

CHAPTER I

INTRODUCTION

This chapter consists of the background, problem formulation, research objectives, research scopes and outline of the research report.

1.1. Background

In contemporary times, halal extends beyond food and beverages, influencing virtually all aspects of human life (Prabowo et al., 2015). Consequently, the discourse on sharia compliance has expanded to include non-food products and services. While "halal" remains a key term in defining permissibility under Islamic law, terms like "sharia-compliant" or "pure" are sometimes preferred for labeling non-food items to distinguish them from food-related products. Although halal is traditionally associated with Muslim communities, its relevance has grown globally, including in non-Muslim countries, where both Muslim and non-Muslim stakeholders play active roles. Discussions around food production have gained significant attention due to emerging challenges and considerations spanning religious values, process design, logistics, marketing, resource management, safety, and security (Lestari et al., 2021).

The adoption of halal principles in food production systems has demonstrated positive impacts on organizational performance (Ab Talib et al., 2015; Kristiana et al., 2020). This success has motivated researchers to investigate the driving factors (Ab Talib et al., 2015; Kristiana et al., 2020) and barriers (Prabowo et al., 2015) influencing the implementation of halal practices. For example De Boni & Forleo (2019) explored the factors contributing to the development of Italy's domestic halal food market and its potential for international expansion. The Islamic market presents significant opportunities, with strategic approaches essential to accessing the global Muslim demographic (Bashir & Farooq, 2019). Since halal principles encompass all aspects of human activity, they provide ample scope for developing halal-certified non-food products.

The scope of halal studies has expanded from food products to non-food domains, including cosmetics, pharmaceuticals, tourism, finance, entertainment, and lifestyle (Annabi & Ibidapo-Obe, 2017; Pauzi et al., 2019; Shahid et al., 2018; Sukei & Akbar Hidayat, 2019). Recently, there has been increasing concern among Muslims, including in Indonesia, regarding sharia compliance in products. As a predominantly Muslim country, Indonesia has extended halal certification beyond food products to include various non-food items. Products like refrigerators, cooking utensils, tissue, socks, paper, wall paint, and adult diapers have obtained halal certification from the MUI. Leather products are also required to comply with Islamic law, given their origin as animal by-products. Concerns about the sustainability of cowhide products arise due to the presence of pigskin leather in the market (Direktorat Jenderal Bimbingan Masyarakat Islam, 2015). According to Fatwa No. 56 Year 2014 by the Indonesian Ulama Council (MUI), the skins of animals—whether permissible for consumption (ma'kul al-lahm) or not (ghair ma'kul al-lahm)—are considered impure but can be purified through tanning, except for those derived from dogs, pigs, or their derivatives. Hence, under sharia law, products made from dogs and pigs are strictly prohibited for Muslim use. Furthermore, the use of chemicals in leather processing, particularly tanning, necessitates careful scrutiny to ensure that no prohibited derivatives are involved.

The hides and leather industry is a significant sector, given its impact on rural development, social welfare, employment, and environmental sustainability. In Indonesia, the leather and footwear industry is a key contributor to the national economy (Ministry of Trade of The Republic of Indonesia, 2018). Data from BPS (2018) shows that the leather industry accounted for 26 percent of the GDP, the highest contribution among 22 manufacturing sectors. The industry is predominantly composed of small and medium enterprises (SMEs), which constitute 99.99 percent of all businesses, with 98.70 percent being micro-scale industries. SMEs play a critical role in reducing unemployment, employing over 97 percent of the national workforce, particularly in rural areas, where they provide local employment opportunities. Despite its contributions, Indonesia ranks sixth among global leather exporters (BPS, 2017), but large-scale enterprises dominate

exports (10.72%). Both large and small-medium enterprises face distinct challenges.

Padang Panjang City that located in West Sumatra is one of the cities that has a center for leather crafts industry in Indonesia. Minang Kayo is one of the production centers for various leather-based fashion products in West Sumatra, the products produced are jackets, bags, hats, shoes, sandals and other accessories in various models for women and men made from cowhide and goat skin. Sentra Minang Kayo has a gallery located on Jalan Sultan Syahrir Mifan, Gang Sepakat No. 1 and 2, Padang Panjang Barat District, as a place to display leather craft products for sale.

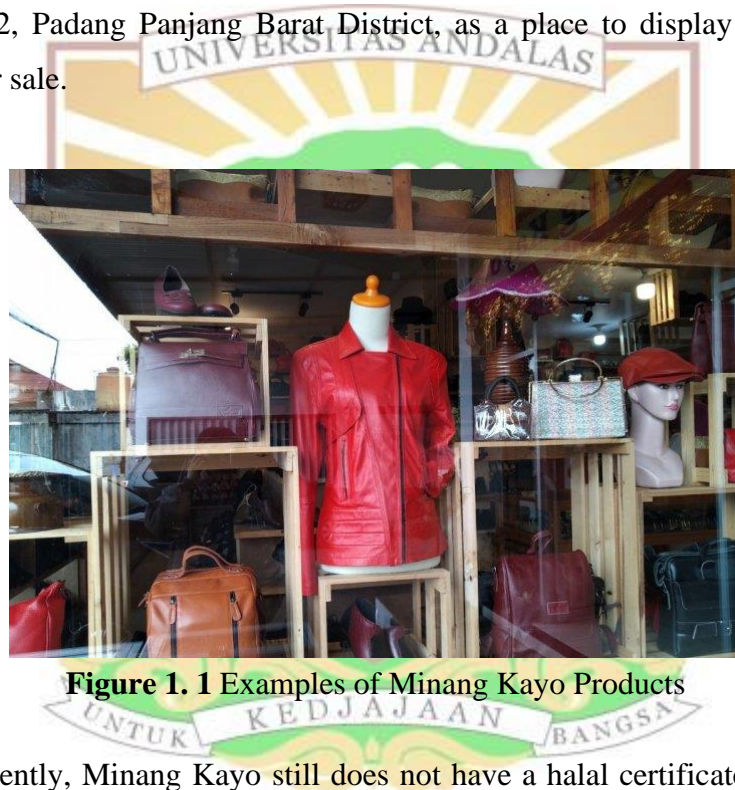


Figure 1. 1 Examples of Minang Kayo Products

Currently, Minang Kayo still does not have a halal certificate, while Law Number 33 of 2014 concerning Halal Product Assurance, article 4 states that "Products entering, circulating, and traded in the territory of Indonesia must be halal certified", which also refers to goods including leather craft products such as bags, shoes and jackets made of leather. While Law Number 33 of 2014, article 1 paragraph 3 states that "The halal product process, hereinafter abbreviated as PPH, is a series of activities to guarantee the halal of products including the provision of materials, processing, storage, packaging, distribution, sales, and presentation of products." Based on these regulations, the implementation of the halal value chain must be applied to leather craft products from raw materials to finished products.

Government Regulation Number 31 of 2019 also stipulates that the leather craft industry must have halal certification. Article 1 paragraph 2 of the regulation states that, "Products are goods and or services related to food, beverages, medicines, cosmetics, chemical products, biological products, genetically engineered products, and goods used, utilized, or utilized by the community". Therefore, Minang Kayo wants to obtain a halal certificate from the MUI, in addition to wanting to comply with the law, Minang Kayo also wants to be in line with Indonesia's vision in advancing the Indonesian halal industry in the global market and strengthening Minang Kayo's own brand as a producer of Halal leather crafts in Indonesia.

Halal certification for leather craft products can be realized by implementing a halal value chain in the leather craft industry. Halal Value Chain (HVC) is an integrated industrial effort starting from input, production, distribution, marketing, and consumption (Sumanto & Yuli, 2021). In efforts to produce halal products, raw material input is something that must be considered with the processing technology used, in terms of packaging it must reflect cleanliness and maintain its halal until the final product is received by Muslim consumers.

Similar research with various different focus objects has been conducted in several previous studies. Halal value chain analysis was conducted by (Zakiyah et al., 2023) with a focus on the halal tourism product of the Tomb of Habib Basirih in Banjarmasin City. This field research uses a qualitative approach, namely the Miles and Huberman Model. The purpose of this study is that the halal value chain needs to be updated to develop the halal tourism product of the tomb of Habib Basirih in Banjarmasin City. This is especially true for accommodation and food that do not yet have halal certification. In addition, (Anne Charina & Charisma, 2023) investigates how the implementation of the halal value chain (HVC) ecosystem in the halal food and beverage industry in Indonesia is successful. This study is a type of qualitative research that uses a descriptive analysis approach. The use of HVC in halal food and beverages in Indonesia has a significant effect so that it can increase the efficiency of halal products, although this has not been fully successful.

Based on the background description above and previous research, a study entitled "**Halal Value Chain Evaluation of Leather Craft Production at Minang Kayo**".

1.2. Formulation of the problem

Based on the background description above, Minang Kayo wants to have a Halal Product Certificate from MUI, for that it is necessary to conduct an evaluation of the production process at Minang Kayo based on the five Criteria of the Halal Assurance System issued by MUI as preparation.

1.3. Research purposes

The purpose of this study is to evaluate the implementation of the Halal Assurance System issued by the MUI on the production process at Sentra Minang Kayo to obtain a Halal Certificate from the MUI.

1.4. Benefits of research

The author hopes that this research will be useful for several parties, especially:

1. Theoretical Benefits, this research helps provide ideas and concepts related to halal tayyiban, halal value chain in the fashion industry.
2. Policy benefits, this research is useful for policy makers to follow up on research results.
3. The author's benefit is to apply scientific knowledge in the form of theories that the author learned during his studies in the Industrial Engineering Study Program, Andalas University.



1.5. Research Limitations and Assumptions

The limitations in this study are:

1. Respondents are managers and leather craftsmen in Minang Kayo
2. Data collection was conducted in April-May 2024.
3. The evaluation of the halal value chain at Minang Kayo in this research was conducted on leather shoes, leather jackets, and leather bags.

1.6. Research Systematics

The author has structured this final project into several chapters for systematic discussion, each of which includes the following systematic chapters:

CHAPTER I INTRODUCTION

This chapter consists of background, problem formulation, research objectives, research limitations and assumptions, and discussion systematics.

CHAPTER III THEORETICAL BASIS

In this chapter is a theoretical study that contains theories that support the research, namely the concept of halal, halal products, value chains, methods to be used and Sentra Minang Kayo. Then in this chapter there is also related research and a framework for thinking.

CHAPTER III RESEARCH METHODS

In this chapter, the author describes the research design, population and sample, research subjects, research objects, data sources, data collection techniques, and data analysis techniques.

CHAPTER IV RESULTS AND DISCUSSION

This chapter describes the description of the analysis of the process of implementing the halal value chain in Sentra Minang Kayo, the opportunities and obstacles to implementing the halal value chain in this business.

CHAPTER V ANALYSIS

This chapter contains an analysis based on the processed data, including an analysis of the value chain map, an analysis of critical points of non-halal risks, and an analysis of the results of the halal value chain evaluation that has been conducted.

CHAPTER VI CLOSING

This chapter contains conclusions summarized based on research findings. As well as recommendations in the form of input to be communicated to both related parties and other researchers.

