

## Analysis of the Future Development of the Halal Food Industry in Indonesia

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### ABSTRACT

The purpose of this study is to clarify the status of the Halal industry in Indonesia. This study aims to explain the positioning of the Halal Industry in Indonesia. This research also analyzes the opportunities and challenges in its development. In this study, the method used is descriptive-qualitative method with a phenomenological approach. The data obtained were analyzed using qualitative analysis through data reduction, categorization, and verification. This research found that Indonesia has the potential to increase the Halal Industry in all sectors, especially halal food, halal travel, halal fashion and halal finance. The development of the Halal Industry also has the opportunity to increase the development of the national economy. 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.

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### INTRODUCTION

As the Muslim population grows significantly, it is important to understand and analyze the development of Islam in various aspects of life, including in the halal food industry. Islam has guidelines and principles that are regulated by religious teachings, including in the consumption of food and beverages. In Islam, halal food is food that is allowed to be consumed by Muslims, while haram food is food that is forbidden. This principle is based on the Quran, the holy book of Islam, and the Hadith, records of the words and actions of the Prophet Muhammad. In recent decades, there has been an increase in awareness and demand for halal food around the world, especially among Muslims.

The growth of the Muslim population, migration, and increasing awareness of the halalness of food have driven the significant development of the halal food industry. This is also reinforced by increasing global mobility and increased interaction between different cultures and religions. The halal food industry involves various sectors, including food processing, restaurants, retail, and halal certification. Food manufacturers and manufacturers around the world are starting to pay attention to this growing market demand and provide products that comply with Islamic halal standards. Governments and international organizations have also played an important role in developing standards and regulations related to halal food. Analysis of the development of Islam and the halal food industry involves understanding the trends, challenges, and opportunities associated with the growth of this sector. The growth of the halal food industry is not only occurring in countries with a Muslim majority, but also in non-Muslim countries around the world. This creates significant business opportunities for entrepreneurs to enter this growing market.

In addition, the development of the halal food industry also reflects the importance of sustainability and ethics in food consumption. The demand for halal and environmentally friendly food is increasing, which has an impact on increasing awareness of desires, animal rights, and community welfare.

Previous research has explained more about the development of the halal food industry in Indonesia with a review of the fields of finance and Islamic banking, such as that conducted by Faqiyatul Mariya and Anissa Hakim in the *Muqtasid* journal entitled "Model Pengembangan Industri Halal Food di Indonesia" (Aang Yusril M, 2020), then research conducted by Anwar Fathoni and Tasya Hadi "Portrait of the Indonesian Halal Industry: Opportunities and Challenges" (Fathoni, 2020), explains some of the opportunities and challenges faced by halal products in the Indonesian industry. There is also research that discusses the growth of the Indonesian industry in the Covid-19 era conducted by Evita Farcha Kamila in the *Likuid* journal entitled "The Role of the Halal Industry in Boosting Indonesia's Economic Growth in the New Normal Era" (Kamila, 2021). Because research on the meaning of future developments in the Indonesian industry, especially in halal food, has not been studied, the researcher will deepen this research.

In this paper, we will analyze the meaning of the future development of the halal food industry in Indonesia using a descriptive-qualitative method with a phenomenological approach. This study also has a high urgency. Among them are the large market potential, because Indonesia is predominantly Muslim, with a large increase in consumer awareness of the halalness of the products needed, then the development of the halal food industry in Indonesia in the future will increase. Then it will make a big contribution to economic growth and empowerment of the local economy, such as MSMEs. In future developments, there will be tight global competition that can help Indonesia formulate effective strategies to compete with other countries. With the development of the Halal Food industry, it will create a prosperous atmosphere for the community by creating jobs and reducing unemployment.

## METHODS

Qualitative descriptive method is a research approach used to understand phenomena based on participant perspectives through the collection and analysis of non-numerical data (Rusandi, 2023). This study aims to describe and understand certain behaviors, experiences, or phenomena in detail and depth. Focus on context, take a flexible approach and participants as the main data source.

Then the researcher carries out several stages in conducting this descriptive-qualitative research. The first is to identify the Research Problem. Determine the topic or problem to be studied. Then, data collection, conduct in-depth interviews, participant observation, document analysis, and other relevant methods to collect data. Then analyze the data coding and categorization to find the main themes of the collected data. After that, data presentation, describes the research findings in narrative form that describes the phenomenon in detail. And finally verification of findings ensures the validity and reliability of data through triangulation, member checking, and other validation methods.

## RESULT AND DISCUSSION

### Scope of Halal Industry

All issues related to human life are regulated by Islam. Everything is regulated in the Qur'an, a guideline on how humans should live their lives, as *rahmatan lil alamin*, including consuming something. As Allah says in the Qur'an: "O mankind, eat what is lawful and good from what is on earth, and do not follow the footsteps of Satan, for indeed he is a clear enemy to you." (QS. *alBaqarah*/2:168).

The verse above regulates that people only consume halal products. In Islam, halal and good are two things that cannot be separated from each other. Both have a major influence on a person's mental and physical development, behavior and morals. This is a reference that reflects the initial assessment that influences human behavior, because Islamic food and drink are not only the satisfaction of physical needs, but also part of spiritual needs that are A hadith of the Prophet *sallallaahu 'alaihi wa sallam* explains this, as narrated by a friend of Abu Hurairah RA, that the Prophet *sallallaahu 'alaihi wa sallam* said: The stomach is a lake for the body. The blood vessels end in it. If the stomach is healthy, the vessels will be healthy. Conversely, if the stomach is sick, the blood vessels will also be sick." (HR Thabrani).

Halal products are obtained by carrying out a number of research tasks and classifying them. These tasks include supplying raw materials, processing, storing, packaging, distributing, selling, and displaying finished products. Materials are materials used to make goods. Halal certificates or also called halal product guarantees are proof of the halalness of the product and provide legal certainty (Yulia, 2015).

A product must not only be made from halal materials, but must also be transported in a clean manner, and at every stage of the production process, all potential entry of dirty and unclean materials is assessed. Raw materials are divided into four categories, namely forbidden, high, medium and low risk (Yulia, 2015).

## Challenges of the Halal Industry in Indonesia

In realizing the development of the halal industry in Indonesia, there will undoubtedly be difficulties. These difficulties can arise from both internal and external sides. From an external perspective, the challenges faced by Indonesia are first, the many competing countries (Permana, 2019). Malaysia, Brunei Darussalam, Turkey, Pakistan, Qatar, the United Arab Emirates, and other countries are among those competing with each other. In addition, there are rival countries consisting of non-Muslim countries. Australia, Thailand, Singapore, England, Italy, and other countries are among them. Indonesia must be able to utilize its potential effectively if it does not want to be left behind. Indonesia will only be a consumer in this fairly large and attractive industry if this does not happen.

External challenges also affect the use of domestic goods. Consumption of domestic goods has decreased because many imported goods have entered Indonesia. Because there are more imports than exports, the trade balance becomes negative. So the solution to this problem is the seriousness of the government in implementing customs laws and regulations (Pryanka, 2018)

Second, halal certification has not been applied worldwide. The agreement of world countries in the standardization of international halal certificates is the cause. The criteria owned by each country have their own characteristics that are not necessarily accepted by other countries (Anwar & Syahputri, 2020). Therefore, it is important to hold meetings between countries to discuss the standardization of halal certification.

Meanwhile, the internal challenges faced by Indonesia are: First, the Indonesian people have less awareness of halal practices (Pryanka, 2018). In addition, there is still a lack of awareness about halal among the Indonesian people. Many Indonesians believe that every product available on the market is halal. To increase halal awareness in Indonesia, socialization is very important. Continuous direct or indirect socialization is needed. Direct socialization can be carried out through religious studies on the idea of halal, seminars on the halal industry, visits to educational institutions, and staging events and bazaars related to the halal industry. Meanwhile, a number of media intermediaries can be used for indirect socialization.

Second, the problem is based on the Halal Product Guarantee Law No. 33 of 2014. The Halal Product Guarantee Law (UU JPH) which was passed in 2014 has not been in effect until October 17, 2019. The JPH Law which was passed in 2019 still needs time because halal certification must be carried out in stages (Fajarudin, 2018). In addition, there are a number of problems that make it difficult to enforce this regulation effectively. One of them is the government's delay in issuing a Government Regulation (PP) on the implementation of the JPH Law. The PP detailing the implementation of the JPH Law must be released no later than two years after the JPH Law was amended, which occurred in 2016. In fact, the government only released this PP in 2019, which means it was three years behind schedule. It can be said that the government violated legal requirements when enforcing the JPH Law (Kusnadi, 2019).

Third, the limited ability of the Indonesian people to compete due to low awareness. Local Indonesian products now have to compete with various halal imports in order to survive. Unfortunately, there is still a lack of awareness among Indonesian people about how to compete with each other. Therefore, it is not surprising that Indonesia is currently more inclined to be a consumer of the halal sector (Anwar & Syahputri, 2020).

### **The Development of Islam and the Halal Food Industry**

As a source of Islamic law, the Quran and Hadith are very clear that Muslims must follow halal and haram practices. Cosmetics, medicines, and food are some that are halal, while others may not be consumed or used. In addition, questions often arise about whether a product is halal or haram in relation to biological, chemical, or genetically engineered products or other products. Muslims are commanded to always consume halal food and goods in the Quran and Hadith. The growth of the halal lifestyle makes the creation of various policies easier and makes the halal world a basic need for society. From an economic perspective, halal products have an impact on domestic and international trade. Halal plays a role in:

#### ***Halal Certification can Make Products more Competitive***

Halal-certified products can be good for your health and your wallet. Halal certification automatically functions as a marketing tool because it increases competition. Products that are halal-certified, on the other hand, can offer high economic value. Halal certification is one of the most important tools for accessing a wider market and strengthening the competitiveness of domestic products in the international market. To meet these market demands, many countries in the world have established halal certification institutions.

The implementation of halal certification in various countries is carried out by the government and some by private institutions, where the government acts as a halal certification regulator. At the same time, the high demand for halal products also encourages traders to offer halal products with the best quality. Here we see healthy competition between producers for the best human resources and good infrastructure to produce truly quality products. However, producers must ensure that the products in circulation do not harm consumers. In this case, producers, distributors and sellers must have a conscience so as not to harm consumers. This is very important to note, because if consumers are harmed, producers, distributors and sellers must be responsible, this responsibility comes not only from a legal perspective, but also from a social and moral perspective.

#### ***Increasing the Halal Product Market***

Because it has special rules on how to use the product, the global Muslim community can become a market for the product. The way something is used or consumed is regulated by Islamic Sharia. Muslims are prohibited from using certain products that use processes or materials that violate Islamic Sharia. Industrial plant owners can target specific Muslim markets by complying with these regulations. The large number of Muslim customers presents a tremendous opportunity for the

growth of the halal product sector. In accordance with Islamic Sharia regulations, the halal food industry ensures consumer safety. To meet the needs of the global market, food manufacturers around the world are working to develop and increase the production of halal products. The number of Muslims and non-Muslims working in the halal product industry has increased as a result of the rapid growth of the halal product market.

Countries with small Muslim populations, such as Australia, the United States, and Europe, are also experiencing growth in the halal food industry. Non-Muslims are attracted to consuming meat that has been certified halal because they find it tastier, safer, and more hygienic. In addition, the UK is developing the Super Halal Industrial Park (SHIP) in South Wales, which will serve as a European halal product hub. This shows the rapid expansion of the halal product industry over the past ten years. Indonesia's halal product exports are expected to increase along with the increasing global demand for halal goods.

### *Developments in Other Fields Supporting the Halal Product Industry*

Many countries in the world have introduced halal confirmation as one of the quality guidelines, both in Europe and America. Various halal inspection institutions that have emerged in these countries show this. The growth of the halal product industry requires technology in addition to facilities for research and development of halal products. Faster processing is needed to expand the global market for halal products and increase halal product production. In this case, the strategy for increasing the number of halal certification services is to improve technology in the field of halal products, especially the development of advanced scientific methods to identify halal food and information technology that facilitates communication in the halal certification industry. Efforts to spread the promotion of domestic halal products in the global market and increase compliance of food companies with halal certification requirements can be assisted by technological advances in the field of halal products.

In order for halal products to be inspected carefully, quickly, and accurately, reliable technology is needed. Of course, research and development of halal products is also needed to improve the quality of technology. The halal product industry also benefits from easy access to information. The halal certification program can also be used to grow the sharia tourism industry. Sharia tourism is a type of tourism supported by various facilities and services offered by the community, entrepreneurs, government, and local governments in accordance with sharia law. Several countries in the world, including Thailand, Australia, and the United States, which have so far paid little attention to the growth of sharia tourism, have begun planning ways to utilize the potential of sharia tourism. The growth of the halal product industry is very important in determining the development of sharia tourism in this area. The traditional practice of serving alcoholic beverages in hotels has begun to be eliminated under the concept of sharia tourism such as the Sofyan Hotel and the entire Sofyan hotel chain.

### *Increasing Promotion of Halal Products*

As stated earlier, the withdrawal participates as a business opportunity in response to the increasing demand for halal products. As can be seen, halal product manufacturers in Europe collaborate with a number of magazines to promote their goods and continue to develop their halal brands in new ways. On the other hand, the growth of halal products also allows businesses and authorities that inspect halal products to provide information and communication services to consumers through radio, television, and the internet. The modern economy characterized by sustainable halal products supports the rapid growth of halal product market promotion. Food companies are forced to meet the needs of business customers at the same time because of the significant possibility of halal certification. In other words, responding to the demands of the sharia market, manufacturers continue to develop their knowledge and capacity in the halal industry. Producing halal goods with the highest possible quality is a legal requirement for domestic manufacturers. We are all aware that the Preamble to the Constitution of the Republic of Indonesia (1945) states that the state is obliged to advance public welfare and protect the suffering of the nation and shed Indonesian blood. In accordance with Article 29 of the 1945 Constitution of the Republic of Indonesia, ensuring that every citizen performs and performs religious worship is one of the obligations in providing this level of protection. Providing halal products is an important part of public service and protecting products that threaten health.

Halal protection and guarantee are constitutional rights of citizens guaranteed by the 1945 Constitution. In addition, because food is a basic human need whose realization is a human right, the government is obliged to implement the basic rights of the community to the safety and comfort or protection of halal products, including food, beverages, medicines and cosmetics, as well as other consumer goods needed by both the business world and the Indonesian people, especially Muslims, both in production, consumption and distribution.. (Anwar & Syahputri, 2020)

The development of Islam and the halal food industry are two things that are interrelated and have a significant influence in the current global context. The development of Islam covers the social, cultural, economic, and political aspects of Muslims around the world, while the halal food industry involves the production, distribution, and consumption of food that is in accordance with the principles of halalness in Islam. Some discussions regarding the development of both:

1. **Muslim Population Growth:** The growth of the Muslim population worldwide is a significant factor in the development of the halal food industry. It is estimated that the Muslim population will continue to increase significantly in the coming decades, creating a greater demand for halal food.
2. **Consumer Awareness and Demand:** Consumer awareness and understanding regarding the halalness of food has also increased significantly. Muslims are increasingly aware of the importance of consuming food that is in accordance with the teachings of their religion. In addition, non-Muslim consumers are also increasingly interested in halal food due to the perception of cleanliness, quality, and ethics in food consumption.

3. Halal Standards and Regulations: The development of the halal food industry is also driven by the existence of standards and regulations related to halal certification. Countries and international organizations have developed a clear framework for determining the halalness of food. This helps manufacturers and suppliers to meet internationally recognized halal requirements.
4. Product Diversification: The halal food industry is no longer limited to traditional or typical products from Muslim-majority countries. Today, there is a wide variety of halal food products that include ready-to-eat meals, desserts, beverages, meat products, plant-based products, and more. This reflects the development and adaptation of the halal food industry to diverse consumer demands.
5. Innovation and Technology: Technological developments have also contributed to the development of the halal food industry. The use of technology in the processing, packaging, and distribution of halal food has enabled greater efficiency, improved product quality, and expanded market reach.
6. Role of Governments and Organizations: Governments of countries with significant Muslim populations have a significant role to play in the development of the halal food industry. They can encourage and provide policy support for the growth of the industry. In addition, international organizations such as the International Halal Food Standards Agency also play a role in developing standards and facilitating halal food trade at the global level.
7. Increased International Trade: The halal food trade has grown significantly in recent years. Countries with large Muslim populations are becoming major destinations for halal food exports, creating lucrative economic opportunities for producers and exporters. In addition, new market mapping and cross-border cooperation also help in developing the industry.
8. Economic Empowerment: The halal food industry also contributes to economic empowerment in many countries with significant Muslim populations. The manufacture and sale of halal food products can create jobs, promote the development of micro, small and medium enterprises, and provide entrepreneurial opportunities to local communities.
9. Inclusion and Multiculturalism: The halal food industry has become a living example of inclusion and multiculturalism in the global society. Halal food allows Muslims and non-Muslims to come together in appreciating and consuming food that is in accordance with the principles of halal. It also reflects the values of mutual understanding, tolerance and respect for cultural and religious differences.
10. The Role of Social Media: The development of social media has had a significant impact on the halal food industry. Social media plays a significant role in marketing halal food products, sharing recommendations, and providing information related to halal food to consumers. It also provides wider marketing and branding opportunities for halal food producers and businesses.
11. Challenges and Opportunities: The halal food industry also faces a number of challenges, including the harmonization of halal standards across countries, halal fraud, and lack of adequate infrastructure. However, these challenges also create opportunities for innovation, international cooperation and increased consumer confidence in halal food products.



In the future, the halal food industry can grow rapidly in Indonesia, because the majority of the population is Muslim (Kamila, 2021). As time goes by, the population will increase. With government support, Indonesia can become the largest producer of halal food in the world. The government is trying to make this happen by building halal food areas in various regions. In addition, bringing in investors and forming an adequate government system in accordance with Islamic teachings (Kamila, 2021). As we know today, Bank Syariah Indonesia (BSI).

The large market potential in Indonesia has not been optimally utilized by the government. Maintaining the quality of halal food can be a great opportunity for Indonesia to compete with other countries. The important role of the government, Islamic banking, business actors and MUI is highly expected to be able to realize the potential of the industry market with halal food (Aang Yusril M, 2020). Not only by becoming consumers, but also becoming good industry players for both domestic and foreign markets.

## CONCLUSION

The conclusion of the discussion in this journal states that the halal industry in Indonesia has substantial growth potential, particularly in the sectors of food, tourism, fashion, and halal finance. This is supported by Indonesia's majority Muslim population and increasing consumer awareness of halal products. Developing the halal industry can strengthen the national economy and create job opportunities. However, challenges exist, such as low halal awareness among the public, limited competitiveness of local products, and suboptimal implementation of Halal Product Assurance regulations. To address these challenges, active roles are needed from the government, businesses, certification bodies, and Islamic banking to realize the potential of Indonesia's halal industry market.

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