

## International Journal of Islamic Business and Economics

**The Determinants Of Corporate Value In The Indonesia Sharia Stock Index (ISSI)**

Agus Faisal & Izzun Khoirun Nissa

**The Effect of Interest, Religious Stimuli, and the Consumer's Trust on the Digital Al Qur'an Purchase**

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**The Effect of Management Ownership, Institutional Ownership, Corporate Social Responsibility and Profitability to the Company's Value (A Study on the Companies of Consumed Goods Industry on the IDX 2013-2016)**

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**Implementation of Sharia Value and Marketing on Customer Satisfaction in Local Sharia Development Bank of Jateng**

Putri Dwi Cahyani & Bestu Frida Utami

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## The Urgency of Halal Assurance System for Product Reliability

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### Abstract

*Indonesia is a country with world most Moslem population. Thus, among other countries participated in Islamic Conference Organization, Indonesia is the biggest on product consumption market. This huge number of Moslem is crucial to be considered in business, particularly to the reliability of food product in Indonesia. This far, halal products is attributed with a certificate of halalness established by MUI (i.e, Indonesia Ulama Committee). However, the monitoring of halal products by companies with halal certificate may not be sustainably conducted by MUI, thus it needs a company system assuring that their products are halal. This study used a qualitative approach and was a field research. As a practical resource, this study was conducted in LPPOM MUI (i.e, Department of Assessment on Foods, Drugs, and Cosmetics by Indonesia Ulama Committee) East Java and another place related to this department. The data of this study was collected by participative observation or engaged observation and interview. Additionally, documentation in particular to the existing system of halalness by LPPOM MUI East Java was also applied. As the result, first, in order to assure the halalness of food products from halal-certified companies, it needed a Halal Assurance System. Second, this Halal Assurance System was made and applied by halal-certified companies to keep the sustainability of halalness on their products. Third, Halal Assurance System was an effort for customer satisfaction.*

#### Keywords:

*Halal Assurance System,  
Sustainability of Halalness,  
Customer Satisfaction*

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## 1. Introduction

In order to provide assurance that foods which people consume is halal and proper for consumption, in particular to Moslem, Indonesia Ulama Committee (i.e., MUI) makes a policy by organizing a department of assessment on foods, drugs, and cosmetics (i.e., LPPOM) that function is to monitor and study products of foods, drugs, and cosmetics which in turn providing suggestions toward Committee of *Fatwa* to establish halal certificate on products that meet the criteria of halal. This far, LPPOM MUI is passive. That is, this department is about to conduct a study on a product by request from companies who are willing to make their products recognized as halal products, given that Act No. 33 Year 2014 has not been implemented yet.

In short, halal certificate by LPPOM MUI East Java is by request from companies, which in turn having an audit on documentation, ingredients, location, and process of production. From such audit, the committee of Fatwa MUI may define whether or not the product is halal. The validity period of this halal certificate is two years, but for import meats as its validity period is every shipping.

The data since 2011 to 2018 (up to August) showed that the number of halal-certified products, both regular proposal and Small Middle Enterprises (SMEs) cooperated with related instances was 91.676 products, and the total number of halal-certified companies was 4.425. The number of halal-certified products was significantly increasing, especially in 2016. However, the data of halal certificate in 2018 was only up to August although it was commonly counted at the end of the year, particularly for SMEs. It is based on the following data.

**Table 1.**  
**Halal Products**

No	Year	The Number of Halal certificate			The Number of Product			The Number of Companies		
		Reg	SMEs	Total	Reg	SMEs	Total	Reg	SMEs	Total
1	2011	233	130	363	4649	775	5424	203	130	333
2	2012	307	165	472	3816	606	4422	241	159	400
3	2013	325	29	354	13531	129	13660	325	29	354
4	2014	376	275	651	5897	1496	7393	292	274	566
5	2015	496	389	885	8348	2033	10381	317	373	690
6	2016	589	343	932	22686	2011	24697	461	331	792
7	2017	548	431	979	13061	2930	15991	444	420	864
8	2018 (up to August 2018)	362	129	491	8718	990	9708	301	125	426
<b>Total</b>		<b>3236</b>	<b>1891</b>	<b>5127</b>	<b>80706</b>	<b>10970</b>	<b>91676</b>	<b>2584</b>	<b>1841</b>	<b>4425</b>

*Source: Document of LPPOM MUI East Java, 2018*

Looking into the number of halal-certified products, it showed that many food products had not been certified. Act No. 33 Year 2014 that requires every product registered, spread out, and sold in Indonesia to have halal certificate is about to be implemented. Of course, it may bring several problems for food companies, especially those classified into Small Middle Enterprises (SMEs). They have limitation on finance and human resources. On the other hand, the government should empower the actors of SMEs, given the huge number of employees engaged within, and thus, the attempt of poverty alleviation in Indonesia may work well.

This far, a facility of halal certification cooperated with LPPOM MUI and government instances, in particular to both Provincial and Local Department of Industry and Commerce has been organized, however, it is merely certification and the SMEs thought that the process has ended when they

had the certificate. They thought that halal certification was like another licensing (Anwar, 2018), whereas it is a kind of continual activities, not only at the beginning, but also sustaining the quality of the product, especially the halalness.

Being *halal* and *haram* is principle in Islam, as Alquran and Hadits clearly get human to have good and halal consumption, as Allah saying in Al-Quran: "Oh, Mandkind, eat from whatever is on earth [that is] lawful and good and do not follow the footsteps of Satan. Indeed, he is to a clear enemy" (QS. Al-Baqarah [2]: 168), as well as Allah saying: "Oh, you wh have believed, eat from the good things which We have provided for you and be grateful to All if it is [indeed] Him that you worship." (QS. Al-Baqarah [2]: 172). In addition, Allah also said: "And eat of what Allah has provided for you [which is] lawful and good. And fear Allah, in whom you are believers." (QS. Al-Ma'idah [5]: 88).

Furthermore, many verses have prohibited mankind consuming haram products, as Allay said: "Oh, you who have believed, indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and diving arrows are but defilement from the work of Satan, so avoid it that you may be successful." (QS. Al-Ma'idah [5]: 90). Allah also said: "You are forbidden (to consume) the dead, blood, and the flesh of swine; also flesh dedicated to any other than Allah, the flesh of strangled (animals) and of those beaten, that which is killed by falling, gored to death; mangled by beasts of prey, unless you find it (still alive) and slaughter it; also of animals sacrificed on stones (to idols). (You are forbidden) to seek division by the arrows, that is debauchery. Those who disbelieve have this day despaired of your religion. Do not fear on them, but fear on Me. This day I have perfected your religion for you and completed My favour to you. I have approved Islam to be your religion. (As for) he sho does not intend to commit a sin but is constrained by hunger to eat of what is forbidden, then surely Allah is Forgiving, Merciful." (QS. al-Maidah [5]: 3).

From those all verses, what is defined as halal food is any good food and allowed to eat based on the tenet of Islam, which corresponds to Al-Quran and Hadits. Ibnu Katsir (2000, VI-415) defined the term *halal* as something good that brought benefits for body and religion, and what was being *haram* is something bad that brought disadvantages and danger for body and religion. Simply saying, Marzuki (2014) defined halal food as those allowed by Islam to eat based on Al-Quran and Hadits.

Furthermore, the definition of good food (*thayib*) is any kinds of food that may bring health for body, revealing a willing to eat and not forbidden by Al-Quran and Hadits. If it is not found in Al-Quran and Haditz, it needs more detail and clearer explanation through *ijtihad* in the form of *ijma'* and *qiyas* toward a common *nash* that should be more explored by Ulama in order to avoid any *syubhat* (doubt).

## 2. Research Method

This study is field research. As the practical sources, it is conducted in Department of Halal Certification LPPOM MUI East Java and halal-certified companies of food products, as well as another place related to this study. For data collection, it is through observation, interview, and documentary. This study is qualitative, since the data is analyzed in verbal-descriptive manner.

In this study, the author would have both qualitative (quality-oriented) and quantitative (quantity-oriented) data collection. Therefore, it is classified into qualitative research as it focuses more on meaning along with qualitative data and analysis. Toward the quantitative data, it would be organized in quantitative manner without being forced to be analyzed qualitatively. This is what the author intended to do in data collection. Therefore, the quantitative data would not be counted through evidence for a prediction, but would be used as a supporting phenomenon for

qualitative analysis in order to bring reliability on its final conclusion.

After having data collection, the next stage is analyzing them all. As it is a qualitative research, the data analysis is open-ended and inductive. Using inductive manner, the data would be analyzed through descriptive-qualitative way. In this case, the author would apply content analysis as well. It is a scientific analysis on the content of a phenomenon or communication.

### 3. Result and Discussion

#### 3.1. The Urgency of Halal Assurance System

As mentioned in the document of LPPOM MUI, Halal Assurance System is an integrated management system structured, applied, and maintained by companies in order to regulate their ingredients, process of production, products, human resources, and particular procedures for the sake of sustainability on the process of halal production based on the requirement of LPPOM MUI (LPPOM MUI, 2018). This definition shows that Halal Assurance System is an ideal system consisting of various elements that every halal-certified company should have.

In simply saying, Halal Assurance System (i.e., SJH/*Sistem Jaminan Halal*) consists of several elements, as follow.



Figure 1. Halal Assurance System

#### 3.2. Halal Assurance System as the Guarantee for Product Reliability

In accordance to its title, this Halal Assurance System aims to assure that a company's products are classified into halal products and have corresponded to the requirement of LPPOM MUI. It is a kind of necessity since it is impossible for the official of LPPOM MUI to conduct daily monitoring on product halalness.

In addition, this system is a kind of quality assurance that considers *halal* as one of the criteria. Thus, halal-certified products are those corresponding to the criteria of halal under the provision of MUI. Similar to another quality assurance which has certification of quality system on it, the analogue of assurance for halal product is called halal certification. It is a kind of

Systematic examination to find out whether a company's product consistently satisfies the criteria of being halal. The result of this certification is the recognition of halalness on the tested product based on the provision of MUI, in the form of halal certificate.

As Halal Assurance System is classified into quality assurance in the form of halal certificate, following Anwar (2017), halal certification by LPPOM MUI is an attempt to protect consumers, particularly Moslem, from any *haram* products that Islam has forbid. As commonly seen that Islam provides a rule to its follower to consume halal products and forbid them consuming *haram* ones.

Moslem consumers need to be protected from any *haram* products as well (Ridlwani, 2017),

as one primary purpose of consumer protection is to make every individual healthy both physic and mental. It is as Sidabalok (2010:6) argued that one primary reason addressing why consumers should be protected is for the sake of creating healthy individuals, both physic and mental, as the generation of development, which also implies to maintain the sustainability of national development.

The law of Halal Product Assurance (i.e., UU JPH) mentions that the assurance of halal product is a legal certainty toward products, and it is proven by halal certificate. The organization of JPH aims to (1) provide convenience, safety, security, and assurance of the availability of Halal products for every body, and (2) enhance the value-added for companies to produce and sell halal products.

### 3.3. Halal Assurance System as a Sustainable Assurance for Product Halalness

Halal Assurance System is an integrated management system structured, applied, and maintained by companies in order to control all the ingredients they use, the process of production, the product, the available human resources, and the applied procedures. It is conducted in order to keep the sustainability of halal production under the regulation of LPPOM MUI.

Maintaining the sustainability of halal production is necessary due to several cases of halal-certified companies which products contain pork within. Among those cases, a restaurant using pork in its menu is found. This may be due to the fact that the management does not apply Halal Assurance System in complete manner (Billiocta, 2015). Whereas, less restaurants are halal-certified, as the study from Halal Watch; an official body providing advocation and protection for consumers in case of halal issue. It found that less restaurants had halal certificate. Among 3.081 restaurants in Indonesia, only 46 of them had halal certificate, or it was only 1.49% (Sugianto, 2016).

Halal Assurance System is made and applied optimally by companies in order to avoid any *haram* products that Islam has forbidden to eat, both *haram lidzatihi* (i.e., due to the ingredients) and *haram lighairihi* (due to the process of production). There are 11 criteria in Halal Assurance System, including (1) the policy of halalness that contains company's policies in keeping their products halal, (2) halal management team consisting of employees with responsibility on product halalness, (3) training and education on halal production by companies toward their employees, (4) every ingredient the companies use, both raw, additive, and processing aid materials, should be halal, (5) the products they produce should not be against the syari'ah regulation, (6) the facility of production should be clean from any *najis*, both *najiz mukhaffafah*, *mutawasithah*, and *mughaladhah*, (7) the companies should have written procedures of critical activities on halalness, (8) the capability to track on halal-certified products, (9) unqualified product handling, (10) internal audit, and (11) management review to maintain the halalness of product.

Applying those 11 criteria, halal-certified companies may assure that their products are completely halal based on the standard of LPPOM MUI. Therefore, in order to motivate the employees to work properly based on the existing regulation and criteria on Halal Assurance System, the companies should organize a program of education and training, as well as reward and punishment on them, and thus, the possible risks due to human error may be eliminated, for instance, unqualified ingredients against the list of ingredients recognized by LPPOM MUI, and any other possible risks that may happen (Sholihah, 2017).

### 3.4. Halal Assurance System Provides Satisfaction to Consumers

A modern management does not only think on how to get consumers, but also how to maintain them to be customers. One of the ways is by providing satisfaction to consumers (Kavanillah, 2018). In general, Normasari (2013) defined customer satisfaction as a comparison between services and

the result the customers perceive with an expectation that both services and result they perceive, at least, should be equal as what they had expected, or even beyond their expectation. It means that customer satisfaction refers to customers' feeling as the response to the goods and services they receive.

Halal Assurance System is a part of effort to provide satisfaction to customers, in particular to Moslem customers. Companies that implement Halal Assurance System is likely to understand the characteristics of their consumers and customers, and it is commonly called *customers' behavior*. Assael, in Anwar (2014), explained that understanding the characteristics of consumers was very crucial for companies in order to produce the appropriate goods and services as people expected, provide a fair price in more interesting condition compared to what other companies have offered. Hence, the consumers may completely give their trust on the company.

In the perspective of marketing, Halal Assurance System is a part of Syari'ah marketing. Kertajaya and Sula (2006) defined the term "syari'ah marketing" as a discipline of strategic business that leads to the process of creating, offering, and altering the value of an initiator toward the stakeholders, which all the process is consistent with the value of syari'ah. Thus, syari'ah marketing is implemented based on the concept of Islam as what Nabi Muhammad SAW has taught. It means that, in the practice of syari'ah marketing, all the processes (creating, offering, and altering the value) should not have things against the principles of Islamic *muamalah*.

Following Anwar (2014), the characteristics of syari'ah marketing which implicitly takes ethics and moral as its priority refers to providing an excellent service to consumers, and in turn, providing satisfaction to the consumers. It is due to psychological factors, such as motivation, perception, learning, trust, and attitude, which may affect the consumers' selection on buying things.

Recently, therefore, halal products become a new trend on business, particularly in international commerce (Zulkarnain, 2014). The government, through its related departments, facilitates Small Middle Enterprises (SMEs) to have halal certification with an expectation that they may have capability to compete with big companies that have already had high awareness on halal certification as well as Halal Assurance System (Anwar, 2017).

#### **4. Conclusion**

In accordance to the discussion and analysis of this study, it concludes that, in order to assure the halalness of food products from halal-certified companies, it needs Halal Assurance System. It is made and applied by halal-certified companies to maintain the sustainability of their product halalness. It is a way to bring satisfaction to customers. From this conclusion, the author suggests that every halal-certified company, in particular to those in food industry, should pay more attention on Halal Assurance System, both its manual and implementation, in order to improve the consumers' trust on their products.

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