

The Problems of Halal Certification for Food Industry in Indonesia

by Ahmad Ajib Ridlwan

Submission date: 03-Aug-2018 05:33PM (UTC+0700)

Submission ID: 987258018

File name: TRANSLASI_Sertifikasi_Halal_Pada_UKM_2_oke.doc (141.5K)

Word count: 3834

Character count: 20555

THE PROBLEMS OF HALAL CERTIFICATION FOR FOOD INDUSTRY IN INDONESIA

Moch. Khoirul Anwar, A'rasy Fahrullah and Ahmad Ajib Ridlwan
Universitas Negeri Surabaya, Indonesia

ABSTRACT

Halal products might become a new opportunity in international business. Particularly, the availability of such products is a crucial need for Moslems and the government should provide it for them. This study aimed to investigate various problems of proposing halal certification for food industries, especially in East Java. It is a field research that involves several informants including LPPOM MUI, Department of Industry and Commerce, and food enterprises in East Java. The result showed that some problems emerged in case of halal certification. The actors of food industries seemed to merely see this certification as a licensing. In addition, the limitation of human resources and a perception that the process of halal certification was costly turned into some obstacles in conducting halal certification.

Key words: Problems, Halal Certification, Food Industry

1. INTRODUCTION

The population of Moslems in Indonesia has reached 89% of the total inhabitant of the country [1]. This huge number brings its own chance to business, particularly to halal-based industry [2]. Based on the database of *State of the Global Islamic Economy*, Indonesia is on the first place of Moslem consumers that consume halal food [3]. They uphold the syari'ah values in every aspect of life, including in economy and business [4], [5]. One of the indicators is their consideration of only consuming halal products as their tenet of Islam [6]. The term *halal* in Al-Qur'an refers to being allowed [7]–[9]. Its opposite is *haram* [10], [11]. Quantaniah, et al., argued that religions play one of the most influential roles in food selection [12]. From Islam perspective, the issue of *halal* and *haram* is quite fundamental for Moslems [13], [14].

Halal products increasingly become a new trend in international business [15]. The availability of halal products is a fundamental need for Moslems, and thus, the government should take it into account given that halal business holds high commitment on religion [16]. The development of halal products keeps growing, not only on its business value but also its broader expansion in several continents. Along with the increasing number of Moslem consumers, economic standard, and their education level, the trend of demand on halal products keeps increasing as well.

This development seems to be both an opportunity and challenge for businessmen and producers in order to meet the standard of halal. Hence, it needs their very strong willing and adequate insight into halal production system, halal ingredients, halal guarantee, and any related matters. Therefore, the consideration on halal should be put into a marketing strategy in order to give satisfaction for Moslem consumers.

On the other hand, the progression on science and this current sophisticated technology have come into every aspect of life, thus, the things that had not been recognized and might not even be imagined some years ago are now coming true. One progression that needs to take into account is on food, medication, and cosmetics

businesses. In some years ago, those three fields did not see the issue of halal and chastity as matter. However, it does matter now, especially for Moslems.

This phenomenon may raise several hesitancies; whether the products are allowed to consume or not. Such hesitancy is not too much, especially for Moslem as the issue of halal and chastity should be highly considered on things they consume and use for the sake of their religious tenet.

5

2. METHODOLOGY

9

This study is a field research conducted in halal certification organization LPPOM MUI (The Assessment Institute For Foods, Drugs And Cosmetics Indonesian Council Of Ulama) East Java and SMEs (Small and Medium Enterprises) for food products in East Java, particularly for halal-certified and not-certified products, as well as other related areas. For data collection, it used observation, interview, and documentation. This study is also qualitative as the data analysis is verbal-descriptive [17].

In general, the object of this study was a halal certification organization, LPPOM MUI East Java and SMEs of food products in East Java. The studied SMEs involved UD. Makmur Ds. Sukorame Kec. Gandusari Kab. Trenggalek, UKM Plemben Jl. S. Hasanudin 224 Kab. Trenggalek, UKM Ne-Vista Ds. Tanggung Gunung Kec. Tanggung Gunung Kab. Tulungagung, UKM Kopai Osing HOS Cokroaminoto 93 Kabupaten Banyuwangi, dan Omah Kopi Dsn Krajan RT. 02 RW. 02 Ds. Telemung Kec. Kalipuro Kabupaten Banyuwangi, dengan UKM Dua Putri Jl. Rinjani Gg. Cempaka Singotrunan Banyuwangi, dan Maneer Deles JL. Imam Bonjol NO. 12 Tukang Kayu Banyuwangi.

As the data had been collected, it turned into data analysis. At the first stage, the author implemented a content analysis. Besides, a synthesizing analysis, which sought to carefully examine any growing issues on halal certification. In order to seek for trust or factual truth over the findings, the author might have three stages, as follow.

1. Conducting data triangulation through several steps, including:
 - a. Triangulating the data resources by seeking for as much as data from many informants, involving any parties that directly engaged with the empowerment of SMEs for food products through halal certification.
 - b. Triangulating the investigators by the author self through as much as data collection from many informants.
 - c. Triangulating the methods of data collection by applying many data collection methods (including observation, interview, and documentation).
 - d. Triangulating the theories by examining some relevant theories, as it used plural theories, not single one.
2. Conducting *peer-debriefing*. It was an investigation to peers through discussion in order to analyze the findings.
3. Conducting *member check* and *audit trial*. *Member check* took some participants or subjects to review the report of findings. *Audit trial* involved an expert that carefully looked into the detail of data collected in order to confirm and verify the truth.

3. DISCUSSION

3.1 The Process of Halals Certification of Food Industry in Indonesia

Before proposing a halal certification, enterprises should see the requirements of having halal certification as mentioned in HAS 23000. It is a document that contains any

requisites of halal certification of LPPOM MUI. HAS 23000 consists of two chapters. Chapter (I) sets the Requisites of Halal Certification that contains the Criteria of Halal Guarantee System, and Chapter (II) sets the Requisites of Halal Certification that contains the Policies and Procedures [18].

In order to guarantee that their products are halal, every enterprise with halal certification has to implement Halal Guarantee System (HGS) as the Standard of HAS 23000 from LPPOM MUI. This HGS is under an internal management team of halal which primary function is to maintain the *halal* status based on the divisions of each of enterprises. This team consists of several divisions engaged in critical activities and they have competence to keep the *halal* status on the the ingredients the process of production, and the facility used. Some stages of proposing halal certification are as follow.

- a. Preparing any required documents for halal certification.
- b. Having registration for halal certification
- c. Pre-audit
- d. Paying halal certification fee.
- e. Audit scheduling
- f. Audit implementation
- g. Laboratorium analysis
- h. Meeting of Auditor and Fatwa Committee of MUI
- i. The establishment of Halal Certificate

3.2 Halal Certification of Food Industry in East Java

In order to provide guarantee that a kind of food is halal and well consumed for people, particularly Moslems, MUI (Council Of Ulama) makes a policy by organizing a body for foods, medication, and cosmetics analysis; LPPOM. It functions to control and examine a product of foods, medications, and cosmetics before proposing a suggestion to Fatwa Committee to establish a Halal Certificate toward the products that meet the criteria of halal. However, LPPOM MUI is passive as it only investigates a product due to the demand from a producer wanting to make their products considerably halal. It happens as Act No. 33 2014 has not been implemented.

In simple way, the certificate of halal established by LPPOM MUI East Java is based on a producer's application, and then the audit on documents, ingredients, location, and process of production will be conducted. Based on the audit report, the fatwa committee of MUI may define the *halal status of a food product*. The validity period of this certificate of halal is two years. The certificate of halal for import meat is valid in its every shipping.

This far, LPPOM MUI East Java has provided the certificate of halal for food industry in East Java territory, both regular and government-cooperated. This cooperation with government instances such as Department of Industry and Commerce is specific for SMEs that need help and assistance for the halal status of their food products.

The data in 2011 and 2015 showed that the number of SMEs' products with halal certification cooperated with government instances had reached 4.946 products. This number defeated the ones asking for halal certification through regular way. However, the number of enterprises having halal certification with regular procedures (1.378 companies) is bigger than ones having halal certification cooperated with government instances (951 companies). It is in accordance to the following data.

Table 1. Data of Halal-Certified SMEs

Tahun	Quantity SH			Quantity Of Product			Enterprises		
	Reg	Smes	Total	Reg	SMEs	Total	Reg	SMEs	Total
2011	233	130	363	4649	775	5424	203	130	333
2012	307	165	472	3816	606	4422	241	159	400
2013	325	29	354	13531	129	13660	325	29	354
2014	376	275	651	5897	1496	7393	292	274	566
2015	496	375	871	8348	1940	10288	317	359	676
Jumlah	1737	974	2711	36241	4946	41187	1378	951	2329

Source: Document of LPPOM MUI East Java, 2016

Considering the number of halal-certified products, it showed that many food products have no halal certification yet. Therefore, Act No. 33 2014 mentioning that the products spread and sold in Indonesia should have halal certification may immediately be implemented. However, it may raise problems for food companies, particularly the ones in SMEs. They have limitation in financial and human resources. On the other hand, the government should empower SMEs, given that many human resources may involve, and thus, the attempt of alleviating poverty in Indonesia can be reached out.

Although the facility of halal certification from LPPOM MUI cooperated with government instances, particularly with Department of Industry and Commerce in both provincial and regency levels, has been provided, it is still in case of certification only. The SMEs thought that it has completed if they have already had the certificate of halal. However, it is not the end of the journey. The halal certification requires a sustainable process, and the most important is how to maintain the quality of their products, especially its halal status.

3.3 Facilitation of Halal Certification for Food Industry in East Java

The facilitation of halal certification from LPPOM MUI cooperated with the Department of Industry and Commerce East Java has several stages, as follow.

a. Recruitment of Participant

The provision of small industries having facility of halal certification for SMEs in East Java was from the Department of Industry and Commerce East Java based on the suggestion from all the Departments of Industry and Commerce across the province of East Java.

b. Audit for Halal certification

This stage was conducted in November 2016 and involved 20 auditors from LPPOM MUI East Java. They were spread out across the SMEs; two auditors for each. The process of auditing involved:

- 1) Auditor team from LPPOM MUI would investigate the documents and forms of application for halal certification.
- 2) When it was considerably adequate, a direct investigation would be conducted on location of production.
- 3) The investigation was conducting during the process of production

- 4) The investigation involved the whole process of production; from purchasing, storage, producing, administration, formula receipt, final product, human resources, etc.
- 5) Sampling for analysis (if needed).

c. The Standard of Halal by LPPOM MUI

- 1) The ingredients should be halal in accordance to the result of Fatwa of MUI
- 2) The process of production was designed to prevent any cross-contamination from any haram-based substances or facility of producing non-halal-certified products; the distribution including a display facility should be free from any pork-based contamination and its kinship.
- 3) Companies should have a good administration and documentation systems to make the investigation easy to conduct.
- 4) Companies should design and implement Halal Guarantee System (HGS).
- 5) Companies should maintain their HGS by having sustainable improvement.

d. The General Standard of Halal on Ingredients Used

- 1) No pork or its kinship
- 2) No alcohol (*khamr*) and its kinship
- 3) Animal-based ingredients should be from halal resources and slaughtered based on the rule of Islam (proved by the certificate of halal from a certification body recognized by MUI)
- 4) No haram-based ingredients such as carrion, blood and any parts of human body.

e. Discussing the Audit Report and Fatwa Committee Meeting

The audit report was discussed in a meeting or Auditor Team along with the Fatwa Committee of MUI East Java. The result of the discussion showed that some audited SMEs might have a certificate of halal, while some others might have a memo for a meeting of Fatwa Committee of MUI East Java due to particular unqualified matters such as its unclear basic ingredients, the questionable process of production in case of its halal status, and any other issues the Fatwa Committee of MUI had defined. The unit of SMEs with such memo would be coached by LPPOM MUI East Java during 6 months in order to make their ingredients and production space might meet the requirement of halal certification. If the enterprise did not attend the memo in 6 months, they should be re-audited with their own-pocket money.

f. The Establishment of Halal Certificate

Based on the result of discussion by LPPOM MUI expert team and Fatwa Committee of MUI East Java, qualified SMEs would have halal certification.

3.4 Obstacles on Proposing Halal Certification for Food Industry in East Java

In facilitating halal certification for SMEs in East Java, some obstacles that need to be considered are as follow.

SMEs still see that the halal certification is an license

This assumption makes them tend to underestimate the substance of halal certification, through which providing guarantee of halal over their products. This guarantee is a part of producers' attempt to provide satisfaction toward their consumers,

as one of their business goals is to create and maintain their consumers. Therefore, the company should treat their consumers as well as possible, making them satisfied and keep consuming their products.

The actors of SMEs are reluctant to have halal certification.

The nature of halal certification is optional and non-mandatory since 1989 until the establishment of Act No. 33 2014 about Halal Product Guarantee. It is because the nature of halal certification is temporarily optional or non-mandatory, and the understanding on the importance of halal consumption and halal certification for industries and public is still less. In the part of public, the awareness to select halal-certified goods is still defeated by lower prices. Furthermore, the uncertainty of law and penalty for any parties of business violating the rule (e.g., promising that their products are halal and put the logo of halal on their label although it is fake) may put their consumers into disadvantageous situation and causes a public falsehood.

The Limitation of Human Resource

The actors of SMEs have limitation on human resources to develop their halal supply chain. SMEs' human resources are still less and with chaotic division of tasks, making them often ignore the availability of halal guarantee system, and thus, the requirement of halal certification is hard to be optimally implemented. Some companies, therefore, often encounter some technical issues on auditing and the implementation of halal guarantee system. One example of technical problem the auditors often encounter is on the investigation of ingredients used; both basic and supporting ingredients. The SMEs usually purchase ingredients based on their needs only, and the purchasing is directly conducted on stores without having any suppliers or agents, thus, it is hard to find their document of halal. In addition, the purchasing is often in the form of bulk or retail, causing difficulty to track the ingredients. Whereas, the auditors need a complete relevant document along with the status of ingredients to do an investigation for halal certification. Particularly for processed meats, the SMEs may feel difficult to get meats with a very clear status of halal as they often take it from traditional markets with questionable status of halal. The implementation of halal guarantee system is not yet optimal due to the administration matters such as SMEs' less documentation and archives, given the limitation of human resources, both quality and quantity.

A group of SMEs should have a good supply chain to do their tasks [19]. Innovations maintain the integrity of halal status along with the supply chain are fundamental to satisfy the increasing demand of halal products [20]. Logistic enterprises should take the existence of Moslem employees into account to facilitate the organization of halal logistic [21].

A perception that the process of halal certification is costly

This perception arises due to erroneous information from other enterprises or the third party that provides services for halal certification. The halal certification seems costly compared to other licensing such as Business License, Certificate of Company Registration, Certificate of Industry Registration, and Certificate of Home Industry for Food Production, etc. The cost of having halal certification is high as the expenses are all charged to the company, including any other additional costs such as transportation, accommodation, and consumption for audit. However, comparing to other certification of quality such as ISO, HACCP, SNI, and etc., the cost for halal certification is

considerably cheaper. Besides, LPPOM MUI East Java has its own rule to implement a cross-subsidy system. By implementing this system, SMEs would be subsidized by big companies, of course based on particular criteria such as the omzet, the number of employees, the marketing areas, and so on.

4. CONCLUSION

Both central and local MUI (Council Of Ulama) have organized LPPOM MUI; central and provincial LPPOM MUI, to conduct halal certification. This certification, with its halal guarantee system, aims to provide guarantee for consumers in case of halal-based products.

This far, the process of certification in Indonesia is still optional and self-financing. It is still mostly conducted by big companies, and less from SMEs as the SMEs' awareness on the importance of halal certification is still low, in addition to their financial limitation.

The facilitation of halal certification for SMEs from the Department of Industry and Commerce in East Java clearly brings a huge benefit, both for the SMEs itself and consumers. In the part of food SMEs, this activity may improve the quality of their food products, especially on the aspect of halal, and thus making them able to compete with big industries which independently apply a halal guarantee system for their products through halal certification. In the part of consumers, especially Moslem consumers, it brings convenience and tranquility for consumers to consume SMEs' products.

According to the discussion, some recommendations may reveal from this study. First, it needs sustainable education, communication, and information that particularly deal with the urgency of halal certification for SMEs. Second, given the importance of socialization, LPPOM MUI East Java may apply a clear policy that companies not attending the socialization will not be participated in certification program, including those targeted by the department of industry. To reinforce the policy of LPPOM MUI, therefore, it needs a recommendation from the Department of Industry and Commerce East Java. Third, it is necessary to do assistance for SMEs proposing halal certification, from document preparation up to the establishment of halal certificate by MUI, and even after the establishment of the certificate.

IV. ACKNOWLEDGEMENTS

This article is the result of research in 2017. The author would like to thank the Ministry of Research, Technology and Higher Education and LPPM Universitas Negeri Surabaya who has provided financial support to this research.

V. REFERENCES

- [1] BPS, "Jumlah Penduduk Berdasarkan Agama," Jakarta, 2010.
- [2] T. Maryati, R. Syarief, and R. Hasbullah, "Analisis Faktor Kendala dalam Pengajuan Sertifikat Halal (Studi Kasus : Pelaku Usaha Mikro , Kecil dan Menengah Makanan Beku di Jabodetabek)," *J. Ilmu Produksi dan Teknol. Has. Peternak.*, v. 4, no. 3, pp. 364–371, 2016.
- [3] T. Reuters, "State Of The Global Islamic Economy Report," 2016.
- [4] M. K. Anwar, H. Cahyono, A. Fahrullah, A. A. Ridlwan, and A. Yasin, "Implementasi Nilai-Nilai Syariah Pada Pedagang Muslim Di Indonesia," in *Seminar Nasional Hasil Penelitian dan Pengabdian Masyarakat*, 2017, pp. 547–551.

- [5] A. A. Ridlwan, "Asuransi Perspektif Hukum Islam," *Adzkiya J. Huk. dan Ekon. Syariah*, vol. 4, no. 1, pp. 75–87, 2016.
- [6] N. Bozorgaghideh and R. Beegam., "Halal tourism in Kerala," *Int. J. Manag.*, vol. 6, no. 8, pp. 42–48, 2013.
- [7] J. . Wilson and J. Liu, "The challenges of Islamic branding: navigating emotions and halal," *J. Islam. Mark.*, vol. 2, no. 1, pp. 28–42, 2011.
- [8] J. . Wilson, "Brand Islam is fast becoming the new black in marketing terms," *J. Islam. Mark.*, 2011.
- [9] J. . Wilson and J. Liu, "Shaping the halal into a brand?," *J. Islam. Mark.*, vol. 1, no. 2, pp. 107–123, 2010.
- [10] N. M. . Muhammad, F. . Isa, and B. C. Kifli, "Positioning Malaysia as halal-hub: integration role of supply chain strategy and halal assurance system," *Asian Soc. Sci.*, vol. 5, no. 7, pp. 44–52, 2009.
- [11] S. . Rosly, "Shariah parameters reconsidered," *Int. J. Islam. Middle East. Financ. Manag.*, vol. 3, no. 2, pp. 132–146, 2010.
- [12] N. Quantaniah, Noreina, and N. Syakinah, "Selecting Halal Food: A Comparative Study Of The Muslim And Non Muslim Malaysian Student Consumer," in *2nd International Conference on Technology Management, Business and Entrepreneurship. Malaysia*, 2013.
- [13] M. K. Anwar, A. A. Ridlwan, and A. Fahrulla, "Sertifikasi Halal Sebagai Upaya Perlindungan Konsumen Muslim (Studi pada Lembaga Pengkajian Pangan Obat-obatan dan Kosmetika Majelis Ulama Indonesia Provinsi Jawa Timur)," in *Seminar Nasional Hasil Penelitian dan Pengabdian Masyarakat*, 2017, pp. 539–546.
- [14] M. H. Mohamad, "Future Expectations of the Halal Food Industry: Malaysian Perspective," IKI Hyderabad, 2005.
- [15] M. Zulkarnain, "Tapping into the Lucrative Halal Market: Malaysian SMEs Perspective," *Int. J. Bus. Innov.*, vol. 1, no. 6, pp. 13–14.
- [16] H. Ahmad, A. Fazullah, and A. Borham, "A Way Forward To Manage Halal Business," *Malaysia Int. J. Arts Sci. Conf.*, 2011.
- [17] L. J. Moleong, *Metodologi Penelitian Kualitatif*. Bandung: Remaja Rosdakarya, 2006.
- [18] Indonesian Council Of Ulama, *General Guidelines of Halal Assurance System*. 2008.
- [19] S. Zailani, Z. Ahmad, N. Wahid, R. Othman, and Y. Fernando, "Recommendations to strengthen Halal Food Supply Chain for food industry in Malaysia," *J. Agribus. Mark.*, vol. 4, no. 3, 2010.
- [20] M. Tan, R. Razali, and M. Desa, "Factors Influencing ICT Adoption in Halal Transportations: A Case Study of Malaysian Halal Logistics Service Providers," *IJCSI Int. J. Comput. Sci.*, vol. 9, no. 1, 2012.
- [21] H. Tarmizi, N. Kamarulzaman, I. Atiff, and A. Rahman, "Factors behind Third-Party Logistics Providers Readiness towards Halal Logistics," *Int. J. Supply Chain Manag.*, vol. 3, no. 2, 2014.

The Problems of Halal Certification for Food Industry in Indonesi..

ORIGINALITY REPORT

8%

SIMILARITY INDEX

5%

INTERNET SOURCES

8%

PUBLICATIONS

4%

STUDENT PAPERS

PRIMARY SOURCES

1	www.emeraldinsight.com Internet Source	1%
2	eprints.uthm.edu.my Internet Source	1%
3	Sileny Estella Cujia Berrio, Remedios Pitre Redondo, Hugo G. Hernandez P.. "Impact of ICT in the generation of new services companies", Contemporary Engineering Sciences, 2018 Publication	1%
4	Neio Demirci, Marin, Jan Mei Soon, and Carol A. Wallace. "Positioning food safety in Halal assurance", Food Control, 2016. Publication	1%
5	"Contemporary Issues and Development in the Global Halal Industry", Springer Nature, 2017 Publication	1%
6	Submitted to Institute of Research & Postgraduate Studies, Universiti Kuala Lumpur Student Paper	<1%

7	"Proceedings of the 1st AAGBS International Conference on Business Management 2014 (AiCoBM 2014)", Springer Nature, 2016 Publication	<1%
8	Submitted to University of Hull Student Paper	<1%
9	www.slideshare.net Internet Source	<1%
10	Submitted to Universiti Selangor Student Paper	<1%
11	Submitted to Universitas Negeri Surabaya The State University of Surabaya Student Paper	<1%
12	Submitted to University of Brighton Student Paper	<1%
13	Ali, Mohd Helmi, and Norhidayah Suleiman. "Sustainable food production: Insights of Malaysian halal small and medium sized enterprises", International Journal of Production Economics, 2016. Publication	<1%
14	"Proceedings of the 3rd International Halal Conference (INHAC 2016)", Springer Nature, 2018 Publication	<1%

15	Mohamud, Ibrahim Kalif, Akram M. Zeki, and Aznan Zuhid Saidin. "Attitude towards Information Privacy Issues among Students of IIUM", 2015 4th International Conference on Advanced Computer Science Applications and Technologies (ACSAT), 2015. Publication	<1%
16	Aadam T. Aris, Wahidu Zzaman, Tajul A. Yang, K.V. Harivaindaran. "Is there a market for Istihalah food product in Indonesia?", Journal of Islamic Marketing, 2015 Publication	<1%
17	digilib.sunan-ampel.ac.id Internet Source	<1%
18	researchbank.rmit.edu.au Internet Source	<1%
19	Marco Tieman, Maznah Che Ghazali, Jack G.A.J. van der Vorst. "Consumer perception on halal meat logistics", British Food Journal, 2013 Publication	<1%
20	studentsrepo.um.edu.my Internet Source	<1%
21	aessweb.com Internet Source	<1%

Exclude quotes Off

Exclude matches Off

Exclude bibliography Off