

Strengthening the Halal Industry Based on Micro, Small and Medium Enterprises for Food Producers Certified by the Indonesian Ulama Council in North Sumatra Province

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ABSTRACT

This study aims to determine the development of the halal industry for SMEs in North Sumatra Province. The test is carried out by factor analysis, namely to find out various factors that can strengthen the development of the halal industry. The factors in question are the role of the government, awareness of MSME actors, sharia compliance. Based on the results of the analysis, all factors determine the strengthening of the halal industry with a significant loading factor. The sample in this study were 45 SMEs spread across the cities of Medan, Binjai and Deli Serdang. The sampling technique used purposive sampling method with criteria for business age above 5 years, average monthly sales above 50 million and already having MUI halal certification. The contribution of this research shows that micro, small and medium enterprises to the regional economy. Local governments play a role in the development of the halal industry. The limitation of this study is that it does not include regulatory variables so that local governments need to issue regional regulations that regulate business/industry actors to always maintain the quality of their products according to Islamic law which is marked by certification from Indonesian Ulama. Board. Further research can add other relevant variables..

Keywords : Industry, Halal, Business, Small, Medium, Enterprise.

INTRODUCTION

More and more countries in the world are dedicating themselves as producers of halal products, causing many business actors to seize market share from this sector. Currently, the world halal market is worth more than USD 2 trillion per year which includes the industrial, food, pharmaceutical and cosmetic segments. This value is projected to always experience significant growth in line with the increase in the world's Muslim population, projected in 2025, the Muslim population is 30% of the world's population. This is a potential market that producers compete for in trade between countries. As an illustration of the potential of the halal product industry, it can be illustrated by global trade data, whose volume always experiences positive growth every year, at 2 to 3.6 percent. Likewise with the halal product industry, assuming the world's Muslim population increases and sharia compliance implemented, the trade in halal products will also increase in volume every year.

Until now, the halal industry in Indonesia must be admitted that it has not been able to develop optimally and has not spread massively throughout Indonesia. In fact, Indonesia's potential and opportunities for the halal industry are very large and can become one of the pillars supporting the nation's economy. Indonesia is a country with the largest Muslim population in

the world, which is 87.2% of Indonesia's 270 million population, which is 13% of the entire Muslim population in the world (Kemenko, 2020). Data from the Global Islamic Economy (GIE) Indicator, which measures the strength of the Islamic economy in 73 countries, Indonesia ranks 5th in 2019/2020 (based on the GIE Report 2019/2020). The need for Indonesian halal products is very large and the MSME-based Halal Industry is an economic force that must be seriously developed and supported by an integrated, directed, and comprehensive system that is in accordance with field conditions, especially at the regional scale at the provincial level to support and realize the strengthening of the Indonesian halal industry on a large scale.

Aan Nasrullah's research (2017) shows the potential of the halal industry in Indonesia which includes the need for products and services, diversity of halal products, completeness of legal aspects, and market players for halal products and the need for product exports. However, this research only looks at the halal industry from one aspect, namely the system and business process aspects. Ali Rama (2014) also describes the potential of the world's halal market but has not explained in a concrete way what aspects can support the strengthening of the Indonesian halal industry and especially at the provincial level to be able to penetrate the world market. Other research conducted by Evita Farcha (2020) proves that the halal industry plays a role in boosting economic growth, but this research has not linked it to social and environmental aspects as a concept of sustainable development.

The National Sharia Finance Committee (2020) has launched 6 (six) strategies for the Development of the Indonesian Halal Industry in Facing Global Economic Dynamics, but at the implementation stage at the provincial level there is no implementation guide and a more operational framework in accordance with the conditions of each region, even though operationally the Halal industry is carried out at the provincial level and in a business entity or business unit. If referring to the regional economic growth theory, strengthening the contribution of economic activities will accumulate and become the mouth of growth at the national level, so that the impetus for strengthening the economy at the implementation level must be important and carried out systematically.

In particular, sharia business must also be in line with environmentally-oriented sustainable development as proclaimed by the United Nations through the Sustainability Development Goals (SDGs). This concept is the main embodiment of the theory of sustainability (World Bank, 2019) as a new paradigm that sustainable development carries out three missions at once, namely Economic, Social and Environmental. The view of sustainable development based on various research results and philosophical, theoretical foundations as well as practical implementation of a business perspective is not solely on the profit dimension, but much more important is how it relates to society (People) and saves the environment (Planet). Thus, MSME actors must also understand the concept of an environmentally oriented business (green business). According to Haikal (2020), the support of the business world for sustainable development during the COVID-19 pandemic is very good, as evidenced by the company's commitment to the economy, environment and society in North Sumatra Province.

However, the development of the Indonesian halal industry has not been as implemented by several Muslim-majority countries such as Malaysia, Turkey as described by Cevdet (2016), and in Iran as stated by Vayet (2017). According to Abdullah and Zubairi (2007) in the ASEAN conference Food in Kuala Lumpur explained that Malaysia's readiness to become a major player

in the world's halal industry by preparing government regulations, business systems and processes as well as halal certification and standardization recognized by the world food safety and health agency. Then Turkey itself focuses on the halal tourism industry which has a large economic following. Of course, what has been done by Malaysia and Turkey can be a comparison and trigger for strengthening and competitiveness of the halal industry in Indonesia, which begins with developing this business opportunity at the regional level. The strengthening of the Halal Industry-based Economy at the regional level according to Prof. Basyarudin (2020) must at least pay attention to 4 (four) aspects, namely:

- 1 Aspects of Regional Government Regulation
- 2 Aspects of the Halal Industry Business System
- 3 Aspects of Sharia Compliance in the Halal Industry
- 4 Aspects of Technology Implementation and Adaptation

Specifically in the province of North Sumatra, North Sumatra's Economic Growth in the third quarter of 2020 was recorded at -2.60%. This condition is still better than the national condition which grew by -5.32%. Based on BPS data, the production growth of Micro and Small Industries in North Sumatra as of 2019 was 9.01%; is above the national figure of 5.8% and higher than the average production growth of other regions in Sumatra. OJK Regional V Sumbabut (2021) also released that the restructuring of MSME loans in North Sumatra was Rp. 16, 16 trillion to 325,087 MSME debtors or 85.06% of the total existing restructuring. Thus, it can be understood that the MSME sector in North Sumatra Province plays a very important role in supporting the regional economy. An overview of macroeconomic indicators for the North Sumatra region can be seen in Figure 1 below:

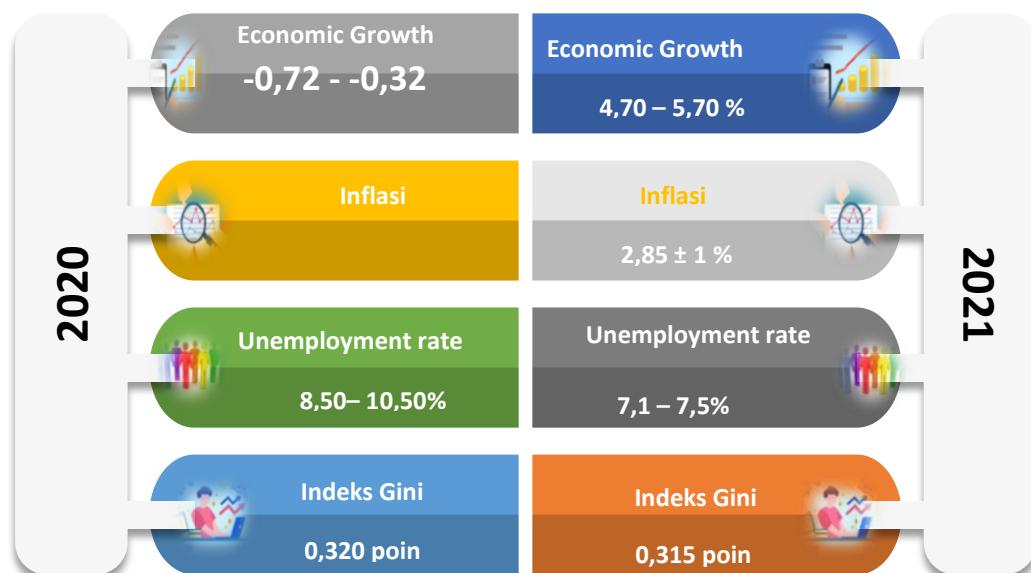


Figure 1. North Sumatra Regional Economic Indicators

Based on the regional economic performance in North Sumatra, the economic

contribution of the MSME sector is actually good and has the potential to be developed, this is understood because the main sector in North Sumatra is based on oil palm, rubber, and cocoa agriculture as superior commodities. North Sumatra also has potential for horticultural agriculture and fisheries as well as animal husbandry. These are all basic ingredients for foods that require halal certification in supporting the halal industry in North Sumatra. The following is the performance of North Sumatra SMEs compared to all provinces in Indonesia:

Table 1. MSME Performance

Provinsi	2015	2016	2017	2018	2019
ACEH	3.36	2.42	20.99	8.14	12.19
SUMATERA UTARA	6.06	10.75	0.66	7.9	9.01
SUMATERA BARAT	1.92	3.98	-2.58	2.33	6.75
RIAU	-3.14	-2.09	11.15	9.23	8.02
JAMBI	9.21	5.35	13.82	6.56	3.13
SUMATERA SELATAN	-7.81	8.28	5.21	0.99	10.84
BENGKULU	8.11	7.78	10.59	11.67	2.14
LAMPUNG	9.06	6.76	1.26	3.08	3.59
KEP. BANGKA BELITUNG	-4.97	-8.6	8.27	2.48	6.92
KEP. RIAU	12.85	0.76	9.65	20.31	21.04
DKI JAKARTA	11.43	11.69	16.95	21.4	8.57
JAWA BARAT	2.48	-1.55	1.08	1.4	8.48
JAWA TENGAH	6.57	2.6	-3.35	2.88	5.13
DI YOGYAKARTA	3.83	6.35	15.01	7.15	1.37
JAWA TIMUR	5.79	2.53	3.12	10.88	7.53
BANTEN	2.3	10.64	20.87	6.7	8.06
SUMATERA	3.5	3.5	7.9	7.3	8.4
INDONESIA	5.71	5.78	4.74	5.66	5.8

The Governor of North Sumatra himself also announced the strengthening of MSMEs as one of the mainstay sectors of the North Sumatran economy through the program to overcome the impact of Covid 19 on MSMEs as follows:

- 1 Capital Economic Stimulus Assistance Program and business transfer for MSME actors Affected by Covid-19
- 2 Program for Strengthening the MSME sector, traditional markets, and various transactions
- 3 Assistance Program and the stimulus efforts of SMEs in order to carry out diversification

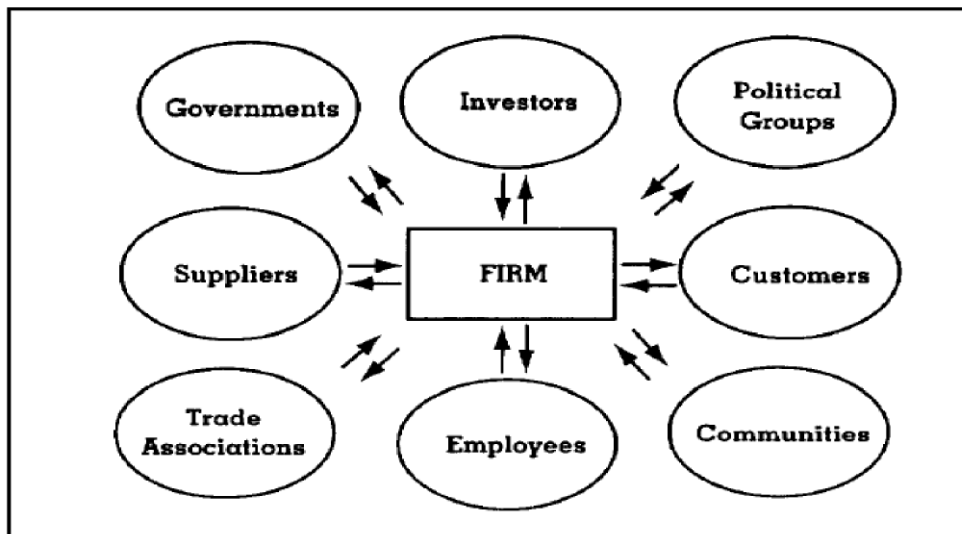
Unfortunately the data that describes the objective conditions of SMEs with Sharia, especially those engaged as food producers are certified kosher is not available in full as a basic data for the reference of policy makers in order to determine the potential, strength, opportunities, prospects and directions for the development of the halal industry in the province of North Sumatra. Whereas according to Law No. 33 of 2014 concerning Halal Product Guarantees, it can be a legal umbrella for the development of the halal industry in Indonesia to the regional level which can be in the form of regulations in the form of regional regulations that can be guided by business actors.

LITERATURE REVIEW

Stakeholder Theory

According to Visher (2008), Stakeholders are the parties who determine the sustainability of an organization.

STAKEHOLDER MODEL



Source: Visher, 2008

This theory will be used to link stakeholders in the development of the halal industry in North Sumatra.

Halal Industry and Sharia Principles

According to Law No. 33 of 2014 concerning Halal Product Guarantee, it includes protection, justice, legal certainty, accountability, and transparency, effectiveness and efficiency as well as professionalism in terms of producing and selling halal products which are an important part of the halal industry in Indonesia. . Of course, this law becomes the main legal umbrella and reference for the development of the halal industry in Indonesia to the regional level.

Review of previous

research Aan Nasrullah's research (2017) shows the potential of the halal industry in Indonesia which includes the need for products and services, diversity of halal products, completeness of legal aspects, and market players for halal products and the need for export of halal products. Other research conducted by Evita Farcha (2020) proves that the halal industry plays a role in boosting economic growth, but this research has not linked it to social and environmental aspects as a concept of sustainable development. Research in Turkey as described by Cevdet (2016), and in Iran as proposed by Vayet (2017) and Abdullah and Zubairi (2007) in Malaysia have used an integrated approach in the development of the halal industry in their respective countries. Research related to the halal industry is widely carried out in various countries and also by academics and practitioners in Indonesia. It's just that the research is partial and not carried out comprehensively so that it can maximize the development of a framework or

model to be implemented on a regional and national scale in Indonesia.

METHODS

This research is a field/empirical research with a quantitative approach based on primary and secondary data. The population of this study is all MSME business actors who run sharia business in North Sumatra Province. The sample in this study were 40 SMEs spread across the cities of Medan, Binjai and Deli Serdang. The sampling technique used purposive sampling method with criteria for business age above 5 years, average monthly sales above 50 million and already having MUI halal certification. The test is carried out by factor analysis, namely to find out various factors that can strengthen the development of the halal industry.

RESULTS AND DISCUSSION

Results

The results of the analysis of factors that can strengthen the development of the halal industry in the province of North Sumatra can be seen in Table 2.

Table 2 Component Matrix

Factors	Eigenvalue
role of the government	3,026
awareness of MSME actors	2,362
Sharia compliance standards	1,753

Based on conceptual hypothesis testing, to determine the dimensions or factors that can strengthen the most dominant development of the halal industry, the varimax rotation coefficient parameter is used from the dimensions or performance factors that are closest to +1 or close to -1. Values close to 1 are preceded by a value of 0.5 while values close to -1 are preceded by -0.5. In more detail, the summary results of the rotation of the factor matrix containing the varimax rotation can be seen in Table 3

Table 3. Matrix of Rotation Results of Factor Analysis

Dimensions/factors that can strengthen the development of the halal industry	Varimax Rotation (%)
role of the government	31,230
awareness of MSME actors	20,193
Sharia compliance standards	14,746

According to Vivina (2014) to determine the most dominant factor in factor analysis, it can be seen from the amount of varimax rotation, the factor that has the varimax rotation greatest value is said to be the most dominant influencing factor. Based on Table 3, the most dominant factor strengthening the development of the halal industry is the role of the government with a value of varimax rotation 31.230%. The total is 66,169%. This means that compliance in halal certification, awareness, human resources, marketing, social networks, financial knowledge, government support, legality, capital and coaching can strengthen the development of the halal

industry in the province of North Sumatra. While the remaining 33.831% is explained by other factors not examined in this study.

Discussion

Based on the value of the Measure of Sampling Adequacy (MSA), there are three factors that influence the strengthening of MSMEs, namely (1) Sharia compliance, (2) Awareness of MSME actors and (3) the role of the government. These three factors have a total of 66,169%. it means that these three factors are able to explain the effect of 66,169% on the strengthening of halal-certified MSMEs in the province of North Sumatra and the remaining 33.831% is influenced by other factors outside the model. The results of this study are also in accordance with previous research by Aan Nasrullah (2017) showing the potential of the halal industry in Indonesia which includes the need for products and services, diversity of halal products, completeness of legal aspects, and market players for halal products. Ali Rama (2014) also describes the potential of the world's halal market but has not explained in a concrete way what aspects can support the strengthening of the Indonesian halal industry and especially at the provincial level to be able to penetrate the world market.

The three factors studied in this study are very important to be carried out in the halal industry, because along with the increasing public need for halal products, halal certification of halal products consisting of food, drinks, and goods for consumption by the community, especially in this case is Muslim community. Given that the province of North Sumatra has a large Muslim and non-Muslim population. The demand for halal products, especially in the province of North Sumatra is very high and has the potential for the halal product market because of the region with many resources. Of course this is a potential that can be increased to grow the economy in the province of North Sumatra. Halal labels on products and businesses are able to increase business acceleration for Micro, Small and Medium Enterprises (MSMEs) as well as for other businesses. This can also be seen from the various trends in increasing demand for halal-labeled products, both by consumers in Indonesia and abroad.

CONCLUSION

Based on the results of statistical and hypothesis testing and the discussions that have been carried out, the following conclusions can be drawn.

1. Factors that influence the strengthening of the halal industry are sharia compliance, awareness of SMEs and the role of the government with an effect of 66,169%.
2. The most dominant factor influencing the strengthening of the halal industry in the province of North Sumatra is sharia compliance.

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