

## Research Article

# Empowering Halal SMEs: Asset-Based Community Development as a Strategy for Development of Halal Ecosystem

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**Abstract.**

The research aims to identify and address harnessing and leveraging existing assets within a community to foster a robust halal ecosystem. This paper explores a case study of halal SMEs that uses a community development framework called asset based community dDevelopment (ABCD) that emphasizes the identification and enhancement of the inherent strengths of communities to promote resilience and adaptability in challenging circumstances. Additionally, surveys and interviews with stakeholders, including SME owners and policymakers, are conducted to provide empirical insights into empowering halal SMEs. Data were collected using an asset-based community development approach including interviews, focus group discussions (FGD), and asset mapping. The paper argues that by recognizing and utilizing the tangible and intangible assets of Halal SMEs, such as cultural knowledge, community networks, and entrepreneurial spirit, these businesses can thrive and contribute significantly to the broader Halal market. Furthermore, this study identifies several empowerment strategies that can be implemented, including capacity building, market access, financial support, and networking opportunities. Identifying assets in the community can be the best solution for SMEs development by changing their paradigm, looking at their potential capacity, and not only focusing on problems. The implementation of an asset-based model could be a community engagement model for developing halal ecosystems.

**Keywords:** asset-based community development, SMEs, halal ecosystem, local resources

## 1. Introduction

The worldwide halal business is an expanding economic sector with significant demand from both Muslim and non-Muslim customers. The halal business encompasses items and services that adhere to Islamic law, including food, drinks, cosmetics, pharmaceuticals, banking, insurance, fashion, tourism, and more sectors. The State of the worldwide

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Islamic Economy 2020/21 study indicates that the market value of the worldwide halal business attained 2 trillion US dollars and is anticipated to rise to 2.8 trillion US dollars by 2025, with a predicted global consumption growth rate of halal goods at 7.5%. Multiple causes propelling the expansion of the worldwide halal business encompass the rise in the Muslim population and income, heightened consumer knowledge about health and well-being, and confidence in the quality and safety standards of halal products. Indonesia, the highest Muslim population internationally at 87.2% of its total 277 million inhabitants, accounts for 12.7% of the worldwide Muslim demographic has the significant potential to emerge as the global hub for the halal business(1). Moreover, Indonesia possesses a substantial market for halal products(2). The substantial Muslim demographic is expected to enhance the demand for halal products, hence propelling the growth of the halal business in Indonesia. The swift expansion of the Muslim population, the notable increase in middle-class wealth among Muslims, and the substantial demographic of young Muslims signify a promising market for the advancement of the halal business in Indonesia.

Halal has now evolved into a lifestyle for the majority of the Muslim people. This is perceived by the heightened awareness of halal goods. The Indonesian government is developing multiple policies to advance the halal industry, which encompasses the production of goods and services aligned with Islamic sharia principles across various sectors, including food and beverages, cosmetics, pharmaceuticals, fashion, and tourism. From a regulatory perspective, the Indonesian government has issued various policies to support the development of the halal industry in the country, including:

- a. Law Number 33 of 2014 concerning Halal Product Assurance, which regulates the obligation of halal certification for products circulating in Indonesia, both domestically produced and imported;
- b. Government Regulation Number 31 of 2019 concerning the Implementation of Halal Product Assurance, which outlines the duties and authorities of the Halal Product Assurance Organizing Body (BPJPH) as the institution responsible for issuing halal certificates;
- c. Presidential Regulation Number 28 of 2020 concerning the National Strategy for the Development of the Sharia Economy for 2020-2024, which establishes the vision, mission, goals, objectives, strategies, and programs for the development of the sharia economy in Indonesia, including the halal industry; and
- d. Minister of Trade Regulation Number 29 of 2020 concerning the Provisions for the Import of Halal Products, which regulates the import requirements for halal products into Indonesia, including the obligation to have halal certification from an institution recognized by BPJPH.

These rules are anticipated to assure consumers of the halal status of the items they consume, while simultaneously augmenting the value and quality of national products to enhance their competitiveness in the worldwide market. Furthermore, these policies may stimulate the expansion of the Islamic economy in Indonesia, facilitating job creation, enhancing community income, alleviating poverty, and improving community welfare and the competitiveness of national products in the global market.

Furthermore, Indonesia is dedicated to establishing a halal business ecosystem under the 2019-2024 Sharia Business Masterplan. The halal economic ecosystem in Indonesia combines Islamic values into many economic activities, including production, distribution, consumption, and investment, highlighting Sharia concepts such as justice, balance, transparency, and responsibility. The halal economic environment in Indonesia possesses significant potential for growth, given the predominant Muslim population, ample natural resources, and escalating governmental backing. Key industries within this ecosystem encompass the halal food and beverage business, halal tourism, Islamic finance, and halal digital technology(3). By capitalizing on these prospects, Indonesia may emerge as a competitive hub for the global halal economy and make a significant contribution to both national and international development. The Indonesian government has launched a strategy to assist the halal ecosystem through the development of Halal Cluster Zones in many locations; those are Halal Modern Valley, Halal Industrial Park Sidoarjo, and Bintan Inti Halal Hub. The Halal Cluster Zones seeks to fortify the halal value chain and improve the competitiveness of Indonesian halal products in the international market.

The advancement of the halal economic environment in Indonesia continues to encounter several challenges. The difficulties encompass several facets, including insufficient public knowledge on the significance of halal products and services, inadequate quality and quantity of halal certification, and poor coordination among government entities, commercial stakeholders, and relevant institutions. The execution of halal certification continues to encounter challenges stemming from variances in concepts, implementation, and perceptions, which affect the whole process within the halal industry framework, including the halal supply chain. The execution of halal entails stringent restrictions governing the consumption and use of food, pharmaceuticals, cosmetics, and personal care items that must adhere to halal and *thoyyiban* norms. Nonetheless, most of the food supply chain components, encompassing agricultural, food manufacturing, restaurants, logistics, and retail networks, are held by non-Muslim nations and enterprises. The supply chain is integral to the process of obtaining halal certification for

a product within the industry framework. From a product standpoint, halal items possess unique attributes and incur elevated prices, resulting in customers holding substantial expectations for their requirements to be fulfilled. The production of halal products incurs additional expenditures, necessitating support and targeted tactics from the halal sector. A collaborative initiative is required to enhance the halal value chain ecosystem, which includes the entire process from upstream to downstream, by advancing supply chain management and establishing a halal assurance system as a reliable quality standard for halal products(4) .

A crucial research issue in establishing a resilient Halal ecosystem is the identification and strategic application of current community resources to improve the value chain. This entails a thorough examination of existing resources and assets. The challenge is to develop a sustainable strategy that complies with Halal rules while also aligning with global environmental objectives. Moreover, utilizing these assets and the examination of the efficient use of these assets might substantially enhance the scalability and global competitiveness of the Halal market. The research should seek to develop a framework that identifies assets mapping and investigates the potential for aligning the Halal ecosystem with overarching economic development objectives.

## 2. Methods

The steps of research must be executed meticulously and methodically to guarantee the quality, validity, and dependability of the findings(5). This research use qualitative analysis to address the objectives, encompassing an in-depth examination of aspects pertinent to the research difficulties. Consequently, a thematic analysis was performed to uncover pertinent topics by analysing and presenting qualitative data using both inductive and deductive coding processes. These replies provide essential data for suggestions intended to foster the growth of halal SMEs, hence supporting the halal ecosystem in the future. Interview data was collected, processed, and analysed. The employed data collecting methods include Focus Group Discussions (FGD) and interviews. Interviews and focus group discussions are done with halal product entrepreneurs and relevant stakeholders as primary informants. A focus group discussion (FGD) was held with stakeholders of halal goods, specifically the management of Halal Hub SMEs and local government, to evaluate the findings derived from the evaluations of study participants about the role of halal SMEs in fostering the growth of the halal ecosystem. Information concerning the prospective impact of the ABCD

strategy on the advancement of the halal ecosystem was gathered by investigating the available human and material resources within the community that may be used for the growth of halal SMEs. What hurdles are encountered in using community resources for the advancement of halal SMEs?

Data processing is a comprehensive examination of information gathered from informants to ascertain the capabilities of halal SMEs and their strategic goals for a halal ecosystem. This is executed to guarantee the accuracy of the acquired data. Relevant linkages are formed by reconciling and refining the produced codes and categories into more conceptual categories based on common themes, hence minimizing contradictions in the output. This technique improves comprehension of diverse datasets through the insights of research informants about various ABCD methodologies and the measures that may be used for the advancement of halal SMEs to bolster the halal ecosystem.

### 3. Result and Discussions

Prior research corroborates the assertion that the core tenets of the ABCD approach stipulate that change must originate from within the community; growth should pertain to the community's capabilities and assets; transformation must be propelled by interaction; and transformation should target sustainable community development(6). The ABCD concept posits that communities may initiate their own advancement by identifying and leveraging untapped assets to meet emergent local challenges (7). The ABCD approach is characterized by informants as a participative, community-centric methodology that successfully leverages existing communal resources to tackle development challenges impacting their lives.

Kretzman and McKnight assert that persons, organizations, institutions, location-specific resources, and social networks constitute a framework of community assets (8) . Consequently, halal SMEs leverage existing community resources to enhance their company development more efficiently. The findings of the Focus Group Discussion indicated that halal SME participants are crucial in establishing a halal ecosystem by fostering and enhancing networks among halal SME stakeholders. SMEs representatives indicated that their participating in the Halal Hub coordinate their members to facilitate transactions and disseminate information that enhances the manufacturing process, including supplier and marketing data. Nonetheless, halal SME stakeholders

assert that the government must enhance its support in tackling challenges associated with the advancement of halal SMEs.

The ABCD framework is defined by a methodology that engages community members in identifying their strengths (mapping) and articulating a future vision and desired outcomes (visioning), while collaborating with community partners to leverage these strengths to accomplish objectives. The ABCD method adheres to a six-step procedure that emphasizes recognizing and using the talents, skills, and resources of individuals and communities. This six-step procedure, derived from Asset-Based Community Development (ABCDE) model, are appreciating what is good, establishing an ABCD initiation group, mapping capacities and assets, building a community vision and plan, mobilizing assets, and employing activities and resources(9). A community-based qualitative research was undertaken at the halal SME Hub in Sumenep for the applied ABCD analysis about halal SME development. In the implementation of ABCD for the advancement of halal SME communities, we performed an asset mapping of the community. We examined the obstacles and possibilities associated with implementing the ABCD method for halal SMEs and proposed strategies for SME stakeholders to efficiently navigate the ABCD process.

### **Step 1: Appreciating what is good.**

Goorita Management has commenced the Halal Hub initiative to foster awareness and support among halal SME stakeholders within the Halal Hub community, offering advantages for halal SME players. To actualize her concept, Goorita engaged local halal SME stakeholders to partner in the creation of local products targeted at the international market. The collaboration of local halal SME stakeholders is anticipated to create an efficient supply chain system both nationally and globally. They freely deliberate on chances for the advancement of locally-driven SMEs, using the strengths and assets that SME stakeholders provide to group capacity-building dialogues. This group evaluates the halal SME hub effort by emphasizing the positive aspects of the halal SME community. This group discovered that robust inter-community networks and elevated social capital within the local community are significant advantages for the advancement of halal SMEs. The amalgamation of these characteristics forms the essential components that establish a robust basis for contemplation and the prospective success of cultivating a halal ecosystem. To attain this objective, the halal hub for SMEs provides specialized guidance and support for SMEs, categorization of

viable products, ongoing enhancement of product quality, implementation of digital technology in product marketing, provision of cost-effective delivery services, and collaboration with pertinent stakeholders to fortify the global ecosystem.

## **Phase 2: Establishing an ABCD initiation group**

Goorita, as a management organization, supports the Halal Hub SMEs Community in partnership with community leaders, local government, and industry to enhance the capabilities of halal SMEs stakeholders. Stakeholders are also enhancing the Halal Hub SMEs. Local governments are coordinating various initiatives to promote the growth of halal SMEs. The industry facilitates dialogue and cooperation over the procurement of raw materials and marketing strategies. The group also assists by offering informational possibilities and acting as a genuine market goal for halal SME producers. The Halal Hub SMEs functions as a collaborative platform for halal SME stakeholders in Sumenep to undertake various developmental initiatives. Initially, compiling a database of halal small and medium enterprises. This collecting data is conducted in partnership with several entities, including the government, educational institutions, and local communities. Secondly, organizing items by categorizing them according to their preparedness for local or worldwide markets through facilitative efforts to guarantee successful targeting. Third, offering training and mentorship. This initiative partners with training institutions and educational organizations, including universities, to deliver requisite training aligned with the criteria for the advancement of SMEs. Fourth, executing branding and packaging initiatives. The Halal Hub SMEs offers packaging facilities and design teams to assist SMEs in establishing their market positioning, whether locally or globally. Fifth, support the legitimacy and certification of SMEs. Sixth, enhancing the local market by using advancements in digital marketing to bolster domestic acceptability. Finally, the enhancement of global market orientation via diaspora networks and business-to-business networks to access the international market. Furthermore, the halal center for SMEs offers ancillary elements in the form of financing and logistics.

## **Phase 3: Mapping capacities and assets**

Enabled by Goorita and bolstered by pertinent stakeholders, especially the local government of Sumenep Regency, the Halal Hub SMEs successfully recognized substantial advantages that the community can offer, encompassing marketing, production, and

social and economic benefits. These advantages serve as incentives for halal SME participants, who are the principal beneficiaries of the community. This can generate interest and entice new SME members to join the halal SME hub network. This “asset” substantially augments the prospects for economic growth by generating new employment opportunities, consequently influencing regional advancement. This indicates that if stakeholders fully engage, the halal SME center might act as a catalyst for community welfare in Sumenep.

#### **Phase 4: Building a community vision and plan.**

The objective of the Halal Hub SMEs is to establish itself as the focal point for the advancement of Indonesian halal goods in the global marketplace. To commence the realization of this goal, the starting group devised a strategy and framework to organize and execute the Halal Hub SME program, incorporating external players from the broader community and the business sector. The municipal administration of Sumenep Regency offers training support and assistance with manufacturing gear. The strategic integration of self-mobilization, financial assistance, and the provision of goods and services facilitates the achievement of the strategy and vision sought by the halal SME community in establishing a halal ecosystem.

#### **Phase 5: Mobilizing assets.**

Upon the completion of the planning process for halal SME growth, the Halal Hub SMEs and other principal stakeholders commenced the identification and mobilization of resources via their primary partners and networks. By enhancing the immediate advantages and the prospective long-term benefits of the halal environment. Utilizing the expertise and resources of SME participants, the marketing of halal SME products may be executed more extensively with a wider target audience by capitalizing on network assets. Finally, there exist further potential for economic advancement and social advantages for the local culture of Sumenep. The progression of initiatives that utilize the halal SME community to draw people to Sumenep and invigorate other sectors, especially tourism.

## Stage 6: Employing activities and resources.

In the concluding phase of the ABCD process, the Halal Hub SMEs convened to deliberate on prospects for the expansion and optimization of halal SMEs through the establishment of a halal ecosystem. This aims to enhance the assets and capabilities of halal SMEs and to broaden the advantages for regional economic growth. Within the halal ecosystem, development encompasses not just halal SMEs but also several industries, including finance, logistics, assurance institutions, and information technology. The Halal Hub SMEs propose the formation of a more robust network among SME participants and the enhancement of relationships with external entities to achieve increased economic and social advantages.

### 3.1. Opportunities and Challenges

The case study on the evolution of the halal ecosystem via the Halal Hub SMEs demonstrates that the ABCD approach may facilitate the comprehension of community values in societal development. The case study of the Halal Hub SMEs in Sumenep illustrates the recommendation of the ABCD strategy for the reconfiguration of community development initiatives. The ABCD methodology for Halal SMEs should be tailored to communities based on a thematic or specialized agenda that directs the development process. Given this context, the methodology for social transformation -and our conceptualization of “development”- can markedly diverge from conventional strategies focused on “resolving issues” or “enhancing” individuals’ lives. While the asset-based perspective on development is not entirely novel, it underscores the significance of knowledge, culture, and local strengths, while also highlighting the vital elements of power dynamics and community involvement that are imperative in social development initiatives. Nonetheless, the ABCD model offers a rather utopian perspective on how communities assume ownership and control over initiatives to effectuate social change. This strategy has consistently demonstrated efficacy across several contexts for an extended period, including business and enterprise(10), education(11)(12), health promotion(13), and sports(14).

An analytical examination of this case study may initiate a more comprehensive and persuasive asset-based strategy for future community economic development planning. The potential afforded by the ABCD method are substantial. The engagement of the community and local organizations from the beginning, coupled with the provision of

culturally pertinent and significant insights in development, distinguishes the ABCD initiative from others; if effectively promoted, this could entice additional stakeholders to participate, thus fostering a more extensive halal ecosystem. Moreover, the existence of individual qualities and resources will enhance community and societal engagement with the values and objectives of the development project, hence increasing the probability of its success(15). From the standpoint of an asset-based development strategy, halal SME participants may recognize strengths in social space, human resources, and social capital essential for attaining targeted welfare objectives.

## 4. Conclusions

This study asserts that community initiatives are fundamental to the development practices of halal SMEs, since both acts and inactions substantially influence the competitiveness of SMEs in the global market. Enhanced active engagement may significantly augment economic and social advantages through new initiatives undertaken by the Halal Hub SME community. Nonetheless, several obstacles impede the community's capacity to efficiently use their resources for the development of halal SMEs, hence underscoring the necessity for support and assistance from external entities, particularly the government.

The deficiency in coordination among stakeholders in halal SMEs would considerably affect the efficient implementation of the ABCD strategy to establish a halal ecosystem. The community-driven ABCD strategy aligns with the ideas of participatory development, highlighting active engagement and empowerment.

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