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## HALAL INDUSTRY IN INDONESIA: PROBLEM AND SOLUTION, IN MAQASHID SHARIAH PERSPECTIVE

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### ABSTRACT

This paper aims to describe the main problem of the Halal industry, then offer suitable solutions to overcome its various problems. Literature study was used in this paper by analyzing other sources from many related journals or papers. After analyzing maqashid shariah approach, it will be taken of summary. The summary of this paper is that Indonesia is the biggest Muslim population in the world, still becoming the base of the product consumption industry rather than the producer. The Muslim role and support of many sectors to become an economic halal industry chain circle integrated are needed, such as from government, Islamic industry or Muslim business, academic experts, Muslim society, instrument information (integrated and digital) and Islamic Scholar of Indonesia (MUI). Integrative strategy, consistency and obeying of rules can make halal industry establish and progressive. Analyzed in maqashid shariah, to observe what halal industry has given good usefulness for society (masalah mursalah). The impact of this paper could make a positive contribution to the halal industry and opportunity the next deep research in Indonesia. Please make just one paragraph.

**Keywords:** Halal industry, Problem, Maqashid Shariah, Integrative Strategy

### INTRODUCTION

The world population review reports, Indonesia's Muslim population in 2020 reached 229 million people or 87.2% of the total population of 273.5 million people. The amount is very potential for the staple food industry and other halal products. One of the business survey institutions, said that the national halal economy contributes to gross domestic product of up to 3.8 billion dollars per year. A very promising number for the halal industry players in Indonesia. Even Indonesia can be called the global market for the halal industry, or some call it the provocative 'engine of the Indonesian halal economy' or the engine of the halal economy. It is for business reasons that many world producers are very interested in selling their products in the country to various requirements and will try to fulfill them.

The Muslim population and the potential market opportunities for the halal industry is a positive signal to make Indonesia the center of world attention in the economic sector. Based on the 2019-2020 Global Islamic Economy Report, Indonesia ranks fifth out of several producing countries that export halal products or develop the halal industry. Still losing to neighboring Malaysia in first place, UAE in second, Bahrain and Saudi Arabia in third and fourth place, which have fewer inhabitants than Indonesia. The problem arises with a large population as well as the largest Muslim consumer in the world, but has not been able to meet their own needs, still importing halal products from other countries that are not Muslim countries. The benefits will be great if they rely on the halal work of domestic Muslims for consumptive goods and services, so that it can empower Indonesian Muslim resources (HR), as well as improve their shortcomings to compete with global products. The point is to be the host in your own country and become the dominant halal industry producer in the Islamic world and globally.

### LITERATURE REVIEW

Industry is a field or economic activity related to the processing of raw materials or the manufacture of finished goods in the factory by using skills and labor and the use of tools in the field of processing agricultural products, and their distribution as the main activity. Industry is a machine that processes raw materials into finished materials to be marketed or distributed to consumers, be it goods or services. The halal industry covers various

sectors and currently the biggest contributors are food, beverages, tourism and travel, clothing and fashion, cosmetics and body care, Islamic banking and finance, pharmaceuticals, media and recreation, fitness, education and cultural arts.

The word of halal comes from a root meaning "free" or unbound. Something that is lawful is that which is free from worldly and *ukhrawi* dangers. Therefore, the word "halal" also means "permissible". In the language of law, this language includes everything that is allowed by religion, whether the permissibility is *sunnah*, recommendations to be done, *makruh* (recommendations to be abandoned) and permissible (neutral/permissible). In consuming food (or property), you must follow the rules determined by *syara'* or *shari'a*, run or use the property in a lawful manner (according to Islamic religious rules). This rule is stated in the Qur'an letter al-Baqarah (2) verse 168. Then in the Qur'an it is mentioned *halalan tayyiban*, meaning that food that can be consumed according to the *Shari'ah* and good for the body according to health (*medical*).

Food is called halal at least. It meets three criteria, namely the halal substance, the halal method of acquisition, and the processing method. Halal can include all concepts that encourage Muslims to seek and use the products and services provided in every aspect of life. Halal food, for example, means products that are safe for consumption, produced in a clean and healthy environment and guaranteed quality.

In addition, halal products must also be *Tayyibat*. The definition of *tayyibat*, by Yusuf Ali, is expressed in five ways, namely: 'something good', 'something good and pure', 'something clean and pure', 'something good and beneficial', and 'eating the best'. Therefore, the producers of the halal industry must really ensure the two most fundamental things, halal and *tayyib*, so as not to harm consumers who are predominantly Muslim.

If mapped, there are at least five obstacles (challenges) faced by the halal industry in Indonesia. As described, research on the halal industry includes policies, human resources (HR), infrastructure, socialization, and production. *First*, the policy. Where the policies issued by the government through the Indonesian Islamic Scholar Council (MUI) as the provider of halal certificates have not required business actors to have halal certificates or are still voluntary. Because it is not an obligation, it will raise concerns about consumers being more careful about consuming or using a product. *Second*, human resources. Because having a halal certificate is not yet an obligation, there are obstacles to preparing the workers who provide the halal product. *Third*, infrastructure. The infrastructure here is the instrument for handling the halal product certification process. In addition to the tools and energy. *Fourth* is socialization. Uneven distribution of socialization to all levels of society is a problem. Even though there are many products that have been circulating in the field without being known to have halal certificates or not. *Fifth*, production. Materials or production raw materials for a halal product, of course, vary both from within and outside the country. It is necessary to ensure that it is halal. Of course through the same process, the origin of the material and the halal status of the material must be assessed.

The study above describes in general the problems of the halal industry in Indonesia, so it is not focused on halal certificates from consumptive materials only. Whereas the halal industry as described previously covers many things, not only the production of goods, but also service products. So the homework of the policy makers in this case, the MUI will be more and more and not lighter, because they must ensure that the halal industry in Indonesia is truly as expected, not contrary to Islamic law.

## METHODS

The method in this paper uses descriptive qualitative methods and literature studies about the phenomenon of the halal industry in Indonesia, both from the SWOT analysis and the objectives of sharia (*maqashid sharia*). Researchers from strategic management agree that SWOT Analysis of strengths, weakness, opportunities, and threats- provides the foundation for the realization of alignment of variables or issues in the organization. They revealed that

through identifying internal and external issues, both favorable and unfavorable in the four corners of a SWOT Analysis, planners will be better able to understand how strengths can lead to the realization of opportunities as well as understand how weaknesses can slow progress or increase threats to an organization. The use of SWOT analysis can be applied to various scopes, starting from individuals, companies, to regions or even countries (Mariska, 2019). In the individual sphere, everyone can use SWOT analysis to find out the strengths and weaknesses both internally and externally in achieving their goals. At the company level, Helms & Nixon, Sorehensen had previously conducted a SWOT analysis regarding the need for a strategic approach in the Kirby Company's learning process. Meanwhile, for a larger scope than that, say the country, Turkey applies SWOT analysis as part of its action plan to realize e-government. Based on the information regarding the flexibility and usefulness of SWOT analysis, this study also attempts to use SWOT analysis in uncovering and finding solutions (Mariska, 2019).

## RESULTS

Protecting a halal product is not an easy thing. It is need careful and earnest efforts because it involves religious matters, the language of *maqashid* is to protect religion. It is clear in the texts about what is lawful and what is unlawful and people must stay away from it and even leave it. In addition, from the position of halal consumers, the goodness of a product is their right. Therefore, producers have an obligation to provide good and halal goods and services. So all actions, resources and operations of the company must be 'Holy' (clean) in order to be recognized as an Islamic brand and its position will be well recorded in the minds of Muslim consumers (Hardiaus, 2020).

As the largest Muslim population in the world with around 87% or more than 200 million people, it certainly provides a huge business opportunity. As previously mentioned, Indonesia is a potential market for the halal industry on a global scale. And, of course, the orientation of our halal industry is not only a national market but global, both Muslim and non-Muslim, so that they are not only consumers but can also play an exporter or producer role. Since the halal industry is currently also enjoyed by non-Muslim communities, the consideration is goodness and cleanliness. Citing the 2013 State of Global Economic Report, globally, in 2012 Muslims (consumers) spent 1.088 billion US dollars on halal food. In 2018, the figure is expected to rise to US\$1.626 billion (Farid, 2019). This figure indicates an increase of about 49 percent over 5 years in consumption of halal food worldwide. In addition to halal food, in 2012, global Muslim spending on halal drugs reached 70 billion US dollars. In 2018, it is estimated to increase to 97 billion US dollars.

The development of the halal industry today is experiencing significant developments in several sectors including: halal food, finance, travel, fashion, cosmetics and medicine, media and entertainment, as well as other sectors such as health care and education. The State of Global Economy survey report for the 2016-2017 period by Thompson Reuters, on 76 countries, both members of the Islamic Conference (OIC) organization totaling 57 countries and 16 non-OIC countries, explained that financial services still gained the largest revenue, reaching 2 trillion US dollars, then ranked second (Faqiatul, 2018). The food industry reached 1.17 trillion US dollars, followed by others Healthcare 436 billion US dollars, education 402 billion US dollars, fashion 243 billion US dollars, media and entertainment 189 billion US dollars, travel 151 billion US dollars and medicine and cosmetics. of 78 billion US dollars. With an estimated potential revenue of 1.9 trillion in the halal food sector alone in 2021, this calculation does not include several other sectors which, in total, reach 4.5 trillion US dollars (Faqiatul, 2018). The latest data, in real terms, has not been obtained, because 2021 is still running and there is the impact of a global disaster, Corona disease.

Meanwhile, according to the State of The Global Islamic Economy for the 2016/2017 period published by Thompson Reuters, Indonesia is ranked first for consumers of halal food products, amounting to 154.9 billion US dollars. However, the producer ranking in the same year is still in 10th position for halal food producers. The latest data from Indonesia has

entered the 5th position of the world's halal industry producers, still below Malaysia and the countries of the Arabian Peninsula. According to data from the Ministry of Cooperatives, Small and Medium Enterprises in 2018, the number of UMKM entrepreneurs in Indonesia is 64.2 million units, while small businesses reach 783,000 units (Kemenkeu, 2021). UMKM (Small, Micro and Medium business sectors) contribute 8,400 trillion or the equivalent of 60 percent of GDP of 14,000 trillion (Indonesia.go.id, 2021). From the data, the number of workers involved is very large. According to data on labor absorption from UMKM, as many as 121 million workers, which is a fantastic number, because almost 100 percent, 96% of the total workforce in the same year, around 170 million workers. Then, when it is associated with the number of UMKM (Small, Micro and Medium business sectors) that have halal certificates, it turns out that it is still around 10%. This means that since the enactment of the mandatory halal certification in October 2019, there has not been a significant increase. According to Jefri Romdhoni, there are two reasons for this. Firstly, because there is still confusion among business actors regarding the change in the position of the MUI (Indonesian Islamic Scholar Council), which used to be in charge of halal certification. Second, the cost of halal certification is still high, around 4 million (Kontan.co.id, 2020).

In fact, reflecting on the rapid development of the halal industry in Malaysia, placing it in the top position is halal certification. With the guarantee of a halal certificate for the product, consumers are sure and believe or do not hesitate to consume and use the product that has been purchased. In Malaysia, the issue of the halal industry is handled by *Jabatan Kemajuan Islam Malaysia (JAKIM)*. Their goal is to become a global center for halal certification and will promote themselves at the global level. More than that, JAKIM has also increased institutional capacity, logistics, human resources, and formed a special agency to encourage the halal industry, namely the halal development center (HDC) (Farid, 2021). By these aggressive and strategic efforts, it is not surprising that the halal industry in Malaysia is very advanced. Business actors who are certified have reached 90 percent, which is far from Indonesia, which is only about 20 percent. Malaysia's population in 2020 is 33 million people, with the number of entrepreneurs reaching 4.74 percent (Merdeka.com, 2021). While Indonesia reaches more than 200 million people, of course, in terms of the number of human resources (HR) let alone natural resources (SDA), Indonesia is far superior, but the number of entrepreneurs is only 3.47 percent (rumahmigran.com, 2021). Of course, there are problems that need to be unraveled to get attention as well as solutions, why these strategic matters have not received adequate solutions.

## DISCUSSION

Maqashid, etymologically, is the plural form of maqshad, which means intent, goal, principle, intention, goal and final goal. According to Auda, in terminology, maqashid is defined as understanding the meanings and objectives of a law. For some Islamic legal theorists, maqashid is an alternative statement to mashalih (benefits). The scope of classical maqashid is shari'a as a whole, so al-maqashid does not have a specific purpose of a law/text or a number of texts that regulate certain topics of shari'a.

Imam Syatibi explained about the objectives of the Shari'a, which are contained in five general principles called kulliyatul khamsah, namely guarding (hifdz) addin, nafs, 'aqli, mal, and nasl. These five things are graded according to their problems and needs. Is it basic or urgent (*dzaruriyat*), secondary needs (*hajiyyat*) or complementary (*tahsniyyat*)? For example, a person's need for property can be urgent, secondary or complementary. Likewise, the other needs also have different levels of importance. The five intentions are based on *istiqra'* (study) of the law, the law of furu' (*juz'iyat*) where the whole law is furu'; they have the same goal, namely, to protect the five human needs (Oni et al, 2016).

Maslahah means "actions that encourage human goodness". In a general sense, it is the same as everything that brings benefits, both in terms of attracting and producing, such as generating profit or pleasure; or in the sense of rejecting or avoiding, such as rejecting

harm or damage (Amir, 2011). So everything that is useful is called *maslahah*, either from something that brings benefit or avoids harm or damage. Terminologically, there are several definitions of *maslahah* put forward by the usual fifth scholars, but all of these definitions contain the same essence. Imam al-Ghazali, argues that, in principle, *maslahah* means something that brings benefits and keeps harm (damage) in order to maintain the goals of *syara'* (Islamic law). As for the objectives of *syara'* in establishing the law, there are five; namely maintaining religion, reason, soul, lineage and property. Meanwhile, Al-Syatibi defines benefit from two aspects, namely first, the occurrence of *maslahah* in reality, where the needs of life are met with reason and lust, and secondly, in terms of the dependence of *maslahah* on the demands of *syara'* (Islamic law), namely benefit is the goal of establishing shariah law.

The global halal industry is growing rapidly, initially focusing on food and beverages, expanding to other sectors, namely finance, travel, fashion, cosmetics and medicine, media and entertainment, tourism and hotels, as well as other sectors such as healthcare and education (Faqiatul, 2018). The halal industry faces quite complex challenges, where on the one hand it has a capitalist-materialistic connotation, then demands based on Islamic sharia on the other. Of course, the hope is that the Halal Industry is in accordance with Islamic teachings as a manifestation of Islamic economics. Islamic economics by Dawam Rahardjo is divided into three meanings. First, Islamic economics, which means economics based on Islamic values or teachings. Second, what is meant by Islamic economics is a system. The system concerns regulations, namely the economic arrangement in a society or country in a certain way or method. While the third option is Islamic economics in the sense of the economy of Muslims (Tim Baitul Kilmah, 2013). And the halal industry is highly expected to be in accordance with the objectives of sharia, as expressed by Syatibi with his five principles (maintaining religion, reason, soul, lineage and property), which is an effort to provide signs so that the halal industry that is currently developing is in accordance with the teachings of Islam. Loaded with values such as *uluhiyyah*, *insaaniyyah* and *akhlaqiyyah*. Not trapped in a global business system that is full of materialistic and capitalistic ideas.

The role of various sectors is needed to overcome problems in the halal industry in Indonesia. First, the role of government and legislators. As a regulator and implementer, he has an important role to facilitate and provide convenience in the halal certification process. Second, academics whose role is to bridge between the government, halal industry business players and the community, to be in accordance with academic values and, of course, business in a fair and appropriate manner. Third, business actors as producers must act in a sportsmanship, accommodative and professional manner to the rules and regulations made for the common good. Fourth, investors, so that they are not only concerned with profit but also help and oversee the ongoing halal industry program in a good and effective manner. Fifth, the community as consumers. Provide constructive evaluation and input on the development of the halal industry so that its development is getting better and increasing as expected. Demand from consumers for producers to be certified halal will provide a positive bargaining value for the Muslim market. Sixth, both online and offline media, to socialize the halal industry massively and proportionally both on a national and global scale, so that its existence is known and becomes a sector that contributes greatly to national economic growth and development.

In addition to the importance of the roles of these elements, it is also felt that an integrative strategic map of various roles that is not disconnected from the various elements mentioned above is made to support the halal industry. The halal industry integration strategy is the first; look carefully at the factors that increase the desire of business actors to obtain halal certificates. The method used can use the theory of planned behavior (TPB) and rational behavior theory (TRA). The company is dependent on market demand (Tika, 2021). This means that the company needs a stable market presence to use its products. Indonesian Muslims, who are a large market for the halal industry, can play their role so that companies meet the demand for their products to guarantee halal certification. Second, analyze the role of each party in the halal industry to increase motivation.

The halal industry integration strategy that involves interested parties will not only clarify the actual problems that exist in the halal industry in Indonesia, but will also offer solutions to these problems. The solution cannot stand alone, everything is interrelated, because the involvement of all parties is very important for the success of the national halal industry. As the largest Muslim population in the world, you should be aware because it has great economic potential, which should be enjoyed by the Indonesian people, Muslims, not by other countries which is the majority of non-Muslims are strong in capital and management, but domestic Muslims are the consumers. The halal industry is a necessity for the development of a business where there is a demand so there is a supply. And the prospect is very promising with increasing growth from time to time. Even though the identical halal label is a symbol of religion, it is not a barrier for consumers of cross-religious or ethnic groups to enjoy it. Because halal in its development is a symbol of guaranteeing cleanliness, safety, and product quality for the entire production chain. The global community really appreciates and wants the existence of such an industry. Therefore, in addition to the involvement of various parties in the sustainability of the halal industry in the country, they also continue to hold the principle of *maqashid sharia* which prioritizes the benefit of the people. In this case, the majority of Indonesian Muslims are consumers.

### CONCLUSION

The Halal industry is not only a business project that generates huge financial returns, but is the work of a Muslim-majority-based state house in Indonesia. The reality of Indonesia as a global market for the halal industry, is both a matter of pride and a problem. SWOT analysis shows. Strength because it is the center of attention of world business, while being a threat if Muslims do not rise up to be a provider of product needs according to halal standards in their own country, even though it is a big opportunity as well. Weaknesses in the certification process, infrastructure, investor support, and the role of academics, consumers, business actors, information media and the government as regulators will soon be resolved and it is hoped that there will be continuous and continuous synergy with each other to maintain and develop the halal industry to a better level. The principle of Maqashid Shariah needs to be applied to protect the interests of the benefit of the people. Indonesian Muslims are potential producers and a large market for the world's halal industry. So the principle of maintaining religion, reason, soul, lineage and property is still considered. If the integrative strategy of each of these elements is successfully implemented, it is possible that Indonesia will not only become a potential market for the world's halal industry, but also become an actor, a producer of the halal industry that is a center for world trade, both exports and imports. *Wallahu a'lam bi al-Sawab*.

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