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Halal Certification for Small Scale Enterprise in Indonesia: Policy Changing Impacts

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ABSTRACT

Through the Law No 33/2014 about Halal Product Assurance, Indonesian government has just implemented halal certification system which mandates all halal related business owners including small scale business owners to gain halal certificate letter issued by halal' state body. This new policy changed the previous halal permission that was proposed voluntarily. It also reduced the role of the previous halal body, namely Lembaga Pengkajian Pangan Obat-obatan dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI, or Assessment Institute for Foods, Drugs, and Cosmetics of The Indonesian Council of Ulama) that previously seemed dominantly body of halal certification permission. This paper tries to explore the halal certification for small scale business owners in Indonesia. Being stemmed from qualitative research that combines several data gathering techniques such as in-depth interview, study literature as well as observation, this research shows that the policy changing of halal certification still less attracted small-scale business owners although it was conducted by free of charge. Latterly, it becomes problematic caused by the digitalization of halal certificate permission.

Keywords: *halal certificate, halal certification body, Indonesia, small scale enterprise.*

Halal issue has long been a remarkable trend in Muslim world including Indonesia as its majority population is Muslim. Although a bit late compared with that of its neighboring countries in Southeast Asia such as Malaysia and Singapore (Wahab et al. 2016), Indonesian government has begun to regulate halal certification officially since the stipulation of the law number 33 in 2014 which clearly

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mentions *Jaminan Produk Halal* (JPH, or Halal Product Assurance). Thereafter, governing halal has been the duty of government to make sure halal standard upon food, pharmacy, cosmetics products and other similar things across the country. Henceforth, halal issuance body that previously taken by a private institution has become changed into state body (Sofiana et al. 2021).

Accordingly, to make sure that the law became applicable the Indonesian government established *Badan Penyelenggara Jaminan Produk Halal* (BPJPH, or Agency for Halal Product Assurance Organizer). This new body is now being designated as echelon 1 under the Ministry of Religious Affairs (MoRA). Because of its new office, the initial office' setting up was just concentrated at central level only. To organize at provincial level, it was established halal taskforce in each MoRA provincial' office (Mohammad Yusuf et al. 2022).

Studies on the implementation of new regulation of halal certification regulation in Indonesia are widely purposed to explore the role of non-state actors, namely *Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika, Majelis Ulama Indonesia* (LPPOM MUI, or Assessment Institute for Foods, Drugs, and Cosmetics of The Indonesian Council of Ulama) as the solely body of halal governance in Indonesia under the patronage of *Majelis Ulama Indonesia* (MUI, or Indonesian Ulema Council) (Hudaefi & Jaswir, 2019; Lindsey, 2012). Besides, other studies focus on the deep explanation of new halal certification trajectory (Maulida 2013; Mohammad Yusuf et al. 2022; Sofiana et al. 2021), the political and economic issue regarding to halal label (Anwar et al. 2020), halal tourism (Adinugraha et al. 2021; Khoiriati et al. 2018; Nuraini & Sucipto 2021; Purwandani & Yusuf 2021; Raya 2022; Winarti 2017), halal pharmacy (Dian Luthviati & Jenvitchuwong, 2021), halal law (Arifin 2020), halal standard for slaughtering (Suryawan et al. 2022) and other similar things. Studies on halal certification for small scale enterprises have still limited and done by few scholars to look at the motivation and expectation to grasp halal certificate letter (Giyanti et al. 2021; Jamaluddin et al. 2022; Silalahi et al. 2022) as well as to explore the lack of awareness of small and medium enterprises. Unlike those aforementioned topics, this paper focuses on the actual implementation of new halal regulation system in Indonesia for small-scale business owner to grasp halal certificate letter by following the new *Sertifikat Halal Gratis* (*Sehati*, or Free of Charge for Halal Certificate) program which accommodates small scale business owners.

Governing Halal for Small Scale Enterprise

The demand on religious regulation as well as certification to new product types and economic sectors which is called *halalization* has become widespread in Muslim world. Currently, it can be seen the growing of Islamic mortgages, halal ports, halal refrigerators, halal blockchain, and shariah-compliant cryptocurrencies (Calder 2020). In other word, halal issues stand side by side with other Islamic expression in which Muslim observe their sharia law, though it has criticism particularly in Muslim minority areas. In addition, halal has become a competitive advantage for some goods sold in market (Sukeesi & Prasadio Akbar Hidayat 2019).

In some Muslim world, halal issue has been sporadically developed depending on social and political situation in each country. For example, over the past three decades Malaysia has become a world leader in the global expansion of halal markets. This has come about in large part because the state and government of Malaysia have taken the role of halal-certifying authority within the country. As a result, it has certified, standardized and bureaucratized halal production, trade and consumption. Few years ago, Malaysia was one of the only countries in which a state body through its *Jabatan Kemajuan Islam Malaysia* (Jakim, or the Islamic Development Department of Malaysia regulated halal products, spaces such as shops, factories and restaurants as well as work processes. Undoubtedly, other Muslim majority countries adopt toward Malaysia' halal regulation. It is not uncommon, travelers around the world can find state halal-certified products from Malaysia that carry distinctive halal logos (Bergeaud-Blackler et al. 2016).

In Indonesia' context of the past, governing halal was initially arranged by non-state actor although supported by the Indonesian government. Beginning in 1994, MUI through its LPPOM MUI has sporadically provided halal certification for all business people. Subsequently, halal product assurance was only attached to not specified halal law like for example the Law 18/2001 which was about Animal Health and Husbandry. It was stated in the law of the basic requirements for halal certification of meat in Indonesia (Lindsey 2012). Indonesian government has officially just stipulated halal as the state affairs only after legalization of Law No. 33 in 2014 about Halal Assurance Product which formally being implemented in the next five years that is in 2019.

Similar to its neighboring country Malaysia, Indonesia with its nearly 204 million Muslim (Doktoralina & Bahari 2017), sees the certification of halal products has positive implications in building a halal business climate. For Muslim consumers, halal certification provides protection, guarantees, halal processed information and becomes an instrument of business ethics. In addition, halal certification offers benefits for business owners to increase consumer confidence as well as to assure products in reaching the global halal food market (Abdul-Talib & Abd-Razak 2013, 2013; Azam & Abdullah 2020; Bergeaud-Blackler et al. 2016; Fischer 2012; Manan et. al. 2023).

To increase the awareness as well as to assist halal certification proposal from the small-scale business easily, the Indonesian government through the *Peraturan Menteri Agama* (The Ministry of Religious Affairs Regulation) Number 20 in the year 2020 article 24 states no charge for small scale business owner to get halal certificate letter. In another regulation, the position of *lembaga pendamping halal* (halal assistance institution) whereby the halal assistants to be based on is also clearly stated. Through a halal assistant, a small-scale business owner is allowed to declare the halal of his/her products (*Government Regulation No 39 Year 2021 n.d.*).

Methodology

This paper is stemmed from a qualitative research that was conducted in Jakarta and Padang. The authors organized some interviews with influential figures on halal issue in these two cities such as officers of halal taskforce of MoRA, LPOM MUI representatives, Halal audit institution, as well as small scale business owners. Data taken from interview were subsequently combined with the data from documents study as well as observation. Data analysis was taken by following Morse (1994) where he states the following sequential data analysis i.e. comprehending, synthesizing, theorizing, and recontextualizing (Houghton et al. 2015).

Shifting Halal Organizing Body

The implementation of Law No 33/2014 about Halal Assurance Product which obliges halal processed product must be registered and legalized by the state was extended until five years later that is on October 27, 2019 (Law No 33/2014 about Halal Assurance Product, n.d.). During the five years extension, non-state body still had given an opportunity to provide halal certification. Hence, halal certification implementation was asked voluntarily and sporadically by the business owner during those five years. But, since October 27, 2019 the process of halal certification must be organized solely by state body under coordination of BPJPH.

However, in many provinces including the West Sumatra province for instance, the problem is that LPPOM MUI often works separately without considering the halal taskforce of West Sumatra' role and has still felt the solely legal one to issue halal certificate letter. As the leading body in halal issue, it should be noted that the central LPPOM MUI was established on 5 January 1989 (Hudaefi & Jaswir 2019). In early years of implementation of the new regulation, tensions were grown between LPPOM MUI of West Sumatra and halal taskforce of West Sumatra's MoRA.

However, the shifting was peacefully happened thank to digitalization-based process for the new halal regulation. Nonetheless, the digitalization is still an obstacle for most micro and small business owners who wish to get access of halal certification for free of charge through *sertifikat halal gratis* (*Sehati* or free of charge of halal certification) program. Even mostly they don't have email. Typically, it happens to the micro and small business owners who live in outskirt area as well as rural area.

According to a member of halal taskforce of West Sumatra, his office facilitated as many as 132 small scale business owners to get halal certificate of a total 150 halal certificate' submissions in 2021. The rest who have not succeeded yet because their documents were incomplete. Moreover, following the rules of the Omnibus Law Number 11/2020 that mandates of 21 days for completing halal certification process is actually not a problem for the Halal taskforce of West Sumatera. The huge problems might be lied at the *lembaga pendamping halal* (LPH, or halal assistance bodies) as well as the MUI' fatwa trial. Self-declare scheme of halal certification is impossible without having to be verified and validated previously by the halal assistant person. Thereafter, the halal decision goes to the MUI fatwa trial.

Readiness of Small-Scale Business Owners

Halal taskforce attached to the office of MoRA in provincial level is based on the Decision Letter of The Ministry of Religious Affairs Number 80 in the year 2019 about Duty of Coordinator and Taskforce for halal certification service in local level (*The Minister of Religious Affairs' Decision No. 80 Year 2019.Pdf*, n.d.). Its main duty was to assist BPJPH to register small scale business owners who wanted to obtain halal certificate letter. It seems that BPJPH didn't utilize its branch that is halal taskforce fully because BPJPH was also organized the process of legitimation of halal assistance body proposed by the Islamic mass organizations as well as campuses simultaneously. However, halal taskforce has shown its work by organizing initial communication upon the new regulation of halal certification process to the wider small-scale business owners. Finally, BPJH tends to manage halal certification process with the support of LPH.

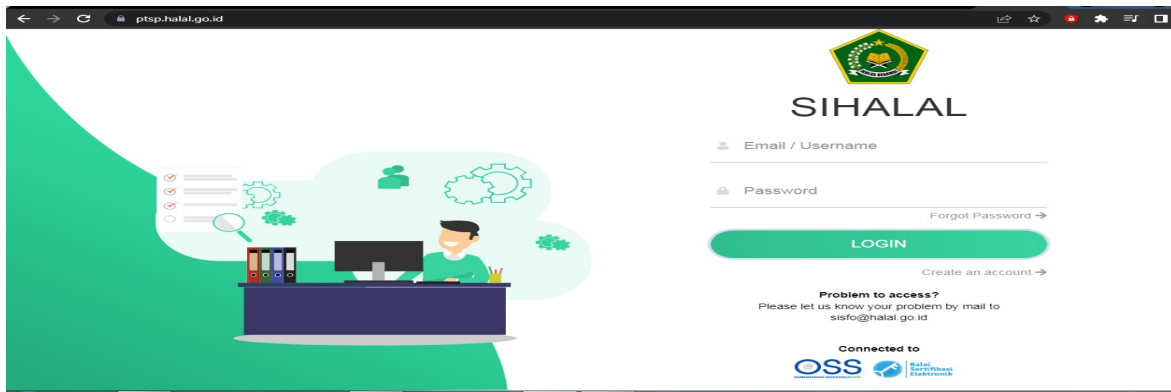
For small-scale business owner in West Sumatra, having a halal certificate is a primary tool to secure their business, especially in area of food and beverage products. It seems that they didn't care about which the official one for issuing halal certification. For them, the only issue was how to get halal certification from the official body to assure their customers. Small-scale business owner in Jakarta have shown the similar thing. Obtaining halal certificate letter is very urgent to secure their business and maintain the customer' loyalty. For example, a popular shop in Padang that has sold some local culinary food, admitted that it needs a halal certificate letter due to costumer demand on halal label putted on its processed foods. It has already renewed its halal certificate, but it was still issued by LPPOM MUI of West Sumatra, not issued by the BPJPH yet. The authors visited to the shop in September 2021 and found that halal logo from LPPOM MUI of West Sumatera was patched over its front door. Of the 350 small-scale business owners in Padang, some Chinese and non-Muslims were subscribed halal certification letter.

According the new regulation, the owner who hold religion outside Islam are obliged to provide *penyelia halal* (halal internal supervisors) for their halal certification process. Halal internal supervisor must be a Muslim. His/her main duty is to assure of halal process as well as halal ingredient during the process of their product, especially foods and beverages..

Problem of Digitalizing Application Process

Nowadays, small-scale business owner could submit halal certificate letter by themselves via Sihalal online application system (ptsp.halal.go.id) without asking some helps from the halal taskforce officers. Now, one gate service system (KTSP) is no longer available. Hence, the job of the task force

is slightly more on socialization, coordination and supervision. Now small-scale business owners are expected to submit their own proposal through an online application. The duty to serve them is moved on the hand of LPH' halal assistants from Islamic mass organization and campuses.



No any payment charged to small scale business owners and government' fund goes directly to *lembaga pedamping halal* (LPH, or halal assistance institute) where the halal assistants joins. That is a professional fee for halal assistants. Government has also allocated fund for the institution where the LPH belongs. A body of government agency in West Sumatra financed more than 200 micro and small-scale business owners through old scheme in early 2021 which was manually arranged. But now, the rule is different. They have to register themselves through online application system. However, problems have risen due to lack of understanding of the submission system when using an online application system.

Hence, in early time of implementation in 2021, halal taskforce of West Sumatra managed online applications namely *Sihalal* which belongs to BPJPH and Online Single Submission (OSS) simultaneously to help micro and small business owners. OSS system is incorporated with the ministry of Investment. This system issues *nomor induk berusaha* (NIB, business identification number) while in the provincial level it is managed by the *pelayanan terpadu satu pintu* (PTSP, integrated single door service) attached to local government office. If the provincial OSS is incomplete, it can't automatically be opened in Sihalal system. Generally, small scale business owners have not fully understood this condition.

Many small-scale business owners failed to register halal certificate process due to their lack of understanding about the function of android system. This feature can be found di Jakarta also where the small-scale business owner asks help for the halal assistants to register their product by using Sihalal system. Hence, the duty of halal assistants is not only to verify and validate whether halal or not the ingredient of food and beverage, but also to assist the digital process of registration.

Generally, the files that has been sent to the Sihalal online system are checked by the BPJPH. If the files are deemed eligible, then those files are sent to the Fatwa commission of MUI. Those who appointed become the member of fatwa commission of MUI are Muslim clergies from various Islamic mass organization in Indonesia. They will check the files based on the online information about halal certification of the whole ingredients put on the products. Furthermore, it is reasonable that the prolong process affects the time needed in the halal certification process until the halal certificate letter is issued. Those problems related with digital literacy of small-scale business owners has probably affect the minimum achievement of halal certification issued by the BPJPH.

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