

Opportunities, Challenges, and Development of the Halal Industry in Indonesia

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Abstract

This study aims to explain how the Halal Industry in Indonesia can develop. This study also identifies opportunities and challenges in its development. The method used in this research is a descriptive-qualitative method with a literature study approach. The data obtained were analyzed using qualitative analysis through data reduction, categorization, and verification. This research found that Indonesia has the potential to develop the Halal Industry in various sectors, including halal food, halal travel, halal fashion, halal finance, and halal tourism. The development of the Halal Industry also has the potential to increase national economic growth. However, Indonesia has to face various challenges such as low awareness of halal, low competitiveness of local products, and problems in implementing Halal Product Guarantee Regulations.

Keywords: *Opportunities, Challenges, Halal Industry*

A. INTRODUCTION

For the first time, Indonesia has been entrusted with holding the presidency of the Group of 20 (G20) with the theme "Recover Together, Recover Stronger". The slogan "Recover Together, Recover Stronger" was chosen by Indonesia to invite G20 member countries to work together and support each other in order to recover together, grow stronger, and develop in a sustainable manner.

Indonesia's presidency in the G20 in the midst of a pandemic shows international confidence in Indonesia's ability and capacity to manage the country's economic recovery, and at the same time, encourage the world economy to bounce back. As stated by President Joko Widodo, the G20 Presidency is a catalyst for an inclusive global economic recovery.

To spur economic recovery, Indonesia needs to maximize its untapped potential, such as halal products. In fact, this particular sector has a lot to offer, especially as halal has developed into a global standard of quality and a gastronomic lifestyle; Halal has also become one of the main markets, and a global trade trend. Halal has now been transformed into an ecosystem that attracts world attention because of its sizeable market and promising trade value.

The Ministry of Religion of the Republic of Indonesia through the Halal Product Guarantee Agency (BPJPH) received a mandate to contribute to economic recovery by facilitating and encouraging the development of trillions of dollars worth of halal products, covering goods and services in the fields of food and beverage, fashion, cosmetics, pharmaceuticals, tourism, media and recreation, as well as financial services. Thus, it can be concluded that the halal market is an important topic in discussions on the financial track (Finance Track) and the non-financial economic channel (Sherpa Track) at the G20 forum.

BPJPH is of the view that there are four shifts in the halal paradigm. The first paradigm shift is from a legal perspective. UU no. 33 of 2014 concerning Guarantees for Halal Products, Law no. 11 of 2020 concerning Job Creation, and Government Regulation No. 39 of 2021 concerning the Implementation of the Halal Product Assurance Sector, has taken effect and formed the formation of a new legal framework which has implications for major changes related to halal policies, from previously voluntary to mandatory, and from the authority of religious organizations to state authorities.

These regulations emphasize that the state guarantees and facilitates the availability of halal goods and services in the context of halal consumer protection. The intended legislation also gives authority to BPJPH as the main government institution to manage, administer, and supervise halal product guarantees (JPH).

Nonetheless, some parties may argue that halal regulations can hinder the ease of doing business (discourage the ease of doing business). Some questioned the burdensome and unnecessary supervision, as well as the high cost of fulfilling the requirements for halal certification and labeling. They insist that this is included in the category of Technical Barriers to Trade (TBT) or technical trade barriers, and a violation of the General Agreement on Tariffs and Trade (GATT) or an agreement on tariffs and trade, which applies and is ratified by World Trade member countries. Organization (WTO).

Second, a paradigm shift from an economic perspective. Let's carefully examine the opportunities and challenges of economic potential, especially in the halal goods and services industrial sector. President Joko Widodo and Vice President Ma'ruf Amin have launched a crucial policy to make Indonesia a world halal producer by 2024. This policy is expected to become one of the engines driving economic growth to realize the roadmap for Advanced Indonesia.

In order to realize Indonesia as a world halal producer, BPJPH has recently established and launched a new Indonesian Halal logo, which applies nationally since March 1, 2022 through Decree of the Head of BPJPH Number 40 of 2022 concerning Determination of Halal Labels, replacing the previous logo belonging to the Ulema Council. Indonesia (MUI).

BPJPH has also established a Free Halal Certification (SEHATI) program for 10 Million Halal Products for MSEs this year, through a regular and self-declared certification program, namely Halal Certification with a statement from business actors, especially for micro and small businesses with the Halal Product Process assistance scheme (PPH). BPJPH issued accreditation certificates for 8 new Halal Inspection Institutions (LPH), training for 2992 PPH assistants, 368 halal supervisors, 116 halal auditors, 300 animal slaughter technical guidance, and 120 halal assessors.

BPJPH also responds to questions, complaints, and suggestions, from embassies, foreign authorities, international institutions, LHLN, business actors, and NGOs by conducting several webinars and

n hybrid seminars in the context of rebranding and outreach regarding the implementation of JPH policies which were enthusiastically attended by more than 50 embassies and LHLN around the world.

As for digital transformation, BPJPH already has a website-based halal application (ptsp.halal.go.id); and is still developing the SIHALAL mobile application which can later be easily downloaded on the Play Store or App Store. BPJPH also initiated and ratified various regulations to support technical guidance for the development of the halal industry and ecosystem.

For this reason, public support (5P: Public Private People Philanthropic Partnership) is the main key in building and developing a strong and healthy halal ecosystem and industry. So let's Heal Together, Heal Stronger! So let's Recover Together, Recover Stronger!

B. RESEARCH METHOD

This research is a qualitative descriptive study with a phenomenological approach. This research is a library research that uses secondary data obtained through scientific articles and other relevant documents. The data obtained is then analyzed by producing descriptive explanations in the form of words, images and symbols associated with the object of this research.

Data analysis in this study was carried out in three stages, namely data reduction, data categorization, and data verification. Data reduction in this study was carried out by selecting all data through cutting and simplifying existing data according to the research topic. Furthermore, the reduced data categorization is 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 researchers' interpretation of the data. Verification is carried out using a triangulation technique, namely comparing one data source with another data source (Neuman and Djamba 2014).

C. RESULTS AND DISCUSSION

C.1. Halal Industry Potential in Indonesia

The halal industry has enormous potential in Indonesia. This is an implication of the large number of Indonesian Muslim population. The potential of Indonesia's halal industry can be seen from several sectors, namely the halal food sector, the Islamic finance sector, the halal tourism sector, and the Muslim fashion sector. The following is an explanation of the potential of each sector.

First, the halal food sector. Halal food is a basic need for a Muslim. These basic needs must be met so that a Muslim can continue his life. If we look at the number of Muslim population in Indonesia, of course Indonesia has potential in this sector. The potential that is really visible is a very promising market potential. In 2019, Indonesia spent USD 173 billion on halal food consumption. This makes Indonesia the largest market for halal food and beverages in the world (State of Global Islamic Economy Report 2019).

Government support is also a big potential for the halal food industry in Indonesia. This government support can be seen from the establishment of the Halal Product Guarantee Agency (BPJPH) as mandated by Law Number 33.

2014 concerning Guarantee of Halal Products. BPJPH was ratified on October 27 2017 and has a position under the Ministry of Religion. The formation of BPJPH has transformed the implementation of halal product guarantees in Indonesia from being voluntary to being mandatory. This is done in order to provide security and comfort to Muslim consumers and to jump-start the halal industry in Indonesia, especially the halal food industry (Aziz, et al, 2019)

Second, the Islamic financial sector. The Islamic finance sector is the opening gate for the halal industry in Indonesia. Since the establishment of Bank Muamalat Indonesia in 1992, the Islamic finance sector has brought about quite good developments for the Islamic finance industry. Islamic financial assets continue to experience growth every year. Indonesia ranks 5th in the Top 10 Islamic Finance (State of Global Islamic Economy Report 2019). In 2019, the market share of the financial industry reached 8.69%. This figure is the total of the Islamic banking market share of 5.94% plus the Non-Bank Financial Industry (IKNB) market share of 2.75% (CNN Indonesia 2019). This growth in the financial sector reflects the sizeable potential of the Islamic finance sector in Indonesia.

Third, the halal tourism sector. Indonesia's halal tourism potential has received extraordinary appreciation, because Indonesia has won first place with Malaysia in the main category of Top 10 OIC Destinations with a score of 78. In addition, Indonesia has also won first place in two other categories, such as Top 10 Destinations-Communications and Top 10 Destinations-Services (Crescent Rating 2019). In addition, Indonesia also ranked 4th in the Top 10

Muslim-Friendly Travel (State of Global Islamic Economy Report 2019). The government through the Ministry of Tourism and Creative Economy has also developed ten Muslim-friendly tourist destinations in Indonesia, namely Aceh, West Sumatra, Riau and the Riau Islands, DKI Jakarta, West Java, Central Java, Yogyakarta, East Java, West Nusa Tenggara and South Sulawesi. (2020 Katadata Publication Team). There are several factors that make the potential for halal tourism in Indonesia so great, namely: the relatively fast growth of the Muslim population, the growth of the middle-class income of the Muslim population which is also quite large, the large Muslim population who are young and fond of traveling, access to growing tourism information. fast, friendly and satisfying facilities and services, there is Ramadhan travel that attracts tourists, and the travel business is growing and responsive to the needs of tourists (Alwafi Ridho Subarkah 2018).

Fourth, the Muslim fashion sector. The potential for Muslim fashion in Indonesia is no less great. The Muslim fashion industry continues to experience growth from year to year. Indonesia occupies the 3rd position in the Top 10 Modest Fashion and Top 10 Fashion Muslim Consumer Markets with a total spending of USD 21 billion (State of Global Islamic Economy Report 2019). Apart from that, the support and role of the government, the ratification of Law Number 33 of 2014 Concerning Halal Product Assurance, the rise of Muslim fashion designers and events for Muslim fashion shows, as well as positive community responses make this potential more likely to be developed (A. I. Faried 2019; Aan Nasrallah 2018).

Besides the potential in each sector, technological developments are also a potential for the halal industry in Indonesia in general. The existence of technology encourages increased socialization and promotion of the halal industry in Indonesia. In addition, technological developments have also made the manufacture of halal industrial products more effective and efficient (Faried, 2019; Jaelani, 2017).

3.2. Halal Industry Challenges in Indonesia

In developing the potential of the halal industry in Indonesia, of course we will face challenges. This challenge can come from an external and internal perspective. From an external perspective, the challenges faced by Indonesia are: first, the number of competing countries (Permana

2019). These competing countries include Malaysia, Brunei Darussalam, Turkey, Pakistan, Qatar, the United Arab Emirates, and so on. In fact, there are competing countries that are non-Muslim countries. These countries include Australia, Thailand, Singapore, United Kingdom, Italy, and so on. In order not to be left behind, Indonesia must be able to make good use of its potential.

These external challenges also affect the consumption of domestic products. If a lot of foreign products enter Indonesia, the consumption of Indonesian products will decrease. As a result, the trade balance will experience a deficit because more imports are coming in than exports. So, the solution to this problem is the government's seriousness in enforcing customs law (Pryanka, 2018). We need protection to protect local products. This protection policy must be able to reduce import figures, but not make the importing country "offend". The goal is to protect local products while maintaining international relations. Second, there is no halal certificate that applies globally. This is due to the absence of a consensus by countries in the world regarding the standardization of international halal certificates. Each country has its own criteria in determining halal certification. This criterion is not necessarily accepted by other countries. Thus, irregularities are created in halal certification. Of course, this can have an impact on consumer confidence when the product is exported to other countries (Randeree 2019). Therefore, it is necessary to hold a meeting among countries in the world to discuss this standardization of halal certification. At least, this step can be started by the Organization of Islamic Cooperation (OIC).

Meanwhile, the internal challenges experienced by Indonesia are: first, the lack of halal awareness in Indonesian society. In addition, Indonesian people's understanding of the concept of halal is still lacking. Based on research conducted (Nusran, et al, 2018), religiosity has a greater influence on consumption behavior of halal products than knowledge of a halal product. There is also research conducted (Kartika, 2020; Kurniawati and Savitri, 2019) which states that halal awareness is influenced by the level of religious belief, health reasons, halal label/logo, and a good level of exposure. In addition, based on research conducted by (Yasid, et al, 2016), halal awareness is influenced by religious beliefs, self-identity and media exposure.

So, to increase halalawareness in Indonesia, the key is to socialize. Socialization must be carried out continuously directly or indirectly. Direct outreach can be carried out by conducting religious studies on the concept of halal, holding seminars on the theme of the halal industry, conducting visits to educational institutions, and holding events and exhibitions on the halal industry. Meanwhile, indirect socialization can be done through various media intermediaries. In print media, socialization can be done by making articles in newspapers and magazines, making books and comics

about the concept of halal as done by the Indonesian Ulema Council (MUI) (Nusran, 2018). Through electronic media, socialization can be done by broadcasting about the concept and the halal industry. Socialization can also be done through cyber media, such as by creating content on websites and social media, creating challenges on social media, and broadcasting online on social media.

Indonesia has tremendous potential to develop the halal industry. These potentials include the abundant Muslim population which is projected to reach 256 million in 2050, the growth of various halal industry sectors, especially the financial, tourism and fashion sectors, the recognition of Indonesia's achievements in the eyes of the world, Indonesia's geographical conditions and demographic bonuses, technological developments , as well as ratification of the Halal Product Guarantee Law number 33 of 2014.

This potential can encourage economic growth through increasing the value of exports and foreign exchange reserves. But on the other hand, Indonesia also has challenges in developing this halal industry. The challenges faced by Indonesia are both external and internal.

From an external perspective, the challenges faced by Indonesia are the many competing countries, the absence of internationally valid halal certificates. Meanwhile, from an internal point of view, the challenges faced by Indonesia are the lack of halal awareness in Indonesian society, the existence of problems in the implementation of the Halal Product Guarantee Law and the low awareness of the Indonesian people to compete. Through this research, it is hoped that many people will become increasingly aware of the importance of the halal industry so that they can support efforts to advance the Indonesian halal industry.

By looking at these potentials and challenges, the government is advised to further promote education to business actors about the importance of maintaining and guaranteeing the quality of goods and services offered to the public, especially regarding the guarantee of halal, considering that the majority of Indonesia's population is Muslim. In addition, there needs to be assistance for Micro, Small and Medium Enterprises (MSMEs) in the halal certification process considering that there are 57.83 million MSMEs (in 2018) who make up the majority of business actors in Indonesia. With this education and assistance, it is hoped that Indonesia will be able to shift from a consumer country of halal products to a producing country in the future.

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