

Research Article

The Role of Stakeholders in Accelerating Halal Certification for SMEs

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Abstract.

In today's business landscape, sustainability is imperative for all companies, including Small and Medium-sized Enterprises (SMEs) operating in the food and beverage sector. Specifically, businesses in this sector in Indonesia face the imminent deadline of October 17, 2024, stipulated by Law Number 33 of 2014 concerning Halal Product Guarantees and its derivative regulations. Compliance with these regulations requires SMEs to obtain halal certification, failure of which could jeopardize their business continuity. Despite the significance of halal certification, the number of certified SMEs in Indonesia remains limited. This research endeavors to identify alternative solutions to encourage more SMEs to register their products for halal certification. Employing a qualitative research approach with Interpretative Phenomenological Analysis (IPA), the study involved seven informants, including representatives from SMEs, government officials, a Halal Auditor, and individuals from Sharia Banking. The findings underscore the necessity for comprehensive support to facilitate SMEs in obtaining halal certification. This includes streamlining bureaucratic processes, offering financial assistance, and providing human resources. Collaboration among the government, academic institutions, and the community is crucial in this regard. The study reveals that SMEs require assistance in navigating bureaucratic hurdles, financial support, and human resources. To expedite the halal certification process, it is essential for the government to enact regulations that simplify the certification requirements for SMEs, ensuring compliance without compromising consumer trust. Given the financial constraints faced by SMEs during the certification process, financial aid from the government, academic institutions, and the community is pivotal. Additionally, the provision of competent human resources poses a significant challenge for SMEs, necessitating collaborative efforts from the government, academic institutions, and the community to address this hurdle effectively. In conclusion, this research not only highlights the challenges faced by food and beverage SMEs in obtaining halal certification but also underscores the need for coordinated efforts to support these businesses in their sustainability endeavors.

Keywords: SMEs, sustainable business, halal certification, interpretative phenomenological analysis (IPA)

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1. Introduction

Small and Medium-sized Enterprises (SMEs), or small businesses, play a crucial role in fostering innovation, creating jobs, and driving economic growth. As the significance of SMEs gains recognition, experts in innovation and governments are increasingly realizing the importance of supporting the growth of small businesses through specific policies.

In simpler terms, small businesses are seen as essential contributors to new ideas and economic development. Experts and governments are paying more attention to them and working on tailored plans to help them grow. This study focuses on a particular challenge faced by small food and beverage businesses in Indonesia – getting halal certification – and looks for ways to make this process easier for them [1].

Small and Medium Enterprises (SMEs) are found in nearly every country, working hard to keep their businesses running smoothly. To stay afloat, SMEs actively engage in innovation and share knowledge [2]. Facing various business risks, SMEs need effective risk management strategies, including a well-organized internal control system and the appointment of a supervisory role and an independent guarantee provider [3]. Accountability in SMEs revolves around four key aspects: responsiveness, responsibility, conformity, and effectiveness. These components not only create a sense of accountability within the business but also form connections between different actors involved in the business processes [4]. This accountability is both vertical, reflecting SMEs' awareness of ethical considerations, and horizontal, linking relationships among various participants in the business.

Central Java, Indonesia is home to numerous Small and Medium Enterprises (SMEs), but various challenges hinder their growth and progress, particularly for those in the halal sector. In the context of the global economy and free trade era, SMEs face the dual challenge of producing high-quality, competitive products while meeting increased consumer scrutiny both domestically and internationally. Consumers now not only seek standardized product quality and considerations for health and the environment but also emphasize social and cultural aspects. The significance of halal products extends beyond religious contexts, becoming integral to the reality of business and trade [5].

Specifically, SMEs in the food and beverage sector in Indonesia encounter a pressing issue regarding business continuity. They are obligated to obtain halal certification by no later than October 17, 2024, in accordance with Law No. 33 of 2014 concerning Halal Product Guarantees and its derivative regulations. Despite government efforts to expedite halal certification for SMEs, a considerable number of SME products still lack

this certification. Consequently, this research aims to explore alternative solutions to encourage more SMEs to register their products and acquire halal certification.

2. Method

This research employs the Interpretative Phenomenological Analysis (IPA) method, a qualitative research approach dedicated to exploring how individuals make sense of their primary life experiences [6]. In this methodology, researchers actively engage with participants, becoming a part of their experiences. The research involved in-depth interviews, and researchers spent considerable time with informants, observing, listening, and immersing themselves in the daily lives of the participants [7].

The IPA method comprises six stages, providing a systematic approach to analyze the gathered data:

1. **Reading and Re-reading:** This initial stage involves repeated readings of the obtained transcriptions. It requires patience and careful attention, especially when participants use figurative language. Researchers must be actively involved in data collection to avoid misinterpretation.
2. **Initial Noting:** In this stage, researchers check the meanings of words used during the exploratory stage. Original data from the transcripts are annotated with exploratory comments, including descriptive, linguistic, and conceptual comments, to extract the essence of the information.
3. **Developing Emergent Themes:** The third stage focuses on identifying emerging themes within the data. Researchers explore patterns and recurring concepts to develop a comprehensive understanding of the participants' experiences.
4. **Searching for Connections Across Emergent Themes:** This stage involves identifying relationships between emergent themes. Researchers look for commonalities and connections to gain deeper insights into the participants' perspectives.
5. **Moving to the Next Case:** After completing stages 1 to 4 for each case or participant, the research progresses to the next case. This sequential approach ensures comprehensive analysis across all cases.
6. **Looking for Patterns Across Cases:** The final stage involves synthesizing the findings by identifying overarching patterns that emerge across all cases or participants. This step aims to reveal broader insights and commonalities within the studied phenomenon.

In summary, the IPA method used in this research involves a thorough and iterative analysis process, emphasizing the researcher's active involvement in understanding and interpreting the participants' experiences.

2.1. Setting and Informants:

This research is conducted in the Central Java Province, Indonesia. The choice of this setting provides a context-specific exploration of the challenges faced by Small and Medium-sized Enterprises (SMEs) in the food and beverage sector regarding halal certification.

The research involves a diverse group of informants, totaling 7 individuals. This group is intentionally composed to gather insights from various perspectives. The informants consist of:

1. **Two SME Representatives:** Individuals directly involved in the day-to-day operations of Small and Medium-sized Enterprises in the food and beverage sector. Their experiences and viewpoints offer valuable insights into the challenges faced by businesses in obtaining halal certification.
2. **Two Government Representatives:** Individuals from government agencies involved in the regulation and implementation of halal certification policies. Their perspectives shed light on the regulatory landscape and the support available for SMEs.
3. **One Halal Auditor:** An expert in halal certification processes, offering specialized knowledge and insights into the challenges and requirements faced by SMEs seeking certification.
4. **Two Islamic Banking Representatives:** Individuals from the Islamic banking sector, providing insights into the financial aspects and support available for SMEs in obtaining halal certification.

This diverse group of informants ensures a comprehensive understanding of the challenges and potential solutions related to halal certification for SMEs in Central Java Province. The inclusion of different perspectives contributes to the richness and depth of the research findings.

2.2. Data Collection:

This study employs a multi-faceted approach to collect data, encompassing the following methods:

1. **Interviews with Informants:** In-depth interviews serve as a primary method for gathering valuable insights from the informants. The researchers engage in thoughtful conversations with each participant, exploring their perspectives, experiences, and challenges related to halal certification for SMEs. The interviews are conducted face-to-face, allowing for nuanced understanding. All interview sessions are recorded using a voice recorder to ensure accurate representation of the information shared by the informants.
2. **Field Observations:** Active observations in the field contribute to a holistic understanding of the context. Researchers immerse themselves in the daily operations and environments of SMEs, government agencies, halal auditors, and Islamic banking institutions. This on-the-ground approach provides contextual richness and complements the insights gained through interviews.
3. **Document Review:** The study incorporates a comprehensive review of relevant documents. This includes analyzing official documents, reports, and any existing data pertinent to the research questions. By merging information obtained from interviews with data extracted from documents, the research aims to triangulate and validate findings, ensuring a robust and well-rounded analysis.

By employing these varied data collection methods, the research seeks to capture a comprehensive picture of the challenges and potential solutions concerning halal certification for SMEs in Central Java Province. The triangulation of data from interviews, observations, and document reviews enhances the credibility and depth of the study's findings.

3. Result

3.1. Early-Stage Data Analysis

The data analysis in this research was facilitated by the Nvivo 14 application, streamlining the six stages of data analysis into more efficient steps. In utilizing Nvivo, the first stage (Reading & Re-reading), the third stage (Developing Emerging Themes), and the fifth stage (Moving to the Next Case) were integrated into a unified process.

The themes that emerged during this initial stage of analysis are as follows:

1. **The Presence of a Halal Industry-Driven Community:** Participants highlighted the existence of a community actively promoting the halal industry, emphasizing collaboration and mutual support.
2. **Halal Food Ecosystem:** A comprehensive ecosystem related to halal food production and certification was identified, indicating interconnected elements and processes.
3. **Academic Involvement in the Ecosystem:** The need for academic institutions within the halal food ecosystem emerged, underlining the importance of educational contributions.
4. **Ecosystem Progression from Upstream to Downstream:** The dynamics of the halal ecosystem were observed to move from upstream activities, such as production, to downstream activities, including distribution and marketing.
5. **MES & KADIN as SME Trade Aggregator:** The roles of MES (Micro, Small, and Medium Enterprises) and KADIN (Chamber of Commerce and Industry) as trade aggregators for SMEs became apparent, illustrating their significance in the industry.
6. **Supply Chain Model:** The establishment of a supply chain model was identified, showcasing the interconnected processes involved in halal food production and distribution.
7. **KDEKS as the Government Representative:** KDEKS, recognized as a government representative, played a role in overseeing and regulating aspects of the halal ecosystem.
8. **Government's Regulatory Role:** The government's regulatory role within the halal ecosystem emerged as a crucial factor, emphasizing the need for regulatory frameworks.
9. **Government Assistance with Funding at No Cost:** Participants highlighted instances where the government provided financial assistance without charges, contributing to the financial sustainability of SMEs.
10. **Government's Role in Halal Certification:** The government's involvement in the halal certification process was emphasized, indicating its influence on the certification requirements.

11. **Halal Certification and its Relationship with Organic Status:** It was clarified that while halal certification requires adherence to halal standards, it does not necessitate organic status for food products.
12. **Strengthening SMEs:** The theme of strengthening SMEs emerged, indicating a collective effort to enhance the resilience and capabilities of small and medium-sized enterprises.

These initial themes provide a foundational understanding of the various components within the halal food ecosystem, shedding light on the interconnected relationships and roles of different entities. Further analysis will delve deeper into these themes to extract meaningful insights.

Note:

1. MES = Masyarakat Ekonomi Syariah (The Society for Islamic Sharia Economy) Central Java
2. KADIN = Kamar Dagang dan Industri Indonesia (Indonesian Chamber of Commerce and Industry) Central Java
3. KDEKS = Komite Daerah Ekonomi dan Keuangan Syariah (Sharia Economic and Financial Regional Committee) Central Java

3.2. Searching for Connections Across Emergent Themes

Building on the identified themes from the previous step, the following grouping categorizes themes based on their characteristics:

1. **SME Group**
2. Halal Food Ecosystem
3. Ecosystems move from upstream to downstream
4. Supply Chain Model
5. Halal certification requires that food is halal but does not have to be organic
6. Strengthening SMEs
7. **Government Group**
8. The government is needed for regulation

9. Government Helps with Funding at Free Fees
10. The Government's Role in Halal Certification
11. KDEKS as the Government representative
12. **Campus Group**
13. Academics are needed in the ecosystem
14. **Community Group**
15. The existence of a Halal Industry Driving Community
16. MES & KADIN as SME trade aggregator

This thematic grouping aims to organize and highlight the interconnectedness of themes based on their inherent characteristics. The classification reflects the diverse roles and contributions of SMEs, the government, academic institutions, and the community within the broader context of the halal food ecosystem. As the analysis progresses, these thematic groups will serve as a foundation for deeper exploration and understanding of the relationships between different elements in the system.

3.3. Looking for patterns across cases

Through the data analysis, a consistent pattern emerged indicating that expediting halal certification for SMEs necessitates collaborative efforts from various stakeholders. SMEs require support from the Government, academic institutions, and the community to navigate the halal certification process successfully.

Government's Regulatory Role: The Government plays a crucial role in creating regulations that facilitate the halal certification process for SMEs. This includes implementing policies that simplify and support SMEs in obtaining certification. According to Mrs. Z, a key actor in the SME sector, government regulatory policies should actively contribute to the growth of the halal ecosystem.

Quote from Mrs. Z

"I have an industry, for example, halal tourism. I have a riding school. So, what does my riding school need, sir? I need customers, I need a community, which is what drives my business. So, that's where I need the government to be able to support my business regulations..."

"... Government regulatory policies must support the growth of the halal ecosystem..."

Mrs. Z further said that the Government is also needed to provide funding facilities for SMEs in the halal certification process:

“Funding assistance from the Government is only a facilitator. It does not provide money directly. For example, the government provides low or free fees for processing international halal certification...”

Funding assistance for the halal certification process for SMEs can also be assisted by the campus in Community Service activities. This campus activity can also help prepare the Human Resources (HR) needed for halal certification for SMEs. An example is Community Service activities in the form of training for Halal Assistant Workers and Halal Supervisors which is free of charge. This is as stated by Mr. SB, Deputy Director for Academic Affairs at the Semarang State Polytechnic:

“... this accommodates, gathers academics and practitioners. Practitioners working in SMEs. The campus helps academically. Academics cannot work alone, just thinking. So it needs downstream. Thoughts need to be realized in the form of collaboration with UKM, as a channel for what academics think to be realized. And it becomes a mutually beneficial, mutually reinforcing synergy.”

4. Discussion

4.1. Data Analysis & Connections Across Emergent Themes

Understanding the essence of each informant's interview is crucial in extracting meaningful insights. The rigorous process of audio and video analysis, repeated reviews, and coding of important themes from the interviews ensures a comprehensive understanding. The identified themes are then organized based on their characteristics and grouped into four distinct categories: UKM Groups, Government Groups, Campus Groups, and Community Groups. These groups represent the primary stakeholders in SMEs' pursuit of halal certification.

Government's Central Role: The government emerges as a central player in aiding SMEs in obtaining halal certification. It plays a pivotal role in formulating regulations related to certification requirements, managing SME legality requirements, providing free training to enhance Human Resources (HR) competency, and waiving Halal Certification registration fees.

Campus Assistance: Academic institutions actively contribute to the halal certification process through “Community Service” activities. These initiatives involve free training for

halal human resources and potential financial support for halal certification registration, reinforcing the educational support for SMEs.

Community Support: Community Groups, represented by professional or community organizations like MES and KADIN, extend assistance to SMEs in halal certification. This support includes providing halal HR training and aiding SMEs during the certification process.

4.2. Looking for Patterns Across Cases

The looming deadline set by Law Number 33 of 2014 adds urgency to the halal certification process for SMEs in the food and beverage sector. Failure to comply by October 17, 2024, not only jeopardizes the sustainability of SMEs but also subjects them to potential government sanctions.

Government Facilitation: The government's role is crucial in easing bureaucratic processes, reducing registration fees, and providing other necessary facilities for SMEs. Exempting SMEs from halal certification registration fees is particularly advantageous, as it alleviates a significant financial burden and enables them to allocate resources to working capital.

Human Resources Challenges: SMEs face challenges in preparing for the halal certification process, especially concerning funding and the availability of competent human resources. Government, campus, and community assistance become pivotal in addressing these challenges. Free HR training related to halal certification proves essential for SMEs, as it enhances their competency without incurring additional costs.

Collaborative Support: The success of accelerating halal certification for UKM is contingent on collaborative support from the government, campuses, and the community. Government assistance, campus engagement in community service activities, and community support collectively contribute to SMEs' success in obtaining halal certification.

In summary, the discussion underscores the collaborative efforts required from various stakeholders to support SMEs in navigating the complexities of halal certification. Government initiatives, academic contributions, and community support collectively form a crucial framework for SMEs to meet the halal certification requirements within the stipulated time frame.

5. Conclusion

In summary, the discussion highlights the crucial need for collaborative assistance from the Government, campuses, and the community to expedite halal certification for SMEs. The key areas of support required by SMEs include streamlined bureaucracy in the certification process, reduced or waived costs for halal certification registration, and assistance in enhancing human resource competency related to halal certification.

An important revelation from this research is the emerging significance of campus institutions and the community in the acceleration of halal certification, alongside the established role of the Government. This underscores the multi-faceted approach necessary for SMEs to successfully navigate the halal certification process.

Recommendations for Future Research: Given the evolving landscape, future research endeavors should delve deeper into exploring the synergies among the government, campuses, communities, and other stakeholders in the halal certification process for SMEs. Understanding the dynamics of these collaborations can provide valuable insights into creating a more comprehensive and effective support system for SMEs seeking halal certification.

In conclusion, the findings of this research underscore the necessity of a collective and coordinated effort involving diverse stakeholders to empower SMEs in meeting the halal certification requirements. The identified recommendations aim to guide future research endeavors in advancing the understanding and implementation of collaborative strategies for the benefit of SMEs in the food and beverage sector.

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