

Governance and Development of Halal Industrial Infrastructure: Supporting the Pillars of Economic Sustainability

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ABSTRACT

The halal industry refers to the economic sector that produces, markets and provides products and services that comply with Islamic halal principles. Halal products are products that are permitted to be consumed or used by Muslims in accordance with the teachings of the Islamic religion. The halal industry covers a wide range of sectors, including food and beverage, pharmaceuticals, cosmetics, finance, tourism and fashion. The halal industry has grown rapidly in recent decades in response to global demand for halal products. This research investigates the key pillars and infrastructure that support the halal industry, as well as their important role in ensuring the growth and sustainability of this sector. With these pillars and infrastructure, the halal industry can continue to develop and provide significant benefits to the economy and society at large. Through analysis of literature and secondary data. The findings show that with full support for these pillars and infrastructure, the halal industry can continue to grow sustainably, providing significant economic and social benefits, and meeting global consumers' needs for quality and trusted halal products. Implications of this research for public policy, industry practitioners, and researchers are also discussed.

INTRODUCTION

There is a lot of opportunity for the halal business in Indonesia to grow both nationally and internationally as a result of its resurrection. First off, the majority of Muslims worldwide reside in Indonesia. Second, demographic data through 2023 indicates that the majority of the population will be in the productive age group, suggesting that Indonesia's need for halal goods would only increase. (Ilhafa & Hamman, 2023).

Indonesia is a country that is rich in customs and culture that are still strong. Saving a million values of local wisdom and storing so many natural resources consisting of: sea (ocean), sun (sun), sand (coast), mainland (land) and mountains (mountains) which if managed properly can provide great benefits for country. As a tourist destination, the diversity of people from various tribes, religions and races who live side by side with each other with a high level of tolerance is a value in itself, the friendly nature of this community is what makes Indonesia one of the most popular tourist destination countries. For regions that are blessed with exotic natural resources, it is hoped that they will be able to provide a contribution or source of foreign exchange for their region. The tourism business is one of the uses of natural resources that can provide high economic value for a region and is able to absorb labor and encourage investment development (Azizah, 2021).

With the enactment of Law Number 33 of 2014 concerning Halal Product Guarantees, followed by Government Regulation Number 39 of 2021 concerning Implementation of the Halal Product Guarantee Sector, Indonesians, particularly those who adhere to and fully practice Islamic law, can start to exhale with relief. This means that, after being haunted by the circulation of products whose halal is not clear for so long, since 2019 the government has protected the illegal circulation of products in the country by requiring halal certification (Sudarmono, 2024). This is understandable because consuming halal products is a provision of the Koran as per QS. al-Baqarah/2:168 which is translated, "O people! Eat from (halal and good food found on earth and do not follow the steps of Satan. Indeed, Satan is a real enemy for you."

With halal certification in various economic sectors, it will be easier for these products to be accepted. Provided that the certification has gone through a process in accordance with sharia regulations. Halal industrial sectors have now developed not only in the food and beverage sector, but have also penetrated the tourism, fashion, cosmetics and media sectors. Halal industry here means a group of economic actors who apply the values of Islamic law in carrying out their economic activities. With a halal label, consumers will be more accepting of the product compared to products that are not labeled halal because considering the large number of goods and services offered, it is increasingly difficult to check whether they are halal if the consumer himself makes the observation (Huwaidi, 2023).

Based on this background, the author is interested in raising the theme of Halal Industrial Pillars and Infrastructure. The author also hopes that this article will be able to provide an overview of the economic development of the

halal industrial sector and which fields are capable of becoming the strength of the halal industry in Indonesia.

LITERATURE REVIEW

Demand for Halal Products

The term "halal" is now widely used in everyday speech and is highly respected in the food, pharmaceutical, and cosmetics industries. Businesspeople understand the word "halal" to refer to economic opportunities rather than only religious concepts that should be viewed exclusively from a religious standpoint. 7 because a lot of businesses see the halal idea as a fresh approach to marketing and as a potential trend. globe. Several renowned companies have introduced goods with a halal character. Every year, there is a noticeable increase in the market potential. (Warto & Arif, 2020). The halal industry has become an important part of global economic dynamics reflecting a significant shift in consumer preferences towards products and services that meet halal standards. This change not only reflects the needs of the Muslim market but also indicates increasing interest from non-Muslim consumer segments who prioritize products that are ethically produced and meet halal requirements (Ernayani & Firman, 2024).

Nonetheless, the growing Muslim population will also raise Muslim customers' spending power, which will open up a lot of chances for the global halal market. Growth in the halal business has also been aided by Muslims being more conscious of the necessity of consuming only halal food. The potential to increase the halal business in Indonesia is quite great given the expanding worldwide market for halal products. At the moment, Indonesia's food industry contributes significantly (Suryaputri & Kurniawati, 2020).

Halal business potential in Indonesia

All persons must adopt a halal lifestyle. Humans are not just for Muslims, as the idea of halal is applicable to everyone, both philosophically and practically. In Islamic sharia, standard operating procedures (SOP) have been around for fourteen centuries. A halal lifestyle encompasses aspects of human dignity, wealth, safety, and health. The purpose of the word "halal lifestyle" is to reintroduce the ramhatan lil'alalmin teachings of Allah SWT from the perspective of sharia, as mentioned in the Al-qur'an and hadith, rather than to impose restrictions or pressure. (Adinugraha Hermawan & Sartika, 2019).

The Republic of Indonesia is a nation rich in biodiversity, historical and cultural legacy, and natural resource potential. When properly managed in accordance with the community's interests, the abundance of already available natural resources can spur economic growth by preventing time and materials from being wasted during resource consumption. (Yuliana et al., 2022).

METHODOLOGY

Literacy study or library research is the research methodology employed. Library research is a type of research methodology in which all tasks involve reading, documenting, and gathering data from libraries as well as organizing research resources. In the meantime, literacy studies is a study methodology

that entails summarizing texts from books, journals, and other sources, explaining the data and theories discovered, and arranging these libraries into relevant discussion sub-chapters with the necessary subjects. The author of this study used data from literature reviews for this research. After that, the data is examined using techniques from descriptive analysis.

Research data sources are obtained from published journals or articles or are called secondary data sources. Then the collected data was analyzed using content analysis and descriptive analysis. This content analysis is an analysis that describes a very in-depth discussion of information that has been obtained from literature. Meanwhile, descriptive analysis is useful for describing, describing and uncovering an issue or problem accompanied by analysis in order to obtain a desired result.

RESULT AND DISCUSSION

Supporting Pillars of the Halal Industry

When these pillars support each other and develop together, the halal industry can continue to grow and provide benefits to the economy, society and other stakeholders. The halal industry has several supporting pillars that are very important to support its growth. Here are some of them:

1. Government

The role played by the government to encourage the growth of the halal industry in Indonesia. The main focus will be given to government policies and actions to encourage the growth of the halal industry, such as regulations, incentives and other assistance. In addition, the impact of the government's role in developing the halal industry on economic growth, job creation and increasing Indonesia's competitiveness in the global market will be discussed. Furthermore, the impact of the government's role in developing the halal industry in Indonesia will only talk about economic growth, job creation, and increasing the competitiveness of the halal industry in the global market. Apart from that, it will also discuss how the halal industry increases its competitiveness in the global market (Herianti *et al.*, 2023) .

It is recommended that the government support more business actor education regarding the significance of preserving and ensuring the quality of goods and services provided to the general public. The obstacles that Indonesia faces are the lack of knowledge about halal among the populace, the difficulties in putting the Halal Product Guarantee Law into practice, and the low level of competitive awareness among the populace. So, outreach is essential to raising halal awareness in Indonesia. Socialization needs to happen all the time, whether directly or indirectly. One way to engage in direct outreach is through conducting theological studies on the notion of halal, organizing seminars on the subject, visiting educational institutions, and hosting events and exhibitions related to the halal business. In the meanwhile, socialization through indirect means can (Fathoni & Syahputri, 2021).

2. Infrastructure

Because it plays a critical role in enabling the manufacturing, testing, certification, distribution, and promotion of halal products, infrastructure is one of the primary pillars of the halal business. Ensuring that all infrastructure, equipment, and logistics procedures utilized for the manufacturing, storage, and distribution of halal products have appropriate halal certification is one of the major issues facing the halal industry's infrastructure and logistics sector. This calls for a thorough comprehension of both the relevant certification processes and halal standards. Another issue is that specialists in infrastructure and logistics around the world are not aware of the halal criteria. This can be resolved by increasing understanding of halal principles through training, seminars, and awareness efforts targeted at the infrastructure and logistics sector. (Wahyudi et al., 2023).

The halal business can function effectively and efficiently with a robust and integrated infrastructure, guaranteeing that the products produced adhere to halal standards and satisfy the demands of Muslim consumers globally.

3. Human Resources

The contribution of MSMEs in Indonesia is the reason for the expansion of the halal industry in that country. MSMEs, as we all know, play a crucial role in the Indonesian economy. According to data from the Ministry of Cooperatives and MSMEs, there are currently 64.2 million MSMEs, contributing 61.07% of Indonesia's GDP, or IDR 8,573.89 trillion. In addition, MSMEs play a role in labor absorption, as 99.9% of all business actors in the country are micro and small business owners. Here, the labor-intensive nature of MSMEs is demonstrated by their capacity to absorb labor through the expansion of employment possibilities and the provision of a wide range of services. (Andika et al., 2023).

The halal industry is still not viewed as a significant business prospect by Indonesian corporate operators. This is a result of business actors' fundamental attitudes, which lack a culture of understanding regarding halal products, despite the fact that the halal industry is actually starting to become a global trend. This is seen in the mindset of business actors who frequently lack the orientation needed to capture the global market for halal products and are ignorant of the significance of halal products. Aside from that, a lot of business actors are more focused on maximizing profits than they are on protecting consumer rights. Second, the government provides greater protection to business players than to consumers in the majority of developing nations, including Indonesia, as business actors are regarded as (Warto & Arif, 2020a).

Government support regarding Halal Industrial Infrastructure

Strong government support in halal industrial infrastructure can create a conducive business environment for the growth of this sector, as well as increase the competitiveness of halal products in the global market.

Government support in halal industry infrastructure is an important key to ensuring the growth and sustainability of this sector. The government often takes the following actions to support the halal industrial infrastructure:

1. Establishment of BPJPH

The acronym for the Halal Product Guarantee Organizing Agency is BPJPH. This organization is in charge of modernizing and enhancing Indonesia's halal product guarantee program. The Food, Drug and Cosmetics Study Institute (LPPOM MUI) of the Indonesian Ulema Council was to be replaced by BPJPH in its capacity as a halal certification authority. Enhancements to BPJPH are intended to improve the halal certification procedure in Indonesia by making it more effective, transparent, and accountable. (Wafa & Tanuri, 2022).

2. Halal Inspection Institute (LPH)

A halal inspection institution (LPH), as defined by Article 7 of the JPH Law, is an organization that conducts halalness testing and/or inspections of items. The community (proposed by Islamic religious institutions with legal entities limited to foundations/associations only) and/or the government (central or regional ministries/institutions, established by state universities (PTN), BUMN, or BUMD) may establish LPHs, but they must meet four requirements: (1) have your own office and all of its equipment; (2) have accreditation from BPJPH; (3) have at least three (three) halal auditors; and (4) have a laboratory or collaboration agreement with other institutions that have laboratories. (Mohammad, 2021).

3. National Standardization Body (BSN)

BSN is the abbreviation of National Standardization Body. This agency is a government institution in Indonesia which is responsible for developing and setting national standards in various fields, such as industry, trade, services and others. BSN has an important role in ensuring that products, services and systems in Indonesia comply with established standards, so that they can improve quality, safety and sustainability in various sectors. BSN also acts as an accreditation body that supervises and provides certification to institutions that carry out testing and certification of products and services. With the existence of BSN, it is hoped that harmonization and uniformity can be created in the national standards applied in Indonesia.

4. KNKS

The National Sharia Finance Committee (KNKS) is an institution formed by the Indonesian government to develop and coordinate policies and programs in the Islamic finance sector in Indonesia. KNKS is tasked with promoting and strengthening the sharia financial ecosystem in this country. KNKS has an important role in developing sharia financial regulations and standards, encouraging innovation in sharia financial products and services, as well as increasing sharia financial literacy and inclusion in society. This institution also plays a role in facilitating collaboration between sharia financial institutions, industry, academics

and the government to advance the sharia financial sector in Indonesia. With the existence of KNKS, it is hoped that a financial system that is more inclusive, just and based on sharia principles can be created in Indonesia. KNKS also plays a role in maintaining the integrity and credibility of sharia finance and protecting consumer interests in sharia financial transactions (Suprayugo, 2022).

Halal Industrial Infrastructure

Strong infrastructure in the halal industry is essential to support the growth and sustainability of this sector, as well as ensuring consumer confidence in halal products. By paying attention to all these aspects, the halal industry can continue to develop and provide significant benefits to the economy and society. Infrastructure in the halal industry covers various aspects that support the production, distribution, certification and consumption of halal products. The following are several important infrastructure components in the halal industry:

1. Halal Logistics

The Malaysian Institute of Transport's understanding of halal logistics The management of materials, livestock, and supplies of semi-finished goods, both food and non-food, along with the flow of related information and documentation through the company organization and supply chain in accordance with the general principles of sharia, constitutes halal logistics. (Saribanon et al., 2019).

A logistics system based on separating halal and non-halal goods is known as halal logistics. The goal of keeping halal and non-halal products apart is to prevent product contamination, prevent mistakes made when handling goods, and guarantee that halal handling is consistent with what Muslims demand. Countries that already have halal logistics standards are Malaysia, the United Arab Emirates (UAE) is developing a new standard for halal logistics. Therefore, Indonesia also needs to develop a halal supply chain in order to increase product competitiveness globally, including in facing competition in the ASEAN Economic Community (AEC). Apart from halal products, developing halal logistics also includes policies, infrastructure, facilities and institutions. Apart from that, human resource competency is also needed in each process and information technology to monitor halalness in the production process and product flow (Andika et al., 2023).

2. Standardization and Certification

The process of obtaining a halal certificate involves going through multiple inspection phases to demonstrate that the materials, manufacturing procedure, and halal assurance system adhere to the guidelines set forth by the Food, Drug, and Cosmetic Assessment Institute (LPPOM MUI) of the Indonesian Ulama Council. A halal certificate serves to ensure that items are halal in accordance with consumer rights. The degree to which consumers purchase a product is influenced by their level of belief in its halal quality. All items and services pertaining to food, drinks, medicines, cosmetics, chemicals, biological products, genetically modified products, and

consumer goods that are used by the general public and are deemed halal in accordance with Islamic law are considered halal products. The Halal Product Processing Law, or PPH, is a measure that ensures (Roayada et al., 2023).

3. Straight System

The capacity to display data on the origins and movements of products across the whole manufacturing and distribution process is known as a traceability system. In order for each supply chain actor to have access to information both upstream and downstream, this system demands that they are aware of who provides the company and to whom the items are shipped. Product and service companies need to have an integrated system that can be traced from purchasing materials to product distribution. In detail related to SJH starting from the administration of purchasing materials (purchasing), receiving goods (Quality Control/QC), storing materials (Warehousing/PPIC), Research and Development (R&D), Production/Operations, Product Storage (Finish Product) and Distribution.

CONCLUSSION AND RECOMMENDATION

The pillars and infrastructure of the halal industry highlight the strong foundation for the growth of this sector. Pillars such as halal certification, product innovation, consumer education, and collaboration between the government and the private sector provide a solid foundation for building trust and sustainability in the halal industry. Meanwhile, integrated infrastructure, including production centers, distribution networks and halal testing laboratories, forms the operational foundation that enables the production and distribution of halal products efficiently and according to standards. With strong partnerships between all stakeholders and a commitment to innovation and compliance with clear regulations, the halal industry is able to continue to develop and provide economic, social and health benefits for the global community.

ADVANCED RESEARCH

Governance and development of halal industrial infrastructure is a crucial aspect in supporting the pillars of economic sustainability, especially in countries with a majority Muslim population. This research highlights the importance of implementing good governance in the halal industry, which involves strict regulations, trusted halal certification, and transparency in the supply chain. With effective governance, consumer confidence in halal products can increase, thereby encouraging economic growth. Apart from that, developing halal industrial infrastructure also includes investment in technology and innovation, building production facilities that meet halal standards, as well as increasing human resource capacity through training and education. Through these efforts, the halal industry can contribute significantly to the economy by creating jobs, increasing exports and attracting foreign investment. Therefore, synergy between good governance and adequate infrastructure development is the key to advancing the halal industry as a pillar of economic sustainability.

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