

Enhancing The Production Capacity Of Halal Certified And Export Ready SMES In Indonesia

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Abstract: Micro, Small and Medium Enterprises (SME) have an important role in contributing to the country's economy. The demand for SME products is not only in terms of quality but also lawful or permitted in Islam. This reflects on the fact that the majority of Indonesia's population are Muslims, where the halal product needs to be considered. SME must prepare their products to have halal certification. The lack of knowledge about halal certification, about why it has to be halal, how to get it and what impact it has, must be disseminated quickly to all levels of SME. Assistance regarding halal certification and its dissemination has not yet been widespread, so the team from Muhammadiyah Gresik University intends to hold this socialization and assistance until the SME product is registered with halal certification. The team intends to improve the quality of SME not only in terms of being halal but worthy of export. Export-worthy products here will also encourage SME products to be much better than before. With export qualifications that are also qualified to be used as reference objects, it is hoped that Gresik's SME will be able to compete internationally.

Keywords : Small and Medium-Sized Enterprises; Halal; Export

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs), also known as SME in Indonesia, play a crucial role in contributing to the country earnings. With over 120 million jobs contributed by SMEs their importance in the economy cannot be understated. As the global market continues to expand, exporting SME products is no longer just about increasing revenue but has become a necessity. The global market is highly competitive requiring SME players to adapt their products to meet international export standards. However, many SME products, including those from Gresik, Indonesia, are not yet ready for export. (Dholakia, R. R., & Kshetri, N. (2004). Factors impacting the adoption of the Internet among SMEs. *Small Business Economics*, 23, 311-322. Lack of knowledge about export schemes and documentation has hindered many SME products from obtaining proper certification. Many SME owners lack understanding of export requirements, necessitating guidance in handling export documentation and knowledge of export-worthy product specifications. Enhancing the production capacity of Halal-certified and export-ready Small and Medium-sized Enterprises (SMEs) in Indonesia is a crucial step in capitalizing on the global Halal market, which is growing rapidly. This market

encompasses not only food and beverages but also cosmetics, pharmaceuticals, and various other industries. Calipinar (2013). Therefore, this follow-up project will focus on incubation as a means of supporting SMEs in the preparation of export documents at Muhammadiyah University Gresik (UMG). UMG is an Islamic university; the mentored SME products must not only be export-ready but also halal. Thus, SME owners will receive dual mentoring, focusing on export readiness and halal certification. In the next phase, once the SME products mentored by UMG have met proper standards, the project will move towards introducing these products to the market with a new identity. Cooperating with UMG's cooperative, an SMEs product incubator will be established to introduce these products to the public, along with scheduling product exhibitions.

SMEs must be prepared for the ever-expanding global market. The world's marketing access requires SMEs to adapt to existing systems if they want to sustain their products. Exporting is no longer just a means to increase income but a necessary step that SME players must be ready to undertake. It is no longer just about increasing sales; the export scheme encompasses more than that. Ulas, D. (2019). Through exporting, products are forced to continuously improve their quality on a more global scale, not just locally. Packaging is also considered, given the lengthy export journey and the competition with products in the global market. Exporting is more than just selling and seeking profit; it goes beyond that. As Indonesian products travel from one continent to another, they not only carry the SME's name but also the country of origin. This is especially true if the exported products have unique Indonesian cultural characteristics. The process of exporting enables SME products to meet global market standards and establish themselves as authentic Indonesian products in the international market. Himawan, A. F. I. (2019). The cultural distinctiveness can be a powerful selling point, attracting consumers who appreciate and value products with a unique cultural heritage. As SMEs products successfully enter the international market through exports, they become ambassadors of Indonesian culture and craftsmanship, fostering a positive image of the country as a source of high-quality.

Boosting the manufacturing capabilities of Indonesian SMEs that have obtained Halal certification and are prepared for export is an essential measure, in capitalizing on the global Halal market, which is growing rapidly. This market encompasses not only food and beverages but also cosmetics, pharmaceuticals, and various other industries. Von Leipzig (2017) The strategic roadmap to achieve it are : 1. Market Research and Analysis, Capacity Building and Training, Access to Finance, Infrastructure Development, Research and Development, Marketing and Branding, Export Promotion, Quality Assurance and Compliance , Cluster Development, Education and Awareness, Government Support, Monitoring and Evaluation.

Enhancing the production capacity of Halal-certified and export-ready SMEs in Indonesia is a long-term commitment that requires collaboration between government, industry associations, financial institutions, and SMEs themselves. This approach can help Indonesian SMEs tap into the growing global Halal market and contribute to economic growth and job creation in the country.

METHOD

Base on the condition there are Several methods used in the implementation of this community service are as follows:

a. Strengthening and Workshops

The purpose of strengthening and workshops is to provide participants with insights into halal certification and export-worthy products. Participants will learn about the necessary criteria and procedures to obtain halal certification and export-worthy product status, as well as the required quality standards.

b. Implementation of Mentoring

The mentoring phase involves daily routine work. During this phase, the execution of daily sales cycles is carried out with continuous mentoring. This allows SMEs players to execute their strategies in the field and seek assistance and solutions when facing challenges.

c. Evaluation and Implementation

An essential aspect of digital marketing is evaluating the content and media used. To maintain and improve digital marketing performance, sales managers or owners must regularly assess consumer feedback. The following are the stages of self-evaluation and implementation within digital marketing.

RESULTS AND DISCUSSION

Some of the activities conducted in this community service process are:

1. Workshop on Introduction to Halal Products.



Image 1: SMEs Assisted by Lazizmu GKB

Introducing Halal products to SMEs (Small and Medium-sized Enterprises) is a crucial step in helping them understand the significance of Halal certification and its potential benefits. The simplified comprehensive introduction to Halal products for SMEs are :

- a. What is Halal : Begin by explaining that "Halal" is an Arabic term that means "permissible" or "lawful" in Islam. And Emphasize that Halal is not only related to food but also extends to various other products and services, including cosmetics, pharmaceuticals, and finance.
- b. Significance of Halal Certification: Highlight the importance of obtaining Halal certification for products, especially in regions with significant Muslim populations. Explain that Halal certification assures consumers that a product complies with Islamic dietary laws and is produced in a manner that is acceptable according to Islamic principles.
- c. Eligible Products: Clarify which types of products can be Halal certified. Mention that it includes food, beverages, cosmetics, pharmaceuticals, personal care products, and more. And Note that even non-food products may contain ingredients derived from animals or substances that require Halal certification.
- d. Halal Certification Process: Provide a basic overview of the Halal certification process, which typically involves the following steps:
- e. Benefits of Halal Certification: Outline the advantages of obtaining Halal certification
- f. Global Halal Market: Share statistics and insights about the size and growth of the global Halal market. Highlight that Halal products are not only for Muslim consumers but also appeal to health-conscious and ethical consumers worldwide.

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- g. **Consumer Awareness:** Explain that consumers are becoming more conscious of the Halal status of products and often look for Halal certification when making purchasing decisions. Mention that businesses catering to this demand can gain a competitive edge.
 - h. **Halal and Quality Assurance:** Stress that Halal certification goes beyond religious compliance; it often involves strict quality control and hygiene standards, which can improve overall product quality.
 - i. **Support and Resources:** Inform SMEs about available resources and support, such as workshops, training programs, and guidance from local authorities or Halal certification bodies.
 - j. **Next Steps:** Encourage SMEs to explore Halal certification for their products, starting with research and reaching out to Halal certification authorities. Suggest that they can gradually adapt their production processes and ingredients to meet Halal standards.
 - k. **Addressing Concerns:** Be prepared to address common concerns or misconceptions SMEs may have about the certification process, costs, and market entry barriers.

Providing SMEs with this introductory information about Halal products will empower them to consider the potential benefits of obtaining Halal certification and may motivate them to explore this market opportunity further. Sanosra et al (2020). The community service collaborates with UMKM assisted by Lazismu GKB. It begins with an introduction to halal certification, discussing which products are eligible for halal certification, the procedures involved, and the impact of obtaining halal certification. This stage is facilitated by a team from the Research and Community Service Institute (DPPM) of Muhammadiyah University Gresik (UMG). And Mr Mr Hazeem from UMK as the presenter that guided the workshop.

2. Halal certification process

The Halal certification process is a systematic and thorough procedure that ensures that products, services, and processes comply with Islamic dietary laws and principles. It is commonly associated with food and beverages, but it also extends to various other industries such as cosmetics, pharmaceuticals, and logistics. In this stage, participants will be introduced to the process of registering for halal certification. The participants will be divided into teams and guided through the steps of applying for halal certification. Himawan, (2020). Prior to this stage, participants were asked to prepare several documents that would be assisted during the registration process. This stage will be facilitated by Mr. Cahyadi, a lecturer from the Management Department of Muhammadiyah University Gresik (UMG). It's important to note that the specific procedures and requirements for Halal certification can vary depending on the certification body and the country in which it operates. Additionally, Halal certification is not limited to food products; it can encompass a wide range of industries, as mentioned earlier. Businesses seeking Halal certification should work closely with a recognized certification authority and follow their guidelines and procedures to ensure compliance.



Image 2. Halal certification process

3. Introduction to Export-Ready Products.

Introducing the concept of export-ready products is crucial, especially for Small and Medium-sized Enterprises (SMEs), as it opens up new avenues for growth and sustainability. Schallmo et al (2017) . Export-ready products refer to goods and services that have undergone meticulous preparation to meet the requirements of international markets. this concept is vital for SMEs because :

- a. **Market Expansion:** Exporting allows SMEs to tap into a broader customer base, reaching consumers and businesses beyond their domestic borders. This expansion can significantly increase sales opportunities.
- b. **Revenue Growth:** Access to international markets can lead to substantial revenue growth. SMEs can diversify their income streams, reducing reliance on a single market, which can be volatile.
- c. **Competitive Advantage:** Preparing products for export often involves improving quality, packaging, and pricing competitiveness. This positions SMEs as competitive players in both domestic and international markets.
- d. **Economic Stability:** A diversified customer base across different countries can help SMEs withstand economic fluctuations in their home market. This diversification reduces business risk.
- e. **Innovation and Improvement:** Preparing for export often drives innovation and product improvement. SMEs need to adapt to meet international standards and consumer preferences, which can result in better products overall.
- f. **Learning and Skills Development:** Exporting requires SMEs to navigate complex international regulations, logistics, and marketing strategies. This learning process can enhance the skills and capabilities of the business owners and employees.
- g. **Scaling Opportunities:** Successful exports may lead to increased production and scaling of the business, creating more jobs and contributing to economic development.
- h. **Global Reputation:** Exporting can help SMEs build a global reputation for quality and reliability, which can attract international partners and customers.
- i. **Access to Resources:** Exporting may open doors to partnerships, financing, and resources that SMEs wouldn't have access to in their domestic market.
- j. **Long-Term Sustainability:** Exporting can contribute to the long-term sustainability of SMEs by providing consistent revenue streams and growth potential.

To leverage these benefits, SMEs must invest time and resources in market research, product adaptation, compliance with international standards, and effective marketing strategies. Export readiness is not just about selling products abroad; it's about positioning the business for long-term global success.



Image 3. Introduction to Export-Ready Products.

Guided by Mr. Arif from Jember University, and , Mr Indro Kirono from the Management Department of Muhammadiyah University Gresik (UMG), the participants will be presented with an explanation of what export-ready products entail. They will be informed about the requirements for products to go international and the necessary specifications. During this stage, the participants will be directed to improve their products, particularly in terms of packaging, and prepare various aspects to make their products export-ready. And The SMEs have undergone careful preparation to ensure they can compete effectively on a global scale. This readiness encompasses various aspects, including quality, market research, regulatory compliance, packaging, pricing, and distribution. Export-ready products are well-positioned to tap into international opportunities and expand their presence beyond domestic borders.

4. Halal Certification Mentoring

Halal Certification Mentoring is a valuable process designed to provide guidance, support, and training to businesses, particularly Small and Medium-sized Enterprises (SMEs), seeking Halal certification for their products or services. It plays a significant role in ensuring that these businesses successfully navigate the complex process of obtaining and maintaining Halal certification.



Image5. Halal Certification Mentoring

This final stage involves individual mentoring for each SME in obtaining halal certification for their products. During this phase, the correctness of their registration process will be checked, and field mentoring will be provided by the Halal UMG team, who will directly visit each SME.

CONCLUSION

Indeed, many SMEs in Indonesia still require significant guidance regarding obtaining halal certification for their products. This need arises due to the limited information they have about the digital world. Most of them continue to rely on traditional methods for selling their products. As a result, a considerable amount of guidance is necessary to elevate them to the level of being export-ready. Providing guidance to SMEs in Indonesia on obtaining Halal certification and transitioning into the digital realm is crucial for their growth and global competitiveness. The strategies to enrich their capabilities are :

- a. Digital Transformation Training
- b. E-Marketplace Integration
- c. Mobile Payment Solutions
- d. E-Export Hubs
- e. Online Marketing Support
- f. Halal Certification Assistance
- g. Data Analytics and Market Insights
- h. Ecosystem Collaboration
- i. Language Localization
- j. Cybersecurity and Data Protection
- k. Monitoring and Feedback
- l. Recognition and Incentives

Enriching the capabilities of Indonesian SMEs in both obtaining Halal certification and embracing the digital world will not only make them export-ready but also contribute to the overall economic development of the country. This holistic approach combines traditional expertise with modern digital tools, positioning SMEs for success in the global Halal market.

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