

**HALAL CERTIFICATION AWARENESS AMONG
FOOD AND BEVERAGES ENTREPRENEURS IN
MAJALENGKA WEST JAVA INDONESIA**

BY

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**A thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy in Halal Industry**

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ABSTRACT

This research explores halal certification awareness among entrepreneurs who are directly involved in the practice and implementation of the production process and the application of halal certification. In this research, 30 entrepreneurs and 3 experts were selected to participate. The instruments used to generate data were semi-structured interviews and observation. The experts were sought to identify the reliability of the generated themes and sub-themes of the research. Member checks and a pilot study were also conducted to ensure the data's credibility. This study found several internal and external factors influencing the level of the entrepreneurs' awareness. The internal factors include socio-demographic factors, personal factors, and family factors, which are believed to affect the attitude of entrepreneurs. Additionally, external factors, such as the social effects influenced by a community, can also impact their awareness. Moreover, awareness is also related to the entrepreneurs' behaviour. It can be seen from their attention towards halal certification, motivation in producing halal products, and proactiveness in producing halal products, and applying for the halal certification. This research's halal awareness concerns halal products and certification among Muslim business owners in Majalengka. This study aims to raise halal certification awareness among food and beverage entrepreneurs by enhancing their personalities, identifying the factors of halal certification awareness that influence their intention to apply for halal certification, and analysing the practice of halal certification implemented in products supported by the Halal Assurance System (HAS). This research used a small sample size and a qualitative approach. The qualitative method was used to stimulate responses by interview questions. Atlas.ti software were also used to analyse data, and thematic analysis was used to determine the factors affecting the entrepreneur awareness towards the importance of halal certification. By employing thematic analysis, several reasons were discovered as factors that influence the importance of halal certification among entrepreneurs. From this discovery, an Islamic framework was suggested as a model for halalpreneurs for entrepreneurs in Majalengka. Improvement to the Islamic framework to become a halalpreneurs is thought to positively affect the successful implementation of halal awareness in halal certification. This research aims to benefit entrepreneurs, the community, and the government, particularly in the Majalengka district and throughout Indonesia.

ملخص البحث

يستكشف هذا البحث الوعي بشهادات الحلال بين رواد الأعمال الذين يشاركون بشكل مباشر في ممارسة وتنفيذ عملية الإنتاج وتطبيق شهادة الحلال. وفي هذا البحث، تم اختيار 30 من أصحاب المشاريع و3 خبراء للمشاركة. وكانت الأدوات المستخدمة في توليد البيانات هي مقابلات وملاحظة شبه منظمة. وسعى الخبراء إلى تحديد موثوقية المواضيع الموضوعية والمواضيع الفرعية للبحث. كما أجريت عمليات فحص لعضو ودراسة تجريبية لضمان مصداقية البيانات. وجدت هذه الدراسة عدة عوامل داخلية وخارجية تؤثر على مستوى وعي رواد الأعمال. وتشمل العوامل الداخلية العوامل الاجتماعية - الديمغرافية، والعوامل الشخصية، والعوامل الأسرية، التي يعتقد أنها تؤثر على موقف منظمي المشاريع. وبالإضافة إلى ذلك، يمكن أن تؤثر العوامل الخارجية، مثل الآثار الاجتماعية التي يتأثر بها المجتمع المحلي، على وعيهم. وعلاوة على ذلك، يرتبط الوعي أيضا بسلوك منظمي المشاريع. ويمكن رؤية ذلك من اهتمامهم نحو شهادة الحلال، والدافع في إنتاج المنتجات الحلال، والاستباقية في إنتاج المنتجات الحلال، والتقدم بطلب للحصول على شهادة الحلال. يهتم الوعي الحلال لهذا البحث بالمنتجات الحلال والاعتماد بين أصحاب الأعمال المسلمين في ماجالينكا. تهدف هذه الدراسة إلى زيادة الوعي بشهادات الحلال بين رواد الأعمال في مجال الأغذية والمشروبات من خلال تعزيز شخصياتهم، وتحديد عوامل الوعي بشهادات الحلال التي تؤثر على نيتهم في التقدم بطلب للحصول على شهادة الحلال، وتحليل ممارسة شهادة الحلال المطبقة في المنتجات المدعومة بنظام ضمان الحلال (HAS). استخدم هذا البحث حجم عينة صغيرة ونهج نوعي. واستخدمت الطريقة النوعية لتحفيز الردود عن طريق أسئلة المقابلات. كما تم استخدام برنامج Atlas.ti لتحليل البيانات، واستخدم التحليل المواضيعي

لتحديد العوامل التي تؤثر على وعي رواد الأعمال تجاه أهمية شهادة الحلال. من خلال استخدام التحليل المواضيعي، تم اكتشاف عدة أسباب كعوامل تؤثر على أهمية شهادة الحلال بين رواد الأعمال. من هذا الاكتشاف، تم اقتراح إطار إسلامي كنموذج لأصحاب المشاريع الحلال في ماجالينكا. يعتقد أن تحسين الإطار الإسلامي ليصبح حلالا يؤثر بشكل إيجابي على التنفيذ الناجح للتوعية الحلال في شهادة الحلال. يهدف هذا البحث إلى إفادة رواد الأعمال والمجتمع والحكومة، لا سيما في منطقة ماجالينكا وفي جميع أنحاء إندونيسيا.



APPROVAL PAGE

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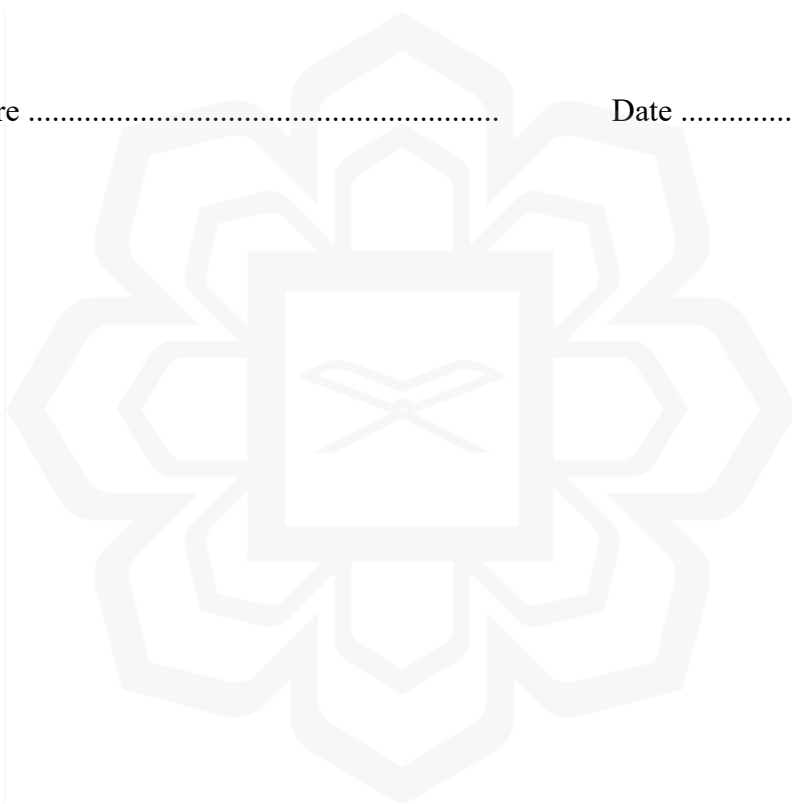
DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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LIST OF ABBREVIATIONS

API	Indonesian Employers' Association
ASEAN	Association of Southeast Asian Nations
BPJPH	Agency of Halal Product Guarantee
BPOM	Food and Drug Administration
BPS	Central Bureau of Statistics
HAS	Halal Assurance System
IFC	Imposing Hidden Costs
IKAHH	Agro Commodity Industry and Forest Products
ILMEA	Metal, Electronic and Multifarious Industries
IUI	Industrial Business License
IUMK	Micro and Small Enterprises License
JPH	Halal Product Guarantee
KUK PERINDAG	Industrial and Trade Family Business Cooperatives
KUKM	Small Business Department
LPH	Halal Inspection Agency
LPPOM	The Assessment Institute for Foods, Drugs and Cosmetics
MSME	Micro and Small Medium Enterprises
MUI	The Indonesian Council of Ulama
NIB	Master Number Attempted
PIRT	Home Industry Food
PPH	Process of Halal Products
SIUP	Production Business license
SJH	Halal Guarantee Certificate
SME	Small Medium Enterprises
SNI	Indonesian National Standard
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Indonesia is a Muslim majority country and has Asia's largest Muslim population. Based on the population census survey conducted by the Central Bureau of Statistics (BPS), Indonesia had 207,176,162 Muslim residents in 2010. The figure represented 87.18 per cent of Indonesia's population (BPS, 2018). Due to the country's growing population, Indonesia needs small and large industries to produce valuable and diverse goods to meet the needs of the country's different consumers. Additionally, industrial development is a part of the country's development phase, which focuses on improving economic growth, affecting people's well-being. While the presence of an industry in a given area has affected society, the industry's size has affected the valuable environment, the physical impact on the population, and the economic interests of businesses (Parker, 1992). However, producers face high competition, and they must ensure that they capitalise on every opportunity to increase sales. One strategy to increase sales was to improve the quality of the product, obtain halal certification, and attach the halal logo onto product packaging.

In West Java, Majalengka, the product competition occurs between Micro, Small, and Medium Enterprises (MSME) due to the greater number of small industries compared to large industries. Additionally, the increasing population also influenced the growth and rivalry of small industries. The Table 1.1 below shows the increasing population based on age, gender, and urban or rural area in the Majalengka Regency.

Table 1.1 Majalengka Regency Population by Age Group, Urban/Rural, and Gender.

Majalengka Regency Population by Age Group, Urban/Rural, and Sex,			
Age Group	Urban + Rural		
	Sex		
	Male	Female	Male + Female
0-4	52,166	49,377	101,543
5-9	54,965	51,991	106,956
10-14	55,223	52,888	108,111
15-19	45,178	45,592	90,770
20-24	36,663	39,597	76,260
25-29	47,541	47,851	95,392
30-34	47,534	45,818	93,352
35-39	46,660	45,267	91,927
40-44	41,521	41,456	82,977
45-49	38,090	37,854	75,944
50-54	32,868	32,968	65,836
55-59	27,020	25,529	52,549
60-64	20,095	21,452	41,547
65-69	15,676	17,093	32,769
70-74	10,435	13,724	24,159
75-79	6,020	7,855	13,875
80-84	3,448	4,489	7,937
85-89	1,128	1,587	2,715
90-94	410	714	1,124
95+	251	479	730
Total	582,892	583,581	1,166,473

Source: Statistic Department of West Java, Indonesia

The most densely populated island in Indonesia is Java, home to a diverse range of tribes, religions, and nations. Java Island is divided into three provinces: West Java, Central Java, and East Java. Based on the data collected in 2016, West Java was inhabited by 47,379,389 citizens that were scattered around 27 different districts.

As the table above indicates, the population between the ages of 0 and 14 was significantly larger than the population over the age of 14. It shows the high level of life necessities that the Majalengka community must fulfil. Apart from that, it is essential to point out that there is also a continuous increase in the Muslim population in the West Java region. The growth of the Muslim population is believed to affect the demand for

halal food and beverages produced by MSME entrepreneurs in Majalengka, as Muslim consumers are obligated to consume halal and toyyib food.

The Muslims in Indonesia are dispersed throughout the country's islands and provinces. Besides, Muslim consumers must understand their duty to follow all the rules stated in the Holy *Qur'an* and Sunnah (traditions) of the Prophet Muhammad. Therefore, Islamic dietary law is undoubtedly one of the most imperative aspects to be addressed (Hutt, 1998).

Majalengka Regency is one of the regional administrative governments in the West Java province, located in the eastern part of the West Java province. The economic development of Majalengka has proliferated; one of the fastest-growing industries is the micro, small, and medium industry sector is concentrated in developing the creative industry (Jejep, 2019). This industry employs many people and is considered to be labour intensive. Food industry specifically is believed to be a good platform for regional economic growth, and its expansion will ensure that the region is immune to the economic crisis. Additionally, there were natural resources in Majalengka that can be processed into various products. The type of food products can be seen in Table 1.2 below.

Table 1.2 Food and Beverages Products in Majalengka

No	Product Name	Industrial Centre
1	Aci (Tapioca-based Food)	Bantarujeg
2	Various Chips	Banjaran, Cigasong, Cikijing, Dawuan, Jatiwangi, Kadipaten
3	Various Cookies, Cakes, and Bakeries	Cikijing, Kadipaten, Rajagaluh
4	Fried onions	Maja, Cikijin
5	<i>Emping Melinjo</i>	Rajagaluh, Sukahaji, Majalengka, Sindang

6	<i>Gula Arem</i>	Maja, Malausma, Talaga
7	<i>Gula Cakar</i>	Majalengka, Talaga, Sukahaji
8	Soy Sauce	Majalengka, Kadipaten, Cigasong, Dawuan
9	Banana Crackers	Maja, Majalegka, Kadipaten
10	Cassava Crackers	Maja, Talaga, Bantarujeg
11	Crackers	Banjaran, Jatitujuh, Jatiwangi, Lemahsugih
12	Snacks	Leuwimunding, Cikijing, Sumberjaya
13	<i>Minuman Cuing</i>	Leuwimunding, Sumberjaya
14	Herb	Banjaran, Sumberjaya
15	<i>Pindang Ikan</i>	Jatitujuh, Bantarujeg
16	<i>Rengginang</i>	Cigasong, Jatiwangi, Kadipaten, Kasokandel
17	Soy Milk	Banjaran
18	Pure Milk	Jatiwangi
19	Green Tea	Argapura, Bantarujeg, Lemahsugih
20	Salted Egg	Maja, Rajagaluh, Jatitujuh, Talaga
21	Tobacco	Bantarujeg, Lemahsugih
22	Tempe	Majalengka, Talaga, Sumberjaya,
23	Rice flour	Banjaran, Kadipaten, Kertajati, Cigasong
24	<i>Wajih Ketan</i>	Bantarujeg, Talaga
25	<i>Tahu</i>	Sukahaji, Maja, Palasah, Talaga
26	<i>Opak</i>	Banjaran, Bantarujeg, Dawuan, Jatiwangi, Lemahsugih
27	<i>Oncom</i>	Kadipaten, Malausma, Palasah, Kasokandel
28	Refill Mineral Water	Jatiwangi, Sindangwangi

According to the data above, various types of food and beverage products are available in Majalengka. The food and beverage industry, considered to be a large industry, in Majalengka Regency was divided into 28 different committees located in various districts (Rully, 2017).

Regarding the halal issue, the development of the halal industry in Indonesia has showcased some success in the large, small, and medium industry sectors. The halal issue also plays a vital role in micro, small, and medium enterprises (MSMEs). There are 283,022 micro, small, and medium-sized businesses in Indonesia and 1.6 million registered food and beverage businesses with the Food and Drug Administration (BPOM). Meanwhile, the registered food and beverage products have been certified halal, according to approximately 500 thousand LPPOM, MUI records. However, when this research was conducted, 70 per cent of food and beverage products remained uncertified (Aminah, 2019).

The empowerment of the Indonesian halal industry can be accomplished through the halal certification process for companies. It was intended to establish Indonesia as a “template market” for the halal industry and boost public trust in halal certification (Rosadi, 2019). However, Indonesia still faces difficulties and challenges regarding halal certification. Internal and external difficulties exist in pursuing Indonesia’s objective of being a global halal hub. Among the external issues are Indonesia’s membership in the ASEAN Economic Community, which began in 2015, and the existence of rival nations.

The halal certification is imperative as it shows excellent quality and a form of safety to the Muslim community, which will eventually play an essential role in improving the performance of the enterprises. The improved performance of enterprises allows them to compete with other industries. Micro enterprises can eventually become small enterprises, the small enterprises can be upgraded to medium enterprises, and the medium enterprises will also have a chance to become large industries. Furthermore, MSMEs will succeed once they expand their industry and incorporate some novel innovations into their products.

To achieve an integrated halal industry, three elements must be focused on. The first element includes the society as they are the consumers of the products. The second element is the micro, small, and medium enterprises (MSMEs), as they play a crucial role in developing the halal industry on both medium and small scale. The third element is the government or local authority, responsible for establishing the regulations and rules regarding halal standards. The three elements are mutually supporting and interrelated with one another.

Halal certification issued by the Agency of Halal Product Guarantee (BPJPH) under the Indonesian Ministry of Religion is also a critical factor for Muslim consumers as it is considered as a symbol of high quality (Nursanti & Tielung, 2014). Henceforth, the term BPJPH will refer to the agency that guarantees and certifies halal products.

Regarding Majalengka, the three components, namely entrepreneurs, customers, and the government, are interconnected in terms of halal certification. Additionally, the entrepreneur is a key variable in determining halal certification. The consumer seems to have little consequence on business in context of consumer demand due to the entrepreneur's notion of responsibility to halal integrity. Similarly, government rules and oversight may not significantly affect producers' implementation of halal certification. However, the entrepreneurs' behaviour, attitude, and awareness all have a considerable effect on implementing halal certification on their products.

In relation to the development of the halal certification, the researcher proposes that the MSME entrepreneurs in Majalengka should apply for halal certification for their products, as halal certification is a great marketing tool that will allow the industries to increase their popularity across the nation and gain more recognition from Indonesia's Muslim community. Additionally, there are opportunities for their products to be exported to other countries around the globe as halal certification complies with

international standards. The researcher is interested in conducting in-depth research and investigation into the awareness of halal certification among MSME entrepreneurs in Majalengka, Indonesia.

1.2 STATEMENT OF THE PROBLEM

The demand for the halal industry has gradually increased these past few years, and it is predicted to be a sector that can catapult economic growth in the future. As a result, the economic growth and trade development in Majalengka is also increasing, as is the demand for halal food. Khatib et al. (1995) and Bonne et al. (2007) claim Muslim consumers are known to be very compliant with their religious teachings, and this is the reason why they demand the presence of halal food products that are processed in accordance with Shari'ah Law.

There are many laws and regulations that involve and govern halal certification regarding halal products in Indonesia. Among them is Law No. 33 Year 2014 on Halal Product Guarantee (JPH Law). It refers to “*goods and/or services relating to food, beverage, pharmaceutical products, cosmetics, chemical products, genetic engineering, products and used goods, used or used by the public.*”

According to the law regulation above, it is essential for every manufactured product to be halal certified. Furthermore, there are numerous micro and medium industries in Majalengka that produce food and beverage products. The products are also distributed to various districts in Majalengka. However, in reality, there are still many MSMEs and large industries that continue to sell products without having halal certification. According to Radar Cirebon (2016), only 40% of MSMEs in Majalengka have applied for halal certification in their products. It means there are around 60% of them have not issued the halal certification. Due to these reasons, the researchers opted

to do research on entrepreneur behaviour and attitudes in Majalengka in order to be considered for halal certification. Additionally, it is important to improve entrepreneurs' awareness and eventually encourage them to register for the halal certification.

Moreover, halal certification is fundamental to business performance; it shows the excellent quality and provides safety to the Muslim community. Therefore, it is predicted that it eventually will play an important role in improving the performance of enterprises. The improved performance of enterprises allows them to compete with other industries. The micro enterprise can eventually become a small enterprise, the small enterprises can be upgraded to the medium enterprises, and the medium enterprises will also have a chance to become a large industry. Furthermore, the success will be achieved by the MSMEs once they can expand their industry and add some novel innovations to their products.

There is a significant number of entrepreneurial micro enterprises in Majalengka. These micro enterprises have not yet applied for halal certification (Hidayat, 2018). These products produced must be halal certified since they will boost ties with the world's largest countries and increase the government's revenue yearly (Baizuri et al., 2012). However, many of them have not applied for halal certification for their products yet. This situation is attributable to entrepreneurs' lack of awareness about halal products.

Muslim consumers are expected to understand the rules and patterns regarding halal principles. This is in line with halalan toyyiban concept (Al-Qaradhawi, 1984; Al Sayuti, 1998; Ibn 'Abd al-Salam, 1962). BPJPH serves as the governing body for the halal certification process in Indonesia. The organisation has given a fatwa to food companies that wish to audit their goods.

The purpose of BPJPH, an organisation established under Indonesia's ministry of religion, is to ensure that Muslim consumers are protected from consuming non-halal food products, cosmetics, and drugs (Indonesia Halal Directory, 2015 - 2016). The entrepreneurs, and food producers, are known to have a very low level of awareness towards the products, especially for the food and beverages sector. This situation is the reason why the demand for halal certified products continues to decrease. It is believed that the improvement towards the awareness will increase the demand for halal certified food products. Eventually, it is hoped that more halal certified food products will be more available in Majalengka and every district in West Java. It is important to study the determinants that affect the level of awareness among entrepreneurs. The majority are unaware of the necessity of halal certification. Apart from that, attitude and behaviour towards halal products are also factors that influence their low level of awareness.

Several reasons why some products in Majalengka are not halal certified include the entrepreneurs' lack of awareness regarding the importance of halal certification (Sukoso, 2019). Majalengka is known for its abundance in both human resources and natural resources. Most products are produced from either the agricultural concept or the horticultural concept. The majority of people in Majalengka are involved in the development of agricultural and food products. Many of them have also established some home industries that are designed to produce processed food and beverages.

Additionally, it is essential to notice that Muslim consumers in Majalengka also have a low level of awareness regarding the importance of halal certification. It can be seen from their behaviour when consuming food products as they often do not check if the food is halal certified. Apart from that, Muslim consumers need to understand their duty to follow all the rules stated in the Holy *Qur'an* and Sunnah (traditions) of the