
Potential Development of the Indonesian Halal Industry

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Abstract: *Halal and haram is a fairly familiar topic regarding food and beverage products or services. However, currently many products do not include the halal logo on their products, and in the current era, many consumers prefer to consume those that already have the halal logo because the quality is guaranteed. The aim of this research is to look at the development of the halal industry in Indonesia, using qualitative research which is supported by data and previous research which is in line with the research to be carried out. The government has implemented several programs to support the successful development of the halal industry, because seeing Indonesia's potential regarding the halal industry is also very good, the government also sees this as an opportunity for the nation's economy. Currently, the government continues to try to support the halal industry in Indonesia with various efforts, one of which is through implementing a halal certification policy.*

Keywords: *development, halal industry*

1. Introduction

Indonesia is a country located in Southeast Asia which is located between the continents of Asia and Oceania, and this also makes Indonesia the 14th largest country and makes Indonesia famous as the largest archipelagic country in the world with an area of 1,904,569 km² starting from the Kalimantan region to the Papua. Of course, these conditions make Indonesia one of the countries with the largest population in the world, reaching 277,749,853 people, with the majority of its citizens embracing Islam with a percentage of 86.9% (Central Statistics Agency, 2020). Indonesia is also growing with diversity ranging from ethnicity, race and culture, despite these conditions the Indonesian people are still able to live side by side in harmony by practicing the beliefs they believe in. This condition also does not make Indonesia develop or adopt an Islamic state, however, with the majority of religions being adhered to is Islam, the teachings or knowledge that is often applied is Islamic science or in accordance with Islamic law which refers to the Koran and Hadith, especially in matters that lead to halal provisions. and haram for Muslims.

Halal means that only what is clean and good can be consumed by Muslims (Aswad, 2022), this is important for business people because people increasingly care about the quality and products they consume. Halal can also be interpreted as a quality standard that is in accordance with Islamic Sharia. Halal products and services are chosen by Muslims as a form of compliance with Islamic Sharia law (Waharini & Purwantini, 2018). At this time halal is not just talking about religion but has become a symbol that represents a quality lifestyle (Izzudin & Adinugraha, 2017). Even though halal is synonymous with Muslims, that doesn't mean it's only halal especially for those who are Muslim, even Russia is ranked 9th as a consumer of halal food in the world with an achievement of \$37 billion in 2015, because the quality of halal products or commonly known as Halalan Thoyyiban is a reason for non-Muslims to use halal products

because of their guarantee of cleanliness, safety and product quality throughout the production chain (Atikaputri, 2023).

The halal industry is one of the sectors that is developing very rapidly in the world economy (Fathoni, 2020). The growth and development of the halal product business is influenced by superior competitiveness and competitive products (Yulia, 2019). The halal industry is currently a world trend. According to a report from the State of the Global Islamic Report (2019), there are around 1.8 billion Muslims who are consumers of the halal industry. Consumer opportunities in the halal industry increase by 5.2% every year with total consumer spending reaching USD 2.2 trillion. This number is expected to continue to increase every year. Projections of the Compound Annual Growth Rate (CAGR) of the halal industry will increase to reach 6.2% in the period 2018 to 2024. Total funds spent by halal industry consumers will also increase to reach USD 3.2 trillion in 2024. From the data We can see that the halal industry has very bright prospects in the future (State of Global Islamic Economy Report 2019).

The halal industry is starting to become one of the sectors that can help the Indonesian economy. The halal industry has contributed USD 3.8 billion to Indonesia's Gross Domestic Product (GDP) every year. Apart from that, the halal industry has also contributed USD 1 billion in investment from foreign investors and created 127 thousand jobs per year. If further optimized, the halal industry can increase the value of exports and the country's foreign exchange reserves (Ministry of Finance of the Republic of Indonesia 2019).

Based on the background explained above, the author is interested in highlighting research on the Halal Industry in the Indonesian Economy. Through this research, the author hopes to contribute to a portrait of the Indonesian halal industry which has the opportunity to be developed. Not only that, the results of this research are also expected to provide an explanation of which industrial sectors have great strength and potential in helping the Indonesian economy.

2. Materials and Methods

Research methods are a scientific way to obtain data with specific purposes and uses. The scientific method means a research activity that is based on science, namely empirical, rational and systematic (Bungin, 2003: 3). Rational means that the research activities carried out can be accepted or reasoned by human thinking, empirical means that the ways in which research is carried out can be observed or seen by the human senses, so that other people are able to see the methods used, and systematic means the process used in research activities. It uses logical steps.

There are 2 types of research methods, namely quantitative and qualitative. The definition of quantitative research itself is systematic scientific research into parts and phenomena and their relationships. Quantitative research is defined as a systematic investigation of phenomena by collecting data that can be measured. By carrying out statistical, mathematical or computing techniques (Saputra, nd). The definition of qualitative research itself is research that is descriptive in nature and focuses more on analysis. Qualitative research often emphasizes the perspective of the subject, process and meaning of the research by using basic theory as support to match the facts in the field. Apart from that, the theoretical basis is used as a general description of the research background and supporting material for research discussion. Qualitative research requires researchers to build a complex and holistic picture, analyze words, opinions, information obtained from informants (subjects) in a natural setting and present it in a report (Fiantika & Maharani, 2022).

This research uses a descriptive qualitative type. This research is library research that uses secondary data obtained through scientific articles and other documents according to the topic being discussed. The data obtained was then analyzed by producing descriptive explanations in the form of words, images and symbols connected to the object of this research. Data analysis in this research was carried out in three stages, namely data reduction, data categorization, and data verification. Data reduction in this research was carried out by selecting all data through cutting and simplifying existing data according to the research topic. Next, categorization of the reduced data was carried out according to the research topic, namely the role of the Halal

Industry in the Indonesian Economy. The final stage is data verification to draw conclusions which are the researcher's interpretation of the data. Verification is carried out using triangulation techniques, namely comparing one data source with another data source (Adamsah & Subakti, nd)

3. Results and Discussion

Judging from the population or population in Indonesia, with the average population being Muslim, there is great potential to develop this halal industry (Anggraeni, R, 2021). The government currently seems aware of this potential, as evidenced by the existence of a master plan whose aim is to encourage increased added value, employment opportunities, investment in the real sector, and industrialization. From time to time, the development of the halal industry in Indonesia. The strategy that will be used to achieve these results is increasing productivity and competitiveness, through 4 main programs, namely:

1. Strengthening the halal value chain, developing superior and competitive Human Resources (HR); Strengthening halal industry players including Micro, Small and Medium Enterprises (I/UMKM) and Islamic boarding schools, as well as strengthening incubation of halal business startups based on innovation and technology; and Increased research and innovation.
2. Implementation and strengthening of policies and regulations, consisting of two main programs, namely Strengthening the halal industry through the support of policies and regulations that have adequate benefits, certainty and fairness; and Implementation of a halal product guarantee system (certification and traceability).
3. Strengthening finances and infrastructure, having three main programs, namely inclusive sharia financial support; Strengthening halal industrial infrastructure; and Preparation of halal industry indicators and databases by national data authorities.
4. Strengthening halal brand and awareness, including two main programs, namely Improvement social and halal lifestyle preferences through promotion and education; and Establishment of international economic diplomatic relations in the halal industry sector.

Through the main strategies and programs above, the achievement targets contained in MPIHI are as follows: increasing added value, employment, investment in the real sector, and industrialization; increasing high value added exports and import substitution; strengthening the pillars of economic growth and competitiveness; strengthening entrepreneurship and I/UMKM strengthening halal brand and awareness (MASTER PLAN Executive Summary, 2023).



3. Figure 8. Main Strategy for Halal Industry Development

The development of the halal industry can be carried out with a mature strategy, one of which is using a good strategy as in the picture above which shows the division of strategies in terms

of the main strategies, namely increasing productivity and competitiveness, implementing and improving regulations, strengthening finance and infrastructure, and strengthening halal brand awareness. . Programs that are currently a priority are developing superior and competitive human resources, increasing research and innovation, strengthening halal industry infrastructure, inclusive sharia financial support, implementing a halal system (certification), increasing promotion via social media regarding halal style.

Based on data from the 2020/2021 Global Islamic Economy Report presented by the Minister of Finance at the Opening Ceremony of AICIF 2021 The 9th ASEAN Universities International Conference on Islamic Finance, it is known that Expenditures related to halal food and beverages, halal pharmaceuticals and cosmetics, Muslim tourism, and halal lifestyle in 2019 reached US\$2.02 trillion. Where Indonesia's sharia economy and finance managed to occupy 4th place in the world by becoming the largest consumer in the halal product consumption sector with a consumption value reaching US\$144 billion. Apart from that, Indonesia also succeeded in occupying 6th and 3rd positions in the world in the Muslim-friendly tourism and Muslim fashion sectors with consumption values reaching US\$11.2 billion and US\$16 billion. Furthermore, in the halal pharmaceutical and cosmetics sector, Indonesia succeeded in occupying 6th and 2nd positions with a consumption value of US\$5.4 billion and US\$4 billion.¹¹ (Ministry of Finance. 2021, November 17).

Seeing these conditions, the Indonesian government is also implementing a halal certification policy through the Minister of Finance Regulation Number 57 of 2021 concerning Service Tariffs for Public Service Agencies for Halal Product Guarantee Organizing Bodies at the Ministry of Religion. In order to implement this policy, the government has also announced an exemption from halal certification fees, in particular for MSMEs. This is done to increase the efficiency and competitiveness of business actors, so that their market reach is wider. In developing the halal industry, the government is currently focusing on 3 (three) things, namely infrastructure development, a halal guarantee system, and increasing the halal contribution to Indonesia's trade balance (Shahnaz, K., 2021). Based on news obtained from a press release from the Ministry of Industry of the Republic of Indonesia, currently the government is also aggressively attracting investors to play a role in developing the halal industry in Indonesia. Then, the ministry also encourages the halal logistics business to develop as a support for the halal industry, so that it can guarantee the consistency of the halal products themselves. And the Ministry of Industry will later revise Minister of Industry Regulation Number 17 of 2020 concerning Procedures for Obtaining a Certificate for the Context of Establishing a Halal Industrial Area by attaching a facilities clause. This is done to speed up the provision of facilities to halal industry business actors (Azizah et al., 2022).

4. Conclusion

In the last few years, the Indonesian halal industry has continued to show rapid development as proven by its ability to occupy the 4th position in the world. This condition will certainly increase the enthusiasm of the stakeholders involved in the project. The government has also shown its seriousness in development of the halal industry by creating an Indonesian halal industry master plan (mpihi) which includes targets and focuses on what will be developed regarding the halal industry. Of course, developing the halal industry is not easy, but actors involved in the halal industry must always be united, starting from the government, citizens and related institutions such as the banking sector, which plays a vital role in matters of financing or providing capital for business actors. It would be a shame if this positive trend does not continue because Indonesia has enormous potential and is very good at developing into the center of the world's halal industry.

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