

# Analysis of Islamic Supply Chain Strategies in Indonesia

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**Abstract-** This conceptual paper is aimed to explore critical factors of the Islamic supply chain for their economic impact in the region of Indonesia. The variable used in this study is the strategy of Halal supply chain and optimizing the potential of economy. The data analysis used was qualitative descriptive. The results of the research carried out were the supply chain strategy carried out by the Halal management institution in Palembang, namely by establishing halal strategy collection units which were placed in several government agencies such as government agencies and companies as well as cooperating with banks, government officials, and religious leaders. The strategy for halal supply chain can be done by OPZ, LAZIS or BAZIS through the payment system, among others; supports from government and private; halal hub; differentiation between Muslim and non-Muslim suppliers; halal control and labeling; also be paid through Islamic banking services. We highlighted that in fulfilling the orders from customer, complete segregation between halal and non-halal products throughout the supply chain is strictly required. The manufacturing flow management is about physical handling of the products that must be controlled from the origin to the consumption points. In addition, procurement also plays an important role in the supply chain, which is according to Tieman et al. (2012), to define and manage the upstream supply chain networks. It covers purchasing strategy, selection of suppliers, ordering, evaluating suppliers, and determining the specification

**Keywords:** Halal, Supply Chain Management, Islamic, Indonesia, Economy Development

## 1. Introduction

Indonesia is one of the countries with the largest population of Muslims, namely 216.66 million people or with a percentage of Muslim population of 85% of the total population [1-7]. In the supply chain management, it involves integration between channel members. Indeed, this supply chain integration is also essential in gaining more investment to the company which returns better quality and higher profits. Recently, numerous companies have started realizing that supply chain integration creates value added to the company.

The law of fulfilling halal supply chain is obligatory (fardhu) for every Muslim who has fulfilled certain conditions. One of the words of Allah SWT which commands zakat is in QS. Organizations and businesses have to keep up with customers' needs, demands and life

styles in order to survive. Furthermore, they need also to consider SCM for competitiveness purposes. It is almost agreed that successful management of supplies plays an influential role in the competitive advantage of firms and businesses. Consequently, firms and businesses are always under the pressure of adopting working and reliable SCM strategies in order to overcome these challenges and for better SCM.

In addition to the Al-Quran, there are also Bukhari historical hadiths which mean: from Ibn Abbas ra. In fact the Prophet SAW sent Mu'az to Yemen. In the hadith explained: Verily Allah obliges alms upon them namely the zakat mal taken from the rich to give to the indigent ". (Narrated by Muttafaqun alaih, lafaz hadist according to Bukhari's history).

In Indonesia mall zakat is managed by certain institutions, in accordance with the contents of Law No. 23 of 2011 states that zakat management institutions in Indonesia consist of two types, namely the National Zakat Amil Agency (BAZNAS) formed by the government and the Zakat Management Agency (LAZ) formed by the community [8]. The following is the number of zakat management institutions in Indonesia:

**Table 1.** Number of Zakat Management Institutions in Indonesia

No.	Zakat Management Agency	Number of Institutions
1.	National Amil Zakat Agency	1
2.	Provincial National Amil Zakat Agency	23
3.	District / City National Amil Zakat Agency	156
4.	National Amil Zakat Institution	16
	Total	196

Source : Wibisono, 2015 : 65

The data above shows that there are 196 zakat management institutions spread throughout Indonesia. This indicates that the Indonesian government is quite attentive to the zakat management institution. The data above shows that there are 196 zakat management institutions spread throughout Indonesia. This indicates that the Indonesian government is quite attentive to the zakat management institution. The number of BAZNAS

and LAZ which appears will certainly encourage the collection of community zakat funds. This is certainly good because the more zakat funds collected, the more funds for social interests.

The amount of zakat management institutions should be able to make a maximum potential zakat collection. The potential of zakat is the ability of zakat in the effort to utilize zakat to optimize the zakat which is used to be used optimally [9-14].

## 2. Literature Study

### 2.1 Supply Chain Strategy

Zakat Collection Strategy can be implemented in various ways that can be reflected as follows: [2, 4].

#### 1. Determination of segments and muzakki targets

Segmentation is a process of identifying, determining segments and targets carried out by paying attention to several characteristics, styles, needs, and characteristics to be directed to the same goal. The muzakki segments and targets are as follows:

- a. Government and private institutions such as SKPD and banks.
- b. Companies.
- c. Individual

#### 2. Preparation of resources and operating systems

Resources are a value or potential that someone has, while operating systems are software that regulates the resources of hardware and software. The preparation of resources is related to:

- a. Human resources (HR) such as competent speakers and reliable employees.
- b. Increasing the zakat collection unit (ZCU) both in terms of quality and quantity.
- c. Zakat data and maps as operational references.

The preparation of the operating system is related to:

- a) Socialization, namely in the form of publications, campaigns through mass media both print and electronic, internet such as websites, blogs, facebook, twitter, and in the form of brochures that are practical in nature and contain information about zakat and zakat management institutions.
- b) Education, namely conducting counseling on aware of zakat to schools, publishing books, bulletins, etc.
- c) Consultation, which is preparing and providing a person, where people ask about the zakat and complaints of the people.
- d) Direct and indirect collection or pickup (online and payroll).

#### 3. Building a communication system

Communication system is a group of people, guidelines and media that do an activity to process, store, pour ideas, ideas into messages in making decisions to reach an agreement and process the message to be a source of information. zakat management institutions need to establish communication with:

- a. Government and private institutions such as offices, banking, and public service offices.
- b. Religious institutions such as MUI and Islamic mass organizations.
- c. Individually, such as traditional leaders, community leaders and muzakki.

#### 4. Arrange and carry out a service system

The service system is a unified whole of an interconnected circuit, if the part or subsidiary branch of a service system is disrupted it will disrupt the whole service itself. A good service system is a service system that provides:

a. Quality human resources both in terms of quality and quantity. Human resources working in zakat services must at least have the following characteristics:

1) Siddiq is truly his intention to work because of Allah SWT. Working on jihad and community, acting on the basis of Islamic law and applicable regulations.

2) Tabligh is conveying, implementing and succeeding in the management of zakat in accordance with Islamic law and applicable rules.

3) Trust is honesty, transparency and trustworthiness.

4) Fathonah is intelligence, namely intellectual intelligence, emotional intelligence, spiritual intelligence and berukhuwah intelligence.

b. Offices that are good, easy to reach, comfortable and decent.

c. Good communication tools such as telephone and website.

d. Adequate and good transportation, such as having special operations such as motorbikes or cars.

e. Complete administrative tools such as computers, photocopiers, standard receipts of zakat payment forms that facilitate control, recording of receipts and payments that are easy and transparent.

f. Availability of deposit points that are easily accessible by muzakki, such as Islamic banks.

### 2.2. Halal supply chain

Generally, the basic concept of the supply chain is the flow management of goods and services across a network of customers, enterprises, and suppliers [6]. It comprises the movement of material and products from the point of origin to the point of consumption. There are significant differences between conventional and halal supply chain. In terms of their objectives, the halal supply chain is addressed to preserve the integrity of halal products, whereas the conventional one is simply aimed to minimize cost and at the same time to maximize profit [12]. As the implications from the objectives; in the halal supply chain, all the activities involved in the supply-chain networks must comply with the halal standard in various fields include:

#### 1. Socialization

Socialization is an attempt to change individual property into public property and efforts to promote something that is better known. Dissemination activities carried out by zakat management institutions are a way to provide knowledge about everything about zakat and how to manage it and indirectly will make Muslims who are obliged to zakat obediently to pay zakat. Dissemination activities regarding zakat must be programmed, because zakat is intended as one of the means to develop the life of Muslims.

#### 2. Promotion

Promotion is a tool to bind consumers to always be one part as a buyer of a product. Promotion is a tool for communicating messages to the public in this case

marketing. The objectives of conducting promotions are as follows:

a. Disseminate product information to the target muzakki.

b. Get an increase in the number of muzakki. Mendapatkan kenaikan jumlah pengumpulan dana.

### 3. Education

Education is a learning process that aims to develop self potential that aims to develop personality and intelligence. The objectives in educating zakat are as follows:

a. Amil Zakat

b. Government apparatus

c. Public figure

d. Politician

e. Prospective muzakki

f. General public

### 4. Publication

Publication is an activity where a person or group announces the results of research, discussion or a matter that needs to be known by the public. The level of need for a publication is done from what will be published.

Publications other than those aimed at disseminating information also aim to raise funds in certain cases. Publication is an important thing to do because this publication is one of the barometers to prove the extent to which the supply chain management institution or agency can carry out its mandate accountably to the people's funds [3, 6, 13]. This article addressed the issue of exploring the ways the principles of Islamic economics be useful in sustaining the SCM theory and practice.

## 3. Research Methodology

The study uses the empirical-inductive method, one of the methods of the analytical methodological framework, for establishing the relationship between halal and SCM and determining how halal as an Islamic economic principle can play an influential role in SCM processes. The type of research used in this study is descriptive research which is to find out the supply chain strategy to optimize the potential of supply chain management institutions in Palembang City [8]. The operationalization of the variables used in this study are as follows:

### Zakat Collection Strategy (X)

The strategy of supply chain is a method needed to collect a number of islamic funds so that they can be handed over to the rightful ones [1, 12]. With indicators; Segment determination and muzakki target

1. Preparation of resources and operating systems

2. Building a communication system

3. Arrange and implement a service system [3, 4].

### Optimizing Potential (Y)

Optimizing the potential of halal SCM is the ability to use halal SCM to be used and utilized better [5, 9, 11]. With indicators; Promotion, Promotion, Education, Publication [3, 6, 13].

The data used in this study are primary data obtained directly through interviews and secondary data obtained from reference literature and data from management institutions in Palembang. The data collection method used is interview and documentation which is done by

submitting a set of questions verbally to the informants to be answered.

The data analysis method that will be used in this research is qualitative analysis which is a method that describes, describes, compares data and circumstances and explains a situation in such a way that a conclusion can be drawn about the halal SCM collection strategy to optimize the potential of zakat in the Management Institution in the City Palembang.

The analysis technique used is descriptive qualitative data analysis technique that is to explain and present data obtained from institutions that manage halal by providing a general description in accordance with the facts that exist at the time of conducting research.

## 4. Results and Discussion

In this case the halal management institution in the city of Palembang is right in terms of determining the segment and target of the muzakki, according to the mandatory requirements of the muzakki, namely Muslims, understanding, perfect property, enough haul and Nisab.

However, halal management institutions in the city of Palembang also have to target prospective muzakki among government institutions such as agencies, banks, and also companies both public and private. This is done so that the Islamic production collected by the halal management institutions in the city of Palembang can increase and be able to reach the potential halal that has been set.

### 2. Preparation of resources and operating systems

The halal management institution in the city of Palembang in the process of preparing resources and operating systems has done it well, such as selecting employees who have educational backgrounds in accordance with the work as amil zakat which aims to amil the charity that is reliable and competent.

The zakat management institution in the city of Palembang also increasingly increases the number of zakat collection units spread in several places so that the collection of halal is more focused and the service becomes maximum. However, halal management institutions in the city of Palembang do not yet have halal data and maps as their operational reference, while halal data and maps are important to be a reference for amil to maximize services to muzakki.

In conducting the operating system, halal management institutions in the city of Palembang do it directly, through print, online and social media. This is done so that more muzakki will pay their halal to the halal management institution in Palembang so that the potential of halal can be optimal.

### 3. Building a communication system

In terms of building a communication system, halal management institutions in the city of Palembang have developed a communication system well. Both with muzakki, government officials and community leaders. This is done so that the muzakki get information in accordance with the activities carried out by the halal management institution.

This was done by the halal management agency in the city of Palembang so that the communication system between amil and muzakki is well established and the halal funds collected can be better utilized.

#### 4. Arrange and carry out a service system

The service system that has been prepared by the halal management institution in the city of Palembang is already good because the service system prepared aims to maximize services to the muzakki who come to the halal service office.

This is done by the halal management institution in the city of Palembang in order to have a good service system in order to facilitate muzakki in carrying out halal to optimize the potential of halal collected.

### 5. Conclusion

Halal is applied in the supply chain; thus become a halal supply chain starting from the point of origin to the point of consumption. These activities include warehousing, sourcing, transportation, handling of products, inventory management, procurement and order management which must follow the Syariah Islamic perspectives. Recently, there was a special request from United Nation that all countries must have special halal hubs to cater for the halal products due to the increase of Muslims population throughout the world (Saifudin, 2015). A number of halal hubs have been established in Malaysia. For instances, the Northport established a halal warehouse certified under MS 2400. This halal warehouse is created to cater for the halal foods' raw materials. This halal hub also creates a samaq process for all the containers labeled as halal. In attempting to have a halal hub, Penang Port has also been starting to create a segregation of halal area and samaq process. The personnel have been trained to control and monitor the area. Similarly, in the Port Tanjung Pelepas, two blocks of halal warehouse are currently built to cater for the halal demand. Not only in the seaports, has a halal hub also been built in the Senai International Airport. A new large cold room warehouse is meanwhile under construction for local companies to cater for halal foods' storage to be exported to gulf countries by year 2017. At the same time, Iskandar Regional Development Authority is planning and setting a comprehensive halal center that includes lab and other requirements. Even though halal hubs in Malaysia are growing in number, utilizations of the hubs are still less effective and efficient. As an example, at the Port Klang Free Zone, its halal warehouse has not been fully utilized. The halal lab has not been built. Technical supports in terms of facility and documents are still considered at the initial stage. Improvement is still required in order to the halal hubs are fully utilized

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