

Corporate Sustainability MSMEs: Halalan Thayyiban Industry in East Java Indonesia



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ABSTRACT: The concept of corporate sustainability is widely discussed by academics and practitioners. The company's sustainability can be achieved if there is a balance between environmental, social and profit. The halal industry deserves attention because the largest Muslim population is in Indonesia, large Islamic Economy Market Size, knowledge and beliefs that influence consumption actions. The role of MSMEs is very significant, so that the Provincial Government sets the direction of the East Java development strategy as a "MSME-based Industrial Province. This study aims in general to improve the capability of MSMEs regarding business management through halalan thayyiban industry in achieving sustainability.

KEYWORDS: Sustainability, Halal Industry, MSMEs

INTRODUCTION

The halal industry has become the latest trend in the world market in recent years. The Muslim population, which is almost 3 billion people, makes the halal industry one of the fastest growing businesses in the global market (Ismail, 2015). The study by Dar et al. (2013) show that the Muslim population has a growth rate of 3 percent per year and constitutes 23 percent of the world's population, supported by the fact that some Muslim countries have high purchasing power and fast-growing economies. Along with the increasing number of Muslim markets as consumers, the number of halal industrial markets also increases annually by 20% with a value of US \$ 560 billion per year (Pacific, 2010). In addition, the average income per capita (GDP) of Muslims has increased from USD 1763 to USD 10. 728 from 1993 to 2015 and the 57 OIC countries had a combined GDP of USD 27.9 trillion ("Economy of the Organization of Islamic Cooperation," Wikipedia, 2015). The halal industry is booming and has practical policy implications for stakeholders (Samakov, 2019).

To support Halal globalization, it is necessary to make pioneering efforts in developing halal standards. Halal standards refer to the technical requirements in producing a good or service in accordance with Islamic sharia. Halal standards start from raw materials, product processing until the product or service is finished. Halal standards are used for safety, cleanliness, reliability and quality assurance of a product (Aslan and Aslan 2016). Halal food products illustrate that these products have been handled with a high level of hygiene, and meet the standards of cleanliness, safety, and good nutrition (Rezai et al. 2012).

The discourse on the halal industry deserves attention because the largest Muslim population is in Indonesia, large Islamic Economy Market Size, knowledge and beliefs that influence consumption actions (Azzam, 2016). Since 2014 Indonesia has had a Halal Product Guarantee Law, but derivative regulations have been slow to enact. In order to catch up, there are many things that the government, universities, and professionals need to respond to. Important concrete steps taken are socialization, education, and training, especially for MSMEs with various limitations. This is in accordance with the concept of Islamic teachings, namely the concept of halal must cover all aspects of life starting from the food eaten, the income received, and the products used. Halal is no longer an expression of esoteric forms of production, trade and consumption, The concept of corporate sustainability is widely discussed by academics and practitioners. Marrewijk (2003) supports the concept of corporate sustainability through a triple-bottom-line approach. The company's sustainability can be achieved if there is a balance between environmental, social and profit (Rochayatun and Handayati, 2017). The government is also developing the concept of sustainability in the context of achieving the level of welfare through continuous efforts with a proportionately balanced scale. Sustainable development should be adopted by

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the government as the main development stakeholder, owner of authority, guide of the development wheel so that it moves in a systematic, orderly, integrated and measurable manner (Ananda, 2019). On September 25, 2015, the United Nations member countries announced the Sustainable Development Goals (SDGs). Based on the 17 goals of the SDGs, there are important things to fight for for its sustainability, namely MSMEs. In line with President Jokowi's seventh point Nawacita, realizing economic independence by moving strategic sectors of the economy. Brodjonegoro (2019) said that MSMEs (entrepreneurs) play a major role in achieving the economic aspects of the SDGs, especially the goals of decent work, economic growth, infrastructure, industry and innovation. Currently 97% of employment comes from MSMEs.

The existing data of East Java MSMEs from the MSME Cooperative Service in 2016-2017 is 9,782,262, the second largest after DKI Jakarta. Judging from the percentage level of MSME GRDP to East Java's total GRDP has increased (East Java Province MSME Cooperative Empowerment Strategic Plan, 2014-2019), meaning, the role of MSMEs is very significant, so the Provincial Government sets the direction of the East Java development strategy as "MSME-based Industrial Province. Research so far about the halal industry is more about product halalness. In fact, the halal industry does not only look at the production process (especially raw materials), but also includes capital to marketing. This study aims in general to improve the capability of SMEs regarding business management through halalan thayyiban industry in achieving sustainability,

LITERATURE REVIEW

Halal Industry Concept

The term halal which is the antonym of the word haram is universal. Not only Islam, in Jewish and Christian beliefs, even other beliefs have the concept of prohibition (abstinence, haram) and legal (abash, halal). Only, it is recognized that halal comes from Arabic with the basic word ha-la-la (halla). Halal word (حلال) comes from Arabic meaning: allowed, acceptable, permitted, and/or permitted. Etymologically the word halal means to free, release, solve, dissolve, and allow (Ali, 2016; Buang & Hamidon, nd).

Halal Capital

There are two financing options, namely conventional financing and Islamic financing. As a Halal food producer, Islamic financing must be chosen because halal covers all aspects of life (Salehudin, 2011) including in business. Ishak and Man (2011) discuss the integration between Halal and Islamic finance based on the Al-Quran and As-Sunnah. Ishak and Man (2011) also say that integration between the two industries is important because there is no requirement for the halal product industry to be bound by Islamic finance even though it is a requirement from a sharia perspective (Antara, Musa, Hassan: 2016).

Halal Ingredients

The level of halal food can be easily assessed from the raw materials used. However, the development of science and technology in the food sector, to determine the halalness of food is not easy. Although food processing technology, preservation technology, packaging technology, genetic engineering of food, the use of chemicals in food, and others are currently being developed. (Adenkule:2020).

Halal Products

Halal is an Arabic term which means permitted, legal, and in accordance with Sharia or Sharia law (Rohman: 2012). According to the Halal Product Guarantee Act (JPH), halal products are declared as halal products in accordance with Islamic law. Product halal assurance is the legal certainty of product halalness as evidenced by a halal certificate.

Halal Marketing and Branding)

The term Islamic marketing refers to the marketing of products and services in sharia principles (Kadirov, 2014). Halal brands are products with halal certification and a halal logo (Wilson and Liu, 2010). Halal products are intended for consumption by Muslim consumers, who are roughly a quarter of the world's population (Pew Research Forum, 2018). Part of the main target consumers (Muslims), many non-Muslims also admire halal brands (Haque et al., 2015). People buy halal products not only for religious purposes but also consider halal certification as a symbol of quality and purity. Despite the very promising future, "Islamic Marketing" has not been able to receive its desired position in the branding literature. (Khan, Muhammad, Mohammad: 2020).

Halal Labeling and Halal Certification

In business regulations, the protection of Muslim consumers for halal products is not only in the form of halal labeling contained in the Food Law, but must have the integrity of other economic laws, so that there is a guarantee of the implementation of halal labeling. This is closely related to matters of a business nature, such as trade agreements, distribution, licensing, packaging, negligence and misuse of halal labeling. Muslim consumer protection may be equated with consumer protection in general in Indonesia by enacting a law that contains consumer protection contained in Indonesian Economic Law (Azizah, 2017).

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According to Ramlan and Nahrowi in Faridah's research (2019) Halal certification is a business ethic that producers should carry out as a halal guarantee for consumers. Apart from being a halal guarantee for consumers, halal labels provide economic benefits for producers including: (1) Can increase consumer confidence because it is guaranteed to be halal, (2) Has a USP (Unique Selling Point), (3) Able to penetrate the global halal market, (4) Increase the marketability of products in the market, (5) Cheap investment when compared to the revenue growth that can be achieved Halal labeling is the inclusion of a halal label or logo on the packaging of halal products. This label serves to show consumers that the product is a product with halal status. The agency authorized to issue permits for the inclusion of halal labels is the Food and Drug Supervisory Agency (BPOM). Certification and labeling are two interrelated things. The halal certificate issued by the MUI is a requirement to include a halal logo or label on the product.

METHOD

The site selection and research focus on the number of MSMEs in East Java is the second largest after Jakarta, so it is very interesting to study. The number of MSMEs in East Java is 9,782,262 MSMEs. Meanwhile, MSMEs engaged in food processing were 860,695 MSMEs. This research is a basic research using a living laboratory model which is expected to produce a concept of MSME management with industrial halalan thayyiban to achieve sustainability. This research is in collaboration with the Department of Cooperatives and MSMEs in East Java Province to map MSMEs who will be the respondents in this study. Respondents in this study were 200 MSMEs. Technical Data Analysis at all stages of system development in the form of SDLC (System Development Life Cycle).

DISCUSSION

Along with the validity of halal certification in Indonesia, namely with the issuance of Government Regulation of the Republic of Indonesia Number 69 of 1999 concerning Food Labels and Advertisements which explain the installation of Halal Labels on packaging which must first undergo inspection by an accredited inspection agency based on the guidelines and procedures set by the Minister. Religion (Afronyati 2014), the number of MSMEs that already have Halal certification in East Java is starting to show an increase. Based on data from the Department of Cooperatives and MSMEs in East Java Province, the number of MSMEs that have been certified halal is shown in the following table:

Table 1. Recapitulation of the number of MSMEs in East Java Province that are Halal Certified 2018-2021

No	County/city	Total
1	Pacitan	2
2	Ponorogo	60
3	Trenggalek	265
4	Tulungagung	0
5	Blitar	42
6	Kediri	0
7	Malang	67
8	Lumajang	0
9	Jember	4
10	Banyuwangi	0
11	Bondowoso	0
12	Situbondo	7
13	Probolinggo	20
14	Pasuruan	12
15	Sidoarjo	4
16	Mojokerto	0
17	Jombang	0
18	Nganjuk	0
19	Madiun	73
20	Magetan	61
21	Ngawi	18

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22	Bojonegoro	40
23	Tuban	2
24	Lamongan	38
25	Gresik	20
26	Bangkalan	1
27	Sampang	39
28	Pamekasan	4
29	Sumenep	59
30	Kediri City	1
31	Blitar City	0
32	Malang City	44
33	Probolinggo City	13
34	Pasuruan City	7
35	Mojokerto City	21
36	Madiun City	9
37	Surabaya City	0
38	Batu City	0
TOTAL UMKM JAWA TIMUR		933

Source: Data from the Department of Cooperatives and SMEs of East Java Province, 2021

Based on the table above, the government must continue to make serious efforts to support the growing number of Halal Certification programs for MSMEs in Indonesia. Mass movements to encourage halal certification include the issuance of Law (UU) No 33 of 2014 concerning Halal Product Assurance (JPH), the establishment of the Halal Product Assurance Agency (BPJPH), as well as the National Committee for Islamic Economy and Finance (KNEKS) which pay attention to the halal certification process in Indonesia.

In addition, the awareness of MSME owners in having halal certification can maintain the sustainability of their business. Sustainability can be said as sustainable development which means development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Salimath & Raymond, 2011). There are four aspects of sustainability including: social influence, which is a measure of the impact that society has on business actors; Environmental Impact, which is the impact of the actions of business actors on the surrounding environment; Organizational culture, which is the relationship between business actors, employees and all aspects concerning the relationship within the organization/business; Finance (finance) which is an adequate return at the level of risk taken (Supriyadi, 2013).

Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in the national economy. This can be seen from various data that support that the existence of MSMEs is quite dominant in the Indonesian economy. According to data from the Department of Cooperatives and MSMEs in 2016-2017, the number of MSMEs in East Java is 9,782,262 MSMEs, this is the second largest number of MSMEs after Jakarta. Each investment unit of the MSME sector from various industries creates more job opportunities, data from the Cooperatives and MSMEs Service for 2016-2017 the number of workers in East Java is 18,827,593. Considering that competition in a business is increasing, business actors need to develop a business strategy to achieve sustainability, for this reason, MSMEs must be responsive in responding to changes in technological innovation,

CONCLUSION

Halal certification of MSME food products is important because the law requires all food products circulating in Indonesia to be halal certified. Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in the national economy. This can be seen from various data that support that the existence of MSMEs is quite dominant in the economy in East Java, Indonesia.

Socialization activities regarding halal food and procedures for applying for halal certification must be carried out in an integrated manner so that the MSME community can produce products that compete in the market and maintain sustainability. To support Halal globalization, it is necessary to make pioneering efforts in developing halal standards. Halal standards refer to the technical requirements in producing a good or service in accordance with Islamic sharia. Considering that competition in a business is increasing, business actors need to develop a business strategy to achieve sustainability

ACKNOWLEDGEMENT

This research was funded by Directorate of Research and Community Service, Unemployment Research Scheme of Higher Education, Indonesian Ministry of Research, Technology and Higher Education.

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