

## The Role of Micro Small Medium Enterprises (MSMEs) in Halal Industry Enhancement (Case Study of MSMEs in Lhokseumawe – Aceh)

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### Abstract

**Purpose** – This study examined the role of MSMEs in encouraging the halal industry and aimed to determine the problems of MSMEs in supporting the halal industry in Lhokseumawe..

**Methodology** - This study used primary data of qualitative study with descriptive data analysis from five interviewees as an owner of food and beverage MSMEs sector in Lhokseumawe-Aceh. The research method used is a case study approach. Data collection techniques used were interview, observation, and documentation, and data analysis techniques used in this study with data reduction, data presentation, conclusion, and triangulation stages.

**Findings** - The results showed that the role of MSMEs in encouraging the halal industry was relatively low due to the lack of knowledge and awareness of MSME actors in Lhokseumawe city about halal certification that provides services to MSMEs.

**Keywords:** Islamic Economics, Micro Small Medium Enterprises (MSMEs), Halal Industry, Qualitative Method, Consumer Satisfaction

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## 1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) are business units that can play a role and function as pavers in the provision of productive business activities plus alternatives in lending and terms of employment. The development of MSMEs makes MSMEs an essential part of the Indonesian economic system, thus the advancements owned by MSMEs have made Islamic financial institutions create a capital program design for micro, small and medium enterprises (Trihandana, 2017). Then the existence of MSMEs cannot be eliminated or avoided from the nation's society today according to its supportive existence in terms of the distribution of people's income. In addition, it can also create creativity that is in line with efforts to maintain and develop it (Anggraeni et al., 2013).

Indonesian Small and Medium Enterprises (MSMEs) have enormous potential and can develop into saviors of the national economy. Historical records show that MSMEs are flexible and resilient in facing economic crises. The ability to survive the crisis and continue to succeed has formed MSMEs at the forefront of the Indonesian society's economy. In addition to the enormous number of MSMEs, they also have strong absorption of labor in case they play a role in overcoming unemployment. In other words, the development of micro-enterprises means increasing job opportunities (Musfiroh et al., 2018).

When viewed from the advantages possessed by MSMEs, there is a considerable potential to promote so they can support the economy in Lhokseumawe-Aceh. Because with these advantages, MSMEs can have flexibility in various economic conditions, especially in the city of Lhokseumawe. Of the several MSME sectors in Lhokseumawe City, the culinary sector is a sector with enormous potential. Some of the MSME sectors in Indonesia that have large market prospects are culinary, fashion, tourism, cosmetics, agriculture and advertising, furniture, and crafts. The Development in the culinary sector in Lhokseumawe City is due to its very strategic location. Lhokseumawe- Aceh City is located in 14 public and private universities in Lhokseumawe including Malikussaleh University,

Lhokseumawe State Polytechnic, Lhokseumawe State Islamic Institute, STIE Bumi Persada Lhokseumawe, Lhokseumawe College of Economics, STIKES Darussalam LhokseumaweTIK, Bumi Persada STIKES, Muhammadiyah Lhokseumawe, Kesdam Iskandar Muda Nursing Academy Lhokseumawe, STIT Darussalam Lhokseumawe, Darussalam Darussalam College of Sciences Lhokseumawe Aceh, Midwifery Academy of North Aceh Government Lhokseumawe-Aceh and National College of Administrative Sciences. From this strategic location, micro and culinary businesses can develop because they are dominated by many places inhabited by young people, especially college students.

The growing development of MSMEs in the culinary sector makes the halal industry a growing trend in most Muslim countries. Entering the era of the industrial revolution 4.0 has been impacting the development of halal products in the world and Indonesia. With the opening of new markets in the era of industrial revolution 4.0, it is an opportunity and challenge for producers, especially from the halal industry sector, to develop their products to meet national and global market demands. Indonesia has great potential as the largest supplier of halal products (Fasa et al., 2020).

The halal industry in the culinary sector in Indonesia also has considerable potential, supported by the majority of the Muslim population in Indonesia embracing 229 million people or 87.2%, not least in Lhokseumawe City. Another advantage is that Lhokseumawe is an area by implementing Islamic law

with the implementation of Qanun that makes the halal industry in the culinary sector able to develop because the people also have more interest in the halal industry sector.

According to Badan Pusat Statistik, n.d. the rising competitiveness and the role of micro, small and medium enterprises (MSMEs) is one way to achieve sustainable economic growth. Depending on the results of the economic census, the number of micro and small enterprises (MSMEs) in Indonesia is 26.26 million businesses or a contribution of 98.33 percent. This result shows that analyzing the performance of MSMEs in Indonesia is an attractive, relevant, and appropriate thing to do.

## 2. LITERATURE REVIEW

### 2.1 Halal Industry

The halal industry is a group of companies that perform productive economic activities through raw materials management (goods and services) whose input and output processes are permissible to Islamic law. Nowadays, it has become an indicator of universal significance, which generally can be used as a product quality assurance and standard of living. This indicator can adopt by anyone, not only Muslims but non-Muslims. The halal industry grows by penetrating the food and beverage sector, finance, fashion, cosmetics and medicine, media and entertainment, health, and education. Efforts to advance between all to achieve the potential and take advantage of the opportunities of the halal industry require good synergy between the components. These had to do to accomplish halal standards holistically. Synergy to create a halal ecosystem in the halal industry, in addition to human resources, clothing materials, or tools, a support system is essential to run a halal business in the halal industry (Pujianty, 2020).

The development of a real sector, in this case, the halal product industry has become an attractive concern of the Government. It seems that the Government's efforts in issuing a legal framework for the development of the domestic halal product industry, one of which is Law No. 33 of 2014 concerning halal product assurances. It is covers protection, justice, legal certainty, accountability and transparency, effectiveness, efficiency, and professionalism. He explained that with the assurance of halal products, business actors increase added value to produce and sell their halal products (Nasrullah, 2018).

The halal industry is a global trend today. This point confirms the prospect of the halal industry that continues to grow from year on year. The Global Islamic Report (2019) states around 1.8 billion Muslim residents are consumers of the halal industry. Consumer opportunities in the halal industry are increasing with a total of 5.2% per year of consumer spending reaching \$2.2 trillion. This number is assumed to continue to grow every year. Estimates based on the composite annual growth rate (CAGR) of the halal industry will increase to 6.2% from 2018 to 2024 the total funds spent on consumers of the halal industry will also increase to reach \$3.2 trillion in 2024. Based on the data we can see the halal industry have very good prospects for the future (Fathoni & Syahputri, 2020).

The halal industry is currently a business that is becoming a trend at home and abroad. Entrepreneurs put a lot of effort into understanding what halal means to have a thorough understanding of the needs and preferences of Muslim consumers, especially young people. Increasing awareness of Muslims broadly about their obligations to consume and use goods/services based on Islamic requirements has created a greater preeminence of the demand for

halal products (Adinugraha & Sartika, 2019).

One of the popular sectors of the halal industry is the Halal food market. It is reported as one of the largest consumer markets in the world Thomson Reuters, 2014 cited in (Nurrachmi, 2017). Furthermore, Moslems spent 16.6 percent of the total global food expenditure which eventually cause the Halal food market to be one of the largest food markets in the world. Previous studies (Regenstein et al., 2013; Lever and Miele, 2012; Abdul-Talib and Abd-Razak, 2013 cited in (Nurrachmi, 2017) indicate that the emergence of Halal in the global market is contributed by the growing global Moslem population. The growth of the global Moslem population will experience a 35 percent increment from

1.6 billion in 2010 to 2.2. billion people in 2030 (The Pew Research Center, 2012) cited in (Nurrachmi,2017). Hence the Halal food market will continue to dominate the global food market due to Moslemshaving to consume Halal food regardless of whether they live within Moslem majority or minority societies Razzaque & Chaudhry, 2013 cited in (Nurrachmi, 2017).

Nowadays, the awareness of consuming Halal food is not only come from Moslem but also non- Moslem because they think it is safer to purchase Halal products. Besides that, focusing on shelf life and freshness needed for food is the reason why the Halal food industry is very attractive. This condition boosted the emergence and growth of the halal food market with the broad acceptance among non- Moslem consumers who consider Halal food as safe, hygienic quality, and wholesome products. This opportunity has been grabbed by developed countries such as Japan, the United Kingdom, and Australiawho mostly depend on automotive and electronic manufacturing. They assume that the Halal food segment is the catalyst in developing other potential sectors that are affected negatively by economic turmoil (Nurrachmi, 2017).

In the case of Malaysia, the study of Damit et al., 2019 in 415 non-Muslim consumers of halal food respondents show result consumers' attitude, subjective norm, and perceived behavioral control toward halal food products positively influenced their intention to repurchase halal food. So do the result of Haque et al, 2016 conducted about non-Muslim consumers' perception toward purchasing halal food products. The attitude could indicate a person's favorable or unfavorable general feelings toward a particular issue. Their positive result shows the higher the likelihood of non-Muslim consumers purchasing halal food. A subjective norm is perceived as social pressure to engage or not ina specific behavior. It suggests that when making decisions to repurchase halal food products, non- Muslim consumers are more likely to be inspired by others such as friends, family members, or the public. Besides, it was noted that having Muslim friends could also trigger a strong intention to repurchase halal food. The significant role of the subjective norm in forming the repurchase intention of non-Muslim consumers toward halal food might reflect the Malaysian characteristic of the collectivism principle subscribed by the society.

Haque et al, 2016 also stated the reason is that the fact that some non-Muslim consumers might stay in an Islamic environment (having Muslim friends or staying in a Muslim village) where halal products are widely consumed and more accepted by society. The perceived behavioral control steers the individual's perception of how to conduct an intended behavior. The findings reveal that perceived behavioral control could positively influence non-Muslim consumers' intention to repurchase halal food. Although the role of perceived behavioral control is not a critical predictor of repurchase intentionbehavior, it is sufficient enough to state that perceived behavioral control could be a significant predictorof non-Muslim consumers' intention to repurchase halal food products in the future.

In the case of Thailand, [Mohd Nawawi et al., 2020](#), their findings from the research show that the strong presence of Thailand in the global halal industry is because of its bustling tourism industry that helps to bolster the country's halal branding, its uniformity of halal definition, standards, and effective support to the local Small Medium Enterprises (SMEs). As we know, despite being a Muslim-minority country, Thailand is a Muslim-friendly tourism destination and become the fifth largest halal producer in the world. However, its development still faces challenges in the future such as: (1) restricted law enforcement of halal malpractice, (2) network expansion of research and development, and (3) massive burden carried out by halal-governing bodies.

The case of Cape Town (South Africa), [Bashir, 2020](#) studied the awareness of purchasing halal food among non-Muslim consumers. The study found that non-Muslim consumers in Cape Town have a positive awareness of halal food, including its benefits and the production processes involved in producing it. However, halal has several dimensions; primarily, for non-Muslim consumers, it is a mark of health and hygiene. Concerning the psychological aspect, halal is considered as a sign of trust, comfortable and safe. It gives consumers peace of mind when they consume food products that carry the halal label.

## 2.2 The Role of the Halal Industry on Economic Growth

The halal industry brings benefits to the Indonesian economy in terms of product aspects, including ([Harerisma, 2018](#)) :

1. Provides considerable added value
2. With the increasing demand for different products, the halal industry produces a variety of halal products
3. Inventory verification and competition are getting resilient, but the halal market is relatively easy and vigorous
4. Brilliant innovation marked by the dynamics of the halal market encourages all producers in the halal industry to innovate because of the dynamics of the halal market
5. Raising the standard of good quality and benefit

## 2.3 Potential of Halal Industry in Indonesia

The halal industry has a huge potential in Indonesia. This condition is an implication of a large Indonesian Muslim population. We can see the potential of the Indonesian halal industry in several sectors, namely:

### a. Halal Food.

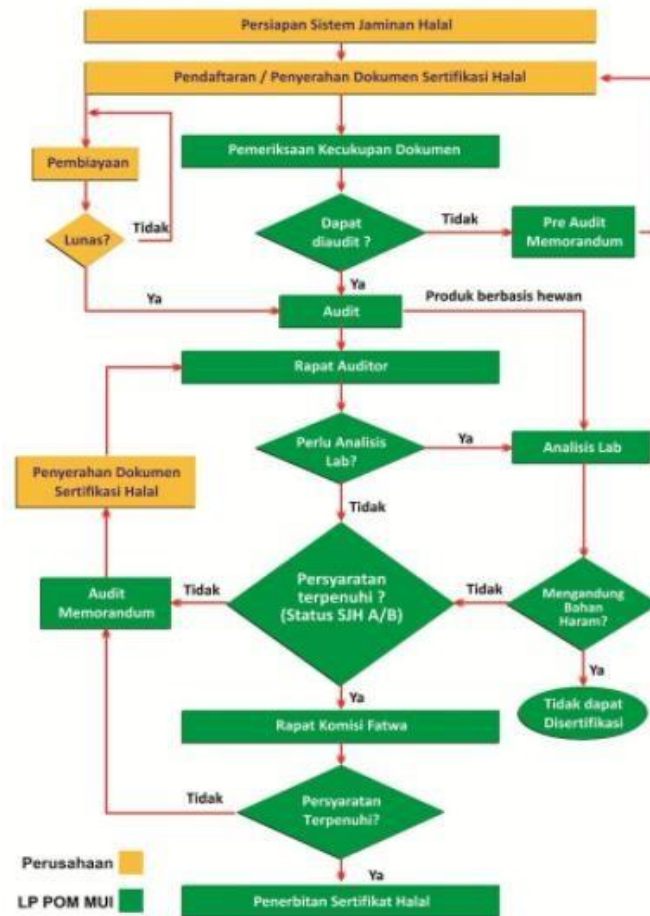
The 2019 Global Islamic State Report also explains that Indonesia is one of the countries with a large potential for the halal industry, about IDR 3000/trillion per year. Among them are the sub-sectors with the biggest potential for the halal food industry to reach IDR 2.422 trillion. In the Islamic Economics Master Plan (MEKSI) 2019-2024, one of the policies that encourage the development of the halal food industry is synergy with Islamic banking. This synergy is essential to strengthen the halal industry, especially in the supply value chain. Therefore, one of the most crucial points with synergy is to enhance the role of Islamic banking, especially from the financing side ([Sari, 2020](#)).

- b. Modest Fashion  
The potential of Muslim clothing in Indonesia is no less enormous. The Muslim fashion industry continues to experience growth from year to year in 2019, Muslim clothing exports have crossed the USD 9.2 billion figure or 9.8% of total exports from the processing industry.
- c. Halal Media  
Online media serves as information on marketing food, halal, halal fashion, and Islamic destinations. The benefit of media is to find products of interest, more efficient marketing, more efficiency, and easier promotion (Zahrah & Fawaid, 2019).
- d. Halal Tourism  
The rising human population makes tourism an essential part of life and the development of technology makes it easier for tourists to find tourism information. In halal tourism, several main aspects are essential, namely the availability of halal food, adequate worship facilities, iftar services during Ramadan, and restrictions on activities that are not following sharia. Several things in halal tourism, including family home destinations, Muslim-friendly services and facilities, halal awareness, destination, and marketing should scrutinize. (et al., 2020)
- e. Halal Pharmacy  
Islam is very concerned about all things that enter for the benefit of our bodies, whether food, drink, or medicine. Two contemplating provisions are the obtaining material and the method. Associated with how to acquire the property that we eat must be legal and legal. The MUI fatwa explains that drugs and medication have become one of the religious guidelines for their use for the community as well as a basis for drafting more operational regulations. One of the exceptional institutions under the auspices of the MUI concerning halal certification is LPPOM-MUI (Sholeh, 2015).
- f. Halal Cosmetic  
Alike with medicines and halal food, cosmetics must also pay attention to the content of each component of the substances. They should not contain the use of prohibited materials by Islamic law and BPOM tested.

## 2.4 Halal Certification Management Mechanism

The organizer of the implementation of halal certification in Indonesia is carried out by the Halal Product Assurance Agency (BPJPH) in collaboration with LPPOM MUI as for the mechanism for handling halal certification, according to an explanation on the official website of LPPOM (Institute for the Assessment of Food, Drugs, and Cosmetics) MUI, which can be described in the form the chart presented in the following page (Muhtadi, 2020):





**Figure 1. Halal certification management flow chart**

The following is an explanation of the flow chart above in obtaining MUI halal certification, namely:

- a. Business owners prepare documents to obtain halal certification, including list of products, list of ingredients and material documents, list of slaughtering (especially for RPH), product matrix, HAS manual, process flow diagram, list of addresses of production facilities, proof of socialization of halal policies, evidence of internal training, and evidence of internal audit.
- b. Then apply for certification registration online at [www.e-lppommui.org](http://www.e-lppommui.org).
- c. Then the business owner pays for the registration and halal certification contract fees through the LPPOM MUI treasurer by email [bendaharalppom@halalmui.org](mailto:bendaharalppom@halalmui.org) which includes audit fees, halal certification fees, publication fees, HAS implementation assessment fees, halal journal magazine publication fees, payments for halal certification registrations also have levels, namely level A for companies that are included in the large industry category with more than 20 employees, the cost The costs that must be spent are Rp. 2,000,000 to Rp. 3,500,000, while level B is for companies occupying the category of small industries that have 10-20 employees, then the costs incurred are Rp. 1,500,000 to

- Rp. 2,000,000, then the last level is level C. for the home industry category that has less than 20 employees, the costs incurred are Rp. 1,000,000.
- d. MUI checks the completeness of documents submitted by business owners.
  - e. Then conduct an audit/evaluation, if it passes it will proceed to the next stage, if not then the file will be returned to the business owner.
  - f. After passing the audit, it will be further divided into the type of product, if it is animal-based, a laboratory examination will be carried out, if it contains haram ingredients it cannot be certified, if it does not contain haram ingredients, it can proceed to the next stage.
  - g. Then hold an auditor meeting in which the product belonging to the business actor needs to be analyzed in the lab or not, if yes, then the lab analysis is carried out as in an animal-based laboratory examination, if all of them pass, then the next step is,
  - h. MUI holds a fatwa commission meeting which will carry out a plenary session of the commission to discuss considerations of syar'i aspects.
  - i. If it does not pass the stage of fulfilling the requirements, MUI will conduct an audit memorandum in which the audit has been carried out following auditing standards, then MUI will submit a halal certification document to the business owner.
  - j. If all requirements have been met, then MUI will issue halal certification.

Linguistically, the word halal means open, while in terms, according to al-jurjani, it means anything that is not subject to sanctions for its use or actions that are exempted by the Shari'a to be carried out, basically all food in this world is lawful to eat unless there is an argument that prohibits either from Al-Qur'an or Hadith. As described in QS. Al-Baqarah verse 168 reads:

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ

*“O mankind, eat from whatever is on earth [that is] lawful and good on the earth and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy.”* (QS. Al-Baqarah:168)

The verse explains the warning to humans to eat halal food, that is, what is not haram, both in substance and how to obtain it. And besides being halal, food must also be good, which is healthy, safe, and not excessive. The food in question is that which is found on earth that Allah created for all mankind, and do not follow the steps of the devil who always seduces humans to fulfill their physical needs even though in a way that is not following Allah's provisions.

There are several criteria for halal food in Islamic law, such as (Hidayatullah, 2020) :

- a. Does not contain pork and ingredients derived from pork
- b. Not opening or not khamr or its derivative products
- c. The ingredients are derived from halal animals and slaughtered according to Islamic law.
- d. Not included in the unclean category such as unclean, carrion, blood, dirt, and others
- e. All storage, sales, management, and means of transportation for halal products must not be dirty and then cannot be used for pork or other non-halal goods.

## 2.4 Halal Certification Management Mechanism

Yusof et al., 2019 studied about halal trade finance and global well-being. They said with the growth of the young Muslim population is escalating. According to the State of Global Economy



Report (2016/17), by 2030, 29% of the global young population is projected to be Muslims. This young population is, also referred to as Millennials (born between 1984 and 2000) are expected to play a vital role in the global economy. Characterised as a unique and affluent segment of the population and at the same time having attributes such as brand loyal, affluent, tech-savvy, and demands instant access to information, the millennials are expected to form a new demographic customer base. In addition, through library research and reviewing existing literature on Millennials, the study seeks to shed some light on whether halal trade finance is ready to offer services that meet the needs and demand of this technology-driven generation.

Susilowati et al., 2018 explore an economic and sharia values of Muslim awareness in Indonesia with a pilot project in Semarang City. The standard of halal used are defined from the point of: (1) input material come from; (2) how to get the input; (3) how to process the input; (4) how to store the input; (5) how to transport the input; and (6) how to package and serve the input. The result indicated that the level of awareness for consuming the halal food are vary among the Muslim community by her/his income and sharia-stratum as perceived by them. It is hardly difficult to aware people of A-B-G-C accordingly and strong commitment among the stakeholders is indeed needed to ensure the halal food consumed by Muslim in Indonesia.

### 3. METHODOLOGY

This research uses qualitative research in the context of the case study. According to Yusuf, 2014 qualitative research can be used if you want to see and express a situation or an object in its context: finding meaning or in-depth understanding of a problem at hand, which appears in the form of qualitative data, either in the form of pictures, words or phrases, and events as well as in the "natural setting". The data collection of this qualitative research is from interview and documentation sources. The interviewees are five persons who is owner of MSMEs in Lhokseumawe in food and beverage sector. The interview process was conducted offline and online via virtual meeting and taken several time of interview process (about 2-3 times).

After the interview data obtained, the next stage of the data analysis is data reduction. Data reduction includes: summarizing data, coding, tracing themes, and creating clusters. The trick: strict selection of data, concise or brief descriptions, and classifying them into a broader pattern. The next stage conducted data reduction is to present data for activities when a set of information is collected. Thus, it will give the possibility of drawing conclusions and taking action. The form of presentation of qualitative data can be in the form of narrative text in the form of field notes, matrices, graphs, networks, and charts. Other forms connect information that is arranged in a coherent and easily accessible form, making it easier to see what is going on, whether the conclusion is correct, or otherwise carry out a re-analysis, and then concluded. The last stage to examine the credibility of the data, we used the triangulation technique by adding another respondent to verify the statements of our interviewee.

## 4. RESULTS AND DISCUSSION

### 4.1. The Role of MSMEs in the Halal Industry Enhancement

Micro Small Medium Enterprises (MSMEs) are described consistently as critical's role sectors in Lhokseumawe's economic growth. The fact is that most of them live in MSMEs activities, both in the food and beverage sector. Therefore, the researcher took several interviewees to be asked for information related to their MSMEs business with the halal food sector in Lhokseumawe-Aceh. Table 1 below shows the interviewee characteristics of the research sample:

**Table 1. Respondents Characteristics of Micro Small Medium Enterprises (MSMEs)**

No.	Interviewee	MSMEs	Age	Year	Marketing Media
1.	Interviewee 1 (Female)	Dimsu m Mayra	23	8 month	Instagram: @mayradimsum.Lhokseumawe
2.	Interviewee 2 (Female)	Aafiyah Tteoboki	32	3 year	Whatsapp & Instagram: @aafiyahtteokbobokki
3.	Interviewee 3 (Female)	Mie Bo xSvaadisht Noodles	29	1 year 1 month	Tiktok (Yolanda Iskandar), Facebook(mieboxlhokseumawe), Whatsapp(svaadisht noodles), Shopee(miebox lhokseumawe), &Instagram (@miebox_Lhokseumawe)
4.	Interviewee 4 (Male)	Heol Foo dKorean Street	25	5 year	Whatsapp & Instagram: @HeolFood
5.	Interviewee 5 (Male)	Thai Tea Take One	23	1 year 10 month	Instagram: @takeone_thaitea

Source: Authors (2021)

Table 1 shows that millennial interviewee owners' MSMEs tend to dominate the existence of the food-beverage MSME sector. The age of the interviewees ranges from 23-32 years which allows them to be familiar with various social media applications to support the smooth marketing process of their business, which is in line with the statement of Budiarti et al., (2018) cited in (Handriana et al., 2020) that millennial generation is characterized by:

- Interest in reading conventionally decreasing because it prefers reading via smart phones'
- Must have a social media account as a communication tool and information center;
- Prefer a smartphone to television; and
- Make the family the center of their consideration and decision-making

The typical social media that currently reaches almost all levels of society in Indonesia, especially in Lhokseumawe is a distinct advantage for the micro, small and medium industry to market their products and services massively to the community.

The importance of MSMEs trade activities as a support for economic growth in Lhokseumawe is one of the main pillars of development that contributes to economic development.

Recording data from 2015-2019, the contribution of the trade sector or MSMEs to the Gross Regional Domestic Product of Lhokseumawe described in table 2 as follow:

**Table 2. The Contribution of Micro Small Medium Enterprises (MSMEs) to the Gross Regional Domestic Product in Lhokseumawe 2015-2019**

No	Description	Year (Million Rupiah)				
		2015	2016	2017	2018	2019
1	MSME Sector	1508861.4	1515851.	1523096.	1546120.	1548878.
			6	2	1	4

Source: Lhokseumawe-Aceh (2020)

Table 2 shows, means that every year the MSMEs trade sector continues to rise with the growth of MSMEs in Lhokseumawe city of 2,354 MSMEs. Moreover, MSMEs in the food and beverages sector is very high because of the millennial factor that makes MSME actors engaged in the food and beverages sector, stated by Mrs. Yolanda, Mrs. Hazalbaity, and Mrs. Lia that:

*"The market share initially was students, loving Korean dramas students colleges, working people, or even households women characterized as millennials initially, but later, after 2 (two) months, the target audience changed to almost all of women and men in Lhokseumawe across generation".*

By a total population in Lhokseumawe attain to reach 181.713,00 people, with an adequately large number of millennials about 143.173 people, the potential for MSMEs will continue to grow. Just imagine, if 143.173 millennials are motion in the MSMEs sector, how huge will the market share be? Moreover, in 2030-2040 Indonesia is predicted to experience a period of demographic bonus, namely the population of productive age (15 years and over to 64) is greater than that of the unproductive age. The productive age of the predicted population is to reach 64% of the projected total population of 297 million. For example, the 5 (five) respondents who were the sources in this study, on average, were millennials who were engaged in the food and beverages sector and were able to survive the long existence of MSMEs (*PPN PERS DEMOGRAFI*).

The millennial generation who are currently aged 23-35, is the youngest in the workplace. According to Sharon (2015) cited in Yusof et al., 2019 Millennials are described as digital natives, creative, solution-focused, socially conscious, and team-oriented. Millennials represent a significant market for the halal industry, particularly in Asia. Based on top countries, millennials engaged with Islamic economy topics, Indonesia ranks first with 125k out of 452,600 Facebook interactions (SGIER, 2018) cited in (Yusof et al., 2019). A specific sector of halal studies namely halal fashion by Zainudin et al., 2020 mentions specific factors impacting the development of the halal industry. He said that excitement, sophistication, and righteousness were made consumers would stay loyal to the brand of halal fashion. Another study about the purchase behavior of the millennial female generation on halal cosmetic products was conducted by (Handriana et al., 2020). Their findings show the influence of perceived value on trust, the brand image on trust, the brand image on attitude, religious belief on attitude, halal certification on halal awareness of Millennials to purchase halal cosmetics.

In this millennial era, technological developments also have a lot of influence in various

aspects of human life, and technology is also advantageous for humans in their work. The use of the internet has gone further, not only in the scope of communication but also in a wider scope, for example, to buy goods, order transportation to do business and work.

Young people can develop innovations through the internet by doing business or opening a business (MSMEs) and cannot be separated in daily life as evidenced by the use of the internet in the country as many as 49.52% of its users are millennials aged 19-34 years. The use of the internet for business actors is important in promoting innovation, creativity, or the product they produce. With no exception, the use of the internet in Lhokseumawe by the Millennials is broadly accepted. The MSMEs interviewees in Lhokseumawe respond that they market their products through social media such as Instagram, WhatsApp, TikTok, and Shopee online platform. As evidenced by the statement of Mrs Lia, Mrs Yolanda Iskandar, Mr. T. Ikhwal, Mrs. Hazalbaity:

*“Our product marketing system is available online on social media by Instagram, Facebook, TikTok, Whatsapp, and Shopee as an e-commerce platform”.*

With the broad use of social media to market their products, the author's expectation is raising sales in line with the number of people who access social media. So this condition will further increase the business opportunities of MSMEs and also contribute to reducing the unemployment rate in Lhokseumawe especially. Based on data Bps Lhokseumawe, unemployment in Lhokseumawe is 9,881 people. Meanwhile, data *Bps Indonesia* shows the total unemployment in Indonesia is 7,050,000 people. The absorption of labor in the MSME sector in Indonesia is 9,580,762.7 people from the total MSMEs that amounts to 1,271,440 units. So the percentage of labor needs in the MSME sector in Indonesia is 60.5%.

According to the data described above, it knows the absorption of labor in Lhokseumawe in the MSME sector is 1.85%. Just imagine, if there was an increase in MSMEs in Lhokseumawe within 1 (one) year by 50%, the unemployment rate would reduce by 3,281 people in line with the increase in the number of MSMEs units that stood in Lhokseumawe. As an initial illustration from our interviewee, Mrs. Yolanda Iskandar, Mr. T. Ikhwal Zulfahmi, and Mr. Yogi Ariandi said:

*“Their employee range between three until ten people each outlet”.*

The positive development of MSMEs in achieving market potential, labor, economy, and development, especially in Lhokseumawe is expected to be in line with the awareness of MSME actors in reaching not only material as mentioned earlier but also moral aspects regarding the awareness of MSMEs in providing products. A superior product that when people consume it, they do not feel anxious, it is contrary to the beliefs they hold (religion). Islam has values in consuming food, among others (Melis, 2015):

1. The existence of justice value, namely halal subsistence and permissible in Islamic law.
2. The existence of cleanliness value, namely the food consumed must be suitable for eating, not dirty, nor disgusting so that it does not spoil the taste.
3. The existence of simplicity value is the principle that regulates human behavior regarding food and drink is not excessive.
4. The value of generosity by obeying Islamic principles, there is no danger or sin when we eat and drink halal food and drinks according to Islamic law.

Halal MSMEs are MSME industries that have gone through technical stages that do not

violate Islamic rules or shari'a to produce halal products (Pujiono et al., 2018). As Hazalbaity put it:

*"For the production, I produce myself from materials purchased in the market. The management process is also good because home production certainly maintains its halalness in the storage system as well as in a good and clean place such as inside refrigerator".*

Then Yolanda also had the same statement as the previous informant by saying:

*"To make the miebox, I produce it myself, starting with the noodles, the sauce and chicken broth that I produce myself. To maintain the safety of the production materials, I store them in the freezer or in Tupperware to keep the product is clean"*

The same thing is said by Lia:

*"For the production of the materials, Alhamdulillah according to Islamic law because I produce them myself by buying raw materials that have been certified halal and the production storage is also specified using a special refrigerator for my production materials and storing them with Tupperware"*

Mr. T. Ikhwal Zulfahmi as the owner of thai tea take one also said that:

*"If we make our products, we use raw materials that already have a halal label, then for storage I store them in a dry place, not in a humid place, all the production materials have been packaged safely, some raw materials must be frozen to clean the place weekly or once a month to keep it is clean"*

Yogi Ariandi statement also explains the same as the 4 (four) respondents above:

*"I made my production materials in the process of making the chicken, I also saw for myself the cleanliness for everything, so thank God I also applied cleanliness well and stored the production materials in a clean place in the freezer by cleaning the production storage area once a week"*

However, to strengthen halal products, a halal label or certificate is given by the authorized institution. The fact that halal lifestyle has become a current trend; MSMEs must improve their branding position, prove and spread halal awareness and lifestyle, not to forget that government regulators must always educate about the importance of halal legality so that MSME actors can compete with another market share. It's the same with our respondent, Yolanda Iskandar, who maintains the importance of halal legality by saying:

*"I am thanks to Allah SWT that we have taken care of the halal certificate. I applied for the halal certification outside of Lhokseumawe-Aceh and have good news later that the certificate is issued recently"*

Then the same information was also given by Mr. Yogi Ariandi that:

*"We have taken care of halal certification, but there is still a problem regards to the raw material in the production of this dimsum. However, to make sure the halal certification process of this business, I am in the charge of its management in the future".*

Then with this information, there are different views about the existence of halal certification as conveyed by Mrs. Hazalbaity said:

*"There is no halal certification yet because the majority of all traders in this city sell halal products, none of them are non-halal. We believe that the production process is halal".*

The same thing was said by Mr. T. Ikhwal Zulfahmi:

*"There is no halal certificate. It is ridiculous about certification since we are in a sharia environment region. It will be different if we are Chinese, so for production, it is definitely halal"*

Then the same statement was conveyed by Lia as the owner of Heol Food Korean explained that:

*"Since the business is not a quite large scale, there is no halal certification. The way to convince consumers of the halalness of this production is by providing evidence of the raw materials used with halal certification. The consumers also can see the production process".*

From the results of interviewees with 5 (five) respondents, researchers can conclude with the concept of the role of MSMEs in encouraging the halal industry, namely the existence of MSMEs increasing the halal industry in the food and beverage sector seen from the scope of their market share as well as product innovation methods and marketing a product based on digitalization through internet and social media. As stated by [Mostafa, 2021](#) that social media as a critical communication tool is the importance of the strategic management at the international marketing level for halal food.

#### **4. 2. The Challenges In The Development of Halal Industry in Lhokseumawe**

MSMEs in Lhokseumawe are familiar with the concept of halal certification. The reason is the MSMEs in Lhokseumawe are generally Muslim. Lhokseumawe with the majority of Moslems makes the halal aspect of the food products consumed an essential factor. But unfortunately, this has not been accompanied by a high understanding of MSME actors regarding the importance of halal certification itself due to its complexity.

As stated by Mrs. Yolanda, the owner of MSME Svaadisht noodles who said:

*"I am rejected for halal certification in Lhokseumawe. The possible reason is in Aceh it was difficult to issue halal certification, especially for street vendors".*

MSMEs in Lhokseumawe, from the perspective of MSME actors, also have the perception that living in a sharia environment, all food and beverages are legalized as halal. As stated by Mr. T. Ikhwal Zulfahmi as the owner of MSMEs from thai tea take one said:

*"If it's for halal certification, it is ridiculous, because we already know halal production and the majority here are Moslems".*

It is the same with Lia Arsyila said that:

*"I believe that my products are halal, but other people say that is only my perception"*

The rise of MSMEs that have opened businesses in the food and beverage sector, ranging from street vendors, homemade to restaurants, reflects the variety of businesses types that exist in the community. However, the majority of the MSMEs community seems to still have pros and cons about the importance of having a product that already has a halal certificate. Furthermore, [Susilowati et al., 2018](#) elaborate a strategy for enhancing the awareness of halal certification on



Focus Group Discussion (FGD) with the representative of stakeholders as well as academicians. They stated an outline strategy for establishing institutional arrangement for halal institutional design (called Tripatit Model).

In the process and implementation of halal certification, LPPOM MUI cooperates with several universities or colleges in Indonesia. LPPOM MUI is the institution in charge of strong researching, reviewing, analyzing, and deciding whether the products of good food and its derivatives, medicines, and cosmetic products are safe for consumption both on health and the teaching of the Islamic religion that is halal, or permissible and good to eat for the people Muslims especially in Indonesia, in addition to providing recommendations and guidance to formulate the provisions of the public service.

Academicians through institutes or centers are expected to provide halal-related training programs for participants who require knowledge on matters about the basic principles of halal, awareness on the needs of halal certification within the industry, procedures on the applications for halal certification, managing business-related matters using halal-based administration and services, and knowledge on halal identification and audit that serves to benefit all of mankind (Susilowati et al., 2018).

## 5. CONCLUSION

This research was conducted using a qualitative method approach to the case study of MSMEs in Lhokseumawe-Aceh. The interviewees involved in this study amounted to five people who are owners of MSMEs businesses that have been established for a period of eight months to three years in the food and beverage sector. Interview data on the five interviewees were taken around June-August 2021. Based on the results of the research mentioned above, we can see that the potential of MSMEs for the halal industry especially in the halal food sector is large. The presence of large MSMEs indicates a large MSMEs market share and Indonesians' typical business sector of the millennials generation.

Having this data will be our advantage in the future since Indonesia is predicted to become one of the countries that will get the demographic bonus of productive ages from its society. However, the demographic bonus will turn into a disaster if government or society not to be concerned about how to manage and prepare the millennial generation in the future. Hence, we proposed to our government and society to have a specific policy to direct the millennial generation to be a part of the entrepreneurial system of economic. To become entrepreneurial means they can take a valiant step by opening their own business. Even the scale of their business is still smaller than their expectation, they can think about using every digital technology to make it much larger. They can also maintain their product innovations and the concept of marketing digitalization through social media such as Facebook, Instagram, TikTok, and Whatsapp.

However, the development of the halal industry in Lhokseumawe is still facing challenges. There are still inadequate knowledge and awareness of MSMEs about halal certification. The paradigm that considers that the complexity of the halal certification process is one of them. Furthermore, the unavailability of adequate time to get the interview data becomes our limitation of the study. Hence, we may propose the future research would produce another in the different sectors of the halal industry not only in Aceh but also in other regions of Indonesia.

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