

## **Integration Of Halal Product Certification And Green Marketing As A Survival Strategy For Msme's In Indonesia**

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### **Abstract**

Law Number 20 of 2008 states that Micro, Small and Medium Enterprises (MSMEs) have a function to expand job opportunities in various concepts of economic services for the community, as well as support economic equality and community income. The guarantee of halal products has been regulated in Law Number 33 of 2014, that in order to maintain consumers for comfort and peace in consumption. The problem that now arises for MSME players is adjustment to green economy policies that have begun to be implemented internationally. Limited human resources and capital that hinder MSME actors find it difficult to participate in encouraging and being part of the success of a green economy or sustainable economy. Method Standardization that applies to date for MSME products in Indonesia, among others: Net (net weight) product, P-IRT, expiration date, halal label and halal certification permit. Result, MSME products in Indonesia that have been certified halal with a self-declare program have not been maximized, thus showing the need for encouragement and assistance in order to achieve halal product certification for all MSME products in Indonesia. Conclusion Many company practices try to trick to be judged as a company that obeys the rules by showing that it has implemented an environmentally friendly company. This practice is known as greenwashing. The application of the green economy, especially for MSMEs in Indonesia with halal certified products and the implementation of green marketing so that they can continue to exist in their business.

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## Introduction

Micro, Small and Medium Enterprises (MSMEs) are the foundation of the economy in a country, because they are considered the most resilient sector in facing the economic crisis. MSMEs are strong because in the capital sector that has a ratio that their own capital is greater than borrowed capital, from the amount of human resources not much used and market segmentation is affordable and consumptive. The COVID-19 pandemic has had an impact on almost all economic sectors, one of which is MSME players. The health crisis will initially reduce the number of sales due to adjustments between consumers and producers with new transaction concepts, as well as mitigation processes with various policies, including; lockdown policy. (Kim, 2021). MSMEs that can survive the health crisis are those that implement a survival strategy, namely by innovating. (Khajeheian 2013; Ebrahimi & Mirbargkar, 2017). Recently, increasing the competitiveness of MSMEs has been hampered by the Covid19 pandemic. Based on many studies, it shows the results that MSMEs during the health crisis experience decreased turnover, hampered operations, decreased employment, potential poverty and bankruptcy (Khajeheian 2014, 2017; Salamzadeh et al. 2017, Apriliasari, 2021, Tehseen & Sajilan, 2016).

MSMEs are a sector that is used as a pilot project to be able to develop the social life of the community and get a source of income for the state. (Tehseen & Sajilan, 2016). Based on the Ministry of KUKM providing data that until October 2020, MSMEs in Indonesia play a very important role as a buffer for the national economy (Kemen-KUKM, 2020). The number of MSMEs in Indonesia is more than 64 million MSMEs with the ability to absorb almost 97% of labor, and has a contribution of around 60% of Indonesia's Gross Domestic Product (Kemen-KUKM, 2020). In economic circulation, MSMEs contribute up to 45% of total employment and 33% of national income. (Sandoval et al., 2019). This article aims to provide an overview of MSME survival strategies in Indonesia.

The high level of concern about environmental damage and consumer awareness of environmentally friendly products encourage consumers to buy environmentally friendly products and also halal or green halal products. This is because consumers assume that consuming environmentally friendly products can help reduce environmental damage. A successful company with products that are in great demand by consumers, must be able to maintain the success of its marketing system and still maintain environmental sustainability (Saxena, 2012). Bottled Beverage Water products have the potential to produce waste waste that is so wasteful of the volume level of landfill space. The label of green halal products or green halal products has not received special attention from the government. One of the trends in improving the quality of product is by developing green halal products. As this is intended to offer alternative products that use organic materials, save the use of energy materials, eliminate toxic products, and reduce pollution and waste (Pankaj & Vishal, 2014). Companies are starting to be aware of changes in people's attitudes and make this environmental issue as one of their marketing strategies or better known as green marketing.

Green halal products are designed to reduce excessive use of natural resources during the production process and minimize adverse environmental impacts during the process (Albino, et al., 2009; Okada, 2010). At this time efforts to protect the environment are growing rapidly along with increasing consumer awareness. Some companies and consumers are one of the parties that play a very important role in preserving the environment. In these various conditions, one of the company's strategies to reduce plastic waste is how the company produces various kinds of products that use materials that do not damage the environment and are also halal or known as green halal products.

There is a catastrophic threat to the global environment internationally, among others; Pollution, biodiversity and animal endangerment, global warming, polluted seas, forest fires and droughts, gave rise to marketing innovations that accommodate this, known as green marketing. As for consumers, the development is the knowledge of the products they buy, which is aware of the importance of protecting the environment. Environmentally friendly products are products that start the input process to output using environmentally friendly and non-hazardous materials, while the size is environmentally certified and halal products.

Based on Kompas data (2023), it shows that there are still 5.8% of the 64.19 million MSMEs in Indonesia with business master numbers (NIB), so this causes low ownership of halal certificates and SNI. The policy of the government that has been carried out is to integrate permits. This article will describe how the integration between the concept of halal product certification and green marketing and how this integration can be used as a survival strategy for MSME actors in Indonesia.

### **Literature Review**

MSMEs in Indonesia are the most important part in creating socio-economic stability, because of the influence on the consumption and manufacturing sectors. (Adiyanto et al., 2022) The concept of green marketing is to pay attention to the stages, namely, green-input, green-process, and green-output. Marketing is how companies can introduce and successfully sell products to consumers. Strategy is needed to be able to achieve company goals, while green marketing strategy is a marketing concept that not only seeks profit goals but also environmental concerns.

The concept of green marketing already existed in 1971, and was introduced by Bell and Emeri, as well as Feldman. The concept offered is not only about how consumers are satisfied with the products produced but also needs attention to the interests of society and the environment in the long run. (MCDaniel and Rylander, 1993). According to Henion and Kinnear (1976) by introducing ecological marketing, there are positive and negative impacts on marketing activities, namely in the form of pollution, energy depletion and non-energy resources. While Peattie (1995) describes green marketing as a holistic management stage to satisfy the desires of consumers and society in a profitable and sustainable way (Karna, Hansen and Juslin 2001).

Important factors of green marketing include; 1). Companies with marketing activities aimed at satisfying consumer needs and desires; 2). Marketing activities are carried out efficiently and

effectively when compared to competitors; and 3). Activities that have a minimal impact on environmental destruction, thereby improving people's welfare. The concept of Green Marketing is useful in; 1). The resulting products are environmentally friendly; 2). Product development carried out to meet the wishes of people

who care about the environment; 3). Innovation love for the environment makes the company more innovative in inputs, processes, and outputs, even marketing strategies. Green marketing components include; 1). Green Consumer, is a reference to consumers who care about the environment; 2). Green Consumersism, that the emergence of green consumerism is due to the awareness and formation of consumer preferences for the products they consume, namely wanting environmentally friendly and halal products, or products that reduce environmental damage; 3) Green Product Green Product, a product designed to reduce the effects that pollute the environment.

According to John Grant (2007), there are three stages that become the goal of green marketing, namely; 1). Green, aims to communicate that the company's brand is environmentally caring; 2) Greener, environmental commercialization as the company's main goal; 3) Greenest, the company changes consumer culture towards caring for the environment. The obstacles to the application of Green Marketing according to Polonsky (1994) include: 1). companies must be sure that they do not mislead consumers and do not violate environmental regulations; 2). the company modifies the product according to consumer perception, but the product is not better than the previous product, so that consumer perception is wrong; 3). Government regulations designed to motivate consumers and companies to be environmentally responsible.

## Results and Discussion

Integration of Halal Certification of Products and Green Marketing Basic consumer rights were introduced on March 15, 1962 by the President of the United States, John F. Kennedy in his State of the Union address. There are four basic consumer rights or product warranty, namely; The right to obtain safe products; The right to obtain information about the products used; 3). The right to choose goods clearly and thoroughly; and 4). The right to be heard as a consumer.

The term halal is defined as part of the obligations that must be obeyed for consumers who are Muslim. The policy referred to for halal products in Indonesia is Law Number 33 of 2014 concerning Halal Product Guarantee. Article 4 states that products entering, circulating, and trading in the territory of Indonesia must be halal certified. Socialization of halal certification has been carried out by the Indonesian government in a span of five years, namely from 2014 – 2018. When referring to article 67 of the JPH Law, business actors should have carried out halal certification no later than October 2019. So, if the product has a halal logo, it shows that the product has been guaranteed halal. If the product on the market shows no halal logo, then the possibility is as follows; (1) the product does not pass certification; (2) the product has not applied for certification.

Circulating in the community for a wrong perception of the halalness of a product, namely, among others; Halal Main Ingredients do not guarantee halal products, herbal products derived from

natural ingredients are usually claimed to be halal products. But it could be that during the processing process a substance is formed into the category of not halal, such as the fragmentation process that can turn into alcohol.

Halal Variants do not guarantee the entire product is also Halal, certain product brands usually have many variants. If one variant already has a halal certificate, it does not mean that all products in the brand are also halal. "Zero Alcohol" must be halal? Beverage or food products that say "zero alcohol" cannot be ascertained that the product is halal.

Halal cosmetics are not necessarily legal for ablution, in terms of products, this product may have been certified halal but does not eliminate the nature of the product. For example, mascara and halal cuckoo are waterproof. These two products are safe and halal to use, but still when ablution must be removed first so that ablution water can directly come into contact with the skin. Code E on food = Pig ? According to the UK Food Standards Agency, the E code is a code for food additives that have been reviewed by the European Union. Additives used as emulsifiers, dyes, preservatives, acidifiers, etc. For example; E100-E199 code is the code for food coloring while E200-E299 is a food preservative code. So, a product whose composition has an E code does not mean that the product is haram. However, its halal status still depends on raw materials and production processes.

According to Worthington and Patton (2005) that green marketing is an option for MSME actors, because it is influenced by; a). Economic benefits; b) Financial Incentives; c). Demand stakeholders; d). Regulation; e). Resources; f). Motivation; and g). Knowledge.

### **Economic Benefits**

MSME players will carry out stages in input to output, namely raw materials that are non-toxic, do not produce hazardous waste, cost efficiency, maintain relationships with customers or the community, create customer satisfaction and create opportunities for comparative advantage. The results showed that there was a significant relationship between the concept of environmental friendliness with cost efficiency, brand image and increased revenue. (Bansal & Roth, 2000); (Simpson et al., 2004); (Naffziger et al., 2003); (Porter and van der Linde, 1995).

### **Financial Incentives**

The drive to create environmentally friendly products is also due to the government's role in facilitating licensing and working capital assistance. Being a priority part of government programs in efforts to develop MSME businesses, then by feasibility of their products with halal products and environmentally friendly. (Mir & Feitelson, 2007); (Bradford & Fraser, 2008); (Clement & Hansen, 2003).

### **Demand stakeholders**

The performance of MSMEs will be better if a good relationship is established with stakeholders, because one of the things that encourages MSMEs to make changes and innovations for the better and recognize the concept of environmentally friendly and halal products is to meet stakeholder

demand. (Rutherford, Blackburn and Spence, 2000); (McKeiver & Gadenne, 2005); (Nutek, 2005).

### **Regulation**

Based on empirical studies, many have shown results that MSMEs have begun to care about the legality of halal products and are environmentally friendly since the regulations imposed nationally and internationally. (De Bruijn & Lulofs, 2001); (Hilton, Archer, & van Nierop, 2000).

### **Resources, Motivation, and Knowledge**

What MSMEs need to be able to participate in environmentally friendly and halal products is to maximize existing resources. So that socialization and training are needed that can motivate MSMEs in carrying out production processes that are oriented to halal products and are environmentally friendly. (Katos & Nathan, 2004); (Hilton, 2002); (Yacob & Moorthy, 2012).

There are two different concepts related to green marketing for MSME players, namely the concept of cost efficiency and the concept of premium prices. The concept of cost efficiency, refers to the statement that the use of resources must not be wasted. The concept of green marketing is used as a basis in marketing activities by how to use resources efficiently and effectively. As for the concept of premium prices, green marketing will set standards that halal and environmentally friendly products are included in the category of hygienic and premium products.

The rise of the application of Greenwashing practices or consistency in sustainability that already exists in Indonesia, then several regulations are issued by the government as follows: Law Number 32 of 2009 which regulates environmental protection, management, requires business actors to provide appropriate and accurate information in article 68; Minister of Environment Regulation No.2 of 2014 which requires the inclusion of an ecolabel logo. This logo provides product information and production processes as well as the rest of environmentally friendly products;

Law No.8 of 1999 on Consumer Protection, in article 4 point 3 indicates the fundamental right of consumers to true and honest information on the guarantee of goods and services. While in article 8, there is a prohibition on business actors to mislead consumers in accordance with the label, etiquette or information of these goods and services; Another regulation, in article 62 of the Consumer Protection Law, has a maximum prison penalty of 5 years while the maximum fine applied is IDR 2 billion;

With the regulation from the government, it is a pressure for MSME actors, even though the regulation has a positive goal, namely to protect consumers and become a limitation for companies in providing products that are in accordance with consumer needs. This regulation is a limited and careful space for companies to produce products that will be sold to consumers. Furthermore, consumers with their knowledge will make consumption choices with the desired standardization. The company will try to comply with regulations set by the government to stay in business. The survival strategy for MSME players is based on green knowledge and standards,

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MSME players must innovate in producing products, namely; Creating products that are characteristic, unique, and pay attention to environmentally friendly compositions, Ensure the use of raw materials more efficiently or renewable. Streamlining and processing the use of packaging and the use of bio-degradable raw materials.

### **Conclusion**

The implementation of eco-friendly packaging is recommended to be the choice of business actors. This supports the achievement of Sustainable Development Goals (SDGs) at point 12.5 with the goal that by 2030 there will be a substantial reduction in waste generation. The steps taken are to reduce the amount of waste and recycling. The growth of consumer knowledge or green consumers globally requires marketing that understands consumer purchase intentions for green products. Green strategy is a good practice so that it can increase profitability, motivation and consumer loyalty. (Forte and Lamont, 1998)

### **Author's Contribution**

This article is prepared with the following concepts;

- a). Author 1 creates a basic idea and creates a discussion construct. b). Author 2 complements previous research journals,
- c). Authors 3 and 4 did the editing of the writing, Turnitin and Zotero. Contributions in making this article writing all authors add reviews in the discussion so that the article can be completed.

### **Declaration of Competing Interest**

This article aims to analyze opportunities for MSME actors in sustainable development, about the role and readiness to produce environmentally friendly and halal products. Some survival strategies that can be done by MSME players to be able to create green halal products.

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