



## The Development of Human Capital in Halal Product Business: Islamic Management Perspective

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### ABSTRACT

*The basic resources in the activities of every business are human. Islam places human in their position as manager of nature (caliph). Managers in the most successful business organizations are those who able to manage human capital in an effective and efficient way. The business of halal products is entering the development trend, especially in Indonesia. Offering halal products is not enough to only be shown with a halal label, but must be truly halal in terms of inputs, processes, and products that are produced in order to provide benefits and blessings so as not to endanger consumers. Consuming halal products is an order of the Qur'an and the Sunnah of the Prophet. According to that, it is important to apply management that comes from Islamic teachings. This study aims: (1) to understand the importance of Islamic human capital productivity management (2) to discuss the pattern of productive human capital development in the management of effective and efficient halal product business sourced from Islamic teachings. This study used an analysis of qualitative content with document approaches, which analyzes various kinds of literature related to the topic of discussion, to produced normative descriptions. This study revealed that to manage a halal product business, it needs human capital productivity in the Islamic way. In its development, a management pattern that is sourced from Islamic teachings is necessary.*

**KEYWORDS:** Human Capital, Productivity, Halal Products, Islamic Management.

### I. INTRODUCTION

Humans in business activities are the main capital that has a strategic role. Without human capital, they are not able to produce the products. Therefore, the productivity of human capital is needed. In economic activity, productivity is interpreted as the ratio of the size of output volume to the size of input use. Human productivity is a positive contribution from someone to the environment where the person works for constructive, imaginative, and creative influences on the productivity of an organization. It means that to produce a more extensive product requires superior human capital productivity. In the perspective of Islam, productivity is an essential aspect of life as an individual and social. Productivity not only intersects economically with humans but also has large dimensions including dimensions of worship as beings towards the Creator.

In general, the purpose of a company in Islam must rely on welfare both in the world and the hereafter. It must be the end goal of the producer as an agent of the Islamic economy. The purpose of profit maximization is to be the goal of production, but it must also be based on a social and moral framework that is in line with Islamic teachings.

Production is the creation of utilities that are lawful and useful for economic welfare in the perspective of Islamic teachings (Mannan, 1980), and increasing production of beneficial goods is one of the requirements to achieve economic prosperity. It can be realized through maximum utilization of human and material resources because the production process must be based on four aspects, namely quality, quantity, maximization, and participation.

Ethically Islamic, the principles of production are sourced from the teachings of the Qur'an. The five basic principles of production according to the Qur'an are unity (at-tauhid), humanity (al-insaniyah), justice (al-'adl), virtue (al-mashallah), and freedom (al-hurriyah) with responsibility (al-fardh). These principles must be a framework for producers to carry out the production process so that the products produced are genuinely halal.



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From the survey results, (BBC, 2018) consumers of halal products not only come from Muslim communities but also non-Muslims. The reason is that halal products tend to be healthy. This is inseparable from the principle of processing halal products, especially food, which is not only halal by materials but also halal by the process. Plus halal products must be *thayyib* which means the product is clean, quality, and nutritious (if it is food).

The halal label license currently in Indonesia is held by LPPOM MUI and has been recognized by the world, and even some foreign products register its halal label in Indonesia. They realize that the higher awareness of consuming halal products will require a label to guarantee product halalness. Some businesses also transformed from standard services to sharia-based, namely sharia hotels/inns, sharia transportation, sharia financial services, sharia religious tourism, Muslim clothing, and even sharia cosmetics. Businessmen see this tendency as an opportunity that is still "fresh," not yet widely used by other businesses.

In Indonesia, halal products have become the standard for producers to be able to distribute a product with the label 'Halal.' This halal standardization is regulated by legislation, namely Republic of Indonesia Law Number 33 of 2014 concerning guarantee of halal products, even starting October 17, 2019, BPJPH requires this halal guarantee product. In the Qur'an, it is reminded "O people! Eat from (halal) good and good things that are on the earth and do not follow the steps of shaytan. Humans, the shaytan is a real enemy for you" (QS.2 [al-Baqarah]: 168). Halal products are the needs of every Muslim, and consuming halal products is the fundamental right of every Muslim. There are health and economic dimensions in it. As a Muslim majority country, without being asked, the state is present to protect the fundamental rights of its citizens. This is done so that employers are aware of their responsibilities in protecting consumers. Halal is not just a necessity of Muslims. However, it has become a global trend, which is universal.

In order to indeed produce halal products, talented producers understand the production management system by preparing productive human capital sourced from the Qur'an. One of the criteria for a halal product guarantee system requires top management to establish a halal management team, which includes all parts involved in critical activities and has clear duties, responsibilities, and authorities. Therefore, this study aims to provide an understanding of the importance of human capital productivity management sourced from the Qur'an, along with its development patterns in the effective and efficient management of halal products derived from Islamic teachings.

## II. LITERATURE REVIEW

In the perspective of economic development, neoclassical economic theory Adam Smith stated that capital (physical) and human resources are the main factors of production needed to achieve good returns in a company (Firer and William, 2003: 2). Therefore, the capital and human resources contained in the company must be managed in such a way that it can provide a significant profit for the company's organization.

Organizational resources, divided into three categories, namely physical capital, human capital and organizational capital (Barney, 1991). Something that becomes interesting is if human capital is placed in a separate category. Because assets, equipment or technology of any kind that is owned by the organization will not function correctly without the involvement of human resources in handling and operating it. Human capital is the accumulation of knowledge, experience or expertise, abilities and skills and the attributes of other workers' strengths that are relevant in the strength of an organization's work and spur productivity, performance, and achievement of strategic goals (Matthewman J. And Matignon F., 2005).

Theodore Schultz first introduced the term human capital in 1954 (Theodore S. 1961: 73), then popularized by Gary Becker, (Simkovic, Michael, 2013), an economist from the University of Chicago and Jacob Mincer who referred to stocks of attributes knowledge, habits, social and personality, including creativity, which is manifested in the ability to do work so as to produce economic value. The characteristics of human capital are the implementation of religious behavior. The theory of religious behavior (Religiosity) says that the determinants of religious behavior are based on four pillars, namely group involvement, belief, religious socialization and sociodemography (Marie Cornwall, 1998).

The main concept of human capital is that human beings are not just a resource, but are capital that produces returns and every expenditure made in order to develop quality and quantity of capital is an investment activity. Becker views that employees are capital in investment activities of the owners of capital, in this case, is the management (company) is the owner of capital. According to this concept, the primary purpose of education must be oriented towards increasing productivity in supporting economic growth.

In the language of the Qur'an, the term human is often revealed by the word *Insan*. In Islamic terminology, *Insan* is the most extraordinary creature of Allah (Surah Al-Tin: 4), and he is gifted with reason. With his reason, the position of man (*Insan*) made the most superior creatures among all of God's creations,



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thus making them the only creature ready to become caliphs on this earth (Surat al-Baqarah: 30). Therefore, humans (Insan), in the Islamic perspective, are people who have superior personalities, with mastery of knowledge and skills in the context of tasks and responsibilities entrusted to him as khalifatullah fil ardh. Ibn Khaldun (Wan Kamal M. 2006: 76) gives attention to the role of insan (human) in shaping national civilization through the development of economic, social and political stability in a country.

In the Islamic perspective, the development of human capital is not only an emphasis on intellectual and emotional development, but also involves spiritual and moral development. The concept of Islam is able to penetrate the human dimension as well as the Divine dimension. Because Islam is not a religion that only deals with vertical problems, but also addresses problems that are horizontal in nature. Islam is a religion of syamil (complete), which takes care of all aspects of human life. Islam is a religion (al-amaly), religion that prioritizes perfect productivity values and syamuly, both products in the sense of producing work or being productive in the sense of producing improvement and improvement in self, family, and society. In practice, to be productive human beings must be managed (management) and their potential developed. Management (Idarah) is a particular activity concerning leadership, anger, personal development, planning and supervision of works relating to the main elements of a project (Al-Jurjani, 1403: 105). Management 'knows where to go, what difficulties should be avoided, what strengths are carried out, and how to drive your ship and members as well as possible without waste of time in the process of doing it' (Mahmud Al-Hawary, 1976). From this description, it describes that management is an activity, process and specific procedures to achieve the ultimate goal maximally by working together in a working group following their respective functions.

As the basis of management practices in Islam refers to business management behavior carried out by the Messenger of Allah, that the Prophet Muhammad was an honest and fair trader in making business agreements. He never complained to his customers. He often keeps his promises and hands over the items ordered promptly. He always shows a great sense of responsibility and high integrity with anyone. His reputation as an honest and sincere trader has been widely known since he was young (Afzalur Rahman, 1997: 216-217). The implications of the primary model of Islamic management are Ihsan, Istiqamah, Amanah, Ikhlas, and Adil. It is the basis on which the building of an Islamic management system was established as a tower. These models are beneficial for developing human relations in the work environment, which does not allow anyone to exploit other people as in other systems that are usually done.

### III. RESEARCH METHODS

This study analyzes the concept of Islamic management to find patterns of development of productive human capital through training, coaching, and empowerment. The implementation is done by internalizing the human religiosity behaviors of business people in realizing halal products. The study was carried out through previous research literature and journals, analyzing various literature related to the topic of this discussion, to produce a normative description of the model of human resource development in the company. This study is qualitative with the documentation approach based on secondary data analyzed from the verses of the Qur'an and Hadith, book sources and the internet, in formulating a conceptual framework developed for practical policy in the business.

### IV. RESULTS & DISCUSSION

The concept of human capital in the business of halal products emphasizes the implementation of sharia-based management. This sharia principle departs from the typology of Maqashid al-sharia, which in the fiqh rules is based on five basic principles (qawaid al-khams). Implementively, sharia principles management emphasizes five basic principles, namely mandate, the principle of limited ownership, the principle of cooperation in goodness, the principle of social responsibility, the principle of shared ownership, the principle of economic distribution and the principle of justice.

Islam teaches that the company's human resources is one of capital, not as a cost unit. Thus, handling human beings as human capital is not something new in Islamic economic activity. The Quranic standard for the appropriateness of a job is based on one's expertise and competence in the field. It is essential because, without competence and honesty, efficiency can be assured of someone. Therefore, it is an obligation for the management of an organization (company) to place someone according to their competence.

Islamic Human Capital Management wants to revive the concept of man as a caliph on earth who has great potential in determining human values as human resources so that he is able to make a significant contribution in shaping human beings to be people who are kaffah, istiqamah, consistent and have integrity in upholding banners Islam in life. Considering, how good a company owns a system, in its implementation it depends on the quality and quality of human beings themselves.

Islam commands that humans have superior productivity. Productive man is someone who produces something more than he receives. The Messenger of Allah has affirmed that "Indeed I hate someone



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unemployed, does not work for the benefit of the world nor the benefit of the hereafter." H.R. At-Tabrani in the book *Al-Kabir* (2005).

Productive human capital requires competency, creativity, skills, honesty, trustworthiness/integrity, *tawadhu*, strong spirit/commitment, and self-control: 'God accepts the good deeds of His servants' (Qur'an 46: 16). In the context of humans to be productive, the Messenger of Allah said: "Indeed, Allah loves believers who work (productively produces a variety of goodness)." HR. Thabrani from Ibnu Umar. Whereas skill and creativity as the Word of the Prophet: A person's best work is what is done based on his skills, ... as good as effort is what is an expression of his skills. H.R. Ibn Majah.

Human resources in terms of competence (expert) which refers to juristic terms about the feasibility of holding assignments and validity have legal rights. In Islam, human development is not only directed at producing people with better technical knowledge, skills, and social values but also with a better soul. Islam calls for a holistic approach to human development while placing spiritual and material incentives for the growth of individuals in the fields of religion, moral discipline, education, skills, employment, and health. It is explained in the qualities of intelligence, knowledge, free will, and guidance, which God gave to humans in order to carry out their duty to become caliphs on earth. Human development, in turn, is regulated to produce resources with ethical, moral values; and is characterized by dynamics, innovation and creativity, knowledge, and self-confidence.

In a productive human capital effort, it can be done with a culture of Literacy (understanding), which is to make thinking habits taken with the process of reading, writing to create works (UNESCO, 2018). Literacy is a basic human right that is fundamental to lifelong learning, entirely for social and human development in its ability to change lives.

The Culture of Literacy can be done through training, training, and empowerment of employees to develop the competencies and technical capabilities of employees in carrying out their work responsibilities. The Prophet gave training to the people appointed to take care of the problems of the Muslims and provided them with advice and some instructions. Islam as a perfect and complete religion teaches about morals and morality for the human race to become better beings.

Halal business actors to have superior productive human capital, to realize the Islamic *maqashid* with five basic principles of sharia (*qawaid al-khams*), then the application of human development management requires a culture of literacy for planting (internalization) and habituating *Ihsan* behavior, *istiqamah*, sincere, Trust / integrity, commitment and fairness, through training, coaching and empowerment. It is this nature and behavior that is expected to encourage the growing awareness of producers in realizing halal products that provide benefits, are safe and do not endanger users.

Table 1. The Literacy Culture Model in the Development of Human Capital Halal Business

Behavior	Dimension	Point
Ihsan	Do good in Allah's reconnaissance.	Feeling afraid to commit a violation at work.
Istiqamah	Continue to uphold the truth.	Work discipline
Sincere	Do and work sincerely.	The tendency to produce quality performance
Trust/Integrity	Trusted in carrying out tasks that must be done.	Dare to refuse to be invited to evil
Commitment	Reflect voluntary actions and behavior.	Sense of responsibility in work
Fair	Act proportionally in all matters.	Do the best

## 1. Ihsan

Ihsan refers to the word of *ahsana* (giving pleasure or kindness to others). "Verily, Allah has commanded you to be and do Ihsan (virtue) (Surah 16 [an-Nahl]: 90). Ihsan is "you worship Allah as if you see Him. If you cannot see Him, actually He sees you." (Muslim, 1389). This understanding assumes that every human being does any deed must always be monitored by Allah. Humans cannot do lies, and they must fear God's rebuke.

## 2. Istiqamah

Istiqamah is an attitude of dedication in doing a job or a struggle to uphold the truth without feeling disappointed, weak in spirit, or despair. "Indeed, those who say," Our Lord is Allah, then they remain *istiqamah*, then there is no worry for them, nor do they grieve." (Surah 46 [al-Ahqaf]: 13). "Our God is





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God; then they confirmed their position (istiqamah) ... "(QS. 41 [Fushilat]: 30)," And those who maintain their mandates and promises ... and those who hold fast to their testimony (QS. 70 [al-Ma'arij] 32-33).

With istiqamah attitude, humans can work comfortably and are moved only to get the pleasure of Allah, cannot be influenced by desires that lead to wrong actions, because they already have a firm stance towards the truth.

### 3. Ikhlas/Sincere

Ikhlas/sincere means pure, not mixed with others. Ikhlas is to do charity deeds solely because of Allah. Doing something you do not want to see by someone. "Say, in fact, I was ordered to worship Allah in full obedience to Him in religion" (Surat 39 [al-Zumar]: 11). Doing sincerely can produce quality jobs because in working with sincerity without having a burden on his feelings and thoughts, only one determination that the results of his work benefit others.

### 4. Trust/integrity

Amanah means trusted or trusted. In aqeedah and Islamic law, trust is everything that must be accounted for and related to other people or other parties. Trust can be in the form of objects, jobs, words, or beliefs. So, trust can be in the form of anything that will ultimately be held accountable. "Indeed, Allah told you to deliver a message to those who have the right to receive it, and if you set a law among men, you should justify it." (Qur'an 4: al-Nisa: 58).

### 5. Commitment

Commitment is a situation where someone agrees (attachment), both to themselves and to others, which is reflected in specific actions/behaviors carried out voluntarily or forcibly. Commitment is a form of obligation that binds a person to something, both self and others, specific actions or things. Commitment is a loyal attitude and responsibility of someone towards something, be it themselves, others, or organizations. "... except those who repent improve themselves and cling to the religion of God and with sincerity ..." (QS. 4 [Al-Nisa]: 146).

### 6. Fair

Fair/'adilun, means the same or balanced (proportional). Fair puts something in its place, gives or receives something according to its rights, and punishes the evil according to its rights, and punishes the evil according to its mistakes and violators, not biased. "Surely Allah tells you to do justice ..." (Surah 16 [an-Nahl]: 90). Islam strongly emphasizes fairness in all aspects of life. Be fair in themselves and others. Al-Qur'an views that justice is the core of Islamic teachings that cover all aspects of life. The principle of justice brought by the Qur'an is very contextual and relevant to be applied to religious, family and community life. Justice gives rights to others. "Verily Allah commands you to be just and do good (Ihsan), and forbid evil and evil deeds ..." (Surah 16 [An-Nahl]: 90). The expected implication of this fair behavior is that halal business people do not impose the will to fulfill their interests.

## V. CONCLUSION & SUGGESTION

The business of halal products is a noble job, because halal products tend to be healthy and safe from negative effects for users. Consuming halal products is an order of the Qur'an and the Sunnah of the Prophet. To produce products that are truly halal, important producers understand the production management system by preparing productive human capital as taught in the Qur'an and Hadith. This sharia principle is the embodiment of Maqhasid al-sharia, which is based on fiqh rules based on five basic principles (qawaid al-khams). In the Qur'an and the hadith have been taught how humans must have superior productivity in carrying out their business work. Developing the productivity of human capital can be done with a culture of literacy for internalization and habituation to practice Ihsan behavior, istiqamah, sincerity, trust / integrity, commitment and being fair, through training, coaching and empowerment. By embedding Ihsan's behavior in his life he always felt afraid of making irregularities in work. As a result of this Ihsan behavior can lead to the tendency of work discipline, have a commitment to the tasks charged, dare to avoid actions that can harm other people, have a sense of responsibility in the task to produce quality performance. If all of these behaviors have been embedded in every business person, it is hoped that it can foster awareness in realizing halal products as taught by Islamic Sharia.



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