

## LEGAL REVIEW OF OPTIMIZING RURAL ECONOMY HALAL CERTIFICATION THROUGH VILLAGE-OWNED ENTERPRISES

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### Abstract

This study aims to analyze the optimization of halal certification in the context of rural economy through Village-Owned Enterprises (BUMDesa). Halal certification is an important aspect that can improve the competitiveness of local products in the market, especially for Micro, Small and Medium Enterprises (UMKM) operating in rural areas. Using a normative juridical approach, this research explores the regulations governing the obligation of halal certification based on Law Number 33 of 2014 concerning Halal Product Guarantee. This research is a normative legal research, using statutory and conceptual approaches. The results show that BUMDes have a strategic role in facilitating the halal certification process for local businesses, including providing access to information and financial support. However, there are still challenges in socialization and understanding of the importance of halal certification among UMKM in the village. This study recommends the need for collaboration between the government, certification bodies, and BUMDes to increase awareness and capacity of business actors in obtaining halal certificates, so as to encourage sustainable rural economic growth.

**Keywords :** *Halal, Halal Certification, Halal Knowledge, BUM Desa, UMKM.*

### INTRODUCTION

The rural economy is one of the factors causing the growth and development of villages in the global arena. The advancement of a country's economy cannot be separated from the government's success in improving the economy at the village level. Nowadays, villages have a very strategic role to manage and improve the utilization of natural resources through the optimization of human resources in the village. Villages do not only act as objects of development, but villages are now the subject of development themselves.

The rural economy in Indonesia is still at the subsistence economy stage or the so-called household microeconomic theory (El Amady, 2023). Chayanov explains that the subsistence economy is an economic activity that performs self exploitation with the intention of satisfying household needs with what household workers have without having to be paid, which is described through the concept of household utility maximization or excessive use. It is further explained that, household utility

maximization is an attempt to maximize the narrow function of agriculture. Every production tries to achieve a balance between production and consumption (El Amady, 2023).

In general, rural economic development can be interpreted as a process of technical and institutional change to improve the efficiency of resource use in the rural economic system, which in turn will increase the income of rural communities through business opportunities and work generated (Budastra, 2003). Rural economic development does not only focus on increasing agricultural production, but also includes economic diversification through the development of non-agricultural sectors such as handicrafts, tourism, and micro, small and medium enterprises (MSMEs). This diversification is essential to reduce dependence on the agricultural sector, which is often vulnerable to price fluctuations and natural disasters. In addition, optimizing village economic institutions such as Village-Owned Enterprises (BUM Desa) can open market access for village MSME products and improve community competitiveness.

BUMDesa plays a strategic role in advancing the rural economy. As an economic institution managed by the village community, BUMDesa serves as the driving force of the local economy (Fajar, 2023). By managing potential resources in the village, such as agricultural, fisheries, or tourism products, BUMDesa can create new jobs for the village community. In addition, BUMDesa serves as an incubator for MSMEs in the village, providing production facilities, capital, and a wider marketing network.

In relation to economic development, the Government of Indonesia is aggressively encouraging the development of halal products, especially at the rural level. This is in line with the increasing public awareness of the importance of consuming halal products and the huge potential in the global halal product market. In accordance with the provisions of Article 4 of Law Number 33 of 2014 concerning Halal Product Guarantee (JPH Law), products that enter, circulate, and are traded in the territory of Indonesia must be halal certified. This obligation is further explained in the implementing regulations of the JPH Law, namely Government Regulation Number 39 of 2021 concerning the Implementation of the Halal Product Guarantee Field (PP No. 39 of 2021), that the voluntary nature of halal certification of certain products will end on October 17, 2024. This means that as of October 18, 2024 all food and beverage products must be halal certified, both for large, medium, small and micro entrepreneurs. Currently, the number of MSMEs is 64.4 million, while the achievement of halal certification from October 2019 to February 2024 has only reached 3.8 million. Especially for micro businesses, only 14% of the potential target of approximately 28 million micro businesses engaged in the food sector (Rongiyati, 2024).

Rural business owners are one of the most vulnerable groups in facing the challenges of the modern economy. They usually have limited resources in terms of technology, capital and access to information. Some of the factors affecting rural businesses include geography, infrastructure, and access to resources. Villages that are

strategically located and have good infrastructure such as electricity, water, and transportation networks tend to be more advanced than isolated villages. In addition, access to resources such as agricultural land, river water, and mangrove wood is also very important for businesses in agriculture and light industry.

However, it is not uncommon for rural businesses to face constraints such as high production costs, limited market availability, and lack of knowledge about modern technology. In fact, many of them still use traditional methods in the production of goods and services, especially those related to halal certification. Halal certification has a very high urgency for business actors in the village, especially in the context of an increasingly competitive and global economy. First of all, halal certification provides assurance to consumers that the products they consume meet sharia standards, thus increasing public trust in local products. Nowadays, consumers are increasingly aware of the importance of product safety and halalness, having a halal certificate is one way to attract market attention, especially among consumers. In addition, halal-certified products tend to have a higher selling point, as consumers are willing to pay more for products that they believe are safe and in accordance with their religious principles. Furthermore, halal certification opens wider market access for rural businesses. This is especially important for micro and small businesses in villages that often face challenges in terms of marketing and business distribution.

Some concrete efforts that have been made by the government include providing support and involving Village-Owned Enterprises (BUMDesa) to play an active role in the development of halal products. One form of government support is by providing various facilities and facilities for BUMDesa, such as easier access to capital, training for BUMDesa managers, and facilitation of halal certification. In addition, the government also encourages cooperation between BUMDesa and related institutions, such as halal certification bodies, universities, and other business actors.

In conjunction with this, the number of MSMEs or business actors that are also scattered in villages has its own challenges to be able to ensure the active involvement of MSMEs in the village in halal certification. Given the presence of BUM Desa in the village, apart from functioning as a driver of the village economy by becoming an incubator for business actors in the village, BUM Desa can also play an active role in providing an understanding of the urgency of halal certification for superior village products. It aims to improve the quality of global market demand for halal-certified village superior products, so that it can directly optimize the role of BUM Desa in accordance with the principles of kinship and mutual cooperation.

This research is a follow-up research from several previous studies that have been conducted by other researchers, such as: (1) Implementation of Halal Product Guarantee through Halal Certification on MSME Food and Beverage Products in Sampang Regency with research findings that mention the conditions showing superior MSME food and beverage products have great potential in realizing the halal ecosystem so that

the right strategy can be found in realizing the halal food industry design (Salam & Makhtum, 2022); (2) and the Urgency of Halal Certification for MSMEs, which explains that the existence of halal certification on MSME products is proven to be able to increase consumer buying interest and purchasing decisions, and be able to increase MSME sales turnover after having halal certification (Rido & Sukmana, 2021).

## LITERATURE REVIEW

### Legal Basis for Halal Product Assurance in Indonesia

Consumer demand for halal products (goods and services) is increasing, considering that Indonesia is one of the countries with the largest Muslim population in Indonesia, second only to Pakistan. To be precise, in 2024, Indonesia recorded a Muslim population of 236 million or around 84.35% of the total national population (Yashilva, 2024). In addition, the halal market is also increasing globally. Not only in Islamic countries but also non-Islamic countries. According to marketwatch.com, by 2022, the worldwide halal food market was valued at 1244.8 million USD in 2020 and is expected to reach 1676.9 million USD by the end of 2026. This figure grew by approximately 4.3% during 2021 to 2026 (Yana, 2022).

A review of the urgency of the need for halal food is the focus of a separate study for the government. When discussed further, food comes from the Arabic word *ṭa'am*. *Ta'am* in terms means absolutely everything that can be eaten. While the Arabic drink is *syarab*. *Syarab* is the name for all types of drinks that are drunk either water or other drinks, and under any circumstances. The original law of all food is halal, unless there is evidence that forbids it. Halal comes from the Arabic word *halla*, *yahillu*, *hillan*, which means free, free, legal, acceptable, not prohibited, and permitted. Halal in a general sense can be translated as meaning allowed or justified. A basic understanding of what is halal is at the core of every Muslim's beliefs (Amini et al., 2022). Thus, halal food is food that is permitted based on sharia, namely the Qur'an and the Prophet's Hadith, namely *halalan thiyiban* (halal and good), every halal food will definitely be good, but on the contrary, good food is not necessarily halal (Nashirun, 2020).

It was said earlier that the demand for halal products does not only focus on food or beverages, but also relates to services. The services in question can be in the form of packaging services, distribution services, logistics services, dumping services, sales and presentation services and so on. Thus, to obtain quality and legal certainty regarding halal products (goods and services), halal certification is needed.

Ramlan and Nahrowi explain that halal certification is a business ethic that producers should carry out as a guarantee of halal for consumers. Apart from being a halal guarantee for consumers, halal labels provide economic benefits for producers including: (1) Can increase consumer confidence because it is guaranteed halal, (2) Has a USP (Unique Selling Point), (3) Able to penetrate the global halal market, (4) Increase product marketability in the market, (5) Cheap investment when compared to the revenue growth that can be achieved (Faridah, 2019).

Based on the rules of Law Number 33 of 2014 concerning Halal Product Guarantee jo. Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law, business actors in Indonesia must immediately apply for a halal certificate for the products they sell. Moreover, according to the law, the deadline set by the Ministry of Religious Affairs is October 17, 2024. According to article 1 point 5, Halal Product Guarantee is legal certainty of the halalness of a product as evidenced by a halal certificate.

Meanwhile, according to Article 1 number 10, the halal certificate in question is recognition of the halalness of a product issued by BPJHP based on a written halal fatwa issued by the Indonesian Ulema Council (MUI). JPH is organized by the Halal product guarantee organizing body (BPJHP) by taking into account the principles of protection, justice, legal certainty, accountability and transparency, effectiveness and efficiency and professionalism. The implementation of JPH aims to: (1) provide comfort, security, safety and certainty of the availability of halal products for the community in consuming and using products; and (2) increase added value for business actors to produce and sell halal products.

The derivative regulation of the JPH Law is in Government Regulation Number 42 of 2024 concerning the Implementation of the Halal Product Guarantee Field. This PP is an improvement of Government Regulation Number 39 of 2021 concerning the Implementation of the Halal Product Guarantee Sector which is a delegated regulation of Law Number 33 of 2014 concerning Halal Product Guarantee and Law Number 11 of 2020 concerning Job Creation. This Government Regulation aims to provide legal certainty and guarantees for the public for the halalness of Products that enter, circulate, and are traded in the territory of Indonesia.

### **Village-Owned Enterprise Concept**

Law No. 6 of 2014 on Villages as amended by Law No. 3 of 2024 on the Second Amendment to Law No. 6 of 2014 on Villages, states that villages organize governance, development, community development, and community empowerment based on Pancasila, the 1945 Constitution of the Republic of Indonesia, the Unitary State of the Republic of Indonesia, and Bhinneka tunggal ika in accordance with the provisions of laws and regulations.

Development organized in the village is community-based and oriented towards the needs of the community and the sustainability of natural resources in the village. Effective development requires active participation from the community. This includes identifying needs, planning, implementing, and evaluating development projects. By involving the community, development can be more targeted and in line with local aspirations. Meanwhile, it requires community empowerment as the key to development. In an effort to improve the village economy, the government optimizes the role of village economic institutions, one of which is through Village-Owned Enterprises (BUM Desa).

The history of BUMDesa stems from efforts to empower rural communities and strengthen village-based local economies. When examined from a historical perspective, the concept of BUM Desa is implicitly discussed in the context of broader legislation, such as the 1945 Constitution, which recognizes the existence of villages and their traditional rights. Article 18B paragraph (2) affirms that the state respects customary law communities, including villages. Government efforts in the development of BUMDesa are regulated in legislation that regulates villages in Article 213 paragraph (1) of Law No. 32 Year 2004 on Regional Government (old) and Government Regulation (PP) No. 72 Year 2005 on Villages, which mentions that villages can establish BUM dsea in accordance with the needs and potential of the village.

In conjunction with this, village arrangements are rigidly regulated in the Village Law. According to Article 1 Point (6) of the Village Law, BUM Desa is a business entity that is wholly or partially owned by the village through direct investment from separated village assets to manage assets, services, and other businesses for the greatest welfare of the village people. BUM Desa is managed with a spirit of kinship and mutual cooperation. The characteristic of BUM Desa lies in the dualism of businesses that can be run by BUM Desa, which can run businesses in the economic sector and/or public services in accordance with the provisions of laws and regulations.

Regulations regarding village arrangements are also impacted by the existence of Law No. 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law. There is a derivative regulation of the old Job Creation Law in 2020, namely Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises. Article 1 point 1 explains that BUM Desa is a legal entity established by the village and/or together with villages to manage businesses, utilize assets, develop investment and productivity, provide services, and/or provide other types of businesses for the greatest welfare of the village community.

It can be understood that BUM Desa is basically a legal entity engaged in the economic sector, both businesses in the field of public services and profit-oriented businesses, and managed and utilized by the village community in accordance with the characteristics of the local village. Although BUM Desa is a legal entity, its management is community-based, which includes the principles of kinship and mutual cooperation, so that BUM Desa is not purely a legal entity that is only profit-oriented.

## **RESEARCH METHOD**

This research is normative legal research (normative juridical), namely legal research conducted by examining library materials and secondary materials (Soekanto, Soerjono; Mamudji, 2006). also called doctrinal research, where the law is often conceptualized as what is written in laws and regulations (law in books) or conceptualized as rules or norms which are benchmarks of human behavior that are considered appropriate (Amiruddin & Asikin, 2006). So that normative legal research focuses on the inventory of positive law, legal principles and doctrines, legal discovery

in cases in concreto, legal systematics, the level of synchronization, comparative law and legal history (Muhammad, 2004).

This research uses primary legal materials, secondary legal materials and tertiary legal materials. Primary legal materials are legal materials that have binding legal force, such as:

1. Law Number 33 of 2014 concerning Halal Product Guarantee
2. Government Regulation (PP) No. 42 of 2024 concerning the Implementation of Halal Product Guarantee.
3. Minister of Religious Affairs Regulation No. 26 of 2019 concerning the Implementation of Halal Product Guarantee.
4. Decree of the Minister of Religious Affairs (KMA) No. 982 of 2019 concerning Halal Certification Services.
5. Law Number 6 of 2014 concerning Villages
6. Law Number 6 of 2023 concerning Job Creation
7. Government Regulation Number 11 of 2021 concerning Village-Owned Enterprises

Furthermore, secondary legal materials are materials that have a close relationship with primary legal materials to help analyze and understand primary legal materials, such as scientific works in the form of journals. The last is tertiary legal material, which is legal material that provides guidance and explanation of primary and secondary legal materials, consisting of Legal Dictionaries, Indonesian Language Dictionaries, Encyclopedias and the Internet.

The data collection technique in this research is to use a literature study. This study is conducted by collecting secondary data which includes primary legal materials, secondary legal materials, and tertiary legal materials. While the research approach used is a statutory approach and a conceptual approach.

The data analysis method in this research is qualitative which means combining field findings with several legal materials and finding general conclusions. From this analysis, inductive conclusions can be obtained, which is a way of thinking in drawing general conclusions based on specific facts. (Soekanto, 1986, p. 112)

## **RESULTS AND DISCUSSION**

### **The Role of Law in Optimizing Halal Certification of Rural Economy Through Village-Owned Enterprises**

The dynamic dynamics of society go hand in hand with the adaptation of the role of the legal system in the midst of society. Social, technological, and economic changes often give rise to new challenges that are not anticipated in the law in society, which is why the law is considered to be lagging behind the development and needs of society. An increasingly plural and diverse society requires an inclusive legal approach that is sensitive to cultural differences and local norms. In this case, the legal system must be able to bridge these differences to create social justice for all levels of society.

Furthermore, the challenges of the global economy also have a significant impact on the legal system. With international trade and foreign investment, existing regulations must be able to protect national interests while encouraging economic growth. Investment policies are becoming increasingly important in this context, so a clear and transparent legal framework is needed to attract investors while maintaining local economic sovereignty. In facing this dynamic, consistent and fair law enforcement is the key to creating a conducive business climate.

Overall, the dynamics of society require the legal system to continuously adapt in order to remain relevant and effective in facing new challenges. This adaptation process not only involves changes in formal regulations but also requires active participation from all elements of society to create harmony between legal norms and developing social realities. Only in this way can the law function as an instrument that supports sustainable social and economic development.

In relation to the dynamics of economic challenges in the global market, of course several needs arise, one of which is the availability of products, both goods and services that have been certified halal. The legal basis for halal certification in Indonesia is regulated in several regulations, including Law Number 33 of 2014 concerning Halal Product Assurance. This law stipulates that all products circulating in Indonesia must be halal certified, which aims to provide legal certainty to Muslim consumers that the products they consume meet halal requirements. In addition, Government Regulation Number 31 of 2019 concerning the Halal Product Assurance System and Decree of the Minister of Religion Number 13 of 2019 concerning Technical Instructions for the Implementation of Halal Certification are also the basis for the implementation of halal certification.

In the context of BUMDesa, these regulations provide guidelines for business management based on halal principles. BUMDes can function as a facilitator for micro, small and medium enterprises (MSMEs) in the village to obtain halal certification. With clear legal support, BUMDes can help reduce the obstacles faced by business actors in the process of applying for halal certification. In addition, BUMDes can also act as a liaison between business actors and halal certification institutions such as the Halal Product Guarantee Organizing Agency (BPJPH) and the Indonesian Ulema Council (MUI). By collaborating with these institutions, BUMDes can initiate and help accelerate the certification process and provide access to information needed by business actors. BUMDes can also provide assistance services for business actors in the process of applying for halal certificates.

### **Opportunities and challenges for Village-Owned Enterprises to Optimize Halal-Certified Products**

Village-Owned Enterprises have the potential to become a driving force in local economic development through the management of halal-certified products. However, behind these opportunities, there are various challenges that must be faced by Village-



Owned Enterprises in an effort to optimize halal-certified products, including: (1) increasing market demand for halal products. Consumers are increasingly smart and selective in choosing the products they consume. This creates a broad market for halal-certified products, both locally and globally. Village-Owned Enterprises as the basis of the village economy can take advantage of this opportunity by developing local products that meet halal certification standards. For example, Village-Owned Enterprises can produce processed foods or agricultural products that are guaranteed to be halal.

Then, (2) there is support from the government and related institutions in the halal certification process. The Indonesian government through Law Number 33 of 2014 concerning Halal Product Assurance has stipulated an obligation for all products circulating in Indonesia to have a halal certificate. This is a separate opportunity for BUMDesa to play an active role in accordance with the principles of family and mutual cooperation in helping business actors in the village obtain halal certification. In addition, various training and mentoring programs from institutions such as the Halal Product Guarantee Agency (BPJPH) and the Indonesian Ulema Council (MUI) can also be networked by BUMDesa to increase capacity and knowledge about the urgency of halal certification for business actors in rural areas.

Finally, (3) is collaboration with the private sector. Many large companies are looking for local partners to produce halal-certified goods. BUMDesa can establish partnerships with these companies to expand the distribution network of village economic products. In addition, cooperation with the private sector can optimize the distribution of original village product business results and open up global market access for village products that have been halal-certified. Thus, BUMDesa does not only focus on the local market but can also reach the international market.

Although there are many opportunities, BUMDesa also faces a number of challenges in optimizing halal-certified products. The main one lies in the lack of understanding and knowledge about the halal certification process among village business actors. Many MSMEs do not yet understand the importance of halal certification and the procedures that must be followed to obtain it. This is often caused by the lack of information and education about halal certification available at the village level.

## **CONCLUSION**

Halal certification is a crucial element in ensuring that products produced by business actors, especially in villages, meet the established sharia standards. With the majority of Indonesia's population being Muslim, the need for halal products is very urgent. Halal certification not only provides legal certainty for Muslim consumers but also increases the competitiveness of products in the domestic and international markets. Products that are halal certified tend to have a higher selling value and are more in

demand by consumers. This has the potential to increase the income of business actors in villages, create new jobs, and encourage local economic growth.

BUMDesa can function as a liaison between small and medium enterprises (MSMEs) in villages and halal certification institutions, such as the Halal Product Guarantee Agency (BPJPH) and the Indonesian Ulema Council (MUI). In addition, halal certification by the community can be optimized through training and socialization by BUMDesa which can increase business actors' understanding of the importance of halal certification and the procedures that must be followed to obtain it. Therefore, BUMDes as a village economic institution can play a strategic role in optimizing halal certification to increase the competitiveness of the rural economy.

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