

READINESS OF SMALL AND MEDIUM ENTERPRISES (SMES) TOWARDS A COMPETITIVE HALAL INDUSTRY THROUGH THE IMPLEMENTATION OF HALAL CERTIFICATION

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Abstract

The main objective of this community service is to provide some support and guidance to the Small and Medium Enterprises (SMEs) within the Women Farmers Group (KWT) Barokah in Pagedangan Village. Specifically, the assistance aims to facilitate the acquisition of halal certification, which is crucial for enhancing their competitiveness in the global market, given the increasing demand for such certification in the halal industry. It is imperative that forwardthinking SMEs understand the possible commercial advantages linked to halal certification. This program gives SME owners in Pagedangan Village informational materials and advice on the halal certification procedure. The project focuses on the business owners of KWT Barokah, which comprises 22 SMEs a relatively small number in comparison to the overall population of Pagedangan Village. These businesses include sectors such as frozen food, meatball products, catering, flavored milk beverages, herbal drinks, pecel peanut sauce, sukun chips, and Gabin cake filled with tape, among others. The assistance addresses specific issues identified by the community service team and offers tailored solutions to assist these entrepreneurs in obtaining halal certification. The anticipated outcome is that SME owners will enhance the quality of their products through halal certification and improve their readiness to compete in the halal market.

Keywords: Competitive SMES, Halal Certification Assistance, Readiness for the Halal Industry

INTRODUCTION

The COVID-19 pandemic has posed considerable challenges for micro, small, and medium enterprises (MSMEs) in Indonesia, particularly from 2019 to early 2021. In response to these difficulties, the government has implemented various stimulus measures and policies designed to revitalize the economy and strengthen MSMEs. As a critical component of the economy, MSMEs must continuously improve their quality, progress, and advancement to elevate their competitive position in the global market. This includes ensuring that their production processes and products meet halal certification standards, which is essential for securing market confidence and expanding their reach. The halal status of production processes is of paramount importance for Muslims, who constitute approximately 236 million individuals or around 84.35% of Indonesia's population (CNBC Indonesia, 2024). For Muslims, selecting halal products is not merely a religious requirement but also an act of worship. Therefore, it is incumbent upon the government to ensure the protection and certification of halal products for the Muslim community in Indonesia. Micro enterprises contribute 37.8% to Indonesia's Gross Domestic Product (GDP), while small and medium enterprises account for 23.3%. Despite large enterprises representing only 0.01% of the total business entities, they contribute significantly to GDP, with a share of 38.9% (Yana, halalmui.com, 2024).

Products that are confirmed to be halal must display a halal label on their packaging. To obtain halal certification, businesses must comply with established requirements and regulations. Halal certification is essential to ensure that products adhere to the halal standards mandated by the Qur'an and Hadith, as well as to provide associated health benefits (Halalmui.org, 2024). The readiness of small and medium-sized enterprises (SMEs) to acquire halal certification is a critical step in achieving legal recognition that their products and production processes meet halal standards. This certification is instrumental in bolstering the competitive halal industry. The Abdimasi Team from University of Muhammadiyah Jakarta is dedicated to this endeavor by offering guidance and counseling to SMEs on the process of obtaining halal certification. This support ensures that their products conform to established halal standards and enhances their competitive potential in the market.

The main objective of implementing halal product assurance is to provide comfort, security, safety, and certification of the halal status of products (Salam & Makhtum, 2022). To ensure that food and beverage products circulating in the community meet halal standards, companies are required to obtain halal certification (Latifah et al., 2023). To obtain halal certification, Small and Medium Enterprises (SMEs) must fulfill several prerequisites specified in the Head of BPJPH Decree (Kepkaban) Number 150 of 2022. These requirements include: (1) The product to be certified must be free from risks or use materials whose halal status has been confirmed. (2) The production process must be guaranteed to comply with halal standards and be straightforward. (3) The applicant must possess a Business Identification Number (NIB). (4) The applicant's annual sales (turnover) must not exceed IDR 500 million, which must be verified through a self-declaration. (5) The location, facilities, and equipment used for halal product processing (PPH) must be separate from those used for processing non-halal products. (6) The applicant may or may not have distribution permits (PIRT/MD/UMOT/UKOT), Certificate of Feasible Hygiene Sanitation (SLHS) for food and beverage products with a shelf life of less than seven days, or other industrial permits from relevant agencies. (7) The products must be items as detailed in the product type list attached to this decree. (8) The materials used must have confirmed halal status. (9) The products must not contain hazardous materials. (10) The halal status of the products must be verified by a halal product process companion. (11) The types or groups of products certified halal must not contain elements of slaughtered animals, except if sourced from producers or slaughterhouses already certified halal. (12) Production equipment must use simple technology or be operated manually and/or semi-automatically (home industry, not factory-scale). (13) The product preservation process must be simple and not use more than one preservation method. (14) The applicant must be willing to complete the halal certification application documents through a self-declaration mechanism online via SIHALAL (Kemenkeu.go.id., 2023).

The primary objective of this community service initiative is to provide education and assistance to UKM KWT Barokah Pagedangan in obtaining halal certification. This effort is designed to prepare the SMEs to enhance their competitiveness and improve their product quality through halal certification. Halal certification is essential for SME entrepreneurs to elevate their product competitiveness in the market.

IMPLEMENTATION METHOD

The method for implementing this community service involves providing education and assistance on obtaining halal certification and preparing Small and Medium Enterprises (SMEs) to become competitive within the halal industry. This initiative takes place at the Pagedangan Village Hall in Pagedangan District. The implementation commenced with an observational phase in May 2023, followed by continued guidance and support until August 2023.

The steps taken are as follows:

- 1. Conduct a Field Survey: Meet with Pagedangan Village officials to introduce the community service team and explain the planned activities.
- 2. Field Survey and Meeting: Convene with the coordinator of the Women's Farming Group (KWT) Barokah SMEs in Pagedangan Village.
- 3. Survey Data Collection: Collect information on the types of businesses operated by SMEs in Pagedangan Village.
- 4. Coordination with Local Officials: Arrange the date and venue for the activities with the approval of the Village Head and Village Secretary of Pagedangan.
- 5. Invite SME Entrepreneurs: Extend invitations to the SME entrepreneurs of KWT Barokah in Pagedangan Village to participate in educational and mentoring sessions.
- 6. Education and Mentoring: Conduct educational and mentoring activities for SMEs, covering the importance of halal certification, assessing SME readiness, and explaining the halal certification registration process.
- 7. Identify Prepared SMEs: Document SMEs in KWT Barokah that already meet the prerequisites for halal certification, such as NPWP and NIB, and provide assistance to those who do not yet have these prerequisites before proceeding with the halal certification process.
- 8. Guidance on Using Applications: Support KWT Barokah SMEs in utilizing the oss.go.id and ptsp.halal.go.id applications, with assistance from KKN students from University of Muhammadiyah Jakarta.



Figure 1. Preparation for Abdimas Activities: Initial Survey at Pagedangan Village



Figure 2. Field Survey at the Pagedangan Sub-District Office with Local Officials Priority Issues

Issues related to halal certification and halal labeling of products require special attention from both Small and Medium Enterprises (SMEs) and relevant authorities. In Pagedangan Village, most SMEs are household or family-run businesses, presenting a significant opportunity for small and medium-sized communities to engage in the SME sector. The main issue faced by Small and Medium Enterprises (SMEs) in Pagedangan Village is their inability to manage business activities optimally. This is due to the fact that many operate their businesses as side jobs, as the majority of SME operators in this village are housewives. The UKM KWT Barokah in Pagedangan Village, which consists of 22 business operators, is relatively small compared to the village's population. The types of businesses they engage in include frozen food, meatball products, catering, flavored milk drinks, herbal drinks, pecel peanut sauce, sukun chips, and Gabin cake filled with tape, among others. Despite this, these products possess strong competitive potential in the food market.

The potential of SMEs in Pagedangan Village is significant, given its location adjacent to

AEON Mall, one of the largest shopping centers in Asia. This proximity provides a promising market access and facilitates reach to elite areas. However, the primary challenge faced by SMEs in Pagedangan Village is meeting the production standards set by large enterprises, including the requirement for halal certification. To collaborate with major businesses like AEON Mall, SMEs must adhere to these standards to ensure their products are accepted and marketed within the shopping center.

The target of this community service program is the Small and Medium Enterprises (SMEs) in KWT Barokah, Pagedangan Village, which consists of 22 individuals. This number is relatively small compared to the population of Pagedangan Village. The types of businesses they operate include frozen food, meatball products, catering, flavored milk drinks, herbal drinks, pecel peanut sauce, sukun chips, and Gabin cake filled with tape, among others. The assistance provided will focus on addressing issues related to halal certification. The community service team will offer some solutions to assist SMEs in obtaining halal certification. The expected outcome of this assistance is the improvement of product quality through halal certification and the readiness of SMEs to compete in the halal industry. The implementation of halal certification is anticipated to strengthen the competitive edge of products from SMEs in Pagedangan Village.

To enhance the role of the government, the community service team from University of Muhammadiyah Jakarta, in collaboration with faculty from University of Bhayangkara Jakarta Raya, has engaged with business operators in Pagedangan Village. We have disseminated information about Law No. 33 of 2014 on Halal Product Assurance, which has been amended by Law No. 11 of 2020 on Job Creation. This regulation mandates that processed products from micro and small enterprises must have halal certification. Obtaining halal certification is not an easy process for SMEs in Pagedangan Village, leading to a slow growth in certification. Challenges include limitations in business management, fear of risks, and a lack of motivation for innovation. Additionally, insufficient dissemination of information about halal certification and low awareness of certification requirements are significant barriers. Addressing these limitations in meeting halal certification criteria requires a collective effort. Despite these challenges, SMEs have advantages that can be leveraged to compete with larger businesses. Collaborative efforts to address these issues will significantly impact the ability of SMEs to obtain halal certification and thrive in the halal industry.

Solution of the Problem

Small and Medium Enterprises (SMEs) play a crucial role in job creation, income enhancement, and poverty reduction. The potential of SMEs is significant, especially when these enterprises are well-managed and developed. In Pagedangan Village, relevant authorities have maximized efforts in socializing and introducing halal certification. However, SME operators face challenges related to the use of systems and the prerequisites established. In response to these challenges, our Community Service (Abdimas) team has taken the initiative to guide SMEs through the registration process on oss.go.id to obtain a Business Identification Number (NIB) and on ptsp.halal.go.id to secure halal certification. The goal of this support is to enable SMEs in Pagedangan Village to enhance their product quality and prepare for a more competitive halal industry after obtaining certification. Halal certification is expected to improve business competitiveness, expand market share, and increase consumer trust in the products produced by SMEs.

Products must have halal certification to ensure that they are truly halal for consumption. Halal certification is not only essential for meeting halal product requirements but also for gaining market access and enhancing competitiveness (Tahliani & Rizal, 2023). There are significant implications that having a halal certificate can improve a product's competitiveness in the market. This certification demands vigilance regarding the halal status of food and products sold and consumed by consumers, providing assurance about the halalness of the products they choose. With the postponement of the requirement for halal certification for food and beverage products produced by Small and Medium Enterprises (SMEs), originally set to take effect from October 18, 2024, the deadline has been rescheduled to October 2026. This decision was made by President Joko Widodo during a limited meeting attended by several ministers, including the Minister of Religious Affairs, who confirmed the policy in Jakarta. This delay in the halal certification requirement is a form of government support for SME operators. The extension provides SMEs additional time to obtain a Business Identification Number (NIB) and apply for halal certification until October 2026 (Kemenag.go.id, 2024).

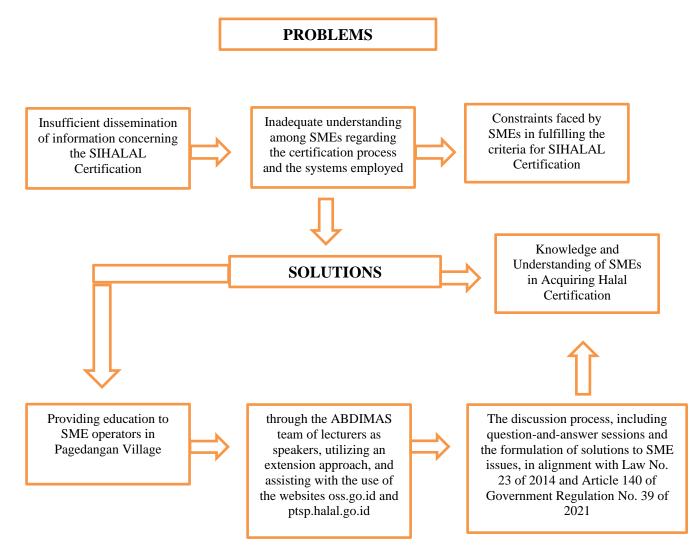


Figure 3. Solution Scheme Implemented in Community Service

The community service conducted by this team of lecturers aims to provide knowledge, education, and support to Small and Medium Enterprises (SMEs). The team assists in the process of obtaining halal certification and guides SMEs through the certification process, benefiting businesses in Pagedangan Village. The main objective of this community service is to enhance understanding and awareness of the importance of halal certification for SMEs. Halal certification not only benefits the SMEs but also aligns with the government's efforts to support the community in adhering to Islamic principles. With this education and support, it is hoped that SMEs will find it easier to obtain halal certification and take advantage of the opportunities available.

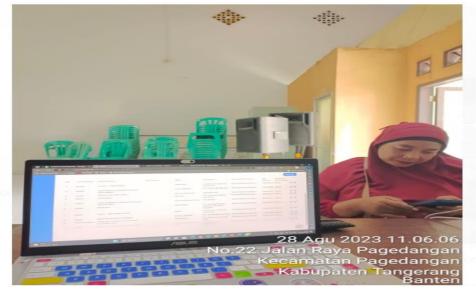


Figure 4. Providing Education and Guidance to SMEs

RESULTS AND DISCUSSION

Pagedangan District was established as a result of the division of Legok District and was inaugurated by the Governor of West Java, R. Nurianna, on August 11, 1999. The district's capital is Pagedangan Village, which began to take shape during the Dutch colonial period around 1935, according to local information. This district holds a strategic location, situated in the center of Pagedangan Town and positioned on the autonomous road corridor between Legok District and South Tangerang.

Pagedangan District serves as a strategic transit and mobilization point, providing access to district towns, provincial cities, and traditional shopping centers such as Pasar Legok, Pasar Serpong, and Pasar Parung Panjang (Bogor Regency). Additionally, Pagedangan District functions as an administrative center surrounded by several private developers that have been expanding the area since the 1990s. Notable developers active in this region include PT. Sinarmas Land, PT. Summarecon, and PT. Paramount Land, which are involved in developing residential, office, business, shopping, and other facilities. The boulevard roads constructed in the area are connected to government roads, facilitating access from various directions to the Pagedangan Village Office within Pagedangan District (Tangerangkab.go.id, 2020).



Source: google.com., 2024

Geographically, Pagedangan Village in Pagedangan District holds a strategic position. As a district close to office areas and economic centers, Pagedangan requires support and encouragement from the local government to foster the development of Small and Medium Enterprises (SMEs) in the area. It is anticipated that the local government will provide registration facilities that simplify the process for SMEs to obtain halal certification. Additionally, there should be partnership programs between SMEs and large businesses facilitated by the government to support the growth and development of SMEs. With this support, it is hoped that the motivation of SME operators to remain productive and grow will be significantly enhanced. Small and Medium Enterprises (SMEs) play a crucial role in regional economic development and unemployment reduction. The potential of SMEs in Pagedangan Village is quite high due to its proximity to AEON MALL, one of the largest shopping centers in Asia. With its strategic location near shopping centers and elite areas, SMEs should theoretically have relatively easy market access. However, establishing partnerships with large businesses in the area is not straightforward for SME operators. Large businesses typically set production standards that SME products must meet, one of which is obtaining halal certification. The requirement for halal certification is governed by Government Regulation (PP) No. 39 of 2021 on the Implementation of Halal Product Assurance.

SMEs' Readiness towards the Halal Industry

The urgent need to enhance halal product assurance and legal certainty regarding the halal status of products requires Small and Medium Enterprises (SMEs) to obtain halal certification. Halal certification for SMEs is governed by several regulations, including: Law No. 33 of 2014 on Halal Product Assurance, Law No. 11 of 2020 on Job Creation, Government Regulation (PP) No. 39 of 2021 on the Implementation of Halal Product Assurance, Ministerial Regulation (PMA) No. 20 of 2021 on Halal Certification for Small and Micro Enterprises. Additionally, there are specific guidelines such as: Head of BPJPH Decree No. 135 of 2021 on Guidelines for Training Halal Product Assurance Facilitators and Head of BPJPH Decree No. 136 of 2021 on Guidelines for Verification and Validation of Halal Product Statements by Micro and Small Enterprises. These regulations provide the legal framework and guidelines necessary for SMEs to obtain halal certification, which is a crucial component of quality assurance and the certainty of the halal status of the products they offer. The obligation for halal certification for micro and

small enterprises is based on the self-declaration of the business operators. Micro and small enterprises are productive entities that must demonstrate their readiness and awareness in delivering the best product quality. Halal certification provides assurance of halal status to Muslim consumers and ensures consistency in the application of halal standards across products, including goods, services, and production tools. According to information from the management of the Barokah Women's Farmers Group (KWT) in Pagedangan Village, there is an urgent need for SMEs to register their products to obtain halal certification. This requires support from relevant agencies and stakeholders to provide education and facilitate the process of obtaining halal certification. According to the latest information, the obligation for Micro and Small Enterprises (MSEs) to obtain halal certification, originally set to start on October 18, 2024, has been postponed until October 2026. In preparation for obtaining halal certification Number (NIB), Taxpayer identification numbers (NPWP), and other requirements. It is hoped that by obtaining halal certification, MSEs will be able to enhance their business competitiveness in the market.

Competitive SMEs with Halal Certification

Halal certification for SME products adds significant value and allows these products to reach a broader market. The halal status provides a competitive advantage, as the halal label is essential for offering assurance to the public, particularly Muslim consumers. For SMEs, especially those in the food industry, having halal certification can substantially enhance product competitiveness. This certification ensures that the products offered are halal, thus providing safety and comfort for consumers and increasing protection for SME operators. Therefore, it is crucial for SMEs to be aware of the benefits of halal certification and actively pursue obtaining it. All products made by micro and small business operators must be halal-certified to meet halal standards and boost market competitiveness. The self-declaration of micro and small business operators, made in accordance with halal standards established by BPJPH (Halal Product Assurance Administering Agency), serves as the basis for obtaining halal certification.



Figure 5. Preparation for the Implementation of Education and Assistance



Figure 6. Assistance by the Abdimas Team to KWT Barokah SMEs in Pagedangan Village

CONCLUSION

The Community Service conducted by the Abdimas team aim to socialize and provide guidance on the obligations and regulations related to halal certification. The main objective of these service is to educate SMEs about the importance of obtaining halal certification as a step towards a competitive halal industry. The Abdimas team also offers coaching to SME operators, including members of the Women Farmers Group (KWT), in the process of acquiring halal certification. This support is intended to assist them to meet certification standards and to enhance the competitiveness of their businesses. At the beginning of the meeting, prior to providing guidance and socialization on the importance of having a halal certificate, the Abdimas team conducted observations and obtained permissions from relevant authorities. The team then coordinated with the head of the Barokah Women Farmers Group (KWT) in Pagedangan Village. During this process, it was discovered that the understanding of SMEs regarding the obligation of halal certification and the associated regulations was still limited. Following the guidance and socialization sessions, SME operators demonstrated a good level of understanding and enthusiasm regarding the importance of halal certification. However, the implementation of certification faced challenges due to limitations in meeting the established requirements, causing the process to progress slowly. It is crucial for the government and academic institutions to be more proactive in socializing halal certification regulations and providing continuous support to SMEs. This is essential to ensure that SME operators understand and meet the halal certification requirements, allowing them to effectively obtain halal labels and enhance the competitiveness of their products.



Figure 7. Group Photo with Pagedangan Village Officials and SME Participants from Pagedangan Village

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