

Research Article

Micro and Small Industry (MSI) Based on Halal Products in Lampung: What Has the Government Done?

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ORCIDHanif: <https://orcid.org/0009-0007-2529-4438>**Abstract.**

Micro and small industries (MSI) play a strategically vital role in supporting the dynamics of the economy, both globally and locally, particularly in the context of poverty alleviation and the enhancement of community welfare. The primary objective of this research is to delve into it in a more detailed and comprehensive manner by thoroughly exploring the potential and support capacity of the government for MSI focused on the development of halal products, with the aspiration of generating a substantial positive impact on overall economic growth and community welfare at a significant level.

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1. Introduction

The role of Micro and Small Industry (MSI) in national economic development is highly strategic. Characteristically, MSI operates on a relatively smaller scale compared to large corporations and is managed in a familial organizational structure. MSI generally faces limitations in terms of assets and capital, lacking substantial production capacity and often encountering financing constraints. Comprising smaller production units with limited resources, MSI nevertheless often serves as a primary source of employment in a given area. According to the latest data from the BPS survey in 2019, MSI nationally absorbed a workforce of 9.58 million individuals, accounting for 49.88% of the total labor force in the manufacturing industry. In the city of Bandar Lampung, MSI in 2019 successfully employed 14,435 people [1]. However, up to this point, MSI is still classified as an informal business characterized by low productivity and technology usage. Although it has started to demonstrate the ability to innovate and develop production technology, MSI still faces several classic problems such as access to capital, marketing, raw materials, guidance/training, and partnerships.

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MSI exhibits characteristics that tend to be more innovative and flexible in adapting to market changes and consumer trends compared to large-scale industries. MSI can respond quickly and produce unique and distinct products. In terms of industry groups, 33,446 or 37.78% of MSI in the Lampung Province are engaged in the food industry, the largest percentage among all MSI in the province. In line with this, the increasing shift in consumer lifestyles towards halal products provides significant hope for the development of MSI. The food MSI sector has the potential to produce distinctive and unique food products that align with the preferences and trends of consumers adopting a halal lifestyle. Food MSI, with its flexibility and innovation capabilities, can create food products that are unique and in line with the ongoing halal trends.

The halal product market has experienced significant growth in the last few decades. Consumer demand for high-quality halal products is increasing globally, creating promising business opportunities for producers. The demand for halal products is not only coming from the Muslim community but also from non-Muslims seeking quality, hygienic, and safe-to-consumer products. The potential market for halal products has reached a global scale and has penetrated various industrial sectors, including food and beverages, pharmaceuticals, cosmetics, tourism, and the financial sector. Globally, the demand for halal products continues to increase, as reported by the 2022 Global Islamic Economy Report. The report reveals that Indonesia is one of the countries with the largest consumers of halal products globally, accounting for approximately 11.34% of the total global halal expenditure.

In the halal food sector, Indonesia ranks second as the largest consumer in the world, while in the halal cosmetic sector, Indonesia ranks fourth [2]. The halal product market, both globally and nationally, presents a significant opportunity for MSI to grow. However, given the limitations, MSI requires support from various parties, especially the financial sector, as the capital sector is currently the second biggest issue (37.234%) after marketing issues (38.323%). Overall, only 0.67% of MSI have received services/assistance. Considering these conditions, it remains challenging for MSI to serve as a means to improve community welfare.

2. Literature Review

2.1. Micro and Small-Scale Industry

In Indonesia's historical context, the commencement of industrialization can be traced back to the era of Dutch colonialism, specifically following the introduction of the forced

cultivation system by the Dutch colonial government in the 1830s. This period witnessed the establishment of various industries, including food and beverage, textiles, and kretek cigarettes. The onset of modern industrialization in Indonesia occurred during the mid-1960s when President Soeharto assumed power.

Deliberately, the New Order government undertook a restructuring of Indonesia's economic framework, transitioning from an agriculture-centric sector to one centered around industry. The endeavors of the New Order administration proved fruitful, leading to a substantial transformation in Indonesia's economic landscape. By the early 1990s, there was a notable increase in the industrial sector's contribution to GDP compared to the agricultural sector.

The field of industry encompasses a wide range of economic activities, with the quantity, classification, and types of industries varying across different countries or regions. Typically, the complexity of these activities and endeavors increases with the pace of industrial development in a given country or region. According to several references on industrial matters, industries can be classified based on criteria such as raw materials, labor, produced goods, raw materials, business unit location, production processes, capital utilization, management entities, and organizational methods [3].

From the perspective of its limited-scale characteristics, Micro and Small Industries (MSI) have various strengths. These strengths lie in their ability to be flexible in facing various environmental challenges. Among the strengths of small businesses are flexibility for creativity, the ability to innovate, and the capability to take actions that large businesses find difficult. Essentially, every economic activity that is economically challenging for large-scale enterprises becomes a strength for small businesses.

Micro and small-scale industries (MSIs) constitute an economic sector comprising small enterprises with relatively modest production scales. The criteria for size may vary depending on the country or institution defining them. Nonetheless, in general, micro and small-scale industries exhibit restricted workforce numbers and smaller production capacities in comparison to large industries. Based on the classification of the Central Statistics Agency, Micro Industries are industrial companies with a workforce of 1-4 people. Small Industries are industrial companies with a workforce of 5-19 people [4].

2.2. Halal Product

All actions or objects that we engage in involve the five main classifications, namely halal, haram, *syubhat*, *makruh*, and *mubah*. Allah SWT provides guidance on how we

should approach each of these categories. Regarding things that are absolutely permissible, we are not only commanded by Him to consume them but also to understand and experience them with full awareness of their permissibility. This concept emphasizes that halal food not only fulfills our physical needs but also has a positive impact on our spiritual life. It is believed to enhance the brightness of faith and serve as a support for the fulfillment of our prayers to Allah SWT. Therefore, awareness of the permissibility and respect for these guidelines become crucial foundations in navigating our daily lives [5].

“Halal” is a term in the Arabic language that means “permissible” or “in accordance with Islamic law.” When applied to the context of food and beverages, the term “halal” refers to products or substances that meet the criteria allowed by Islamic law. Food or products that adhere to halal standards can be consumed or used by Muslims in accordance with specific rules outlined in Islamic teachings. Conversely, products or substances that do not meet these requirements are referred to as “haram,” meaning “prohibited” or “not allowed.” The concept of halal can also encompass other aspects of daily life, including finance, clothing, and behavior, all of which are governed by the principles of ethics and Islamic law.

Halal is something by which harmful entanglements are avoided, and Allah SWT permits it to be done in accordance with Islamic teachings [6]. Islam teaches to consume goods that are not only halal but also good. This includes aspects of quality, cleanliness, and their positive impact on health and the environment. This understanding emphasizes the importance of choosing food and consumer goods that not only meet halal criteria but also provide overall positive benefits in everyday life, as stated in the Quran, Surah Al-Maidah, verse 88, where Allah SWT:

وَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا وَاتَّقُوا اللَّهَ الَّذِي أَنْتُمْ بِهِ مُؤْمِنُونَ

“Eat of the good, lawful things provided to you by Allah. And be mindful of Allah in Whom you believe.”

The word “halal” originates from a root word that means to be free or not bound. Something that is halal means it is free from the bonds of worldly and hereafter dangers. In legal terms, the word “halal” also means permissible. The term “thayyib,” linguistically, means delicious, good, healthy, soothing, and most importantly, pure. In the context of food, “*thayyib*” refers to food that is not impure in its essence, expired, or mixed with impure substances.

The halal status of products is highly important for Muslim consumers. To ensure the halal status of a product, a halal certificate issued by the authorities or an authorized institution overseeing halal practices is required. This certificate serves as official evidence

that the product has undergone rigorous inspection and audits to ensure that its ingredients, production processes, and involved facilities comply with the halal standards established in Islamic teachings. Holders of the halal certificate provide confidence to Muslim consumers that the product can be consumed or used by recognized principles of halal. Furthermore, the halal certificate fosters trust and transparency throughout the supply chain of the product. Indonesia has an authorized institution to ensure halal products, namely the *Badan Penyelenggara Jaminan Produk Halal (BPJPH)* [7].

3. Research Methods

The research method utilizes a qualitative descriptive approach, which is a method for investigating the status of human groups, an object, a set of conditions, a thought system, or the class status of events in the present. The qualitative descriptive method is an approach in research aimed at describing and understanding social phenomena or human behavior in detail and depth. The qualitative research method is also a research method that emphasizes a more in-depth understanding of an issue rather than viewing the problem for generalization purposes [8]. This method focuses on collecting qualitative data and analyzing that data to generate a comprehensive picture of the phenomena under study. The qualitative descriptive method is useful in research that focuses on a deep understanding of complex and less-known phenomena. By using this method, researchers can provide a rich and detailed description of the phenomena being studied.

The primary data in this research is data taken from first-hand source in the form of interview results with informants considered appropriate for data collection. The informants referred to are individuals directly involved in this research, namely micro and small industry players, as well as government officials. The secondary data in this research is data derived from documents related to the government's strategies in supporting the development of Micro and Small Industries (MSI) based on halal products.

4. Results and Discussion

The government, through the Department of Industry, provides strong support for the development of halal products. This is done because halal products have the potential to enhance the economic value and competitiveness of Indonesian products in the global market. Government support includes mentoring, training, promotion, and the development of halal industrial zones as tourist destinations to add economic value to

the region. So far, the government's support for halal products has had a positive impact on the development of the halal industry in the city of Bandar Lampung. This is evident in the increasing number of certified halal products, the rise in the export value of halal products, and the growing awareness among the public about the importance of halal products, to position Indonesia as the world's center for the halal industry.

The development activities of the Micro and Small Industry (MSI) based on halal products are efforts by the government through the Department of Industry to improve the welfare of the community. The empowerment activities for MSI include training, coaching, and mentoring carried out through collaborations with various parties. In the context of MSI development, according to Law Number 20 of 2008 regarding Micro, Small, and Medium Enterprises, the government's role is as a facilitator, regulator, and catalyst in the process of strengthening MSMEs. The facilitator function is intended to assist MSMEs in achieving their business-strengthening goals. Furthermore, the regulator's role involves creating policies that facilitate MSMEs in consolidating their businesses. As for the catalyst function, it is tasked with accelerating the growth of MSMEs through government policies, providing legal guarantees, and legislation, especially for potentially impactful economic activities such as MSMEs. Thus, the government's role encompasses all activities undertaken to enhance the competitiveness of innovative small and medium-sized industries.

The role of the Department of Industry as a facilitator involves criteria such as providing something, whether it be training, coaching, or specific policies for MSI practitioners. The Department of Industry has conducted training sessions, as quoted from an interview: "The Department of Industry in 2023 provided training to us, similar to training new employees, because we do not all have expertise in developing our business products. The training provided is Digital Marketing training for economic recovery during the handling of COVID-19." According to sources from the Department of Industry, the digital marketing training was attended by 64 MSI practitioners with various products being produced. Digital Marketing training conducted by the Department of Industry has several significant benefits, especially in the context of modern business and marketing. Digital marketing provides opportunities for Micro and Small Industry (MSI) practitioners to enhance their advertising efficiency in addition to increasing their sales through broader market penetration.

The majority of Halal-based Micro and Small Industries (MSI) are managed within a familial system, utilizing traditional production technologies. The familial management system often lacks professionalism as business decisions are based on family relationships rather than competence and performance. This can lead to inappropriate

business decisions that may harm the Halal MSI itself. Additionally, familial management is susceptible to conflicts of interest, as family members often have different interests in the business, resulting in disputes and potential disruptions to the performance of the Halal MSI.

Familial management also tends to be inflexible in adapting to changes as family members may be reluctant to alter existing traditions and habits. The use of traditional technology in Halal-based MSIs results in limited production capacity due to the use of simple equipment and methods. Low production efficiency is caused by reliance on manual labor and manual production processes, leading to uncertain product quality. Production using traditional technology often yields products of uncertain quality due to the use of non-standard materials and methods. The high production costs associated with traditional technology stem from the extensive use of manual labor in the production process.

To overcome the issue of traditional management in Micro and Small Industries (MSI), the Department of Industry has organized training on the use of modern production tools, as revealed in interviews with practitioners of Halal food MSI: “The Training on the Use of Modern Production Tools is a positive and crucial step in enhancing efficiency and production quality in micro and small-scale industries. This training provides a deep understanding of how technology can be integrated into traditional production processes, opening new opportunities, and improving competitiveness”.

Micro and Small Industries (IMK) in Lampung currently enjoy ease in obtaining the Halal Certificate from the Halal Product Assurance Organizing Agency (BPJPH) through the Free Halal Certification Program (Sehati). The Department of Industry and the Ministry of Religious Affairs in Lampung specifically pay attention to halal certification through the establishment of the Halal Product Task Force, which works to accelerate halal certification through systematic steps both internally and externally. Internally, the acceleration is achieved by strengthening coordination between units under the Lampung Ministry of Religious Affairs to make the Sehati program a joint priority. Additionally, the acceleration involves reinforcing the role of religious counselors as companions in the halal product certification process. Externally, the acceleration is carried out by promoting the role of Madrasahs/*Pesantrens* in educating the public about the importance of halal products, not only for Muslims but also for people of other religions.

Although the government has implemented numerous programs to support the development of Micro and Small Industries (IMK) based on halal products, there are still programs that lack sustainability, as revealed in interviews with IMK practitioners:

“Training programs conducted by the government, such as training on the use of modern production tools, often conclude without follow-up, for example, equipment assistance.” Based on information obtained from the Department of Industry, budget constraints are the main cause of the sustainability issues in the program. The government also faces limitations in the number of support personnel available to execute the assistance program for halal-based Micro and Small Industries (IMK). This results in suboptimal implementation of the assistance program for halal-based IMK.

5. Conclusion

The development of Micro and Small Industries (MSI) based on halal products in Lampung has been the focus of various government initiatives. While notable progress has been made, some challenges and areas require sustained attention for the program's long-term success. The government has implemented programs to enhance awareness, provide training on the use of modern production tools, and facilitate halal certification through the Free Halal Certification Program (Sehati). However, the effectiveness of these programs has been hindered by issues of sustainability and follow-up. Budget constraints emerge as a significant obstacle, limiting the government's capacity to sustain these programs. Additionally, a shortage of support personnel has impacted the optimal execution of assistance programs for halal-based MSIs. The lack of continuous support and follow-up after training sessions, as mentioned by MSI practitioners, indicates a need for a more cohesive and long-term strategy.

To overcome these challenges, the government should consider allocating more resources to ensure the sustainability of programs, both financially and in terms of human resources. Strengthening collaboration with stakeholders, such as religious institutions and educational centers, could further enhance the success of halal-based MSI initiatives. Continuous evaluation and adaptation of programs based on feedback from MSI practitioners will be crucial for addressing specific needs and ensuring the overall success of the MSI development in Lampung. With concerted efforts and strategic planning, the government can play a pivotal role in fostering a thriving environment for halal-based Micro and Small Industries in the region.

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