

Research Article

Optimization of Digitally Certified Halal CMSMEs: Study on MSMEs in Banyuwangi

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Abstract.

Banyuwangi is one of the regions in Indonesia which is experiencing massive tourism growth. This also encourages growth in related sectors, one of which is the food industry. MSMEs in the food industry continue to grow in Banyuwangi, and the level of concern for halal-certified products continues to increase. This research aims to help optimize digitally certified halal MSMEs with the ease of submitting halal certification online. It is expected to increase the interest of MSME actors to take care of halal certification. This study uses SWOT analysis to determine the strengths, weaknesses, opportunities, and challenges for halal food products in Banyuwangi. Respondents in this study are certified Halal Companions, MSMEs in the food sector, and the Cooperative Office. Results show that the lack of information related to halal certification among business owners is one of the problems that are widely encountered. Massive dissemination of information related to halal certification to businesses through various media is suggested. In addition, meeting business owners directly is expected to minimize this gap.

Keywords: MSMEs, halal certification, SWOT analysis

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1. Introduction

The Arabic terms halla, yahillu, hillan, and wahalalan—which signify acceptable or permitted under sharia law—are where the word “halal” first appeared. In many nations, the certification of halal products serves the following purposes: it gives the Islamic community protection from the consumption of haram (forbidden) commodities; it provides legal clarity; and it gives every Muslim confidence, peace, and security in consuming halal products [1]. Indonesia has great potential to become a producer of halal products with the largest Muslim population in the world. However, Indonesia has not maximized this potential because Indonesia still plays many roles as a consumer of halal products. Therefore, a way is needed to increase Indonesia’s potential by strengthening MSMEs towards a digital-based halal industry. So far, Small Micro and Medium Enterprises (MSMEs) have proven to be able to provide support for the national economy. MSMEs

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have advantages, including output or products from MSMEs, which are local products at affordable prices, workers with simple skills, diverse product specifications, and unique national and international markets.

Banyuwangi is a district that has high MSME potential. This is proven by the number of MSMEs in Banyuwangi. Based on data from the East Java Cooperative and MSME Office (2023), the number of MSMEs in Banyuwangi is 38,688 SMEs. The local government also strongly supports the potential and development of MSMEs in Banyuwangi. This is evidenced by local governments' various efforts and encouragement to advance MSMEs in Banyuwangi. Starting from the actions of MSMEs to upgrade and various festivals held by the Banyuwangi Regency Government by involving MSMEs in Banyuwangi so that they can be more advanced and developed.

In facing the global and digital economy, MSMEs must become MSMEs that develop and have good quality and competitiveness. With the development of technology and lifestyle, consumers are increasingly intelligent and critical. Consumers, in addition to demanding product quality standardization safe for health and the environment, also demand socio-cultural and religious aspects. Halal products are not only an issue associated with religion, especially Islam, but also have become part of the reality of business and trade [2].

MSME players need halal certification to expand sales reach while providing confidence to customers. The ease of submitting halal certification online is expected to increase the interest of MSME actors to take care of halal certification. With the ease of submitting digital-based halal certification, there are still several problems, including low awareness of halal certification, the process of obtaining halal certificates, which is still perceived to be complicated and expensive, policy socialization has not been socialized so that there are still many MSME products that do not have halal certificates. The problems halal MSMEs face require all parties' involvement and support [3]. Among them are the government, which acts as a regulator and supervisor, and related agencies to help the realization of halal MSMEs, along with their supervision and development. This research aims to design MSME models and strategies so that the empowerment of halal MSMEs through digital technology can significantly improve the economy and the welfare of MSME actors and the community. And MSMEs have increased product competitiveness.

In the encyclopedia of Islamic law, the definition of halal is anything that causes a person not to be punished if he uses it. Halal food meets Islamic religious law regarding

raw materials, additives used, and how to produce it so that Muslims can consume it without causing sin. Halal and haram are determined only by Allah Almighty [4].

According to Mohd Khan Ayob in his book Farid Wadji, the function of the halal label is to avoid consumer doubts and facilitate the import-export process. Halal or haram products are the responsibility of all parties, such as consumers, governments, business actors, food sellers, and consumer organizations. The importance of halal labels to protect Muslim consumers from haram food [5].

For MSEs, there is convenience in obtaining halal certification through the statement of MSE actors or self-declare. In article 79 of PP Number 39 of 2021 concerning the implementation of halal product assurance, the obligation to be halal certified for micro and small businesses is based on the statements of micro and small businesses [6].

Criteria for MSE or self-declare actors [7]:

- (1) The product does not risk or use ingredients confirmed to be halal.
- (2) The production process is ensured to be halal and straightforward.
- (3) It is a productive business with a net worth or annual sales results following MSE criteria.
- (4) Has a Business Parent Number (NIB)
- (5) Have a location, place, and tool of halal product processing (PPH) separate from the area, home, and equipment of non-halal products.
- (6) Have or not have a distribution permit (PIRT/MD/UMOT/UKOT)
- (7) Have a maximum of 1 outlet and/or production facility
- (8) Actively have been producing one year before the application for certification
- (9) The resulting product is in the form of goods (not services or businesses)
- (10) The ingredients used are halal, proven by halal certification marks, or included in the list of components according to religious decree No1360 of 2021 concerning parts exempt from halal certification obligations.
- (11) Do not use hazardous materials
- (12) It has been verified as halal by PPH companions.
- (13) The type of product or product group certified halal does not contain elements of slaughtered animals unless it comes from an accredited slaughterhouse/poultry manufacturer.
- (14) Using production equipment with simple technology or done manually (home-based business, not factory)

(15) The preservation process of the resulting product does not use radiation techniques, genetic engineering, the use of ozone, or a combination of several preservation methods.

(16) Complete halal certification submission documents with an online business actor declaration mechanism through SIHALAL.

One of the studies conducted to see the optimization of digital-based halal-certified MSMEs was carried out by [8]. This research was born with a qualitative descriptive approach using nonparametric statistical data. Research conducted in Central Java MSMEs aimed at helping MSMEs in facing global competition. In this study, it was found that there is a need to develop strategies to increase the competitiveness of halal MSMEs in Central Java, including through halal MSME certification, HR qualifications, modern and appropriate technology, strengthening linkages with industry (downstream), diversifying products, increasing the role of religious and educational institutions for halal MSME product literacy to the Muslim community, increasing the part of fintech for financing and certifying halal MSME products along with marketing, building synergies with institutions, improving product branding and strengthening jurisprudence studies.

The following research that uses a qualitative descriptive approach is conducted by [9]. The study was conducted to find out how the implementation of halal certification on food products in the city of Bengkulu. This research found that halal certification on food products in Bengkulu City has been implemented even though it is still a tiny part of the number of Small and Medium Industries (IKM) in Bengkulu City. Supporting factors are regulations governing halal certification, and food producers and consumers are predominantly Muslim. The inhibiting factors are not yet effective laws on halal product assurance, lack of information/knowledge about halal certification, and lack of legal awareness of consumers and producers to obtain halal certificates. The goals of establishing the Halal Product Guarantee include ensuring the public's peace of mind, safety, and confidence in the accessibility of Halal Products for consumption and use, as well as enhancing the value proposition for Business Actors engaged in the production and sale of Halal Products [10].

2. Methods

This type of qualitative research uses nonparametric statistical data so that the sample is critical persons according to the purpose of the study. These key people understand

MSMEs and halal products, namely the Cooperative and MSME Office, Halal Legal-ity Companions, and Potential Halal MSME Entrepreneurs. The method of collecting information/data is carried out by in-depth interviews, workshops, and focus group discussions (FGD).

SWOT analysis is not in numbers but in the form of information, opinion descriptions, and conclusions [10]. SWOT analysis systematically identifies various factors to optimize digital-based halal-certified MSMEs. This analysis is based on the logic that can maximize opportunities while simultaneously minimizing weaknesses. The strategic decision-making process is always concerned with developing interested parties' mission, objectives, strategies, and policies to be taken in current conditions. This analysis is a strategy for assisting decision-makers through four methods, namely strength-opportunity (SO), weakness opportunity (WO), strength-threats (ST), and weakness threat (WT).

In conducting a SWOT analysis, first know the external factors (opportunities and threats), which include the external factor evaluation (EFE) matrix, and internal factors (strengths and weaknesses), which include the form of internal factor evaluation (IFE). The external factor evaluation (EFE) matrix evaluates the external factors of halal MSMEs related to opportunities and threats.

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Financial feasibility analysis uses a quantitative descriptive method with the approach of income projection, profit and loss projection, cash flow projection, balance sheet projection and feasibility study result of opening teaching factory [13].

Projected income represents how much revenue will be received by the institution if all products sold in the market are run out by consumers. Cash flow projection is a report that prepares to know the changes in cash conditions that occur within a certain period.

3. Result and Discussion

3.1. SWOT matrix

Overview of MSMEs in Bayuwangi Regency. Based on the results of in-depth interviews and FGDs with Key persons, internal factors (strengths and weaknesses) are compiled, which include internal factor evaluation (IFE) and external factors (opportunities and threats), which include external factor evaluation (EFE) matrices (Table 1).

TABLE 1: SWOT matrix.

EFE EFI	Strengths (S)	Weaknesses (W)
Opportunities (O)	Strategy of S - O	Strategy of W - O
Threats (T)	Strategy of S - T	Strategy of W - T

3.2. Strengths

Based on Table 1 SWOT matrix, the power (strengths) can be:

3.2.1. Number of food and beverage MSMEs in Banyuwangi Regency

Many MSMEs, especially food and beverage products, spread throughout the region in Banyuwangi Regency. This has the potential to the development of halal certification. Number of food and beverage MSMEs in Banyuwangi Regency.

3.2.2. Halal product process companion (PPH)

PPH assistants assist MSME actors in meeting the requirements to obtain halal certificates. From data from the Halal Product Assurance Organizing Agency (BPJH) of the Ministry of Religious Affairs of the Republic of Indonesia, there are 383 PPH companions in Banyuwangi Regency consisting of various assistance institutions, such as UIN HAS, UIN Sunan Kalijaga, UNPRI, and several other assistance institutions. The large number of PPHs in Banyuwangi Regency has the potential to develop halal certification in Banyuwangi. Data as of August 2023 shows that there are 8,256 halal certifications

that have been registered and there are 5,322 halal certifications that have been issued accompanied by PPH assistants.

3.2.3. Varied MSME products

The large variety of MSME products in Banyuwangi has the potential to develop halal certification. One MSME, on average, has several products that can be submitted to get a halal certificate.

3.2.4. The raw materials used are halal-certified

One of the requirements for free halal certification for small businesses in the self-declare category is that the product is not risky or uses ingredients that have been confirmed to be halal. Some processed ingredients such as flour, sugar, or other components from several producers that have been certified halal can be easily obtained in the market.

3.2.5. Online and offline product sales

Most MSMEs in Banyuwangi have sold products both online and offline. In addition, the Banyuwangi regional government also supports the development of MSMEs, especially from the marketing aspect through digital marketplace platforms such as “Banyuwangi Mall.” In addition, there are also creative home facilities that can be used for digital marketing assistance facilitated by the Banyuwangi regional government.

3.3. Weaknesses

The weaknesses are:

3.3.1. Low HR skills and knowledge

Low skills and knowledge of human resources in the management of halal MSMEs. The general of MSMEs is still soft skills and expertise in management. Many MSMEs still focus on production and do not focus on leadership. From the observations, this is influenced

by several things, including the lack of human resources regarding management and the low level of education.

3.3.2. Lack of information regarding halal certification

From the results of interviews and observations, there are still many MSME actors who have not received information about halal certification and education on the importance of halal certification, so there are still many MSMEs who feel it is not necessary/essential to apply for halal certification on their products.

3.3.3. RPH and RPU in Banyuwangi are not yet halal-certified

Halal certification for processed meat and poultry products cannot be submitted because the Slaughterhouse (RPH) and Poultry Slaughterhouse (RPU) in Banyuwangi are still in halal certification. This causes many MSME products, especially those derived from processed meat and poultry, to not submit for halal certificates.

3.3.4. Limitations of halal-certified raw material suppliers

The limitations of halal-certified raw material suppliers are also felt by some MSMEs who use processed raw materials produced by local MSMEs in Banyuwangi, which are sold in the market or stores. Still, without product brands and logos, there is also no halal information. Some MSMEs still choose to use these raw materials because the price is more economical and the quality of products is also relatively good, such as bakery products for burger raw materials, spring roll skins, and several other products.

3.4. Opportunities

The opportunities are:

3.4.1. Consumers are getting smarter and also consider halal labels in purchasing decisions

Consumers feel halal brands in purchasing decisions with their awareness of the halal aspects of products. This is due to several factors, including an increasing number

of consumers who understand the importance of adhering to religious and cultural principles and concerns about health and ethics in choosing and consuming products.

3.4.2. MSME players are dominated by the lower pyramid, namely small business actors, so halal certification costs significantly in the halal certification process

The free certification fee through the process companion of halal self-declare products will be beneficial and become a driving factor for the optimization of halal-certified MSMEs.

3.4.3. Government support and related institutions for MSMEs in managing halal product certification

The government and related institutions are essential in supporting Micro, Small, and Medium Enterprises (MSMEs) in administering halal product certification. The support of the Banyuwangi Regency government for optimizing halal certification through several programs in Banyuwangi and also collaboration with BPJPH together with the Ministry of Cooperatives and SMEs and the Banyuwangi Regional Government in encouraging more MSME actors to obtain the convenience of applying for halal certification.

3.4.4. Expanding marketing

Halal certification of products can open up vast opportunities in marketing, especially in markets with a high demand for halal products. Many consumers prioritize halal products in their purchases, especially in Muslim-majority populations. In addition, halal labels can be used in marketing strategies to attract Muslim consumers. Advertisements, packaging, and promotions that include halal brands will more effectively reach a broader target market.

3.4.5. Online halal certification submission

Applying for halal certification online can provide convenience for Micro, Small, and Medium Enterprises (MSMEs). Help speed up and simplify the certification process and

reduce the cost and time required for traditional/offline applications. This convenience will undoubtedly be an opportunity for the optimization of halal-certified MSMEs.

3.5. Threats

The threats are:

3.5.1. The entry of non-local food and beverage industries that have been certified halal

Non-local food and beverage industry-certified halal can threaten local Micro, Small, and Medium Enterprises (MSMEs). Non-local food and beverage industry-certified halal have competitive advantages in terms of reputation, production scale, and ability to reach a broader market. With increasing consumer awareness of halal products, non-local food and beverage certified halal can attract more consumers, even in the local market. This can shift demand from local MSME products. It is also related to consumer confidence in the non-local food and beverage industry that has been certified halal.

3.5.2. Government regulations requiring halal certification

The obligation of halal certification by the government can be a challenge for MSMEs that do not yet have halal certification and can lose access to markets that prioritize halal products. This can reduce their market potential, and MSMEs that do not have halal certificates cannot compete with other products that are already halal-certified.

3.5.3. Supply chain transparency

A supply chain is a set of processes that cover all stages, from production to delivery of products to the final consumer. Ensuring transparency in the supply chain is critical to ensuring that products remain compliant with halal standards throughout the production and distribution journey. With proper clearness, MSMEs can trace the origins of raw materials, provided that they come from legitimate sources and comply with halal principles. There is still much unclear supply chain transparency, which will threaten the optimization of halal-certified MSMEs.

3.5.4. The lack of a halal certification quota free by the government

The lack of halal certification quota free of charge by the government in the future can be a severe challenge for Micro, Small, and Medium Enterprises (MSMEs), especially in terms of costs that must be incurred to obtain halal certification.

3.5.5. Unofficial halal certification process

Official halal certification is carried out by institutions recognized and regulated by the government or authorized organizations. Unofficial halal certification can be a threat, especially regarding safety and consumer trust. This unofficial halal certification process can occur if the product submitted is halal and gets a halal certificate, but then the manufacturer abuses it by replacing the product ingredients with ingredients that are not halal, so the government, institutions, and the community needs to ensure that halal certification is recognized, standardized, and adequately supervised so that there is no threat to security, Consumer Confidence.

3.6. SWOT strategy matrix

Based on the SWOT strategy matrix, the SO strategy can be prepared:

1. Participate in halal training activities organized by the government. Participating in halal training activities organized by the government can provide in-depth knowledge about standards, procedures, and criteria that must be met to obtain halal certification.
2. Increase the dissemination of information related to the existence of PPH. A good organization related to PPH (Halal Product Companion) can be essential in optimizing halal-certified MSMEs' achievement (Micro, Small, and Medium Enterprises). A good organizational structure will help ensure effective coordination, quality improvement, and fulfillment of the needs of MSMEs that want to obtain halal certification. This organization can work with local governments to help MSMEs understand and meet halal requirements and increase the competitiveness of MSME halal products in the market.
3. Optimizing the use of halal-certified raw materials. Optimizing halal-certified raw materials in production is critical to ensuring that the final product meets halal standards. This is done through the selection of halal-certified suppliers, the process of making

products that are guaranteed to be halal, and transparency and communication with consumers regarding halal products.

4. Partnership with halal certification bodies. Collaborate with halal certification bodies to provide training and guidance to MSMEs in Banyuwangi to better meet certification standards.

5. Digital platform development. They were harnessing the power of MSMEs in halal products and launching a digital platform that allows MSMEs in Banyuwangi to sell their products online to customers looking for halal products.

Based on the SWOT strategy matrix, the ST strategy can be compiled:

1. Development of local supply chains. We are creating a robust local supply chain by working with farmers, raw material producers, and other service providers who meet halal certification standards.

2. Development of product diversification. Develop new products or product variations that comply with halal certification to overcome the threat of fierce competition.

Based on the SWOT strategy matrix, the WO strategy can be prepared:

1. Initiating the improvement of halal-certified RPH and RPU. Halal-certified RPH (Slaughterhouse) and RPU (Poultry Slaughterhouse) are integral to halal food production and supply chain. Improvement and initiation of strategies to ensure compliance and quality improvement in halal facilities carried out by local governments and related agencies. By undertaking this initiative and fully adhering to halal principles, RPH and RPU can more effectively meet market needs for legitimate and reliable halal meat and poultry products.

2. Strengthening halal certification. It was harnessing the strength of MSMEs in Banyuwangi regarding quality products and geographical location to strengthen halal certification. This can help overcome the threat of competition from MSMEs seeking halal certification.

3. Industry alliances. They are joining forces with other MSMEs in Banyuwangi to form consortia or industry alliances that can jointly overcome threats such as changes in halal certification regulations.

4. Based on the SWOT strategy matrix, the WT strategy can be compiled:

5. Management revamping. They were overcoming weaknesses in MSME management in Banyuwangi by providing management training and consulting so that they could compete better in a competitive market.

4. Conclusion

Optimizing digital-based halal certified MSMEs in Banyuwangi can be implemented well, this is supported by PPH assistants in Banyuwangi who can assist MSMEs in the halal certification process. Government support, such as halal training for MSMEs and also increasing halal-certified RPH and RPU, is also important to ensure adequate support and access to information for MSMEs. The government can provide a special online platform that provides guidance, the latest information and guidance regarding halal to MSMEs. Strengthening halal certification can be a smart strategy to increase the competitiveness of these products. Improving product quality, education about halal certification, collaboration with halal certification institutions, utilizing geographic locations and special halal branding, in developing special brands or labels that indicate product halalness can create consumer trust in products from MSMEs in Banyuwangi and also build business networks strong among MSME players in Banyuwangi.

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