

Chapter 4

Challenges and Opportunities in the Indonesian Halal Industry

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ABSTRACT

The global halal industry is expected to reach USD 3.1 trillion by 2027, with Indonesia holding significant potential due to its large Muslim population, government support, and market demand. This study analyzes the challenges and opportunities in Indonesia's halal industry using qualitative descriptive methods and SWOT analysis. Findings highlight strengths such as government policies and a growing Islamic economy, while challenges include low MSME awareness of halal certification, limited infrastructure, and inconsistent global standards. Opportunities arise from technological advancements and the rising halal lifestyle trend, whereas threats include competition from Malaysia, dominance of halal exports by non-Muslim countries, and reliance on imported raw materials. To strengthen its halal industry, Indonesia must enhance regulations, harmonize global halal standards, accelerate digital halal certification, invest in infrastructure, improve halal literacy, and strengthen global branding. With the right strategies, Indonesia can position itself as a global halal industry leader.

INTRODUCTION

The halal industry has shown rapid growth both globally and nationally. According to the *State of the Global Islamic Economy* report, the global halal sector is projected to reach a value of USD 3.1 trillion by 2027, covering various sectors such as food and beverages, cosmetics, pharmaceuticals, tourism, and Islamic finance (DinarStandard, State of the Global Islamic Economy Report 2023/2024, 2023/2024). As the country with the largest Muslim population in the world, Indonesia has significant potential to develop the halal industry as one of the main pillars of economic growth. The Indonesian government

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has also set a strategic vision to establish the country as a global halal industry center through regulatory strengthening, the development of halal industrial zones, and the acceleration of halal certification.

Halal certification is key in increasing halal products' competitiveness in domestic and international markets. Consumers, especially Muslims, are assured that their products comply with Islamic law with transparent and credible certification. Additionally, globally recognized halal certification can open broader export opportunities for Indonesian businesses. However, despite its great potential, Indonesia's halal industry still faces various challenges that must be addressed to compete globally.

Some of the main challenges facing Indonesia's halal industry include the low awareness and understanding of business players or entrepreneurs, particularly for micro, small and medium enterprises (MSMEs), regarding the importance of halal certification. Many producers lack access to information or face difficulties in certification, preventing their products from being marketed as legally recognized halal products. Furthermore, differences in halal standards between countries create barriers to exports, as Indonesia's certification is not yet fully recognized in various global markets. Limited halal production infrastructure, an under-optimized supply chain, and minimal adoption of technology also pose obstacles to improving the competitiveness of the national halal industry.

On the other hand, various opportunities can be leveraged to strengthen Indonesia's halal industry. Technological advancements such as blockchain, the Internet of Things (IoT), and big data can enhance transparency and efficiency in the halal supply chain. Moreover, the increasing global awareness of the halal lifestyle, not only among Muslims but also among non-Muslims, expands the market for Indonesian halal products. The continuous growth of Islamic finance also provides financial support for businesses in developing halal products and services.

Based on a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, this study analyzes the opportunities and challenges in developing Indonesia's halal industry and formulating the necessary strategies to position Indonesia as a global halal industry center. This study will provide strategic recommendations for the government, businesses, and other stakeholders to optimize the national halal industry by leveraging existing strengths, mitigating weaknesses, capitalizing on opportunities, and anticipating threats.

The primary focus in developing a globally competitive halal industry includes strengthening halal regulations and standardization, accelerating certification and industry digitalization, increasing investment in halal infrastructure and technology, and collaborating with international markets to expand export access. With the right strategies, Indonesia can harness its vast potential to become a leading global player in the halal industry.

LITERATURE REVIEW

Definition and Basic Concepts of Halal and the Halal Industry

The word *halal* originates from Arabic, meaning to release and not be bound. Etymologically, *halal* refers to things that are permissible and can be done because they are free or not restricted by prohibitive regulations (Adam, 2017). *Halal* is also defined as anything free from worldly and spiritual harm (Shofie, 2013). Based on these definitions, *halal* refers to any object or activity allowed to be used or carried out. In everyday vocabulary, it is most commonly used to describe food and beverages permitted for consumption according to Islam, based on the type of food and how it is obtained. Law Number 33

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