

HALAL CERTIFICATION ASSISTANCE FOR SMES: ENHANCING COMPETITIVENESS AND CONSUMER TRUST

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Abstract

Halal certification is crucial in the food and beverage industry to increase consumer trust. However, SMEs often face various challenges in obtaining this certification. This program aims to provide assistance to SMEs in the halal certification process to enhance their competitiveness and consumer trust. Using a participatory approach with data collection methods including interviews, surveys, and observations. Several SMEs successfully obtained halal certification after participating in the assistance program, with increased understanding and readiness to meet certification requirements. Halal certification assistance effectively helps SMEs improve their competitiveness and consumer trust. This program can be replicated and improved to support more SMEs in the future.

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Introduction

1. Background

The word 'halal' must be familiar to us as a society. Especially with the growth rate of the Muslim population which greatly impacts the need for supply of Halal products. The encouragement of the need for halal products is supported by the awareness of Muslim and non-Muslim communities who see halal-labeled products as better known in terms of ethics, health, safety and friendliness to the environment. So it is necessary to provide guarantees for food and beverage products with halal status in circulation. This country, whose population is predominantly Muslim, enforces Halal certification with a halal product certification scheme by BPJPH (Halal Product Guarantee Agency) through a series of inspection and / or testing processes by an independent Halal Examining Agency (LPH) and determination of its halalness by competent parties, namely the Indonesian Ulema Council (MUI). This certification aims to provide a sense of security and comfort to the public that the products / services consumed or used are in accordance with Islamic religious principles.

Halal certification is regulated in Law No. 33 of 2014 concerning Halal Product Guarantee. Article 4 of the Law states that products that enter, circulate, and are traded in the territory of Indonesia must be halal certified.

Here are some reasons why Halal certification is important in the food and beverage industry:

1. Protecting Muslim consumers

By declaring a food and beverage product Halal certified, your product can protect Muslim consumers in consuming products that have been confirmed Halal.

2. Provide a sense of security and comfort

Sometimes as a society, we definitely need a sense of security and comfort in the food and drinks we consume. With Halal certification, your product can help consumers consume it with a feeling of safety and comfort.

3. There is no doubt about the product

If your product is placed among other products and is Halal certified. It is a guarantee that your product is suitable for consumption and there are no indications of things that are prohibited from Islamic law.

Facilitation of Product Halal Certification for Small Industries is provided by the Ministry of Industry through the Halal Industry Empowerment Center to help small industry players obtain product halal certificates. This activity is necessary considering that small industries have an important contribution to the national economy and have proven to be able to survive, even during the economic crisis.

In 2024, facilitation of product halal certification is provided to Small Industries of Food, Beverages, Textiles, Apparel, Leather, Leather Goods, Footwear and Other Useful Goods Groups that already have a Risk-Based Business Identification Number (NIB). Indonesia's Muslim-majority population, halal food and beverage products are a necessity for every community and certainty of products to be sold. According to him, with the halal products to be sold, it will add positive value to business actors. The importance of halal certification in the food and beverage industry lies in several aspects that ensure compliance with Shariah standards and increase consumer confidence. Here are some reasons why halal certification is important:

1. Protecting Muslim Consumers: Halal certification ensures that food and beverage products consumed by the Muslim community are halal and in accordance with Islamic religious rules. This provides a sense of security and comfort to Muslim consumers who need assurance of product halalness.

2. Guarantee Quality and Safety: Halal certification through the process of examination and testing by an independent Halal Examining Agency (LPH) and the determination of its halalness by the Indonesian Ulema Council (MUI) provides a guarantee that the product is in accordance with high safety and quality standards.

3. Increasing Consumer Confidence: Halal certification increases consumer confidence in food and beverage products as they can be sure that the product has been certified and complies with Sharia standards. This has an impact on increasing sales and revenue for businesses.

4. Anticipating Market Needs: With the growth rate of the Muslim population which greatly impacts the need for supply of halal products, halal certification is important to meet market needs and increase the competence of the food and beverage industry.

5. Avoiding Sanctions: Starting October 2024, food and beverage products that are not halal certified can be dealt with firmly, ranging from withdrawing goods from circulation to fines of up to IDR 2 billion. Therefore, business actors must prepare themselves well to avoid these sanctions.

6. Guarantee Safety and Quality: Halal certification guarantees the safety and quality of food and beverage products by ensuring that the ingredients comply with Sharia standards and do not contain prohibited ingredients.

7. Increases Awareness and Understanding: Halal certification increases public awareness and understanding of the importance of halal food and beverage products, so that people can choose products that suit their needs and religious values.

8. Increasing Business Opportunities: Halal certification can increase business opportunities for businesses by ensuring that their products comply with Sharia standards and increase consumer confidence. This results in increased sales and revenue.

9. Halal Certification Service Fee: The halal certification service fee for MSEs is IDR 300,000, while for medium-sized businesses it is IDR 5,000,000. This fee consists of the cost of registering and determining the halalness of the product of IDR 300,000 and the cost of checking the halalness of the product by the Halal Examining Agency (LPH) of IDR 350,000.

10. How to Register for Halal Certificate: Registering for a halal certificate can be done online through the PUSAKA Kemenag Super Apps application which can be downloaded on the Play Store and App Store or the ptsp.halal.go.id page. Registration procedures include completing all required documents, registering online, verifying files, and issuing halal certificates.

In synthesis, halal certification is important in the food and beverage industry to ensure compliance with Sharia standards, increase consumer confidence, and anticipate market needs. Business actors must prepare themselves well to face the halal-certified obligation that comes into effect in October 2024.

The benefits of halal certification for MSMEs (Micro, Small and Medium Enterprises) include:

1. Increased Competitiveness: Halal certification can improve the competitiveness of MSMEs by providing assurance of the halalness of products that comply with Sharia standards. This allows MSMEs to reach a wider market and increase sales.

2. Access to Wider Markets: Halal certification allows MSMEs to expand their market reach, including the global market. This is especially important for MSMEs that want to reach markets abroad, especially in countries with a majority Muslim population.

3. Increased Consumer Confidence: Halal certification increases consumer confidence in MSME products, especially among Muslim consumers who prioritize the halalness of products. It provides assurance that the product has gone through a rigorous testing and verification process to ensure halalness.

4. Improves Marketing Capability: Halal certification adds value to MSME products, thereby improving marketability. This allows MSMEs to have a stronger USP (Unique Selling Point) and improve the ability to market products.

5. Improving Ability in Financial Management: Halal certification allows MSMEs to have more effective financial management tools through digital payment technologies such as QRIS. This allows MSMEs to have more real-time financial analysis and improve financial management capabilities.

6. Increased Opportunities to Reach the Global Halal Market: Halal certification provides opportunities for MSMEs to reach the global halal market. This is especially important for MSMEs that want to increase their product exports to international markets.

- Benefits of halal certification for SMEs, including increased competitiveness, access to broader markets, and enhanced consumer trust.

2. Problem Statement

First, the ability of the Halal Product Guarantee Agency (BPJPH) to provide certification is not proportional to the number of MSME players. In addition, there are still inequalities related to halal certification assistance. The ability of the Halal Product Guarantee Agency (BPJPH) to provide certification is not proportional to the number of MSME players. In addition, he also said there were still inequalities related to halal certification assistance.

The second is the lack of budget allocated for halal certification. Halal certification through the self-declaration program is free of charge because it is funded by the government. However, the budget allocation for this program is not balanced with the need for halal certification through self-declaration. That way, the ministers assessed that inevitably the budget allocation for the self-declare halal certification program must be increased. It is estimated that the required budget is IDR 3.5 trillion. Meanwhile, the budget allocation provided is only IDR 250 billion.

Third, Technical Obstacles in the Certification ProcessThe data verification process at BPJPH takes a long time, which is around 7 months. In addition, BPJPH does not provide clear information about what files must be fulfilled, and the process of entering BPJPH must use a new and integrated NIB.

Fourth, the price of applying for halal certification is one of the obstacles for halal SMEs. Although the Ministry of K-UKM states that halal certification for SMEs is free, in reality there are still people who take the opportunity to charge for the certification application process.

Then, the assistance process that can help SMEs obtain Halal certification:

1. Proper Assistance:

Proper assistance can help SMEs understand the halal certification process and overcome barriers. The assistance should include a clear explanation of the required files and the process to be followed.

2. Availability of Facilities and Documents:

The availability of facilities and complete documents such as NIB, PIRT, NPWP, and others are very important in the halal certification process. Assistance can help SMEs in collecting and taking care of these documents.

3. Lack of Costs:

Assistance can help SMEs avoid unnecessary additional costs. This is important as cost is an issue for many halal SMEs.

The Impact of Halal Certification on Competitiveness and Consumer Trust

1. Competitiveness:

Halal certification can increase the competitiveness of SMEs because Muslim consumers will trust and buy products that have received halal certification. This is important because 72.5% of Muslim consumers have an awareness of the importance of consuming halal food.

2. Consumer Trust:

Halal certification plays an important role in ensuring the halalness of products. Without halal certification, the Muslim community will not believe that SME products are halal. Therefore, every halal SME must apply for halal certification for their products through MUI.

With the right assistance and sufficient support, SMEs can overcome obstacles in obtaining halal certification and increase competitiveness and consumer confidence.

Objectives

- Provide assistance and guidance to SMEs in the halal certification process.
- Increase SMEs' understanding of the importance of halal certification.
- Enhance SMEs' competitiveness through halal certification.

Literature Review

1. Definition of Halal Certification :

Halal certification is the process of verifying and providing assurance that products, such as food, beverages, cosmetics, medicines, and other consumer goods, meet the requirements of halal according to Islamic law. This certification is granted by an authorized institution after

going through a series of rigorous checks and audits, ensuring that the product is free from haram (prohibited) ingredients and processed in accordance with sharia principles.

The importance of Halal Certification in the Food and Beverage Industry:

1. Shariah Compliance:

Halal certification ensures that products consumed by Muslims are in accordance with the teachings of their religion. This is important for the spiritual satisfaction and religious beliefs of Muslim consumers.

2. Consumer Confidence:

Halal certification increases consumer confidence in the safety and halalness of the products they purchase. With the halal label, consumers are assured that the product has gone through a process that complies with strict halal standards.

3. Wider Market Access:

The halal-certified food and beverage industry can reach global markets, especially countries with large Muslim populations. This opens up export opportunities and significantly increases sales.

4. Regulatory Compliance:

Some countries require food and beverage products to be halal certified in order to be sold in the domestic market. Meeting this requirement helps companies comply with local regulations and avoid legal sanctions.

5. Competitive Advantage:

Having halal certification gives companies a competitive advantage. It can be a deciding factor in consumer preference, especially in markets with high demand for halal products.

6. Product Quality:

The halal certification process often includes thorough quality checks, ensuring products are not only halal but also meet high hygiene and food safety standards.

As such, halal certification plays a vital role in the food and beverage industry, not only to meet the needs and satisfaction of Muslim consumers but also to expand markets, increase consumer confidence, and ensure compliance with international regulations.

2. Halal Certification Process and Criteria :

- The Halal Certification Process

The halal certification process involves several important steps that must be taken by micro and small businesses (SMEs) to obtain a halal certificate. Here are the steps in the halal certification process:

1. Application Submission:

Business actors apply for a halal certificate to the Halal Product Guarantee Agency (BPJPH).

Document Completeness Check:

BPJPH checks the completeness of the required documents, such as Business Identification Number (NIB), PIRT, NPWP, and others.

2. Examination and Testing:

The Halal Examining Agency (LPH) conducts examination and / or testing of the halalness of the product. LPH must obtain accreditation from BPJPH in collaboration with the Indonesian Ulama Council (MUI).

3. Determination of Halal Decisions:

Determination of product halalness is carried out by MUI through the MUI halal fatwa trial in the form of a Product Halal Determination decision signed by MUI.

4. Halal Certificate Issuance:

BPJPH issues a Halal Certificate based on the Product Halal Determination decision from the MUI.

- Criteria and Requirements that must be met by SMEs

1. Raw Materials:

The raw materials used must comply with Islamic law. This includes ensuring that the raw materials do not contain haram ingredients such as haram meat, alcohol, and others.

2. Production Process:

The production process must comply with halal standards. This includes using clean machinery and equipment, as well as ensuring that the production process does not contain haram ingredients.

3. Cleanliness:

The cleanliness of the production site and the equipment used is also an important criterion. The production site must be clean and well-maintained so that the products produced are safe for consumption.

4. Documents:

The SME must have complete documents, such as NIB, PIRT, NPWP, and others. These documents are important to ensure that the SME has fulfilled the administrative requirements to obtain a halal certificate.

3. Impact of Halal Certification on SMEs :

The Impact of Halal Certification on SMEs:
Case Studies and Previous Research

1. Analysis of Obstacles in Submitting Halal Certification:

- Research conducted by Maryam, Prof. Dr. Samsubar Saleh, M.Soc., Sc, Akhmad Akbar Susanto, PH.D, shows that there are obstacles and problems faced by SMEs in registering for halal certification. This can be seen from the number of products that do not yet have halal certificates, especially in the Semarang and Yogyakarta areas. This study uses a qualitative phenomenological approach method and found that the data verification process at BPJPH takes a long time, and the process of entering BPJPH must use a new and integrated NIB.

2. The Position of Halal Certification in the National Legal System:

- Halal certification is a recognition of the halalness of a product issued by BPJPH based on a written fatwa issued by the Indonesian Ulema Council. The ratification of the UUJPH raises pros and cons from various parties. The position of halal certification in the National legal system in Indonesia has a central position because it has become a regulation in Indonesian legislation, especially Law Number 33 of 2014 concerning Halal Product Guarantee.

3. Obstacles in Obtaining Halal Certification:

- The Minister of Cooperatives and Small and Medium Enterprises (Menkop UKM), Teten Masduki, revealed that BPJPH's ability to provide certification is not proportional to the number of SMEs. In addition, there are still imbalances related to halal certification assistance. Teten also highlighted the lack of budget allocated for halal certification, which is estimated at Rp 3.5 trillion, while only Rp 250 billion is available.

Analysis of Economic Benefits and Consumer Confidence

1. Economic Benefits:

- Halal certification can increase business turnover. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises, the turnover of business actors increased by an average of 8.53 percent when they received halal certification. This is important because halal

certification allows SMEs to market their products globally, especially in Muslim markets that are very concerned about product halalness.

2. Consumer Confidence:

- Halal certification plays an important role in ensuring the halalness of products. Without halal certification, the Muslim community will not believe that the SME product is halal. Therefore, every halal SME must apply for halal certification for its products through MUI. This is important because 72.5% of Muslim consumers have an awareness of the importance of halal food consumption.

With halal certification, SMEs can increase competitiveness and consumer confidence, and ensure that the products they offer are halal in accordance with Islamic law.

Methodology

1. Approach and Methods

- Description of the community service approach used: The program employs a participatory and consultative approach. The participatory approach ensures active involvement of SMEs in the certification process, fostering a sense of ownership and empowerment. The consultative approach allows for continuous feedback and tailored support based on the specific needs and challenges faced by the SMEs.

- Data collection methods :

- Interviews: Structured and semi-structured interviews are conducted with SME owners and employees to gather in-depth insights into their understanding of halal certification, the challenges they face, and their specific needs for assistance.

- Surveys: Surveys are distributed to a broader group of SMEs to collect quantitative data on their readiness for halal certification, the common obstacles they encounter, and their overall perception of the certification process.

- Observations: Direct observations are made during on-site visits to SME production facilities. These observations help in assessing the current practices and identifying areas that need improvement to meet halal certification standards.

- Documentation: Review of existing documentation related to SMEs, such as business identification numbers (NIB), food production licenses (PIRT), and tax identification numbers (NPWP), is conducted to ensure all necessary paperwork is in order for the certification process.

2. Implementation of the Assistance Program

- Stages of assistance, from planning to evaluation.

- Training and workshops provided, as well as the materials used.

- Resources used in implementing the assistance.

3. Targets and Participants

- Criteria for selecting SMEs for the program.

- Participant profiles: types of businesses, locations, business scales, and challenges faced.

6. Program Implementation

1. Preparation

- Identification of SMEs needing assistance.

- Development of work plans and structured activity schedules.

2. Implementation

- Assistance activities carried out: training sessions, consultations, and halal audit simulations.

- Documentation of the process and SME participation during the assistance activities.

3. Evaluation and Monitoring

- Evaluation methods used to measure program success.
- Monitoring results on SMEs' progress in the halal certification process, including feedback and testimonials from SMEs.

Results and Discussion

1. Program Achievements

- Number of SMEs that successfully obtained halal certification.
- Changes in understanding and readiness of SMEs in the halal certification process.

2. Challenges and Solutions

- Obstacles encountered during program implementation.
- Solutions implemented to overcome these obstacles.

3. Impact of the Assistance

- Impact on SMEs' competitiveness and consumer trust.
- Testimonials and feedback from assisted SMEs, as well as analysis of long-term impacts.

Conclusion

Halal certification has become very important in the food and beverage industry, especially in Muslim-majority countries like Indonesia. With the rapid growth of the Muslim population, the demand for halal products is increasing, driving the importance of halal assurance on products circulating in the market. Halal certification provides protection to Muslim consumers by ensuring the products they consume comply with Islamic law, providing a sense of security and comfort. The certification process involves inspection and testing by an independent Halal Examining Agency (LPH) as well as determination of halalness by the Indonesian Ulema Council (MUI), ensuring products meet high safety and quality standards. Halal certification also increases consumer confidence in food and beverage products, which in turn can increase business sales and revenue. With the increasing Muslim population, the need for halal products is also increasing, and halal certification helps the food and beverage industry meet this need and improve competitiveness.

Starting October 2024, food and beverage products that are not halal-certified may be subject to sanctions, including withdrawal of goods from circulation and heavy fines, so halal certification helps businesses comply with these regulations. In addition, halal certification guarantees that raw materials and production processes meet sharia standards and are free from prohibited ingredients, raising public awareness of the importance of halal products and helping consumers make choices that suit their needs and religious values. The benefits of halal certification for MSMEs include increased competitiveness by providing assurance of halal products that comply with sharia standards, access to global markets, increased consumer confidence especially among Muslim consumers, and improved marketability and marketability.

However, there are challenges in halal certification such as the inability of BPJPH to provide certification proportional to the number of MSME players, limited budget for halal certification programs, technical obstacles in the certification process such as long data verification time, and high certification application fees for MSMEs. Solutions to overcome these challenges include proper mentoring to help MSMEs understand the halal certification process and overcome existing obstacles, availability of necessary facilities and documents, and reduction of unnecessary additional costs through effective mentoring. With proper mentoring and adequate support, MSMEs can overcome barriers in obtaining halal certification, improve competitiveness and consumer confidence. Halal certification also brings long-term positive impacts on increased sales and business income, and strengthens the position of MSMEs in the global market.

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