

THE ROLE OF THE HALAL INDUSTRY IN IMPROVING THE ECONOMY AND ALLEVIATING POVERTY POST-COVID-19 PANDEMIC IN INDONESIA

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Abstract: As the world's largest Muslim-populated country, Indonesia has the potential in developing the halal industry as one of the pillars of improving the economy and reducing poverty, which is still relatively high in Indonesia. This study aims to examine the role of the halal industry in improving the economy and reducing poverty in Indonesia, as well as efforts to optimize the role of the halal industry. The method used in this study is qualitative descriptive, which is conducted by reviewing relevant literature sources related to the topic. Data used in this study were obtained from various sources such as scientific journals, books, and reports from government agencies and international organizations related to the halal industry and poverty in Indonesia. The results show that the halal industry has a significant role in improving the economy, such as contributing to GDP, export growth, investment growth, and increasing employment opportunities. Efforts to increase the role of the halal industry in poverty reduction include integrated halal standards and certification, increasing public knowledge and awareness of halal products, developing export markets for halal products, improving halal product quality, strengthening halal certification institutions, encouraging collaboration between the halal industry and the government, and developing a holistic halal industry ecosystem.

Keywords: Role of Halal Industry; Improving Economy; Alleviating Poverty; Post-Covid Pandemic

INTRODUCTION

The COVID-19 pandemic that hit the world in 2020 has had a significant impact on the Indonesian economy. This highlights the need for economic sector diversification, including the halal industry, as an effort to improve Indonesia's economy post-pandemic.

Indonesia is the country with the largest Muslim population in the world, making the halal industry one of the most potential sectors to be developed. This shows that the halal industry has great potential to grow and develop in Indonesia. Currently, Indonesia has become one of the largest producers of halal food in the world, with halal food exports reaching USD 2.67 billion in 2020 (Ministry of Foreign Affairs of the Republic of Indonesia, 2021).

The halal industry itself covers various sectors such as food, pharmaceuticals, cosmetics, and tourism that adhere to Sharia principles. In addition, the halal industry also provides significant opportunities in alleviating poverty in Indonesia, especially for people living in rural areas. By improving the quality and quantity of production, as well as developing export markets, the halal industry can make a significant contribution in reducing poverty rates in Indonesia (M. F. Jauhari et al., 2021).

Poverty alleviation is one of the most important and pressing issues in Indonesia. Although the government has launched various programs and policies to address this problem, there are still around 25 million people living below the poverty line (BPS, 2021). One sector that has great potential to provide a positive impact on poverty alleviation is the halal industry.

However, despite its great potential to provide a positive impact on poverty alleviation, the halal industry in Indonesia is still hampered by various problems such as halal certification issues and lack of government support.

According to Jauhari et al. (2021), the halal industry can make a significant contribution to poverty alleviation in Indonesia by improving the quality and quantity of production as well as developing export markets. It is explained that the halal industry has different characteristics from conventional industries, such as the use of halal ingredients and production processes that comply with Sharia law. Therefore, the halal industry can be a potential source of income for the community, especially those from rural areas. On the other hand, Jauhari acknowledged that there are still various obstacles faced by the halal industry in Indonesia, such as uneven halal certification issues, low product quality, and limited access to export markets.

Another study conducted by Wibowo et al., (2021) shows that the halal industry can also provide a positive impact in improving the welfare of small-scale livestock farmers in Indonesia. The author explains that the halal livestock sector can provide potential business opportunities for small-scale farmers, thus increasing income and reducing poverty rates in rural areas. However, it is found that there are still obstacles in the development of the halal livestock sector in Indonesia, such as lack of infrastructure and technology, as well as low quality and productivity of livestock. At the same time, the halal industry can also provide a positive impact on poverty alleviation in Indonesia.

One example is the halal livestock sector. The halal livestock sector is a sector that can provide significant economic benefits to the community because it can expand employment opportunities and provide additional income for small-scale farmers. In addition, the halal livestock sector can also help improve the quality of animal products and reduce the environmental impact of livestock waste. However, there are still various obstacles faced by the halal industry in Indonesia. One of the main obstacles is uneven halal certification issues and frequent forgery of halal certificates. This problem not only affects product quality but also can lower consumer confidence in the halal industry in Indonesia (Yasin et al., 2020). In addition, low product quality and limited access to export markets are also obstacles faced by the halal industry in Indonesia (M. F. Jauhari et al., 2021).

Based on the explanations and research findings conducted by previous researchers above, it is interesting to conduct a more in-depth study on the role of the halal industry in improving the economy and alleviating poverty, as well as efforts that can be taken to overcome the challenges of developing the halal industry in the effort to alleviate poverty in Indonesia.

METHOD

The method is qualitative descriptive research, which was conducted by conducting a literature study on various sources relevant to the topic being discussed. The data used in this research was obtained from various sources such as scientific journals, books, and reports from government agencies and international organizations related to the halal industry and poverty in Indonesia. The data obtained was then analyzed qualitatively using content analysis techniques to identify the main issues and relationships between the development of the halal industry and the improvement of the economy and poverty alleviation in Indonesia, as well as efforts that can be made to optimize the role of the halal industry in Indonesia.

RESULTS AND DISCUSSION

Optimizing the Potential of Halal Industry in Boosting Indonesia's Economy Post-Pandemic

The halal industry has a great potential in boosting the Indonesian economy post COVID-19 pandemic. Currently, the halal industry in Indonesia is still dominated by the halal food and beverage industry. However, the halal industry also includes other sectors such as cosmetics, pharmaceuticals, tourism, and finance. In the food and beverage sector, Indonesia has abundant raw materials and advantages in producing halal products (Nurdianto & Lestari, 2020).

The data shows that in 2020, Indonesia's halal product exports reached around USD 18.8 billion, an increase of 5.3% compared to the previous year. Indonesia's flagship exports in the halal sector are food and beverages, cosmetics, and pharmaceuticals. In addition, the potential in the halal tourism sector in Indonesia is also quite large, considering that Indonesia has halal tourist destinations that can attract Muslim tourists from all over the world. (Bappenas, 2020).

The role of the halal industry in the Indonesian economy is proven to be significant. The halal industry provides a large contribution to the growth of Indonesia's economy. As previously explained, the halal industry sector contributed 10.3% of Indonesia's non-oil and gas exports in 2020. In addition, the potential of the halal industry is also able to reduce the poverty rate in Indonesia. Based on data from the Central Statistics Agency (BPS), the poverty rate in Indonesia decreased from 9.22% in September 2019 to 7.07% in March 2020. This decline is supported by the rapid development of the halal industry in Indonesia. (Widayat & Hubeis, 2020).

Facing the COVID-19 pandemic, the halal industry sector continues to grow and survive in the midst of an economic crisis. The halal industry has shown positive growth, especially in the halal food and beverage sector. During the pandemic, demand for halal products tended to increase, especially for healthy and nutritious food and beverage products, such as organic, vegan, and vegetarian products. The demand for these products has increased along with the increasing awareness of the public about the health and safety of food products. In addition, the halal industry also has a positive impact on the tourism sector in Indonesia. Halal tourism has become one of the promising tourist destinations for Muslim tourists from around the world. Muslim tourists visiting Indonesia are not only looking for halal tourist destinations, but also want to enjoy quality halal cuisine. Therefore, the presence of the halal industry can become an important tourism attraction for Indonesia (Bappenas, 2019).

Indonesia has great potential in developing the halal industry because the majority of its population is Muslim and is a country with the largest Muslim population in the world. This makes Indonesia have a comparative advantage in the halal industry which can be utilized to strengthen the national economy. In recent years, the Indonesian government has launched a number of policies to support the development of the halal industry, such as the establishment of the Halal Product Guarantee Agency (BPJPH) in 2017 and the Indonesia Halal Lifestyle Initiative (IHLS) in 2019 (K.P.M.G., 2020).

It is true that the COVID-19 pandemic has also brought positive impacts on the halal industry in Indonesia. According to the Global Islamic Economy Indicator report, Indonesia had the best performance in the halal industry in 2020 among countries with a Muslim majority population in the world. The growth of the halal industry in Indonesia in 2020 was estimated to reach 5.6%, while the average growth in other Muslim countries was only 1.9%.

This indicates that Indonesia has a great potential to become a leader in the global halal industry development. (Nurdianto & Lestari, 2020).

The role of halal industry in improving Indonesia's economy

The role of the halal industry in boosting the Indonesian economy is significant, as evidenced by several indicators. *First*, the contribution to GDP. The halal industry is estimated to make a significant contribution to Indonesia's gross domestic product (GDP). According to a report by the International Halal Industry Forum, the halal industry is estimated to contribute about 10 percent of Indonesia's GDP in 2020. (IHIF, 2020). The contribution of the halal industry gives a great hope for halal industry players in Indonesia to continue developing the quality and competitiveness of their products, so that they can have a multi-effect on the nation's economy.

Secondly, export growth. The halal industry is also expected to help increase Indonesia's export growth. According to data from the National Export Development Agency (BPEN), halal product exports from Indonesia reached around USD 16.3 billion in 2019, an increase of approximately 3.3% compared to the previous year (BPEN, 2020). The growth of halal product exports shows that the halal industry has the potential to be developed in order to improve the domestic economy, as well as to increase domestic industries based on halal products. In addition, Indonesia has also signed a free trade agreement with member countries of the Organization of Islamic Cooperation (OIC) which can open opportunities for Indonesian halal products to be exported to those countries.

Thirdly, increasing investment. The halal industry is expected to attract foreign investment to Indonesia and contribute to increasing domestic investment. In the "Indonesia Sharia Economic Outlook 2020" report published by Bank Indonesia, the halal industry is included in the attractive economic sectors for investors and is expected to provide a significant contribution to Indonesia's economic growth (BI, 2020). Increased investment, both from foreign or domestic investors, can boost the domestic economy, thus providing a positive contribution to Indonesia's economic development.

Fourthly, increasing employment. The halal industry is also expected to have a positive impact on increasing employment in Indonesia. In a study conducted by Brawijaya University in 2019, the halal industry is estimated to create around 1.8 million jobs by 2024 (University, 2019). The development of the halal industry in Indonesia can provide a significant contribution to unemployment in the country while reducing poverty. The halal industry can provide employment opportunities for Indonesian people, especially in poor areas. This can increase income and improve the welfare of the people, which can then reduce poverty rates.

However, there are several challenges faced in developing the halal industry in Indonesia. First, the low quality of halal certification in Indonesia is still a hindrance to exporting halal products to the international market. Secondly, limited access to capital and technology for halal industry players, especially micro, small and medium enterprises (MSMEs). Thirdly, the lack of government support in developing the halal industry, especially regarding policies that do not yet fully support optimal development of the industry.

To overcome these challenges, there needs to be synergy between the government, the halal industry, and the community to work together in developing the halal industry in Indonesia. The government needs to optimize the role and function of the Indonesian Council of Ulama's Food, Drug, and Cosmetic Assessment Institute (LPPOM MUI) as a halal certification body that can improve the quality of halal certification in Indonesia.

In addition, the government also needs to provide policy support and access to capital and technology for halal industry players, especially MSMEs. The halal industry needs to improve product quality and strengthen the branding of Indonesian halal products in the international market. The community also needs to be educated about the importance of consuming halal products and become smart and tough consumers (BPOM, 2019).

Efforts to Optimize the Role of the Halal Industry in Alleviating Poverty in Indonesia

Efforts to optimize the role of the halal industry in alleviating poverty in Indonesia include several measures. *Firstly*, integrated halal standards and certification. One of the obstacles in the development of the halal industry in Indonesia is the lack of integrated halal standards and certification. This has resulted in some halal products produced in Indonesia not yet receiving halal certification from LPPOM MUI, which can cause consumers to be hesitant to consume them. Therefore, efforts need to be made to unify halal standards and certification in Indonesia to avoid differences in views and practices in providing halal certification for the same products (Safri et al., 2021).

Second, increasing the knowledge and awareness of the public about halal products. In addition, the knowledge and awareness of the public about halal products still need to be improved. The majority of Indonesian people still have inadequate understanding of halal products, and many of them are still confused in distinguishing between halal and non-halal products. Therefore, it is necessary to conduct campaigns and education about halal products to increase the knowledge and awareness of the public. (Safri et al., 2021).

Third, Export Market Development for Halal Products. Developing export markets for halal products can also be one way to optimize the role of the halal industry in poverty alleviation in Indonesia. Currently, the export market for halal products is still limited and not optimal. Therefore, efforts need to be made to expand export markets by collaborating with countries that require halal products such as Malaysia, Singapore, and the United Arab Emirates (UAE) (Nurdin, 2020).

Fourth, Improving Halal Product Quality. To optimize the role of the halal industry in poverty alleviation, efforts need to be made to improve the quality of halal products produced. This can be done by ensuring that all halal products meet the halal standards set by halal certification bodies (Kurniawan, 2018). Selain itu, perlu juga dilakukan pengembangan produk halal yang inovatif dan sesuai dengan kebutuhan pasar. Sebagai contoh, produk makanan dan minuman halal dengan kemasan yang praktis dan ramah lingkungan (Qibtiyah, 2020).

In addition to halal certification, halal products must also have good quality to compete in the global market and increase their added value. One effort that can be made is to improve the quality of raw materials used in the production of halal products (Wahab & Simatupang, 2019). For example, a modern and professionally managed cattle farm, so that the resulting meat is of good quality and meets halal standards. In addition, the use of modern technology in the production process can also improve the quality of halal products (Alfitri & Latif, 2019). For example, the application of environmentally friendly food preservation technology that is safe for health.

Fifth, Strengthening Halal Certification Bodies. Halal certification bodies play an important role in ensuring the halal status of halal products produced by the halal industry. Therefore, efforts need to be made to strengthen halal certification bodies, both in terms of quality and capacity (Arsyianti & Prabowo, 2018).

This can be done by improving the quality of experts involved in the halal certification process and increasing the capacity of halal certification bodies to handle the increasing demand for certification (Djakfar, 2016).

Sixth, Encouraging Collaboration between the Halal Industry and the Government. The government plays an important role in optimizing the role of the halal industry in poverty alleviation. Therefore, efforts need to be made to encourage collaboration between the halal industry and the government in increasing the production and marketing of halal products, as well as developing the infrastructure needed by the halal industry (Indarti & Novianti, 2018). For example, the government can provide fiscal incentives for the halal industry, as well as strengthen cooperation with halal certification bodies to expedite the certification process.

Seventh, Developing a Holistic Halal Industry Ecosystem. The halal industry does not only consist of halal product producers, but also involves various other parties such as halal certification bodies, halal industry associations, distributors, and others. Therefore, to optimize the role of the halal industry in poverty alleviation, a holistic and well-integrated halal industry ecosystem is needed (Muttaqin, 2020). For example, halal certification bodies must collaborate with the government and halal industry associations in developing comprehensive and sustainable halal standards. In addition, halal companies also need to partner with local and international distributors to expand markets and increase the accessibility of halal products.

A concrete example of efforts to optimize the role of the halal industry in poverty alleviation in Indonesia is the "Making Indonesia 4.0" program launched by the Indonesian government in 2018. This program aims to develop Indonesia's manufacturing industry by integrating digital technology and innovation in the production process. One of the priority sectors in this program is the halal industry, with a focus on improving the quality of halal products and developing an integrated halal industry ecosystem (*Ministry of Industry Republic of Indonesia*, 2018).

CONCLUSION

Based on the above discussion, it can be concluded that the halal industry has a great potential in boosting the Indonesian economy post COVID-19 pandemic. During the COVID-19 pandemic, the halal industry sector continues to grow and survive in the midst of an economic crisis. The halal industry has shown positive growth, especially in the halal food and beverage sector. Then the halal industry also has a significant contribution to the improvement of the economy and poverty alleviation such as contributing to GDP, export growth, investment growth, and increasing employment opportunities. Through several efforts that can be done to optimize the role of the halal industry, namely integrated halal standards and certification, increasing public knowledge and awareness of halal products, developing export markets for halal products, improving halal product quality, strengthening halal certification institutions, encouraging collaboration between the halal industry and the government, and developing a holistic halal industry ecosystem.

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