**Halal Product Guarantee to the Development of Small and Medium Enterprises Business in Indonesia**

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**Abstract**  
This research aims to analyze the guarantee of halal products for the development of SMEs in Indonesia. The legal normative research uses a legal and conceptual approach. The primary and secondary data sources were used in the research. The research results showed that the guarantee of halal products for SMEs is very important because with halal certification, a product is already legal and protected by law. The importance of halal product guarantee for SMEs in Indonesia, namely: the Indonesian population is dominated by Muslims; there is public awareness of Muslims in Indonesia in consuming halal products; Indonesia has many SMEs; non-Muslim consumers view that every halal product has high quality, safe and hygienic; and the role of religious norms in implementing halal product guarantee. The Halal Product Guarantee Law No. 33 of 2014 obliges SMEs to have halal certification, so BPJPH is given authority by law to carry out promotion and halal certification support. However, there are problems, namely: complex requirements; limited facilities; lack of information about the process of registering halal labels; and high costs for the halal certification process. Therefore, the government must help and facilitate SMEs to obtain halal certification, so there is legal certainty in the effort to develop business.

**Keywords:** Halal Product Guarantee, Business Development, SME
Abstract

This study to analyze the guarantee of halal products for SMEs development in Indonesia. This normative juridical research uses legislation and conceptual approach. Sources of data are obtained from primary and secondary legal materials. The research results showed halal product guarantee for SMEs is very important because with halal certification, then a product has have gained legality and legal protection. The importance of halal product guarantees for SMEs in Indonesia, i.e.: Indonesian population is dominated by Muslims; the awareness of the Indonesian Muslim in consuming halal products; Indonesia has many SMEs; non-Muslim consumers consider that every halal product is of high quality, safe and hygienic; and the role of religious norms in the implementation of halal product guarantees. Law Number 33 of 2014 concerning Guarantee of Halal Products, requires SMEs to have halal certification so that BPJPH gave the authority to do socialization and assistance of halal certification. However, it’s experiencing problems, i.e.: complicated requirements, limited facilities, the lack of information about the procedures for filing the halal label and high costs for the halal certification process. Therefore, the government must assist and facilitate SMEs to obtain the halal certificate, so there is legal certainty in developing their business.

Keywords: Business Development, Halal Product Guarantee, SMEs

Introduction

The guarantee of halal products in Indonesia is still an interesting and relevant issue to be studied. Instead, the country of Indonesia has the largest Muslim population in the world. Based on data from the Central Statistics Agency in 2020, the population of Indonesia is 269.6 million. The total population of men is 135.34 million people, and women are 134.27 million people with a Muslim population of 229.62 million people or as much as 89% of the total population. That is, with a very large Muslim population, the Indonesian State has a huge market potential for the world halal industry. The results of a report from the State of the Global Islamic Economy in 2016/2017 published by Reuters (2016) show that Indonesia is ranked first for consumers of halal food products, which is $154.9 billion. However, the Indonesian government has not been able to maximize market potential, so that it is still ranked 10th in the category of halal food producers (Waharini and Purwantini, 2018). This means that the problem faced by the Indonesian government is the low number of Halal certified food producer.

Rasyid's research (2019) about "Dinamika Pelaksanaan Sertifikasi Halal Pada Produk Makanan dan Minuman Di Kota Medan, Sibolga dan Padangsidimpuan" shows that, every element
related to the halal of food and beverage products is found to be various problems that
constrain the implementation of halal certification, namely: limited authority and funding to
the MUI (LP-POM) to disseminate halal certification, lack of legal awareness of producers
related to halal certification requirements on products, and weak understanding of Muslim
communities about the need to pay attention to the halal of food and beverage products
consumed. Nukeriana's research (2018) about "Implementasi Sertifikasi Halal Pada Produk Pangan
Di Kota Bengkulu" also shows that, halal certification in food products in Bengkulu City is still
carried out by a small proportion of the number of Small and Medium Enterprises (SMEs).
That is because of the lack of information and knowledge about halal certification. Research
from Maryati, Syarief, & Hasbullah (2016) about “Analisis Faktor Kendala Dalam Pengajuan
Sertifikat Halal. (Studi Kasus: Pelaku Usaha Mikro, Kecil dan Menengah Makanan Beku di
Jabodetabek)” also shows that, 60% of SMEs frozen foods in Jabodetabek do not have halal
certification. Data from the Central Statistics Agency also showed that the number of SMEs in
Indonesia was 57 million, but those who already had halal certificates were still very few.
According to data from the Indonesian Ulama Council, as an institution authorized to issue
halal certification, in the 2014-2015 period it has issued national halal certificates for 6,231
companies and SMEs (Waharini and Purwantini: 2018). This means that, there are still millions
of SMEs that have not yet implemented halal certification.

The above conditions, become obstacles to improve the competitiveness and
development of SMEs in Indonesia. Though SMEs have a very important role for economic
development in Indonesia, where SMEs can contribute to GDP at a constant price of 57.6% (Sari, et al., 2015; Paju, 2016; Maryati, Syarief, and Hasbullah, 2016; Viverita, Kusumastuti, and Rachmawati, 2017). According to Nooh, et al (2007) halal certification for SME products has
become a consumer demand and is an important factor determining consumer purchasing
decisions. Prabowo, et al (2015) asserted that the halal label was one of the factors for Muslim
consumers before making a purchase decision. According to Article 3 of Law No. 33 of 2014
concerning Halal Product Assurance, that the implementation of halal product guarantees aims
to provide comfort, security, safety, and certainty of the availability of Halal Products for the
public in consuming and using Products; and increase added value for Business Actors to
produce and sell Halal Products. Therefore, the guarantee of halal products in the form of halal certificates is an obligation for businesses, including SMEs as bargaining power in selling halal products, and developing business (Afifi, 2014; Syafrida, 2016; Hidayat and Siradj, 2015: 206).

Based on the facts above, this paper aims to analyze halal product guarantees for the development of SMEs businesses in Indonesia. The focus of the study, regarding the importance of halal product guarantees for SMEs in Indonesia, and halal product guarantees for SMEs business development. This normative juridical research uses a statutory and conceptual approach. Data obtained from primary and secondary legal materials. Analysis technique uses prescriptive analysis with logic and legal reasoning.

Discussion

1. The importance of halal product guarantees for SMEs in Indonesia.

Indonesia as the largest Muslim population has potential market opportunities for the consumption of food products, medicines and cosmetics for the businesses of their own country and from abroad (Fathimah and Zailia, 2017: 74). Over the last couple of decades, religious markets have entered a new phase that characterized by new forms of regulation, certification and standardization on a global scale. Indonesia consists of around 240 million people population (BPS, 2010) and 87% of the population are Muslims (Fischer, 2016: 68). Having a very large Muslim population, Indonesia is a potential market for halal products (Suketi, 2014: 150). Indonesia also has the potential to become not only a major market but also a major producer of halal products (Soesilowati, 2011: 152).

Currently, Indonesia has entered the era of the Global Value Chain. One of the significant things in the era of Global Value Chain that needs to be pursued is the guarantee of halal from raw materials used in every process of production. This is due to several reasons, namely: first, Indonesia’s population is predominantly Muslim and this can be a potential market. Second, religious awareness of the Muslim community in Indonesia is getting better, so that in consumer products, especially food and beverages, requires legalization in the form of halal product guarantees. Third, Indonesia has many SMEs that play an important role in
moving the wheels of the Indonesian economy. Referring to data from the Ministry of Cooperatives and Small and Medium Enterprises (2013), the number of micro-businesses reaches 98.79% while the number of small businesses is only 1.11%, and the number of medium-sized businesses has the lowest percentage with 0.09%. From those data, none of them has the ability to guarantee that their products are halal. Fourth, consumers who are not Muslim consider that every halal product with high-quality is safe and hygienic. Fifth, the role of norms and religion is considered a decisive factor for the implementation of halal product guarantees (Kordnaceij et al., 2013). However, not all entrepreneurs are really able to get halal product guarantees, especially SMEs due to several reasons: lack of assistance, lack of socialization, complicated requirements and others. Therefore, the government as the highest institution which is responsible for the sustainability of SMEs in Indonesia must provide assistances and make it easy for SMEs to obtain halal product guarantees.

The government can cooperate with Halal Certification Institutions both at home and abroad. Currently, there are thirteen countries in Asia that are very concerned with the halal label and the validity of their certification has been recognized by LPPOM MUI namely Singapore, Malaysia, Brunei Darussalam, Japan, Taiwan, India, Hong Kong, Thailand, Philippines, Vietnam, Sri Lanka. If there are products that are circulating internationally, especially in Asia, it is required to include thirteen halal logos from several different countries. This is giving various halal logos which are currently the main challenges for the halal industry in Indonesia, especially SMEs.

The Indonesian government through LPPOM-MUI determines several requirements in the process of applying for halal certificates, Employers must understand the requirements and follow the halal guarantee system training and apply it to the product, Completing several documents, including product list, material and document list, product matrix, halal guarantee system manual, process flow diagram, address list of production facilities, proof of halal policy socialization, internal training evidence and internal audit evidence registering halal certification Conduct pre-audit monitoring and certification contract payments, Audit Post audit monitoring has a distribution permit for PIRT/MD and has an MD distribution permit for high-risk products.
All of these requirements must be prepared by business actors except MD marketing authorization from BPOM and IUI/IUMK from BPPTPM/District (Maryati, et al, 2016). To obtain the MD distribution permit based on BPOM regulations, employers must fulfil the following requirements:

a. Entrepreneurs must have an IUMK Business License or IUI from the local government in accordance with the IUMK Implementation Guidelines 2015,

b. Conduct product testing to accredited laboratories,

c. Apply for a circulation permit for MD to the Republic of Indonesia POM as many as two

d. Fill in the MD application form, enclose the attachment and include the label design or product label.

This is done so that entrepreneurs are able to understand the need for accredited halal food certification because at this time there are many food and beverage products both local and imported which have halal logos but do not have clear and valid traceability (Maryati, et al, 2016). The research by Maryati, et al (2016) showed that from the overall level of difficulty and constraints in obtaining halal labels, 30% of the total SMEs in Indonesia stated the requirements were complicated because of the large number of documents that had to be fulfilled and attached, especially when managing IUIs, while some management SMEs are still unconvincing. This is not in line with the Presidential Regulation Number 98 of 2014 which explains that business licenses for U perpetrators in some food and beverage industries, especially the scale of micro and small businesses, the majority still do not conduct halal certification. This is also a major challenge given that in Indonesia, the food and beverage industry is a mainstay industry because of its significant contribution to economic growth. The investment value of the food and beverage industry is quite well and ranks second so that the stability of the food and beverage industry needs to be maintained. But in fact, 43.3% of the total SMEs that produce frozen food is said to be complicated in managing MD, especially related to the bureaucracy of MD marketing authorization. While based on the Head of BPOM Regulation Number: HK.03.1.23.04.12.2205 in 2012, frozen food products must have an MD distribution permit, because they are included in the high-risk product group, especially those made from animal-based ingredients (Halal Directory LPPOM MUI 2013-2014).
The other limitation is the availability of facilities and infrastructure, especially laboratories that are only available in the provincial capital and just a few big cities. This makes the cost of laboratory testing of *halal* products very expensive. As many as 16.7% of MSME entrepreneurs in Indonesia produce at home and some others have already produced in a place separate from their homes, however, security issues and guarantees that *halal* products cannot be guaranteed, especially if the entrepreneur is not Muslim. According to Maryati, et al (2016), it is known that 100% of SMEs entrepreneurs do not have a proper factory (production site).

Another important challenge that must be faced is the challenge of e-commerce. At this time, we are moving to the global era of marketing where marketing efforts can be carried out using the advancement of information technology. On the one hand, the producers and marketers are facilitated in carrying out their business activities especially during promotions and consumers are also facilitated in getting their products. Unfortunately, Indonesia still does not have a specific regulation that regulates, supervises and guarantees the *halal* of products in e-commerce transactions, especially if the trading line is simple from the producer directly to the consumer, without any filtering party. This is a crucial note for BPJPH in monitoring products via e-commerce.

Besides, certainty and clarity about the period of proposal and management until the issuance of *halal* product guarantees is also very important because, in addition to cost efficiency, it is also a guideline for the Halal Inspection Agency (LPH) in carrying out inspections to the MSME industry that is the proponent of *halal* product guarantees. The period of time must be clearly stated in the Implementing Regulations. Some statements about the time limit in the *Halal* Product Guarantee Act need to be reviewed and clarified.

Globally, Muslim consumers are concerned about a number of issues concerning meat and meat products such as pork substitution, undeclared blood plasma, use of prohibited ingredients, pork intestine casings and non-*halal* methods of slaughter (Nakyinsige, 2012). Technically, according to Maryati (2016), there are three categories that hinder the management of *halal* products in Indonesia as follows:

a. Equipment constraints. It means that there are still many business actors who rely on part of the production process using tools used together such as meat grinding machines.
Meatballs vendors and other food products from meat which are carried out by butchers in traditional markets. This is difficult to ensure that milling equipment is not used for non-\textit{halal} meat, including beef selling places located close to pigs. This condition might use a knife or other equipment simultaneously,

b. Material constraints used. In the presence of materials for production, many findings are difficult to trace. Questionable material does not have clear information about who and where they are produced. Especially for bread or cake products and spices used for food restaurants.

c. In businesses that use animal meat raw materials, the main problem occurs during the slaughter process. Many businessmen also buy poultry, beef or goats in places where there is no guarantee of \textit{halal} animal slaughter. Animal slaughter is also carried out in markets without supervision and is rarely done properly in slaughterhouses. For example, Pontianak and Singkawang Provinces, although there are already slaughterhouses in the city with certifications, the interest of entrepreneurs to properly slaughter their animals in there is still very poor, so animal meat that is sold and consumed cannot be ensured the \textit{halal}ness.

The process of implementing the Law on Guaranteeing \textit{Halal} Products is expected to be accelerated and BPJPH can further examine the challenges of SMEs in finding the \textit{halal} product guarantees as mentioned above. The government must provide clear regulations and stages as legal certainty for SMEs in running their business, especially to prevent problems.

2. \textbf{Halal Products Guarantee for SMEs Business Development.}

Law No. 33 of 2014 concerning Guarantees of Halal Products is the regulations that apply in Indonesia which regulate the guarantee of halal products. According to Law Number 33 of 2014 concerning Guarantees of Halal Products, the term of halal itself aims to provide legal protection for Muslims for using and consuming a variety of products both food, drinks, medicines and others. According to Asshiddiqie, Law No. 33 of 2014 is a law that applies specifically, because of the specificity of the law, the binding capacity is only material, which only applies internally and categorically. Looking at the legal aspect, certification and labelling of halal products on food, beverages, medicines and others is important because of the increasing demand and consumer awareness of halal products, especially Muslim consumers.
Law Number 33 the Year 2014 concerning Halal Product Guarantee was passed by the House of Representatives on September 25, 2014, as an effort to provide legal protection for the Indonesian people regarding food products, medicines, and cosmetics, which have been started for a long time even though several delays have been postponed. (Mashudi, 2017). According to Law Number 33 of 2014 concerning Halal Product Guarantees, what is meant by Halal Products are Products that have been declared halal by Islamic law. Whereas Halal Product Guarantee, hereinafter abbreviated as JPH, is legal certainty on the halal status of a Product as evidenced by a Halal Certificate. Halal Certificate is recognition of the halal status of a product issued by BPJPH based on a written halal fatwa by MUI.

The Halal certification of food products that become public consumption has obtained legality and legal protection from their main government in 88% of the Muslim consumer community. Apart from the viewpoint of the trust of the Muslim community, apparently halal labels on food, drinks, medicines and other products are also needed by non-Muslim communities, especially for cleanliness, health and inner peace. In the era of economic globalization, halal certification and labelling are increasingly needed as means to compete competitively with foreign products, especially in terms of creating more value and excellent product. With halal certification, producers can explore a wider market (LPPOM MUI, 2011: 11).

Halal certificates have the potential to fight negative issues that can affect product sales. Halal certificates are also considered as the right solution to provide comfort and security for Muslim consumers (LPPOM MUI, 2011: 29). Thus, it can be concluded that halal is the main requirement for Muslim consumers in consuming a product, especially food. One halal product is determined from the suitability of raw materials, processes to the infrastructure and transportation facilities used in the production process from upstream to downstream, namely the arrival of products to consumers.

Empirically, we often find that there are many consumers who are hesitant to buy a product if it has not been certified halal from LPPOM MUI, so producers find it difficult to convince consumers that the product is truly halal and safe for consumption. In terms of the company’s interests, the existence of halal certification can maintain credibility, commitment
and public trust, especially from countries that are predominantly Muslim (LPPOM MUI, 2011: 28).

*Halal* certification as mandated by Law Number. 18 of 2012 concerning Food and Law Number 8 of 1999 concerning Consumer Protection must be sought. The certificate does serve as evidence from the competent party to declare the product truly *halal*. However, the commitment to keep *halal* products from the company is far more important and decisive, even though with a *halal* certificate combined with SJH, the company can show other parties that the company has been formally and legally verified and guaranteed *halal* (LPPOM MUI, 2011: 23).

*Halal* products currently have a large and growing market share. This was caused because the growth of Muslim population was 1.8 billion in 2015 and the Asia Pacific dominated the market by contributing USD 594 billion in 2016, with a large consumer base in many countries such as Pakistan, Indonesia, Bangladesh and India with the highest Muslim population (Cooper, 2017). Some regulations as a legal basis for the *halal* product certification process in Indonesia include 1) Law No. 7 of 1996 concerning Food; 2) Decree of the Minister of Health of the Republic of Indonesia No. 924/Menkes/SK/VIII/1996 concerning Amendments to the Decree of the Minister of Health of the Republic of Indonesia No. 82/SK/I/1996 concerning the Inclusion of *Halal* Posts on Food Labels; 3) Government Regulation No. 69 of 1999 concerning Food Labels and Advertising.

Republic of Indonesia Law No. 33 of 2014 concerning Guarantee of *Halal* Products. The *halal* certification process carried out by the Indonesian Ulema Council includes several steps, namely: 1) Registration; 2) Implementation of *Halal* Certification Audit; 3) LPPOM MUI *Halal* Auditor Meeting; 4) MUI Fatwa Commission Meeting; 5) Issuance of *Halal* Certificates.

Considering the requirements and stages of a long and difficult *halal* certification process, the government has conducted various efforts, especially for SME entrepreneurs, as follows:

1. Socialization of the Application of a *Halal* Guarantee System. The dissemination of the application of the *Halal* Assurance System to entrepreneurs is carried out by dialogue about the importance of implementing a *halal* guarantee system in the development of food
product businesses and an understanding of the magnitude of the market potential of products that have been certified *halal*.

b. Identification of the Type of Product to be Certified. Explain to entrepreneurs about the types of products that can be certified. If the type of product contains critical raw materials according to the provisions of LPPOM MUI, it must first undergo laboratory tests. In Islamic law what is said to be *halal* is not only the substance but also starting from the production process from upstream to downstream must be free from substances which are forbidden by Islamic law. The storage of *halal* products must not be close to *halal* products, meaning that *halal* product storage must be separate from non-*halal* products. Likewise, the equipment used to process *halal* products should not be used together with non-*halal* products.

c. Identification of Raw Materials from Products to be Certified. Explain to entrepreneurs about how to identify raw materials used during the production process. This stage aims to find out whether there are materials included in the list of critical issues from LPPOM MUI or not. Materials included in the LPPOM MUI critical ingredient list must be ascertained by their *halal* status by checking whether or not there is a *halal* certification on the raw material. If the material is not listed as a *halal* certificate, then it must be checked again if the process is long or the procurement of the material is mixed with unclean or not.

d. Identification of Production Process Flow. Explaining to entrepreneurs about the identification of the flow of the production process which is carried out with the aim to identify the process flow in the manufacture of products so that each process step from raw materials to finished products meet the requirements of the *Halal* Guarantee System.

e. Application of the system of Technical *Halal* Guarantee. Explaining to entrepreneurs about 11 criteria that must be considered by employers in handling *halal* product certificates, as follows:
   a) *Halal* Policy
   b) *Halal* Management Team
   c) Training and Education
   d) Material
e) Products
f) Production Facilities
g) Written procedures for critical activities
h) Search capability
i) Handling products that do not meet the criteria
j) Internal Audit
k) Management Review

Giving assistance to the technical implementation of the Halal Assurance System for entrepreneurs which is carried out by using the on-site training method, in which training is carried out directly at the production site by involving employees and entrepreneurs.

Conclusion

Halal product guarantee for SMEs in the form of a halal certificate is very important because, with halal certification, food products that become public consumption have gained legality and legal protection from the government. The arguments of the importance of halal product guarantees for SMEs in Indonesia, namely: first, Indonesian population is dominated by Muslims so that it becomes a potential market; secondly, the religious awareness of the Muslim community in Indonesia is getting better, so consuming products, especially food and beverages, requires legalization in the form of a halal product guarantee; third, Indonesia has many SMEs that play an important role in the development of the national economy; fourth, non-Muslim consumers consider that every halal product is of high quality, safe and hygienic; fifth, the role of religious norms in the implementation of halal product guarantees. However, in reality, not all entrepreneurs can obtain the guarantee of halal products, especially SMEs for several reasons including lack of assistance, lack of socialization, complicated requirements and others.

Halal Products Guarantee for SMEs Business Development has been arranged in Law Number 33 of 2014 concerning Guarantee of Halal Products, that requires all food, beverage and drug products circulating in Indonesia have halal certification. For SME business development, BPJPH with government agencies that carry out government affairs in the field
of cooperatives, micro, small and medium businesses also doing socialization and assistance of Product halal certification. However, halal product guarantees for SMEs business development in Indonesia encounter several problems, namely: the initial information limit on halal product guarantees, very complicated processes, and high costs for the halal product certification process. Therefore, the government must assist and facilitate SMEs to obtain halal product guarantees. The government must also provide clear regulations and stages as legal certainty for SMEs in conducting their business, especially related to the guarantee of halal products.

References


**Regulations:**

Republik Indonesia, Undang-Undang Republik Indonesia Nomor 33 Tahun 2014 Tentang Jaminan Produk *Halal*.