Encouraging The Potentials of Sustainable Competitive Advantage of Halal-Based Creative Micro, Small, Medium Enterprises on Asean Trade

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Abstract
The halal creative sectors have considerable potential for sustainable economic advantage in the Southeast Asian region. As an emerging region that often becomes the world trade hub, ASEAN takes advantage of the capabilities of its member countries toward competitive advantages in creative and rapid halal industry development. Micro, Small, and Medium Enterprises (MSMEs), as the main actors in integrating the halal-based creative industries, play an essential role in developing the halal creative sectors for ASEAN trade. Thus, this research addresses the potential sustainable competitive advantage of halal-based innovative MSMEs for ASEAN trade. This study uses two analytical concepts: sustainable competitive advantage and a halal-based creative economy. Furthermore, the research uses a qualitative-exploratory approach with secondary analysis. The findings of this study are that halal-based innovative MSMEs have the potential for sustainable competitive advantage, which supports the performance of such MSMEs, cultivating and supporting the ASEAN trade.

Keywords: Sustainable Competitive Advantage; MSMEs; Trade; ASEAN

Abstrak
Sektor kreatif halal ditegaskan sebagai potensi besar keuntungan ekonomi berkelanjutan di kawasan Asia Tenggara. Sebagai emerging region yang sering menjadi hub perdagangan dunia, ASEAN memanfaatkan kapabilitas negara-negara anggotanya menuju keunggulan kompetitif dalam perkembangan industri halal yang kreatif dan pesat. Usaha Mikro, Kecil, Menengah (UMKM) sebagai pelaku utama dalam mengintegrasikan industri kreatif berbasis halal berperan penting untuk mengembangkan sektor kreatif halal bagi perdagangan ASEAN. Dengan demikian, penelitian ini ditujukan untuk mengatasi potensi keunggulan kompetitif yang berkelanjutan dari UMKM kreatif berbasis halal untuk perdagangan ASEAN. Kajian ini menggunakan dua konsep analisis, yaitu keunggulan bersaing berbasis, dan ekonomi kreatif berbasis halal. Penelitian ini menggunakan

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pendekatan kualitatif-eksploratif dengan analisis sekunder. Temuan dari penelitian ini adalah bahwa UMKM kreatif berbasis halal memiliki potensi keunggulan kompetitif yang berkelanjutan, yang mendukung kinerja UMKM tersebut, budidaya dalam mendukung perdagangan ASEAN.

Kata Kunci: Keunggulan Bersaing Berkelanjutan; UMKM; Berdagang; ASEAN

A. INTRODUCTION

The creative economy is a leading economic sector, and its existence is of a paramount imperative to be preserved. Through strengthening the micro-economy, the creative economy is a pillar of the country’s sustainable economic growth. This sustainability will be conceptualized through sharia principles and become the master plan to achieve the country’s financial sustainability. The master plan will focus on clean, safe, fair, and mutually beneficial trading of products and services (muamalah).

The creative economy is critical for economic Development. The main reason is that it contributes positively to the growth of the national economy, employment rate, and export values, encourages innovative and creative human resource skills, and creates the nation’s competitiveness. The existence of the creative economy is driven mainly by Micro, Small, and Medium Enterprises (MSMEs). In 2021, the creative economy sector would contribute to creating 18.7 million jobs, in which the potential of the MSMEs sector to absorb employees accounted for 97%.

In addition, as the backbone of the national economy and sustainable economic Development, the MSMEs positively contribute to integrating one financial sector with another. Amongst significant contributions is combining the creative economy with the halal industry as a manifestation of the Sharia-based creative economy. This new regional conceptual framework can support innovative, creative, and fair trade amidst global trade challenges.

MSMEs are the economic pillars of Asia. They drive domestic demand, job creation, innovation, and regional and national competitiveness. During the economic recovery from the global COVID-19 pandemic, the MSMEs are primarily integrated with the digital sector, accelerating business opportunities, including digitalizing financial services and e-commerce.

This research aims to provide a scientific understanding of the exceptional existence of the creative economy. Integrating the creative and halal economies is one potential creative economic sector that could sustain the community-based economy. Thus, the halal-based creative economy is a manifestation of the creative economy sector and the halal industry, where the MSMEs, as the main actors, play an important role. The Sharia-based creative MSMEs are involved in high consumer competitiveness sectors. Moreover, the existence of halal-based innovative MSMEs demonstrates positive contributions along with increased demand from Muslim communities. Furthermore, it is very important, especially in global trade activities, to maintain the

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security of food and the environment, including preventing the exploitation of natural and human resources, prohibiting the acceptance of usury, and creating a just system in which elements of contracts agreed upon by the parties involved to promotes efficiency, effectiveness, and transparency. Therefore, the Sharia-based creative economy’s competitive advantage must be sustained to overcome global trade hurdles.

B. METHODS

This study uses a qualitative method with an exploratory approach to analyze a phenomenon with an in-depth explanation of a concept. Researchers use secondary analysis by conducting a literature review of books, journals, and government reports on the Master Plan for Islamic Economics, the Asian Development Bank, ASEAN, and official national news websites.

C. RESULTS AND DISCUSSION

1. The Transformation from Competitive Advantage into Sustainable Competitive Advantage

Competitive advantage is a concept that encourages a nation’s competitiveness with its unique characteristics that are not in possession of other nations. The competitive advantage also provides value for a country in creating high-quality and competitive products. Subsequently, a country will design strategic policies to become a global trade competitor.

According to Michael Porter, a Competitive Advantage is a form of a nation’s competitiveness created and maintained through a highly localized process incorporating national values, such as culture, economic structure, institutions, and history. Porter also examines the four pillars of competitive advantage in shaping a country’s competitiveness: 1) a country’s factors of production, 2) demand for products and services. 3) related industries as the support system, 4) firm strategy, structure, and rivalry. Throughout this concept, the government is essential in facilitating a conducive environment to ensure the four elements are applied effectively in building national competitiveness. Moreover, Hamel argues explicitly that to maintain a country’s competitive advantage, it is required to implement a sustainable innovation strategy, including periodic transformative changes to preserve the strength of performance outcomes, leading to the competitive advantage. Furthermore, according to Collin and Porras, sustainable competitive advantage is formed to provide benefits to a country in the long term. Research and Development as a facility for market expansion is an instance.

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9 Kimberly S. Davey dan Tom Sanders. Serial Strategic Innovation and Sustainable Competitive Advantage. A Longitudinal case Study.
The context of ‘sustainable’ in competitive advantage referred to in McGrath, Baumol, and Bartley’s argument is an effort for an evaluation performance of both companies and countries by duplicating potential competitors. According to Porter and Jacobsen, this will happen over a long period.

Sustainable competitive advantage has developed to be a business strategy to increase productivity and encourage the exceptional performance of the economy both in skills and resources. Alderson introduced this theory as a unique character to differentiate himself from competitors in the eyes of consumers. Hence, in this study, sustainable competitive advantage is aimed at encouraging the sustainability of competitive advantages that positively impact the economic Development of a nation, such as national economic growth and the Development of high-skilled human capital. Sustainable competitive advantage is driven by two main actors, entrepreneurs and government, who have mutual roles in supporting and creating a conducive and sustainable climate for a halal-based creative business ecosystem.

2. Sharia-Based Creative Economy

The creative economy is an economic sector that encourages innovation and creativity as the value of human resource skills. The existence of a Sharia-based creative economy, in principle, upholds the benefit of humanity as an economic goal. Economic welfare is based on social and economic justice, and the latter focuses on distributing justice for all social dimensions. Every individual has the freedom intended for the benefit of society and avoids the infringement of the rights of others. Distributive justice involves the sanctity of asset management and economic activities, which should be based on public awareness instead of private.

![Figure 1. Creative Economy in Sharia Based](source)

The figure explains that the halal-based creative economy is driven by the halal industry with the proper utilization of raw materials, production, distribution, and promotion as a halal value chain. The integration of the creative economy in the context of sharia is realized through the halal industry. The integration focuses on sectors that have high consumption competitiveness. In this regard, the consumption
level of Muslim countries worldwide, including food, lifestyle, tourism, and the financial industry, has increased, consequently leading to global economic growth.\footnote{Master Ekonomi Syariah Indonesia, \url{https://knks.go.id/storage/upload/1573459280-Masterplan%20Eksyar_Preview.pdf}}

The halal value chain has six specific objects: food, fashion, media and recreation, tourism, finance, and medicines (pharmaceuticals)\footnote{Ibid. p. 8.}. In this study, the creative halal industry sub-sectors of halal culinary, fashion, media and entertainment are the primary focuses of analyzing the integration of the creative economy sector. In addition, the tourism sector is an object leading to the existence of the halal creative economy. Furthermore, as the result of research and Development, MSMEs' trading activities, capital flows, and pharmaceutical products incorporate matching contributions to the sustainability of the halal creative economy.

3. Halal-Based Creative Economy Dynamics in Global Trade

Islamic economics plays an essential role in environmental and food security in international trade, including preventing the exploitation of natural and human resources. Besides, the Sharia economic system is also critical to avoid the acceptance of usury, implement a contractual element that is agreed upon by the parties involved, and uphold the value of efficiency, effectiveness, and transparency. Hence, although experiencing global economic instability, the Sharia-based economy is reviving due to the implementation of the concepts of human justice and human resource development-based economic prosperity.

Generally, the global Sharia economy is perceived to have a positive trend during global macroeconomic dynamics. For example, the Gulf Cooperation Council (GCC) comprises high-income Muslim countries in the Gulf region and middle-income countries with high Muslim populations, including Indonesia, Turkey, Malaysia, Bangladesh, and Pakistan.

There has been a notable increase in global economic growth in the past five years. One of the driving factors is the massive spending by Muslim communities on food, lifestyle, tourism, and the financial sector\footnote{Ibid.}. According to Global Islamic Economy Report 2018-2019, Muslims' spending on halal products amounted to US$ 2 trillion in 2016; US$ 2.2 trillion on Islamic financial sector assets; US$ 1.24 trillion on food and beverages; US$ 254 billion on fashion; and US$ 198 billion on media and recreation. While the United Arab Emirates is ranked the highest spender on halal food, modest fashion, and media and leisure, Malaysia's significant spending is on the halal financial category\footnote{Ibid.}.

The halal economy is experiencing an upward trend as the implementation of halal industry policies in both Muslim and non-Muslim countries increases. Indonesia is a concrete example. According to the State of the Global Islamic Economy Report \footnote{Ibid.}.
2022, Indonesia has experienced significant Sharia-based economic growth, ranked fourth in the halal industry sector.¹⁴

During the global pandemic of COVID-19 in 2021, Muslim societies spent US$ 2 trillion, which marked a growth of 8.9% from 2020. In addition, the Muslim communities spent 6.9% on food, demonstrating the increased expenditure from US$ 1.19 trillion to US$ 1.27 Trillion in 2021 while forecasted to grow around 7% in 2022. Moreover, another significant increase of 5.7% in the clothing industry from US$ 279 billion to US$ 295 billion in 2021, with a projected growth of 6% in 2022. Furthermore, the Muslim communities spent 7.2% in the media sector, with an increase of expenditure from US$ 216 billion to US$ 231 billion and are predicted to grow by 7.5% in 2022¹⁵.

In addition, another 9.1% of economic growth that accounts for US$ 2.8 trillion is forecasted to be experienced by the financial sector in 2022. This growth aligns with the Development of Islamic financial technology, which has reached 241 tech companies in the global market. The economic potential of its Development is projected to be US$ 128 billion in 2025. In the tourism sector, Muslim societies spent US$ 58 billion in 2021 and are predicted to grow by 50% in 2022. Meanwhile, there was an increase of 6.5% in the pharmaceutical sector, with the spending surging from US$ 93.5 billion to US$ 100 billion in 2021 and is estimated to continue growing by 6.7% in 2022¹⁶.

The above statistics show that the halal industry is essential in global trade. The main reason is that the high demand for halal values triggers many Muslim communities’ spending. As a result, the Organisation of Islamic Cooperation (OIC) and non-OIC countries are starting to implement halal principles as the foundation of their economic activities.

Micro, Small, and Medium Enterprises (MSMEs) are the primary actors driving and promoting economic growth and Development. According to the World Trade Organization data, the MSMEs represent 95% of total companies globally and contribute 60% to global employment. MSMEs also comprise 94% of the Organization for Economic Cooperation industry. However, MSMEs’ trading activities are still relatively low, which accounted for only 36% of exports and 41% of imports compared to the actions of larger companies, including MNCs. Notwithstanding, the total share of export and import values continues to increase¹⁷ and positively contributes to the people’s economy.

Moreover, MSMEs have an influential role in supporting a country’s economy when a global crisis hits, including the worldwide pandemic of COVID-19, which caused economic turbulence. The data from United Nations Conference on Trade and

¹⁶ Ibid.
¹⁷ Ibid.
Development (UNCTAD) shows that both formal and informal MSMEs have the potential of more than 90% of all economic categories and contribute 70% of total employment and 50% of GDP, cultivating an inclusive and sustainable economic recovery from COVID-19 hurdles18.

Furthermore, according to the Organisation for Economic Cooperation and Development (OECD), the creative and cultural sectors play critical roles in supporting economic Development and employment. Henceforth, Small and Medium Enterprises (SMEs) can support ecosystems in the creative industry19. Furthermore, the data from the World Bank shows that SMEs have the majority in all business activities and are essential contributors to creating jobs and global economic Development. It is evident with the involvement of SMEs in 90% of business activities, more than 50% of the total number of jobs worldwide, and 40% of the real GDP in emerging economies20.

The previous data demonstrate that the MSMEs in the creative sector contribute positively to global economic activities, especially in trade and employment opportunities. The creative industry in MSMEs is inseparable from a nation's competitive advantage that needs to be preserved. This aims at enabling a country to be competitive and compete in global trade consistently.

4. Encouraging Potentials of Sustainable Competitive Advantage of Halal-Based Creative MSMEs on ASEAN Trade

Geo-economically, Southeast Asia is the potential market for developing the halal creative MSMEs. This is evidenced by the number of MSMEs entering the global market which contributed to an average of 20% of exports in 2010-2018. Although experiencing economic vulnerabilities, and global challenges caused by high foreign demand during the COVID-19 pandemic, the MSMEs still cultivate positive contributions. Interestingly, post-COVID-19, Southeast Asian business is in significant growth, marked by the expansion of digital services to promote the Development of e-commerce in the region21.

MSMEs are the driving forces for the Southeast Asian economy as they can stimulate domestic demands, such as creating jobs, innovation, and competition. The potential of MSMEs in Southeast Asia during 2010-2019 reached 97.2% on average, with 69.4% of the total workforce and 41.1% of the total GDP. Moreover, the MSMEs’ potential also can be seen from the number of entrepreneurs engaged in businesses, which accounts for 61% -89%. This is driven by the movement of young entrepreneurs,

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start-ups, and low-technology of MSMEs that seek an innovative mindset growth and its significance to encourage inclusive growth of national and regional Development. Therefore, regional trade becomes the top priority, although its trading activities are operated mainly in rural areas, to contribute to the informal employment sector essentially. This could also impact the infrastructure Development in rural areas as it will attract more workers with innovative business ideas to be effective at work22.

The significance of the internationalization of MSMEs through a global value chain that boosts national productivity requires support and management from the government. Henceforth, strong government support is paramount to implementing international trade policies, even though the quantity of MSMEs remains at an average of 20% of the export value during 2010-2018 and is relatively vulnerable to external factors, such as COVID-19. In this regard, ASEAN’s regionalism casts as an intergovernmental policy that can have a comprehensive policy framework regarding the MSMEs' Development, financial inclusivity, and encouragement of stakeholders’ coordination between the public and the private sector.23

The creative-halal sector can potentially be a significant economic sector in Southeast Asia. It is because of the divergent cultures of ASEAN communities which inspire them to foster the production of commercial creative goods and services. According to the UNCTAD, Southeast Asia can encourage a ‘creative turn’ as the regional trade values, such as arts and crafts, fashion, printing, design, music, film, gaming, streaming services, knowledge, and innovation-based industries. Furthermore, the emergence of a digital axis that can expand market access, such as e-commerce, is also worth considering24.

The digital transformation of creative MSMEs advances cultural-based export value in creative goods and services, engages local ownership, and contributes to sustainable Development. Moreover, ASEAN countries are also supported by a bureaucracy keen on developing an innovative economy. The current creative economy development is related to the people's daily consumption of value-added products, which is critical for sustainable economic growth. One financial sector with good prospects for human security, including culinary, fashion, and media, is the halal industries. Thus, the collaboration of halal creative sectors is a new concept that drives a sustainable competitive advantage in the economy. For example, OIC countries, such as Indonesia, Malaysia, and Brunei Darussalam, not to mention Singapore and Thailand as non-OIC countries, are developing the halal sector as the qualified industrial development policy.

This research emphasizes the country’s strategy in creating a supportive climate for creative MSMEs to implement sustainability values by encouraging economic integration of the halal sector. The integration between the creative and halal economy is a manifestation of improving the sustainable competitive advantage that positively

22 Ibid
23 Ibid
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impacts the country’s economic Development. The halal sector is invaluable because it incorporates the Sharia principles that can develop the maslahah (interests of the people)-based and just business in its finance, production, and distribution to end users. To apply the sustainable competitive advantage of halal-based creative MSMEs, the creative halal-based MSMEs sector should play a crucial part in implementing the concept of a halal value chain, including creative industries that are based on safe raw materials, manufacturing, distribution, and advertisements, especially in the culinary sector as a halal food market, fashion as modest halal fashion, and applications for halal media platforms.

The Diamond Model of Michael Porter classifies the halal-based creative MSMEs into four indicators. They are as follows:

1). A country’s Factors of Production. A country that focuses on the Development of the tourism sector and implements the concept of 'halal friendly tourism' is in high need of factors of production, including sufficient natural resources, capital, labour, and entrepreneurship. Food, beverages, and lodging services are among tourists’ primary halal raw materials. Meanwhile, capital is a resource closely related to financing industrial management and technology. Furthermore, while labours are responsible for ensuring the industry’s sustainability and maintaining the quality assurance of halal products, entrepreneurship is viewed as a running company to generate profit through business production.

2). Demand for Products and Services. There is a high demand for the Development of halal tourism in a country that experiences tremendous increased demand for halal goods and services by tourists. Thus, the MSMEs can empower the potential people’s businesses to accommodate the needs of tourists.

3). Related Industry as the Support System. The halal-based creative MSMEs are the integration between the creative and halal industries. The collaboration of these two industries is perceived to be an essential provision for the sustainability of MSMEs. In addition, the tourism and digital sectors must be empowered to drive economic growth and market expansion.

4). Firm Strategy, Structure, and Rivalry. The Halal-based creative MSMEs require an effective strategy, policies and programs that support business innovation. This provision can cast the role of governments in promoting and advancing the competitiveness of the MSMEs.

The sustainability of competitive advantage through the sustainable competitive advantage scheme is realized by establishing an ecosystem that fosters innovation and creativity. Stakeholders' consolidation in the Penta Helix, including the government as a policy and decision-makers dealing with supporting and directing policies, academics as epistemic communities who conduct research and Development of a certain phenomenon, industries as lead users, which technically manage the business, and the media as an actor to promote and disseminate information publicly. Nevertheless, to support the halal-based creative MSMEs ecosystem, policies as political instruments have an influential role in ensuring programs that apply in
society are legitimate, including financial aspects, halal certification, increasing exports of halal products, and the creative business sector through Islamic boarding school management. The global value chain, besides innovation, also requires policy support from high-level economic institutions. This can be a solution to accelerating the Development of the worldwide Sharia economy, which has proven its endurance in the event of financial crises. The current Development of halal-based creative MSMEs has become an exceptional economic value for global trade due to their capabilities to support and advance other industrial sectors, such as tourism and digital.

In international forums, the Sharia-based economic principles have been the central focus of the Organization of Islamic Cooperation (OIC), which consists of several leading countries developing the halal industry, such as the United Arab Emirates, Qatar, Malaysia, Indonesia, Saudi Arabia, and Brunei Darussalam. Interestingly, along with the increased number of Muslim tourists that could potentially contribute to significant economic growth, some non-OIC countries, including Singapore, Thailand, Japan, South Korea, and Brazil, have displayed their interest in implementing halal-friendly tourism as a promotional tool to attract tourists from Muslim countries. These countries are building Muslim-friendly hospitality services, such as airlines, hotels, culinary, places of worship, and tax-free shopping areas. The impetus for Halal-friendly Tourism by OIC and non-OIC countries is one of the mitigation strategies for economic recovery in the aftermath of the global pandemic of COVID-19. Thus, tourism development can contribute positively to the growth of halal-based creative MSMEs as creative industries attract many business players.

D. CONCLUSION

Halal-based creative MSMEs have a strong foundation for economic resilience as they have endured global economic uncertainty. Integrating these two economic sectors is a form of collaboration that can support the sustainability of MSMEs as influential actors in a country’s economic growth. Based on a people’s economy, MSMEs can drive other sectors, such as tourism, with tourists as the main object to demonstrate the existence of these businesses. OIC and non-OIC countries empower the sustainability of the competitive advantage of halal-based creative MSMEs along with the increased demand for Muslim tourists. Notwithstanding, the viability of this ecosystem relies on the economic resilience that led stakeholders, as primary actors, to foster business innovation until it is ready to compete in global trade.

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