

## **The Role of The Indonesia's Halal Industry in Realizing Sustainable Development Goals (SDGs)**

Novalini Jailani  
STAI Ki Ageng Pekalongan, Indonesia

Email correspondent: [novalini.jailani@staikap.ac.id](mailto:novalini.jailani@staikap.ac.id)

**ABSTRACT:** The halal industry has emerged as a significant contributor to sustainable development, particularly in Muslim-majority countries like Indonesia. This paper explores the role of Indonesia's halal industry in advancing the United Nations Sustainable Development Goals (SDGs), focusing on its economic, social, and environmental impacts. The research employs a qualitative descriptive approach, utilizing extensive literature review and analysis of existing data to assess the industry's contributions to specific SDGs such as poverty reduction, sustainable consumption, and environmental sustainability. The findings reveal that Indonesia's halal industry not only drives economic growth by increasing exports and creating jobs but also plays a crucial role in empowering communities and promoting environmentally friendly practices. Despite its potential, challenges such as fragmented governance and limited resources need to be addressed to optimize the industry's impact on sustainable development. The study underscores the importance of integrating halal industry practices with broader socio-economic and environmental goals, offering insights for policymakers and industry stakeholders to enhance the contribution of the halal sector to Indonesia's sustainable future. This research contributes to the academic discourse by linking religious and cultural practices with global development objectives, providing a comprehensive understanding of the intersection between the halal industry and sustainable development in Indonesia.

**Keywords:** Halal Industry, SDGs, Economic, Social, Environment

### **1. INTRODUCTION**

The halal industry has seen significant growth and is in the global spotlight. On a broad scale, the industry encompasses a wide range of sectors, including food, finance, pharmaceuticals and tourism (Putra et al., 2023). The halal industry, rooted in compliance with Islamic principles, has witnessed rapid expansion globally. Among Muslim-majority countries, Indonesia stands at the forefront of this growth. As the world's most populous Muslim-majority nation, Indonesia plays a central role in shaping the halal market. The halal industry is not just about complying with religious principles, but also a pillar of sustainable economic growth. Compliance with halal principles is not only a religious obligation, but also a social norm that is increasingly considered by global consumers (Ernayani & Firman, 2024).

Considering sustainable development, the halal industry has a strategic role. Sustainable development is a program that integrates economic, social and environmental for the benefit of humans and the sustainability of the earth (Ameliora, 2020). The intersection of the halal industry with broader socio-economic goals is becoming increasingly important. The halal industry is not only about economic sustainability, but also about environmental sustainability and community well-being. By ensuring environmentally friendly, inclusive, and ethical production, the halal industry can be an engine of sustainable growth and contribute to the achievement of global development goals (Ernayani & Firman, 2024).

Previous research has highlighted the importance of the halal economy and industry in Muslim-majority countries. Research has shown that these industries not only fulfill religious requirements but also promote economic development (Utari et al., 2022), employment creation (Herianti et al., 2023) and social welfare. However, The connection between the halal industry and the Sustainable Development Goals (SDGs) remains under-explored. Recent literature suggests that the halal industry has the potential to contribute significantly to several SDGs, including those related to economic growth, sustainable consumption and responsible production. For example, research by Dewi found that the synergy of the halal industry and green economy can support human and environmental well-being (Dewi, 2024). These findings are confirmed by Trimulato et al's research which explores how the role of the halal industry in supporting SDGs programs, namely reducing poverty and hunger, responsible consumption and production (Trimulato et al., 2022). Then, a study conducted by Meylinda & Matondang explains the advantages of the halal industry that supports SDGs in the aspects of social responsibility, environmentally friendly, and preserving nature (Meylinda & Matondang, 2023). Research by Fakir underlines a significant shift in the mindset of Moroccan consumers, especially when it comes to sustainable development and Halal products (Fakir et al., 2023). Despite these insights, there is a lack of empirical studies examining this potential in specific national contexts, especially in Indonesia.

The Indonesia's halal industry has witnessed remarkable growth, yet its alignment with the United Nations SDGs" remains an area of limited exploration. As the world's most populous Muslim-majority nation, Indonesia plays a pivotal role in shaping the halal market. This study seeks to address critical questions: How does the halal industry contribute to realizing the SDGs? And what impact does it have on economic development, poverty reduction, and sustainable consumption. "This research aims to explore and measure the contribution of the halal industry to specific SDGs in the Indonesian context

This research holds significance from both theoretical and practical standpoints. Theoretically, it contributes to the growing body of" literature that links industry-specific practices to global development goals. It provides a nuanced understanding of how religious and cultural practices, embodied in the halal industry, intersect with sustainable development goals. Practically, the findings of this study can inform policy makers and industry stakeholders in Indonesia about the potential of the halal industry to drive sustainable development, thus guiding future strategies and initiatives.

## **2. METHOD**

This study used a qualitative descriptive technique to investigate the role of the halal business in achieving the Sustainable Development Goals (SDGs) in Indonesia. The descriptive qualitative technique was chosen because it gives a thorough knowledge of the issue under investigation by focussing on the experiences, views, and insights of halal industry stakeholders. This method makes it possible to examine in detail the economic, social, and environmental contributions of the halal industry to the SDGs.

For data collection, this study employs the library research method, which entails systematically gathering and analyzing existing literature, including books, journal articles, reports, government documents, and other relevant sources. This method is suitable for exploring "the role of the halal industry in" achieving the SDGs, as it allows the synthesis of diverse perspectives and findings from previous research, policies, and official reports. Data for this study was collected from various academic and non-academic sources, namely: 1) Articles reviewed from journals were analyzed to understand the theoretical framework and empirical findings relating to the halal industry

and its impact on SDGs. 2) Official documents, including reports from the Indonesian government, industry associations, and international organizations, were reviewed to collect data on market trends, and case studies in the halal industry.

### 3. RESULT AND DISCUSSION

The SDGs are global and national pledges to promote societal wellbeing, comprising 17 global objectives and targets for 2030, which were stated by both rich and developing nations at the UN General Assembly in September 2015 (UN, n.d.). The following figure 1 shows these objectives:



Figure 1. Sustainable Development Goals

These goals consist of 17 aspects, namely: (1) No Poverty; (2) No Hunger; (3) Healthy and Prosperous Lives; (4) Quality Education; (5) Gender Equality; (6) Clean Water and Sanitation; (7) Clean and Affordable Energy; (8) Decent Work and Economic Growth; (9) Industry, Innovation and Infrastructure; (10) Reduced Inequalities; (11) Sustainable Cities and Settlements; (12) Responsible Consumption and Production; (13) Addressing Climate Change; (14) Ocean Ecosystems; (15) Land Ecosystems; (16) Peace, Justice and Resilient Institutions; (17) Partnerships for the Goals .

The halal industry plays an increasingly important role in supporting the Sustainable Development Goals (SDGs) (Masood et al., 2023). In this research, the author focuses on three aspects of the SDGs, namely economic aspects, social aspects and environmental aspects.

#### 1. Economic Aspects

##### 1.1. The Role of the Halal Industry in Increasing Halal Product Exports

The halal business plays an important strategic role in supporting economic growth and accomplishing long-term development goals. In Indonesia, the halal business has expanded rapidly. According to the SGIE, Indonesia will move from fourth to third place in the global halal economy by the end of 2023. With over 230 million Muslims, or around 87% of the overall population, the country has the world's biggest halal consumer market. In 2020, Muslim spending in Indonesia was USD 184 billion, with a 14.96% rise predicted by 2025 to USD 281.6 billion. As a result, the halal business contributes significantly to Indonesia's GDP by providing export and investment possibilities (Indonesia.go.id, 2024).

In Indonesia, the “demand for halal products is substantial and ranks among the highest globally. Back in 2017, the total consumption of halal goods in Indonesia reached

a staggering USD 200 billion, accounting for over 36% of household spending. Impressively, this amount also corresponds to approximately 20% of Indonesia's entire GDP (Kementerian Keuangan Republik Indonesia 2019) Indonesia's demand for halal products is expected to keep expanding, with an average annual growth rate of 5.3%. By the year 2025, it's projected that the consumption of Indonesian halal goods will soar to USD 330.5 billion (Pahlevi, 2022). According to Bappenas, a significant portion of Indonesia's total halal product consumption is currently met through imports. However, if Indonesia can boost production within the halal industry sector, it has the potential to mitigate the trade balance deficit (Fathoni, 2020).

In relation to exports, the halal business is expected to boost Indonesia's export value significantly. "The halal business has the potential to produce between USD 5.1 billion and USD 11 billion in export value per year. In 2018, the halal business made \$7.6 billion. Indonesia offers a halal export potential for products that are halal of 3.8% worldwide (Indonesia Halal Lifestyle Center 2019). The potential of this figure can be enhanced by enhancing the quality of halal products exported. Additionally, competitive pricing is crucial to ensure our products can hold their own against offerings from other nations. If Indonesian halal products can successfully compete in the global market, Indonesia could rightfully become the epicenter of the world's halal industry.

However, the halal industry also faces challenges. One of them is the fragmentation of national halal industry governance, including institutional aspects and standardization of halal certification which are not yet fully strong. In addition, human resource capacity in halal product production practices is still limited, and funding for the halal industry needs to be increased. To overcome these challenges, the government through the Ministry of Industry has been working to develop the halal industry in Indonesia. Measures such as halal certification for products produced, optimizing export market access, and training and mentoring MSME players in accessing digital markets through e-commerce are the focus in developing the national halal ecosystem (Qoniah, 2022).

## **1.2. Halal Industry as a Pillar of Economic Empowerment and Employment Creation**

The halal industry has "a very important role in driving the economy and achieving sustainable development goals. In Indonesia, the halal industry has shown impressive growth." Based on the SGIE, Indonesia has risen to second place in the development of the global Islamic economic and financial ecosystem. One of the factors supporting this ranking improvement is the growing halal food industry. The large Muslim population - more than 230 million people or around 87% of the total population - makes Indonesia the largest halal market consumer in the world. In 2023, Indonesia's Muslim spending reached USD 184 billion, and is expected to increase by 14.96% to USD 281.6 billion by 2025 (BI, 2023).

However, the halal industry is not just about complying with halal rules. More than that, it can be a gateway to economic empowerment. Every sector in the halal industry- from the production of food, beverages, to fashion products- requires skilled labor. As such, the halal industry contributes significantly to job creation. Every investment and development in this industry opens up opportunities for thousands of people to work, both in the production, distribution and marketing sectors. This increase in employment has a positive impact on people's welfare and reduces unemployment (Ameliora, 2020).

The halal industry not only impacts national economic growth, but also contributes significantly to the broader welfare of Indonesian society. By combining a

multidisciplinary approach that includes economic, ethical and technological perspectives, the halal industry plays an important role in shaping a sustainable future trajectory. In the context of Islamic economics, the halal industry is one of the sectors that strengthen the national economy and support the achievement of SDGs (Ameliora, 2020).

## **2. Social Aspects**

### **2.1. Community empowerment through participation in the Halal Industry**

The halal industry is not just about complying with halal regulations, but also a means of community empowerment. How does this happen? First of all, active community participation in the halal industry provides opportunities for small and medium scale enterprises (MSMEs) to contribute directly. In the process of production, distribution and marketing of halal products, MSMEs can act as producers, collectors or business partners. Thus, the halal industry creates local jobs and provides wider economic access to the community.

In addition, participation in the halal industry also strengthens community identity and pride. When communities are involved in producing halal products, they feel they have an important role in maintaining the quality and integrity of the products. This has a positive impact on the sense of belonging and confidence, and strengthens the social bond between producers and consumers. Thus, the halal industry is not only about economics, but also about building empowered communities.

### **2.2. Reducing poverty and inequality**

The halal industry plays a crucial role in addressing poverty and inequality. As the country with the world's largest Muslim population, Indonesia holds immense potential for developing the halal and sharia sectors. However, to fully harness this potential, effective collaboration is needed among industry players, government, and society. Notably, the SGIE 2019/20 highlights that Muslim consumers constitute the fastest-growing demographic globally, with a ratio of 1:4 compared to the total global population (State of the Global Islamic Economy Report, 2019). Therefore, the halal industry can be a driving force for inclusive and sustainable economic growth, with a focus on creating jobs and increasing people's income.

## **3. Environmental Aspects**

### **3.1. Sustainable and environmentally friendly production practices**

The halal industry is not only about complying with halal rules, but also about ensuring that production and industrial practices take place in a sustainable manner without harming the environment. The concept of sustainability in the halal industry encompasses three main pillars: environmental, social, and economic (Busari & Sitiris, 2021).

In sustainable production practices, the halal industry must pay attention to its impact on the environment. Some steps that can be taken are the use of environmentally friendly raw materials, good waste management, and reduction of greenhouse gas emissions. For example, in the halal food industry, the selection of organic and sustainable raw materials can reduce the negative impact on the environment. Innovations in production, such as the use of green technology and more efficient production methods, can help reduce negative impacts on the environment. In addition, ethics should guide every stage of production, from raw material selection to product

distribution. Thus the halal industry can grow and develop sustainably without disturbing the social, economic and environmental balance (Ernayani & Firman, 2024).

Various studies have explored the impact of Indonesia's halal industry. Research by Adamsah and Subakti emphasizes how this sector contributes to the country's economic growth. Specifically, the Islamic economy has been shown to bolster Indonesia's Gross Domestic Product (GDP). This contribution is evident through both domestic consumption by Indonesian citizens and international trade involving halal products. According to the Indonesian Journal of Halal, the halal industry annually adds approximately USD 3.8 billion to Indonesia's GDP. Additionally, it attracts foreign investment of USD 1 billion and creates 127 thousand jobs each year (Adamsah & Subakti, 2022).

#### **4. Conclusion**

Indonesia's halal business contributes significantly to the attainment of the United Nations Sustainable Development Goals. This study examines the halal industry's substantial economic, social, and environmental implications, emphasizing its possibilities as a driver of sustainable development. Economically, the industry enhances GDP growth, boosts exports, and creates employment opportunities, contributing to poverty reduction and economic empowerment. Socially, it empowers communities by involving small and medium-sized enterprises (SMEs) in production processes, thereby fostering local economic development and reducing inequalities. Environmentally, the halal industry's focus on sustainable practices ensures that production processes are environmentally friendly, aligning with global efforts to mitigate climate change and promote responsible consumption.

However, to maximize its contribution to the SDGs, the industry faces challenges such as fragmented governance, the need for stronger halal certification processes, and the enhancement of human resources. Addressing these challenges requires coordinated efforts from policymakers, industry stakeholders, and the community to create a more robust and sustainable halal industry. In conclusion, the integration of the halal industry into Indonesia's broader socio-economic and environmental strategies can significantly enhance the country's progress towards achieving the SDGs. By aligning industry practices with sustainable development principles, Indonesia can leverage its position as a global leader in the halal market while ensuring long-term economic, social, and environmental sustainability.

#### **5. REFERENCES**

- Adamsah, B., & Subakti, E. (2022). Development of the Halal Industry on Indonesian Economic Growth. *Indonesia Journal of Halal*, 5(1), 71–75.
- Ameliora, D. (2020). Industri Halal sebagai Paradigma bagi Sustainable Development Goals di Era Revolusi Industri 4.0. *Youth & Islamic Economic Journal*, 1(1).
- BI. (2023). *Percepatan Industri Halal Kunci Menuju Eksyar Inklusif dan Berkelanjutan*. [https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp\\_2529023.aspx](https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2529023.aspx)
- Busari, S. A., & Sitiris, M. (2021). Standardisation of Halal Industry towards Sustainable Development Goals (SDG). *Journal of Islam in Asia*, 18(1), 164–198. <https://doi.org/https://doi.org/10.31436/jia.v18i1.1001>

*The 1<sup>st</sup> International Conference on Islamic Economics (ICIE) 2024*

- Dewi, A. (2024). Green Halal: sinergi Industri Halal dan Pembangunan Berkelanjutan. *An-Natiq Jurnal Kajian Islam Interdisipliner*, 4(2), 119–130.
- Ernayani, R., & Firman, F. (2024). Transformasi Industri Halal: Keberlanjutan dan Inovasi dalam Perekonomian Syariah. *Jesya*, 7(1), 1011–1020. <https://doi.org/10.36778/jesya.v7i1.1490>
- Fakir, F. Z., Devy, H. S., & Izikki, B. (2023). Halal Food to Achieve the Sustainable Development Goals (SDG) 2030. *Journal of Islamic Tourism (JIT) Issue*, 3(1), 1–31. [www.jistour.org](http://www.jistour.org)
- Fathoni, M. A. (2020). Potret Industri Halal Indonesia: Peluang dan Tantangan. *Jurnal Ilmiah Ekonomi Islam*, 6(3). <https://doi.org/10.29040/jiei.v6i3.1146>
- Herianti, H., Siradjuddin, S., & Efendi, A. (2023). Industri Halal Dari Perspektif Potensi Dan Perkembangannya Di Indonesia. *Indonesia Journal of Halal*, 6(2), 56–64. <https://doi.org/10.14710/halal.v6i2.19249>
- Indonesia.go.id. (2024). *Percepatan Industri Halal Nasional*. <https://indonesia.go.id/kategori/editorial/8000/percepatan-industri-halal-nasional?lang=1>
- Masood, A., Hati, S. R. H., & Rahim, A. A. (2023). Halal Cosmetics Industry for Sustainable Development: a Systematic Literature Review. *International Journal of Business and Society*, 24(1), 141–163. <https://doi.org/10.33736/ijbs.5609.2023>
- Meylinda, S., & Matondang, R. A. (2023). Strengthening of Islamic Principles in The Halal Industry for Sustainable Development Goals. *Islamic Economics Methodology*, 2(1), 1–9.
- Pahlevi, R. (2022). *Konsumsi Produk Halal Tiap Sektor Indonesia Diproyeksikan Meningkat pada 2025*. <https://databoks.katadata.co.id/datapublish/2022/03/15/konsumsi-produk-halal-tiap-sektor-indonesia-diproyeksikan-meningkat-pada-2025>
- Putra, A. B., Wulandari, W. R., Nur, M., & Khasan, K. (2023). International Dynamics of Halal Industry Development : A Literature Review. *Review of Islamic Economics and Finance*, 6(1), 75–90. <https://doi.org/10.17509/rief.v6i1.57906>
- Qoniah, R. (2022). Tantangan dan Strategi Peningkatan Ekspor Produk Halal Indonesia di Pasar Global. *Halal Research Journal*, 2(1), 52–63. <https://doi.org/10.12962/j22759970.v2i1.246>
- State of the Global Islamic Economy Report. (2019). State of the global islamic economy report: Driving the islamic economy revolution 4.0. *Dubai International Financial Centre*, 1–174. <https://cdn.salaamgateway.com/special-coverage/sgie19-20/full-report.pdf>
- Trimulato, T., Syarifuddin, S., Umar, S. H., & Lorenza, P. (2022). The Role Halal Industry to Support Sustainable Development Goals (SDGs). *Proceeding of Annual Conference on Islamic Economy and Law*, 1(2), 205–217. <https://doi.org/10.21107/aciel.v1i2.90>

*The 1<sup>st</sup> International Conference on Islamic Economics (ICIE) 2024*

UN. (n.d.). *The 17 Goals*. Retrieved August 9, 2024, from <https://sdgs.un.org/goals>

Utari, D., Fasa, M. I., & Suharto, S. (2022). Industri Halal Berkontribusi Terhadap Pertumbuhan Ekonomi Di Era Pandemi Covid-19: Peluang Dan Tantangan. *Jurnal Bina Bangsa ...*, 15(01), 87–98.  
<https://www.jbbe.lppmbinabangsa.id/index.php/jbbe/article/view/119%0Ahttps://www.jbbe.lppmbinabangsa.id/index.php/jbbe/article/download/119/92>