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### Dynamics of Implementations of Halal Certification for Business Actors

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**Abstract:** The mandatory 2024 halal certification for business actors is a must. From an economic aspect, products labelled halal can compete and be marketed more broadly. However, in reality, many problems are encountered in implementing halal certification. The problem that arises is the guarantee of the supply of halal materials in the halal supply chain for materials used by micro, small and medium enterprises (MSMEs). Furthermore, the human resource capacity of halal guarantors is limited, and awareness of participating in halal certification still needs to improve. This study uses a literature review approach to analyze the phenomenon of implementing halal certification for business actors. Problems that arise in halal certification application can be studied using various scientific aspects, namely quality management, awareness of business actors, and interpersonal communication to halal by design innovation. This research is limited to the perspective of business actors, so further research is needed that integrates the perspectives of the government, business actors and consumers..

**Keywords:** *halal certification; halal by design; quality management; awareness; interpersonal communication*

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### A. INTRODUCTION

Compulsory certification for products declared halal by their manufacturers begins on October 17, 2019, with a phase-out period for food and beverage products until October 17, 2024. Meanwhile, products other than food and beverages have different halal certification periods (Alfiyan, 2022). It is stated in the Regulation of the Minister of Religion of the Republic of

Indonesia No. 26 of 2019 concerning implementing Halal Product Guarantees; Articles 32 and 33 state that all food and beverage products must be halal certified by the 2024 deadline. Then followed by products, cosmetics, household health supplies (PKRT), traditional herbal medicine, and supplements in 2026. Then followed by over-the-counter drugs and limited over-the-counter drugs until 2029, and hard drugs in



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2034. Based on this government regulation, the implementation of halal certification has been valid for almost four years until the 2024 deadline and gradually until 2034 for specific products.

The basis for the implementation of Halal Certification is Law Number 33 of 2014 concerning Guarantees for Halal Products (known as Law 33 JPH), which states that all products of business actors, both large and micro-small businesses (MSMEs) must be halal certified. It is, of course, different from the previous voluntary halal certification (Alfiyan, 2022). The existence of Law 33 JPH aims to protect consumers as well as provide guidelines to producers and distributors. This law becomes a firm legal umbrella with the principles of security, justice and openness for all Indonesian people (Nugrahani, 2022).

The halal industry has become a necessity worldwide, although with different motivations. For a country with a Muslim majority population, the halal industry is a guarantee from the state for all of its residents so that there is no doubt in using the product, so that they always follow religious orders, namely consuming and using halal products. Meanwhile, for countries with a Muslim minority population, of course, economic opportunities have become more dominant. This, because the discussion is always associated with the opportunity for the world halal market.

The world's need for halal products, whether food, cosmetics, medicines, services, and other products, will continue to increase along with the global Muslim

population. Currently, the trend of halal products is not only developing in countries with a predominantly Muslim population, but countries with a minority Muslim population are also increasingly interested in halal products. In these countries, halal is considered a benchmark to guarantee product safety and quality because the halal certification process is in the final stage, namely when the product meets quality and safety requirements. The halal certification process is carried out.

Halal is accepted as a quality standard applied to the supply and manufacture of processed food products, cosmetics, medicines, and other health products. For Muslim consumers, choosing halal products is a must and is a religious order based on Islamic teachings. On the other hand, non-Muslim consumers appreciate and are attracted to products labelled halal because of the health benefits of halal food. In addition, with halal certification, the product provides more transparent information because in the halal audit process, all the ingredients must be explained openly, and their origins must be traceable (Nugrahani, 2023).

From a social perspective, halal certification is necessary, considering that most of the world's population are Muslims. On the economic side, products with a halal label are unquestionably more competitive and can be marketed more broadly domestically and abroad (Nugrahani, 2022).

Based on data from the Ministry of Cooperatives and MSMEs, the number of MSMEs currently reaches 64.2 million with a contribution of 61.07% to the Gross

Domestic Product or IDR 8,573.89 trillion. Thus Micro, Small and Medium Enterprises are the spearheads in improving and developing the Indonesian economy. Products from Micro, Small and Medium Enterprises are not exempt from the obligation to be halal certified (MUI, 2023). However, in the field, many problems are encountered in the halal certification process for Micro, Small and Medium Enterprises. *First*, guarantee the supply of halal materials in the halal supply chain for materials used by MSMEs. The main problem in MSME halal certification is the guarantee of the availability of supplies of halal materials in the halal supply chain. Halal products can only be produced from materials (raw materials, additives and supporting materials) that are halal and processed in production facilities free from contamination by haram and unclean materials. It is only possible to get halal products from downstream SMEs if the upstream materials are halal.

Therefore, halal certification must be prioritized for upstream critical category materials used by MSMEs downstream, such as slaughtered animal products (meat and meat-derived products). Based on a study by the National Sharia Economics and Finance Committee and IPB University Halal Science Center (2021), the number of Halal-certified Poultry Slaughterhouses (RPH) / Poultry Slaughterhouses (RPU) is still low, namely less than 15% of the total 1329 RPH / RPU throughout Indonesia. Apart from meat products and derivatives, other upstream products such as sugar, oil, flour, sauces, flour, flavours, and others are used by MSMEs as raw materials and additives.

*Second*, the human resource capacity of the halal guarantor. In contrast to large enterprises, MSMEs have a limited number and capacity of human resources. Competencies that must be possessed include at least knowledge of the halal fatwa that underlies halal certification standards, knowledge of critical points for the prohibition of materials and production facilities, how to prepare a list of halal ingredients along with valid supporting documents, as well as planning, implementing and evaluating the Halal Product Assurance System for guaranteeing the halal production process consistently and sustainably.

In many cases, MSMEs need help to provide competent Halal human resources. Existing human resources also require training, guidance, and assistance in understanding the requirements and procedures for halal certification and preparing the requirements for halal certification, including preparing the Halal Production Assurance System (SJPH). Tertiary institutions can train and mentor through the Halal Science Center or other competent training institutions.

*Third*, the financing aspect for halal certification. In contrast to large enterprises, MSMEs' cash flow and profits are relatively minor. For this reason, MSMEs are often reluctant to take care of their product's halal certification obligations or object to paying the halal certification fee. Even though cases of product non-halal are more common in MSMEs than in large industries, on the other hand, the halal certification process certainly requires costs, starting from

training for halal supervisors (halal supervisors) as human resources who are responsible for consistent and sustainable halal production processes, the audit process by the Halal Inspection Agency in the form of inspection (verification) to the field and sometimes require laboratory testing of materials and products, as well as other administrative costs.

To overcome financing problems, the government has provided free halal certification financing facilities for MSEs who meet the requirements by Article 81, paragraph 1 of Government Regulation No. 39 of 2021 concerning implementing the Halal Product Assurance Field. The government explicitly subsidises the cost of halal certification for MSEs from APBN funds. However, it is feared that the sources of APBN funds, which are also limited, will not guarantee sufficient budget to cover the costs of halal certification for all MSEs, which is the type of business with the most significant number in Indonesia (MUI, 2023).

*Fourth*, awareness to follow the halal certification process. A person's awareness of something arises because the person believes in the benefits or importance of this matter, or if it is not carried out, it threatens him, including halal certification. The urgency of benefits and the level of importance can arise if the knowledge about halal certification is adequate including the consequences if business actors do not have a halal certificate, tips and tricks to make the halal certification process run smoothly, and other relevant matters such as increasing product value in the eyes of

consumers and the possibility to compete at the global level (MUI, 2022).

Studies on Halal Certification so far have tended to look at only one scientific aspect, be it economics, lifestyle, policy, law, pharmacy, Halal certification assistance and others, such as research conducted by (Legowati & Ul Albab, 2019), (Kusumastuti, 2020), (Warto & Samsuri, 2020), and (Susetyohadi et al., 2021) regarding the desire to consume products that already have halal certification. Research conducted by (Svinarky & Malau, 2020) and (Malau & Svinarky, 2020) Regarding the desire to consume products that already have halal certification. Research conducted by (Adinugraha & Sartika, 2019) and (Astuti, 2020) Regarding the desire to consume products that already have halal certification. Research conducted by (Agustina et al., 2019) and (Qomaro et al., 2019) regarding assistance with halal certification. This study aims to complement previous studies in studying and analyzing the implementation of halal certification in various scientific approaches.

The purpose of this paper is based on the argument that mandatory halal certification until 2024 will undoubtedly impact many aspects, from upstream to downstream, from business actors to consumers who have the same goal, namely improving and enhancing product quality and protecting consumers. Of course, this raises various challenges that require solutions from various scientific perspectives. This study examined the implementation of halal certification from various scientific aspects.

## **B. MATERIALS AND METHODS**

This study uses a literature review approach to examine the mandatory implementation of halal certification for business actors. This approach was chosen to examine the challenges of implementing halal certification from various scientific aspects.

Data comes from news, magazines, and previous studies relevant to the research topic. Data collection is carried out through documentation relevant to the certification application for business actors.

## **C. RESULT AND DISCUSSION**

### **1. Halal by Design (HbD) Concept**

Halal by design is a systematic and science-based approach to designing and building halal products. This starts from the planning process, selecting halal raw materials, processing and halal management by Sharia principles. Halal by design is a systematic and science-based approach to designing and building halal products. This starts from the planning process, selecting halal raw materials, processing and halal management by Sharia principles (Josua, 2022).

There are two approaches to enforcing halal: replacing non-halal materials with halal materials and developing analytical methods/testing standards for halal authentication. From our study, halal inspection by testing will take more time, effort and cost. In addition, it requires the availability of equipment, reagents, and analytical skills both in the development

and use stages. Therefore, testing at the endpoint or end-time analysis becomes less efficient and effective. Mainly if, in the end, it is found that non-halal is so that all the products produced are wasted.

Halal can be designed by providing halal raw materials, production processes, packaging, storage, distribution, and delivery methods with planned, reliable and careful management and halal assurance systems to avoid product failure. With good planning and a halal assurance system, contamination of non-halal materials can be avoided, and supervision will be more efficient and effective.

The concept of halal by design is exciting but challenging to implement. Because the main requirement is the use of halal raw materials. In fact, raw materials, especially for cosmetics, household health supplies, supplements and medicines, are still dominated by imported products. Currently, Indonesia imports many raw materials from America, Europe, India, China, Japan and Korea, namely countries that do not have a sizeable Muslim population. That way, it is understandable if they are not concerned about halal (Nugrahani, 2022).

Halal by Design (HbD) is a halal product that complies with Islamic law. Halal by Design (HbD) has the basis that product halalness can be built into the product (built into a product). The basic concept is a systematic and scientific

approach to the development of halal products, which begins with planning, selecting halal materials, halal production, and guaranteeing halal products based on halal management. (Ibrahim, 2019).

## 2. Quality Management Analysis

The importance of quality management and halal certification lies in the needs of consumers who want to ensure that the products or services they consume comply with the Shari'a. With quality management in halal certification, consumers can be confident that the product or service has undergone a strict verification process and meets established halal standards.

For manufacturers or service providers, quality management in halal certification can help improve their image in the global market, especially among non-Muslim consumers. It can also help them comply with the requirements and regulations in countries requiring halal certification for specific products or services. So that good quality management can assist in achieving and maintaining halal certification.

One of the quality management instruments that can be used to maintain the implementation process is the Cycle Plan Do Check Act (PDCA).

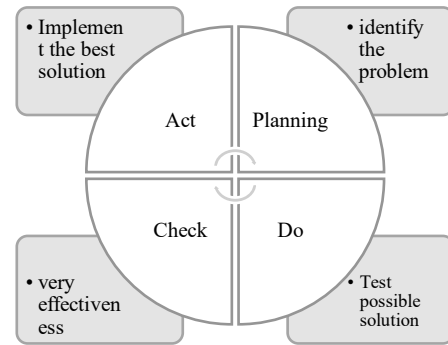


Figure 1. PDCA Cycle

The PDCA model is an approach used to improve a process or system on an ongoing basis. In the PDCA model, halal certification can be explained as follows :

### a. Plan

- 1) Determine the goal of improving the halal management system, for example, increasing compliance with halal requirements, reducing the risk of contamination, or increasing employee understanding of halal.
- 2) Identification and analysis of applicable halal requirements, including relevant laws, regulations, and industry standards.
- 3) Identification of deficiencies or gaps in the existing halal management system.
- 4) Plan specific and practical remedial actions to address these deficiencies.

b. Do

- 1) Implement the corrective actions that have been planned, such as employee training on halal principles, material contamination monitoring and control, or improvement of relevant production infrastructure.
- 2) Implement appropriate standard operating procedures (SOPs) to ensure compliance with halal requirements.
- 3) Manage the necessary documentation and records to keep track of activities and changes made.

c. Check

- 1) Conduct periodic internal audits to evaluate the effectiveness of the halal management system.
- 2) Check compliance with halal requirements and identify violations or non-conformances.
- 3) Monitor factory performance in maintaining halal compliance and periodically supervise the production process.

- 4) Use measurement and quality control tools to collect relevant data.

d. Act

- 1) Analysis of internal audit results and performance evaluations to identify opportunities for further improvement.
- 2) Identify the root cause of the detected problem or non-conformity and take the appropriate corrective action.
- 3) Review the upgraded halal management processes and systems and ensure continuous improvement.
- 4) Document the lessons learned from this process and use the information to improve the overall halal management system.

3. Business Actor Awareness Analysis

Increased awareness about the importance of halal food and beverages can result in increased market demand for halal products. This demand creates an impetus for producers to obtain halal certification in order to meet consumer needs. In this case, awareness acts as a driving factor that encourages producers to follow the halal certification process. The stages of awareness of business actors can be

analyzed using Geller's Theory of Levels of Awareness, namely (Tohani, 2022) :

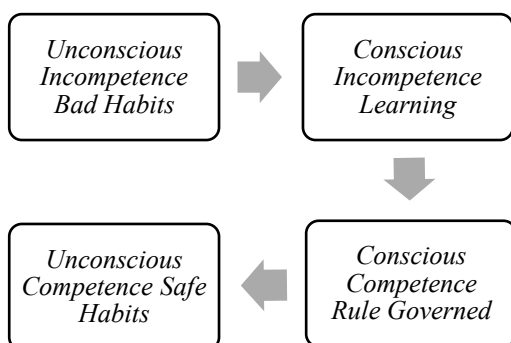


Figure 2. Level of awareness

a. *Unconscious Incompetence Bad Habits*

Business actors have yet to hear of or even implement halal certification procedures at this early stage.

b. *Conscious Incompetence Learning*

In the next stage, business actors begin to understand the application of halal certification but require understanding to carry out halal certification.

c. *Conscious Competence Rule Governed*

At this stage, business actors apply halal certification procedures to each business process.

d. *Unconscious Competence Safe Habits*

Halal product standards and procedures must be complied

with and carried out in their business activities.

4. Intrapersonal Communication Analysis

Halal certification becomes legality for business actors that the products produced have guaranteed legal certainty. New business actors can understand aspects of halal products and implement the halal guarantee system correctly after receiving and understanding the information conveyed by the government.

Interpersonal communication involves direct interaction between individuals. In halal certification, business actors must communicate effectively with the parties involved, namely BPJPH, LPH and MUI. Clear and open communication can help build trust and facilitate an accurate understanding of halal requirements and their implementation processes.

## D. CONCLUSION

Halal certification application until mandatory 2024 still leaves several unanswered questions, especially for business actors. The findings of this study (different from other studies) indicate that the challenges of implementing halal certification can be studied from various scientific aspects so that business actors can implement them.

Several fields of scientific study can be used to help find solutions to the challenges of implementing halal certification, namely the application of halal by design, quality management that is continuously



maintained, the process of awareness of business actors so that they are willing to form halal characters in each business process and approaches to interpersonal communication between business actors and the government to understand the halal production process.

This study is limited to the perspective of business actors and has yet to integrate consumer needs and government policies. Of course, it is integrating the implementation of halal certification from the perspective of government, business actors and consumers. This method allows for finding solutions to problems that arise. In line with this, further research is needed involving these three perspectives so that a comprehensive solution to the problem is possible to find.

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