



Strategies for Halal Industry Development Through Strengthening Global Competitive Halal MSMEs of Tasikmalaya Municipality

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Abstract. MSMEs (Micro, Small, and Medium Enterprises) play an important strategic role in developing a nation's economy. The national government highly considers this strategic role in developing the national sharia economy. Tasikmalaya Municipality, as part of West Java province, which has a great opportunity to become the axis of the sharia economy, has significant potential for support in the form of halal Micro, Small, and Medium Enterprises (MSMEs) the development of a national sharia economy that has a vision of becoming the world's leading sharia economic center. It turns out that halal MSMEs in Tasikmalaya municipality have not been able to compete globally. This study aim has the main objective of establishing a strategy for strengthening halal MSMEs in the Municipality of Tasikmalaya, which is globally competitive, to support this vision. The method employed is descriptive statistical analysis via structured questionnaires, in-depth interviews with key individuals, and an examination of Strengths, Weaknesses, Opportunities, and Threats (SWOT). Based on the findings of the SWOT analysis, strategies for increasing the competitiveness of halal MSMEs in Tasikmalaya Municipality can be developed to support the halal industry are increasing halal MSME certification, increasing the qualifications of halal MSME human resources, using modern and appropriate technology to meet halal MSME product standards, strengthening linkages with industry (downstream), diversifying halal MSME products, increasing the role of religious and educational institutions for halal MSME product literacy to the Muslim community, increasing the role of fintech for financing and certification of halal MSME products and their marketing, building synergies with related institutions for halal MSME product innovation, improve the branding of halal MSME products through technology and information media, strengthen fiqh studies to produce halal MSME products.

Keywords: Competitiveness · Halal Industry · Halal MSMEs · Sharia Economy · SWOT

1 Introduction

Micro, Small, and medium-sized enterprises (MSMEs) are regarded as the backbone of economic growth in all countries. They contribute to the creation of job opportunities and serve as suppliers of goods and services to large organizations [1]. In facing the

global economy and the era of free trade, MSMEs are required to produce quality, competitive, and highly competitive products. On the other hand, consumers in both national and international markets are increasingly critical. Consumers, in addition to demanding higher product quality standards, and protecting the health and environment, also demand socio-cultural and religious aspects. Product halalness is not only an issue related to religion, especially Islam but has also become part of the reality of business and trade [2]. According to the State of the Global Islamic Economy Report (2019–2020) [3], by 2030 the population of Muslims or Muslims has reached 2,2 billion people [4]. The number of Muslims is roughly equivalent to 25% of the global population. The majority of 67% of adherents of Islam are in the Asian region, so halal products are a huge market potential. To fulfill this large market share, many countries already have halal certification institutions/agencies, even in countries where the Muslim population is a minority.

Tasikmalaya Municipality has the potential for various MSMEs as an integral part of development. Using information from the Department of Cooperatives and MSMEs in the Municipality of Tasikmalaya 2021, the contribution of large MSMEs is in terms of the number of businesses (123,010 units) [4]. The Municipality of Tasikmalaya has large MSMEs but many things are obstacles to the growth and development of MSMEs, including halal MSMEs. In the dynamics of developing the halal industry, less than 10 percent of MSMEs have halal certificates, far from large industries which have more than 60 percent. This will further add to the long list of MSME problems. In the midst of global competition, MSMEs in Tasikmalaya Municipality is also expected to be able to compete by producing quality, halal- certified, and highly competitive products. MSMEs in Tasikmalaya Municipality are part of regional-national industries that have a major role in the economy. MSMEs (including halal ones) in Tasikmalaya Municipality have the potential to produce quality products and can compete globally through products that have competitive advantages that are halal certified. The competitiveness of MSME products is still low and more than 90 percent of MSME products do not have halal certification. The halal industry is often associated with an attempt to produce products (goods and services) by following the provisions of the Islamic religion (sharia). In this paper, the terms sharia economy, Islamic economy, halal economy, and halal industry are terms that refer to the same meaning. However, the term halal industry is often referred to refer to the real sector of the sharia economy in the form of products and services [5]. Halal MSMEs are MSME industries that in the process have gone through technical stages that do not violate Islamic rules/sharia to produce halal products. Since the establishment of the Organization of the Islamic Conference (OIC) in the early 1970s, the halal industry has grown significantly in every Muslim country, even in non-Muslim countries. Non-Muslim communities are also starting to realize the benefits of halal products ranging from cleanliness, safety, nutritional content, and so on. This halal lifestyle has a direct impact on increasing the demand for halal products. Awareness of halal products (halal awareness) applies to consumers as product users and business actors, producers, or consumer service providers. The fact that the halal lifestyle has become a current trend shows that consumers' awareness of halal is increasingly emerging. This halal lifestyle and awareness development require MSME actors to have halal product certificates. Therefore, MSMEs must improve their branding position, grounding and

spreading halal awareness and lifestyle, be careful at every stage of the production process, ensure product safety and hygiene, and increase product competitiveness for export to countries that are very concerned about halal products [6]. According to the United States Presidential Commission on Industrial Competitiveness, competitiveness is the ability to produce goods and services that meet the demands of international markets while simultaneously maintaining and expanding citizens' real incomes [7].

Porter [8] developed a power model known as the Diamond Model, explaining that a country can achieve a competitive advantage nationally if four related competitive requirements are met and form four points: production, demand, existence, and strategy. Cho [9] developed Porter's model, known as the 9 Factor Model. Cho added factors outside the Diamond box, namely the existence of four factors which include labor, bureaucracy, politicians, entrepreneurship, managers, technicians, and professional designers [9]. In addition, Cho added the factor of access and opportunity to do something for the community that is outside the rectangular box. Specifically for the MSME competitiveness model, Chan, Man, and Lau [10] mention 3 aspects: influencing competitiveness in an SME that can have an impact on company performance, namely strong internal factors, the external environment, and the influence of entrepreneurs [10]. A conceptual model for the competitiveness of SMEs is proposed which consists of competitive scope, company organizational capabilities, entrepreneurial competencies, and company performance/objectives.

Much research on the halal industry has been carried out. Jamaluddin et al. [11], The Emergence of Global Halal Industry Ecosystem stated that the development of the halal industry or halal business was born from a halal concept which holistic. Bohari & Fuad The competitiveness of halal food industry in Malaysia: A SWOT – ICT analysis [12] discussed that the Halal food industry is very important for Muslims around the world, because it gives them a sense of security and comfort, that whatever they consume, wear, and buy is Sharia- compliant. Rezai et al [13], Qureshi et al [14] Concerning industry, including halal MSMEs, the labeling of halal certification in Indonesia so far, the existing regulations are still only an appeal, not an obligation.

This study aims to design models and strategies to develop and strengthen halal MSMEs in Tasikmalaya Municipality that are globally competitive to support the development of Indonesia's sharia economy to become a global leader.

2 Method

This research is a type of qualitative research that employs nonparametric statistical data, with the sample consisting of key individuals based on the research objectives. These key individuals are those who comprehend sharia cooperatives and agricultural development, namely: Heads of Cooperatives and MSMEs Offices, Heads of Trade and Industry Offices, Leaders of General/Sharia/BMTCooperative associations, Academics, and Potential Halal MSME Entrepreneurs.

The method of collecting information/data is carried out by in-depth interviews. This study uses a qualitative analysis method using the analysis of Strengths, Weaknesses, Opportunities, and Threats (SWOT). The SWOT analysis systematically identifies various factors in order to develop a strategy for increasing the competitiveness of halal

MSMEs in the Municipality of Tasikmalaya. This analysis is founded on the logic of maximizing strengths-opportunities, while simultaneously minimizing weaknesses-threats. The strategic decision-making process is always linked to the development of the interested parties' mission, goals, strategies, and policies that will be implemented under current conditions. This analysis is a strategy in helping decision makers through four strategies, namely the strategy of strength-opportunity (SO), weakness-opportunity (WO), strength- threats (ST), and weakness-threat (WT).

Research conceptual framework shown in Fig. 1.

In conducting a SWOT analysis, first, identify external factors (opportunities and threats) which are included in the external factor evaluation (EFE) matrix, and internal factors (strengths and weaknesses) which include the form of internal factor evaluation (IFE). The External factor evaluation (EFE) matrix is used to evaluate external factors of halal MSMEs related to opportunities and threats. External data is gathered in order to analyze economic, social, cultural, demographic, environmental, and political, government, legal, technology, and market competition issues. The internal factor evaluation (IFE) matrix is used to determine the internal factors of halal MSMEs related to strengths and weaknesses. Data on internal aspects of halal SMEs can be collected from several functional halal SMEs, namely aspects of human resources, financial aspects, infrastructure aspects, information systems, and management aspects.

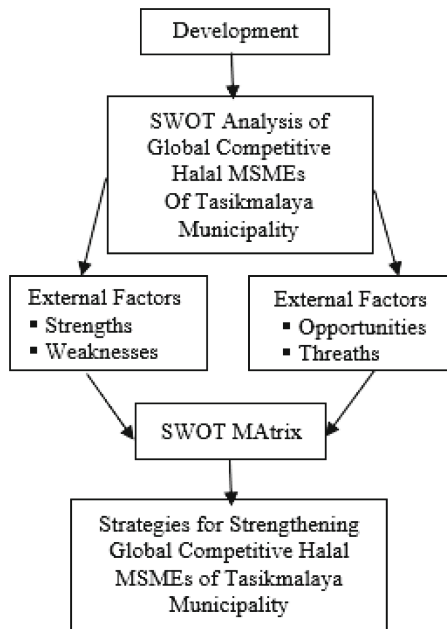


Fig. 1. Research conceptual framework

3 Result and Discussion

Based on the results of in-depth interviews with key persons, internal factors (strengths and weaknesses) were compiled which included the form of internal factor evaluation (IFE) and external factors (opportunities and threats) which included an external factor evaluation (EFE) matrix. SWOT matrix shown in Table 1.

Based on the SWOT matrix, the strengths (Strengths) are: 1) The number of halal MSMEs is large (99%) and spread throughout the Municipality of Tasikmalaya. It is a potential producer of halal goods, 2) The Indonesian people, in general, and the Municipality of Tasikmalaya, are the majority (98%) of Muslims. Many Muslim communities are a potential market for halal MSME products, 3) The number of LKMS/BMT/KSPPS spread all over the Municipality of Tasikmalaya. It is also a source of financing for halal MSMEs to increase capital and business expansion, 4) The number of mosques/prayer rooms, Islamic boarding schools, and educational institutions. This has become a literacy center and socialization for the development of halal MSMEs.

The weaknesses of halal MSMEs are 1) More than 90% of halal MSMEs have not been certified, and 2) Types of halal MSMEs are concentrated on food and its derivatives. In the halal industry, there are many other types, such as travel, media, medicine, cosmetics, education, finance, clothing, arts, and culture, 3) The low skill and knowledge of human resources in the management of halal MSMEs, 4) The low technology of halal MSMEs in producing products that meet standards and are marketable, 5) Halal

Table 1. SWOT Martix

Strengths (S)	Weaknesses (W)
1. The number of MSMEs is large 2. Large Muslim population 3. Domestic demand for Muslim consumers is high 4. LKS/Sharia Bank 5. The number of Islamic boarding schools is large	1. Many MSMEs are not yet certified 2. Halal MSMEs are only limited to food 3. Low HR Skills 4. Low tech mastery 5. Weak structure and linkages 6. Halal literacy and awareness are low
Opportunities (O)	Threats (T)
1. The trust of outsiders is growing 2. Information Technology (social media) 3. Development of Financial Technology	1. Incessantly imported halal products 2. Large industrial products are more varied 3. Behavior that doesn't care about halal certification

MSMEs have weak structures and linkages to large industries., 5) The low literacy of halal MSMEs. So far, the general public and even Muslims are not familiar with halal products, especially the results of halal MSMEs.

The opportunities for halal MSMEs are, 1) Increased external confidence in the economy and industry. In recent years, the Indonesian economy has experienced relatively high and stable growth. This can increase the confidence of the world and investors, 2) Improve technology and information. With the development of technology and information, especially the internet, all information related to halal MSMEs can be known and disseminated through the media without knowing the boundaries of space and time, 3) Financial development technology. The development of financial technology has made financial transactions more accessible, cheaper, and faster, including financing for MSMEs and purchasing halal MSME products.

The threats (threats) from halal MSMEs are, 1) Incessant halal products from outside that have met the standards and are relatively cheaper, 2) Larger industrial products are more varied. This has resulted in consumers having more choices with various types of diversification, 3) The differences in the schools of jurisprudence (mazhab make the products different.

Based on the SWOT matrix, a strategy is formulated so that halal MSMEs can compete globally. SWOT strategy matrix shown in Table 2.

Table 2. SWOT Strategy Matrix

SW Strategies	ST Strategies
<ol style="list-style-type: none"> 1. Increase halal MSME certification 2. Improving the qualifications of halal MSME human resources 3. Use of modern and appropriate technology to meet halal MSME product standards 	<ol style="list-style-type: none"> 1. Strengthening linkages with industry (downstream). 2. Diversify halal MSME products 3. Increasing the role of religious and educational institutions for halal MSME product literacy in the Muslim community
OW Strategies	OT Strategies
<ol style="list-style-type: none"> 1. Increasing the role of fintech for financing and certification of halal MSME products and their marketing 2. Build synergies with related institutions 3. For halal MSME product innovation 	<ol style="list-style-type: none"> 1. Improving the branding of halal MSME products through technology and information media 2. Strengthening the study of fiqh to produce halal MSME products

Based on the SWOT strategy matrix, an SW strategy can be drawn up:

1. Improving halal MSME certification, through the ease of terms and processes while still prioritizing the quality and standardization of halal MSME products.
2. Improving the qualifications of halal MSME human resources through pieces of training from related and sustainable institutions.
3. The use of modern and appropriate technology to meet halal MSME product standards. The government can become a facilitator with higher-level industries to take advantage of modern and appropriate technology.

Based on the SWOT strategy matrix, the ST strategy can be formulated:

1. Strengthening linkages with sector (downstream). Government and related industries both forward and backward in the management of halal products through a sustainable supply chain.
2. Diversify halal MSME products through innovative products by following market demand while maintaining product standards and quality.
3. Increasing the role of religious and educational institutions for halal MSME product literacy to the Muslim community both through formal and informal education such as recitation and the like.

Based on the SWOT strategy matrix, an OW strategy can be formulated:

1. Increasing the role of fintech for financing and certification of halal MSME products and their marketing. So far, the obstacle to financing MSMEs is the problem of regional reach, but with the existence of fintech, the financial and marketing systems can be directly connected quickly.
2. Building synergies with related institutions for halal MSME product innovation. So far, halal MSME products are only a few and less varied, so through this synergy, they will produce diverse products.

Based on the SWOT strategy matrix, an OT strategy can be formulated:

1. Improving the branding of halal MSME products through technology and information media.
2. Strengthening the study of fiqh to produce halal MSME products.

4 Conclusion

By looking at the results of the SWOT analysis, it can be concluded that the main strategy for halal MSMEs to be competitive in supporting the development of the halal industry in the global world is to increase halal MSME certification, increase the qualifications of halal MSME human resources, use modern and appropriate technology to meet halal MSME product standards., strengthen linkages with industry (downstream), diversify halal MSME products, increase the role of religious and educational institutions for halal MSME product literacy to the Muslim community, increase the role of fintech for financing and certification of halal MSME products and their marketing, building synergies with related institutions for product innovation Halal MSMEs, improve the branding of halal MSME products through technology and information media, and strengthen fiqh

studies to produce halal MSME products. Increasing and strengthening halal MSMEs so that they are competitive can encourage the development of the Indonesian halal industry so that the vision of becoming the center of the world economy can be achieved.

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