Development Of Halal Value Chain As A Manifestation For Economy Recovery In Post Covid-19

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Abstract

The Covid-19 phenomenon that significantly affects the economic sector has forced all countries in the world to rise up and make recovery efforts. One of the efforts that is currently attracting attention is strengthening the halal industrial sector, which during the Covid-19 pandemic has been recognized for its success in maintaining economic stability. Halal Value Chain is a strategy used by the halal industry in an effort to recover the economy, the significance of the application of halal value chain in economic activities can give birth to a business model that can be an example for the halal industry and become a competitive advantage. This study aims to provide a comprehensive presentation on the dynamics of halal industry acceleration and halal value chain principles in the recovery of the economic sector after the Covid-19 pandemic. This research uses qualitative methods using a literature review approach from several studies. Based on research that has been carried out, it was found that the solutions offered by the halal industry through the halal value chain have proven to be one of the success factors in economic recovery after the Covid-19 pandemic, halal value chain is not just a concept that has been universally applied but is a need for the world community, because the application of the halal value chain ecosystem in the industrial sector is not only profit-oriented, however, the use of halal products and services aims to provide comfort, safety and certainty for the community.

Keywords: Economy Recovery, Halal Industry, Halal Value Chain.

INTRODUCTION

The Covid-19 phenomenon which once shocked the world has had a real impact on all sectors of life in the world, from politics, economy, social to culture. The most affected sector by this phenomenon is the economic sector. The IMF states that the world economy is currently experiencing a crisis because it is projected that more than 95 percent of countries will
experience negative economic growth. The projected loss experienced by the world due to the Covid-19 phenomenon is calculated at USD 12 trillion or around Rp. 168,000 trillion at a currency exchange rate of Rp. 14,000. Meanwhile, according to the World Economy Outlook (WEO), Covid-19 has pushed the world economy towards a deep depression (Arianto 2021:108).

The global economy is expected to experience inflation that continuously increase from 4.7 percent in 2021, increasing to 8.8 percent in 2022, but will decrease to 6.5 percent in 2023 and 4.1 percent in 2024 (International Monetary Fund 2022). The problem that intersects closely with negative economic growth is the increase of unemployment rate. Various business actors experienced a decrease in demand, while employees still had to get adequate wages. This is the cause that triggers mass layoffs. It was recorded that in 2019-2021, there was a quite drastic increase in the unemployment rate, with 185.95 million people in 2019 and increased to 214.21 million people in 2021 (Statista 2022). The high unemployment rate also triggers an increase in the poverty rate. In addition, other problems that may be triggered by the high number of unemployed are the problems of crime and suicide (Kawohl and Nordt 2020).

Both of these are certainly quite complex problem that attack another sector which is human security. The economic and security crisis that hit the whole world due to the Covid-19 phenomenon has pressured all countries to improve. The stimulus that is carried out certainly different from one country to another. Various policies and trials were carried out to speed up the escalation of improvements, however, not all of them yielded the desired results. One of the improvement efforts that provides positive opportunities is the halal industry which is moving forward in tandem with an increase in population and consumption. In the State of the Global Islamic Economy Report 2022, approximately 1.9 billion Muslims in 2021 spend as much as USD 2 trillion in the food, cosmetics, travel, fashion and medicine sectors. Whereas in 2022, the level of spending by Muslims in the world is expected to increase to 9.1%, where this percentage does not include the Islamic finance sector (Dinar Standard 2022:3).

All of those developments were affected by islamic consumption values in terms of halal. The halal industry can be interpreted as an industry that carries Islamic values in all of its activities. In more detail, the concept of 'halal' which means permissible is closely related to 'thayyib' which means good. It can be interpreted with everything that is permissible in Islam and good for human life. The halal industry tends to be easily accepted by both Muslim and non-Muslim countries because it offers good values for humans, the environment and all living
things. There are several factors that encourage the development of the halal industry: (1) The increase of Muslim population in the world has an effect on the increasing demand for halal products and services; (2) Increased Gross Domestic Production (GDP) in Muslim countries which indicates an increase in the welfare of Muslims; (3) The increase of ethical-consumerism which has the in line principle with the halal lifestyle where the devotees are not only Muslims, but also non-Muslims (Azam and Abdullah 2020:50–52).

The concept of halal which is not only limited to food, gives the halal industry the potential to compete in global economic growth. The halal industry has developed to cover the realm of cosmetics, health products, medicines, as well as services such as logistics, finance, marketing, packaging, branding and electronic media. Moreover, currently its development has touched the realm of lifestyle which includes fashion, halal tourism and also hotels, where this sector has become the main sector for the development of the halal industry. This development is certainly influenced by the psychology and ethics-consumption of Muslims around the world (Azam and Abdullah 2020:49). Specifically, the halal industry has a value base that is summarized in the halal value chain (HVC) ecosystem.

Basically, HVC is a concept that affects the business ecosystem starting from production, distribution, consumption and including service sectors such as tourism and hospitality (Asri and Ilyas 2022:38). HVC aims to add value to goods at each stage. Apart from that, the halal industry is able to have an advantage so that it can compete with a variety of similar industries (Juliścia et al. 2021:247). The advantages possessed by the halal industry in the halal value chain are considered to have considerable opportunities for post-covid-19 economic improvement. Thus, this article intends to further analyze the development of the halal value chain as a manifestation of improving economic growth after the Covid-19 pandemic. The author will discuss the orientation of the halal value chain and its opportunities to become a competitive advantage in the halal industry.

METHODS

This research uses qualitative research methods that are descriptive analysis by examining objects through relevant data then reprocessed using theories or concepts to analyze the development of halal value chains. The data used are secondary data obtained through books, theses, journals, papers, government documents, electronic media and newspapers. For data collection itself, the method used is a literature study After the data is collected, data analysis
is carried out which begins with the classification of the data obtained according to the category. Then the results of the data will be analyzed using relevant theories and concepts, the final results of this process will be used as conclusions from the research.

RESULTS AND DISCUSSION

THE ORIENTATION OF HALAL VALUE CHAIN

Nowadays, halal terminology is often referred to as an effort to justify the goodness of using a product. However, it is necessary to understand that halal is not only related to material matters. In Islam halal includes all types of work or commonly referred to as Muamalah (Qardhawi, 1993). Halal can also be interpreted as a quality standard for an activity carried out by humans in accordance with sharia law applicable in Islam (Waharini & Purwantini , 2018). Although halal is closely related to Muslims, it does not mean that halal products and services can only be used by Muslims. However, it can be used for non-Muslim communities even from people from non-Islamic countries, such as Russia, Singapore and Australia to become three non-Muslim countries that are included in the top ten halal food exporting countries (Standard, 2022).

Nowadays, halal is not only understood as a form of justification for a product, but has transformed into an economic activity that processes raw materials and utilizes resources to produce products or services that have added value or higher benefits, this makes halal an instrument to support economic activity centered on industry.

The halal industry is an economic activity that is integrated with halal values set by Shari’a, meaning that its application does not only apply to one production sector, but it is necessary to apply it to all sectors of its activities. This is commonly known as the halal value chain. Halal value chain is a concept that manages a business ecosystem that includes several aspects in it, such as: financing, production processes and logistics.

1. Financial

Capital is one of the important elements in carrying out business activities. In general, a business or company requires various kinds of capital, including one of which is capital in the form of finance. Capital in the form of finance in a Sharia business should be placed or stored in a Sharia bank. The placement of funds in Islamic banks aims to prevent the Islamic business capital from being affected by interest which has been prohibited by the majority of scholars,
because it is classified as usury. This financial aspect is one of the most important if we talk about a sharia business concept that uses the sharia ecosystem. This is important because in running a Sharia business, financial capital and financing are one of the inseparable elements in the halal supply chain ecosystem.

The upstream (initial) element in the halal business ecosystem is financial (input). Although the business carried out is sharia, it is also necessary to apply it to the financial aspects of the company, ranging from capital or financing to payment gateways using products and services of Islamic financial institutions. This financial aspect is often overlooked by business people or the halal industry. The business activities they run are halal and have even received halal certificates, but in terms of financial aspects, they are still not fully halal. There are several halal fund raising, namely: sharia banking, waqf & ziswaf.

2. Production

Production can be interpreted as a human activity to produce goods and services (Ahyar & Abdullah, 2020). Production in Islam needs to be carried out on moral principles. Morals are used as a reference in order to produce a product of goods or services that are in accordance with standards. Morals and ethics in production are very important because products and services will be used by consumers in need, so there is a need for good product quality so that consumers can meet their good needs. In producing a halal product, it is necessary to procure a halal supply chain at this time. A system is needed that ensures that the halal supply chain can run sustainably so that the products produced by the halal industry can develop at the global level. In the halal supply chain, there is a halal supply chain concept that is needed to meet the criteria so that integrity is achieved in the halal supply chain, including: (Nur Ma, Rahmawan, & Darussalam Gontor, n.d. 2018). Raw materials that are not mixed by additives and auxiliary materials.

• Quality and quantity of Suppliers
• Clarity of origin of the material
• Product quality
• Human resources

In producing a halal product, it is inseparable from the system cycle that can guarantee the creation of halal products starting from commitment and responsibility, because this will
affect a system. Commitment and responsibility must be carried out by all elements that exist when producing halal products, especially the compliance of production leaders with sharia. The second component of the cycle contains ingredients, the ingredients obtained are ingredients that are in accordance with halal standardization, for example: do not contain pork and its derivatives (enhancers or auxiliary materials), do not contain khamr, do not contain anything from the human body (placenta extract), amniotic fluid (amniotic water) & collagen used for cosmetics, does not contain human or animal blood, not carrion or wild animals. The third component, namely the production process, the production process needs to be considered so that halal materials that are in accordance with standards are not contaminated or there are no leaks in the production process. The sixth component is the product after the material goes through the production process. And the last component is monitoring and evaluation, which is useful for maintaining halal quality so that the halal certificate obtained can continue to be maintained.

3. Logistic

Based on the definition of halal logistics from the Malaysia Institute of Transport. Halal logistics is the process of managing the procurement, movement, storage, and handling of materials, livestock, and supplies of semi-finished goods, both food and non-food along with related information and the flow of documentation through corporate organizations and supply chains that comply with shari’a principles. As for the goal, such as: (Saribanon, Purba, & Agushinta, 2019).

- Avoid contamination of something illegitimate
- Avoid mistakes
- Ensure consistency with sharia and Muslim customer expectations

Basically, halal products and services are very supportive in aspects of cleanliness, quality and safety (Yunos, Mahmood, & Mansor, 2014). The supporting aspects of halal products and services are closely related to human and environmental safety. The concept of halal is also related to green management, where this concept suppresses the negative impact of economic activity that will affect humans and the environment in the long term.

In terms of the security of human life, the application of the halal value chain in the business ecosystem refers to the basic principles, namely: God consciousness, spirituality (spirituality), family values, education, just and equitable, social responsibility, modesty, and
health (Cahyani, 2022). The security side of human life is a need that must be met by all humans in order to build a quality and useful life, but this effort must be supported through public awareness and understanding that halal products and services exceed business goals alone.

The application of halal value chains in accordance with Shari'a in the halal industry also needs to pay great attention to environmental issues. The right halal industry is able to encourage ecological interests (Fageh, 2022) by staying away from exploitative actions and pollution due to industrial economic activity. Such as fair human management, using environmentally friendly materials for the benefit of production.

HALAL VALUE CHAIN AS A COMPETITIVE ADVANTAGE

The concept of halal that is inherent and becomes an identity for Muslims is a very popular study today with the large number of Muslim populations in the world reaching 2 billion out of 25% of the global population (Annur, 2022). Making this halal concept is not only fixated on food and drinks like most people's views, but this halal concept is very broad in meaning to the halal life style that is the current trend. Not only in countries with a Muslim majority but in countries with a Muslim minority, halal life style is developing and in great demand because halal life style is a need for all humans. The concept of halal which is universal and the elements in it such as elements of health, safety, security, prosperity and human dignity become instruments in reintroducing its rahmatan lil'alamin (Baharuddin, 2015).

The Muslim Judicial Halal Trust (MJCHT) argues that halal life style is a person's behavior that is carried out according to his abilities in a correct, honest, integrity, dignified, just and does not deviate from the teachings of Islam” (Muslim Judicial Halaal Trust, 2023) through halal life style a person reflects his personality as well as Muslims whose all aspects of life have been regulated by Islamic teachings so that halal life style becomes an obligation as a form of Muslim identity (Amalia, 2017).

Halal life style has a wide scope if we look at its definition because it is directly related to all aspects of life. Halal life style in Indonesia itself includes halal food, finance, travel, clothing, and media / recreation, pharmaceutical, cosmetic and medical care. This happens because the meaning of the halal aspect itself can be understood not only as halal and haram but how something has a good or bad impact, for example, halal cosmetic in this cosmetic must contain all elements of goodness and health for our body.
The increasing development of halal life style requires the halal industry to provide good service for halal products through the halal product supply chain or halal value chain for the certainty of halal raw materials, production processes, distribution and halal (Annisa, 2019). Halal products are products that are in accordance with Islamic shari'a and meet the requirements of halal, namely (Astogini & S.Z, 2012):

1) Does not contain pork elements in both ingredients and others.
2) It does not contain ingredients forbidden in Shari'a such as feces, human organs and blood.
3) All animal sourced materials must be slaughtered in accordance with Islamic shari'a.
4) The place of management, storage, sale and transportation must be guaranteed cleanliness from all elements of pigs and other prohibited matters.
5) All foods and drinks that do not contain khamar

All of the halal become a standardization used by the halal industry sector. The halal industry is not only fixated on goods but can be in the form of services. The service sectors that are developing today are shari'a financial institutions, shari'a banking, financial shari'a technology and halal tourism. Like halal goods products, in the form of services also have provisions that must be met as halal requirements in accordance with Islamic shari'a, for example, Islamic financial institutions that have principles that are different from conventional financial institutions. The purpose of shari'a financial institutions is to help achieve the socio-economy of the Islamic community, in the process of collecting funds and financing avoiding usury and guaranteed halal (Annisa, 2019).

The increasing number of Muslim populations and communities that are starting to implement halal life style in daily life is an opportunity for the halal industry to improve its competitive strategy through the halal value chain. The competitive development of business and economy forces all business entities to have new innovations and strategies that are able to be competitive. This is what makes business entities create a competitive advantage by providing business models that are more relevant to market needs. (Mufidah, Arsyianti, & Ibdalsyah, 2021). Some of the strategies used by companies in gaining a competitive advantage, according to Porter, can be achieved through two ways as follows (Porter, 1998):
1) By lower cost, is the company's ability to design, manufacture, and market products efficiently when compared to its competitors.

2) By differentiation, is the company's ability to create superior value to consumers in product quality, by providing unique and special products and better service services than its competitors.

This halal value chain is a strategy by differentiate for the halal industry in building consumer trust in the products produced. This makes it easier for the halal industry to determine policy strategies or market environment analysis techniques. Because by only focusing on product quality and halal value chain, it can be an effort to maintain consistency regarding industrial trade activities. According to David in his book Strategic Management, competitiveness or competitive advantage is all efforts made very well by the company when compared to others. When a company can do something that other companies cannot do or has value that others do not have, this illustrates a competitive advantage that is very important for achieving long-term success for a company (Fred R, 2006).

In general, companies are only able to maintain their competitive advantage only at a certain period because they are easily imitated by other competitors and the weakening of these advantages. However, what must be underlined in the competitive strategy owned by the halal industry through the halal value chain is not just a strategy but a concept that manages the business ecosystem in Islam so that its existence must be maintained because it is a mandatory system that must be present in every production process to consumption. In addition, the competitive strategy is also the end of the goals that the company strives for. In this halal industry, it aims to build economic activities oriented towards Islamic shari'a and to create security for humans and the environment or as a manifestation of rammatan lil'alamin.

The phenomenon of the Covid-19 pandemic that has hit the world has had many impacts on the stability of various countries, the crisis that occurred due to covid-19 that had never happened before turned out to be unsettling for various levels of society. As recorded in the World Health Organization (WHO) on January 9, 2023 confirmed cases of COVID-19 to WHO including deaths totaled 6,684,756 (WHO, 2023). Not only does it have an impact on health but this pandemic also has an impact on the social, economic and environment globally, regionally and domestically. (UNDP, 2023). Developing countries affected by the Covid-19 pandemic tend to be more severe when compared to developed countries and even developing countries experiencing weaker growth during the pandemic.
The crisis that occurred due to the Covid-19 pandemic made all parties have to reorganize and redesign the development that will be carried out, especially for developing countries, the pandemic not only presents many challenges but several opportunities are present for a sustainable and better future. The development of the halal value chain in the halal industry is an effort to deal with the economic crisis.

The economy that makes halal an instrument does not only exist in OIC (Organization of Islamic Cooperation) countries but also in several Muslim minority countries. Based on the SGIE 2022 report, Singapore, the United Kingdom and South Africa are the three countries that have managed to experience significant progress in overall global sharia economic indicators at the sub-indicator level. Singapore ranks 7th out of the Top 15 ranking countries with an achievement of 65.0. In addition, there are 10 exporters to OIC countries, most of which come from Muslim minority countries, such as China ($25.4), India ($22.2), USA ($17.0), Brazil ($16.7), Russia ($13.8), France ($12.6), Turkey ($10.5), Germany ($10.0), Argentina ($8.6) and Indonesia ($8.5) (Standard, 2022). This confirms that the use of halal instruments in economic activity does not only apply to OIC countries but also many countries in the world that have proven their economic success with the Islamic economic system.

Based on this data, if the development of the halal value chain becomes the main focus in economic recovery after the Covid-19 pandemic, it will give birth to a business model that can be an example for the halal industry and become a competitive advantage. This is in line with the needs of the world today, namely improving the economy that has been shaken by the pandemic because the halal value chain is not just a concept that has been universally applied but is a necessity for the world community, besides that the application of the halal value chain ecosystem in the industrial sector is not only profit-oriented, but the use of halal products and services aims to provide comfort, safety and certainty for the community.

CONCLUSION
In terms of the security of human life, the application of the halal value chain in the business ecosystem refers to the basic principles, namely: God consciousness, spirituality (spirituality), family values, education, just and equitable, social responsibility, modesty, and health. The security side of human life is a need that must be met by all humans in order to build a quality and useful life, but this effort must be supported through public awareness and understanding that halal products and services exceed business goals alone. The application of halal value
chains in accordance with Shari'a in the halal industry also needs to pay great attention to environmental issues.

The right halal industry is able to encourage ecological interests by staying away from exploitative actions and pollution due to industrial economic activity. Such as fair human management, using environmentally friendly materials for the benefit of production. The increasing number of Muslim populations and communities that have begun to implement halal lifestyle in daily life is an opportunity for the halal industry to improve its competitive strategy. For the halal industry, the strategy by differentiate halal value chain can build consumer confidence in the products produced, the competitive strategy owned by the halal industry through the halal value chain is not just a strategy but a concept that manages the business ecosystem in Islam so that its existence must be maintained because it is a mandatory system that must be present in every production process to consumption.

In addition, the competitive strategy is also the end of the goals championed by the company, in this halal industry it has the aim of building economic activities oriented towards Islamic shari'a and to create security for humans and the environment or as a manifestation of rammatan lil'alamin. If the development of the halal value chain becomes the main focus in economic recovery after the Covid-19 pandemic, it will give birth to a business model that can be an example for the halal industry and become a competitive advantage. This is in line with the needs of the world today, namely improving the economy which was shaken by the pandemic because the halal value chain is not just a concept that has been universally applied but is a need for the world community, besides that the application of the halal value chain ecosystem in the industrial sector is not only profit-oriented, but the use of Halal products and services aims to provide comfort, safety and certainty for the community.

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