

# Implementation of Halal Certification on Food Industry in Palu City: Challenges and Development Strategies

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**Abstract.** Halal certification is an important issue for the food industry in Indonesia, including in Kota Palu. The research is aimed at analyzing the implementation of halal certification in the food sector in Palu city, identifying the challenges faced, as well as formulating a strategy for the development of halal products. The research method used is a qualitative approach with data collection through interviews, observations, and documentation studies.

The results of the research show that the implementation of halal certification in the food industry in Kota Palu still faces several challenges, including a lack of understanding of the entrepreneur, high certification costs, and limited resources and supporting infrastructure. Applicable halal product development strategies include increased understanding and awareness of entrepreneurs, facilitating financing of halal certification, development of SDM capacity, as well as optimization of the role of governments and related institutions. The research contributes to the development of the halal food industry in Kota Palu by presenting a comprehensive analysis of the implementation of halal certification, the challenges faced, and the strategies that can be applied.

**Keywords:** Halal Certification; Food Industry; Palu City; Challenges; Development Strategy;

## 1. Introduction

The development of the halal food industry in Indonesia is accelerating as people are increasingly aware of the importance of consuming halal food and guaranteeing its legality. The city of Palu, as one of the economic centers of Central Sulawesi Province, is also not exempt from this phenomenon. With the majority of the population being Muslim, the demand for halal food products in Palu City continues to increase.

The Indonesian Government has enacted Law No. 33 of 2014 on the Guarantee of Halal Products, which requires every product circulated and traded in Indonesia to be certified halal. However, the implementation of halal certification in the food industry in Palu City still faces

many challenges. Some of the constraints found, among others, relate to the understanding of the entrepreneur, the cost of certification, as well as the minimum infrastructure and resources that support the legal certification process.

The Muslim-majority city of Palu also wants products that are certified halal according to Islamic Shariah. But Palu City is also inhabited by 16% of the non-Muslim population who come from different regions. Although there are a lot of non-Muslim communities does not mean halal products are less in demand. The results of a study conducted by [6] in Malaysia show that non-Muslim communities also want halal products because they are hygienic and healthy.

This means that the potential of halal products in Palu City can be better developed to meet the needs of Muslim communities in the exercise of their faith. The number of small industries that move in the food field is also very much in the city of Palu because of its natural resources in the field of horticulture. Thus, the prospects for the development of halal-certified enterprises are also increasing.

On the other hand, the potential for the development of the halal food industry in Palu City is quite large. This is supported by the large Muslim population in the area, as well as the availability of market opportunities that have not been optimally served. Therefore, comprehensive strategies are needed to encourage the implementation of halal certification in the food industry in Palu City, thereby enhancing competitiveness and consumer confidence in halal products. The study aims to study the implementation of halal certification in the food industry in Kota Palu, identify the challenges facing it, as well as formulate strategies for the development of halal food industries in the region.

## 2. Literature Review

### Halal Product Concept

The Halal concept in the implementation of the halal product policy not only covers Sharia requirements, but also covers aspects of sustainable hygiene, sanitation and safety, and also makes halal food easy to accept by consumers who care about food safety and healthy lifestyles. [8]. Today Muslim consumers are becoming more aware of the existence of halal food. The Muslim consciousness is not only related to the fact that a food product is halal, but they also have a deep awareness and curiosity about the integrity of the halal status produced by a producer that covers all the activities involved along the production and supply chain so that the various products they buy are truly halal [1]. The process towards halal could have started from the initial preparation to the end, for example, a halal meat product the process of preparation could have begun from the cutting [2] [3] which then continued during packaging (halal packaging) [4]. [5] The problem of the need for halal logistic services is now increasing as the demands of the international market segment for halal products.

The process of delivering a halal product should not be done by mixing it with a non-halal product. Even if the shipment is carried out simultaneously, there must be special treatment for halal food products so as not to be mixed with non-halal products.

### **Implementation of Halal Certification in The Food Industry**

Halal certification is the process of checking and determining the validity of a food or beverage according to the Islamic Shariah. In Indonesia, the implementation of halal certification is regulated in the Law No. 33 of 2014 on the Guarantee of Halal Products. In the law, it states that every product circulated and traded in Indonesia must be halal certified. Previous research has shown that the implementation of halal certification in the food industry faces a variety of challenges, including insufficient understanding by entrepreneurs, expensive certification costs, as well as a minimum of infrastructure and resources to support the certification process [7] [8] [9]

### **Strategy for the Development of the Halal Food Industry**

Several previous studies have identified strategies that can be applied to develop the halal food industry. These include increased understanding and awareness of entrepreneurs, simplification of certification processes, government funding support and incentives, and the development of adequate infrastructure and resources. [6] [12]. In addition, effective marketing strategies and innovative product development are also needed to improve the competitiveness of halal food products in the market. [10] [11]. Collaboration between governments, entrepreneurs, and associated agencies is also the key to success in developing the halal food industry [1]. Based on the review of the library, the study will examine the implementation of halal certification in the food industry in the City of Palu, identify the challenges faced, as well as formulate strategies for the development of halal food industries in the region.

## **3. Research Method**

### **Type of Research**

This research uses a qualitative approach with a type of descriptive research. This method is chosen to gain an in-depth understanding of the implementation of halal certification in the food industry in Palu City, as well as identify the challenges and strategies of its development.

## **Location and Research Subject**

The research was conducted in Palu City, Central Sulawesi Province. The location selection is based on the consideration that Palu City is one of the economic centers in the region, with considerable potential for development of the halal food industry.

## **Subject of Research**

1. Food industry entrepreneurs in the city of Palu, both those who have and those who do not have halal certification.
2. Representative of the industrial and Trade Service of The City Palu.
3. Consumer Representative of food products in Palu City

## **Data Collection Technique**

Data collection in this study is carried out through:

1. In-depth interviews with the research subjects.
2. Field observation to monitor the production process and the application of halal certification in the food industry.
3. Documentation Study.

## **Data Analysis Techniques**

The data obtained will be qualitatively analyzed using the interactive analysis model of Miles and Huberman, which consists of three stages:

1. Data Reduction: sort, focus, and simplify the data obtained
2. Data Presentation: organize data in the form of narrative text, table, or chart
3. Conclusion and verification: interpret and conclude research findings

## **4. Result and Discussion**

Implementation of Halal Certification in Food Industry in Kota Palu, based on the results of research, implementation of halal certification in food industry in Palu City still faces various challenges, among them:

1. Understanding and Awareness of the entrepreneur

Most food industry owner in Palu City have not fully understood the importance of halal certification and its applyment process. Moreover, the owners does not fully understand the usage of the Halal Certificate due to lack of information regarding benefits of the halal certificate among entrepeneur, leading to an opinion that the process of applying for halal certificate is complicated, resulting in ignorance and low desire for applying halal certification of the products they have.

2. High Cost

The halal certification fees are considered expensive for small and medium business owners in Palu City, making it an obstacle for them who fully understood the benefits of halal certificate after seeking the information, benefits, and usage of the halal certificate, thus causing business owner to prefer using the money for product research and development rather than getting the halal certificate for the product making the halal certificate the last priority of their business.

3. Infrastructure and Resource Limits

The availability of infrastructure and resources to support the halal certification process in Palu City is still limited by the number of valid auditors available that are in charge of monitoring the production process from its raw material until the final product that are ready to be sold, each auditors can only monitoring a single product that has PIRT to ensure the production process runs in accordance with Islamic law from Quran and Hadith, this mean the product should not contain pork, carrion, animal slaughtered without mentioning Allah SWT and following Fiqh of slaughtering, or anything that can intoxicate the consumers after consuming the product itself. Those things must be observed by the auditors from raw material to finished product. In addition, access to valid examiner labs that are still difficult to reach and overwhelmed by the number of product samples that continuously arrive that needed to be tested.

4. Weakness of Supervision and Law Enforcement

Monitoring of food products circulating in Palu City has not been performed optimally due to lack of manpower and their continuity checking products that are sold in markets. Besides, law enforcement related to halal certification obligations is also weak due to high level of ignorance among officers.

Development strategy for halal food industry in Palu City, to overcome those obstacle, there are strategies that can be implemented, among them:

1. Increased Understanding and Awareness of Entrepreneurs

There is a need for socialization and intensive education of food enterprises about the importance and benefits of halal certification with its management procedures which can be collaborated with local educational institution to increase the entrepreneur awareness about the importance of the halal certificate. Besides that, Department of Industry and Commerce of Palu City also in charge of informing the importance of halal certificate to the food enterprise, since they were the first one from official institutions to get in touch with entrepreneur when they applied for home industry food licence or known as PIRT.

2. Halal Certification Process

Governments need to provide subsidies or financial assistance for entrepreneurs, especially for small and medium-sized enterprises. This would take some of the financial pressure of halal certification off businesses, while still providing incentive for the certification process. Besides that, utilizing digital platforms or systems for the submission of the halal certification applications and tracking of the certificates in order to simplifying the legal

certification process, they also need to ensure that existing regulation are up-to-date and align with national halal standards, as well as providing facilities.

3. Infrastructure and Resource Development

Governments and associated agencies from both public and private sectors should strive to develop infrastructure and resources that support the process of halal certification, this can be successfully achieved by giving incentives and training more freelancers to become a certified auditors in collaboration between the government and associated agencies For Halal Certification Institution (LPPOM MUI) to ensure the number of halal auditors are always available. The government should also invest in numerous of facilitation of examiner labs making accessibility to the laboratory of halal testers easier. Moreover, the government can also establish cooperation with private labs to be involved in the halal certification process.

4. Strengthening Supervision and Law Enforcement

Governments need to strengthen supervision of food products circulating on the market by recruiting third party company or any freelancers that are certified with food/products monitoring or in collaboration with local universities internship program to regularly inspect products in the market. Enforcing rules with enhanced understanding and procedures that protect officers when dealing with business owners. Make sure that these protocols are made available and well understood by all the necessary enforcement departments and can be accessed by the public on the internet. On the obligation of halal certification consistently is also needed to support the inspection process.

5. Multi-Party Collaboration

Cooperation and good coordination between governments, entrepreneurs, halal certification agencies, and other stakeholders is essential to develop the halal food industry in Palu city.

With the implementation of these strategies, it is hoped that the introduction of halal certification in the food industry in Kota Palu can run more effectively and boost the development of halal food industries in the region.

## 5. Conclusion

This research reveals that the implementation of halal certification in the food industry in Kota Palu still faces various challenges, including:

- a. Low Understanding and Awareness of the Perpetrator
- b. Expensive Infrastructure Fees
- c. Limited Infrastructure and Resources
- d. Weak Supervision and Law Enforcement

To address these challenges, a number of development strategies can be implemented, namely: (1) improving the understanding and awareness of entrepreneurs; (2) simplifying the

legal certification process; (3) developing infrastructure and resources; (4) strengthening supervision and law enforcement; and (5) multilateral collaboration.

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