



The Effectiveness of Halal Certification in Improving Business Ethics for UMKM Business Actors in The Food and Beverage Sector in East Java

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Abstract. East Java has a high number of MSMEs, around 9.7 million, of which around 80% still need to be halal certified. (<https://radarmalang.jawapos.com/>) Besides that, most of East Java's population is Muslim, 97.21% or around 39.85 million people out of 40.994 million people. (<https://databoks.katadata.co.id/>) This fact has led to the intensive socialization of the importance of all MSMEs pocketing halal certificates, following government policy that halal certificates are no longer volunteers but are mandatory. So all business actors are encouraged before 2024 to have a halal certificate. The purpose of the study is to describe and analyze the level of understanding of halal certification of MSME Business Actors and to analyze the effectiveness of halal certification in improving the business ethics of MSME Business Actors, which emphasizes the nature of social reality. These phenomena arise in MSMEs and focus on subjective human experiences as research informants. The phenomenological approach is expected to describe naturally the various things related to all MSME activities. The study results describe the understanding of halal certification of MSME business actors. Based on the results of interviews with 13 informants, on average, around 80% of informants understand halal and haram and know halal certification and its impact. The existence of halal certification is also very effective in improving the business ethics of MSME business actors, with indicators that business actors are truly responsible, honest, and full of awareness of maintaining halal products.

Keywords: Halal Certification, Business Ethics, Halal Business.

1 Introduction

Halal certification is one way to assess products worthy of consumption and worth selling by paying attention to aspects of cleanliness and health and free from unclean or goods that may not be consumed due to indications of haram. Indonesian society with a majority Muslim population, reaching 229.62 million people or around 87.2% of Indonesia's total population of 269.6 million people [1], is the main reason for caring about halal and haram products. Halal haram has become a lifestyle that must be applied by all Muslims, able to sort out items that are guaranteed halal and know which items are categorized as prohibited / haram [2]. The application of the halal lifestyle does not only belong to the Muslim population but also the non-Muslim population; it can be

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A. Mustofa et al. (eds.), *Proceedings of the International Joint Conference on Arts and Humanities 2023 (IJCAH 2023)*, Advances in Social Science, Education and Humanities Research 785,

https://doi.org/10.2991/978-2-38476-152-4_39

said that the halal lifestyle for non-Muslims is part of the privilege [3], which means that the application of a halal lifestyle becomes a model at the global level.

People and businesses that have implemented halal lifestyles must always monitor the development of halal products and pay close attention to their standardization. Indonesia has considerable potential in the industrial world, one of which is the micro and small industry, with the number of companies or small business units in the micro and small industry in Indonesia 4.16 million units with a revenue value of Rp. 501,825 billion. The food industry occupies the top income of Rp. 202,778 billion, followed by the apparel industry of Rp. Sixty-three thousand eight hundred thirty-three billion. In the food industry with the top income is very important to pay attention to the halalness of the product, starting from the basic ingredients and processing to the packaging process.

East Java has a high number of MSMEs, around 9.7 million, of which around 80% still need to be halal certified [4]. Besides that, most of East Java's population is Muslim, 97.21% or around 39.85 million people out of 40.994 million people [5]. This fact has led to the intensive socialization of the importance of all MSMEs pocketing halal certificates, by government policy that halal certificates are no longer volunteers but are mandatory. So all business actors are encouraged before 2024 to have a halal certificate.

The halal certification process is carried out to implement the ethics of producers and business actors so that they pay attention to how to process goods from start to finish. Do they pay attention to the elements of halalness? As was the case on April 2023 5 in one area of Surabaya, precisely in the Kya-kya Chinatown tour, food containing borax was found, revealed by the head of BPOM Surabaya [6] from 14 food samples there was one that indicated hazardous ingredients in food such as formalin, borax, rhodamine b, and textile dyes. Some research results also found that some foods sold still contain hazardous ingredients [7]. The problem of hazardous content in food ingredients has long occurred in society, so it is necessary to carry out regular monitoring, besides that it needs to be re-emphasized that halal certification is not just getting a halal label but how to make business actors aware, especially in the food and beverage business, to be truly consistent in maintaining halal, healthy, clean, safe, and harmless elements for consumption.

The mandatory halal policy is not 100% responded to positively by business actors. Some still feel that there is no desire to get a halal certificate. Some also experience difficulties when they have to show that the basic ingredients used are truly halal. For example, in Soto traders, slaughtering chicken does not use halal butchers. The chicken meat is slaughtered by themselves. In beverage traders such as juice, grass jelly and others, almost all business actors use refilled water as a base material that is not labelled halal. Another example is coffee-based beverage business actors who still object to being accompanied by obtaining halal certification (Observation, PU canteen Unesa 2023).

From several cases, it is necessary to investigate further the effectiveness of halal certification and whether it makes business actors aware of the importance of prioritizing business ethics, including maintaining the quality of food and beverages. If the research results can show real results, it is hoped that no more business actors will be reluctant to apply for halal certification.

2 Literature Review

2.1 Effectiveness of Halal Certification

Effectiveness is related to achieving policy objectives or targets (results in use). Effectiveness is the relationship between output and goals and objectives that must be achieved. Operational activities are likely effective if the activity process achieves the ultimate goals and objectives of the policy (spending wisely). Effectiveness indicators describe the range of consequences and impacts (outcomes) of program outputs in achieving program objectives.

Halal certification is a recognition of the halalness of a product issued by BPJPH (Halal et al. Agency) based on a written halal fatwa issued by MUI (Indonesian et al.). The legal basis for halal certification is Law Number 33 of 2014 concerning Halal Product Guarantee, as a starting point for the government to organize mandatory halal certification. The Government Agency for Halal Product Guarantee Organizers (BPJPH) under the Ministry of Religion has the authority to carry out halal certification, which was initially carried out by the Institute for the Assessment of Food, Drugs and Cosmetics - Indonesian Ulema Council (LPPOM MUI). However, the role of MUI is still quite strategic, namely the authority to provide fatwa to determine the halalness of products.

2.2 Business Ethics

The discussion of ethics is a discussion related to motivation based on activities that are considered good and bad. Ethics is a critical reflection and explanation of why something can be good and bad [8]. Ethics is strongly influenced by one's perspective as well as one's religion and beliefs. Syed Nawab Haider Naqvi, in his book *Ethics and Economics*. The main axioms of economic ethics, namely, Tawhid, Equilibrium, free will and responsibility.

3 Methodology

The type of research to be carried out is qualitative research. In contrast, the research paradigm used is an interpretative paradigm with a phenomenological approach that emphasizes the nature of social reality. These phenomena arise in MSMEs and focus on subjective human experiences as research informants. The phenomenological approach is expected to describe naturally the various things related to all MSME activities. The data sources in this study are grouped into three namely: 1) Human resources, namely information about MSMEs. The key informant is the PU UMKM 2) Phenomenon resources, namely observing the phenomenon of MSME activities 3) Document resources.

4 Results and Discussion

Primary data sources come from the Unesa Halal Study Center. The Unesa Halal Study Center is one of the institutions under Surabaya State University, which has halal-related work programs such as halal certification, halal companion certificate training, and national and international seminars. The Unesa Study Center directs key informants, namely 13 business actors. In this study, 13 sources had businesses in the food and beverage sector. Most of the sources' length of business is more than two years. All sources have halal certificates through the self-declaration route. The second resource person comes from a halal observer, namely the head of the unesa halal study centre. At the same time, secondary sources come from documents such as halal certificates, product photos and so on.

Eleven sources (80%) have literacy related to halal certification, and two sources (20%) need better literacy related to halal certification. Halal literacy was asked in the form of halal product knowledge and knowledge of halal certification management. In the knowledge of halal products, most MSMEs already know halal raw materials and critical raw materials, how to make products by halal procedures, including how to wash equipment and packaging products with halal packaging. While the knowledge of managing halal certification, MSMEs already know the procedures and costs incurred. MSME literacy is good because the Unesa Halal Study Center has conducted socialization related to halal products and procedures.

4.1 Effectiveness of halal certification in improving business ethics

Halal certification in MSMEs at the Unesa Halal Study Center has been effective. Based on Ethics and Economics An Islamic Synthesis (1993: 77) indicators of being responsible, honest, and full of awareness of maintaining halal products.

Responsible. Responsibility is where MSMEs are responsible for the products sold to the public. MSMEs that have been halal certified must provide products with halal raw materials. As an example, the respondent Mrs Ani, 's fruit juice. Mrs Ani's Fruit Juice sells fruit juas whose raw materials are halal. However, critical raw materials are used, such as sugar, milk and water. Mrs Ani, who has received a certificate, must remain responsible for meeting halal standards. If the price of halal water rises, Mrs Ani must remain responsible for using water that has been certified halal instead of switching to isi along with water that has not been certified halal. Likewise, other traders such as Bakso Bakar Pak Joni are responsible for not only using halal ingredients, but the tools used must also be halal. Mr Joni uses a brush that has been certified halal. Although it is rare and expensive, Mr Joni, who has received halal certification for his grilled meatballs, must be responsible for the availability and use of these cooking tools.

Honest. MSMEs must be honest in conducting buying and selling business. Honesty is not lying, not cheating, not making up facts, not betraying, never breaking promises, and so on. In this research, respondent honesty is seen in the provision of halal raw materials. Mrs Yohandini has a desert box business. One of the basic ingredients of the

dessert box is food flavouring (vanilla flavouring). Mrs Yohondani must be honest in using raw materials. If Mrs Yohandini claims to use vanilla flavouring that has been certified halal, it must be implemented. Refrain from letting Mrs Yohandini claim to use halal vanilla flavourings, but, in reality, use non-halal vanilla flavourings because the price is lower. Likewise, Mr Alfi told the buyer to make tension fish dumplings with halal "segitiga biru" flour. So Mr Alfi should refrain from lying by using kilo flour that is not clear about its halalness. This honest action is important because if we are dishonest, in addition to being an act that is sinful if commonly done in business, it will also colour and negatively affect personal and family life itself.

Full awareness of keeping products halal. According to Islam, business actors are not only pursuing profit as much as possible (profit-oriented), like the doctrine of capitalist economics, but also oriented to the nature of ta'awun (help) as a social implication of business activities. The point is that doing business is not about seeking material profit but is based on an awareness of providing convenience for others by selling goods. All respondent MSMEs have an awareness of product halalness. This is evident based on a source from the head of the Unesa halal study centre that at the beginning of the socialization of halal certification and socialization of self-declaration, MSMEs were very enthusiastic and interested. They readily prepare the administrative needs needed. This was confirmed by Mrs Sari, a gado - gado seller. After receiving information related to self-declaration halal certification, Mrs Sari immediately prepared her identity, listed the raw materials used, prepared product packaging and so on.

In improving business ethics, halal certification is very effective. This can be seen from the fulfilled indicators of business ethics, such as responsibility, honesty and awareness of maintaining halal products. Ramlan (2014) states that the halal label provides benefits for business actors, such as increasing consumer confidence, reaching the global halal food market, increasing product marketability, and low-cost investment. The existence of a Halal label is not only beneficial for consumers but also beneficial for producers.

MSMEs that have good business ethics are not only profitable for consumers but also profitable for their businesses. With good business ethics, consumers can trust the products produced. Consumers who believe and are satisfied with a product will not remain silent; they will promote it to the wider community. So, in the long run, product sales and profits will increase. However, halal certification literacy still needs to support the importance of business ethics. Whereas with halal certification, producers can improve their business ethics.

Halal certification literacy in Indonesia is still lacking; in big cities such as Jakarta and Surabaya, halal certification literacy is quite good, but in small areas such as Bangkalan, Madiun, and Banyuangi, halal certification literacy for MSMEs is still lacking. According to Dr Mohammad Farhan (2021), the understanding of traditional herbal drinks and herbal MSME players in the Bangkalan Regency of halal certification regulations still needs to be revised. In fact, Indonesia implemented a law related to the legality of the obligation to register halal certificates in improving halal certification. However, according to Andoko (2022), unfortunately, the laws and regulations have not provided clear direction on how the obligation to register for product certification must be carried out. The government, through the Ministry of religion, should be able

to conduct more thorough socialization to the people of Indonesia, not only in big cities but also in small towns. The Ministry of Religious Affairs, through the Office of Religious Affairs (KUA), can conduct socialization.

5 Conclusion

The level of halal literacy in big cities like Surabaya has a good level of halal literacy. Halal certification has good effectiveness on business ethics. Those who already have halal certification must be able to maintain their products from production to the hands of consumers. Responsibility, honesty and awareness of maintaining halal products guide MSMEs in maintaining their business ethics after obtaining certification.

The increase in business ethics with halal certification should make the government aware of the importance of halal certification. So that the government not only orders through the Law but also conducts socialization to the public in big and small cities.

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