

## HALAL INDUSTRY IN INDONESIA: OPPORTUNITIES, CHALLENGES AND STRATEGIES

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### ABSTRACT

*This study aims to explain how the opportunities, challenges and strategies can be carried out by the Halal Industry in Indonesia. The method used in this study is a qualitative descriptive method using the library method. This study uses secondary data obtained through scientific articles and other relevant documents. The data obtained were analyzed using qualitative analysis through data reduction, categorization and verification. This research finds that Indonesia has tremendous opportunities to develop the halal industry. These opportunities include the halal food sector, the Islamic finance sector, the halal tourism sector, and the Muslim fashion sector. However, there are external and internal challenges in the development of the halal industry, external challenges, namely the number of competing countries, the absence of a globally agreed halal certificate and the incompatibility of Muslim countries in setting halal product standards. And internal challenges, namely the lack of halal awareness among the Indonesian people and the problems of Law Number 33 of 2014 concerning Halal Product Guarantee, as well as the low awareness of the Indonesian people to compete. As for the challenges of the halal industry in Indonesia; many competitors from the international world, there is no halal certification that applies nationally, understanding of the concept of halal is still lacking, socialization is still lacking, laws and regulations are not perfect. Strategies that can be done; developing superior human resources, reliable strategies for socializing halal products and others.*

**Keywords:** Halal Industry, Opportunities, Challenges, Strategy.

### INTRODUCTION

The halal industry is becoming a world trend today. This is evident from the prospect of the halal industry which continues to grow from year to year. According to a report from the State of The Global Islamic Report (2022), there are about 1.8 billion Muslim residents who are consumers of the halal industry. Consumer opportunities in the halal industry are increasing by 5.2% annually with total consumer spending reaching USD 2.2 trillion. This number is expected to continue to increase every year. The projected Compound Annual Growth Rate (CAGR) of the halal industry will increase to reach 6.2% in the period 2018 to 2024. Its expenditure reflects growth of 8.9% from 2020, with Islamic financial assets estimated to have grown to \$3.6 trillion in 2021, up 7.8 percent,

from \$3.4 trillion in 2020. The total funds spent by consumers of the halal industry will also increase to reach USD 3.2 trillion by 2024. From these data we can see that the halal industry has very bright prospects in the future (State of Global Islamic Economy Report (SGIE) 2022).<sup>1</sup>

Indonesia is one of the countries with the largest Muslim population in the world. Indonesia accounts for 12.7% of the world's Muslim population. When viewed from the number, in 2020 it is estimated that as many as 229 million Muslim residents live in Indonesia. The total population in Indonesia is estimated at 273 million people, so that the Muslim population is equivalent to 87.2% of the total population in Indonesia (World Population Review, 2020). Then in 2021 the Muslim population in Indonesia will increase to 237.53 million people with a percentage of

<sup>1</sup> State of the Global Islamic Economy Report. 2022. "State of the Global Islamic Economy Report Thriving in Uncertainty". DinarStandard: 1–209.

86.9% (Indonesian Ministry of Religion Data Portal, 2021). This large Muslim population makes the demand for halal products also large. Indonesia is referred to as the embodiment of the world halal industrial market. In fact, the total spending that Indonesia spent on halal product spending in 2019 reached a value of US\$ 144 billion, making Indonesia the largest consumer in this sector. The Muslim-friendly tourism sector has put Indonesia in the 6th position in the world with a value of US\$11.2 billion. In the Muslim fashion sector, Indonesia is the 3rd consumer in the world with a total consumption of 16 billion US Dollars. The Indonesian halal pharmaceutical and cosmetics sector is ranked 6th and 2nd with total expenditures of US\$5.4 billion and US\$4 billion, respectively (Ministry of Finance of the Republic of Indonesia 2021).

The halal industry has a strategic role in improving the economy. This can be seen from the increasing contribution of the halal industry to the national economy as seen from the increasing market share of the halal sector to GDP in 2016 by 24.3% to 24.86% in 2020. This development is supported by the government by establishing three halal industrial areas in Serang, Sidoarjo, and Bintan which will be developed into a halal industry cluster with the aim of becoming an international halal hub. If optimized again, the halal industry can increase the value of exports and the country's foreign exchange reserves (Ministry of Finance of the Republic of Indonesia 2021). So, Indonesia should have started to develop the halal industry in order to build the economy to its full potential.

However, it is unfortunate that the potential of Indonesia's halal industry has not been fully exploited, there are still many obstacles faced by the Indonesian people in developing the halal industry, including; policies consisting of the implementation of the Halal Product Guarantee (JPH) which is still not completed, there is still at least certification and standardization of halal products, the roadmap for developing the halal industry is not perfect, human resources consist of many producers who pay less

attention to halal products and lack of knowledge. halal products for small business actors, socialization, consisting of a lack of promotion about halal and a lack of socialization, education and information about halal. Other aspects for example; several obstacles such as the limited raw materials that already meet the halal criteria, there are still some sectors that depend on imports and lastly there is no standard definition of halal products.

Seeing the potential for the development of the Indonesian halal industry, the author is interested in carrying out research on how opportunities, challenges and strategies can be carried out. Halal Industry in the Indonesian Economy. Through this research, the author hopes to contribute to the portrait of the halal industry in Indonesia which has the opportunity to be developed.

## **METHODOLOGY**

This research is a qualitative descriptive study using the library method using secondary data obtained through scientific articles and other relevant documents. The data obtained were then analyzed by producing descriptive explanations in the form of words, pictures 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, categorization of the reduced data is carried out according to the research topic, namely opportunities, challenges and strategies for developing the halal industry in Indonesia. The last stage is data verification to draw conclusions which is the researcher's interpretation of the data. Verification is carried out using triangulation techniques, namely comparing one data source with other data sources (Neuman and Djamba 2014).

## RESEARCH AND DISCUSSION RESULTS

### Halal Industry Opportunities in Indonesia

The halal industry has huge potential in Indonesia. This is an implication of the very large number of Indonesian Muslim population. We can see opportunities for the Indonesian halal industry from several sectors, namely the halal food sector, the sharia finance sector, the halal tourism sector, and the Muslim fashion sector. The following is an explanation of the potential of each sector.

#### 1. Halal food sector

Halal food is a basic need of 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. Potential that is really visible is a very promising market potential. In 2022, Indonesia will spend USD 146.7 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 2022).<sup>2</sup>

Government support is also a big potential for the halal food industry in Indonesia. This government support can be seen from the formation of the Halal Product Guarantee Agency (BPJPH) as a mandate from Law Number 33 of 2014 concerning Halal Product Assurance. BPJPH was ratified on 27 October 2017 and has a position under the Ministry of Religion. The establishment of BPJPH has transformed the implementation of halal product guarantees in Indonesia from being voluntary to 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, dkk, 2019).<sup>3</sup>

#### 2. Islamic finance sector

The Islamic finance sector is the gateway to the halal industry in Indonesia. Since the establishment of Bank Muamalat Indonesia in 1992, the Islamic finance sector has brought good development to the Islamic finance industry. Islamic financial assets continue to grow every year. In 2020, Islamic financial assets increased by 13.97% (yoy) to Rp1,287.65 trillion (Otoritas Jasa Keuangan 2021).

Indonesia ranks seventh in the Islamic financial asset market in the world with a total asset value of USD 86 billion. Indonesia also ranks 5th in the Top 10 Islamic Finance (State of Global Islamic Economy Report 2021). In 2021, the market share of the financial industry will reach 8.69%. This figure is the total market share of Islamic banking of 5.94% plus the market share of the Non-Bank Financial Industry (IKNB) of 2.75% (CNN Indonesia 2021). The growth of this financial sector reflects the potential of the Islamic finance sector which is quite large in Indonesia.

#### 3. Halal tourism sector

Indonesia is a country that has cultural diversity and is rich in history and religious traditions. In addition, the beautiful natural scenery in Indonesia and the friendly people are the main attractions for Indonesia in the tourism sector. When it comes to halal tourism, Indonesia's potential is huge. There are many tourist attractions that can be visited by halal travelers, including mosques, palaces, tombs, heirlooms, to halal cuisine (Jaelani, 2017).<sup>4</sup>

Indonesia's halal tourism potential has received tremendous appreciation,

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<sup>2</sup> State of the Global Islamic Economy Report. 2022. "State of the Global Islamic Economy Report Thriving in Uncertainty". DinarStandard: 1–209.

<sup>3</sup> Aziz, M., Rofiq, A., Ghofur, A. 2019. "Regulasi Penyelenggaraan Jaminan Produk Halal Di

Indonesia Perspektif Statute Approach." ISLAMICA: Jurnal Studi Keislaman 14(1):151–70

<sup>4</sup> Jaelani, A. (2017). Halal Tourism Industry in Indonesia: Potential and Prospects. *SSRN Electronic Journal*.

because Indonesia won first place with Malaysia in the main category of Top 10 OIC Destinations with a score of 78. In addition, Indonesia also won first place in two other categories, such as Top 10 Destinations-Communications and Top 10 Destinations-Services (Crescent Rating 2021). In addition, Indonesia also ranked 4th in the Top 10 Muslim-Friendly Travel (State of Global Islamic Economy Report 2021). 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 Riau Islands, DKI Jakarta, West Java, Central Java, Yogyakarta, East Java, West Nusa Tenggara, and South Sulawesi (Tim Publikasi Katadata 2020).<sup>5</sup>

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 middle-class income for the Muslim population which is also quite large, the large number of Muslim populations who are still young and like to travel, access to growing tourism information, fast, friendly and satisfying facilities and services, the existence of Ramadan travel that attracts tourists, and a travel business that is growing and responsive to the needs of tourists (Alwafi Ridho Subarkah, 2018).<sup>6</sup>

#### 4. Muslim fashion sector

The potential of Muslim clothing in Indonesia is no less big. The Muslim fashion industry continues to experience growth from year to year. In 2019, exports of the Muslim fashion sector have exceeded USD 9.2 billion, equivalent to 9.8% of total exports from the manufacturing industry. When viewed from the domestic market,

consumption of Muslim clothing products has reached USD 20 billion with an average growth rate of 18.2%. (Redaksi FIN 2021).

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 2021). In addition, the support and role of the government, the ratification of Law Number 33 of 2014 concerning Guaranteed Halal Products, the proliferation of Muslim fashion designers and Muslim fashion exhibitions, as well as positive public responses make this potential more likely to be developed. (A. I. Faried 2019; Aan Nasrullah 2018).<sup>7</sup>

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 also make the manufacture of halal industrial products more effective and efficient (Faried, 2019; Jaelani, 2017).

### Challenges of the Halal Industry in Indonesia

In addition to the opportunities that Indonesia has in the halal industry, it also has many challenges that deserve mutual attention, especially from the government and stakeholders. As a country with a majority Muslim population and the world's largest Muslim population, ideally Indonesia is able to be at the forefront of all sectors in the country's halal industry, but in reality it is not as easy as imagined.

Becoming the center of the world halal industry as targeted by the government in

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<sup>5</sup> Tim Publikasi Katadata. 2020. "Industri Halal Untuk Semua." Kata Data.

<sup>6</sup> Subarkah, A. R. (2018). Potensi dan Prospek Wisata Halal Dalam Meningkatkan Ekonomi Daerah (Studi Kasus: Nusa Tenggara Barat). In *Jurnal Sospol* (Vol. 4, Issue 2).

<sup>7</sup> Faried, A.I. 2019. "Implementasi Model Pengembangan Industri Halal Fashion Di Indonesia". Jeka 4(2).

2024 has two challenges in general, namely external challenges and internal challenges in the country, as described in the results of research conducted by Fathoni and Saputri, that the external challenges faced by Indonesia are three, namely:

1. Number of competing countries

Competing countries emerge from Muslim countries and non-Muslim countries. Muslim countries consist of Malaysia, Brunei Darussalam, Turkey, Pakistan, Qatar, United Arab Emirates (Fathoni and Tasya Hadi, 2020),<sup>8</sup> Jordan, Bahrain, Kuwait, Iran, Oman, Sri Lanka, Egypt, Tunisia, Azerbaijan, Albania, Bangladesh and Lebanon and more. (State of the Global Islamic Economy Report, 2020). Meanwhile, non-Muslim countries include Australia, Thailand, Singapore, United Kingdom, Italy (Fathoni and Tasya Hadi, 2020), Spain, Canada, France, South Africa, Nigeria and the Netherlands (State of the Global Islamic Economy Report, 2020).

As a result of the emergence of these competing countries, it will certainly affect the absorption of Indonesian halal products in the global arena. So it is necessary to improve the quality of products and services in order to be able to compete with these competing countries so as not to become a spectator country or a consumer country of the world's halal products. In addition, domestic products will also be threatened with reduced consumption absorption levels among the Indonesian people with foreign products entering the country (Fathoni and Tasya Hadi, 2020).

2. There is no uniformity of halal certification that has been agreed globally

One of the reasons is that there is no consensus by countries in the world about halal certification with international standards. In addition, each

country has its own halal certification standards (Fathoni and Tasya Hadi, 2020).

The involvement of non-Muslim countries in the world halal industry as described above cannot be separated from the incompatibility of Muslim countries in setting halal product standards so that the non-Muslim majority country actually plays a large role in the production of halal products. (Soraya Dea Alvi and Zahrotul Oktaviani, 2021).<sup>9</sup> This condition is one of the things that needs serious attention for Indonesia if it wants to become the center of the world's halal industry, at least Indonesia appears as a pioneer in initiating world halal certification standards.

3. The incompatibility of Muslim countries in setting halal product standards.

The head of the World Halal Union, Ahmet Gelir, quoted by Dea Alvi Soraya and Zahrotul Oktaviani in [ihram.co.id](http://ihram.co.id), stated that the incompatibility of the world's Muslim countries in setting halal product standards is a challenge for the Islamic world. Making non-Muslim-majority countries take big roles in producing halal products. Whereas the issue of halal products is a matter of sharia, so it should be managed by an organization or accreditation body that has experts with sensitivity to the Islamic faith. (Dea Alvi and Oktaviani, 2021).

As for the internal challenges faced by Indonesia which were described by Fathoni and Syahputri, among others;

1. Lack of halal awareness in Indonesian society

Halal awareness is closely related to knowledge, understanding and level of religiosity of the community, so it requires more intense socialization by related parties, in order to provide

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<sup>8</sup> Fathoni, M. A. (2020). Potret Industri Halal Indonesia: Peluang dan Tantangan. *Jurnal Ilmiah Ekonomi Islam*, 6(3), 428.

<sup>9</sup> Soraya Dea Alvi and Zahrotul Oktaviani. 2021. "Ketidakkompakan Standar Produk Halal Jadi Tantangan Dunia Islam". *Ihram.Co.Id*: 23.

understanding and awareness of halal life style for the community, especially in consuming halal products. Likewise, socialization to MSME entrepreneurs, especially those engaged in the halal industry, both goods and service products.

In today's millennial era, there are many ways that can be done to socialize halal products so that they are easy to reach the public and easy to understand, starting from social media, web sites, print media, television, and others. The most effective media for the community can certainly be adjusted to the conditions of the community, who are in urban areas can be done through online media, such as social media, websites, and others. While in remote areas, it can be done through television and radio media.

2. There are problems with Law Number 33 of 2014 concerning Guaranteed Halal Products

Fajaruddin, quoted by Fathoni and Syahputri, describes that since Law Number 33 was enacted in 2014, its implementation has only begun to take effect on October 17, 2019. Even after being enacted in 2019, the JPH Law still takes time because halal certification obligations are carried out regularly. gradually. This shows that how slow the enforcement of regulations in the country is, as well as shows the weakness of the implementation of halal certification for the halal industry in the country.

3. The low awareness of the Indonesian people to compete

One of the things that become the weakness of Indonesian society is consumptive habits and lack of awareness to become a producer of goods and services. So it is natural that the Indonesian market is dominated by imported products, ranging from home products to large industrial products. Imported products can be found not only

in modern markets, such as malls and supermarkets, but also in traditional markets. Especially in the online market or e-commerce business which is being loved by most of the Indonesian population, especially millennials. Based on the results of a survey conducted by We Are Social in April 2021, quoted by Databooks Katadata.co.id, it was stated that Indonesia is the first country out of the 10 countries with the highest e-commerce users in the world, with 88.1% of internet users being e-commerce users. -commerce (Andrea Lidwina, 2021).<sup>10</sup> This is an opportunity as well as a challenge for Indonesia to be able to compete in the world's halal industry.

In addition to the challenges of each of the three external and internal challenges mentioned above, an Economist from the Core Indonesia institution said that the halal industry in Indonesia is still facing obstacles, these obstacles are also a challenge for the Indonesian halal industry.

1. Halal industry business opportunities have not been realized by many parties and regulators

Halal industry business opportunities that have been described above, have not been understood and realized by all elements of the nation and state society in the country, so it requires various parties to conduct socialization to all levels of society in order to have awareness and understanding of the opportunities for the Indonesian halal industry which can be wrong. a superior product in the eyes of the world.

Ideally, the Indonesian people, who are predominantly Muslim, have great potential to develop halal products, especially for existing MSMEs, but due to their lack of understanding, this has not been optimal and has not been able to become a superior product in the community. Plus the business focus and conditions of diverse educational

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<sup>10</sup> Lidwina, Andrea, 2021. "Penggunaan E-Commerce Indonesia Tertinggi Di Dunia". Katadata.Co.Id.

backgrounds and understandings of the community.

2. Limited supply of raw materials that meet halal criteria.

This can be seen from the supply of halal raw materials in Indonesia which is still around 37% of the total demand. Whereas on the other hand, the abundance of natural resources in Indonesia if managed properly will produce raw materials that meet halal criteria.

3. The limited understanding of a number of producers is accompanied by inadequate infrastructure

The lack of understanding of industrial producers of goods and services on the importance of the halal industry is a challenge for stakeholders, especially the government, in socializing halal products. Likewise with the availability of adequate infrastructure to ensure the implementation of the halal cycle in the industrial world. This finally makes it difficult to guarantee that the production chain of goods is truly halal.

4. Differences in standardization and certification of halal products.

As previously explained, the uniformity of standardization of halal certification is important to ensure the halalness of halal products not only domestically but also products originating from abroad. This is in line with what was expressed by the Governor of Bank Indonesia, as well as Chairman of the Expert Board of the Islamic Economic Community (MES), Perry Warjiyo, in the Opening Ceremony Road to ISEF 2021, 1st Indonesia International Halal Fair and 2nd Intercontinental Talk quoted by Ihram.co .id. that Four things are optimizing the Indonesian halal value chain towards global market competition, including halal certification, strengthening the ecosystem of business actors, improving product quality, and maximizing the overall value chain.

5. The number of imported products that enter Indonesia.

In a study conducted by Uswatun Hasanah that one of the challenges of the Indonesian halal industry consists of four, one of which is the large number of imported products circulating in the Indonesian market. The Indonesian Employers Association (APINDO) quoted by [mediaindonesia.com](http://mediaindonesia.com) stated that the number of imported goods entering Indonesian territory other than Batam and the Riau Islands, throughout 2021 was 57.9 million packages, experiencing a drastic increase of around 197% when compared to imports in 2020. The data does not include imported goods that are traded directly on social media and e-commerce applications.

According to the Minister of Trade of the Republic of Indonesia (Mendagri), Enggartiasto Lukita, quoted by [Tirto.id](http://tirto.id). Stated that the products traded in the Indonesian e-commerce market are dominated by around 90 percent from imports, only around 10 percent of products originating from domestic. Of course this is a threat for domestic MSME products, which incidentally are the backbone of the nation's economy.

In addition to the obstacles mentioned above, there are still other challenges in the development of the halal industry in Indonesia which are no less important, namely the role of Islamic banks which is not yet optimal in encouraging the development and improvement of the halal industry. There are at least seven things that cause the less than optimal role of Islamic banks in guarding the halal industry in Indonesia.

1. The lack of human resources who can not only understand the fiqh aspect but can also understand the financial aspect. Even though in terms of numbers, Indonesia is a country with the largest Muslim population in the world which of course can be capital for Islamic banks in creating quality resources.

However, the world's largest Muslim population does not guarantee the availability of quality human resources.

2. There is still a lack of Islamic bank education for the "lower layer" community, which in fact is the holder of an important role in the MSME sector.
3. Less active Islamic banks in financing. This can be shown by the difficulty of the process of managing and submitting financing at Islamic banks.
4. The existence of one of the moral hazard actions in the form of information asymmetry between Islamic banks and customers.
5. There are still rampant abuses committed by several individuals who work in Islamic banks.
6. Islamic banks as partners of MSME actors are considered not optimal, because Islamic banks are only limited to assisting in providing financing, but do not participate in helping promote MSMEs in increasing their income.
7. There is still a small number of Islamic banks in Indonesia, which causes Islamic banks to not reach remote areas.

### **Halal Industry Development Strategy in Indonesia**

Some strategies that can be carried out in the development of the halal industry in Indonesia:

1. Develop superior human resources, through the development of human resources (people development), namely Heart, Head, and Hand. The Heart approach is an approach from the heart, namely the unification of goals to fear Allah, the Almighty God. Head with knowledge and knowledge and complete with specific skills in certain industries (hands). HR development is pursued by professional certification and specific abilities. Superior HR

development can be done through the HR Education Channel. Strengthening human resources cannot be separated from the role of universities. In addition to strengthening quality human resources and experts in their fields, universities also have the responsibility to produce quality research, including research in the halal product industry. The laboratory and scientific infrastructure owned by universities can support the development of business incubation for halal products for MSMEs. For this reason, collaboration with industry players is needed so that the entire incubation process can be integrated. Universities need to strengthen collaboration with industry players. As educational centers, universities must play an active role in promoting literacy and education in Islamic economics and finance. Based on the results of a Bank Indonesia survey, national Islamic financial and economic literacy in 2021 will increase to 20.1 percent from the previous year of 16.3 percent. This literacy level is still relatively low for Indonesia as a country with the largest Muslim population in the world, so more maximum efforts are needed (Gubernur BI, 2020).

2. A reliable strategy is needed to be able to socialize halal certification. Halal products in the form of food, beverages, drugs, cosmetics, biological products, chemical products, genetically engineered products, and goods and services for slaughtering, processing, distributing and serving must be certified if the ingredients and processes for the halal product (PPH) are clear. There should be a commitment and responsibility of business actors to guarantee halal products through the halal product guarantee system (SJPH) that is implemented. At the



same time, halal-certified products need to get other facilities and concessions so that they can be produced, circulated, and traded without significant obstacles.

Since October 17, 2019 the appointment of BPJPH marked a new era of guaranteeing halal products in Indonesia, if previously the guarantee of halal products (JPH) was carried out by the community and was voluntary, through Law 33/2014, the task of JPH shifted and became the responsibility of the state (government) and was mandatory.

The consequences of the obligation to be certified halal for products (both goods and services) are crucial. On the one hand, this mandatory ensures that the products consumed and used by the public are guaranteed to be halal. But on the other hand, this “obligation” diction is a big job for the government to connect various halal value chains which are currently scattered into various sectors. Therefore it takes a lot of collaboration and cooperation (Fajaruiddin, 2018).<sup>11</sup>

3. Building a halal ecosystem requires great collaboration and synergy between halal stakeholders. The implementation of halal certification (as part of the guarantee of halal products) includes a long chain, from upstream to downstream. Halal-value chain halal certification is also related to multi-stakeholders. Determination of product halalness requires the role of other institutions: religious authorities (MUI) and product inspectors or testing (LPH). The function of product supervision is carried out by BPOM, the circulation of goods/products is under the authority of the ministry of industry, trade, agriculture, and customs. International cooperation with state

halal institutions is the authority of the foreign ministry. Not to mention the type of business consisting of large, medium, small and micro companies under the coordination and guidance of other ministries/institutions (Kemenkes, Kemenkop UKM, Pemda, and Kemendag).

4. Many parties are involved in the halal certification process. Moreover, the halal self-declaration scheme by UMK actors must involve religious organizations, Islamic religious institutions, universities, local governments, associations, associations, and other strategic partnerships, including e-commerce and digital platforms. To ensure that halal certification services are prepared optimally, internal consolidation and coordination as well as cross-agency communication must be carried out.
5. International cooperation guarantees halal products. One of the important issues regarding product halalness is the entry of products from abroad into Indonesia. So far, halal certification of foreign products is carried out B to B (business to business cooperation). However, with Law 33 of 2014 and Job Creation Law 11 of 2020, as well as PP No. 39 of 2021, international cooperation is built on the basis of mutual recognition and acceptance of halal certificates (mutual recognition and agreement, MRA). At the level of bilateral and multilateral relations between countries, the existence of a halal certification body plays an important role in ensuring that foreign products entering Indonesia comply with halal standards. Or conversely, with mutual acceptance, domestic halal products (exports) can be accepted in various countries

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<sup>11</sup> Fajaruiddin. 2018. “Efektivitas Undang-Undang Nomor 33 Tahun 2014 Tentang Jaminan Produk Halal Dalam Perlindungan Konsumen”. De

Lega Lata: Jurnal Ilmu Hukum Fakultas Hukum UMSU 3(2): 2014-1.

because there are already similarities in halal standards. International cooperation in the halal sector covers many fields, such as halal quality assurance, development of halal resources, technology in the halal field, and recognition of halal certificates (ref. PP 39 of 2021, Article 119). Indonesia has the potential to become a 'world-level halal leader'. Indonesian halal standards (which have been implemented by MUI and LPPOM-MUI) have received recognition from dozens of countries.

Another advantage of this cooperation is halal investment from other countries. In addition to increasing the closeness of bilateral relations, the recognition and acceptance of halal products that have been obstacles will be easily parsed and overcome. Profits for national entrepreneurs and business actors will also increase with technology development cooperation in the field of halal, diversification of products that are in demand and become a necessity in investor countries, in addition to business contacts, encouraging the export of halal products from Indonesia in accordance with Indonesia's obsession as the largest halal producer in the world.

## CONCLUSION

Indonesia has tremendous opportunities to develop the halal industry. These opportunities include the halal food sector, the Islamic finance sector, the halal tourism sector, and the Muslim fashion sector.

There are external and internal challenges in the development of the halal industry, external challenges, namely the number of competing countries, the absence of a globally agreed halal certificate and the incompatibility of Muslim countries in setting halal product standards. And internal challenges, namely the lack of halal awareness among the Indonesian people and the

problems of Law Number 33 of 2014 concerning Halal Product Guarantee, as well as the low awareness of the Indonesian people to compete.

In addition to these challenges, an economist from the Core Indonesia institute said that the halal industry in Indonesia still faces obstacles, namely:

1. Halal industry business opportunities have not been realized by many parties and regulators.
2. Limited supply of raw materials that meet halal criteria.
3. The limited understanding of a number of producers is accompanied by inadequate infrastructure.
4. Differences in standardization and certification of halal products.
5. The number of imported products entering Indonesia

In addition to the obstacles mentioned above, there are still other challenges in the development of the halal industry in Indonesia which are no less important, namely the role of Islamic banks which is not yet optimal in encouraging the development and improvement of the halal industry.

The strategies that can be done to develop the halal industry in Indonesia are developing superior human resources, reliable strategies for socializing halal products and others.

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