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### Exploring the Economic Benefits of the Halal Certification in International Trade: A Literature Review

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**Abstract:** This study explores the economic benefits of the halal industry and its role in driving international trade growth. The rapid expansion of the halal industry, driven by the growing global Muslim population, presents significant opportunities in the global supply chain. As the country with the largest Muslim population, Indonesia has the potential to strengthen its economy by enhancing halal product exports. Using a descriptive-qualitative approach through literature review, this study examines strategies for developing Indonesia's halal industry based on local wisdom and industry potential. To compete globally, Indonesia must optimize key halal sectors such as food, beverages, pharmaceuticals, cosmetics, and emerging industries like fashion and the creative economy. This study offers a recommended model for a competitive global halal market, providing insights for government institutions, industry practitioners, and academics in supporting Indonesia's vision to lead the global halal industry.

**Keywords:** Halal Industry, Halal Products, National Income, International Trade

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### Introduction

In recent years, the halal industry has experienced rapid growth and has become one of the key sectors contributing to global economic development. This expansion is driven by the increasing consumer awareness of the importance of products that comply with halal principles, both in terms of the halal status of raw materials and the production process. Additionally, stricter policies and regulations in various countries have further enhanced the standards of the halal industry, thereby strengthening consumer confidence in halal products in the global market. Aligned with this trend, the halal industry continues to exhibit significant growth on an international scale (Fathoni, 2020). The demand for halal products has surged rapidly, not only in Muslim-majority countries but also in nations with non-Muslim populations that are increasingly recognizing the benefits and quality of halal

products (Nasrullah, 2018). This rising demand reflects the growing acceptance of halal products worldwide. According to the State of Global Islamic Economy Report 2023, Muslim consumer spending across various sectors—including food, pharmaceuticals, cosmetics, fashion, travel, media, and recreation—reached US\$2.29 trillion in 2022, marking a 9.5% increase from US\$2 trillion in 2021 (DinarStandard, 2023).

The appeal of the halal industry continues to grow in parallel with the increasing alignment of non-Muslim consumers with its underlying ethical and economic values. The State of the Global Islamic Economy 2023 report highlights that the demand for halal products is not limited to Muslim-majority countries but also extends to nations such as Japan, South Korea, and Brazil, which have begun developing their halal industries to meet export demands and cater to halal tourism. Furthermore, research by Dinar Standard (2023). This population growth will significantly increase the demand for halal products and services. indicates that many non-Muslim consumers choose halal products due to hygiene, quality, and adherence to stricter production standards. Halal products are perceived as cleaner and more natural, making them appealing to health-conscious consumers (Barrion et al., 2022). One of the primary drivers of demand in the halal industry and the Islamic economy is the growing Muslim population, particularly among the younger generation. In 2023, the global Muslim population was estimated to exceed 2 billion, accounting for more than 25% of the total world population. Over the next decade, the Muslim population is projected to nearly double compared to the non-Muslim population, reaching 2.8 billion by 2050, representing approximately 30% of the global population (DinarStandard, 2023). This demographic growth will significantly increase the demand for halal products and services, positioning the halal industry as an increasingly strategic sector in the global economy.

The halal products industry is currently experiencing growth beyond just halal products; it also encompasses the halal lifestyle. According to the Indonesia Halal Lifestyle Center (IHLC), there are six key sectors that the government should prioritize. These sectors include the halal food and beverage industry, clothing, halal tourism, entertainment and media, pharmaceuticals, and cosmetics. A deeper understanding of the definition and scope of each sector is crucial, given that the halal industry is not only about halal products but also the halal lifestyle (Astuti, 2020). In this context, halal refers to everything beneficial and not harmful to the body, mind, or religion (Abdelali, 2019). The concept of "halal" is also associated with the term "tayyib," which means good, signifying that halal is something permissible in Islam and beneficial to humans. Moreover, in Surah Al-Baqarah, verse 168, Allah SWT commands all mankind, both believers and non-believers, to consume halal food. This is part of Allah's mercy and grace to all humanity, as He created everything on earth for them, regardless of their faith. This verse implicitly conveys a message to non-believers that Allah, with His love, commands them to consume what is halal and good for their well-being and prosperity. Allah only forbids what is harmful and permits what is good (Insani et al., 2019). Therefore, the halal industry promotes values such as animal welfare, social responsibility, environmental friendliness, care for the earth, economic and social justice, and ethical investment. Therefore, non-Muslims can readily embrace the halal industry as a lifestyle choice (Abdullah & Azam, 2020).

Indonesia, with the world's largest Muslim population, has significant potential in the halal industry. According to the State of Global Islamic Economic Indicator 2023, which reflects the global Islamic economic performance, Indonesia ranks third overall, up from fourth place previously. This indicates positive development in Indonesia's halal industry. Indonesia

ranks second in the halal food sector; third in fashion; sixth in media and recreation; and fifth in the pharmaceutical and cosmetics sectors (DinarStandard, 2023). Overall, Indonesia has great potential to become a leader in the global halal industry. By continuously improving the quality of its products and services and actively promoting them, Indonesia can become a reliable country for high-quality halal products.

Indonesia, with the world's fourth largest population and approximately 82% Muslim, plays an important role in international trade. The country designs its import policies to meet national needs by involving exporters from non-Muslim countries. Given that the majority of Indonesia's population is Muslim, halal issues are always a serious concern (Hudaei & Jaswir, 2019). This demonstrates that Indonesia is better known as a consumer than a producer. Therefore, Indonesia needs to fully utilize its opportunities in the halal industry to increase its contribution to the global halal industry. By developing the halal production sector, Indonesia can become a major player that not only meets domestic needs but also competes in international markets.

In the context of international trade, the member countries of the Organization of Islamic Cooperation (OIC) largely depend on imports of halal products, recording a trade deficit of US\$47.2 billion. Most of this deficit comes from non-OIC member countries. However, only Turkey and Indonesia are among the top 10 exporters to OIC countries, accounting for 53.7% of total exports. Conversely, the BRIC countries (Brazil, Russia, India, and China) have significant exports to OIC countries, accounting for 27.6% of total exports (Dinarstandard, 2023). This situation highlights the urgent need for OIC countries to enhance self-sufficiency and strengthen intra-OIC trade to meet the needs of the halal industry. Non-Muslim-majority countries, who dominate the international halal market and influence Muslim-majority countries, drive the need for halal assurance. However, halal certification shows complex diversity among countries, with each having its own halal requirements based on religious and cultural interpretations (Tan et al., 2017). This complexity hinders trade and makes the global halal market less efficient. Thus, harmonizing halal standards will simplify global halal production and pave the way for a competitive and harmonious market (Gul et al., 2022). The increasing demand for global halal products presents significant opportunities for countries capable of meeting this market's needs. This fantastic market potential encourages many countries to enter the halal industry, producing and exporting halal food. As a result, competition among halal product-exporting countries is becoming more fierce, necessitating effective strategies to win the competition (Qoni'ah, 2022).

The halal industry in Indonesia has experienced rapid growth due to increasing global demand. However, various challenges still hinder the development of this sector and must be addressed promptly to ensure optimal growth. The industry's reliance on imported halal raw materials causes supply uncertainty and increases domestic production costs (Hasyim, 2023). Additionally, the low awareness among MSME actors regarding the importance of halal certification has resulted in many products in the market lacking official certification (Madjid et al., 2024). The halal industry also faces a shortage of competent workforce in production, certification, and supervision. Furthermore, an underdeveloped supply chain infrastructure and limited use of technology in halal production and certification pose additional challenges (Batubara & Harahap, 2022). Existing regulations also create difficulties for business actors in meeting requirements related to costs, procedures, and operational readiness (Hasan & Pasyah, 2022). As a strategic measure, the government has implemented

Law No. 33 of 2014 on Halal Product Assurance (JPH), which was later updated through Law No. 11 of 2020 on Job Creation. The government has mandated halal certification for all products circulating in Indonesia, which was previously voluntary, to enhance legal certainty and strengthen the competitiveness of the national halal industry (Putro et al., 2024). At the global level, regulatory differences between countries hinder Indonesia's halal product exports. Halal certification recognized in one country may not necessarily be accepted in another, creating obstacles in international trade (Wahyudi et al., 2023). To date, no global halal certification body with universal authority has been established, further complicating the international trade of halal products (Makbul et al., 2023).

This study contributes to the analysis of halal certification in various countries to provide a broader understanding of applicable standards and regulations, thereby enhancing Indonesia's competitiveness in the international market. Unlike previous research, this study not only explores the implementation of halal certification in Indonesia but also compares it with practices in other countries. Consequently, this research offers a more comprehensive overview of global halal standards and their impact on the competitiveness of the national halal industry. The primary objective of this study is to identify the economic benefits of the halal industry and its role in driving international trade growth. Additionally, this research aims to formulate a model for optimizing halal certification to promote halal industry exports, thereby expanding international market access and strengthening Indonesia's position as a global hub for the halal industry.

## **Literature Review**

### ***Halal Industry***

The halal industry is considered a new growth area that will significantly contribute to the economic development of a country (HDC, 2008). One key factor driving this growth is the increase in the global Muslim population. Indonesia, with the largest Muslim population in the world, has the potential to become a global Islamic economic hub. This potential is based on a variety of factors relating to Indonesia's halal industry (Rachman, 2019). The Muslim population is increasing at a rate of 3 percent per year and accounts for 23 percent of the world's total population (Azam & Abdullah, 2020). While some Muslim-majority countries have high purchasing power and economic growth, many others have low per capita income. Cooperation among producers, the government, halal certification bodies, academics, and the community is necessary to achieve sustainability in the halal industry. This cooperation significantly influences sustainability practices within the halal industry (Haleem et al., 2021).

The development of the halal industry in the global market faces several challenges, including the lack of universally recognized halal certification, supply chain issues, and limited awareness and understanding among both consumers and producers regarding halal products (Prayuda et al., 2023). In Indonesia, the challenges within the halal industry encompass various aspects, ranging from regulations and human resources to policy implementation in the field. The process of obtaining halal certification is often perceived as complex and costly, discouraging many businesses from pursuing certification (Hasan & Pasyah, 2022). Additionally, the halal industry still faces a shortage of skilled human resources, which affects the quality and efficiency of both halal production and the certification process (Batubara & Harahap, 2022). Another major challenge is the weak

enforcement of halal certification laws, leading to the widespread circulation of uncertified products or even counterfeit halal-certified products in the market.

Previous research has largely focused on halal food, but the concept of halal actually covers all aspects of Muslim activities, including religious tourism, which is part of other halal sectors (Jaelani, 2017). Today, the halal industry has evolved from merely halal food products to a holistic concept that encompasses the entire spectrum of commercial activities. This evolution goes beyond the food sector, expanding the economic potential of halal and quickly becoming a global symbol of quality assurance and lifestyle choice for both Muslims and non-Muslims (Elasrag H, 2016). The halal industry now includes not only products like pharmaceuticals, health products, toiletries, and cosmetics but also services such as marketing, supply chains, logistics, packaging, manufacturing, branding, and financing (Elasrag H, 2016).

### ***Halal Certification***

The process of declaring a product or service halal in accordance with Islamic law involves the provision of materials, processing, storage, packaging, distribution, sales, and presentation of the product (Ishak, 2019). Holders of the halal certificate are responsible for ensuring the halal integrity of their products, and halal certification ensures that production adheres to halal standards (Aslan, 2023). The halal logo serves as an icon of quality assurance and lifestyle choice in business and trade, especially for food and beverages, ensuring the consumption of healthy, hygienic, and halal products (Aslan, 2023). By using the halal mark as proof of halal certification, indicating that raw materials, processes, packaging, and distribution comply with halal standards, halal certification providers can study and verify the halal status of specific products (Widyanto & Sitohang, 2022).

Several countries have established their own halal certification bodies. Malaysia has taken the initiative to introduce its own halal certification system and standards; it is the only country in the world where a state institution (JAKIM) is responsible for certifying halal products (Asa, 2017). Similarly, Indonesia (BPJPH) and Singapore (MUIS) also have their own exclusively recognized Islamic bodies authorized to manage and regulate halal certification (Muttaqin, 2014; Wahab et al., 2016).

Halal certification and logos can significantly influence halal meat products' purchase intentions, particularly among Muslim consumers. These certifications and logos are crucial indicators that assure consumers that the products comply with Islamic dietary laws and are suitable for consumption. Halal producers must have the halal certification symbol to demonstrate that their products conform to Sharia law (Awan et al., 2015). Halal certification offers numerous advantages for business operators, as it ensures that the produced food and beverages meet halal standards, leading to increased sales volumes and, consequently, higher profits (Perdana et al., 2019). Moreover, this certification provides consumers with the assurance that the products they consume are not only halal but also hygienically maintained. The halal certificate conveys the high quality and standards of halal products, which are "permissible" and "*tayyib*" (safe, clean, nutritious, and of good quality). According to Handayani et al., (2022), it is highly relevant for Muslim retailers to provide an atmosphere of assurance to their customers; retailers who prominently display their halal products in stores using halal certification are more likely to gain customer loyalty.

## ***International Trade***

International trade is defined as the exchange of goods between countries when citizens of one nation engage in trade with citizens of another nation based on mutual agreements (Widyastuti et al., 2024). This economic cooperation is carried out for mutual benefit, allowing each country to promote its superior products and services. Through international trade, countries can obtain goods that they cannot produce domestically, fostering global economic interdependence and encouraging closer cooperation. This activity includes exports and imports, driven by each country's comparative advantage, thereby enhancing efficiency and economic growth in the global market.

Since the 1980s, international trade has experienced rapid development with the increasing specialization of products. The expansion of global supply chains has contributed to the growth of export volumes and provided added value for companies in the international market (Hu et al., 2024). Competitive advantage and comparative advantage are key factors that determine a country's ability to participate in global trade. The theory of competitive advantage explains that a country's competitiveness is not solely derived from its comparative advantage (as stated in classical theory and the Heckscher-Ohlin theory) but also from various supporting factors, such as government policies and industrial infrastructure development. With technological advancements and the optimization of human resources, both nations and companies can strengthen their competitive advantage to compete in international markets (Widyastuti et al., 2024).

In the halal industry, the primary challenge lies in the absence of an integrated global halal certification standard, which could hinder industry growth despite increasing demand (Ghazali et al., 2023). Each country has different regulations and certification processes for halal products, which can create obstacles to cross-border trade. For instance, Middle Eastern and North African countries represent major markets for halal products due to their large Muslim populations and high purchasing power. However, they require halal certification from officially recognized Islamic organizations, creating barriers for exporters from other countries (Alhariri & Al-Mazeedi, 2020). From the perspective of World Trade Organization (WTO) regulations, differences in halal certification standards can be considered trade barriers, complicating access to halal products in the global market (Johan & Schebesta, 2022).

The demand for halal products is not limited to Muslim communities; the halal lifestyle trend is increasingly gaining popularity among the international community, driving the demand for halal products across various sectors, including food, cosmetics, pharmaceuticals, and tourism (Ibrahim & Fauziyah, 2023). The halal industry holds significant potential in international trade, driven by rising global awareness of halal products. Therefore, efforts to address certification and standardization challenges, optimize technological advancements, and strengthen government support are crucial to ensuring the sustainable growth of the halal industry and its greater contribution to the global economy.

## **Methods**

This study employs a descriptive-qualitative approach using a literature review method. The literature review plays a crucial role as the foundation of research, serving not only to advance knowledge but also as a guideline for policies and practices, as well as evidence of the impact

of a phenomenon. When conducted systematically, this method can generate new ideas and insights in a specific field, providing a basis for future research and theoretical development (Snyder, 2019). In this research, the author collects data from various relevant sources, including scientific articles, official reports from national and international organizations such as SGIER, KNEKS, and BPJPH, as well as news articles and related media publications. The literature review approach is chosen because it is effective in exploring the economic benefits of halal certification in international trade. The findings of this study are expected to contribute significantly to the growth of the halal industry and promote the expansion of international trade for Indonesian halal products.

## **Findings**

### ***Strategies in the Halal Industry***

The global halal industry market presents a significant opportunity for Indonesia, given its position as the country with the largest Muslim population in the world. By optimising this opportunity, Indonesia can play an active role in the development of the global halal industry while strengthening its competitiveness in the international market. To achieve this goal, a comprehensive and sustainable strategy is required. Rafiqah (2024) states that one of the key strategies that can be implemented is the modernisation of the halal certification system to make it more efficient and capable of covering a wider range of products. Enhancing efficiency in the certification process is crucial to ensuring that halal products are more accessible to the public, both in domestic and international markets. A faster and more accurate system will also encourage businesses to apply for halal certification for their products, leading to a significant increase in the number of certified halal products available in the market. Additionally, the development of a barcode-based halal detection application serves as an innovative solution to facilitate Muslim consumers in verifying the halal status of the products they consume. This application can be accessed online or made available in shopping centres and restaurants, allowing consumers to check product information before purchasing or consuming them. With such a system in place, public trust in halal products will increase, ultimately strengthening the overall halal industry ecosystem.

In the tourism sector, the provision of halal travel packages marketed through e-commerce platforms is an effective strategy to attract both international and domestic tourists. This strategy aligns with the growing demand for halal tourism services, which not only offer Muslim-friendly facilities but also provide a more comfortable travel experience in accordance with Sharia principles. By integrating halal services into the tourism ecosystem, Indonesia can solidify its position as a leading halal tourism destination in the world.

Expanding the scope of the halal industry ecosystem through the implementation of the halal supply chain program is a strategic step in ensuring that the entire process of production, distribution, and marketing of halal products remains compliant with Sharia principles. An integrated halal supply chain system will enhance transparency and efficiency in product distribution flows, ultimately accelerating Indonesia's realisation as a global halal industry hub. Beyond operational aspects, funding also plays a crucial role in supporting the growth of the halal industry. Long-term financial support from Islamic banking and capital markets can serve as a catalyst in strengthening the structure of the halal industry and enhancing its international competitiveness (Muhamed et al., 2014). On a global scale, the harmonisation of halal standards across countries is a vital step in facilitating cross-border trade and building

consumer trust in halal products circulating in the global market (Nu'man et al., 2023). With uniform halal standards, the trade flow of halal products can become smoother and more efficient, thereby accelerating the growth of the halal industry in various countries, including Indonesia.

### ***Development of the Halal Industry***

The halal industry is a response to the economic transformation towards a sustainable economy, contributing to the development of a new paradigm of industrialization in the present and future (KNEKS, 2023). If you look at the world market share, the growth in the demand for halal products has increased significantly in recent decades, with Muslim spending rising from \$1.62 trillion in 2012 to \$2.29 trillion in 2022. We expect this expenditure to reach \$3.1 trillion in 2027, exhibiting a combined annual growth of 4.8% over a five-year period. (DinarStandard, 2023).

Halal products are the main variable for sustainable excellence. Both Muslims and non-Muslims prefer halal products, so the demand for halal products increases. Therefore, marketers can gain a competitive advantage over non-halal products by respecting the halal product market (Islam et al., 2024). While Muslims around the world spend a total of two trillion dollars in the food, pharmaceutical, cosmetics, fashion, travel, and media/recreation sectors, the global Muslim market is likely to grow to around \$2.8 trillion by 2025. The largest market for Muslim consumers is the halal food and beverage sector (Statista, 2024).

According to Statista (2024), the OIC has the largest market share in the food and beverage sector, with imports estimated to reach \$200 billion by 2021. However, the largest major supplier of the sector is the non-Islamic majority, is the sector's largest major supplier, with a value of \$16.5 billion, followed by India with \$15.4 billion.

In addition to the food and beverage sector, halal industries have also developed in the cosmetics sector. By 2022, the world's halal cosmetics market revenue reached about US\$27 billion, with India and Indonesia as its largest consumers. We expect this figure to continue rising to more than \$63 billion by 2032 (Statista, 2024). There are also developments in a number of other sectors, such as fashion, with spending reaching \$318 billion in 2022, up 8.4% from \$293 billion in 2021, and expected to reach \$428 billion by 2027 (DinarStandard, 2023).

The development of the global halal industry has driven Indonesia to become an increasingly successful hub of the world's halal industry. The formation of the KNKS, or National Sharia Financial Committee, based on Presidential Decree No. 91 of 2016, and the KNEKS, or National Shariat Economic and Financial Committee (KNEKS), based on Presidential Order No. 28 of 2020, are two examples of how Indonesia is increasingly focusing on the development of the halal industry. According to reports from SGIER (2023), Indonesia ranks 3rd, below Malaysia and Saudi Arabia. Some of the sectors that Indonesia excels in (based on rankings) include Islamic finance at rank 7, halal food at rank 2, media and recreation at rank 6, fashion at rank 3, and cosmetics and pharmaceuticals at rank 5.

The number of halal certifications carried out in Indonesia demonstrates the development of the halal industry. According to data from BPJPH (Organizer of the Guarantee of Halal Products), by September 2023, there will be 2,528,396 halal products already certified. The



certification targets micro, small, medium, and large-scale. Products are mostly food and beverages.

**Table 1. Halal Certification Data Based on Business Scale**

<b>Business Scale</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Big	298	2,157	2,588	2,602
Small	1,201	2,046	1,133	42,491
Intermediate	399	1,609	585	571
Micro	3,761	3,761	103,433	1,076,802
<b>Total</b>	<b>5,659</b>	<b>17,564</b>	<b>107,739</b>	<b>1,122,446</b>

Source: BPJPH, 2023

The halal food sector is the largest within Indonesia's halal industry, accounting for 43%, according to the National Committee for Islamic Economy and Finance (KNEKS). This prominence is due to the fundamental need for halal food among Muslims, making this sector highly significant (Adamsah & Subakti, 2022). Indonesia's advantage in this sector is rooted in its majority Muslim population, which provides a substantial market for both general and region-specific halal foods and beverages, which significantly contributes to the growth of the halal food industry (Mubarok & Imam, 2020).

Moreover, the development of the halal lifestyle in Indonesia has successfully spurred the growth of the sharia economy, particularly within the country (Rachim & Santoso, 2021). According to (Jailani & Adinugraha, 2022), the halal lifestyle has led to an increase in the demand for halal goods and services. The high consumption of halal products across various sectors, such as food, beverages, tourism, cosmetics, pharmaceuticals, finance, media, communication, and fashion, presents a substantial opportunity for Indonesia to become a global halal producer. This development will have a positive impact on the market, the economy, and the country as a whole (Hidayat et al., 2022).

### ***Halal Certification Provisions in Various Countries***

The growth of the halal industry across various countries has not only increased the demand for halal products and services but also created new business opportunities. The halal market encompasses various sectors such as food, cosmetics, pharmaceuticals, and tourism, all of which are experiencing increased demand. This situation presents opportunities for businesses to explore and develop new markets worldwide, thus expanding the reach and economic impact of the halal industry on a global scale (Hamid et al., 2019).

The increased global demand for halal products is closely related to the importance of halal certification. This certification not only ensures that products comply with Sharia law but also enhances consumer trust. Considering that the global Muslim population is estimated to exceed 2 billion in 2023, surpassing 25% of the total global population and expected to continue growing annually, the demand for halal food from Muslims worldwide continues to rise, impacting the growth of the halal food market (Al-Teinaz & Al-Mazeedi, 2020). This

drives companies to pay close attention to halal certification to meet market demand. Despite variations in levels of faith and adherence to Islamic law, consumers remain concerned about the halal status of the products they consume, and even non-Muslim populations are now interested in halal products. For non-Muslims, halal products are considered high-quality products because they embrace the concept of halal and thoyyiban (halal and healthy) (Johan, 2018). Products with halal labels tend to perform better in the market, while those without halal labels or suspected of containing forbidden ingredients often fail. Society's awareness of living in accordance with Islamic rules drives the growth of the halal industry, making halal certification a key factor in product success in the market (Ridwan, 2020).

Differences in halal certification standards across countries can create challenges in implementation and international recognition. Although based on the teachings of the Quran and Hadith, interpretations by various schools of Islamic thought can lead to variations in regulations and implementation. For example, some countries may have stricter regulations regarding certain ingredients than others. Thus, the existence of universal halal standards with agreed-upon minimum thresholds internationally would greatly help reduce confusion and misunderstandings for producers and consumers. This harmonization is particularly important among member countries of the Organization of Islamic Cooperation (OIC), which can ensure consistency in halal certification and strengthen global consumer confidence among Muslims (Al-Mahmood & Fraser, 2023). This step not only enhances efficiency and transparency but also facilitates international trade in halal products.

### ***Halal Certification in India***

For Muslims worldwide, the concept of halal is of utmost importance in the consumption of goods, food, or actions. In India, awareness of the significance of halal is increasing among Muslims, influencing manufacturers to focus more on manufacturing that meets halal standards. This drives the corporate sector to select and introduce halal packaging with honest certifications. Although this presents a variety of issues and challenges, manufacturers must carefully consider this when selecting packaging and certifications that protect halal integrity (Potluri & Potluri, 2018). Additionally, India ranks as the second-largest exporter of halal products, according to the State of the Global Islamic Economy Report in 2023.

Halal India aims to strengthen the Indian and international halal industry and provide halal food, medicines, and cosmetic products to the global Muslim community. They facilitate access to quality halal products by serving as an independent halal certification body recognized by the Indian government. Halal India handles halal certification for food, cosmetics, and medicines, conducts research, and issues halal compliance certificates. Its function is to assist both Muslims and non-Muslims in obtaining halal products and services. Halal India aims to be a common ground for manufacturers, suppliers, importers, exporters, traders, wholesalers, retailers, and consumers interested in halal products and services (Potluri & Potluri, 2018).

The Jamiat Ulama-E-Hind Halal Trust (hereinafter referred to as JUHT) is a registered trust operating under the auspices of Jamiat Ulama-E-Hind (JUH). Established in 1982 with its first office in Mumbai, the trust aims to organize, unify, and standardize halal certification in India. The Department of Islamic Development Malaysia (JAKIM), Malaysia's regulatory authority for halal products, has accredited JUHT as a member of the World Halal Food Council (Bohari et al., 2017). The trust offers halal certification in three categories: animal

slaughterhouses, processed foods, and restaurants. JUHT follows the Halal Assurance System (HAS) with standard operating procedures for certifying businesses, where the certificates issued are valid for one fiscal year and require satisfactory assessment from auditors during periodic inspections. JUHT also appoints full-time halal supervisors for slaughterhouses and large processing units (Sardana et al., 2018). However, in India, there is no government authority restricting halal certification practices. Any individual or organization can issue halal certificates, creating a legal vacuum. This situation could have long-term negative implications, especially considering the projection that the halal market will continue to grow and expand (Hassan & Sengupta, 2019). This regulatory gap underscores the need for stricter standards and controls to ensure the integrity and authenticity of halal certification in the country.

### ***Halal Certification in the United State***

All Halal Certification Bodies (HCBs) in the United States base their halal standards on the Quran and Hadith. On-site auditing (annually) is a similar certification approach to verifying halal raw material documents and production processes (Al-Mahmood & Fraser, 2023). Each small group of Halal Certification Bodies (HCBs) in the United States has its own halal standards based on their interpretation of the Quran and Hadith. This can lead to diversity in the halal standards used, which needs to be considered by consumers and businesses. All Halal Certification Bodies (HCBs) in the United States need universal halal standards to resolve differences in standards among HCBs. Five HCBs have suggested the possibility of forming a special organization to maintain and oversee halal standards in the United States. However, some other HCBs doubt the feasibility of implementing a comprehensive halal standard.

Halal certification in the United States involves a rigorous process to ensure compliance. Compliance with federal laws overseen by the FDA and USDA, as well as state regulations such as those enforced by New Jersey and Michigan, is a key step. Islamic law, which governs what is considered halal, also emphasizes religious compliance. We also emphasize the importance of consulting with Islamic scholars and community leaders to ensure the authenticity of certifications. The halal certification process involves submitting an application to recognized halal certification bodies, such as AHF. We conduct assessments to ensure products meet halal requirements and physically inspect manufacturing facilities to ensure compliance with halal standards. Certification bodies provide halal training, and if a business meets all requirements, they issue a halal certificate, which typically requires annual renewal. Halal certification has the following benefits: increased credibility in the eyes of consumers, particularly Muslim consumers, as well as access to a growing global market. Some leading halal certification bodies in the United States include AHF, HFC-USA, the American Halal Institute, and the US Chamber of Commerce Halal, Inc (Ridwan, 2020).

### ***Halal Certification in Indonesia***

The Halal Certification Agency (BPJPH) is the body responsible for implementing halal certification in Indonesia (Akim et al., 2019). Law Number 33 of 2014, concerning Halal Product Assurance (JPH), reaffirms the Indonesian government's commitment to officially supporting and regulating halal certification. This law emphasizes the importance of consuming halal and thoyyib (good) food as part of Islamic Sharia law recognized by the state. BPJPH, which operates under the Ministry of Religious Affairs, now takes over

responsibility for halal certification from LPPOM MUI. The enactment of Government Regulation Number 31 of 2019 has detailed the implementation of halal product assurance, ensuring legal certainty and transparency for consumers. It also aims to strengthen and develop the halal business market in Indonesia, making it more competitive and trustworthy in the eyes of the public (Sukoso et al., 2020). The Halal Inspection Agency (LPH) and the Indonesian Ulema Council (MUI) assist BPJPH in the halal product certification process. LPH is responsible for assisting BPJPH in conducting inspections and/or testing of halal products. Halal auditors assigned and dismissed by LPH must have auditor certificates issued by MUI in collaboration with BPJPH.

Halal product assurance depends not only on these three institutions, but also on businesses' involvement in appointing a halal supervisor. This supervisor is responsible for various stages in the halal product process, including supervision, improvement or prevention, coordination with the halal certification body, and accompanying halal auditors when inspecting the company's halal products (Arif & Sidek, 2015). In Indonesia, the food, beverage, pharmaceutical, and cosmetic industries typically focus on halal certification. Before obtaining halal certification, a business must have a Halal Assurance System (SJH) (Perdani et al., 2018). MUI complies with the halal certification standard HAS 23000, which covers the entire production process. The concept of HAS 23000 is in line with public halal product assurance in the Halal Product Assurance Law. Halal product assurance includes the selection of materials, production processes, management support, and halal certification (Ridwan, 2020).

The halal certification process involves not only manufacturers but also distributors, packaging companies, and relabeling companies. MUI certifies products halal and categorizes them as "no risk," meaning they do not contain prohibited substances or pose a risk of mixing with them. Packaging or relabeling companies can label these products. Although the Halal Product Assurance Law (JPH Law) does not yet have technical regulations for halal product assurance, halal certification is now mandatory for all products in Indonesia, which was previously voluntary. If we can meet regulations, infrastructure, human resources, and public awareness of halal products, we expect this to drive the growth of the halal industry in Indonesia (Fibrianti et al., 2023).

Halal standards have the potential to violate the TBT Agreement in the context of international trade. Therefore, after uniform Halal standards are established, transparency and fair treatment are needed in designing Halal standards, referring to existing international standards (Johan, 2018). International Halal standards are generally claimed to protect Muslim consumers, but in reality, they are more focused on the interests of industries producing Halal products. International accreditation for Halal service providers can create significant opportunities in the Halal industry. With uniform Halal certification standards for all countries, Halal-labeled products will no longer be doubted and will not require re-certification in importing countries. This will drive the development of the global Halal market without being hindered by differences in Halal standards between countries. To enhance security and certainty in global Halal product trade, coordination and cooperation among internationally approved Halal certification bodies (HCBs) are required. This is to reduce barriers in the export-import process of Halal products between countries. Therefore, harmonization between HCBs worldwide through Halal certification bodies must be accredited based on internationally approved Halal standards, audited periodically by internationally approved Muslim bodies, HCBs must collaborate with other approved HCBs

to serve Halal consumers, and mutually recognize accredited HCBs so that this can enhance global Halal product compliance (Al-Teinaz & Al-Mazeedi, 2020).

### ***The Impact of Halal Industrial Exports on National Income***

The Royal Islamic Strategic Centre (RISSC) has stated that Indonesia is the country with the largest Muslim population in the world, reaching 240.62 million people in 2023 (Putri & Jubba, 2023). This is one of the fundamental reasons why Indonesia has the potential to enter the global halal industry. The Indonesian Halal Industry Master Plan (MPIHI) divides the halal industry sector into two categories: core halal industries and emerging halal industries. The core halal industries include halal food and beverages, as well as halal pharmaceuticals and cosmetics. Meanwhile, the emerging halal industries encompass fashion, halal tourism, and the creative economy. There is a need for clear mapping of Indonesia's halal potential to enter international trade. The Indonesian Muslim community's understanding of the benefits of halal goods and services particularly supports the growth potential of the halal industry (Kamila, 2021).

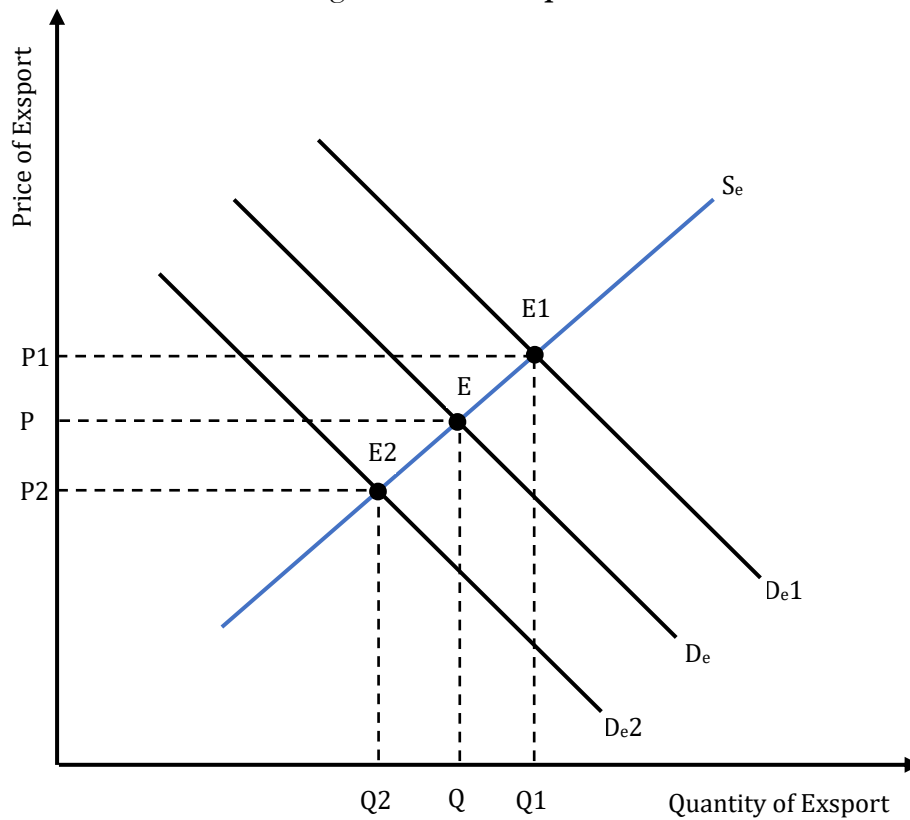
Halal food consumption has become a major concern for Muslims, especially those living in non-Muslim-majority countries or traveling abroad. Japan and Korea, which have economic and trade relations with Muslim-majority countries such as Indonesia, Malaysia, and the UAE, exemplify this trend. The influx of Muslim tourists has prompted these countries to enhance cooperation in the halal food industry. Consumer demand and market requirements for halal products and certifications drive the trend in halal food production (Wahyuni et al., 2021).

Halal food and beverages are the most promising sectors for entering international trade. This is due to Indonesia's top ranking in halal food expenditure, with a total consumption of US\$ 170 billion in 2017 and projected growth to US\$ 247.8 billion by 2025 (Putri & Jubba, 2023). This indicates that, with such high total consumption, the availability and demand for halal food and beverages are also substantial. The belief that choosing halal food is beneficial for health, along with the positive perception that halal food is of high quality (Bashir, 2020; Wibowo et al., 2020), will further increase the demand for halal food and beverages. The SGIER (2023) report further supports this, revealing Indonesia's emergence as one of the top 10 exporters to OIC countries, valued at \$13.38 billion in 2022. Only two OIC countries made it into this top 10 list: Turkey and Indonesia (DinarStandard, 2023). Currently, the largest exporters of halal food are non-Muslim-majority countries such as Brazil, Argentina, Australia, the US, Russia, and New Zealand, which actively produce halal-certified meat (DinarStandard, 2023).

Fashion has become a global business. The fashion industry has grown significantly in the global market and is exploiting the economy (Jailani, 2022). Modern halal fashion has become a trend in the current era, spreading to many countries with Muslim communities. One indicator of this is the US\$ 318 billion spent by 2 billion Muslims in the fashion sector (DinarStandard, 2023). Indonesia is also part of this market, ranking third in the modest fashion sector. The high interest of Muslim clothing designers in events like the Indonesia Islamic Fashion Consortium (IIFC) at the Indonesia Islamic Fashion Fair (IIFF), the Modest Fashion Project (MOFP), and the Muslim Fashion Festival, which showcase their works, supports this growth (Hasan & Hamdi, 2022).

Data from the Ministry of Trade shows that Indonesia's Muslim fashion exports to the world reached \$4.68 billion in 2021, a 12.5 percent increase from the \$4.16 billion export value in 2020 (Kemendag, 2022). Existing technology also influences this development, offering significant potential for Indonesia's halal fashion industry. Technology promotes the socialization and promotion of the halal fashion industry in Indonesia. Furthermore, technological advancements make the production of halal industry products more effective and efficient (Faried et al., 2019). The digital age's growth creates extraordinary conditions for unstoppable market expansion through the emergence of various e-commerce platforms (Wakidah, 2020). Several potential halal industries in Indonesia extend beyond food, beverages, and fashion. Other potentials, such as pharmaceuticals, cosmetics, and the creative economy, remain untapped for international market entry. The export curve of halal commodities below illustrates the utilization of Indonesia's halal industry in international trade.

Figure 1. Halal Export Demand Curve



Source: Research (2024)

The halal product sector has significant potential to accelerate the economic development of a country, particularly in Indonesia, where the majority of the population is Muslim. The halal product market has highly promising prospects for expanding global economic reach and is currently one of the fastest-growing global markets (Mita Widyastuti et al., 2024). The curve above explains that the demand curve for halal export commodities illustrates the relationship between the price of goods ( $P$ ) exported in foreign currency and the quantity of goods ( $Q$ ) desired by the international market. This curve slopes downward from left to right, indicating that when the export price of goods decreases, the quantity demanded by the international market tends to increase (Karim, 2022a). In the context of Islamic

economics, this can be understood as a manifestation of the principles of justice and welfare in trade, where price reductions can expand market access and encourage the global consumption of halal goods.

In the curve above, market equilibrium is achieved at the point where the export demand curve ( $D_e$ ) intersects with the supply curve ( $S_e$ ). At this point, the price and quantity of exported goods reach an optimal condition that reflects the balance between supply and demand, in line with principles of fair and efficient markets (Karim, 2022). The export of halal commodities impacts the Gross Domestic Product (GDP) through changes in exchange rates (Mita Widyastuti et al., 2024). Conversely, when there is a decline in the quantity of exports, it negatively impacts GDP, as income from international trade decreases, thereby weakening the contribution of the export sector to the domestic economy (Karim, 2022b).

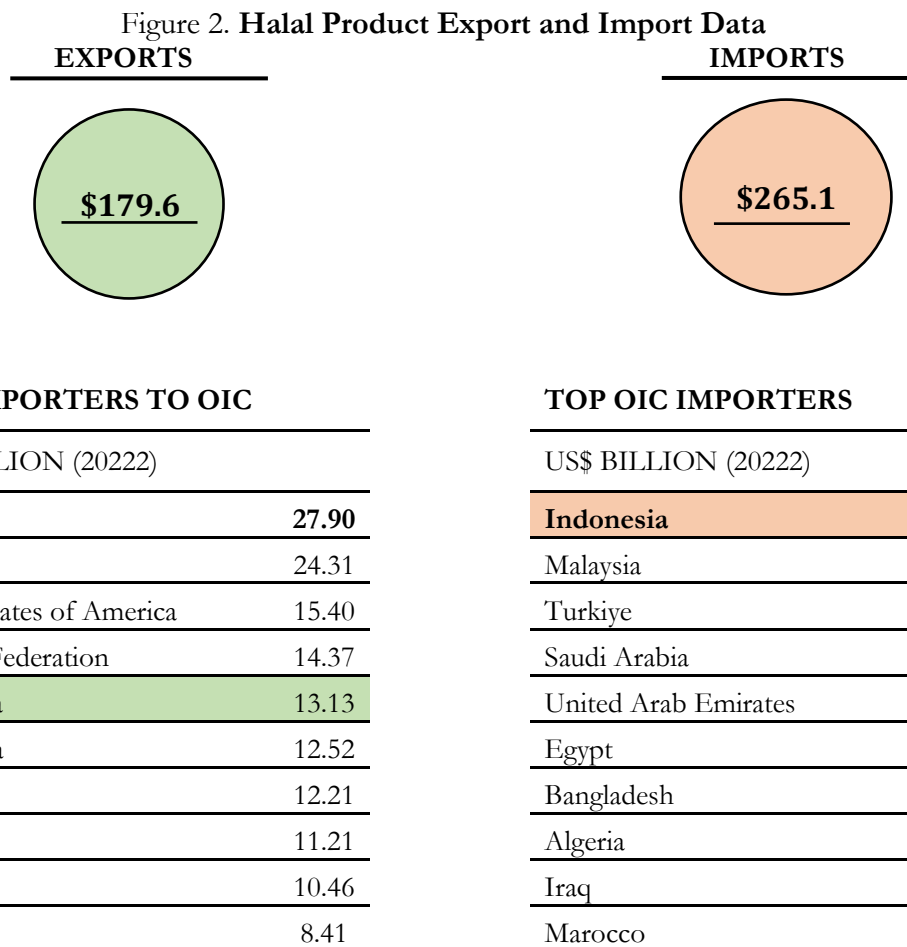
Changes in exchange rates and their impact on the export demand curve illustrate how external factors can influence domestic economic equilibrium. Research conducted by Mita Widyastuti et al., (2024) states that the Rupiah exchange rate and inflation have a positive effect on halal product exports, meaning that if the Rupiah appreciates or inflation remains stable, halal product exports tend to increase. However, conversely, interest rates have a negative impact, indicating that an increase in interest rates can hinder halal product exports. By developing the halal industry supply chain, Indonesia can boost halal industry exports and consider various influencing factors to harness the potential of the global halal product market (Purnama & Auwalin, 2019). The growth of the global Muslim population can trigger an increase in demand for halal products. If Indonesia can meet this market demand, national income will rise. This increase has the potential to shift the export demand curve to the right, which in turn will boost income from exports. However, to achieve equilibrium in the export market, stakeholders must identify the factors affecting Indonesia's halal product exports so that they can formulate the necessary strategies (Mita Widyastuti et al., 2024). With the increase in Indonesia's halal product exports, national income will rise, positively impacting societal welfare. The exported halal products will not only meet global market needs but also create jobs domestically, thereby driving economic growth and improving the quality of life for the population.

### ***Development of the Halal Industry Model***

The global halal market holds immense potential, with projected growth reaching approximately \$2.4 trillion by 2024 (Amid, 2024). Even the international trade of halal food alone has surpassed \$150 billion per year and continues to expand (Tan & Hamid, 2023). The halal industry is not limited to the food sector but also encompasses various other fields such as pharmaceuticals, cosmetics, and tourism, further strengthening its economic potential. Countries with a competitive advantage in halal production, such as Indonesia and Malaysia, significantly benefit from intra-industry trade, particularly within the ASEAN region (Abimanyu et al., 2024). This regional collaboration contributes to economic integration and increased trade volume. Halal certification plays a crucial role in building consumer trust while expanding market reach. This factor is key to enhancing business financial performance and strengthening global competitiveness (Yunos et al., 2014). Despite its promising opportunities, the halal industry still faces several challenges, including the misuse of halal logos, weak enforcement of certification regulations, and market fragmentation (Amid, 2024; Halim & Ahmad, 2014). Therefore, stricter regulations and

consumer education are essential to addressing these issues. Enhancing cooperation among Muslim-majority countries and leveraging economic agreements are strategic steps to accelerate the growth and integration of the halal industry into global trade (Hanif, 2020).

As the country with the largest Muslim population, Indonesia can maximize opportunities in the halal industry by increasing the production of halal products to meet both domestic and international market demands. Based on data from the State of Global Islamic Economic Report 2023, Indonesia ranks 5th as an exporter to the Organization of Islamic Cooperation (OIC) countries (see figure below). However, Indonesia is also noted as the largest importer among OIC countries. This indicates that Indonesia has significant opportunities to increase its production to meet the large domestic demand while expanding its export market. The potential of Indonesia's halal industry is immense to play a role as a global exporter of halal products. Therefore, there is a need to encourage the increase in production and certification of high-quality halal products, which can then be exported to other countries. This potential can be leveraged to position Indonesia as a global exporter of halal products, supporting economic growth, and strengthening Indonesia's position in the international halal industry.



Source: SGEI Annual Report (2023)

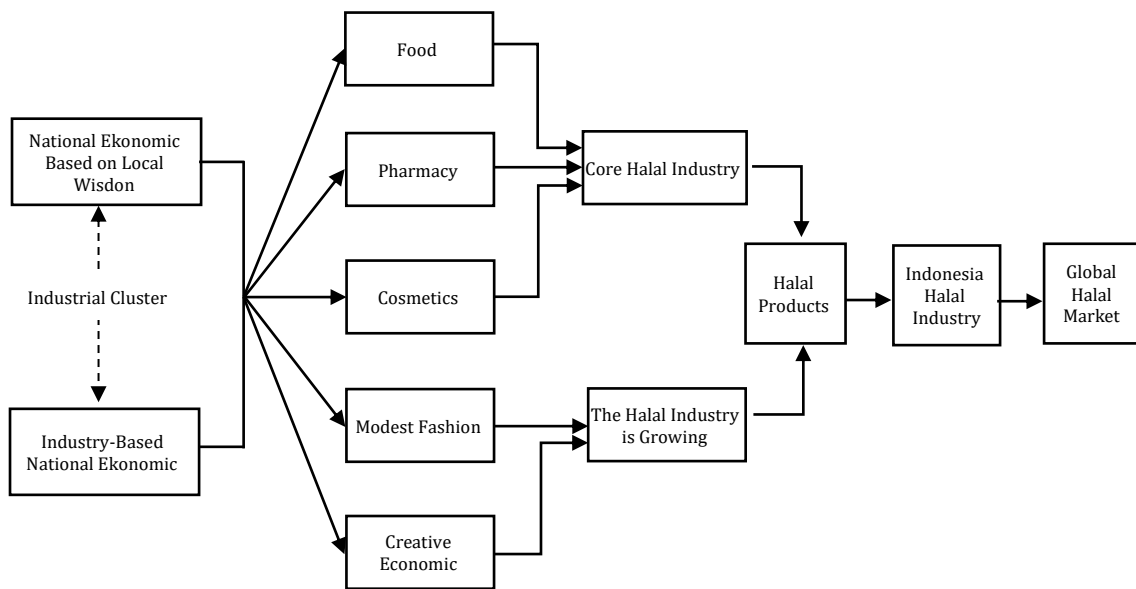
To create a robust halal industry, an effective halal supply chain is required. One crucial element in this chain is the public's understanding of halal certification. This understanding serves as a major driver for consumers to push producers to obtain halal certification. Therefore, increasing public awareness and understanding of the importance of halal



certification can boost demand for certified halal products, motivating producers to meet these standards. However, the challenge lies in the limited public comprehension of the halal consensus. As the halal lifestyle grows massively in this country, it is important to introduce and instill knowledge about the halal lifestyle early on as a pilot project. This will help support the community's lifestyle in accordance with religious guidance and ensure that the halal industry can thrive with full support from all segments of society. Additionally, according to Candra et al (2023), the development of the halal industry in Indonesia has not been able to significantly impact the level of development or human welfare. This is due to various barriers and challenges in the development of the halal industry in Indonesia, including the need to increase awareness of the importance of halal certification and issues with the implementation of Law Number 33 of 2014 concerning Halal Product Assurance (Hasan & Hamdi, 2022).

Based on the several challenges faced by Indonesia in meeting the need for halal certification and maximizing the export of halal products, researchers provide the following model recommendations:

**Figure 3. Halal Industrial Export Model**



Source: Researcher (2024)

In supporting the sustainable growth of halal product exports in Indonesia, there is potential to cluster the halal industry into two development areas utilizing existing infrastructure in the ongoing national development plan. First, through a locally wisdom-based national economy, and secondly through an industry-based national economy. Halal food is a primary concern for Muslim tourists when traveling, both to avoid hunger and meet physical needs as well as to explore new things and experience local culinary culture (Xiong & Chia, 2024). Therefore, the development of locally wisdom-based industries will be an attraction for Muslim tourists who want to explore Indonesia's cultural and culinary heritage. This clustering approach is intended to enhance productivity, competitiveness, value-added, job creation, and investment in the real sector. Additionally, it is also expected to strengthen the competitive

economic growth pillar, encourage entrepreneurship and industrial sectors, and enhance the halal brand image and awareness of the importance of halal products. In the context of Indonesia's master development plan, halal industry commodities are divided into two main categories, namely core halal industries such as food and beverages, pharmaceuticals, and cosmetics, and emerging halal industries such as fashion and the creative economy (KNEKS, 2023). These industries have significant opportunities in the global halal market and must be maximized to drive Indonesia's economic growth and competitiveness internationally.

The availability of halal food makes Muslim travelers feel safe, comfortable, and satisfied, especially in non-Islamic destinations (Jia & Chaozhi, 2021). This availability also affects the length of stay of Muslim travelers and the types of accommodations they choose (Mannaa, 2019). Zainol et al., (2021) found that it is difficult for Muslim travelers to find halal food in non-Muslim countries. There are three themes of needs and preferences of Muslim travelers in providing food and beverage services during their travels: ease of finding halal stalls or halal food, restaurants or outlets with certified halal logos, and experiences related to different food cultures. In addition to halal food and halal tourism, the cosmetics, pharmaceuticals, and fashion sectors have significant opportunities to continue their roles in exporting halal products.

One of the main challenges in building a strong and sustainable halal industry in Indonesia is ensuring halal product certification throughout the supply chain, from upstream to downstream (Zainuddin et al., 2019). Halal certification is key to building consumer trust and accessing global markets. External challenges to Indonesia's halal industry include global competition, the lack of uniform halal certification standards, and weak coordination among Muslim countries in setting halal product standards. On the other hand, internal challenges include a lack of halal awareness in society, issues with the Halal Product Assurance Law, and the low competitiveness of local businesses. In addition to these challenges, there are several obstacles preventing Indonesia from becoming a global halal hub, such as a lack of awareness of halal business opportunities, limited halal raw material supplies, limited producer understanding, inadequate infrastructure, differences in halal standardization and certification, and the prevalence of non-halal imported products in Indonesia (Samsul et al., 2022). Therefore, the model recommended by researchers is expected to serve as a guide in formulating strategies to develop Indonesia's halal industry and effectively address these challenges, enabling optimal entry into global markets.

## **Conclusion**

The growth of the global halal industry reflects a shift toward a sustainable economy and a new industrial paradigm. The demand for halal products has increased significantly over the past few decades among both Muslims and non-Muslims, presenting substantial business opportunities. The global demand for halal products rose from \$1.62 trillion in 2012 to \$2.29 trillion in 2022 and is projected to reach \$3.1 trillion by 2027, with an annual growth rate of 4.8%. The halal food and beverage sector is the largest, with OIC countries importing goods worth \$200 billion in 2021, primarily supplied by non-Muslim countries such as Brazil and India.

Indonesia aims to become a global hub for the halal industry, supported by the establishment of the National Committee for Islamic Economy and Finance (KNEKS). According to SGIER 2023, Indonesia ranks third after Malaysia and Saudi Arabia in halal industry

development, with the halal food sector accounting for 43% of Indonesia's total halal industry. BPJPH has certified 2,528,396 halal products, covering micro, small, medium, and large enterprises, primarily in the food and beverage sector. Halal certification not only ensures compliance with Sharia law but also enhances consumer trust. Despite the increasing demand for halal products, differing certification standards across countries pose challenges for international recognition. The harmonization of universal halal standards would reduce confusion for producers and consumers while strengthening global Muslim consumer confidence.

However, this study has several limitations, including the lack of an in-depth analysis of the impact of government policies on the development of the halal industry in various countries and limited empirical data measuring the effectiveness of halal certification programs on economic growth in specific sectors. Additionally, this study has not fully explored how technological innovations, such as blockchain and artificial intelligence, can enhance transparency and efficiency in halal certification and the global distribution of halal products. In the future, several issues can be further explored in halal industry research, including the role of digitalization in the halal ecosystem, increased investment in the global halal supply chain, and the influence of sustainability trends and the green economy on halal consumer preferences. Furthermore, studies on halal diplomacy strategies and international cooperation in establishing more uniform halal regulatory standards are also crucial aspects to consider.

With a majority Muslim population, Indonesia has significant potential to become a global halal producer. The consumption of halal products across various sectors, such as food, beverages, tourism, cosmetics, pharmaceuticals, finance, media, communications, and fashion, presents considerable opportunities to drive economic growth within the Islamic economy. Increasing the production and certification of high-quality halal products can harness this potential to meet both domestic and international market demands. The global halal industry continues to expand, with rising demand across multiple sectors. Indonesia, with its large Muslim population and strong efforts in halal industry development, holds a significant opportunity to become a global halal industry hub. To achieve this vision, the harmonization of halal standards, technological advancements, and improvements in halal production and certification will be key factors in strengthening Indonesia's competitiveness in the international halal market.

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