

#### **Bulletin of Islamic Research**

ISSN (Online): 3031-4526

Received: 05-07-2024, Revised: 15-08-2024 Accepted: 15-09-2024, Published: 28-09-2024

DOI: 10.69526/bir.v2i4.61

## Optimizing Halal Product Development Through Understanding Sharia Principles

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#### **Abstract**

This study aims to analyze the role of understanding sharia principles in optimizing the development of halal products. The sharia principles in question include the prohibition of usury, gharar, and maisir, as well as the concepts of halal and haram in Islam.

The research method used is a qualitative approach with case studies on companies engaged in the halal product industry. Data was collected through in-depth interviews with management, field observations, and review of company documents. Data analysis was carried out in a descriptive-interpretive manner. The results of the study show that a comprehensive understanding of sharia principles plays a key role in optimizing the development of halal products. This is reflected in the process of selecting raw materials, product formulation, packaging design, and marketing strategies that are in line with Islamic values. The development of halal products based on sharia compliance has been proven to increase consumer confidence, product differentiation, and company competitiveness in the market. The managerial implication of this study is the need to strengthen the competence of human resources in understanding and implementing sharia principles at every stage of halal product development. This is an important foundation for the company to achieve sustainable success in the halal industry.

**Keywords**: halal products; Sharia principles; product development; Optimization; halal industry.

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## Introduction

The Qur'an and Hadith as sources of Islamic law clearly state that there are halal and haram provisions for Muslims. Food, medicines and cosmetics, some are halal and some are haram to be consumed or used[1]. Likewise, biological chemical and genetically engineered products, and/or other products, are often met with doubts about their halal-haram[1]. The Qur'an and Hadith provide guidelines for Muslims to always consume halal food and goods[2].

Halal is no longer just a religious matter. In the life of global society, halal has developed into a global symbol that shows good standards and lifestyles. Because halal labels can be profitable in doing business[2]. It is very important for a halal product to build a society with noble and prosperous morals[5]. Because food affects a person's behavior, halal is very important. The food consumed determines a person's good and bad behavior[6]. Food will encourage positive behavior if it is halal, and bad behavior if food consumed from haram products[7]. Therefore, to build a domestic halal product industry that contributes significantly to moral development, the right approach is needed[8].

The increase in the halal lifestyle of the world community has an effect on the demand for halal products[9]. Many countries concentrate on the business of providing halal products, where the halal regulation of products is adjusted to Islamic law[10]. The development of the halal product industry in developed countries, even though Muslims are a minority such as the United States, but food shopping and consumption patterns are adjusted to the provisions of halal standards, as well as other countries[11].

The growing number of trade, technological and scientific advances, and various initiatives to improve the quality of life of the community are important signs that industry players really understand the concept of halal[12]. This will affect the change of society towards public safety, good quality of life, and the recreation of comfortable homes[3].

The halal product industry is currently experiencing rapid growth around the world, including in Indonesia. As a country with the largest Muslim population in the world, Indonesia has great potential to develop the halal product market[14]. This is driven by increasing public awareness of halal lifestyles and Muslim consumers' demands for the availability of products that are in accordance with sharia principles[15].

However, in practice, there are still many producers who have not fully understood and implemented sharia principles in the development of halal products[16]. Various issues related to halal, such as the use of raw materials, production processes, and distribution systems, are often challenges for business

actors. Lack of understanding of the sharia aspect can cause the products produced not to fully meet the halal criteria, thus causing doubts among Muslim consumers[17].

Therefore, this study aims to explore the understanding of business actors towards sharia principles and how this understanding can be optimized for the development of halal products that are in accordance with the needs of the Muslim market. The results of this research are expected to contribute to increasing the competitiveness of Indonesian halal products in the global market.

#### Method

This research uses *a qualitative* approach with case studies on companies engaged in the halal product industry. Case studies were chosen because this method allows researchers to conduct in-depth exploration of a phenomenon in a real-life context.

Data collection is carried out through three techniques, namely:

## 1. In-depth interview

Interviews were conducted with the company's management, including directors, production managers, and marketing managers, to find out information about their understanding of sharia principles and their implementation in the development of halal products[4].

#### 2. Field observation

The researcher made direct observations of the company's halal product production, packaging, and marketing activities to see its conformity with sharia principles[19].

## 3. Review of corporate documents

The researcher examines various internal company documents, such as company profiles, product specifications, halal certificates, and employee training materials, to obtain supporting data[20].

The data collected from the three techniques were then analyzed descriptively-interpretively. Descriptive analysis is carried out to describe the phenomenon that occurs, while interpretive analysis aims to understand the meaning behind the phenomenon[21].

By using a qualitative research method based on case studies, this research is expected to produce a deep understanding of the role of sharia principles in optimizing the development of halal products.

#### **Result and Discussion**

## 1. Halal Products

Halal products are a series of businesses starting from buying raw materials, processing raw materials, and producing products using resources and methods allowed by the Islamic religion. So far, the halal industry has been associated with food and beverages[22]. However, today the industry includes other aspects of lifestyle, such as fashion, cosmetics, arts and culture, tourism, education, finance, and recreational media[23]. More and more people know that Muslims must consume something that is clearly halal, encouraging the halal industry to enter the lifestyle of society[5].

All aspects of human life Islam govern all things about the life of its creatures. Everything is contained in the Qur'an, a guideline for living life for the ummah, as rahmatan lil alamîn, including the rules in consuming something[1].

Products are the most important element to meet customer needs where the most important and most important component of marketing is[25]. Product development is the creation of new products with different features that provide new or additional benefits to customers[26]. In sharia business, the products sold must be halal and do not contain gharar, maysir, or riba. They must also be purchased in a halal way, instead of stolen goods, corruption, or contraband[27]. The product must also be in accordance with Islamic law and does not contain ingredients that are prohibited by Islam, such as pork, liquor, drugs, and so on, as stated in the Qur'an, namely:

QS.2: 172. O you who have believed, eat from the good things which We have provided for you and be grateful to Allah if it is [indeed] Him that you worship[28].

From this verse, it is emphasized that a believer must eat and drink good and halal that has been given by Allah, and the sustenance He gives must be grateful[29]. In general, there are two main groups of products offered: products that have a physical and products that do not have a physical.

A physical product is a product that can be seen physically and can be identified. Examples of physical products are cars, chairs, soap, and others.

Products that do not have a physical (service) are products that are offered to customers with the aim of providing benefits to them.

Meanwhile, the definition of price itself is a product that has the overall value of the offer, including the value of all raw materials and services used to make an offer[30]. The price of the service considers all the connected elements in the creation of the service as is.

In the Qur'an, price setting should not have an element of riba and emphasizes the importance of justice as explained in Q.S Al-Baqarah verse 275, namely:

275. Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein[28].

From this verse it has been explained that people who eat riba, that is, carry out riba transactions by taking or receiving profits from the capital of people who need to utilize or exploit their needs, cannot stand or carry out activities, such as the establishment of Satan who is put in prison for madness[31]. Even though Allah has forbidden usury and legalized buying and selling. Riba is very detrimental to one party, while buying and selling benefits both parties.

## 1. Product development

Product development is a process of modification or change made to an existing product. Product development is one of the innovations to add value or price to old goods[32]. According to Basu Swastha, "the development of goods is a term that is more limited than the planning of goods, which includes technical activities on research, manufacture and design of goods"[7].

In addition, a product requires a strategy that includes decisions about *brands*, *products*, *packaging*, and *services*. To develop a company, it must be able to introduce new products that are produced[34]. With so many competitors, companies should not rely on a single product to survive from competitors[7].

Product development process:

- Product Concept,
- 2. Product Classification; This process is based on targeted buyers,
- 3. Product Mix; A group of goods targeted by a company to offer to buyers,

## 4. New Product Development;

Idea development, which is the process of developing ideas issued for new products or old products that are modified.

Idea screening is an effort to get a good idea and as desired. Concept testing, this process requires in-depth concepts with market research. Business analysis, Process design, i.e. the development of innovations in products that meet specified qualifications or criteria[35]. Product testing and marketing tests, Commercialization, the company does full production and marketing.

Product Life Cycle; In this process, the product will go through stages in marketing development, Alternative to Extend Product Life, Product Identity.

According to Fandy Tjiptono, stated that the benefits of the product development strategy are several, including;

- 1. Companies can utilize their full capacity, as they do not depend on one type of goods
- 2. Challenge the latest competitor offerings
- 3. New discoveries that benefit potential customers
- 4. By making a development plan for products produced by the company does not depend on one business location[8].

In developing a product there are several factors that must be considered, in general the factors that affect product development are consumer demand, market competition, technological development, availability of raw materials, innovation and creativity, marketing strategies and others[37].

## 1. Sharia principles

Some important sharia principles to consider in the development of halal products:

## 1. Tawheed (Kisan You)

All activities in product development must be intended as a form of worship and devotion to Allah SWT.

The whole process must be in harmony with divine values and not deviate from the teachings of Islam.

## 2. Halal and Thayyib

Raw materials, production processes, and distribution must meet halal criteria in accordance with Islamic law. The products developed must be good, useful, and not harmful to consumers.

### 3. Justice and Balance

Fair treatment of all stakeholders, including workers, suppliers, and consumers. Maintain a balance between personal, social, and environmental interests.

### 4. Accountability

Manufacturers must be responsible for the entire process and impact arising from product development.

Transparency of information related to products to consumers.

## 5. Blessing

Ensuring that all activities in the development of halal products bring blessings and benefits to all parties. Avoid practices that are prohibited in Islam, such as riba, gharar, and maysir[38]. A deep understanding of these sharia principles will help manufacturers in developing halal products that are in accordance with the needs and expectations of Muslim consumers[9].

#### Conclusion

Based on the results of the study, it shows that a thorough understanding of sharia principles is an important factor in optimizing the development of halal products. Some of the key points found in this conclusion are:

- 1. A deep understanding of the prohibition of riba, gharar, and maisir, as well as the concepts of halal and haram in Islam, is an important foundation for companies in developing halal products that are in accordance with Islamic values.
- 2. The process of selecting raw materials, product formulation, packaging design, and marketing strategies carried out by the company has been aligned with sharia principles, so that it can increase consumer confidence in halal products.
- 3. The development of halal products based on sharia compliance has been proven to create product differentiation and increase the company's competitiveness in the halal industry market.
- 4. Strengthening the competence of human resources in understanding and implementing sharia principles is an important foundation for companies to achieve sustainable success in the halal industry.

The results show that companies working in the halal product industry must fully understand sharia so that they can develop their products better and gain an edge in the market.

#### **Author Contributions**

Enceng Iip Syaripudin: Conceptualization, Methodology, Writing – review & editing, Supervision, Project administration. Ujang Burhanudin: Methodology, Writing – review & editing, Investigation. Amany: Conceptualization, Methodology. Deni Kon Kon Furkony: Writing – review & editing, Investigation.

## Acknowledgement

We would like to several anonymous reviewer for providing valuable input on these papers.

## **Conflict of Interest**

The authors declare no conflicts of interest.

## **Funding**

This research did not receive any financial support.

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