



# The Role of Halal Certification Acceleration in Boosting Halal Business UMKM in Indonesia

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**Abstract.** We know that a halal certificate is an acknowledgment of the halalness of a product issued by the Halal Product Guarantee Agency based on a written fatwa issued by the Indonesian Ulema Council. This research belongs to the type of library study. The literature review step in this research has been determined, namely how, the role of halal certification acceleration in boosting MHM in Indonesia. Accelerating the halal certification policy has economic benefits and is strategic for optimizing the captive market. The part of accelerating halal certification is likely to increase turnover, especially in Indonesia. The government continuously pays attention to the existence of micro and small business actors. One is a commitment to improving the halal industry by accelerating the implementation of halal certification for MSEs. Under the Minister of Finance Regulation Number 57/PMK.05/2021 CONCERNING BPJPH Public Service Agency Service Tariffs at the Ministry of Religion, the government provides halal certification facilities of Rp. 0 (zero rupiahs) for Micro and Small Business actors.

**Keywords:** Captive Market · MSME · Halal Certificate · Acceleration

## 1 Introduction

We know that food, cosmetics, medicines, and our products are necessities of life. We must fulfill these needs in a good, quality, nutritious, and healthy manner. In terms of price, the products that these need in the eyes of the public must be affordable. In addition, various needs and products must not conflict with religion, culture, and belief. In fulfilling all of this, it is necessary to have a production system that guarantees protection from producers and consumers.

We know that a halal certificate is an acknowledgment of the halalness of a product issued by the Halal Product Guarantee Agency based on a written fatwa issued by the Indonesian Ulema Council. When it has a halal certificate, the product has obtained a guarantee from the government, and there is legal certainty about the halalness of a product or service. All products the public will consume must be halal certified, as stated in Law No. 33 of 2014 concerning the Halal Product Guarantee. The products in question include beverages, food, cosmetics, chemical products, genetic products, and goods that the wider community can utilize.

In addition, business actors in the field of living necessities must also have a sense of responsibility for the distributed products, whether related to health or halal products. The public must also know and get some detailed and detailed information regarding each product composition that has been presented before buying and consuming it. This information relates to ingredients, safety, quality, nutritional content, and other necessary details so people can decide based on factual information.

Fulfilling halal life is a basic right for every Muslim. This issue concerns religious beliefs and health, safety, and worship needs. On the other hand, the *halal lifestyle* has recently become a worldwide trend in Muslim and non-Muslim countries. Thus, awareness of the fulfillment of halal needs is increasing in the global arena along with the proliferation of halal tourism, which is not only limited to the tourism destination sector related to Islamic sites but also concerns the fulfillment of various tourism needs. Providing halal and safe food is a very good business because the halal certification can invite loyal and enthusiastic customers who are not only in demand by Muslims but also by non-Muslims. On the other hand, for producers who do not provide halal labels or are certified as halal in Indonesia, where the population is Muslim majority, their products are not or are not in demand, which will harm the business actors themselves.

Halal certification here is a process to obtain a halal certificate through several stages of inspection to prove that the ingredients, production processing, and halal assurance system meet the standards of the Indonesian Ulema Council (LPPOM MUI). At the same time, the purpose of this halal certification is to provide certainty of the halal status of a product as a form of fulfilling consumer rights. Consumer confidence in the halalness of a product affects the number of consumer purchases of the product. In the past, applying for halal certification by producers was voluntary.

The government continues to encourage the development of the halal industry in Indonesia. One of the commitments that must be made is accelerating the implementation of halal certification for micro and small business actors (UMK). So Rp 0 does not mean the halal certification process does not require a fee. There is a service fee for applying for halal certification for business actors of Rp. 300.00 the government bears, but then this fee. Launching the *Sehati* program (Free Halal Certificate) and providing MSE halal facilitation through several ministries and institutions are strategies to accelerate MSE halal certification. The Ministry of Religion's (Kemenag) Halal Product Assurance Organizing Agency (BPJH) will open a quota of Free Halal certification facilities (SEHATI). The requirements to get SEHATI are to have a NIB; micro business scale; have outlets or product facilities at most 1; use materials that have been confirmed to be halal; have never received a halal certificate facility from another party; use ingredients that have been guaranteed to be halal; simple production process (home business not factory).

The government hopes that as many as 80% of food and beverage MSEs have NIB and halal certification. The acceleration of the implementation of halal certification in MSEs is carried out by establishing a cross-institutional *task force*. Through this certification, we will be able to help MSEs who produce halal products and expand the marketing of these products to penetrate the global market. So accelerating the implementation of halal certification will positively impact MSEs.

## **2 Research Methods**

This research uses a qualitative descriptive method based on the philosophy of postpositivism. This method is used to research the condition of natural objects, which researchers here as a valid instrument. The data collection technique used is triangulation, data analysis is inductive, and the results of qualitative research here are more generalizations. This research is included in the type of library study. The literature review step in this research has been determined, namely how the role of halal certification acceleration in boosting SMEs in Indonesia. The data collection is in the form of the documentation referred to in this study, namely the work or writing of someone. In written form, documents can be journals, books, magazines, and regulatory policies.

## **3 Results and Discussion**

### **3.1 Halal Certificate Acceleration**

Halal certification is proof that the products that have been traded meet the halal requirements set by the MUI fatwa. Halal certificate can also be interpreted as one of the national priority programs launched by the government. Therefore, it requires cooperation from all parties to make it happen, including the local government. Moreover, the government currently targets as many as ten million halal-certified products. In this day and age, halal has become a global trend, not domestic anymore. Halal is not only in religious ethics but has become an international standard that includes quality, quality, and hygiene. If the halal label is affixed to the packaging, people will perceive that the product has the good quality, quality and is healthy. So it is no longer surprising if halal certification is part of the national economic recovery.

The government continuously pays attention to the existence of micro and small business actors. One is a commitment to improving the halal industry by accelerating the implementation of halal certification for MSEs. Under the Minister of Finance Regulation Number 57/PMK.05/2021 CONCERNING BPJPH Public Service Agency Service Tariffs at the Ministry of Religion, the government provides halal certification facilities of Rp. 0 (zero rupiahs) for Micro and Small Business actors. A halal certification is also a form of government protection for Muslim consumers. With a halal certificate, consumers will also be calmer in consuming or using a product and avoiding products that contain haram elements. This halal certification aims to expand product marketing to penetrate the global market. This free halal certification held by the government requires, among other things, products that are not at risk or use ingredients that have been confirmed to be halal. The production process is guaranteed to be halal and simple and has a maximum annual sales result of 500 million, as evidenced by an independent statement and a NIB.

### **3.2 Halal Certificate Guarantees SME Product Safety**

To get a halal certificate, you must go through strict stages, from the beginning of the product being produced until the product can be sold. This situation cannot be

separated from the assessment to get halal certification. This fairly strict halal certification procedure makes us aware and confident that our products are guaranteed to be halal so that they can be used and consumed. In this case, having halal certification by a trusted institution increases the safety and trust of the people who will produce it.

This halal guarantee requires the production process to apply halal and *tayyib* production methods, which means correct. Right here, from the supply of raw materials to ready for consumption. Raw materials must be safe from biological, chemical, and illegal contaminants (Sulistiyo, 2016). In the production process must also use tools and places that are clean and free from uncleanness. Likewise, using additives and auxiliary materials in production must also be by the provisions that allow it. In large industries, implementing the Halal guarantee system is often combined with the HACCP system by adding haram items as a hazard component that needs to be watched out for. By implementing SJH, producers can be sure only to produce products that are safe for consumption.

### **3.3 Halal Certification Provides a Comparative Advantage for SMEs**

Although the term halal is now not a mere religious issue and has developed into a global trade language, the true values of halal include the meaning of being holy, clean, pure, responsible, and honest. Halal products appear to have values that meet sharia legal aspects and are safe, nutritious, healthy, appropriate, and environmentally friendly (Evans, 2012). The main function of this halal label is to help consumers to choose products without hesitation. In generally, Muslims will see a product with a halal label as a guarantee that it is safe for consumption. With this guarantee, the SME market is limited in the country and abroad, which is very wide open. In this case, halal can be used as a tool and global marketing strategy (Evans, 2012).

### **3.4 Acceleration Halal Certification for SMEs**

Sources of food and other products consumed by consumers are halal and safe, a right of every human being. In this case, it is not only related to religious belief, but here are guaranteed dimensions of health, economy, and security. Therefore, with a majority Muslim population, without being asked, the state should also protect its citizens in fulfilling their basic rights, namely the issuance of Law no. 33 of 2014 concerning the Halal Product Guarantee and its PP No. 31 of 2019. In line with that, business actors must also protect consumers, regulated in Law No. 8 of 1999 on consumer protection. Therefore, the state is required to be more active in regulating the economic system, which is described in the strategy carried out by the government in carrying out trade instruments, including through regulation.

The existence of PP Number 31 of 2019 indicates that halal certification is mandatory thing. Halal certification is an acknowledgment of the halalness of products issued by the Halal Product Assurance Agency (BPJH) based on the fatwa contained by the MUI. Based on a report by Thomas Reuters, Indonesia is ranked first for consumers of halal products, amounting to US 154.9 billion. Only now, Indonesia has maximized market potential for the category of producers whose types of Indonesian halal food only rank tenth. The increasing number of requests for halal products, both from the domestic and

foreign markets, has yet to be accompanied by the awareness of business actors to fulfill halal legalization lately.

As a Muslim-majority country, Indonesia has the opportunity to become a country that becomes the largest halal economic center in the world. In 2019, it reached 237.6 million people, with a Muslim population of 207,176.162, or 87.18 percent of the total population in Indonesia. In 2017 the population of Indonesia reached 269.7 million people. This figure is very fast when compared to 2018 (Faqiatul, 2018). Thus, within seven years, it reached 1.27 percent - 1.46 percent per year. The rapid growth of the Muslim population linearly affects the demand for halal products. This result can be seen from the need for halal products. Thus, reasonably, the government enacted Law no. 33 of 2014 concerning the guarantee of halal products to protect the interests of consumers entitled to use products that follow Islamic law.

Accelerating the halal certification policy has economic benefits and is strategic for optimizing the *captive market*. Implementing procedures to accelerate halal certification for business actors by pocketing halal certification for products sold will unknowingly positively impact economic development in Indonesia. From a macro perspective, the halalness of a product remains a trend in several countries. Moreover, the potential is huge with a large Muslim population in Indonesia, which has reached 87% of the total population.

Acceleration of halal certification is needed by manufacturers so that their products can penetrate the global market, especially in the Middle East Muslim country region. Before signing a contract for buying and selling, importers from the Middle East always ask about the halal aspect of the product, as evidenced by a halal certificate. For marketing purposes, namely, the acquisition of SNI ISO/IEC 17065: 2012 accreditation, LPPOM MUI has been accredited by *The United Arab Emirates Scheme for Halal Products* and obtained the *Emirates Authority for Standardization Metrology certificate*. Based on The certification is that Indonesian halal products are accepted in the Middle East.

Besides, the high potential of the Islamic economy in 2023 is predicted to reach 3 trillion dollars. The increase in this potential will become a halal business opportunity. The Ministry of Religion's Halal Product Guarantee Agency has also appealed to business actors to register for the Free Halal Certification facility immediately. The huge potential for halal will take the stage for the Indonesian state in marketing its products. So Indonesia is not only the country with the largest consumer category but also the largest producer. Rules that require halal certificates will support the export of Indonesian products.

Business actors in the country must learn from most non-Muslims, such as Thailand, South Korea, Spain, and Mexico. Even though the Muslim population in the land of origin is classified as very minimal, the awareness of business actors to the needs of the global industry is very high. Lately, halal food is considered to be a market.

One of the potential markets that the Indonesian government will penetrate is the Middle East, which is mainly Saudi Arabia, considering that more than 200,000 Indonesian citizens are there during the hajj season alone. If calculated from fulfilling the needs of the hajj, Indonesia's halal exports to Saudi Arabia and the Middle East could increase by five percent. Based on BPS data, there are about 57 million Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, and the number that has been certified halal is still minimal.

## 4 Conclusion

Acceleration of halal certification at this time is needed by manufacturers so that their products can penetrate the global market, especially in the Middle East Muslim country region. Before signing a contract for buying and selling, importers from the Middle East always ask about the halal aspect of the product, as evidenced by a halal certificate. Thus, halal certification is very important for SMEs who will market their products to all community corners, especially in Indonesia. It is easy for SMEs to continue to improve their quality by providing a valid label from a halal certification body, namely the Halal Product Guarantee Agency. Thus, SMEs will continue to spread their wings throughout the archipelago and even in other countries by already having good quality and being able to convince consumers.

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