

# How to Develop Halal Industry in Indonesia? An Expert based Methodology

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In terms of developing the global halal industry, Indonesia is one of the countries that has great potential, seen from the number of Muslim-majority population. As a result, Indonesia has a large demand for halal products. However, this potential still needs to be developed. This study aims to determine the halal Industrial Strategy in Indonesia with a Delphi technique approach based on interviews with experts. Based on the calculation results, in general, of the 8 variables of the Halal Industry Strategy in Indonesia, all variables have been agreed upon by experts. From the results of the calculation, the 3 main priorities for determining the Halal Industry Strategy in Indonesia are (1) Strengthening Regulation & Policies, (2) Building Halal Life Style, (3) Strengthening HR Capacity. In the future, regulators and related stakeholders of halal industry need to strive to improve the necessary aspects so that in the future the development of the halal industry in Indonesia will rapidly and optimally grow.

**Keywords:** Halal Industry; Indonesia; Delphi; Expert; Halal

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## INTRODUCTION

The halal industry is an economic sector run by companies that carry out productive activities by processing raw materials for goods or services by referring to Islamic law, starting from the process of procuring raw materials to the production and output process (Pujayanti, 2020). According to Nasution (2020) the halal industry has the concept of producing industrial products that must comply with sharia law or are permitted in Islam. Nowadays, the halal industry has become a world trend, as evidenced by the increasing prospects of the world's halal industry (Fathoni & Syahputri, 2020). In fact, the halal lifestyle, which is characteristic of Muslims, has spread widely to various countries, including countries with relatively small Muslim populations (Waharini & Purwantini, 2018). Based on data from the State of The Global Islamic Report 2023 reported that consumer spending in the global Islamic Economy sector grew 9.5% YoY to US\$2.29 trillion in 2022, which indicates that Muslims spent US\$2.29 trillion in 2022 on food, medicine, cosmetics, modest fashion, travel, and media. This is driven by a young and rapidly growing global population that extends beyond the 1.9 billion core Muslim consumers, but also includes the wider global ethical consumer market.

In terms of prospects for the development of the halal industry, Indonesia is one of the countries that has great potential, seen from the number of Muslim-majority populations that make Indonesia have a large demand for halal products (Fathoni & Syahputri, 2020). This can also be seen from Indonesia's ranking which managed to enter the top three in the Global Islamic Economy Indicator (GIEI) in the State of the Global Islamic Economy (SGIE) Report 2023, under Malaysia and Saudi Arabia. In addition, according to the Ministry of Finance (2023) the halal market report in 2022 states that the halal economy can increase Indonesia's GDP by USD5.1 billion per year through exports and investment opportunities. Mubarak & Imam (2020) also stated that the halal industry contributes USD3.8 billion to Indonesia's GDP annually, and is expected to continue to increase. In addition, the halal lifestyle, which includes sectors such as Islamic banking, halal tourism, and halal food, has had a positive impact on Indonesia's economic growth (Jailani & Adinugraha, 2022).

Nasrullah (2018) explains that the increase in the market potential of halal products has increased both domestically and abroad, and the demand for

halal products will further increase in the domestic market in the future, and Indonesia is a potential market for the growth of the halal industry. This explains that Indonesia plays an important role in the development of the halal industry, and is one of the largest consumers of halal products globally. However, Indonesia's role as a major player in the global halal industry still lags behind other countries with smaller Muslim populations (Maulana et al., 2024). In addition, external challenges arise with the presence of competing countries, both Muslim and non-Muslim, which can affect the absorption of Indonesian halal products in the global market (Syamsiyah & Ardana, 2022). Then, internal challenges in Indonesia include the lack of halal awareness of the Indonesian people, problems with Law Number 33 of 2014 concerning Halal Product Guarantee, and the low awareness of the Indonesian people to compete in the global halal market (Syamsiyah & Ardana, 2022). In addition, there are also obstacles in the halal industry, such as unrealized business opportunities, limited supply of raw materials that meet halal criteria, limited understanding of halal among producers, differences in standardization and certification of halal products, and the presence of imported products in Indonesia (Widiastuti et al., 2020).

Therefore, a strategy is needed to develop Indonesia's halal industry. The Indonesian government has taken strategic steps to capitalize on the enormous market potential of the halal industry by increasing awareness of Islamic ethical values related to halal consumption, expanding the national strategy for halal product development, and investing in infrastructure to support the growth of the halal industry (Maulana et al., 2024). The same thing was also expressed by Syamsiyah & Ardana (2022) where to overcome these challenges, strategies such as developing superior human resources, a reliable halal product socialization strategy, and overcoming the problems mentioned above are needed. By implementing this strategy, Indonesia can overcome the challenges facing the halal industry, increase its competitiveness, and take advantage of opportunities for growth and development in this sector.

Therefore, the motivation of this research is to develop a halal industry strategy in Indonesia. In several previous studies, several strategies have been described that can be carried out to develop the halal industry in Indonesia, including Waharini & Purwantini (2018) explaining the development model

of the halal food industry in Indonesia. The results of his research state that the market potential for the halal food industry in Indonesia is growing rapidly. However, this huge market potential has not been able to be optimally utilized by the government to improve the Indonesian economy. Maintaining the quality of halal food products (halal integrity) is one way to compete with other countries in the halal food industry. The role of Islamic banking in the development of the halal food industry needs to be maximized.

Yazid et al (2020) examined the prospects of the halal industry in supporting the development of the Islamic economy in Indonesia. The results showed that the halal industry market such as the food, tourism, fashion, and medicine sectors can be an asset in the development of Islamic economics in Indonesia. One of the Indonesian government's efforts to encourage the development of Islamic economics is to develop and include sustainable halal values in Indonesia's 2019-2024 Islamic economic master plan. The process of issuing halal certification for products and services requires at least three parties, namely the Halal Product Guarantee Agency, the Indonesian Ulema Council, and the Halal Examining Agency. This is in accordance with the mandate of Law Number 33 of 2014 concerning Halal Product Guarantee.

Syamsiyah & Ardana (2022) explain how opportunities, challenges and strategies that can be carried out by the Halal Industry in Indonesia. This study found that Indonesia has enormous opportunities to develop the halal industry. These opportunities include the halal food sector, the Islamic finance sector, the halal tourism sector, and the Muslim fashion sector. However, there are external and internal challenges in the development of the halal industry, namely the number of competing countries, the absence of a globally agreed halal certificate and the incompatibility of Islamic countries in setting halal product standards. And internal challenges, namely the low halal awareness of the Indonesian people and the problems of Law Number 33 of 2014 concerning Halal Product Guarantee, as well as the low awareness of the Indonesian people to compete. As for the challenges of the halal industry in Indonesia, namely, many competitors from the international world, there is no halal certification that applies nationally, understanding of the halal concept is still lacking, socialization is still lacking, legislation is not perfect.

Strategies that can be done include developing superior human resources, reliable halal product socialization strategies and others.

Fathoni & Syahputri (2020) examine the opportunities and challenges of the halal industry in Indonesia. Hubeis et al (2015) explain the strategy for developing competitive food MSMEs in Indonesia. Amalia & Hidayah (2020) explain the strategy of strengthening the halal industry towards an integrated Islamic economic system in Indonesia. Irfany & Rusydiana (2022) examine the challenges of integrating the development of the halal industry in Indonesia. Maulana (2022) explains the potential for the development of Indonesia's halal industry in the midst of Global Halal competition. Mujahidin (2020) examines the potential development of the halal industry in Indonesia to support economic growth. Kurnia et al (2023) explain the development strategy of the halal food industry to increase the consumption activities of the people of Medan City. And Yulia (2015) explains the development strategy of the halal product industry.

## METHODOLOGY

This study aims to determine the halal Industry Strategy in Indonesia. The data used are the results of interviews with academics, practitioners and Islamic economics in general. The total number of expert respondents is 11 experts. The *software* application used as a tool is Microsoft Excel. The method used is the Delphi technique which is a qualitative method based on interviews with experts.

The Delphi method is a group process that involves interaction between a researcher and a group of experts related to a specific topic, and through the help of a questionnaire. This method is used to find common ground on future trends using a structured information gathering process. This method is useful when the opinions and judgments of experts and practitioners are needed in solving problems.

This research will use 3 statistical indicators that are most widely used in the application of the Delphi method, namely the *mean* value (average), standard deviation value, and *interquartile range* or IR value. The first measure of convergence assessment is when the answers or assessments of all respondents have a standard deviation value of less than 1.5 (<1.5). The standard deviation notation formula as already known is as follows.

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}} \quad \text{or} \quad r = \sqrt{\frac{\sum x_i^2 - \frac{(\sum x_i)^2}{n}}{n-1}}$$

where:

$x$  = respondent A's answer to the instrument n

$\bar{x}$  = average of respondents' answers to the instrument n

The next measure of consensus or convergence assessment is when the answers or assessments from all respondents have an *Interquartile Range* (interquartile *range*) or IR value of less than 2.5

(<2.5). The calculation of the IR value is the difference between the upper quartile and the lower quartile (IR = Q3 - Q1), where the quartile value formula is as follows.

$$Q_1 = \frac{x_{(\frac{n-1}{4})} + x_{(\frac{n+3}{4})}}{2}$$

$$Q_2 = x_{(\frac{2(n+1)}{4})}$$

$$Q_3 = \frac{x_{(\frac{3n+1}{4})} + x_{(\frac{3n+5}{4})}}{2}$$

The measurement to declare convergence or the level of consensus on all variables is when the standard deviation value is <1.5 and the *interquartile range* value is <2.5. If one of the indicators does not meet the requirements, then the variable is declared not converging or not agreed upon (divergent). Meanwhile, for variables that have reached the requirements, the next step is to rank with the highest average value for each variable that reaches consensus (convergent).

HR Capacity (3) Holistic Halal Value Chain (4) Scaling Up Halal Fund & Product Innovation (5) Sharia Financial Literacy & Inclusion, (6) Strengthening Industry & Capacity (7) Halal Research Development, (8) Building Halal Life Style.

Of the 8 elements of the Indonesian Halal Industry Strategy above, the following are the complete answers in the form of weights given by the 11 expert respondents.

## RESULTS AND ANALYSIS

Based on literature studies, there are at least 8 Halal Industry Strategies in Indonesia, namely: (1) Strengthening Regulation & Policies, (2) Strengthening

Table 1. Results of Expert Respondents' Answers

| Halal Industry Strategies                  | R1 | R2 | R3 | R4 | R5 | R6 | R7 | R8 | R9 | R10 | R11 |
|--------------------------------------------|----|----|----|----|----|----|----|----|----|-----|-----|
| Strengthening Regulation & Policies        | 9  | 5  | 9  | 9  | 7  | 9  | 9  | 8  | 9  | 9   | 8   |
| Strengthening HR Capacity                  | 7  | 6  | 9  | 7  | 9  | 8  | 7  | 7  | 9  | 7   | 7   |
| Holistic Halal Value Chain                 | 9  | 6  | 7  | 8  | 5  | 8  | 7  | 8  | 9  | 7   | 7   |
| Scaling Up Halal Fund & Product Innovation | 8  | 8  | 7  | 7  | 7  | 7  | 7  | 8  | 8  | 6   | 8   |
| Sharia Financial Literacy & Inclusion      | 7  | 5  | 9  | 7  | 7  | 9  | 7  | 7  | 8  | 8   | 7   |
| Strengthening Industry & Capacity          | 6  | 6  | 7  | 5  | 5  | 7  | 7  | 7  | 9  | 8   | 7   |
| Halal Research Development                 | 9  | 5  | 7  | 5  | 7  | 7  | 7  | 8  | 9  | 8   | 8   |
| Building Halal Life Style                  | 9  | 5  | 9  | 7  | 9  | 9  | 8  | 8  | 9  | 7   | 9   |

In the application of the Delphi method, there are 3 statistical indicators that are most widely used, namely the *mean* (average) value, standard deviation value, and *interquartile range* or IR value. Based on the

results of data processing that has been carried out, the calculation of the priority of the Halal Industry Strategy in Indonesia is as attached in the following table.

Table 2. Delphi Calculation Results Halal Industry Strategy

| Halal Industry Strategies             | Q1  | Q2 | Q3  | IR  | STDEV  | CONSENSUS  |            | MEAN   | RANK |
|---------------------------------------|-----|----|-----|-----|--------|------------|------------|--------|------|
|                                       |     |    |     |     |        | IR         | STDEV      |        |      |
| Strengthening Regulation & Policies   | 8   | 9  | 9   | 1   | 1.2721 | Convergent | Convergent | 8.2727 | 1    |
| Strengthening HR Capacity             | 7   | 7  | 8.5 | 1.5 | 1.0357 | Convergent | Convergent | 7.5455 | 3    |
| Holistic Halal Value Chain            | 7   | 7  | 8   | 1   | 1.206  | Convergent | Convergent | 7.3636 | 4    |
| Scaling Up Halal Fund & Innovation    | 7   | 7  | 8   | 1   | 0.6742 | Convergent | Convergent | 7.3636 | 4    |
| Sharia Financial Literacy & Inclusion | 7   | 7  | 8   | 1   | 1.1201 | Convergent | Convergent | 7.3636 | 4    |
| Strengthening Industry & Capacity     | 6   | 7  | 7   | 1   | 1.1909 | Convergent | Convergent | 6.7273 | 8    |
| Halal Research Development            | 7   | 7  | 8   | 1   | 1.3484 | Convergent | Convergent | 7.2727 | 7    |
| Building Halal Life Style             | 7.5 | 9  | 9   | 1.5 | 1.3003 | Convergent | Convergent | 8.0909 | 2    |

Based on table 2, in general, of the 8 variables of the Halal Industry Strategy. All variables have been agreed upon by experts to determine the halal Industrial Strategy in Indonesia.

Meanwhile, the order of the most important variables of Halal Industrial Strategy in Indonesia are: (1) Strengthening Regulation & Policies, (2) Building Halal Life Style (3) Strengthening HR Capacity, (4) Holistic Halal Value Chain, (4) Scaling Up Halal Fund & Product Innovation, (4) Sharia Financial Literacy & Inclusion, (7) Halal Research Development, (8) Strengthening Industry & Capacity.

In the first rank, the halal industry development strategy is related to strengthening regulations & policies. The halal industry development strategy emphasizes the importance of strengthening regulations and policies to ensure the growth and success of the halal market. One of the main points in this strategy is the need for halal assurance or halal certification. Halal certification is very important for Muslim consumers who are looking for products that comply with Islamic religious law. It also serves as a broader indicator of ethical and quality assurance in the food industry, as halal standards often require strict hygiene practices, rigorous ingredient selection, and transparent labeling (Febriati et al., 20024). In addition, strengthening regulations and policies can also help improve the quality and safety of halal products, which through halal certification provides assurance to consumers, especially Muslims, that the products consumed are free from non-halal ingredients and produced according to Islamic

principles (Yunos et al., 2014). By establishing stronger regulations and policies, the halal industry can ensure that products consistently meet these standards and give consumers the confidence they need to buy halal products.

On the other hand, several challenges arise when trying to ensure halal compliance throughout the food supply chain, including ingredient sourcing, cross-contamination risks, verification and surveillance, and lack of harmonized standards. Strengthening regulations and policies can help overcome these challenges to the halal industry by providing clear guidelines and oversight. Ultimately, strengthening regulations and policies can strengthen the halal industry so that it can create economic opportunities, such as increased competitiveness, growth in the Islamic financial sector, halal tourism, and the Muslim tourist market (Yazid et al, 2020). This is also reinforced by research from Pratikto et al (2021) that the halal industry is a significant contributor to the national economy, and strengthening regulations and policies can help increase the growth and development of this industry. Strengthening regulations and policies can also help encourage the growth and development of the halal industry. The halal industry has the potential to create jobs and contribute to economic growth, especially in Muslim-majority countries (Pratikto et al., 2021). Siswoyo (2021) added that strengthening regulations and policies can encourage innovation in the halal industry by encouraging the use of technology,

improving product development, and increasing added value through resource optimization.

The next rank is building halal life style. Building halal lifestyle in the halal industry development strategy involves creating an ecosystem that supports the production, distribution, and consumption of halal products and services in various sectors, such as food, finance, tourism, fashion, and cosmetics (Krisna et al., 2023). This approach aims to promote a holistic lifestyle that is in line with Islamic principles and values, which can lead to a more sustainable and prosperous society. The halal industry development strategy in Indonesia, for example, has been intensified to include the development of halal industrial zones and the promotion of halal literacy. This strategy is based on the understanding that the halal industry is no longer just a complement to economic progress but an important part of economic development (Krisna et al., 2023). Sari et al (2023) explained that building a halal lifestyle involves creating an environment that supports the production and consumption of halal products and services, including the development of halal value chains and supply chains.

Building a halal lifestyle in the halal industry development strategy is very important for several main reasons, including the concept of halal lifestyle is deeply rooted in Islamic principles and values, shaping not only consumption patterns but also ethical choices in various aspects of life, including economic transactions, social interactions, and personal habits (Meylinda & Matondang, 2023). This cultural and religious significance underscores the importance of integrating halal practices into daily life. In addition, the global Muslim population is growing rapidly, with projections showing a large increase in demand for halal products and services. This presents a vast market opportunity for businesses and organizations serving the halal industry, emphasizing the economic importance of building a halal lifestyle (Elasrag, 2016; Kurnia et al., 2023). In addition, Muslims are increasingly aware of the halalness of their lifestyle choices, especially in terms of food consumption. This increased awareness has led to a surge in demand for halal products both in Muslim-majority countries and among non-Muslim populations interested in ethical consumption practices. Furthermore, the halal industry, with its emphasis on Islamic values such as social responsibility, environmental friendliness and ethical investment, is aligned with sustainable development goals. By promoting halal lifestyles, the

industry can contribute to broader sustainability efforts and ethical consumer behavior (Meylinda & Matondang, 2023).

Then, the third rank is strengthening HR capacity. The concept of strengthening HR capacity in the halal industry development strategy is very important for the growth and success of the halal industry. This is revealed in Widiastuti et al's (2020) research on barriers and strategies for developing the halal industry in Indonesia identifying human resources as one of the main groups of barriers. To overcome this problem, several strategies can be implemented, as explained by Siswoyo (2021), namely, developing the halal industry ecosystem. The halal industry ecosystem must be strengthened by creating an enabling environment for the development of regulations, governance procedures, and stakeholder character. This includes improving logistics distribution capabilities and resource ownership, as well as increasing added value based on innovation and technology. Then, strengthening policies and regulations, where the halal industry requires strengthening policies and regulations to optimize the potential and challenges that exist. Including the establishment of the Halal Product Guarantee Agency (BP JPH) and the ratification of Law No. 33 of 2014 concerning Halal Product Guarantee (JPH). Furthermore, increasing competitiveness and appropriate regulations, where the halal industry must focus on increasing competitiveness and implementing appropriate regulations to answer the challenges of the industrial revolution 4.0. In addition, improving education and training for the halal industry. To build a strong halal industry, it is important to improve education and training of human resources in the halal industry. This includes providing information on halal products, raw materials, production, marketing, and supply chain control. Finally, encouraging innovation and technology. The halal industry should encourage innovation and technology to increase added value and create renewable innovations that can become a competitive advantage in market competition (Siswoyo, 2021).

The priority ranking of halal industry development strategies are holistic halal value chain, scaling up halal fund & product innovation, and sharia financial literacy & inclusion. The holistic concept of halal value chain in the halal industry development strategy refers to the integration of all aspects of the halal industry, from upstream to downstream,

including the food, finance, tourism, fashion, cosmetics, and other sectors (Sari et al., 2023; Meylinda & Matondang, 2023). This concept is very important for the development of the halal industry, as it ensures that all products and services comply with Islamic principles and values. On the other hand, the halal value chain ecosystem is a new concept in the Islamic economic system that includes several upstream to downstream industrial sectors. It is an important component of the halal industry development strategy, as it ensures that all products and services meet the highest standards of halal compliance, thereby increasing consumer confidence and trust.

Then, the scaling up halal fund & product innovation strategy involves increasing financial resources dedicated to halal businesses and introducing innovative products to meet market demand. Increasing halal funds refers to increasing the availability of financial resources, such as investments and loans, specifically designed for halal companies. The expansion of these funds aims to support the growth and development of businesses operating within the halal industry, ensuring they have the necessary capital to expand operations, improve production processes, and enter new markets. On the other hand, product innovation in the halal industry involves the creation and introduction of new, unique, and compliant products that meet the specific requirements of halal consumers. This innovation may include developing new halal-certified products, improving existing products, or adapting products to align with halal standards and regulations. Product innovation plays an important role in driving competitiveness, meeting consumer preferences, and expanding market reach in the halal industry (Putra et al., 2023).

Furthermore, sharia financial literacy & inclusion refers to the importance of educating and empowering individuals, especially the Muslim community, to understand and participate in the Islamic financial system. This involves increasing awareness and knowledge of Islamic financial principles, products and services, as well as promoting the adoption of Islamic financial practices among businesses and consumers (Antara et al., 2016; Hassan et al., 2021; Rachman et al., 2022). Islamic financial literacy is critical to the growth and success of the halal industry, as it enables businesses and individuals to make informed financial decisions and access the benefits of Islamic finance. This includes

understanding the principles of risk sharing, profit sharing, and avoidance of interest (riba), as well as being aware of the various financial products and services available in the Islamic financial market. Meanwhile, inclusion in the halal industry development strategy refers to ensuring that all stakeholders, including businesses, consumers and financial institutions, have equal access and participation in the halal industry. This includes removing barriers to entry, such as lack of financial literacy, and encouraging the development of a supportive ecosystem that encourages the growth and success of halal businesses (Antara et al., 2016; Hassan et al., 2021; Rachman et al., 2022). By focusing on Islamic financial literacy and inclusion, the halal industry can better serve the needs of the Muslim community and contribute to the overall growth and development of the Islamic economy.

The next rank is halal research development. Halal research development in the halal industry development strategy involves the systematic exploration and advancement of knowledge related to halal practices, products and services to enhance the growth and sustainability of the halal industry. Research in this context aims to address various aspects such as halal regulations, certification, consumer preferences, market trends, and technological innovations in the halal sector. By conducting research in areas such as halal regulatory development, consumer behavior analysis, market trends, and product innovation, stakeholders in the halal industry can gain valuable insights to make informed decisions, improve processes, and meet the evolving needs of halal consumers globally. Related research also contributes to the overall development and competitiveness of the halal industry by providing a strong knowledge base and evidence-based strategies for businesses and policymakers. In addition, halal research development plays an important role in shaping the future direction of the halal industry by identifying growth opportunities, addressing challenges, and ensuring compliance with halal standards and regulations. Through continuous research efforts, the halal industry can adapt to changing market dynamics, consumer preferences, and regulatory requirements, ultimately driving innovation, sustainability, and economic development in the sector (Putra et al., 2023; Maulana et al., 2024).

Finally, it is related to strengthening industry & capacity. The concept of strengthening industry and capacity in the halal industry development strategy

involves increasing the capabilities and competitiveness of businesses engaged in the halal sector. This can be achieved through several strategies, including human resource capacity development. Improve employee skills, knowledge and expertise in halal business to improve their ability to produce high quality halal products and services. Then halal literacy, increasing awareness and understanding of halal principles and practices among businesses, consumers, and other stakeholders to ensure compliance with halal standards and regulations. Furthermore, financing support, providing access to financial resources, such as loans and investments, which are specifically designed for halal companies to support growth and development (Marlina et al., 2023). Yazid et al (2020) added a scalable and optimized halal certification process strategy, developing a transparent and efficient halal certification process to ensure the authenticity and quality of halal products and services. Fatwa, regulations and governance are also important strategies, to develop and implement clear and consistent halal standards and regulations to ensure the integrity and credibility of the halal industry. Finally, strengthening research and development capacity. Invest in research and development to drive innovation, improve production processes, and meet the evolving needs of halal consumers (Ajjidin et al., 2024).

## CONCLUSION

This study aims to determine the halal Industry Strategy in Indonesia. The data used are the results of interviews with academics, practitioners and Islamic economics in general. The method used is the Delphi technique which is a qualitative method based on interviews with experts. Based on the results of the calculation, in general, of the 8 variables of the Halal Industry Strategy in Indonesia, all variables have been agreed upon by experts and there are no variables that are not agreed upon. From the results of calculations using the Delphi method, the 3 main priorities for determining the Halal Industry Strategy in Indonesia are (1) Strengthening Regulation & Policies, (2) Building Halal Life Style, (3) Strengthening HR Capacity. In the future, regulators and related stakeholders need to strive to improve the necessary aspects so that in the future the development of the halal industry in Indonesia will grow rapidly and optimally.

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