems into 2 (two), namely internal problems and external problems. With the following details:

No	Internal Problems	External Issues
1	Lack of ability to innovate products	Difficulty expanding new market share, especially in export markets
2	Limited production capacity to meet demand in a short time (in some instances).	The threat of similar products derived from imports, especially products from China
3	Limited availability of sources of funds for business development	Unstable economic conditions that greatly affect the price of raw materials and product prices
4	Limited production process technology so that product quality has not been able to meet market demand	Banking conditions with high-interest rates and convoluted credit processes.
5	The quality of human resources who do not have the necessary skills/skills so that the quality of the product is not optimal	Poor infrastructure thus adds to distribution costs.
6	Weaknesses in buying raw materials, especially to meet large buyers	Lack of contribution from external parties, such as associations, investors, and other private parties.
7	A relatively high level of product prices result from expensive production costs.	Less conducive government policies, especially in taxation.

This problem, of course, can be very varied depending on the situation and condition of an area where these MSMEs are located. And these various issues must get serious attention considering the importance of the existence of MSMEs and their contribution to a country's economy.

One way to support MSMEs to continue to exist and be accepted in the wider market is by having a halal label on their products, especially for food products (food or beverages). Law no. 33 of 2014 requires all products circulating in Indonesia to have a halal label, this is stated in the law article 67 paragraph 1 which states: "The obligation to be halal certified for products circulating and traded in the territory of Indonesia as referred to in Article 4 comes into effect 5 (five) years from the time this Law is promulgated"

From this article, it can be concluded that the obligation to certify halal products begins on October 17, 2019, and even this is not all products directly subject to this obligation, in other words, there is a phasing of products to be certified. For food and beverage products, from October 17, 2019, to October 17, 2024. If on that date and year there is food or beverages that have not been certified halal, then the product must not be traded and circulated as stated in article 4 of Law number 33 of 2014 "Products that enter, circulate, and are traded in the territory of Indonesia must be halal certified". Therefore, to be able to achieve this target, it is necessary to have sufficient literacy about halal and halal certification.

Related to this literacy, the meaning of halal certification is very important to know. Even though the SMEs who are informants in this study are food sector SMEs that have certified halal products, their motives for doing so may be different depending on how they interpret this halal certification.

Of the 10 informants interviewed, 6 of them stated that this halal certification is a manifestation of Muslims' observance of their religious rules. As a producer serving halal food is an obligation that later in the afterlife, will be held accountable for. Halal certification is the embodiment of this obligation, so there is no regulation. 33 of 2014, the halal guarantee of the product being sold becomes something inherent in the manufacturer. This meaning will certainly have implications for producers' commitment to continue maintaining the halalness of their products.

The meaning of halal certification is an interesting one considering that the SMEs interviewed are part of the Madurese community which is known as a religious community or a society that holds

strong religious teachings (Jannah et al., 2021, pp. 106–123; Jonge, 1989). Islam and the Madurese people are an inseparable whole, the Islamic identity of that person defines a person's membership in the Madurese ethnic group. If a person has quit Islam, then automatically, that person is no longer considered a Madurese (Amrullah, 2015, p. 66). In other literature, it is mentioned, a person cannot bear the status of a Madurese person if he cannot recite (Azhar, 2009, p. 227), therefore it is not surprising that Islam is considered one of the self-images of the Madurese people (Mashudi, 2018, p. 155).

The logical implication of this self-image is the application of Islamic teachings in various aspects of their lives. Islam became the basis of life and a means of control over their behavior, without exception, including in terms of consumption. So it makes sense that SMEs in Madura certify their halal products because they think this is part of their religious teachings even though explicitly there will never be a recommendation to do halal certification in their scriptures. They interpret the Mandate of Law no. 33 of 2014 as a necessity that must be welcomed because halal certification is mandatory because it is a manifestation of the producer's commitment to the obligation to produce halal products.

3 out of 10 people interviewed stated that this halal certification is very urgent for their business. Halal certificates and logos can help SMEs to expand their market and increase revenue. So law number 33 of 2014 is understood as a legal tool that encourages SMEs to be widely accepted through halal certificates and logos, and for them, this rule is very important to follow for the development of their business. From this, it can be seen that the motive for the compliance of these SMEs is economic interests. These economic meanings and motives have very worrying implications. Halal certification is only considered an instrument for market expansion and additional income, so there is a possibility that halal commitments at every stage of production will be neglected because the most important thing for them is the halal certificate, which is not the essence of halal.

Regarding the meaning of SMEs about halal certificates that can positively impact SME business, there is indeed much research related to this. For example, a study by Syaeful Bakhri stated that after obtaining halal certification, SMEs experienced a 2.4 times increase in income (Bakhri, 2020). Research with similar results was also conducted by Khoirunnisa (Khairunnisa et al., 2020; Syaifudin & Fahma, 2022) that business actors experience an increase in income after they pocket a halal certificate. This is likely to happen because, with a halal certificate, business actors can expand the

market more broadly and with better product quality because this halal certification also guarantees the product's good quality (Utami, 2011).

Finally, 1 in 10 SMEs stated that this halal certificate is just a trend that has emerged due to the law's insistence. For these SMEs, the ownership of a halal logo does not significantly impact the sales of its products because, according to him, not many consumers buy an item because of the logo. According to him, the preference for halal products is still very low because literacy and public awareness about halal are also still very low. The compliance of this SME with Law No. 33 of 2014 is not based on its internal awareness of the importance of this halal certificate, both from a theological and business perspective, but because there is halal certification assistance from related agencies so that if this is seen mathematically it is quite profitable for him and must be accepted.

From the explanation above, it can be concluded that there are 3 (three) models of meaning halal certification which are the driving factors for their compliance with the mandate of Law No. 33 of 2014 that every product sold and circulated in Indonesia must be halal certified. The majority of SMEs consider that this halal certification is a representation of the guarantee of halal products, which is an obligation as Muslims. Therefore, this halal certification is indirectly a state obligation and a religious obligation. Secondly, some SMEs interpret halal certificates as very important for their business, especially to expand market share and increase revenue therefore what is required by Law no. 33 of 2014 is actually for the good of the SME business itself. Third, for SMEs that view halal certification as a trend that must be followed in the current context, the compliance of these SMEs with Law No. 33 of 2014 (halal certification obligations) does not come from their awareness but because there is assistance from related agencies to carry out halal certification.

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