

# Halal Certification for Indonesian Small and Medium Enterprises Opportunity and Thread

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**Abstract:** Law No. 33 of 2014 states that products that enter, circulate and trade in the territory of Indonesia, must be certified halal, will soon be implemented. This is certainly a problem for food companies, especially the category of Small and Medium Industry. They have limited funds and human resources. On the other hand, it is the governments obligation to empower small and medium-scale industries, considering the large number of workers involved. So that poverty alleviation efforts in Indonesia can work well. If there has been halal certification of LPPOM MUI cooperation with government agencies, especially the Provincial and District / City Industry and Trade Office, but only limited to certification and the small and medium-sized industries when it has obtained halal certificate already feel finished. Whereas halal certification is an activity that requires sustainability, not only in the beginning of halal certification, but most importantly how to maintain the quality of the companys products, especially about halal. The purpose of this study is to describe the empowerment system of small food product industry through halal certification in East Java, Finding the shortcomings and advantages of government institutions and halal certification institutions in the empowerment of small food products industry in East Java Describe the things that support the implementation of small industry empowerment Food products through halal certification in East Java to be more effective and productive. The type of research to be carried out is field research. As a practical source, this research was conducted at the halal certification institute of LPPOM MUI of East Java Province and Small and Medium Industry of food products in east java, whether certified as halal or not. While the paradigm used in this research is a naturalistic paradigm with phenomenology approach. Technique of taking data with Observation, Interview and Focus Group Discussion (FGD) to get data about general description of halal certification in East Java along with problems and obstacles in implementation by Small and Medium Industry of food product.

## 1 INTRODUCTION

The concept of empowerment is one part of the concept of development that seeks to realize a prosperous society in a fair and equitable. Because part of the concept of development, the grand theory used in this research is Max Weber's economic development theory that connects religion with economic development. This Weber theory rejects the description of modern capitalism Veblen as a form of barbaric evolution, and also opposes Karl Marx's theory of exploitation and surplus value. According to Weber Theories The development of modern society emerged because of the moral discipline and loyalty to the hard work that resulted in long-term investment and management of more advanced companies. Weber considers that the source of

economic development is religion, especially his doctrines about the simplicity and moral obligation to work. This weber theory also says that the birth of the century of capitalism is not the greed and seizure of unlimited profit, but derived from the ideals of religion (Skousen, 2009).

According to Friedman (1992), the concept of empowerment emerges with two major premises of failure and hope. The failure in question is related to the failure of models of economic development in tackling the problem of poverty and environment in a sustainable manner. While the intended expectation is the existence of economic development alternatives that include the values of democracy, gender equality, intergenerational equations, and economic growth adequately. Failure and expectation are not a measure of the social sciences alone, but rather a reflection of

normative and moral values that seem very real at the level of individuals and society. Therefore, according to Sumodiningrat (2007), community empowerment is essentially the collective value of individual empowerment.

Whereas according to Iffe in Nawawi (2006), empowerment consists of two key definitions, namely power and the weak group. This conclusion arises because empowerment means giving power to a weak group. Power here is not only about political power, but power in a broad sense that includes personal choices and life opportunities; defining needs; ideas; institutions, and economic activities.

In the view of Islamic economics, the economic empowerment program of the people is very compatible with the teachings of Islam, because the goal of Islamic economy is to create a safe and prosperous human life. Islam considers that the dignity of humanity is an essential thing, so that every human being plays a role to get the happiness of his life. Islam also provides a deep awareness for us that economic prosperity we will not get without a harmonious social relationship. This is evident if in a country there is a sharp social gap, then the country's economy will run with a halt (Muhammad, 2002).

Islam indeed teaches growth and economic development in a country, so Umer (2000) argued that Islamic economics should concentrate on the problems faced by the state and provide proposed problem solving in an Islamic and economically and politically allows to apply. Even Manan (1997) affirms that the economic responsibility of Islam is not only development and growth in the material field only, but the spiritual and moral aspect occupies a very important position. Thus, the Islamic concept of development and economic growth is broader than the secular economic concept. Although the basis of Islamic economic development is multidimensional which has moral, social, political and economic dimensions, but from the beginning, moral and spiritual development has been integrated in economic development.

Therefore, to achieve growth and development materially and spiritually, According to Husain (2004), Islam has characteristics in its growth, which is all-round, balanced, realistic, fair, responsible, sufficient and focused on human beings in accordance with their rights as the Caliph on earth. This characteristic indicates that the goal of growth and economic development in Islam is the opportunity of all members of society-regardless of race, religion and character-to gain prosperity, so that everyone can feel the blessings and grace of Allah. (Anwar, 2008).

In order to provide assurance that a type of food is halal (fulfilling Islamic criteria) and proper for consumption by the community, especially for the followers of Islam, MUI (the Indonesian Scholar Council) takes policy by establishing LPPOM (a drug and cosmetics food assessment institute) which oversees and examines a food products, medicines and cosmetics to then provide input to the fatwa (Islamic jurist law declaration) commission to provide halal certification to products that meet the halal criteria. In the meantime, LPPOM MUI is only passive, meaning that this institution is just doing research on a product, if there is demand from producers who want the products declared halal. This is done because Law No. 33 of 2014 has not been implemented.

## 2 METHODS

### 2.1 Research Object

The object of this research is the halal certification institute of Food, Drug and Cosmetics Assessment Institute (LPPOM) MUI East Java Province and SME food products in East Java. The SMEs that become the object of research is UD. Makmur Ds. Sukorame Kec. Gandusari Kab. Trenggalek, Plemben Jl. S. Hasanudin 224 Kab. Trenggalek, Ne-Vista Ds. Tanggung Gunung Kec. Tanggung Gunung Kab. Tulungagung, Kopai Osing HOS Cokroaminoto 93 Kabupaten Banyuwangi, and Omah Kopi Dsn. Krajan RT. 02 RW.02 Ds. Telemung Kec. Kalipuro Kabupaten Banyuwangi, with Dua Putri Jl. Rinjani Gg. Cempaka Singotrunan Banyuwangi, and Maneer Deles JL. Imam Bonjol NO.12 Tukang Kayu Banyuwangi.

### 2.2 Data Collecting Technique

In this research, qualitative data will be collected (related to quality) and quantitative data (relating to quantity). Because this research is a qualitative research, it will be more emphasis on meaning, and more focus on quality data with qualitative analysis. While the quantity data, will be processed in the mindset quantitative, not forced to be analyzed qualitatively. This is what the researcher will do in collecting this research data, so the quantitative data is calculated not by the proof of to proof for a prediction, but it is used as a supporting phenomenon of qualitative analysis for the final conclusion of the research.

### 3 RESULTS AND DISCUSSION

The scope of LPPOM MUI East Java activities include the following:

- Engage actively in the assessment of the Halal Quality Assurance System (HAS);
- Be actively involved in socializing HAS through writing in mass media, seminar forums, workshops, etc;
- Providing consultation and training services for HAS socialization to business actors;
- Providing halal certification service;
- Establish a wide network of similar institutions and supporting institutions on a national and international scale;
- Conducting research in an integrated manner involving various disciplines;
- Provide periodic counseling on the importance of consumers knowing their rights;
- Conducting other activities in line with the vision and mission of LPPOM MUI East Java.

Implementation of Halal Certification Activities for IKM in East Java Province in cooperation with LPPOM MUI of East Java Province and Industry and Trade Office of East Java Province, referring to the Work Plan that has been made.

#### 3.1 Halal Certification Audit

Halal certification audit activity was conducted in November 2016 involving 20 LPPOM MUI auditors of East Java Province. The auditor is spread to each of the two IKM auditors. While the audit process includes:

- The auditor team of LPPOM MUI will examine the documents and application forms of halal certificate;
- When considered sufficient then will be examined at the production site;
- The examination runs during the production process;
- Inspection covers the whole process, from purchasing, material storage, production process, administration, formula / recipe, finished product, employee etc.;
- Sampling to be analyzed (if required).

#### 3.2 Audit Result Discussion and Fatwa Comission Meeting

Audit results are discussed in the meeting of the Auditor Team together with the MUI Fatwa Commission of East Java Province. Based on the

results of the discussion of the MUI Fatwa Commission of East Java Province, there are SMEs that are audited and can be issued halal certificate and there are SMEs who get memo session of Fatwa MUI Commission of East Java Province, because there are things that do not meet the requirements, such as the origin of raw materials that are not obviously, the production process is still doubtful from the side of halal, and so forth in accordance with the decision of the MUI fatwa commission. The SME Unit that got the memo of the meeting of MUI Fatwa Commission of East Java Province is still in the development of LPPOM MUI of East Java Province for 6 (six) months for production material and production room to fulfill the halal certification requirement. If the company does not comply with the memo of the Fatwa Commission meeting within 6 (six) months then the company is re-audited at its own expense.

#### 3.3 Barriers Experienced by Government Institutions and Halal Certification Institutions in Empowering Small Industries of Food Products In East Java

In the implementation of Halal Certification Facilitation for SMEs in East Java Province, there are several obstacles that need to be noted as follows:

- Some SMEs still consider halal certification is licensing. The existence of such assumptions causes them to underestimate the substance of halal certification that is making a halal guarantee of its products;
- Most of the human resources of SMEs are still lacking and all work is done alone, so often the existence of halal assurance system which is a requirement of halal certification is difficult to be applied maximally.

#### 3.4 Factors Supporting the Implementation of Small Industrial Food Empowerment through Halal Certification in East Java to be More Effective And Productive

The existence of Halal Certification Facilitation for SMEs of East Java Province from the Department of Industry and Trade of East Java Province clearly has great benefits, both for SMEs themselves and for consumers. For food SMEs, this activity can improve the quality of food SME products especially from the aspect of halal so as to compete with products from large industries that independently with the

awareness of having first implemented halal assurance through halal certification.

As for consumers, especially Muslim consumers, with halal certification activities, will be able to provide a sense of comfort and tranquility for consumers to consume products from SMEs.

To support the work of LPPOM MUI Prov. East Java, the agreement was made with the University of Airlangga Surabaya, Brawijaya University of Malang, and ITS Surabaya dated November 27, 2001. The scope of cooperation includes human resources and other supporting resources such as laboratory facilities.

In an effort to supervise and control the products labeled as halal, LPPOM MUI of East Java Province also cooperate with Balai Besar Pengawas Drug and Food in Surabaya through Memorandum of Understanding. KS.02.885.1158 / No.04 / LPPOM MUI / JTM / S.Kep / III / 04 dated March 31, 2004. With this cooperation is expected that Muslim consumers are protected from the inclusion of halal writings that are not through the correct procedure.

To support the task of LPPOM MUI of East Java Province, especially related to the examination, therefore using laboratory of Airlangga University Surabaya, Brawijaya University of Malang, and ITS Surabaya; such as Veterinary Biomolecular Laboratory FKH Unair, Fak Testing Services Unit.Unair Pharmacy, Lab. Basis with Unair, Lab. Chemistry and Physics FMIPA Unair, ITS and UniversitasBrawijaya, and Lab. Microbiology Fak. Unair Pharmacy and FTP Unibraw.

## 4 CONCLUSIONS

The existence of Halal Certification Facilitation for SME of East Java Province from Industry and Trade Office of East Java Province clearly has big benefit for both SME and consumer. Meanwhile, some of SME's could not afford to it due to their limitation of knowledge and industrial scope. But as an institution, LPPOM MUI has done its best to provide services by doing joint program with several laboratories.

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