

Opportunities and Challenges of Indonesia's Halal Industry: A Qualitative Analysis

Anisa Fadilah Zustika^{a, 1*}, Salshabila Syifa Nurendra^{b, 2}

¹ Faculty of Economic and Business, Universitas Negeri Surabaya, Indonesia
² faculty of Economics and Administrative Sciences, Ankara Hacı Bayram Veli University, Turkey
Email: ^aanisazustika@unesa.ac.id, ^bnurendra.salshabilasyifa@ogr.hbv.edu.tr,

*Corresponding Author

DOI: [XXXX](#)



ABSTRACT

Keywords:
*Halal
Industry;
islamic
economic;
halal literacy.*

Indonesia, with the world's largest Muslim population of over 244 million, holds vast potential for halal industry development in both domestic and global markets. The government has taken steps through the establishment of the Halal Product Assurance Agency (BPJPH) and the enactment of Law No. 33 of 2014. However, development still faces key challenges, including regulatory complexity, low halal literacy, limited infrastructure, and weak competitiveness compared to countries like Malaysia and Thailand. Using a qualitative literature review with content analysis of accredited journals and official data, this study finds a significant gap between market potential and halal certification, as only about 30% of MSME products are certified. Nevertheless, opportunities remain promising, supported by global ethical consumerism trends and the Indonesian Islamic Economic Masterplan 2019–2024. The study concludes that advancing halal literacy, simplifying regulations, improving infrastructure, and adopting global branding strategies are essential for Indonesia to shift from being a major consumer to a competitive global halal producer.

Article Info:

Submitted:
01/1/2025
Revised:
10/02/2025
Published:
27/05/2025



This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International \(CC BY-SA 4.0\)](#)

INTRODUCTION

Indonesia ranks as the country with the largest Muslim population globally. Goodstat (2025) reports that approximately 244.7 million Indonesians identify as Muslims, representing more than 86 percent of the nation's total population (*Goodstat Research Report*, 2025). The proportion of Indonesia's Muslim population affirms that the country not only holds potential as a center for the development of Islamic civilization but also as a major domestic market for halal products and services. The halal industry plays a strategic role in strengthening the national economy; thus, its development in Indonesia is not merely optional but a strategic necessity aligned with societal needs (Adamsah & Subakti, 2022). Globally, the halal industry has experienced rapid growth, and Indonesia's position within this context is particularly significant—not only due to the size of its domestic market but also its potential to become a leading producer and exporter of halal products. The halal industry is both a concept and an approach that seeks to understand and analyze the dynamics of industries related to the production, distribution, and consumption of halal goods and services (Adamsah & Subakti, 2022).

In terms of policy, Indonesia's halal industry has received strong institutional support with the establishment of the Halal Product Assurance Agency (BPJPH) in 2019, as the implementation of Law No. 33 of 2014 on Halal Product Assurance. The creation of BPJPH marked an important milestone in the halal certification system in Indonesia, as the government assumed a central role in ensuring halal product assurance for society. Between 2019 and 2022, a total of 749,971 products were certified halal, averaging approximately 250,000 products per year. This figure indicates a significant increase compared to the previous period, which only reached around 100,000 products annually. BPJPH has introduced various strategic initiatives to accelerate halal certification and strengthen the halal ecosystem in Indonesia, with the broader goal of positioning the country as the world's leading halal product producer (*BPJPH INDONESIA*, 2025).

Despite these achievements, several fundamental challenges remain. First, bureaucratic complexity in the halal certification process continues to hinder access, particularly for Micro, Small, and Medium Enterprises (MSMEs). In Pamekasan Regency, for instance, the main obstacles faced by MSMEs in halal certification include a lack of information on requirements and procedures, complex processes, and costs perceived as burdensome (*BPJPH INDONESIA*, 2025). Second, the global competitiveness of Indonesian halal products remains relatively low compared to countries such as Malaysia, Thailand, or even Brazil, which—despite being a non-Muslim country—has become one of the world's leading exporters of halal products. Data on halal exports show that Indonesia's market share is still relatively small compared to non-Muslim exporters such as

Brazil, Thailand, and Australia. Key barriers include the absence of harmonized global standards, high certification costs for MSMEs, and limitations in an integrated halal supply chain from upstream to downstream (Hasna, 2025). Third, low halal literacy among MSMEs means that many business actors have yet to recognize the urgency of halal certification, either as a regulatory requirement or as an instrument to enhance product value in the marketplace (Ramadhani & Timur, 2025). At the international level, Indonesia's halal certification system also continues to face challenges of global recognition, underscoring the need for harmonized standards that can enhance both competitiveness and consumer trust.

On the other hand, the opportunities for Indonesia's halal industry are vast. First, with the world's largest Muslim population, Indonesia possesses a captive domestic market that will continue to expand in line with the growth of the Muslim middle class. Second, the halal sector aligns with global trends toward sustainable and ethical lifestyles (ethical consumerism), making halal products attractive not only to Muslim consumers but also to non-Muslims who prioritize quality, hygiene, and product safety. Third, government support through the Indonesian Islamic Economic Masterplan 2019–2024 further demonstrates the state's commitment to positioning the halal industry as a pillar of national development.

Nevertheless, comprehensive research on the opportunities and challenges of Indonesia's halal industry remains limited. Most existing studies focus either on regulatory aspects or statistical data, while holistic analyses linking policy, business literacy, global competitiveness, and infrastructure readiness are still rare. This study seeks to address that gap by adopting a qualitative approach based on literature review, drawing upon Sinta-indexed journals and official government data. The urgency of this research is not only academic but also practical. From an academic standpoint, it aims to enrich the body of literature on the development of the halal industry in Indonesia by emphasizing the nexus between vast domestic market opportunities and global economic challenges. From a practical perspective, the study seeks to provide insights for policymakers, business actors, and relevant institutions in strengthening strategies for the advancement of Indonesia's halal industry. With a more comprehensive understanding, Indonesia is expected to play a greater role in the global halal supply chain while maximizing both the economic and social benefits of the industry's development. Accordingly, this research aims to provide an in-depth qualitative analysis of the opportunities and challenges of Indonesia's halal industry, with the expectation of contributing to policy development, business strategies, and the enhancement of halal literacy within society.

The Halal Product Assurance Organizing Agency (BPJPH)

The Halal Product Assurance Organizing Agency (BPJPH) is a non-ministerial government body (LPNK) directly responsible to the President of the Republic of Indonesia. Established under Presidential Regulation No. 153 of 2024, BPJPH serves as the central authority for administering halal product assurance in Indonesia in accordance with Law No. 33 of 2014 concerning Halal Product Assurance (JPH). Based on BPJPH Regulation No. 1 of 2024, BPJPH is mandated to: (a) formulate and establish JPH policies; (b) determine norms, standards, procedures, and criteria for JPH; (c) issue and revoke halal certificates and labels; (d) register halal certificates for foreign products; (e) conduct socialization, education, and publication on halal products; (f) accredit Halal Inspection Bodies (LPH); (g) register halal auditors; (h) supervise JPH implementation; (i) provide training for halal auditors; and (j) establish cooperation with domestic and international institutions in the field of halal product assurance.

In carrying out its mandate, BPJPH collaborates with relevant ministries and/or institutions, Halal Inspection Bodies (LPH), Halal Product Process Assistance Institutions (LP3H), the Indonesian Ulema Council (MUI), and the Halal Product Fatwa Committee. BPJPH also engages in international cooperation on halal assurance, while at the national level it works with various stakeholders, including ministries/agencies, local governments, state-owned enterprises, universities, business associations, communities, civil society organizations, training institutions, and halal research centers. Strategic initiatives are continuously pursued to accelerate halal certification processes and strengthen the halal ecosystem, with the ultimate goal of positioning Indonesia as the world's leading halal product producer (BPJPH Indonesia, 2025).

Concept and Definition of the Halal Industry

The legal definition of halal in Indonesia is regulated under Law No. 33 of 2014 on Halal Product Assurance (UU JPH), implemented by BPJPH under the Ministry of Religious Affairs. This regulation makes Indonesia one of the first countries to mandate halal certification in phases—beginning with food and beverages, followed by pharmaceuticals, cosmetics, and consumer goods. The halal industry encompasses all economic activities related to the production, distribution, and provision of goods and services in compliance with Islamic principles. Its scope extends beyond food and beverages to include pharmaceuticals, cosmetics, tourism, logistics, and Islamic finance. This reflects that halal is a comprehensive ecosystem requiring adherence to sharia standards throughout the entire economic value chain. Unlike conventional industries, the halal industry embodies not only financial goals but also spiritual and social

dimensions, thereby receiving growing global attention amid rising consumer awareness of sharia-compliant products(Sudarmi et al., 2025).

Indonesia has a comparative advantage in the halal product business, offering both opportunities and challenges, as well as problems and solutions. As an agrarian and maritime country, Indonesia possesses significant economic potential to be developed into value-added activities. Moreover, Indonesia ranks first in the world in halal food consumption(Warto & Arif, 2020). The halal food and beverage industry in Indonesia has experienced significant growth, with the development of the halal industry having a substantial impact on Islamic countries(Warto & Arif, 2020). In addition to halal food, fashion is another important sector within the halal industry. Halal fashion is considered one of the fundamental needs of the halal industry, where the halal aspects must be carefully observed by both producers and consumers. However, monitoring halal fashion products is not as straightforward as monitoring halal food, which can be certified through material testing. This is because the scope of fashion extends beyond clothing and apparel to include other items such as bags, shoes, accessories, and more(Warto & Arif, 2020)

Another key sector of the halal industry is tourism. Indonesia holds tremendous potential in this area, not only due to its natural beauty but also its vast natural resources spread across more than 17,000 islands. With tourism designated as a leading sector, it has significantly contributed to the national economy by driving economic growth, increasing foreign exchange earnings, and creating employment opportunities. Sharia-compliant tourism destinations are defined as geographic areas within one or more administrative regions that feature tourist attractions, worship and public facilities, tourism infrastructure, accessibility, and local communities that are interconnected and collectively support tourism development in accordance with Sharia principles(Warto & Arif, 2020).

Opportunities in Indonesia's Halal Industry

The prospects for Indonesia's halal industry are substantial, both in terms of demand and supply. On the demand side, the large Muslim population forms a potential domestic market. Muslim consumers are increasingly aware of the importance of halal products—not only for religious reasons but also for health, safety, and quality considerations. According to the Global Islamic Economy Report global Muslim consumer spending exceeded USD 2.2 trillion, with steady growth projected annually. Indonesia contributes significantly, particularly in halal food, halal tourism, and halal cosmetics(*Islamic Bussines Riview*, 2023).

On the supply side, Indonesia benefits from abundant natural resources and a large workforce. For instance, the food and beverage industry remains the largest contributor to non-oil and gas manufacturing GDP (approximately 6.5%

in 2022, BPS). If fully integrated with the halal ecosystem, this sector could significantly boost halal exports. Furthermore, the government has introduced the Indonesian Islamic Economic Masterplan 2019–2024, emphasizing four strategic pillars: (1) strengthening the halal value chain (food, beverage, fashion, tourism), (2) enhancing Islamic finance, (3) empowering micro, small, and medium enterprises (MSMEs), and (4) strengthening regulations and human resources. Bank Indonesia projects that priority halal value chain sectors (agriculture, halal food and beverage, Muslim fashion, and Muslim-friendly tourism) will grow by 4.5–5.3%, supported by Islamic banking financing growth of 14–16% (Bank Indonesia, 2023). In addition to the domestic market, export opportunities are promising, as Middle Eastern, South Asian, and even European markets are increasingly open to Indonesian halal products.

Challenges of the Halal Industry in Indonesia

Despite its vast potential, Indonesia's halal industry continues to face structural challenges that hinder its global competitiveness. Regulatory and certification processes remain a major barrier, as many MSMEs struggle with high costs, lack of information, and bureaucratic complexity, reflecting what institutional theory identifies as weak institutional capacity and regulatory inefficiency (Scott, 2014). At the same time, product quality and competitiveness remain limited, with Indonesian exports still dominated by low value-added commodities, while neighboring countries such as Malaysia, Thailand, and Brunei have successfully developed strong global halal branding (Fathoni, 2020). This condition resonates with Porter's (1990) competitive advantage theory, which stresses the importance of innovation, differentiation, and branding to strengthen a nation's market position. Another pressing issue is the lack of supporting infrastructure and ecosystem, as halal hubs, industrial parks, and logistics networks remain underdeveloped, increasing production and distribution costs. Systems theory (Von Bertalanffy, 1968) highlights that a functioning halal industry ecosystem requires interdependent components working in synergy, yet Indonesia's fragmented infrastructure reduces efficiency and competitiveness. Moreover, consumer awareness and halal literacy remain low, with many assuming domestic products are inherently halal, thus weakening the demand for certification. In line with consumer behavior theory (Schiffman & Wisenblit, 2019), this shows that awareness, trust, and perceived value play a vital role in shaping consumer decisions.

Overall, overcoming these challenges requires coordinated efforts to strengthen institutions, build competitive advantage, expand infrastructure, and raise consumer awareness, enabling Indonesia to transform its demographic strength into a sustainable position as a global halal leader. Halal awareness is closely linked to knowledge, understanding, and religiosity. However, halal

literacy in Indonesia remains low, particularly among MSMEs. Many entrepreneurs do not recognize the importance of halal certification, while consumers often assume local products are automatically halal without checking official labels (Hasyim, 2023).

RESEARCH METHOD

This study employs a qualitative research approach using the literature review method. The data sources include accredited national journals, prior research publications, and official government reports, which provide a comprehensive perspective on the halal industry in Indonesia. The analysis was carried out through content analysis (Creswell, 2018), focusing on identifying patterns, recurring concepts, and key themes related to both opportunities and challenges. Furthermore, to ensure the validity of the results, source triangulation was applied by cross-checking findings from different types of literature, including academic articles, statistical data, and policy documents. This methodological framework strengthens the credibility of the study and provides a more holistic understanding of the issues examined.

RESULT AND DISCUSSION

Synthetic Analysis and Implications

Indonesia's large Muslim population provides a natural base for the halal industry, positioning the country as a potential leader in the global halal economy. According to the *Global Islamic Economy Report* (DinarStandard, 2023), Muslim consumers worldwide spent nearly USD 2 trillion on halal-related sectors, including food, pharmaceuticals, and cosmetics, highlighting both domestic and international opportunities. However, data from the Halal Product Assurance Agency (BPJPH, 2024) show that only 4 million out of an estimated 13 million MSME products are certified halal—approximately 30%. This gap between potential and realization reflects structural barriers such as limited halal literacy, high certification costs, and insufficient institutional support. From an institutional theory perspective, weak regulatory coherence and institutional capacity reduce the effectiveness of halal governance in Indonesia (Scott, 2014).

From the perspective of the domestic economy, the existence of a large halal consumer base provides opportunities for MSMEs to thrive. Halal assurance can build consumer trust, which is crucial in purchase decisions (Wilson & Liu, 2011). However, the low certification rate risks Indonesia relying heavily on imported halal products from more competitive countries such as Malaysia and Thailand. Porter's (1990) theory of competitive advantage suggests that without strengthening local industry capabilities, Indonesia risks losing its comparative advantage despite abundant demand. This situation indicates the urgency of

enhancing MSME capacity to align with halal certification requirements and meet consumer expectations.

In terms of global exports, Indonesian halal products have begun to penetrate international markets. Nevertheless, limited branding and the lack of alignment with international standards such as those from the Organization of Islamic Cooperation (OIC) or Standards and Metrology Institute for Islamic Countries (SMIIC) have hindered competitiveness. The Resource-Based View (RBV) theory emphasizes that firms require unique, valuable, and inimitable resources to compete globally (Barney, 1991). For Indonesian halal products, these resources could include strong global branding strategies, innovation in halal product development, and compliance with international certification frameworks. Without such capabilities, Indonesian products remain vulnerable to substitution by better-branded products from competing countries.

On the policy side, the government has introduced progressive initiatives, such as the Indonesian Islamic Economic Masterplan 2019–2024, aiming to position the country as a global halal hub. However, implementation faces challenges: weak halal literacy among business actors, expensive and bureaucratic certification processes, and inadequate infrastructure to support the industry's growth. Policy implementation theory suggests that even well-designed programs may fail without effective coordination and resource mobilization (Pressman & Wildavsky, 1984). This indicates the importance of strengthening collaboration among government institutions, halal certification bodies, academia, and industry stakeholders to bridge the gap between policy formulation and practice.

In conclusion, Indonesia's halal industry potential lies at the intersection of a strong domestic Muslim consumer base, growing global halal demand, and supportive government policies. Yet, realizing this potential requires strategic interventions: increasing halal literacy through public campaigns and education, streamlining certification to reduce costs, strengthening infrastructure, and enhancing international branding and standardization. By addressing these structural challenges, Indonesia can transform from a large consumer of halal products into a globally competitive producer, leveraging its demographic advantage as a source of sustainable economic growth and international competitiveness.

CONCLUSION

The halal industry in Indonesia has a very strong foundation, supported by the dominance of the world's largest Muslim population, accounting for 87.2% of the total population. This creates a potential captive market for the growth of the halal ecosystem, ranging from food, beverages, cosmetics, and pharmaceuticals to tourism. However, data indicate a significant gap between market potential

and the realization of halal certification—only around 4 million products are certified out of an estimated 13 million SME-medium-scale products. This shows that although the domestic market is available, the industry has not yet been able to fully meet this demand. At the global level, Indonesia holds a strategic opportunity to become the center of the world's halal industry. The international halal market is projected to reach USD 2.4 trillion in 2024, with Indonesia beginning to penetrate markets in the Middle East, South Asia, and even Europe. Nevertheless, global recognition of standards and branding remain major challenges, limiting the expansion of Indonesian halal products in international markets. On the other hand, regulatory issues, halal literacy, and infrastructure remain serious obstacles. The implementation of mandatory halal certification (Law No. 33/2014 and Government Regulation No. 39/2021) has not been fully matched by the readiness of business actors, particularly SMEs, who face limitations in knowledge, costs, and access to laboratory testing. Low halal literacy (Nurhayati & Huda, 2021) and the limited capacity of Halal Inspection Bodies (LPH) prolong the certification process and weaken global competitiveness. In conclusion, the dominance of Indonesia's domestic Muslim market provides a strong foundation for halal industry growth, while globalization offers the country a strategic position in the global halal value chain that demands enhanced competitiveness through branding, international standardization, and product innovation. To fully realize this potential, regulatory, literacy, and infrastructure challenges must be addressed through collaboration among the government, halal institutions, academia, and industry players, enabling Indonesia to transform its vast resources into a sustainable global competitive advantage. Overall, the analysis highlights that Indonesia's halal industry is in a transitional phase: moving from enormous potential toward the actualization of a global role. Indonesia's success will largely depend on policy consistency, improving halal literacy among society and business actors, and investing in infrastructure to support halal certification and distribution.

REFERENCES

- Adamsah, B., & Subakti, E. (2022). Development of the Halal Industry on Indonesian Economic Growth. *Indonesia Journal of Halal*, 5(1), 71–75.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17 (1), 99–120. <https://doi.org/10.1177/014920639101700108>
- BPJPH INDONESIA. (2025). <https://bpjph.halal.go.id/detail/tentang-bpjph>
- BPJPH. (2024). Halal certification report 2024. Halal Product Assurance Agency, Ministry of Religious Affairs, Republic of Indonesia.
- Creswell, J. (2018). *Qualitative Inquiry and Research Design*. Sage Publications.

-
- DinarStandard. (2023). State of the global Islamic economy report 2023. Dubai International Financial Centre.
- Fathoni, M. A. (2020). Potret Industri Halal Indonesia: Peluang dan Tantangan. *Jurnal Ilmiah Ekonomi Islam*, 6(3), 428. <https://doi.org/10.29040/jiei.v6i3.1146>
- goodstat research report. (2025). Goodstat Research Report. <https://data.goodstats.id/statistic/10-negara-dengan-penduduk-muslim-terbanyak-di-dunia-2025-indonesia-nomor-1-jLsPi>
- Hasna, A. (2025). Potensi Industri Halal Indonesia Dalam Peta Ekonomi Syariah Global. 2, 1–20.
- Hasna, A. (2025). Potensi Industri Halal Indonesia Dalam Peta Ekonomi Syariah Global. 2, 1–20.
- Hasyim, H. (2023). Opportunities and Challenges for the Halal Industry in Indonesia. *Ad-Deenar: Journal of Islamic Economics and Business*, 7(2), 665–688. <https://doi.org/10.30868/ad.v7i02.4918>
- islamic bussines riview. (2023). https://islamicbr.com/read_article/the-rise-of-the-global-halal-industry-trends-and-key-sectors-for-future-direction?utm_source=chatgpt.com
- Porter, M. E. (1990). The competitive advantage of nations. Free Press.
- Pressman, J. L., & Wildavsky, A. (1984). Implementation: How great expectations in Washington are dashed in Oakland (3rd ed.). University of California Press.
- Ramadhani, N. F., & Timur, J. (2025). Sertifikasi Halal Umkm: Tantangan Dan Strategi. 2.
- Scott, W. R. (2014). Institutions and organizations: Ideas, interests, and identities (4th ed.). SAGE Publications.
- Sudarmi, S., Lutfi, M., Siradjuddin, S., Agus Syam, & Hasisa Haruna. (2025). Membuka Gerbang Emas: Potensi Besar Pembiayaan Syariah Dalam Pengembangan Industri Halal Di Indonesia. *PESHUM: Jurnal Pendidikan, Sosial Dan Humaniora*, 4(3), 3649–3659.
- Warto, W., & Arif, Z. (2020). Bisnis Produk Halal antara Peluang dan Tantangan, Problematika dan Solusinya. *Al-Ulum*, 20(1), 274–294. <https://doi.org/10.30603/au.v20i1.1170>