

The Efforts of the Halal Value Chain Ecosystem to Realize Indonesia as the World's Biggest Halal Producer

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Abstract

Prior research has investigated the role of Islamic values in community-based enterprise. The authors contributed to this line of research by exploring a community-based perspective. Using the resource-based view theory fundamental lens, this study aims to reveal the origins and unique characteristics of Islamic community-based enterprise. This research is an exploratory research with qualitative case study research involving 9 participants, all of whom are founders of a community-based business that uses Islamic principles. This study uses in-depth interview and observation as methods. The results show there are 3 origins of Islamic community-based enterprises, all of which have differences with conventional community-based enterprises. As for the characteristics, there are unique characteristics of Islamic community-based enterprise that are not found in conventional literature. The authors contribute to uncovering a new variant of the idea of Islamic entrepreneurship and community. This study reveals the birth of the idea of an Islamic community-based enterprise as a breakthrough concept that integrates entrepreneurship, community functions and Islamic values. This research also opens a form of Islamic entrepreneurship, which in previous studies is more prominent in the individual perspective. This study provides an in-depth lens to see Islamic entrepreneurship from a community perspective.

Keywords: *Islamic community-based enterprise; community-based enterprise; community entrepreneurship; Social Entrepreneurship; Islamic entrepreneurship*

Citation: Choirida, Amma, et al. (2023). The Efforts of the Halal Value Chain Ecosystem To Realize Indonesia As The World's Biggest Halal Producer, *Al Tijarah*, 9 (1) <https://doi.org/10.21111/at.v9i1.10311>

A. INTRODUCTION

As a country with the largest Muslim population in the world, which reaches 87.18% of a population of 232.5 million people according to the Global Islamic 2018/2019 Economic Report, Indonesia has a very large market share based on products and services in, the sharia economy is very large compared to other countries ([Fatmawati & Santoso, 2020](#)). In the real sector, the application of Islamic economics is growing in the form of the halal industry which covers various sectors such as halal food and beverages, Muslim fashion, Muslim-friendly tourism, halal medicines and cosmetics, and other halal industries ([Indonesia, 2020](#)). Therefore, the halal industry has a strategic role in improving the economy of Indonesia. Seeing this, of course, Indonesia has a great opportunity in the development of Islamic economics and Islamic finance. Especially in developing the Islamic economy through strengthening the halal industrial sector or in the halal value chain ecosystem.

For this reason, it should continue to be developed in Indonesia. The halal value chain ecosystem is a new concept offered in the Islamic economic system. The halal value chain is an ecosystem or halal supply chain that includes several upstream to downstream industrial sectors ([Zahroh, 2020](#)). This concept plays an important role in economic progress in Indonesia. Strengthening the concept of the halal value chain to be included in one of the 2019-2024 Islamic Economic Masterplans. The halal industry related to the Muslim population is divided into several clusters, such as the food and beverage cluster, the halal tourism cluster, the Muslim fashion cluster, the halal media and recreation cluster, the halal pharmaceutical and cosmetics cluster, and the renewable energy cluster ([Muslihati, 2020](#)).

The steps taken in developing Islamic Economics and Finance are the government developing Islamic boarding schools to replicate the implementation of the Islamic economic and financial development ecosystem. This policy is a form of the government's commitment to increasing financial inclusion, including Islamic finance. Trends in food (eating and drinking) have developed quite rapidly in Indonesia in the current era. The many movements that are aware of halal products are not only from Indonesia but in any part of the world that has a Muslim population.

Halal Value Chain is part of an effort or strategy in the halal industry sector for producers to be able to compete in the same industry, in Indonesia focusing on halal value chains in 6 sectors including the halal food and beverage sector, halal tourism, Muslim fashion, halal media-recreation, pharmaceuticals halal cosmetics and halal energy. However, this research focuses on one of the sectors in the halal value chain, namely the food and beverage sector. The purpose of this halal value chain is to maintain and maintain halal products in the hands of consumers or buyers.

This research is a new study but still requires several journal references including several literature reviews from other studies. The goal is that researchers get information related to this research and can deepen the problems being analyzed by researchers. In addition, what is being studied or studied from all source's results? So that the data collected by researchers can be used as relevant research. The literature review taken or presented in this study comes from journals. One of them is a journal written by Karina, Chairunnisyaha, Marlya, and Hubbul conducting research in 2020, regarding "The influence of religiosity on the interest of Muslim women in Medan in the consumption of halal food products". This research is quantitative. The results obtained show that there is a positive and significant influence on the interest of Muslim women in the city of Medan in consuming halal products ([Chairunnisyah et al., 2020](#)).

The halal value chain is the government's strategy to make Indonesia the center of the sharia economy and the world's halal industry. One way is to make Indonesia the world's halal producer. The adaptive way is seen through fulfilling the demand for the domestic halal market which is currently dominated by global players. Fulfilling market demand will also be more effective due to the development of high domestic demand for halal products. This can also contribute to strengthening the balance of payments.

B. RESEARCH METHOD

This research includes library research using a descriptive analysis method approach. Data collection techniques from the existing literature review. After that, the data is understood, researched, and studied, then described according to the needs needed in the research. So from that, research can find the implications of halal products.

The descriptive analysis method is a statistic that is used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations.

This study aims to describe or describe in general how the halal value chain is instilled in Indonesia. Then analyze related state laws that regulate the course of the halal value chain in Indonesia.

According to Ahmad Tanzeh in his book *Introduction to Research Methods*, data sources are classified as primary and secondary data. Here's the explanation:

1. Primary Data is data that is directly taken by the person concerned or who uses the data. Data was obtained through sources of information by way of observation (observation) and interviews. In this study, the primary data was taken from the statement of the Ministry of Economy through data presented in the mass world.
2. Secondary data is data that is not directly obtained by those who are interested or who use the data. The secondary data the researcher got from the literature study.

The techniques used by researchers are:

1. Observation

According to Margono in his book, observation is defined as systematic observation and recording of the symptoms that appear on the object of research. While understanding observation in general is a technique or way of collecting data by making observations of ongoing activities. This method the researchers used to collect data relating to the concept of the halal value chain which was also initiated by the government. Halal value channel will be realized if the system is implemented from now on.

2. Literature View or literature study

In this study, researchers also used the literature view and also made the main data collection technique. This method was carried out to gather data on the halal value chain which is oriented towards making Indonesia the center of the world's sharia economy and finance by implementing certain policies, methods, and rules.

C. DISCUSSION

Many research titles have examined issues related to the halal value chain. The research conducted by Muhammad Syafi'i Antonio ([Antonio et al., 2020](#)), conducted a review of the literature which raised the issue of halal value chains in the aspects of Islamic economics and finance. The study carried out a bibliometric mapping to map the extent of the development of halal value chain research. During the period 2008 to 2020, 163 documents were collected in various forms, both in the form of scientific articles, book chapters, monograph books, preprints, and proceedings. From the form of written publications on halal value chains, more were published in the form of scientific journal articles with a total of 128 documents, followed by chapters (19 documents), proceedings (13 documents), preprints (2 documents) and monographs books (1 document) ([I. permata Sari et al., 2019](#)).

Based on the research mapping results related to the halal value chain as a whole, it shows that the research topics that are often raised are more identical to those related to the halal supply chain. The halal supply chain is very closely related to food products, especially related to the need for halal food (food ingredients, hygiene, safety, health, nutrition, and quality), the slaughter process for meat food, as well as halal logistics and marketing. In the current era of modernization, the existence of a halal supply chain is inseparable from the use of technology to support the process ([I. permata Sari et al., 2019](#)). Meanwhile, several popular writers are active in publishing related to halal value chains in the economic and financial fields. Islam, namely Tieman M from 2011 to 2019, followed by writers Zailani S (2010 – 2017), Jaafar HS (2011 – 2016), and Ali MH (2014 – 2016).

Meanwhile, the research topics raised in this field also continue to develop along with the development of the issue of halal products from time to time. In 2011, the topic of understanding the halal value chain was more widely discussed in the fields of Islamic economics and finance. Furthermore, in 2013, research in this field raised more topics related to principles, guarantees, and halal consumers. Research halal value chain has explored more about risks, the Indonesian state, and halal services.

Other findings from the research show that Malaysia is the country with the most correspondence in research on the theme of halal value chains. This finding is not so surprising, considering that since 2010, Malaysia has occupied the position of being a halal center in the Southeast Asian region. This has made Malaysia a leader in the halal industry, as well as setting global standards for halal certification ([Warto & Samsuri, 2020](#)). Besides Malaysia, Indonesia also has the potential to follow in Malaysia's footsteps in the halal industry as home to the majority of the world's Muslim

population. With its natural wealth, Indonesia has great potential to become a halal food market, as well as a halal food producer.

The Indonesian government is also very supportive of the development of the halal industry in Indonesia through the establishment of SNI (Indonesian National Standard) regulations to monitor food quality in Indonesia. The Indonesian government has also appointed LPPOM MUI (Institute for the Assessment of Food, Drugs and Cosmetics-Indonesian Ulema Council) to set halal standards for products that comply with Islamic law. Apart from Malaysia and Indonesia, the UK is also known as a country that has produced a lot of research related to the halal value chain ([Komunikasi, 2018](#)).

The vision Islamic Economics

A vision of Islamic economics in Indonesia is developed from the vision and goals to be achieved by the Republic of Indonesia in the future by considering the changes that are taking place both locally and globally. In the Indonesia 2045 document issued by Bappenas, the vision for Indonesia 2045 is an Indonesia that is sovereign, advanced, just, and prosperous. Indonesia like illustrates independence to achieve goals and the desire of the state to protect the entire nation and all of Indonesia's bloodshed, promote public welfare, and educate the nation's life.

In addition, Indonesia is also committed to implementing a world order based on freedom, lasting peace, and social justice which are the characteristics of civil society. Furthermore, globally, sharia economics has received world attention in both Muslim and non-Muslim countries. This is marked by the Islamic banking industry and the halal industry growing rapidly which is a world trend. Therefore, many countries have begun to reorient their economic policies to pay more attention to the halal industry ([Komite Nasional Keuangan Syariah, 2018](#)).

In several Islamic countries, the development of this sector has also become a national policy with consistent and ongoing support from the central and regional governments. However, until 2018, Indonesia was still listed as the largest consumer or market for halal products/services and had not yet become a major player in the economy world sharia. Compared to other countries, Indonesia is still unable to increase literacy and awareness of the importance of the halal industrial sector which is carried out by government policies. Therefore, the vision to be achieved by this Masterplan is to make Indonesia self-reliant, prosperous and civilized by becoming the center of the world's leading sharia economy.

In addition to considering the various matters above, the formulation of this vision is also based on the desire to make the halal industry and sharia economy a pillar of the national economy, and to become an important part of realizing the aspirations of the nation as a just, prosperous and sovereign country. In addition, the vision of the Islamic economy in Indonesia is based on Islamic values, the basic principles of Islamic economics, and the current potential of the Indonesian Islamic economy.

The detailed explanation of this vision is as follows ([Komite Nasional Keuangan Syariah, 2018](#)):

1. Independent

If seen from the existing potential, Indonesia can drive its economy with domestic strength and empowerment, especially with abundant natural resources. This country has an identity as a nation that is self-sufficient in various fields. Therefore, the meaning of 'Independence' is Indonesia which does not depend on other countries for its life, especially to meet the basic needs of its people. In the context of the halal industry, an independent economy can be driven by local potential and resources. Especially those that have local wisdom and are not owned by other countries, so that becomes an advantage ([Purwoko et al., 2021](#)). This independence can also be interpreted as being able to know the supporting and inhibiting factors encountered in building a sustainable economy. This definition also means that independent halal industrial business activities are those that can overcome value chain problems and can move this sector on their own.

Regarding the halal industry, independence can be seen from the upstream process, including the halal value chain. The value of independence will be created if the chain of all halal industry sectors can be interrelated and can take advantage of one another ([Okdinawati et al., 2021](#)). An ecosystem that can be established will also be a prerequisite for realizing economic independence in the halal industry. Indonesia can have an ecosystem that can boost the halal industrial business sector ([Isnaini et al., 2021](#)). Then with the support of top-down government policies the independence of the sharia economy can be felt by the wider community.

On the other hand, the meaning of economic independence is an Islamic financial service business that can drive the halal industry sector. The alignment of Islamic financial institutions is very

influential in pushing this sector forward. Therefore, the attention and cooperation of Islamic financial institutions are not just financing but also being able to prove Islamic financing for the independence of the halal industry, both at the top and bottom levels.

2. Prosperous

Prosperity is the main goal of a national economic order ([Keskin, 2021](#)). A prosperous economy means the welfare of the people and reducing economic inequality. Fundamentally, prosperity will be realized when all the main needs of the people can be met. Needs in this context are physical ones such as clothing, food, shelter, and inner peace in the form of peace of mind. Broadly speaking, prosperity means feeling comfortable, trusting, and caring for others. Prosperity demands that all resources be used to realize the goals of sharia, namely meeting the needs of human life, especially the basic (primary) ones, such as food, education, and health.

Brotherhood and justice also demand that resources be distributed fairly among all people. In the context of the halal industry, prosperity is a resource ([Hassan & Salma Binti Abdul Latiff, 2009](#)). Its use for producing and consuming this industry is by sharia values so that the process and use of goods and services in it provide the maximum benefit to consumers and producers. Furthermore, in the context of the state, a prosperous economy begins with the rapid growth of the halal industry. All levels of society enjoy it so that it can encourage export activities in this sector. Simultaneously the industry also reduces its dependence on imports. In this way, the problem of the current account deficit can be reduced and prosperity realized.

3. Civil society,

In theory, civil society is a manifestation of community values into economic life which is a shared value. Economy and civil society are characteristics as well as goals of Islamic economics. The failure of the conventional economy is due to the inability of civil society to move economic values according to changing times and noble principles. They have a level of civilization and can change their lives by building, living, and giving meaning to their lives through Islamic values.

Civilized halal industry activities are driven by people with a high level of literacy and awareness, thereby increasing welfare ([Idris et al., 2018](#)). This is marked by an improvement in the Gini ratio and reduced social economic inequality. From this perspective, civil society is oriented toward the stability of the community's economic life by upholding values and principles that are following Islamic teachings. Indonesia with a majority Muslim population makes it possible to have economic activities mobilized by civil society. Thus, Indonesia with a civilized economic vision is a manifestation of religious values into economic activity ([Utama et al., 2020](#)).

The concept of Halal Value Chan by the Ministry of Economic Affairs

The halal value chain is included in the 2019-2024 Indonesian Economic Master Plan (MEKSI). The main strategy in this Master Plan is to strengthen the entire value chain of the halal industry in Indonesia, from upstream to downstream. This is done for all priority clusters and is measured in the Global Islamic Economy Report ranking, and for clusters/aspects required by the national economy ([Sosianika & Amalia, 2020](#)). According to the National Sharia Economic and Finance Committee (KNEKS), to build a halal value chain according to MEKSI, all elements and institutions of the Islamic economy must work hard.

In the 2019-2024 National Development Planning Agency (Bappenas) MEKSI, there are at least five excellent programs to strengthen the halal value chain, namely ([Annisa, 2019](#)):

- a. Building halal industrial parks and halal hubs in various regions by the comparative advantages of each leading region.
- b. Strengthening infrastructure to increase the effectiveness and standardization of the halal certification process in Indonesia (Halal Center, Halal Assurance Agency, BPJPH representatives, Halal Information System, and others).
- c. Increasing outreach through socialization/public education on the halal lifestyle.
- d. Incentive program for local and global players to invest in supporting comprehensive HVC development (starting from raw materials, production, distribution, and promotion).
- e. Strengthening cooperation and international recognition to expand the market for Indonesian halal products, including through standardization and harmonization with the establishment of an international halal center in Indonesia.

According to a report from the State of The Global Islamic Report there is around 1.8 billion Muslim population in the world who are consumers of the halal industry ([The State Of Islamic Global Economy Report 2019/20, 2019](#)). This number will continue to grow and is predicted to increase in 2030 to reach 2.2 billion Muslims. This creates a huge potential for Indonesia to maximize its production to meet the needs of the halal industry. Indonesia, as a country with a majority Muslim population, should be able to become a center for the development of the sharia economy by becoming the world's halal producer.

Efforts of the Ministry of Religion in Guaranteeing Halal Products

The Indonesian Halal Label has been stipulated by the Ministry of Religion's Halal Product Assurance Organizing Agency (BPJPH) and is valid nationally. This stipulation is contained in the Decree of the Head of BPJPH Number 40 of 2022 concerning the Determination of Halal Labels as the implementation of the mandate of Article 37 of Law Number 33 of 2014 ([Desy Kristiane, 2021](#)).

So, what about the halal label that has been used so far? The Head of BPJPH Muhammad Aqil Irham explained that the BPJPH Head's Decree was effective starting March 1, 2022. Since then, the Indonesian Halal Label must be used as a sign of product halalness by applicable regulations. "However, business actors who have products that have been halal certified before the operation of BPJPH and still have stock of packaging with a halal label and a halal MUI determination number, are allowed to spend on packaging stock first," explained Aqil Irham in Jakarta. After that, they must immediately adjust the inclusion of the halal label on their products by the provisions in the Decree of the Head of BPJPH Number 40 of 2022," he continued. This policy, continued Aqil, is a form of convenience from the government for business actors in the transition period of implementing halal certification from what was previously voluntary to mandatory." The government certainly understands the conditions in the field. Many business actors have produced product packaging with the MUI halal label. Therefore, for business actors who will produce product packaging for new stock, please use it according to the provisions," he said ([Humas Kementrian Agama, 2022](#)).

Halal standard products should become an integral part that cannot be separated from global trade and economic practices that demand international standards and quality standards to gain the trust of consumers across countries. Thus the flow of goods, services, capital, and knowledge between countries becomes easier. International trade has a very large influence on the economies between these countries which can create a conducive climate that is mutually beneficial to reciprocal trade, it is even more efficient in producing and marketing goods. Many experts conclude that the benefits of cross-border trade outweigh the benefits of military competition and territorial expansion. Meeting the necessities of life in halal is a basic right for every Muslim. This is not only related not only with religious beliefs but also related to the dimensions of health, economy, security, and religious needs. As a Muslim-majority country, the state should exist without being asked to protect its citizens in fulfilling their citizens' fundamental rights. In line with that, business actors (producers) should also protect consumers ([Karia & Asaari, 2016](#)). For this purpose, a more active role of the state is demanded in regulating the economic system which is described in the strategy carried out by the state in carrying out business instruments including through regulation. Indonesia has the largest Muslim consumers in the world. At least, 87 percent of the approximately 260 million Muslims in Indonesia need guarantees of security, comfort, protection, and legal certainty regarding the halalness of the products consumed or used or used.

As a country with the largest Muslim population, Indonesia certainly provides a very large market for halal products ([Warto & Samsuri, 2020](#)). Indonesia is a country that has a comparative advantage as an agricultural and maritime country which has the enormous economic potential to be developed into value-added activities. Halal products have an average growth rate of seven percent per year, as well as growing Muslim consumer awareness of halal products and an increasing Muslim population which has reached 1.8 billion out of 6 billion people in the world's population. With the above developments, halal producers and business people already have plans to expand the market internationally, including the expansion of the Indonesian halal product market ([Annisa, 2019](#)).

In addition, Indonesia is the 1st ranked Halal Food Consuming country in the world ([Dorfleitner et al., 2020](#)). Based on the records of the Global Islamic Economy Report 2018/2020, spending by the global Muslim population on products and services in the halal economic sector reached more than USD 2.2 trillion in 2018. Indonesia ranks first as the largest consumer of halal products in the food and beverage sector, namely by total sector expenditure of USD 170 billion ([Shahbandeh, 2020](#)). Indonesian halal products have a great opportunity to be able to compete with other countries. Business actors, both Indonesian producers, and exporters, who have pocketed halal certificates, their products will be

more easily accepted by consumers of halal products in other countries simply by looking at the halal label attached to their products.

For example, if a consumer of halal products in another country wants to buy canned food and there are two choices of similar canned food, then these consumers will tend to choose a product that has a halal label attached because they feel guaranteed that the product they are going to consume is lawful and good. For animal meat, for example, slaughter is done by cutting the animal's neck to take the meat. Islamic slaughter is defined as slaughter according to Islamic law. Meat produced from Islamic slaughter produces meat that is rich in taste, soft, safe, and hygienic. This is what makes non-Muslim consumers interested in products with a halal guarantee ([Desy Kristiane, 2021](#)).

As a Muslim-majority country, Indonesia should become a center for sharia economic development in the world. The potential to go there already exists, starting from halal certification, concern for Muslim-friendly products, services that make it easier for Muslims to practice their faith, and many more. The strategy to achieve Indonesia's vision as the world's leading Islamic economic center is strengthening the halal value chain. In it there are several industries related to the needs of the Muslim community which are divided into the following clusters (Komite Nasional Keuangan Syariah, 2018).

1. Halal food and drink

These two things are the basic needs of every human being. For Muslims, halal food and drinks are a must, because their consumption illustrates obedience to the Creator. The Qur'an, as in Surat An-Nahl (16): 114, mentions the necessity of consuming halal and good food and drink. Consumption of these two things that contain these two values will affect the quality of nutrition and the clarity of the heart that determines attitudes.

Halal food in this country abounds, especially in areas where the majority of the population is Muslim. Various typical Indonesian dishes, such as rendang, curry, vegetables, and baked goods, are available with a variety of extraordinary delights. West Sumatra offers these delicious dishes. Other regions also have the uniqueness of various mouth-watering dishes, so they become an attraction for the world community to come to Indonesia.

2. Halal tourism

This has become an attraction for various countries in the world. Mesi is not a Muslim majority, like several countries in Europe, they are now developing halal tourism. This is a genre of tourism that is Muslim-friendly. This includes Muslim-friendly destinations, where there is historical or Islamic value in them, such as al-Hambra in Granada, and various Islamic dynastic heritage sites there. Others are Muslim-friendly services, such as hotels that provide prayer equipment, Qibla direction, the Koran, and of course halal food. Indonesia has developed this kind of tourism. Halal tourism areas in this country are growing rapidly in West Nusa Tenggara (NTB), for example. There is the Mandalika special economic zone (SEZ), which showcases the beauty of its coast.

3. Muslim Fashion Muslim Clothing

Is the main attraction for designers and Muslims in various parts of the world. They want an elegant style that enhances their appearance, thereby increasing their confidence. Indonesia is now a benchmark for this development. Several Muslim fashion designers were born and grew up in this country.

The hijab community has also emerged as an association that pays attention to and consumes the latest Muslim fashions. This trend is a gathering place that strengthens brotherhood and gives birth to ideas and movements that support the development of world Muslim fashion trends. Their interactions take place face-to-face and also online through social media.

4. Halal media and recreation

Creative industries with Muslim nuances are the main attraction for Indonesian people. Among them are creative works in the form of films and animations originating from novels. An example is the Verses of Love. Initially, it was a work of fiction written by Habiburrahman Syirazi. Then it was developed into a film that aired on the big screen and attracted the attention of the national public. Various soap operas also include Islamic values in a number of their scenes, thereby demonstrating the proximity of these products to the majority of the population in this country who embrace Islam.

5. Halal pharmaceuticals and cosmetics Drug and cosmetic

Products are now increasingly attractive if they are labeled as halal. Indonesian Muslims are reluctant to consume these two products if they contain substances that are not halal. This can be seen clearly in the attitude of Muslims towards the meningitis vaccine several years ago. When they heard that the vaccine contained pork, they rejected it. The Indonesian Ulema Council then examined what the contents of the vaccine were like, and in the end, gave it a halal label. Muslims who want to perform Umrah and Hajj consume these commodities.

6. Renewable

Energy Fossil energy will decrease, due to increasing consumption. Renewable energy is an alternative to world needs so that people's mobility remains high. This energy comes from plants and scientific engineering developed by scientists. Next, the global and national conditions of each cluster will be explained, as the challenges and obstacles faced and the main strategies and proposed action plan programs.

The issue of halal products and services will always be attached to Muslim consumers. In the Koran, the word halal is a general term that refers to permissible categories. While haram means prohibited under Islamic law. Halal products are spread across several industries, including foodstuffs, cosmetics, fashion, and health care. However, halal sensitivities will increase when it comes to food-related matters. The scope of halal food includes meat, poultry, sweets, canned and frozen foods, milk, bread, organic foods, herbal products, and beverages.

Halal is interpreted more broadly. Not only permissible but also healthy so it is suitable for consumption. For Muslim consumers, halal food is a product that has gone through a halal certification process. This is indicated by the inclusion of the halal symbol on the packaging. For Muslims, the halal symbol indicates that the product meets the requirements set by sharia law so that it is suitable for consumption. Whereas for non-Muslims, the halal logo represents a symbol of cleanliness, quality, purity, and safety (Sosianika & Amalia, 2020). This symbol has now become a world standard and barometer that determines product quality. Therefore, currently halal has become a universal phenomenon that is appreciated by various nations (Moira et al., 2015).

The Indonesian Halal Label has been determined by the Halal Product Guarantee Organizing Agency (BPJPH) of the Ministry of Religion and is valid nationally. This provision is contained in the Decree of the Head of BPJPH Number 40 of 2022 concerning the Determination of Halal Labels as the implementation of the mandate of Article 37 of Law Number 33 of 2014 ([Desy Kristiane, 2021](#)). Forms of Internalization of Government Efforts on Law No. 33 of 2014 and Law No. 11 of 2020

In the era of civilization that has developed today, the processing of food and beverages, as well as medicines and cosmetics involves complex processes and contains various mixing ingredients, so this is not a simple matter anymore and is of course very vulnerable. In food products themselves, there are various types. Currently, there are many types of food in the form of ready-to-eat food, as well as processed foods that are processed in a modern and traditional way.

In food processing production, gelatin, enzymes, animal fat, and meat-based raw materials are widely used, and so on. These materials are very vulnerable from a halal point of view because they can be made or contain materials that are forbidden or come from halal animals that are not slaughtered according to Islamic law, and other haram elements. For example, on products made or produced by Micro, Small Enterprises. That what we have to pay attention to is how the product is processed and processed not mixed with non-halal materials ([Agustina et al., 2019](#)). Since the beginning of the production process, the halal product must be considered.

It is stated in the foundation of our country, namely Pancasila, that Indonesia is a religious country. In Indonesia, there are various kinds of religions and beliefs that are adhered to by the Indonesian population. In the 1945 Constitution of the Republic of Indonesia, Article 29 paragraph (2) states: "The state guarantees the freedom of each resident to embrace their religion and to worship according to their religion and beliefs" ([Wulan, 2019](#)). In addition, the laws and regulations in Indonesia have also guaranteed that every consumer has the right to obtain all information about everything related to the product.

As stated in Article 4 letter c of Law Number 8 of 1999 concerning Consumer Protection, consumers have the right to correct, clear and honest information regarding conditions and guarantees of goods and or services ([Rahmawati, 2017](#)). Apart from consumers, business actors also must provide correct, clear, and honest information regarding the conditions and warranties of goods and/or services and provide explanations. Therefore, to ensure that every adherent of a religion worships and carries out his religious teachings and beliefs, the state is obliged to provide protection and guarantees about the halalness of the products consumed and used by Muslim consumers. One of them is outlined in the regulation regarding the enforcement of halal certification.

Halal certification is an activity or process carried out to meet or achieve certain standards. The ultimate goal of halal certification is formal legal recognition that the products issued comply with halal requirements ([Rahmawati, 2017](#)). Every business actor who will put a halal label on his packaging must first obtain a certificate. Determination of halal certification is very necessary as the principles of the Islamic religion that halal and haram are the most important things in Islamic law, and are also included in the substance of Islamic law. This requires the public to know clear information about the level of

halal food itself, as a form of guaranteeing the safety of Muslims. That is where the importance of halal certification is on a product.

So far, MUI halal certificates are still not fully effective in protecting Muslim consumers, because according to previous regulations, applications for halal product certification by business actors are only voluntary. So far, business actors' concern for halal certification is still limited to large-scale business actors large. Meanwhile, small and medium business actors have not made halal certification a priority. For MSME actors themselves, there are still several processed food products, including household preparations that have not been labeled halal, and only use the P-IRT (Household Industry Food) number issued by the Health Service. Both are sold in small shops and stalls to minimarkets ([Fadiryana & Chan, 2020](#)). Simply including the P-IRT label on food product packaging makes consumers feel safe because consumers already have the label giving them a sense of security. After all, they have passed the health test process.

The obligation for halal certification for all food and beverage products is strictly stated in Article 4 of Law Number 33 of 2014 concerning Guaranteed Halal Products, which reads "products that enter, circulate, and trade in the territory of Indonesia must be halal certified." This means that it is clear that business actors who produce and trade food products in Indonesia must be halal-certified and have a halal logo printed on their packaging are also necessary as a strong legal umbrella for the government that has the authority to regulate halal products in Indonesia.

Halal certification is a written fatwa issued by the Indonesian Ulema Council. MUI halal certificate is a certificate stating information in the form of a written statement regarding the halalness of the product mentioned in the certificate. This halal certificate is included in the requirements for business actors to obtain permission to put a halal label on product packaging from the authorized government agency. Article 1 Number 10 of Law Number 33 of 2014 concerning Guarantees for Halal Products states: "Halal certification is an acknowledgment of the halalness of a product issued by BPJPH based on a written halal fatwa issued by the MUI" ([Khakim, 2018](#)).

As we all know, MSMEs are a group of business actors, especially business actors who mostly carry out the production process so that sales are carried out simply or businesses with a housing business scale, especially in food processing. The application of mandatory halal certification rules applies to all food and beverage products, including those produced by Micro, Small, and Medium Enterprises (MSMEs) as stipulated in Law Number 33 of 2014 concerning Guaranteed Halal Products.

Based on Law Number 33 of 2014 concerning Guarantees for Halal Products, this Law only mentions in general, namely, business actors do not specifically mention business actors, while we all know that products produced by MSMEs are products made/ processed on a home industry (IRT) scale ([Mu'awwanah et al., 2021](#)).

Law Number 33 of 2014 concerning Halal Product Guarantee, has been amended by Law Number 11 of 2020 concerning Job Creation, wherein the amended Articles insert an Article that requires micro and small business actors to have a halal certificate for their processed products ([Yuwita et al., 2021](#)). To have/put a halal label on processed products, of course, there must be a certification stating that a product can be declared halal. In issuing certificates, based on Article 44 of Law Number 33 of 2014 concerning Halal Product Guarantees, the financing of halal certification is borne by business actors, while in the case of micro and small business actors, the government and institutions can facilitate it.

The criteria for micro and small businesses are based on the provisions of laws and regulations governing the field of micro and small businesses. In terms of charging fees for business actors with large businesses, there is no problem in submitting an application for a halal certificate, both in terms of costs and the conditions that must be met ([M. K. Sari, 2020](#)).

It's different when it comes to micro and small business actors. Only the majority can apply to make the halal certificate. This is due to, among other things:

- a. The costs that they have to pay in the management.
- b. Requirements that must be met to get the halal certificate.

In connection with charging fees, with the issuance of Law Number 11 of 2020 concerning Job Creation, at this time it is not a problem because Article 44 of Law Number 33 of 2014 concerning Guarantees for Halal Products has been amended by Law Number 11 of 2020 concerning Job Creation "Article 44 paragraph (2) "In the event that an application for Halal Certification submitted by Micro and Small Business Actors is free of charge". With the issuance of this Law, there are no more obstacles in terms of charging fees ([Shahbandeh, 2020](#)). Another thing that must be considered, there are requirements that must also be fulfilled by micro and small business actors as regulated in the provisions of Article 21 and Article 22 paragraph (1) "Business actors who do not separate the location, place and PPPH tools as Article 21 paragraph (1) subject to administrative sanctions, in which the article states that PPH locations, places, and tools must be kept clean and hygienic, free from uncleanness and free

from non-halal items ([Kholid, 2018](#)). As we all know, micro and small business actors with a home industry scale for PPH locations, places, and tools are still one with the business actor's main house.

In relation to the two matters above, how can the objectives of implementing Law Number 33 of 2014 concerning Halal Product Assurance as amended by Law Number 11 of 2020 concerning Job Creation be achieved and the application of halal certification to processed food products for micro and small business actors can increase in scope and run as it should, it is the obligation of all parties from the central government, regional governments, business actors and the community to implement statutory provisions in accordance with their duties and functions.

E. CONCLUSION

Based on the presentation of the discussion as a whole, it can be concluded that the results of the research show that the halal industry must go through a stage of certification so that the product does not depart from Islamic principles. Certification includes tracing activities on the halal value chain of products to be distributed. This is to the vision of the sharia economy, including independent, prosperous and civilized. This research found a halal Value Chain concept by the economic sector, namely with the main strategy of forming a supporting ecosystem. These strategies include strengthening regulation and governance, developing research and development capacity, increasing the quality and quantity of human resources, and increasing public awareness and literacy.

One of them is by creating a real sector index as a reference for determining the amount of profit sharing for Islamic banks. Until now, institutions and industries in the Islamic financial system still apply frameworks and refer to conventional economic indicators. Therefore, it is hoped that this strategy will enable the Islamic financial system to function effectively and efficiently, as well as be able to comprehensively internalize Islamic values. So the efforts initiated by the government are law number 33 of 2014 concerning guarantees for halal products, then amended and perfected through law number 11 of 2020 concerning job creation, and PP 39 of 2021 concerning the implementation of the field of guarantees for halal products.

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