Halal Food Certification to Improve the Competitiveness of East and Middle Business in Indonesia

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Abstract

Indonesia is called feasible as a halal tourism center because the majority of its population is Muslim. The concept of halal tourism is an actualization of the Islamic concept where halal and haram values become the main benchmark, this means that all aspects of tourism activities are inseparable from halal certification which must be a reference for every tourism actor (Chookaew et al., 2015). In tourist attractions SMEs can sell products as a distinctive Indonesian feature, but if coupled with the concept of halal tourism, the products sold by SMEs must certainly have halal certification. With the existence of halal certification, of course, it will guarantee that the products sold are suitable for foreign tourists who are very concerned about halal food or products. In addition there are also Muslim tourists from non-Muslim countries such as Singapore and France. Kemenparekraf noted that the number of Muslim tourist visits to Indonesia reached 1,270,437 people per year (Tourism, 2015). According to Perdani & Chasanah (2018), the construction of a halal guarantee system is very important because it is to safeguard products whose raw materials are not from Muslim countries. With halal certification, SME products obtain added value so that they will increase the competitiveness of Indonesian products in the international world. The purpose of this study is to find out what factors influence and which factors play the most powerful role in influencing efforts to improve the competitiveness of Small and Medium Enterprises in Eastern Indonesia. The research design used in this study is a qualitative method (by using a qualitative approach to case studies and data mining with the method of depth interview). The data used in the second (qualitative) approach is one shot, which is collected through data mining in the form of depth interviews and focus group discussions to key informants. Informants as many as 12 SMEs and the Department of Industry and Trade as well as MUI in the local area in Eastern Indonesia (Bali and Lombok). In addition to completing the depth of the discussion and allowing more in-depth findings to be produced, literature studies have also been conducted on several similar research results. The results of this study found that there are several factors influencing efforts to improve the competitiveness of Eastern Indonesia Small and Medium Enterprises namely Availability & Conditions of Business Environment, Business Capability, Business Performance, Policy and Infrastructure, Research and Technology, and External Support. The dominant factor is that policy and infrastructure want to illustrate the extent to which the implementation of policies and infrastructure in locations around MSMEs operate can support or hinder businesses to operate. In this case, there are several measurement indicators, namely the application of legal policies,
the application of economic policies, the application of socio-cultural policies, and the completeness and availability of business supporting infrastructure.

Keywords: halal food certification, competitiveness, small and medium enterprises

1. Introduction

At present the concept of sharia is being warmly discussed and is becoming a trend in society, especially in Indonesia. The concept of sharia which was initially very familiar in the banking world is now beginning to touch other sectors such as the tourism sector. Tourism is one of the industrial sectors which is currently growing very rapidly throughout the world (Chookaew, Chanin, Charatarawat, Sriprasert, & Nimpaya, 2015). Elias et al (2016) say that over the past decade, the perspective of halalness has spread from the origin of the way of life of Muslims around the world in providing consumers with food, products and services on a mass production scale and related to safety, cleanliness and quality assurance and environmentally friendly (Mohamed Elias, Othman, & Yaacob, 2017).

One of the halal concepts that is currently developing is halal tourism. Halal tourism is needed and sought after by Muslim tourists in the world and is one of the new phenomena that has emerged in the halal industry. Halal issues can play a role in advancing the tourism industry, many Muslim and non-Muslim countries are set to direct the market of Muslim tourists by providing tourism products, facilities and infrastructure to meet their needs. Indonesia is no exception. Indonesia is called feasible as a halal tourism center because the majority of its population is Muslim. As Chookaew stated, the concept of halal tourism is an actualization of the Islamic concept where halal and haram values are the main benchmark, this means that all aspects of tourism activities are inseparable from halal certification which must be a reference for every tourism actor (Chookaew et al., 2015).

The development of tourism is certainly supported also by Small and Medium Enterprises (UKM) which is one of the main pillars of the national economy which contributes to economic growth dominating more than 95% of the structure of the national economy. In tourist attractions SMEs can sell products as a distinctive Indonesian feature, but if coupled with the concept of halal tourism, the products sold by SMEs must certainly have halal certification. With the existence of halal certification, of course, it will guarantee
that the products sold are suitable for foreign tourists who are very concerned about food and product matters, such as: Saudi Arabia, Bahrain, Malaysia. In addition there are also Muslim tourists from non-Muslim countries such as Singapore and France. Kemenparekraf noted that the number of Muslim tourist visits to Indonesia reached 1,270,437 people per year (Tourism, 2015).

According to (Perdani & Chasanah, 2018) the construction of a halal guarantee system is very important because it is to safeguard products whose raw materials are not from Muslim countries. With halal certification, SME products obtain added value so that they will increase the competitiveness of Indonesian products in the international world. Moreover, global corporate products have also begun to enter the halal industrial business market. In some countries, businesses with halal labels have become a new trend. In Thailand, the growth of the halal industry has reached 9% per year. (Razalli, 2018) states that in Malaysia this certification system can influence product and service purchasing decisions and more and more companies are starting to submit their products and services to be certified halal. In some non-muslim countries, even this industry labeled halal has increasingly attracted attention. As a country with the largest Muslim population in the world, Indonesia has the potential to dominate the market in the world by licensing halal products in all areas of Tourism in Indonesia. Tourism areas that are very often visited by tourists are Eastern Indonesia, such as Bali, Lombok Island, Makassar and others (Tourism, 2015). It’s just that halal product certification is still very limited. Some cases such as in Makassar, there are studies that state that some food products for broiler chicken are still not according to sharia, because of the limited availability of halal slaughterhouses. Of course if this is known by Muslim tourists, they will hesitate to go to the city (Nusran, Dahlan, Rauf, Nur, & Ahmad, 2018). This is proof that the halal certification of the product has not spread evenly. Especially in the area of Bali which is mostly non-Muslim.

Meanwhile from the perspective of consumers from Muslim countries, they prefer halal labeled products from the Mulsim State. This is evidenced by research by Maison, D., Marchlewska, M., Syarifah, D., Zein, RA, Purba, HP (2018) which examine the role of halal (explicit) labels and country of origin (implicit) in predicting positive product perceptions among Muslim consumers. The results of these studies people who in religious-based buying behavior do not seem to trust halal-labeled food produced in countries other than Islam. The same thing was expressed by Nasution and Rossanty that halal labels had a positive and significant influence on purchasing behavior. In addition, the country of origin also affects purchasing behavior. The role of the country
of origin as a moderator variable has a positive and significant impact on the halal label and the buying behavior of imported frozen food (Nasution & Rossanty, 2018).

Therefore Islamic marketing in halal tourism becomes very important. There are several principles of sharia marketing (Ratnasari & Aksa, 2011), namely:

a. Is a concept that can build a human being in a better direction.

b. Trade something that is permissible according to sharia (halal)

c. Having clear goals in the long and short term

d. Making Islam a frame of mind in life.

e. Religious values are the purpose of trade in Islam.

Perception in the context of Islamic economics has certain limitations. Muslim consumer perceptions are born of Islamic teachings. Some limitations that must be adhered to in the perceptions of Muslim consumers (Muflih, 2006) include: consuming products - halal, prioritizing basic needs, being economical and not excessive, and aiming to seek Ridho Allah SWT.

The increase in the world’s Muslim population has influenced the trend of the global halal industry. This situation leads to increased demand for food, products and services with Halal Certification status. The definition of halal itself is what is permissible in Islamic law. Foods that meet halal requirements are marked by a halal label on the packaging and must be very attractive to Muslims who follow a certain set of rules outlined in the Koran. (Maison, Marchlewksa, Syarifah, Zein, & Purba, 2018). In Alzeer’s research, J. et al. Stated that the notion of halal was not well understood. Their findings about the halal understanding well are rational Halal understanding, Tayyib and Khabith in the context of food security is very important. Considering Halal as a subject and Tayyib as a process, facilitating procedures for Halal certification. The main goal of Tayyib is to produce clean and pure food, and to create a feeling of comfort as the main goal, which can be achieved if food is produced in accordance with Sharia (Islamic principles). Halal-labeled food must reflect the Halal and Tayyib concepts, specifically the identification of all ingredients involved in production, Halal status determination and toxicity, and the elimination of breathing, unclean (ritually unclean) and toxic materials (Alzeer, Rieder, & Hadeed, 2018).

Meanwhile Halal certification is the process of checking and evaluating products or services that are in accordance with halal requirements in accordance with Sharia law. Products and services with Halal Certificate status will help consumers to make consumption decisions easily (Sulaiman, Noordin, Noor, Suhaimi, & Isa, 2017).
According to (Afroniayati, 2014) halal certification was issued in Indonesia since 1989 and halal certification is not only published in Muslim countries but also in non-Muslim countries, such as Singapore, Australia, New Zealand and others. The halal certification process is not only based on product output, but involves a process ranging from raw materials to the creation of a product. As stated by (Lestari, Susanto, Simatupang, & Yudoko, 2018) that halal principles do not only apply to yield products, but also for logistical processes, so that ways to promote products with halal processes are needed to educate the public. Halal certification also protects consumers from imported goods that do not originate from Muslim countries, such as the distribution of imported or domestic foods, which do not have permits for distribution and halal / non-halal certification or permit permits expire, which can endanger the health and life of consumers.

Halal certification can also attract business owners who are suspected of distributing non-standard food items to be punished by administrative fees, civil sanctions, and criminal sanctions. However, law enforcement of consumer food protection arising from court decisions is not optimal. As a result, there is a guarantee of lack of legal certainty for consumer protection and legal compliance for business actors. According to Wiryani, the optimization of law enforcement for the protection of halal and thoyib food consumers needs to be done through the following efforts: reformulation of criminal sanctions; increase the professionalism and sensitivity of law enforcement; and increasing community participation (Wiryani, Najih, & Haris, 2018).

Based on the research, then there is an opportunity for Indonesia to become a center for halal tourism not only in Java but also in East Indonesia, given that the area visited by tourists is Eastern Indonesia such as Bali and Lombok, and therefore the existence of halal product certification at UMK is very needed. Based on the above background, in this study we want to analyze what factors influence the increase in the competitiveness of SMEs in Eastern Indonesia and what are the most influencing factors, as well as how the role of halal certification in SME products faces the International Halal Tourism.

2. Research Methode

The research design used in this study is a qualitative method (by using a qualitative approach to case studies and data mining with the method of depth interview). The data used in the second (qualitative) approach is one shot, which is collected through data mining in the form of depth interviews and focus group discussions to key informants. Informants as many as 12 people from UKM in the food and beverage sector and the Department of Industry and Trade as well as MUI in the local area in Eastern Indonesia.
(Bali and Lombok). In addition to completing the depth of the discussion and allowing more in-depth findings to be produced, literature studies have also been conducted on several similar research results.

3. Result and Discussion

3.1. Factors that influence efforts to improve the competitiveness of Eastern Indonesia Small and Medium Enterprises in facing International Halal Tourism

According to the Organization for Economic Co-operation and Development (OECD) mention that competitiveness is the ability of companies, industries, regions, country, or between regions to produce income factors and employment factors relatively high and sustainable way to face international competition. Because industrial competitiveness is a phenomenon at the micro level of the company, then national industrial development policies are preceded by reviewing the industrial sector as a whole as a basis for measurement.

Whereas according to Tambunan, 2001, the level of competitiveness of a country is on the scene international trade, basically is determined by two factors, namely factors comparative advantage and factor of competitive advantage (competitive advantage). Furthermore, the factor of comparative advantage can be considered as a natural factor and a competitive advantage factor is considered as factors that are acquired or can be developed / created. Besides two factors the level of competitiveness of a country is also influenced by what is called Sustainable Competitive Advantage (SCA) or competitive advantage sustainable. This is especially in the framework of facing the level of global competition the longer it becomes so strict or Hyper Competitive.

Many studies have been conducted regarding the competitiveness of MSMEs with results varies. One of the most important is the results of research from Man, Lau & Chan (2002, p. 123-142) who tried to analyze the level of competitiveness of MSMEs by combining the concepts of competitiveness and entrepreneurial competence. The results of the analysis are;

1. First, competitiveness is a continuous process, and not a static process.

2. Second, competitiveness models in the context of companies or MSMEs need to consider three dimensions of competitiveness as conceptualized by Buckley et al (1988, in Man, Lau & Chan, 2002, p. 123-142), namely potential, process, and performance. The "potential" dimension covers the scope of competitiveness
and organizational ability. Meanwhile the "process" dimension reflects the ability to manage work; while "performance" is a result and variable of various factors that shape it such as (1) the character, behavior, skills and knowledge possessed by the entrepreneur; (2) the character of the sector, market and strategic business environment; and others.

3. The third result, namely the high level of competitiveness of a small and medium scale company can be maintained through the fulfillment of four types of capabilities, namely

(a) The ability of the company to increase market share, profits and sustainable value added growth.
(b) The company’s ability to access and manage various resources and capabilities (controllability).
(c) The company’s strategic ability to assess its level of competitiveness compared to other companies (relativity).
(d) The company’s ability to continue to create competitive advantage (dynamism).

4. Fourth, the model of competitiveness of MSMEs needs to consider the influence of the internal aspects of the company, the external environment and the entrepreneur / business owner (the process or perspective of entrepreneurial behavior).

5. Fifth, based on these three approaches, Man, Lau & Chan (2002, p. 123-142) develop a conceptual model to link the characteristics of the manager or owner of the company and the performance of the company in the long run. The connection is hypothesized into three principal tasks of an entrepreneur, namely:

(a) establish the scope of competitiveness;
(b) creating organizational capabilities; and
(c) determine the goals and strategies for achieving them.

3.2. The most powerful factor in influencing efforts to improve the competitiveness of Eastern Indonesia Small and Medium Enterprises is facing International Halal Tourism

Of the several factors mentioned above, the most powerful factor in influencing efforts to improve the competitiveness of Eastern Indonesia Small and Medium Enterprises in
facing International Halal Tourism is that there are six main variables that shape the competitiveness of MSMEs namely the availability and conditions of business environment infrastructure, research and technology, financial support and partnerships, and performance variables (Lantu, Donald Crestofel et al. 2016). The factors are:

1. Availability & Conditions of the Business Environment

   The availability and condition variables of the business environment describe the situation or main capital owned by a business entity in starting its business. The conditions referred to in this context are conditions that already existed during the business the business began. To be clearer, some sub-variables are form a variable of availability and environmental conditions of this business, namely:

   (a) Sub-variable Availability of Resources

   The availability of resources is illustrated through the availability of raw material human resources, as well as machinery and equipment as the main capital of the business. On indicators of the availability of human resources (HR), what you want to get is information about how strong or large is the availability of human resources who are ready to work in locations around the business it operates. The greater availability of human resources ready to work certainly opens up the greater the opportunity for a business to get a superior workforce for his business. On the other hand, indicators of the availability of raw materials, as well as machinery and equipment try to capture information on how easy business access is to get the raw materials needed. The ease of access to raw materials around business locations will certainly make it easier for businesses to carry out their production activities. This certainly can facilitate businesses to be more advanced.

   (b) Sub-variabel Market Condition

   Market conditions in this case are measured from two indicators, namely the market situation and business competition. Both indicators try to see how the condition or condition of the market in the location around the business environment. Indicators of the market situation try to describe the size of the market and the ability of the market in the location around the business running. Market size wants to show how much potential residents who can become markets for businesses that are run, temporarily market ability tries to show the purchasing power of the market there are locations around the business operating. Meanwhile, sub-variables of market conditions described
through business competition indicators which include information about how much the intensity of business competition in the location around the business is operating.

2. Business Ability

The business capability variable is initially called a process variable. However, to avoid misperception, the name of the process variable is then replaced as a variable business capability. The business capability variable in this context wants to describe the extent to which the business being run is able or able to manage existing business processes both in technical and managerial terms. This variable is measured in 4 (four) sub-variables, namely technical or production capability, managerial ability, governance capability and service arrangement, and entrepreneurial ability. These four variables are considered very important in shaping the ability of a business to manage its business as a whole.

(a) Technical / production capability sub-variable

Technical / production capabilities aim to capture information about business capabilities in managing business operations processes day by day. In this case, the sub-variable of technical / production capability is measured in two indicators namely worker ability and production capability. Indicators of worker ability illustrate how the capabilities of HR possessed by businesses in supporting production, whether the competencies of HR can support the acceleration of the production process or vice versa. On the other hand, production capabilities want to describe the extent to which businesses can meet their production targets every day.

(b) Managerial Ability

Managerial skills in this case want to describe the extent to which businesses implement a good management system in managing their business. To measure this managerial ability sub-variable, system indicators and business policies are formed.

i. Sub-variable of Governance and Service Governance Capability

The intended governance and governance capabilities are to see the extent to which the administrative system is organized and the services carried out by the business in carrying out its business processes. The subvariable consists of two indicators, namely legal and administrative, which intends to see the regularity of the application of the applicable
laws in the business, as well as governance procedures to measure how business services to consumers.

ii. Entrepreneurial Ability variable.

Entrepreneurial ability is closely related to the extent to which business managers can see opportunities and develop their business to be more advanced through innovation and utilization of existing opportunities. In this case, then two indicators are formed, namely innovation indicators and opportunity / market identification indicators to measure sub-variables of entrepreneurial ability.

3. Business Performance

Business performance variables try to describe the extent to which businesses can achieve development and progress both financially and non-financially. This variable is then measured by 3 (three) sub-variables, namely internal performance, external performance and sustainability and business growth.

(a) The internal performance sub-variable basically wants to measure labor productivity in the business and the quality of the products produced.

(b) The external performance sub-variable wants to measure how the market performs from business, namely the level of consumption of the product, and the social performance of the business, namely the extent to which the business has a positive impact on the surrounding environment.

(c) The sub-variable of business continuity and growth tries to describe how business achievement is financially as well as expansion or business development.

4. Policy and Infrastructure

Policy and infrastructure variables want to illustrate the extent to which the implementation of policies and infrastructure in locations around MSMEs in operation can support or hinder businesses to operate. In this case, there are several measurement indicators, namely the application of legal policies, the application of economic policies, the application of socio-cultural policies, and the completeness and availability of business supporting infrastructure.

5. Research and Technology

Research and technology variables describe the level of utilization of technology and research and development in a business. The use of technology tries to see
the extent to which a business utilizes technology for production, management and marketing purposes. Research and development describe how a business utilizes the results of research, and innovates through research and development activities in its business even though the form is simple.

6. External Support

The external support variable aims to measure two main things, namely capital and business partners. Capital access tries to see how easily businesses can access existing capital assistance facilities. Likewise the case with business partners, in this context what you want to describe is how business involvement in a good partnership program is proclaimed government and private sector.

4. Conclusion

This study shows that there are several factors influencing efforts to improve the competitiveness of Eastern Indonesia Small and Medium Enterprises namely Availability & Conditions of Business Environment, Business Capability, Business Performance, Policy and Infrastructure, Research and Technology, and External Support. The dominant factor is that policy and infrastructure want to illustrate the extent to which the implementation of policies and infrastructure in locations around MSMEs operate can support or hinder businesses to operate. In this case, there are several measurement indicators, namely the application of legal policies, the application of economic policies, the application of socio-cultural policies, and the completeness and availability of business supporting infrastructure.

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