

Conference Paper

## Performance of Halal Certification Policies in East Java Province

Ertien Rining Nawangsari<sup>1</sup> \*, Rima Ranitya Yusuf<sup>1,2</sup>, Hani Nur Adnin<sup>1</sup>, Dicky Anggoro<sup>1</sup>

<sup>1</sup>Faculty of Social and Political Sciences, Universitas Pembangunan Nasional “Veteran” Jawa Timur, Surabaya 60294, Indonesia

<sup>2</sup>Politeknik STIA LAN Jakarta, Indonesia

\*Corresponding author:

E-mail:

ertien\_rining.adneg@upnjatim.ac.id

### ABSTRACT

Halal certification serves as evidence of the safety of products for both Muslim and non-Muslim communities, particularly in Indonesia, where the majority of the population adheres to Islamic principles. The presence of halal product certification ensures fairness, legal certainty, protection, transparency, and professionalism in the approval of a product. Therefore, the government needs to continue its efforts in supporting industrial products to obtain halal certification. Nevertheless, numerous small and medium-sized enterprises (SMEs) still lack halal certification for their products. This research aims to evaluate the performance of the halal certification policies in East Java, focusing on output indicators such as coverage, bias, accessibility, program strategies, and alignment with the target requirements. This study employs a mixed-method approach, utilizing primary data gathered through questionnaires, interviews, and on-site observations within East Java Province, with a sample size of 400 out of a total business unit population of 820,005. The findings indicate that, in terms of coverage, 42.3% of respondents have reservations about complying with the halal certification policy. Concerning bias, 46% of respondents believe that the policy does not sufficiently address the needs of SMEs. As for accessibility, 36.8% of respondents reported difficulties in accessing the halal certification policy.

*Keywords: Small and Medium Enterprises (SMEs), Halal Certification Policy, Response*

### Introduction

The report by The Royal Islamic Strategic Studies Centre (RISSC) or MABDA titled The Muslim 500 Edition 2022, Indonesia has the largest Muslim population in the world, with 231.06 million people adhering to Islam, which is equivalent to 86.7% of Indonesia's total population (Kusnandar, 2021). As a result, the demand for halal products has been increasing, and it has become a cultural tradition to consume halal products. However, the rapid and often unregulated circulation of food products, making it difficult to verify their halal status, has become a serious issue for Muslim consumers. Therefore, there is a need for an institution responsible for setting halal product standards and providing halal certification. Initially, this task was carried out by LPPOM MUI. However, there were challenges for businesses seeking halal certification due to the cost standards set by LPPOM MUI, ranging from 2.8 million to 3.7 million Indonesian Rupiah, which was relatively expensive for small and medium-sized enterprises or newly established ones.

The government sought to address this issue by enacting Law No. 33 of 2014 on Halal Product Assurance, with the Halal Product Assurance Organizing Agency (BPJPH) responsible for halal product registration, halal certification, halal verification, guidance, supervision of product halalness, collaboration with all related stakeholders, and setting halal product standards. With this regulation in

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place and mandatory aspects of halal certification for businesses, there has been an increase in businesses applying for halal certification to earn the trust of consumers. Halal products currently have a significant and growing market share.

The East Java Provincial Government also continues to support the strengthening of the halal industry. The development of the halal industry ecosystem has already begun through the construction of the Safe and Lock Halal Industrial Zone (KIH) in Sidoarjo, which has received a certificate from the Ministry of Industry. East Java Province has 1,231 large industries, 796,847 medium-sized industries, and 23,158 small industries, with 37.78% of them being in the Food and Beverage industry, all of which require halal certification to distribute their products. According to the Central Statistics Agency (BPS) data, there are approximately 57 million Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, and the number of those with halal certificates is still very low (Muhamad, 2020). The Halal Product Assurance Law has a broad target of providing halal certification to industry players to strengthen and prepare them to compete in the global market. This strengthening has changed the stages of the halal certification process, demanding more education for industry players and readiness from stakeholders.

The change in halal certification policies and procedures has led to a lack of preparedness in both policies and industry players in fulfilling their obligations and has disrupted economic stability due to the significant number of industry players who have not obtained halal certification. Medium to large-scale poultry slaughterhouse operators are aware of the halal certification obligation and the application process. However, many micro and small-scale operators are unaware of these requirements. Medium and large-scale operators consider halal certification obligations important as a consequence of maintaining the quality and halal status of their products, which can build consumer trust. In contrast, micro and small-scale operators face a heavy burden with halal certification obligations and hope for government assistance in the halal certification process free of charge (Anwar, 2020). This research aims to understand the responses of small and medium-sized industries in East Java regarding halal certification policies.

## **Material and Methods**

This research employs a qualitative descriptive approach with data collection techniques consisting of a structured literature review and documentation. The literature review involves an examination of various relevant writings, papers, and sources related to the formulation of responses to the halal certification policy. Observations are conducted within the Small and Medium Enterprises (SMEs) that either possess or are in the process of obtaining halal certification. Documentation encompasses various documents related to halal certification, such as policy drafts, data on SMEs, and more. The literature review serves to extract information, analyze, and develop a policy (Ramdhani et al., 2014). A well-conducted literature review gathers information on a specific subject from multiple sources. It is well-written and contains minimal, if any, personal bias. It should include clear search and selection strategies. The research will be conducted in the East Java Province, particularly focusing on Small and Medium Enterprises (SMEs).

## **Results and Discussion**

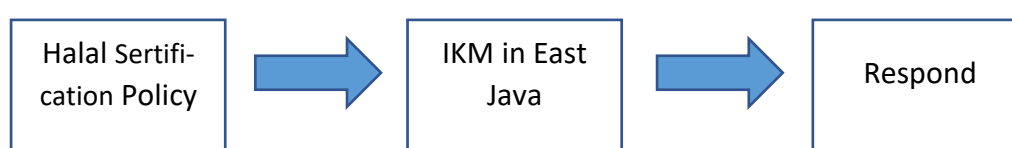
### ***Government Policy to Guarantee Halal Products in Indonesia***

Halal certification serves as a guarantee of safety for Muslims to consume halal food products by Islamic teachings. The halal approval issued by the Indonesian Ulema Council (MUI) after a rigorous assessment based on Sharia law is referred to as halal certification. The process involves a comprehensive and detailed examination from the initial preparation, ingredients, cooking process, presentation, kitchen, and cleanliness, to labeling, resulting in a halal status in the form of MUI fatwas. According to Law Number 33 of 2014 concerning Halal Product Assurance, halal certification is the recognition of a product's halal status issued by the Halal Product Assurance Organizing Agency (BPJPH) based on a written halal fatwa issued by the Indonesian Ulema Council (MUI). Initially, MUI was

empowered by the issuance of Minister of Religious Affairs Decree (KMA) No. 518 of 2001 and KMA No. 519 of 2001, mandating it as the halal certification body responsible for conducting audits, issuing fatwas, and issuing halal certificates. However, there has been a dynamic change, with the BPJPH being granted the authority to carry out tasks and functions such as halal registration, halal certification, halal verification, conducting guidance, monitoring the halal status of products, collaborating with all relevant stakeholders, and establishing halal product standards. This is stipulated in Law No. 33 of 2014 concerning Halal Product Assurance (Illiyina & Kriswibowo, 2022). The policy change has implications for the shift in the halal certification system and registration procedures from voluntary to mandatory, starting from October 17, 2019 (Warto & Samsuri, 2020). The halal certification policy aims to provide comfort, safety, security, and assurance of the availability of halal products for the public to use and consume, while also adding value for businesses in producing and selling halal products (Sukri, 2021).

### **Response description**

Azwar (2012) defines a response as a reaction or answer that depends on a stimulus or is the result of that stimulus (Putri et al., 2020). A response occurs when an individual encounters a stimulus that demands a reaction from the individual. An individual's response can take the form of good or bad, positive or negative, pleasant or unpleasant, occurring directly or indirectly, and aims to fulfill their needs, self-preservation needs, and the pursuit of their hopes. William Dunn in his book "Public Policy Analysis, an Integrated Approach" states that responsiveness refers to the extent to which policies meet the needs, preferences, or interests of specific groups (Muhamad, 2020). This means that the success of a policy can be seen from the public's response to the implementation of a policy, whether it is a positive or negative response. The public's response can then be used by the government as an evaluation tool to assess how the policy has been implemented, its strengths, weaknesses, and outcomes, whether they are positive or negative (Permatasari, 2020).



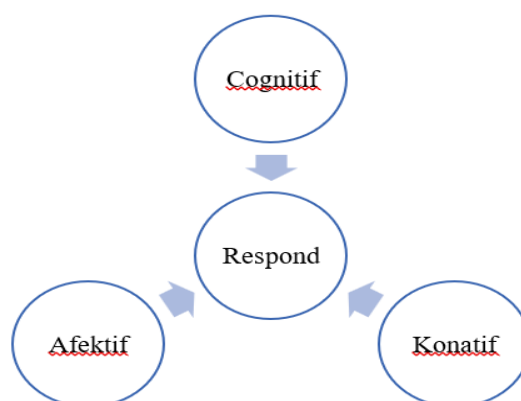
Gambar 1. Conceptual framework of halal certification policy respond

### **Response measurement dimensions**

The response framework is a theory that discusses the reactions that arise due to the presence of a stimulus and occurs after an individual observes, understands, and accepts the existing stimulus. Thus, a response emerges as the manifestation of motives that arise after an individual evaluates the response object (Arifiani & Sjaf, 2018). Steven M. Chaffee explains that communication activities are expected to have positive results during or after communication, which is called an effect. Communication activities bring about changes in the audience's responses to messages conveyed by communicators (Asngari & Wibowo, 2021).

Based on the research stages and data processing, the analysis of the response of small and medium-sized industries in East Java to halal certification policy consists of three dimensions. The first dimension is the cognitive dimension (perceptual dimension), which relates to views, beliefs, and knowledge (Barus, 2020). Cognitive is also known as the dimension of intelligence or thinking skills. Wicaksono et al. (2020) state that cognitive refers to an individual's beliefs about an object. According to Bloom and Krath Wohl, cognition consists of knowledge, understanding, application, analysis, synthesis, and evaluation of something. The cognitive factor broadly encompasses learning, understanding, applying, investigating, integrating, and evaluating something (Mawardi et al., 2022).

The second dimension is the affective dimension (emotional dimension), which relates to feelings of liking or disliking an attitude object (Barus, 2020). Affective is a dimension involving an individual's feelings (Wicaksono et al., 2020). Gusti et al. (2020) divide the affective dimension into five levels, including 1) receiving or paying attention, 2) responding, 3) valuing or appreciating, 4) organizing, and 5) characterizing values. There are two aspects to consider in affective assessment. First, the competence of affective abilities includes aspects of providing stimulus, responding, appreciating, assessing, and internalizing. The second is an individual's attitude and interest in the stimulus provided (Anas & Sartika, 2021).



Gambar 2. Respond measurement

The third dimension is the conative dimension (action dimension). Ali et al. (2019) state that the conative aspect is the tendency to engage in certain behaviors or responses in the form of actions and statements about behavior. Conative is also an individual's behavior in the face of certain stimuli determined by feelings and beliefs about the stimulus (Mangei et al., 2021). Rahmawati (2013) states that conative is the stage of an individual's behavior in doing something or acting on an object. There are two indicators in the conative dimension, namely the perception of the public after knowing the stimulus and responding positively or negatively to the given stimulus (Rosyidah & Listyaningsih, 2019). These three dimensions can build a valid and reliable measurement mechanism to globally assess how the public responds to a public policy. In this case, Cognitive, Affective, and Conative work together to create a suitable scientific measurement framework.

From other literature reviews, it was found that SMEs in East Java are quite knowledgeable about the current halal certification policy due to the obligation to have halal certification, so business owners will inevitably learn about the halal certification policy (Illiyina & Kriswibowo, 2022). However, there are still some business owners who have minimal knowledge about halal certification due to the lack of government socialization. However, this does not deter business owners from registering their products to obtain certification. Business owners respond positively to policies that require business owners to have halal certification because having halal certification gives their products added value and earns the trust of the public, enabling them to compete in the market (Ahmad & Anwar, 2020).

Second, the affective response is assessed based on the attitudes, emotions, and judgments of small and medium-sized industries toward the halal certification policy. SMEs in East Java accept and are aware of the obligation to have halal certification because it is very beneficial for their future business. However, there are still obstacles faced by SMEs in obtaining halal certification for their products, such as a lengthy and convoluted process, high costs, and the undeniable fact that production costs will increase, resulting in increased selling prices, and there is no guarantee that consumers will accept the price hike. Therefore, many SMEs are reluctant to obtain halal certification until the government can address the issues they face. SMEs hope that the government can facilitate halal certification for them free of charge.

## Conclusion

The response is an individual's reaction or answer to something. In this context, the response can serve as an indicator of the success of a program or policy. If the public responds positively to the implementation of a policy, then that policy is considered good; however, if the public responds negatively, then the policy is deemed inadequate, and evaluation is needed. Based on the research conducted by the researcher, it was found that the response of SMEs in East Java to the halal certification policy can be analyzed using a rational approach proposed by Steven M. Chaffee, which includes cognitive response, affective response, and conative response. Some other findings indicate that: 1) SMEs are quite receptive to the latest halal certification policy and respond positively because they understand the benefits of mandatory halal certification, 2) some SMEs have already participated in and are involved in obtaining halal certification. On the other hand, negative responses include: 1) some SMEs are still hesitant and unwilling to obtain halal certification due to high costs and lengthy procedures, and 2) some SMEs are unwilling to obtain halal certification unless the government addresses existing shortcomings and facilitates free registration of halal certification for their products.

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