Human Resources Readiness of Small Medium Enterprises (SMEs) for Halal Product in Indonesia
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Abstract: The halal industry has caught the attention of the world today. The halal industry is not only in demand by Muslim countries but also by countries with non-Muslim majority populations. The implementation of the halal certification program for Small and Medium Enterprises (SMEs) also affects the process of developing SMEs' human resources in Indonesia. Increasing the capacity of human resources is needed to improve the competence, skills, innovation, and creativity of individuals in carrying out productive activities to increase domestic production. This study is expected to be able to provide an overview (steps that need to be achieved, policy strategies, and various efforts that need to be made) related to the role of government bureaucracy, academics, and business actors in optimizing the halal product guarantee system to support the halal industry in Indonesia. This study uses a combination of qualitative and quantitative data. The method used is literature study, in-depth interview, benchmark, and Analytical Networking Process (ANP). A strategic solution for SMEs in increasing the halal market segment is the need for socialization of assistance and submission of halal certification. In addition, the implementation of integrated halal product supply chain management is very necessary to ensure the quality of halal products and services.

Keywords: Halal Business Industry, Halal Certification, SMEs, and Human Resources Management.

JEL Classification: O15 and J24.

Introduction

Halal industrial estates in Indonesia have great potential to be developed because along with the Muslim population, which is around 85 percent or as many as 200 people out of a total population of 235 million people who embrace Islam. With such a population, the circulation of food, drinks, medicines, and cosmetics consumed by the Indonesian people is also large. The issue of halal and haram of a product is a serious problem for the Indonesian people, who are predominantly Muslim because it involves issues of faith and public trust (Kohilavani et al., 2021).

Thomson Reuters (2019) reported the amount of food consumed by the world's Muslim population reached around USD 1,088 billion in 2012 or about 16.6 percent of the total global consumption. Global Muslim consumption is estimated to grow to USD 1,626 billion in 2018 or about 17.4 percent of total world consumption. In terms of volume, Indonesia occupies the position of the largest Muslim country with a total of USD 197 billion. The next largest are Turkey (USD 100 billion), Pakistan (USD 93 billion), and Egypt (USD 88 billion).

By looking at the phenomenon of the current shift in global consumer preferences in making decisions to consume a product, it considers ethical, social, and environmental aspects because this has an impact on the type of product so that it will be more attractive to all levels of society in the future (Aslan, 2023). The potential development of the global Muslim market for the need for halal products and the issuance of Law No. 33 of 2014 concerning Halal Product Guarantees are a challenge for domestic business actors to become suppliers of halal products for the Muslim population in particular and the global community in general. So it is possible to create halal product brands from various segments of producers in Indonesia that are recognized globally (Fischer, 2015; Kohilavani et al., 2021).

If Indonesia is able to develop the halal industry on a massive scale as has been done by Malaysia, Indonesia can rank at the top in the world halal industry and market (Al-Shami & Abdullah, 2023). One
way to improve halal food products is to start by meeting the targets in accordance with Law Number 33 of 2014 concerning Guaranteed Halal Products.

The implementation of the halal certification program for SMEs also affects the process of developing SMEs’ human resources in Indonesia (Al-Shami & Abdullah, 2023; Izberk-Bilgin & Nakata, 2016). Human resources are the main capital in increasing domestic production to support national economic stability. Increasing the capacity of human resources is needed to improve the competence, skills, innovation, and creativity of individuals in carrying out productive activities to increase domestic production and increase the competitiveness of human resources nationally (Xin et al., 2023).

SMEs as one of the foundations of the national economy are expected to be able to increase productivity and human resource capacity in implementing halal product guarantees in Indonesia (Maksum et al., 2020). The enactment of Law No. 33 of 2014 concerning the guarantee of halal products in Indonesia is inseparable from the increasing world Muslim population scattered in various countries, thus creating a very promising global market potential. Indonesia is currently ranked 5th in the Global Halal Industry according to the Global State Islamic Economy (2019), up 5 places from the previous year. Accelerating the process of providing halal certification for all micro, small, and medium business products in Indonesia is a strategic step to improve the competitiveness of SMEs' human resources in implementing halal product guarantees, in order to optimize the halal industry in Indonesia (Prabowo et al., 2020; Rahayu & Day, 2015).

The purpose of this study and study of ”Improving the Capacity of SMEs HR in the Implementation of Halal Product Assurance in Indonesia" is to: Provide an overview (steps that need to be achieved, policy strategies, and various efforts that need to be done) related to the role of government bureaucracy, academics, and business actors in optimizing the halal product guarantee system to support the halal industry in Indonesia; provide policy recommendations related to MSME plans and strategies to improve the halal industry in Indonesia; provide strategic solutions for SMEs in increasing the halal market segment by prioritizing a halal product guarantee system; and the creation of benchmarks for the success of achieving the implementation of halal product guarantees in Indonesia.

**Literature Review**

Collect various laws and regulations, documents as well as information and data related to policies in the field of increasing the capacity of SMEs' human resources in the application of halal product guarantees in Indonesia. Indonesia is one of the largest Muslim countries in the world. 80% of Indonesia's population is Muslim. With a population of 215 million Muslims, it represents 13% of the Muslim population worldwide. Based on data from the Global Islamic Economy Indicator (GIEI), Indonesia is ranked 10th in spending on halal goods and services globally in 2018. This shows the huge potential of the halal industry in Indonesia. Therefore, it is necessary to have a system that guarantees the halal of a product to increase the halal industry in Indonesia.

According to LPPOM MUI (2015), the Halal Assurance System (SJH) is a system compiled and implemented by companies holding halal certificates intended to obtain and at the same time ensure the continuity of halal production consistently in accordance with the guidelines set by LPPOM MUI/LPPOM MUI Regions. This is reinforced by Nasution's opinion as quoted by Effendi (2005), SJH is very important and necessary in producing and maintaining halal production.

The regulation regarding Halal Product Guarantee (JPH) in Indonesia has been regulated in Law Number 33 of 2014 concerning Halal Product Guarantee (hereinafter abbreviated as JPH Law) which was ratified by the government together with the House of Representatives in 2014. This legal basis provides comfort, safety, and security, safety, and certainty of the availability of halal products for the public in consuming and using products, as well as increasing added value for business actors to produce and sell halal products. This law also regulates the Halal Product Guarantee Agency (BPJPH), the Halal Inspection Agency (LPH), and the role of the Indonesian Ulema Council (MUI).

Several studies in other countries that can be used as comparisons in managing halal food are researched among Muslims in America. Research by Green and Gammon (2016) shows that sales of halal food in the USA are increasing. Even some states in the USA have regulated the use of halal labels and the issuance of halal certifications to ensure safety and compliance with halal food rules and standards (Diabetes Care and Education DPG 2009). Meanwhile, Ardiyansyah (2019) stated that the theory of planned behavior and product competitiveness has a significant influence on purchasing
decisions for halal food products for Vietnamese Muslims in Ho Chi Minh City. On the other hand, based to Othman et al. (2016) halal certification in Vietnam is still relatively new compared to other Southeast Asian countries and until now there is no specific law regarding halal certification in Vietnam. However, halal management in Vietnam is still subject to relevant legal institutions such as the Ministry of Health, the Ministry of Fisheries, and others.

The case study in Italy can be said to be unique, at least because there are three unique causes for the consumption of halal food in Italy. First, the level of consumption and production of halal food is below other EU countries (IDOS, 2018). Second, Italy is dominated by the Catholic Church, although in recent years there has been a process of social change that has changed and reduced the influence of the Catholic church (Pace, 2018). Third, Italy has a very strong culture, including culinary culture, so that it can complicate the entry of halal food culture in Italy (Wilson, 2014).

Rashid and Bojei (2019) argue that halal is considered the most important attribute for Malaysian Muslims. The government’s role is very important in the halal industry as political interventions such as halal standards, halal enforcement, and halal incentives, make the growth and development of the halal industry in Malaysia tend to be fast. Malaysian government support also comes in the form of policies, procedures, and guidelines.

**In-Depth Interview**

Researchers used in-depth interviews with experts to answer research problems with a questionnaire. There are five experts (stakeholder representatives) involved in this study. The first expert is a representative from academia, the second expert is from SGS Indonesia, the third expert is from the Halal Center, the fourth expert is a representative of consumers, and the fifth expert is a representative from the sharia community association. Researchers collect documents related to the implementation of halal product guarantees in other countries and used them as a benchmark.

**Analytical Networking Process**

The results of interviews and literature studies will be written in the form of a questionnaire containing pairwise comparisons. The results of this pairwise comparison are quantitative data in the form of a ratio scale containing the priority scale of the respondents. The method used is ANP. This study will identify several influential criteria based on factors, problems, and alternative strategies involved in selecting alternative strategies for increasing the capacity of SMEs' human resources in the application of halal product assurance. The software used is Super Decision, ANP is a mathematical theory in decision-making with consideration of adjusting the complexity of the problem with a priority scale that produces the greatest priority effect. ANP can explain the model of dependence factors and their feedback systematically (Saaty & Vargas, 2013). The stages of research using the ANP method are as follows:

**Phase 1. Develop the Construction of the ANP Model**

The modeling was carried out based on a theoretical and empirical literature review by asking questions to Islamic finance experts through in-depth interviews.

**Phase 2. Model Quantification**

The preparation of questions in the ANP questionnaire is in the form of pairwise comparison between elements in the cluster to find out which of the two has the greater influence and how big the difference is on a numerical scale of 1-9. The data from this assessment is collected and inputted into the Super Decision software to be processed to produce output in the form of priority and supermatrix.

**Phase 3. Data Analysis**

The data analysis was conducted to determine the selection of alternative strategies for increasing the capacity of SMEs’ human resources in the application of halal product guarantees. Data analysis was carried out with the help of Super Decisions software and Microsoft Excel. The parameters observed were the priority distribution of each respondent, to be further used for the analysis of the geometric
mean and rater agreement parameters.

The geometric mean is used to determine the results of individual assessments of the respondents who will determine the results of opinions in a group. Questions in the form of pairwise comparisons of the respondents will be combined to form a consensus.

\[ U = \sqrt[n]{x_1 \cdot x_2 \cdot x_3 \ldots x_n} \]  

where

- \( U = \) Mean (geometric mean)
- \( n = \) Number of samples
- \( X_1 \) - \( X_n = \) Value

Rater Agreement is a measure that shows the level of conformity (agreement) of the respondents (R1-Rn) to a problem in a cluster. The tool commonly used in rater agreements is Kendall's Coefficient of Concordance (0 < W <= 1). W = 1 indicates a perfect match (Ascarya & Yuanita 2010 in Awaludin 2016).

Results and Discussions

After going through the process of collecting data through questionnaires from expert respondents and literature studies, the analysis of alternative strategies for increasing the capacity of SMEs' human resources in the application of halal product guarantees is determined by the following criteria shown in Figure 1.

![Figure 1. Framework ANP](image-url)

**Analysis of Factor Cluster**

Factors that determine and influence the search for alternative strategies to increase the capacity of SMEs' human resources in the application of halal product assurance include HR work experience, HR
educational qualifications, business scale, and awareness of the need for halal certification. The analysis of the factors that most influence the search for alternative strategies to increase the capacity of MSME human resources in the application of halal product assurance based on the results of the research in the form of the distribution of priority values from the opinions of five expert respondents (expert recommendations) can be shown in Figure 2. Value of Rater Agreement (conformity value) (Kendall's Coefficient of Concordance) symbolized by W has a value of 0.73 which means that among expert respondents there is a very strong agreement (Figure 3).

![Figure 2. Distribution of the Priority Values of Five Expert Respondents for the Most Influential Factors](image)

Based on the results above, it can be seen that the alternative strategy for increasing the capacity of SMEs' human resources in the application of halal product guarantees is more determined by the awareness factor of the need for halal certification. The awareness factor for the need for halal certification has the highest geometric mean value of 37%, followed by HR education qualifications (25%), HR work experience (24%), and business scale (14%).

According to LPPOM MUI data, the number of products that have obtained halal certificates in Indonesia in the last four years has increased significantly. Based on data from the central LPPOM MUI, data in 2011 showed the number of products that received halal certificates was 26,413 products and in 2014, the number of products that received halal certificates increased by more than 50% to 40,631 products (LPPOM, 2015). However, despite the increase, halal-certified products in Indonesia are still considered very lacking because of the total products circulating in Indonesia, only 30% of
these products are halal-certified. The low number of products that have halal certificates proves the low awareness of MSME owners have halal certificates (Arrezia, 2015).

Criteria Analysis on HR Work Experience Cluster

The HR work experience cluster has four criteria/problems, the distribution of priority values to five respondents as shown in Figure 4. The value of conformity to the criteria that affect HR work experience by respondents at $W = 0.87$ means that among expert respondents there is a very strong agreement (Figure 5).

Figure 4. The Distribution of the Priority Values of Five Expert Respondents for the Criteria (Problems) in the Most Influential HR Work Experience Cluster

Overall, the respondents agreed that minimal training in halal production is the most dominant/influential criterion on HR work experience in determining alternative strategies for increasing the capacity of SMEs' human resources in the application of halal product guarantees with a geometric mean ($\mu$) suitability value of 39%. Training plays a major role in supporting productivity levels (Sari et al., 2015). Halal Product Process (PPH) is a series of activities to ensure the halalness of
products including the provision of materials, processing, storage, packaging, distribution, sales, and product presentation (Aslan, 2023). SMEs' human resources must understand that the location, place, and equipment of PPH must be separated from the location, place, and equipment for slaughtering, processing, storing, packaging, distributing, selling, and presenting non-halal products (Al-Shami & Abdullah, 2023). The lack of business feasibility to obtain a halal certificate can be caused by the problem of the lack of halal production training (BPJPH, 2020).

**Analysis of Criteria in the Cluster of HR Education Qualifications**

The HR education qualification cluster has three criteria/problems, the distribution of priority values on the five respondents as shown in Figure 6. The value of conformity to the criteria that affect the qualifications of HR education by the respondents at the number $W = 0.27$ which means weak agreement (Castaño & Lino, 2013). This value is not high, which means it is necessary to consider other criteria that are close to the most influential qualification criteria for HR education (Figure 7).

![Figure 6. Distribution of the Priority Values of Five Expert Respondents for the Criteria (Problems) in the Most Influential Cluster of HR Education Qualifications](image)

![Figure 7. Priority Criteria (Problems) in the Cluster of the Most Influential HR Education Qualifications](image)

The existence of an Integrated Business Service Center (PLUT), SMEs Center, BUMN Creative House, and Halal Center is very necessary. There is a need for an information system that can make it easier for entrepreneurs, especially SMEs, to access information related to halal. For example, information about halal certification (Aslan, 2023).
Criteria Analysis on Business Scale Clusters

The business scale cluster has three criteria/problems, the distribution of priority values to five respondents as shown in Figure 8. The value of conformity to the criteria that affect the business scale by the respondents at the number W = 0.28 which means weak agreement. This value is not too high, which means it is necessary to consider other criteria that are close to the business scale criteria (Figure 9).

Figure 8. The Distribution of the Priority Values of Five Expert Respondents for the Criteria (Problems) in the Most Influential Business Scale Cluster

Figure 9. Priority Criteria (Problems) in the Most Influential Business Scale Cluster

Overall, the respondents agreed that not having a halal supervisor is the most dominant/influential criterion on a business scale in determining alternative strategies for increasing the capacity of SMEs' human resources in the application of halal product guarantees with a geometric mean (µ) suitability value of 46%.

Halal supervisors are people who are responsible for the halal product process (PPH), in the previous regulations halal supervisors were known as internal halal auditors (BPJPH, 2020). Before the presence of Law No. 33 of 2014, only large industries are required to have an internal halal auditor (halal supervisor), but for now, the existence of a halal supervisor is mandatory, even for SMEs. Halal
supervisor requirements are Muslim; have broad insight and understand the Shari'a regarding halal; for business actors who have just applied for a halal certificate, the halal supervisor is Muslim, evidenced by an ID card; Halal supervisors who have existed before PMA 26 2019, are still recognized as halal supervisors and must comply with the provisions until October 15, 2021. Based on the transitional rules, Halal Supervisors who existed before PMA 26 of 2019 were promulgated are still recognized as halal supervisors and must comply no later than October 15, 2021. SMEs who wish to apply for halal certification are required to have a halal supervisor (Al-Shami & Abdullah, 2023). Halal supervisors for SMEs can be appointed by production employees or the SME owners themselves.

**Analysis of Criteria in the Awareness Cluster of the Need for Halal Certification**

The cluster of awareness of the need for halal certification has three criteria/problems, the distribution of priority values to five respondents as shown in Figure 10. The value of conformity to the criteria that affect awareness of the need for halal certification by respondents at the number \( W = 0.64 \) which means that among expert respondents there is an agreement strong agreement (Figure 11).

![Figure 10. The Distribution of the Priority Values of Five Expert Respondents for the Most Influential Criteria (Problems) in the Awareness Cluster of the Need for Halal Certification](image)

![Figure 11. Priority Criteria (Problems) in the Most Influential Cluster of Awareness of the Need for Halal Certification](image)

Overall, the respondents agreed that minimal concern for product halalness is the most dominant/influential criterion on awareness of the need for halal certification in determining alternative
strategies for increasing the capacity of MSME human resources in the application of halal product assurance with a geometric mean conformity value of 47%.

Many food entrepreneurs assume that the food produced already uses compositions and ingredients that are safe for health, so there is no need for halal certification (Maksum et al., 2020). In fact, this is not the case, the use of safe food ingredients does not necessarily automatically make the food product halal, especially if in the production and distribution process the product does not pay attention to the halal aspect. In the past, the application for halal certification by producers was voluntary (Arrezia, 2015). However, after the enactment of the Law of the Republic of Indonesia, Number 33 of 2014 concerning Halal Product Guarantee, the application for halal certification by producers is mandatory (Akim et al., 2018).

Analysis of Alternative Strategies to Increase MSME HR Capacity in the Implementation of Halal Product Guarantee

The alternative strategy cluster has four criteria/solutions, the distribution of priority values to five respondents as shown in Figure 12. The value of conformity to the criteria that affect the alternative strategy by the respondents at the number W = 0.33 means that among expert respondents there is a moderate agreement (Figure 13).

![Figure 12. The Distribution of the Priority Values of Five Expert Respondents for the Criteria (Solutions) in the Most Influential Alternative Strategy Cluster](image)

![Figure 13. Priority Criteria (Problems) in the Cluster of Criteria (Solutions) in the Cluster of Alternative Strategies That Have the Most Influence](image)
This $W$ value is not too high, which means it is necessary to consider alternative strategies that approach alternative strategies for the socialization of mentoring and filing for halal certification (Aslan, 2023). Four alternative strategies need to be implemented simultaneously with a priority scale according to the geometric mean value, namely: Socialization of assistance and submission of halal certification (34%); facilitation of halal certification fees (24%), providing locations, processes, and facilities for halal certification (23%); and supply chain of halal raw material supply (18%).

An expert of the Head of the Halal Product Assurance Administration (BPJPH) at the BAZNAS Halal Class 2020 event said that the halal certification model for MSMEs is somewhat different from the halal certification process for large producers/companies (BPJPH, 2020). The difference between the two is the existence of a Halal Center that coordinates with BPJPH. The Halal Center will assist SMEs to become halal-worthy (Kohilavani et al., 2021). SMEs that are declared halal worthy by the Halal Center then apply for halal certification registration to BPJPH. The duration of the halal certification process until the issuance of the halal certificate is a maximum of 47 working days. The halal certificate and halal label will be valid for four years (Figure 14).

![Figure 14. MSME Halal Certification Model (Sukoso, 2020)](image)

The halal certification program for business actors, both industrial and MSMEs, will be carried out in stages following PMA No. 26 of 2019. Food and beverages must be certified halal, 5 years after the start of mandatory halal since October 17, 2019. That is, it is targeted that on October 17, 2024, all business actors, both industry and SMEs that have food and beverage products, have fulfilled their halal certification obligations (Al-Shami & Abdullah, 2023). In addition to food and beverages, it is still in the discussion stage with the Ministry of Health and BPOM. The government helps MSMEs within 5 years to meet halal standards. SMEs that meet halal standards must immediately get halal certification (Sukoso, 2020).

**Managerial Implications**

1. Socialization and assistance in applying for halal certification in the context of achieving the process of providing halal certification for all products of micro, small, and medium enterprises in Indonesia need to be carried out intensively.
2. The level of achievement of the target of socialization results towards certification shows a low number because it is not followed by a mentoring process. The most important process for SMEs is the execution process (halal certification registration).
3. SMEs' HR awareness regarding the urgency of halal certification will increase if facts are shown rather than told (the mentoring process).
4. Socialization to assist with online halal product guarantee certification registration needs to be carried out periodically to reach a wider target of SME actors.
5. Parties such as the Government through the APBN, regional governments through the APBD, companies, social institutions, religious institutions, associations, and communities need to play a role in socializing and assisting the MSME halal certification process.
6. The implementation of halal product supply chain management is very necessary to ensure the halal quality of products and services. Product handling must be different and separate between halal and non-halal. The process must take place from upstream to downstream so that people can easily distinguish between the two. With the supply chain of halal products, the expectation of quality standards, and quality service of halal products and services become a reality. Everything is integrated from input, production, distribution, marketing, and consumption.

Conclusions

The government through The Indonesian Budget, local governments through The Indonesian Budget, companies, social institutions, religious institutions, associations, and communities need to play a role in socializing and assisting the halal certification process for Micro, Small, and Medium Enterprises (SMEs). In realizing sustainable business assistance, the synergy of elements of the penta helix is needed, namely: government, private sector, academics, community communities, and the facilitators themselves in addition to the role of government policy through the issuance of regulations and regulations that support it.

Policy recommendations related to SME plans and strategies to improve the halal industry in Indonesia include accelerating the licensing of the establishment of halal guarantee institutions in the regions, and the establishment of Halal Centers and halal guarantee institutions throughout Indonesia by involving various relevant stakeholders such as universities.

The strategic solution for SMEs in increasing the halal market segment is the need for socialization of assistance and submission of halal certification. This strategy is the best way to determine alternative strategies for increasing the capacity of MSME human resources in the application of halal product guarantees. The government needs to continue and improve the effectiveness and efficiency of socialization and assistance activities for SMEs' human resources to optimize the ecosystem that supports halal product guarantees. In addition, the implementation of integrated halal product supply chain management is very necessary to ensure the quality of halal products and services.

The benchmarks for the success of achieving the implementation of halal product guarantees in Indonesia include: a) all food and beverage products of SMEs in Indonesia are halal certified on October 17, 2024, b) increasing awareness of halal among SMEs HR, c) increasing the number of SMEs HR with production-related expertise halal products, d) increasing number of Halal Centers and halal guarantee institutions in various regions in Indonesia, e) creating a sustainable halal product supply chain.

References


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