The Future of the Global Halal Products and Services Ecosystem

Aris Machmud¹ and Sisca Debyola Widuhung²

Abstract

Background: The halal ecosystem in Indonesia is not optimal due to various factors, including the absence of a roadmap for developing the halal industry, halal assurance policies, standardization and certification of halal products, as well as the suboptimal and minimal awareness of human resources in Indonesia, in addition to incomplete halal infrastructure, weak coordination. Objective: This study aimed to analyze the challenges and opportunities in improving the halal product ecosystem in Indonesia. Method: The author uses a normative legal process with a qualitative approach and laws and regulations related to the halal product and service industry. Finding: The results show that the halal product and service ecosystem in Indonesia can be a winner in the global competition map by implementing the mutual collaboration of stakeholders.

Keywords: Global, Halal Ecosystem, Stakeholders

INTRODUCTION

Indonesia will find it difficult to become a winner in the halal product and service industry ecosystem as long as there is no complete coordination from stakeholder - government, industry, society, and academia. The urgency of the research is that if complete coordination is not carried out, Indonesia will remain a repository for imported products from other countries.

The issue of halal certification and the existence of a halal product guarantee agency is a top priority as well as a road map and timeline for strategic achievements, this is the government's homework in realizing its goals. Furthermore, from the halal industry, including MSMEs, to realize the importance of guaranteeing the halal-ness of their products, from an academic perspective it is hoped that they can help spread information and literacy about halal products both through the teaching and learning process and help become a halal guarantee institution that has a proper testing laboratory.

Meanwhile, the role of the community in this case requires awareness to ensure that the products and services consumed have a halal label. The collaboration of stakeholder is a guarantee in realizing Indonesia's role in the global halal product and service industry ecosystem [1].

Suharso said that the Indonesian halal industry can become a winner in the global halal competition if the growth rate of the halal industry infrastructure is above economic growth, whereas if economic growth is 7% then the growth of the halal industry must reach ten percent. It is hoped that by 2025 national income will reach five thousand five hundred US dollars [2].

The food sector is the biggest contributor to the halal ecosystem. The culinary industry can be Indonesia's mainstay sector in the global Sharia economy, considering that Indonesian consumers of this food sector are so broad [3].

Relevant research related to the halal industry, as expressed by Amel Salda Naskhila, and Toto Tohir Suriatmaja, said that halal guarantees must be the responsibility of the state to protect and maintain the safety of its citizens regarding halal production through halal product guarantee regulations - Law no. 33 of 2014 - as well as emphasizing producers' product liability through product labeling [4]. Research by Syamsul Huda, et al states that the competitiveness of halal MSME products can be achieved through training and increasing knowledge of product standards and halal certification [5].

¹ Assistant Professor, Department of Law, Universitas Al-Azhar Indonesia, E-mail: aries_machmud@uai.ac.id (Corresponding Author)
² Assistant Professor, Department of Economic and Business, Universitas Al-Azhar Indonesia, Email: sisca.debyola@uai.ac.id
The Future of the Global Halal Products and Services Ecosystem

MUI plays a very important role in halal product certification as a collaborative partner with BPJPH in auditing and accreditation as well as determining halal labels for products as stipulated in Article 12 of Government Regulation (PP) No. 31 of 2019 [6]. However, Yusup Hidayat and Aris Machmud said that regulations related to halal product guarantees must guarantee legal certainty and be free from multiple interpretations that can hinder the development of the halal industry ecosystem (ambiguous and contradictory) as stated in Article 171 of [7] with [8] Article 172 PP No. 31 of 2019 [9].

The message in the Al-Qur’an Surah Al Baqarah Verse 168 requires that something halal thawyiban is a command of Allah SWT so that humans consume food and drink that is halal and good, not contaminated with unclean or haram (forbidden) substances. Halal products contain spiritual and safety aspects (quality) which require them to be free from the main ingredients or contamination results from prohibited substances so that they are suitable for consumption by Muslim and non-Muslim consumers globally. The trend of increasing global halal products and services has created huge potential in the national economy over the years, with an economic potential of almost three trillion dollars [10].

Based on previous research, shows that the research above places more emphasis on halal product certification and also the consistency of regulations related to halal product guarantees, while novelty in the author's research places more emphasis on collaboration and close coordination of stakeholders (quadruple helix) to jointly realize Indonesia as a market winner in the global competition for halal products and services.

LITERATURE REVIEW

A product that is considered halal can usually be seen from the halal label attached to the product packaging. The halal industry develops if there is awareness in all industries to comply with the provisions regarding the halal-ness of a product. Amelia in Yusup Hidayat said that the halal-ness of a product is not based on the halal label, but based on a testing process that is by the Sharia, while the halal label is a formal indication that the goods being sold comply with Islamic regulations and law [9].

Nurrachmi said that the halal ecosystem is a mandate from the Islamic religion (the Qur'an and Sunnah) so that every Muslim has the responsibility and obligation to filter every good and service (halal and thawyil) because something is not merely permissible if it is contrary to the welfare of humanity. The existence of Indonesia's demographics as the Most Muslim country in the world is a rational thing to become a market and producer of sustainable global halal products and services, so the government has set a halal hub standard to become a reference for world halal through the stipulation of regulations related to the obligation to be halal certified (Government Regulation Number 39 of 2021 concerning the Implementation of the Halal Product Assurance Sector) [9].

Global Halal Hub (GHH) can be a solution to fulfill production capacity that meets global halal standards and a center for developing exports of MSME products so that they can produce efficient products and be globally competitive [11].

Brier and Lia Dwi Jayanti said that the supply chain in the halal ecosystem is a halal product ecosystem that functions through the supply chain which determines the creation of a perfect competitive market that creates a balance (equilibrium) between supply and demand for halal products and services, which is supported by legal certainty and provision of infrastructure, distribution of supplies, and support for halal product research and development (for product competitiveness) – through support for product, service, and process innovation that is effective and efficient so that it does not cause high-cost economic effects. Two point nine billion of the world's Muslim population is estimated to occur in 2060, and Indonesia in 2045 (golden Indonesia - one hundred years old) with a population estimated at three hundred and twenty-five people, with growth of two point five percent per year in consumption of products and services [10].

MATERIAL AND METHOD

The form of research used is normative juridical with a descriptive qualitative approach, by examining primary legal materials, secondary legal materials, and tertiary legal materials related to halal guaranteed products, the nature of prescriptive research which describes opinions in research based on facts or legal
phenomenology and provides suggestions improvements related to conflicting regulations and multiple interpretations, in the research the author also examines a multidisciplinary based approach involving economic law and also sharia economics. [12] The analytical method will provide clear, objective, systematic, analytical, and critical information.[13]

These halal services are estimated to contribute 2.2 billion US dollars. In 2019/2020 Indonesia was ranked fifth in the world after Malaysia, UAE, Bahrain, and Saudi Arabia – which were previously ranked in the top ten. The halal industrial ecosystem requires a supply chain system to ensure the sustainability of quality and efficient halal products, namely products that are presented by the law of demand and supply, without a high-cost economy [10].

In 2023, Indonesia's position in the global food and fashion product industry will be in second place, while the development of the global Sharia economic and financial ecosystem will be in fourth place as a result of the increase in the position of Indonesia's halal industry. While in the Global Islamic Economic Indicator (GIEI) Indonesia is in third place, while Malaysia remains the winner for 10 consecutive years, and second place is occupied by Saudi Arabia [14].

RESULT

Indonesia's seriousness in managing the halal ecosystem is one of the supports from the MSME business world (half of the total business entities), infrastructure, human capital capacity and capability, and government policies. With the regulation related to government halal products [15] see [8] where the regulation is as legal certainty and protection and consumer welfare [16]. As the state's responsibility in guaranteeing halal and Thoyib products, the state is obliged to regulate and coordinate all authorized institutions related to the guarantee of halal products and services as mandated by rules (UU) through implementing regulations of the Law in the form of government regulations [17]. Indonesia has prepared itself to meet world halal standards and increase the competitiveness of the global halal industry [18].

Halal product guarantee regulation is a response to the sociological aspects of the needs of global halal product and service consumers. The presence of this regulation is to answer the challenges of the Sharia economy in the future, especially for the MSME sector, so that a healthy and highly competitive Indonesian halal product and service ecosystem [19].

The urgency of support from stakeholders is a necessity for the condition of the ecosystem that supports the development of the Indonesian halal industry in particular and the global in general. Collaboration from these parties is a must so that the community, both producers and consumers, realizes the importance of halal product guarantees for the benefit of the community. The obstacles related to this halal certification are as follows [19]:

Socialization of the change in authority for managing certificates, which was previously at the MUI to the Halal Product Guarantee Implementing Agency (BPJPH), which has an impact on public confusion;

The availability of human resources is not yet sufficient, especially for halal guarantee organizers in the regions (still centralized);

Breadth of coverage of area supervision impacted the small number of halal certifications for products and services from business actors;

Public knowledge and awareness of the halal-ness of products and services is still weak and needs to be improved;

The cost of managing certification is burdensome for MSMEs, so there needs to be government efforts to reduce or even free costs for MSMEs so that it can accelerate halal certification for MSMEs [20], or through a self-declare mechanism because it is easy, cheap, and simple, this can be seen from the simple procedure where MSME business actors declare a pledge that the process and products produced are halal that have been assisted [21].

This result is hard work in increasing digitalization of certification (digital halal labels) and product
The Future of the Global Halal Products and Services Ecosystem

codification as well as increasing food exports to member countries of the Organization of Islamic Cooperation (OIC). A golden Indonesia can become a reality of achievement as a leading country in the global halal industry, this cannot be separated from the collaboration of the four pillars of the helix through government policy in creating a master plan for Indonesian halal products (MPIHI) 2023-2029 which can be used as a guide in formulating policies, implementing programs, and monitoring indicators of the development of the halal industry in Indonesia [22].

Stewardship awareness, low socialization, and limited halal infrastructure do not support the halal ecosystem in Indonesia, effected to resulting in an impact on the global ranking of halal products, which is still in the top five of the top ten countries listed in the State of the Global Islamic Economy [23]. The halal product and service ecosystem is a life cycle from the production to the consumer. The capitalization of transactions in this halal ecosystem is estimated to reach USD 3 trillion by 2025 [24].

Indonesia's failure to achieve the highest position in the global halal industry competition because of a lack of halal lifestyle culture, weak awareness of Indonesian people regarding halal standards, and ineffective regulatory support. With coordination and synergy between the parties, Indonesia can become a leader in the global product and service ecosystem [25].

Indonesia's destiny as the largest Muslim population in the world and the largest consumer in the world, the transaction value of Indonesian halal products in 2022 reached one hundred and eighty-five billion dollars, it has the great potential to improve the economy through the right strategy and involving MSMEs in the halal value chain so that the halal industrial market [26] see [27].

From the industrial sector with its contribution to the development of the halal industry through the establishment of an integrated supply chain from upstream to downstream, including digitalization and utilization of accurate halal business information and effective and efficient planning so that Sharia economic development is realized [22].

From the academic sector together to develop and also play an active role in delivering halal information to people who have an interest in the halal industry - both through international conferences and seminars, especially involving Muslim countries, while the community itself can raise awareness in increasing consumption of halal products and services in the country [22]. In the last few decades, the government has tried to provide massive support for the halal industry through the halal value chain ecosystem. The halal value chain is a concept that manages the business ecosystem, including halal financial and tourism via an integrated supply chain [26]. These figures indicate that the awareness and need for halal products in Indonesian society continues to increase – particularly for food and beverage, pharmaceutical, and cosmetic products - although it is still supported by imported products.

It gives a signal that the time has come for the domestic halal industry to take this opportunity to become a host in the world of global halal products. unfortunately, the government has also been rather serious about encouraging the growth of sharia business in Indonesia through regulation. In the halal product ecosystem, we can break down the sectors of goods and services that can be transacted in the Sharia business world both locally and globally [28].

DISCUSSION

One of the roles of the government in developing the halal industry is through strategic policies to utilize the potential of the halal industry, which supports the productivity of MSMEs in meeting international demand for halal products as well as encouraging the public to use domestic halal products. Regulatory support is no less important in supporting the development of the Indonesian halal industry. This is reflected in the seriousness of the Indonesian government in issuing regulations related to halal certification, namely Government Regulation (PP) Number 39 of 2021. The strategy adopted by the government is as follows: [29]

- Halal Product Policy Development;
- Infrastructure Expansion;
Halal Product Guarantee System;
Fiscal and Non-Fiscal Incentives – Monetary, Financing;
International Collaboration for Halal Ingredients;
Increasing Market Access;
National Halal Certification;
Mutual Recognition Agreement (MRA) with other countries;
Festival to Promote Literacy Initiatives.

The role of the education sector is supported by the National Science and Technology Law to make Indonesia a 'knowledge economy' that will drive economic growth through innovation and access to information. There is awareness that this requires collaboration among stakeholders - government, academia, the private sector, and civil society. [30]

The growth trend in consumption of halal products continues to experience a significant increase, where global public spending on halal products and services reached two point two trillion dollars in 2018, assuming in 2045 that the Muslim population growth is thirty-one percent, so the total spending on halal food and drinks will reach an increase of US$1.303 billion, while the projection is that in 2024 world halal food spending will reach twenty billion dollars [31].

For this reason, the government- the Halal Product Guarantee Organizing Agency (BPJPH) - plans to increase halal product certification by ten percent and improvements in people's halal lifestyles. Lifestyle is people's behavior in consuming products based on awareness and rationality, so a halal lifestyle is people's conscious behavior in using rationality and awareness in consuming the products they need by the benefits [32].

Halal is a symbol of cleanliness, quality, and safety of products and is by sharia so that halal products can be consumed by the entire global community regardless of their beliefs because halal is intended not only for Muslims but based on the benefits contained in these products can guarantee safety, and consumer health as regulated by halal product guarantees and consumer protection [27].

Consumer protection in guaranteeing halal products can be ensured by having halal labeling on products through halal certification from an authorized institution to determine that the product is recognized as having met or reached certain standards, however, certification is only a formality of recognition of the halal-ness of a product, but the most important thing is that the products produced must be guaranteed in terms of safety and health and comply with the provisions of sharia substance [27].

Consumer protection in guaranteeing halal products can be ensured by having halal labeling on products through halal certification from an authorized institution to determine halal certification. Certification is only a formality of recognition of the halal-ness of a product. Maqasid Sharia can realize consumer protection by meeting the benefits of the provisions of faith, life, reason, property, and lineage/dignity so, it can support sustainable development [33]. Guaranteed products that are halal and good create benefits because products are not only halal but must contain security, quality and safety, religious needs, soul, mind, property, and heredity [3] see [34].

Globalization makes people aware of getting products that have added environmental and social known as ESG Concepts, to create a sustainable economy [35]. Paradigm change due to ecosystem damage, for effectivity and efficient activity in using resources and producing minimal waste (circular economy / green economy [36]. This global hope can be realized through a halal product ecosystem [37].

The halal ecosystem can support human needs through the value chain. The implementation of the halal value chain by sharia because in the Islamic concept, the benefit of the environment is a priority (representative of God and also the manager of the earth), which must ensure justice and the use of environmentally friendly resources [38].
The Future of the Global Halal Products and Services Ecosystem

This paradigm shift in the world economy has grown an ecosystem of global halal products and services to become a lifestyle for Global Society. In London, regulation regarding the halal market and halal industry in England is formed [39]. The halal label is now a logo for guaranteeing quality products and a global lifestyle. This growth trend is an opportunity for Indonesia to become the holder of the largest market share in the world through a Global Halal Hub that produces high-quality and competitive products [40].

Management plays a role in achieving the government's goal of making Indonesia a world halal hub by involving effective and efficient collaboration from all stakeholders to achieve economic growth in the halal product and service sector in a sustainable manner [41].

The effectiveness and efficiency of interactions between stakeholders can foster positive and sustainable interdependence. The process of interaction between stakeholders and explaining the role of each stakeholder in achieving knowledge exchange in the context of SDGs project implementation [42]. Cooperation between helixes is the best solution model for various problems [43].

CONCLUSION

The results of this study indicate that the position is determined by the concern of the stakeholders in finding solutions and innovations through close collaboration by stating the perception that every action taken is to achieve the same goal, where the government through policies and regulations that support the halal ecosystem both with policies, innovation and training and capacity development and increasing the competitiveness of business actors and optimization and strict supervision of the issuance of halal certificates for all business actors and improving effective and efficient logistics infrastructure.

Funding Statement

This research was supported funding by thank the Al-Azhar University Research and Community Service Institute (LP2M - UAI).

Author Contribution

Aris Machmud (Conceptualization, Methodology, Formal analysis, Writing -Original Draft, Visualization, Writing -Review & Editing), Sisca Debyola Widuhung (Resources, Investigation, Project administration, Funding acquisition).

Conflict of Interest

The authors declare no conflict of interest.

Acknowledgement

The author would like to We would like to thank the Al-Azhar University Research and Community Service Institute (LP2M - UAI) for supporting the author's research.

REFERENCES


The Future of the Global Halal Products and Services Ecosystem


