



DOI: <https://doi.org/10.38035/dijemss.v6i6>
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The Development of Indonesia's Halal Industry from a Macroeconomic Perspective: A Critical Review

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Abstract: Indonesia, as the country with the largest Muslim population in the world, has big aspirations to become a global halal industry hub. The halal industry encompasses various sectors – from food/beverages, Muslim fashion, halal tourism, cosmetics, pharmaceuticals to Islamic finance – all of which are run in accordance with sharia principles. A macroeconomic review of the development of the halal industry in Indonesia is important given its potential contribution to economic growth, job creation, and Indonesia's position in the global halal economy. This paper will examine five key aspects: the macroeconomic conditions of the halal industry in Indonesia and globally, government support, the role of young people, and a case study of the halal fashion industry, accompanied by a critical discussion of the pros and cons of halal industry development in Indonesia. This analysis draws on the findings of five key studies: AlBanna (2019), Hudaefi & Jaswir (2019), Rusydiana (2023), Julianti et al. (2024), and Rini et al. (2025), to provide an integrated and up-to-date academic perspective.

Keywords: Halal Industry, Macroeconomics, Indonesia

INTRODUCTION

Background of the Problem

Global Halal Industry Macroeconomics: Globally, the halal industry has become a rapidly growing cross-border economic phenomenon. Halal is now recognized as an international quality standard, not merely a local religious issue. The world's growing Muslim population—estimated to reach over 2.2 billion by 2030—is driving global demand for halal products. Data from the Halal Market Report indicates that global Muslim consumption reached approximately USD 2 trillion in 2021 and is projected to grow to USD 3 trillion by

2025. This nearly 50% growth over five years reflects significant opportunities in the international halal market. Interestingly, the halal industry is growing not only in majority-Muslim countries but also in countries with Muslim minority populations. Countries such as China, Japan, South Korea, and Thailand are among the most aggressive in developing their halal markets. This indicates that, on a macro level, the economic appeal of halal transcends religious demographic boundaries, as it is viewed as a high-value market segment. However, the global expansion of the halal industry also faces the complexity of differing halal standards and concepts across countries, requiring tailored adaptation strategies.

In the global competitive landscape, some countries have already developed strong halal industry ecosystems. Malaysia, for example, is known for its comprehensive government support, widely recognized JAKIM halal standards, and advanced halal industrial hubs. Gulf countries such as the United Arab Emirates and Saudi Arabia have also positioned themselves as key players with significant investment support and the establishment of halal economic zones. Meanwhile, Indonesia, as a newcomer to the global halal stage, is seeking to leverage its domestic market advantages to make its mark internationally. Indonesia's strategy to position itself in the global market, combined with increasing domestic demand, has contributed to the acceleration of national halal economic growth.

In the Global Islamic Economy Indicator for the Muslim fashion sector, for example, Indonesia managed to enter the top 10 worldwide in 2021 thanks to a significant increase in its score compared to 2018. This improvement indicates that Indonesia's competitiveness is improving, although similar trends are also occurring in competing countries, so Indonesia's competitive advantage is not yet guaranteed.

Research by Rini et al. (2025) provides a macro-strategic perspective on the direction of the global halal industry. Through a bibliometric analysis of previous studies in various countries, Rini and colleagues found that marketing strategy issues occupy a central position in the global halal industry discourse. Keywords related to marketing strategy and consumer intention appear most dominant and interrelated in global research clusters, indicating that across the globe, how to market halal products and understand consumer intentions are key to the success of the halal industry at the macro level. The implication is that to win the global market, halal producers must be able to formulate specific marketing strategies that appeal to both Muslim and non-Muslim consumers, for example by emphasizing the universal values of halal products (quality, hygiene, ethics) without neglecting their religious values. Interestingly, Rini et al.'s study also found that in terms of halal industry strategy research, Indonesia and Malaysia are the largest contributors, while many other Muslim countries still lack halal strategy studies. This suggests that these two countries are not only industry players but also global halal knowledge centers. However, there are still many research gaps and opportunities (e.g., related to halal technology innovation, global supply chain integration, etc.) that have not been explored in other countries. For Indonesia, this finding means there is an opportunity to lead not only commercially but also conceptually in the global halal industry, provided it can continue to innovate and share knowledge with other countries.

Overall, the global halal industry's macroeconomy is characterized by strong demand growth, expanding participation from non-traditional countries, but also intense competition and standardization challenges. For Indonesia, understanding these global dynamics is important so that its halal industry development strategy is in line with global trends. Global experience shows the need for consistent policy support, cross-country collaboration (e.g., mutual recognition of halal certification), and continuous innovation to remain competitive. In this context, Indonesia's achievements in global Islamic economic indicators are a positive step, but maintaining them requires improvements in efficiency, quality, and the branding of Indonesia's halal products in the eyes of the world.

Macroeconomics of Indonesia's Halal Industry. From a macroeconomic perspective, Indonesia's halal industry demonstrates significant untapped domestic market potential. With over 230 million Muslim residents, domestic demand for halal products is extremely high. Halal product consumption in Indonesia in 2022 is estimated to reach USD 250 billion, representing over 40% of national household consumption or approximately 22% of Indonesia's GDP. This trend is projected to grow by approximately 5% annually, reaching USD 330.5 billion by 2025. This significant consumption makes Indonesia the world's largest consumer of halal products in several categories. However, ironically, the majority of halal products consumed are still imported. This situation is reflected in Indonesia's halal trade deficit, which also indicates a significant opportunity for strengthening domestic halal production. By increasing the capacity of the domestic halal industry, Indonesia can reduce imports and simultaneously boost exports of halal products.

In terms of economic contribution, Indonesia's halal economy contributes to GDP growth, which is starting to be felt but is still relatively small compared to its potential. According to a report by the Ministry of Finance (2023), the halal industry sectors have the potential to add approximately USD 5.1 billion (Rp78 trillion) to Indonesia's GDP annually through increased exports and investments. Currently, the actual contribution of the Islamic economy (including the halal industry) is estimated at around USD 3.8 billion per year to GDP—a figure that could increase significantly if the halal market potential is fully tapped. The government and stakeholders are targeting Indonesia to become a major player in the global halal industry. Hudaefi & Jaswir (2019) noted that Indonesia has set a vision to lead the global halal industry by 2024. Halal economic indicators also show progress: The Global Islamic Economy Indicator (GIEI) ranked Indonesia third in the world in 2023 (up from fourth the previous year), with a special performance in the halal food sector, ranking second. This achievement was driven, among other things, by the resilience of Indonesia's Islamic economy during the pandemic and the large population and natural resources that support the halal industry. However, these achievements are also accompanied by challenges to maintain momentum and catch up with competing nations.

From a modern demand perspective, the adoption of digital technology also plays a key role in the growth of the domestic halal industry. Al-Banna's (2019) study on Muslim consumer behavior in Indonesia in online halal food shopping found that perceived usefulness and perceived ease of use of technology have a significant positive effect on the intention to purchase halal products online. This finding indicates that user-friendly and beneficial e-commerce platforms can encourage halal product consumption among the public. On the other hand, consumers' religious knowledge does not always directly encourage purchase intentions and can even have a negative impact if not accompanied by the habit of shopping for halal products. This means that halal education needs to be balanced with easy access to halal products to optimize the potential of the digital market. From a macro perspective, this implies that investment in digital infrastructure and halal literacy among consumers will expand the market reach of the national halal industry.

Despite its significant potential, experts believe that the development of Indonesia's halal industry still requires a comprehensive strategy. Rusydiana (2023), through a Delphi approach with experts, identified eight strategic variables for the halal industry, with strengthening regulations/policies, developing a halal lifestyle, and enhancing human resource capacity emerging as the three top priorities. In other words, robust regulations, a culture of halal product consumption in daily life, and the availability of skilled labor in the halal sector are key factors for achieving rapid and optimal growth of the halal industry in Indonesia. Currently, although the fundamental demand exists, the three aspects mentioned above still need to be improved. This macroeconomic picture underscores that Indonesia is at a crossroads: on one hand, it has domestic market opportunities and a strong policy vision, but on the other hand, it must address

the challenge of improving industrial structure and supporting ecosystems to fully realize the potential of the halal economy.

The Indonesian Government Supports the Halal Industry. The Indonesian government plays a crucial role in building a strong foundation for the halal industry. Government support is evident in terms of regulations, institutions, incentives, and promotion. In terms of regulations, the enactment of Law No. 33/2014 on Halal Product Guarantee and its implementing regulations marks a new chapter in halal industry management. This law mandates halal certification for certain products and the establishment of the Halal Product Guarantee Agency (BPJPH) under the Ministry of Religion. Since October 2019, the BPJPH, along with the Indonesian Ulema Council (MUI) and accredited halal certification bodies, has taken over the halal certification process, with the MUI responsible for issuing halal fatwas. Indonesia's halal governance has evolved into a multi-stakeholder system. Hudaefi & Jaswir (2019) highlight the concept of “lines of defense” in Indonesia's halal governance—meaning there are multiple layers of defense to maintain halal integrity, including producers, auditors/certification processes, regulators (BPJPH), and fatwa authorities (MUI). The study assessed that although the basic framework is in place, there are still issues in practice, such as coordination between institutions, understanding of roles, and clarity of technical regulations that need to be improved. For example, previous research found a lack of awareness among some local stakeholders of their role in the halal system, as well as a number of substantive ambiguities in the JPH Law that require further clarification. The government has responded to some of these inputs with regulatory improvements, socialization, and training for relevant agencies, although their effectiveness needs to be continuously evaluated.

On the strategic policy side, the government has shown a strong commitment to making the halal industry a pillar of the economy. This is demonstrated by the establishment of the National Committee for Sharia Economics and Finance (KNEKS), chaired directly by the President, which aims to integrate the development of the halal industry and sharia finance. The government has also launched the 2019-2024 Sharia Economy Masterplan, which envisions Indonesia as a leading global halal producer. Concrete policy implementation is evident in budgetary support and facilities. For example, the Free Halal Certification (SEHATI) program for micro and small businesses was launched by BPJPH to encourage more MSMEs to participate in the halal ecosystem. In 2022, the program targets 10,000 MSMEs to obtain halal certification at no cost. As a result, the number of halal certifications has increased significantly: LPPOM MUI recorded 15,333 halal certification applications throughout 2022. Additionally, certification infrastructure capacity has been strengthened, including through the designation of 151 Halal Product Certification Process Support Institutions (LPPPH) across various institutions such as universities and Islamic organizations, an increase in the number of certified halal auditors (approximately 497 auditors in 2022), and the provision of 344 laboratories/supporting institutions for halal inspections. These steps demonstrate the government's seriousness in ensuring a credible and accessible halal assurance ecosystem for businesses.

In line with the priorities identified by Rusydiana (2023), the government is also focusing on strengthening human resource capacity and promoting a halal lifestyle among the public. Various training programs and workshops are being conducted to train halal auditors, halal educators, and business operators on halal procedures. Higher education curricula are beginning to incorporate materials on Islamic economics and halal supply chains to produce specialized expertise. Meanwhile, public campaigns continue to be promoted to increase consumer awareness of halal, for example through halal expos, halal culinary festivals, and the Halal Lifestyle movement. Local government support is also important; several provinces have formed Regional Sharia Economic Committees to promote local halal potential (such as Muslim fashion in West Java, halal tourism in NTB, etc.).

However, challenges in government support remain. Some businesses have complained about the bureaucratic certification process, which is sometimes slow or poorly communicated in certain regions. Additionally, policy inconsistencies have emerged, such as delays in certification deadlines for various product types. A case study on the halal fashion industry (Masuwd, 2025) notes that inconsistent government policies are one of the global barriers to the sector's development. The central government needs to ensure policy harmonization among ministries (e.g., the Ministry of Religious Affairs for certification, the Ministry of Industry for industrial standards, and the Ministry of Trade for exports) to provide businesses with operational ease and certainty. Furthermore, financial support should be enhanced, such as tax incentives or credit facilitation for investments in the halal sector. A positive initiative is the integration with Islamic finance: The Ministry of Finance and KNEKS are promoting the channeling of Islamic financing to the halal SME sector, thereby supporting the development of the halal industry through financial inclusion that aligns with Islamic principles. Close collaboration between the government, religious scholars, and industry players is key to the sustainable development of the halal industry. With a regulatory framework that is continuously improved and strengthened facilities, it is hoped that the halal business climate in Indonesia will become increasingly conducive, enabling it to compete at the global level.

METHOD

This study uses a critical literature review approach to analyze the development of Indonesia's halal industry from a macroeconomic perspective. This approach was chosen to evaluate in depth and comprehensively various studies, data, and policies related to the halal industry, both at the national and global levels. This study is qualitative-descriptive in nature, with data collection methods relying on secondary document studies from scientific journals, national and international institutional reports, and government policies related to Islamic economics and the halal industry. Five primary studies serve as the main references in this analysis: Al-Banna (2019), Hudaefi & Jaswir (2019), Rusydiana (2023), Julianti et al. (2024), and Rini et al. (2025). Literature selection was conducted purposively based on topic relevance, data recency, and academic contribution to halal industry issues. Data retrieval was conducted through credible scientific databases and national repositories.

In analyzing the data, the author used thematic content analysis to identify patterns, main themes, and relationships between variables emerging from the sources reviewed. The analysis was conducted critically on five research focuses, namely: the global and domestic macroeconomic conditions of the halal industry, the role of the Indonesian government, the contribution of the younger generation, case studies of the halal fashion industry, and a review of the pros and cons of halal industry development. All findings are interpreted by linking theory to actual conditions. The validity of the analysis is maintained by referring to various reliable sources and triangulating information. This method is expected to provide a holistic picture of the position, potential, and challenges of Indonesia's halal industry within the global macroeconomic context.

RESULTS AND DISCUSSION

Result

Islamic Economics

Islamic economics is a science that studies human economic behavior that is regulated by Islamic religious rules and based on monotheism as summarized in the pillars of faith and the pillars of Islam (Zainal et al., 2024).

Meanwhile, it can also be said that Islamic Economics is a social science that studies economic issues of the people inspired by Islamic values (Zainal et al., 2024).

Thus, Islamic economics is a multidimensional, interdisciplinary, comprehensive, and integrated science, encompassing Islamic jurisprudence rooted in Islamic beliefs, which are derived from Islamic law. Meanwhile, Islamic economics is rooted in the Quran and Sunnah, while also drawing from economics (the result of human thought and experience), where Islamic economics is also a rational science that addresses issues of resource scarcity and human needs.

Islamic economics is an economy that has four core values: Rabbaniyyah (divine guidance), ethics, humanity and moderation, where these values reflect the uniqueness or distinctiveness of Islamic economics.

Geography, Demography, and Ethnography

The Middle East, with its rich history, culture, and geopolitics, has been the focus of global attention for centuries. Located at the crossroads of three continents - Asia, Africa, and Europe - this region has shaped global civilization, trade, and cultural interactions. The Middle East also serves as a bridge connecting the civilizations of these three continents.

The modern political division of the Middle East is also influenced by geographical factors. Understanding geographical and ethnic boundaries has shaped the formation of modern states in the region after the collapse of the Ottoman Empire, with consequences that are still felt today. In general, the Middle East's geographical location as the meeting point of three continents has been one of the main drivers of history, trade, migration, and cultural interaction in the region. Its profound impact can be seen in the cultural, religious, linguistic, and political diversity that continues to this day (Muttaqin, 2025a).

The Middle East region, according to most observers, consists of 22 member states of the Arab League, plus three neighboring countries, namely Israel, Iran, and Turkey. The classification of countries within the Arab League is as follows:

1. **Less developed countries:** These are Arab League member states with lower levels of economic development. These countries include Comoros, Djibouti, Mauritania, Somalia, Sudan, and Yemen. This situation can be attributed to low per capita income and chronic economic challenges faced by these countries.
2. **Gulf States:** The Gulf States are countries in the Persian Gulf region that are part of the Arab League, including Bahrain, Oman, Qatar, Kuwait, Saudi Arabia, and the United Arab Emirates. This region is known for its abundance of natural gas and oil resources, which significantly contribute to their economies.
3. **Mashriq countries:** Mashriq is an Arabic term meaning "east," and these countries are located in the eastern part of the Arab League. They include Egypt, Iraq, Jordan, Lebanon, Palestine, and Syria. The Mashriq region has a rich and diverse cultural and political history.
Maghrib countries:
4. **Maghrib** is an Arabic term meaning "west," and these countries are located in the western part of the Arab League. They are Algeria, Libya, Morocco, and Tunisia. The Maghrib region also has a rich cultural heritage and a long history.

The Arab League is an intergovernmental organization that aims to coordinate regional cooperation among its member countries. Although there are 22 official member states of the Arab League, three neighboring countries (Iran, Israel, and Turkey) are often included as part of the Middle East due to their shared cultural and historical ties. However, some authors do not include Comoros, Djibouti, and Mauritania in the definition of Middle Eastern countries (Muttaqin, 2025b).

Discussion

The Role of Young People in the Halal Industry. Young Indonesians are potential drivers for the growth of an innovative and sustainable halal industry ecosystem. Millennials and Gen-Z not only dominate the productive age demographic, but are also more adaptable to technology, creative in entrepreneurship, and have high social awareness. Julianti et al. (2024) emphasize that the role of young people is crucial in shaping and driving the growth of the halal industry, particularly through technological innovation, entrepreneurship development, Islamic financial education, and the promotion of ethics and social responsibility. These four pillars of youth contribution align with the key needs of the modern halal industry.

First, in the field of digital technology and innovation, young people play a role as early adopters and creators. They are familiar with fintech, blockchain, IoT, and other digital platforms that can be applied in the halal industry. For example, blockchain technology can be used to track and verify the halal status of products transparently from upstream to downstream. With their technological expertise, the younger generation can create halal supply chain tracking systems that increase consumer confidence in halal products. In addition, innovations such as mobile applications for scanning halal certificates, marketplaces specifically for halal products, or the use of big data to map halal consumption trends are areas that young people can explore. The government itself has recognized the importance of this technology, for example by supporting halal startups through incubation programs.

Second, in entrepreneurship and startup development, young people can be the driving force behind the emergence of new halal businesses. The entrepreneurial spirit among millennials is quite high; combined with sensitivity to Islamic values, they can create sharia-compliant startups in sectors such as finance, food, fashion, and travel. For example, the emergence of sharia financial technology (fintech) services that provide interest-free financing for halal MSMEs, or halal investment platforms based on crowdfunding. According to Julianti et al. (2024), youth initiatives in halal startups not only drive economic growth but also enhance the inclusivity of sharia finance and the positive global image of the halal industry.

To support this, access to capital and business assistance are crucial. The government and the private sector need to provide sharia venture capital, halal business competitions, and management training for young entrepreneurs so that their creative ideas can develop into real businesses. Third, young people can become agents of sharia financial education and literacy for the wider community. This generation is adept at utilizing social media, videos, podcasts, and other creative content.

With these skills, they can educate others about the importance of halal products and Islamic finance in an engaging and easy-to-understand manner for both their peers and the general public. For example, webinars or online courses on halal lifestyle, vlogs about halal tourism, or Instagram infographics on Islamic investment tips are tangible contributions. These steps have the potential to change public perception and increase interest in halal services and Islamic fintech.

As stated by Julianti et al., by becoming “agents of change” through creative education, the younger generation not only shares information but also helps the community understand the economic and spiritual benefits of the Islamic economy. Fourth, the younger generation plays a role in the development of business ethics and corporate social responsibility (CSR) in the halal industry. Young people tend to have high idealism, including concern for issues of sustainability, justice, and social welfare.

They can promote halal business practices that are not only formally compliant with Sharia but also uphold universal ethical values. For example, pioneering organic and environmentally friendly halal products, advocating for worker welfare in the halal industry, or actively participating in halal-based philanthropic activities. The values of inclusion, honesty, and sustainability brought by the younger generation can ensure that the growth of the halal industry is in line with sustainable development goals. In the long term, this strengthens the

image of the halal industry as a people-friendly and planet-friendly sector, not merely profit-driven.

Despite its great potential, the challenges faced by young people must also be acknowledged. Julianti et al. note that many Indonesian youth are not yet fully aware of their strategic role in the national halal economy. Low levels of Islamic economic literacy among certain groups, or the perception that the halal economy is solely the concern of conservative religious groups, can hinder participation.

Therefore, efforts are needed to raise awareness of this role through formal and informal education. Universities, Islamic boarding schools, and business communities must become platforms for developing a young generation that is competent and cares about the halal industry. On a macro level, the contribution of the younger generation will help Indonesia build a strong halal industry ecosystem.

The implementation of young people's ideas and energy is already beginning to emerge: for example, the emergence of halal lifestyle influencers, halal startup communities, and initiatives to digitize halal processes by students. If synergy between young people, the government, and industry players is closely integrated—through business forums, networking, and youth involvement in policy formulation—then Indonesia's halal industry ecosystem will be more innovative and competitive. Young people ultimately determine the future direction of the halal industry: with a combination of technological expertise, entrepreneurial spirit, and Islamic values, they can drive the transformation of Indonesia's halal industry and enable it to compete on the global stage.

Case Study: The Halal Fashion Industry in Indonesia

The Muslim fashion or halal fashion sector is a clear example of the development and challenges of Indonesia's halal industry. Over the past decade, Indonesia's halal fashion has grown rapidly in line with the growing popularity of Muslim fashion trends, both domestically and internationally. Indonesia is known for its creative Muslim fashion designers and brands, as well as its large consumer base, making it an important player in the global modest fashion market. Masuwd's report (2025) shows that Indonesia's score in the Global Islamic Economy Indicator for the fashion sector increased significantly between 2018 and 2021, placing Indonesia among the top 10 Muslim fashion industry countries in the world. This growth is driven by global recognition of Indonesian design innovation (such as the use of ethnic patterns in sharia-compliant clothing), the emergence of a modest fashion community, and support from events like Muslim Fashion Week. The government aims to make Indonesia a global hub for Muslim fashion, having previously set the vision of “Indonesia Islamic Fashion Capital 2020.” Although the 2020 target has not been fully achieved, this initiative has spurred various programs, such as training for young designers, international halal fashion exhibitions, and standardization of halal textile materials.

Behind this growth, Indonesia's halal fashion industry faces several challenges in its global expansion. A study by Masuwd (2025) identified several critical barriers: first, limited access to funding for Muslim fashion industry players. Many designers or SMEs in the fashion industry struggle to obtain capital to scale up production or market their products overseas. Second, difficulties in penetrating international markets due to intense competition and a lack of global distribution networks. Indonesian Muslim fashion products must compete with producers from the Middle East, Turkey, Malaysia, and even Western brands that are beginning to launch modest fashion lines.

Penetration into mainstream boutiques or retail outlets worldwide remains limited, resulting in suboptimal exports of Indonesian halal fashion. Third, the ever-changing preferences of global consumers require industry players to adapt quickly. For example, Muslim fashion trends in the Middle East may differ from those in South Asia; Indonesian

designs must be flexible to cater to diverse market tastes. Fourth, inconsistent government policies and domestic industry support. For example, industry players are hoping for special export incentives for Muslim fashion or easier import duties on raw materials, but such policies are still minimal. Additionally, coordination between ministries (Industry, Trade, Tourism and Creative Economy) in promoting halal fashion is sometimes lacking, so halal fashion brands have not yet established a strong presence at international events.

Fifth, the need to adopt technology in marketing and production. The case study emphasizes that the Indonesian halal fashion industry needs improvement in digital marketing technology, R&D of environmentally friendly materials, and production automation. Currently, some brands are already utilizing social media and global e-commerce, but the scale and professionalism need to be improved to reach a wider international audience.

Similarly, research into halal textile materials (e.g., free from non-halal elements such as gelatin in fabric finishing processes, or synthetic leather as a substitute for pigskin) needs to be encouraged through industry-academic collaboration. Despite these challenges, the outlook for Indonesia's halal fashion industry remains bright. Supported by a young, fashionable, and religious population, the domestic market continues to grow.

Muslim middle-class consumers in Indonesia have high purchasing power and enthusiasm for fashion that is both sharia-compliant and trendy. This creates a strong demand ecosystem that drives producers to continue innovating. Additionally, the global recognition and awards already achieved (e.g., Indonesia regularly participates in Dubai Modest Fashion Week, London Modest Fashion, etc.) demonstrate that Indonesian fashion products are in demand. Collaborative efforts such as the Indonesia Modest Fashion Forum and Istanbul Modest Fashion Day also serve as platforms for building international networks. At the policy level, the establishment of the Indonesian Halal Industry Development initiative in the fashion sector—such as the creation of a halal industrial zone for fashion in West Java—can facilitate upstream-downstream integration (from textiles, garments, to design and marketing). In other words, the halal fashion industry has the potential to become a successful case study if Indonesia can overcome financing challenges, strengthen export strategies, and enhance innovation. Success in this sector will serve as a model for other halal sectors while also enhancing Indonesia's reputation as a global hub for Muslim fashion.

Pros and Cons of Halal Industry Development in Indonesia

The development of the halal industry in Indonesia brings a number of benefits (pros) but also raises various challenges and criticisms (cons) that need to be critically examined.

- 1) Pros (Benefits and Opportunities):
 - New Source of Economic Growth: The halal industry is seen as the engine of future economic growth. With a large domestic market and high export potential, the halal sector could become a new pillar of GDP. The government views the halal economy as an opportunity to boost inclusive growth – for example, Finance Minister Sri Mulyani stated that the halal industry could boost GDP by up to USD 5.1 billion per year. Increased demand for halal products, if met by domestic production, will drive output in the manufacturing and agricultural sectors, creating a broad multiplier effect across logistics, retail, and services. Additionally, the halal industry tends to be crisis-resilient due to stable demand for essential products (food, medicine, clothing) even during economic downturns.
 - a) Strengthening Export Competitiveness and Foreign Exchange Reserves: The global halal market, worth trillions of dollars, presents significant export opportunities for Indonesia. Currently, Indonesia accounts for only around 3.8% of global halal exports, leaving ample room for growth. If industry players can improve product quality and set competitive prices, Indonesia's halal exports could surge to double-digit billion dollars per year. Exports of halal commodities (processed foods, Muslim fashion, halal

cosmetics, etc.) will help diversify national exports, which have long been dominated by raw commodities. This will also have a positive impact on foreign exchange reserves and the current account balance. The halal travel sector (halal tourism) is a highly promising example: with its natural beauty and cultural heritage, Muslim-friendly tourism can attract millions of tourists from the Middle East and other Muslim countries, bringing in significant foreign exchange. Indonesia has won several awards for being the best halal tourism destination in the world, demonstrating the bright prospects of this sector if it continues to be developed.

- b) **Empowering MSMEs and Creating Jobs:** The halal industry is largely driven by micro, small, and medium enterprises (MSMEs), such as certified halal food producers, Muslim fashion artisans, and halal food stalls. The development of the halal industry automatically empowers these SMEs, which are the backbone of the people's economy. With halal standards, SMEs can upgrade because their products are of guaranteed quality and can penetrate wider markets. Free halal certification programs and government assistance have helped thousands of SMEs improve their competitiveness. The growth of halal businesses means the creation of new jobs, ranging from farmers/livestock breeders (for halal ingredient supply), factory workers, designers, chefs, tour guides, to halal auditors. This multiplier effect aligns with the government's economic equality agenda. Additionally, a thriving halal industry will attract investment, including from Middle Eastern countries or Malaysia seeking production partners, thereby opening up even more job opportunities.
 - c) **Strengthening Identity and Economic Independence:** For Indonesia, as a Muslim-majority country, advancing in the halal industry has strategic dimensions for the economic independence of its people. By producing its own halal needs, Indonesia is less dependent on imports, thereby maintaining food and medicine security. At the international level, Indonesia's success in the halal industry also strengthens its image (nation branding) as a center of modern and tolerant Islamic economic civilization. This can enhance Indonesia's soft power in the Islamic world. Support for the halal industry is also in line with the religious values of society, thereby gaining strong social legitimacy. The halal industry can be seen as a model for applying religious teachings in productive and beneficial economic activities. Furthermore, prioritizing the domestic halal economy will ensure that economic value-added is enjoyed domestically, rather than "leaking" abroad through imports.
 - d) **Promoting Quality Standards and Sustainability:** Halal procedures incorporate high standards of cleanliness, safety, and ethics. With the growth of the halal industry, related industries are encouraged to improve production quality standards (e.g., hygiene practices in animal slaughter, use of halal and *thayyib* ingredients that are good for health). This has a positive impact on consumers in general, both Muslim and non-Muslim, as the overall quality of products improves. Additionally, Sharia principles that prohibit excessive exploitation and promote sustainability encourage industry players to adopt sustainable practices. For example, halal trends often intersect with organic/halal organic trends, animal welfare, and fair trade. This is steering the industry toward a more sustainable future in the long term.
- 2) **Cons (Challenges and Criticism: Institutional and Regulatory Challenges:** Although regulations are in place, implementation in the field has not been entirely smooth. The transition of halal certification authority from MUI to BPJPH initially caused confusion and slow adjustments. Some business actors complained about bureaucratic certification procedures or lack of socialization in remote areas. The limited number of halal auditors compared to demand is also a bottleneck. Hudaefi & Jaswir (2019) highlight that there are still issues of coordination and understanding of roles among relevant institutions in halal

governance. Another criticism is that the JPH Law, which requires halal certification for all products in stages, could burden the industry if not accompanied by adequate infrastructure. Certification costs, although subsidized for MSMEs, add to the cost of compliance and waiting times for some companies, which can hinder product innovation. There is also a proposal from industry players for the government to focus more on developing priority sectors (e.g., food, pharmaceuticals) rather than trying to cover all sectors at once, to avoid fragmented resources and overlapping regulations.

- a) **Global Competition and Technological Lag:** At the international level, Indonesia faces stiff competition in the halal industry. Malaysia, for example, is already well known for its halal standards and export products, while Thailand is actively promoting itself as the world's halal kitchen (“Kitchen of the World”) despite being a Muslim minority. Competitor countries have advantages such as advanced food processing technology, reliable cold chain logistics, and focused government support from an early stage. Indonesia is a relative latecomer and needs to catch up in terms of technology and production efficiency. If not, Indonesian halal products could lose out to competitors in terms of both quality and price. Masuwd (2025) notes that limitations in marketing technology and R&D are among the factors hindering the competitiveness of Indonesia's halal fashion industry—similar challenges could arise in other sectors such as halal food processing and pharmaceuticals, which require significant R&D investment. Without innovation, Indonesia's halal industry risks being confined to low-value segments (bulk commodities) and losing out in high-value-added segments.
- b) **Dependence on Imported Raw Materials:** Despite aiming for self-reliance, many domestic halal industries still rely on imported raw materials. For example, the halal pharmaceutical industry requires halal beef gelatin, most of which is still imported due to limited local gelatin production. Similarly, halal feed for livestock, herbal seeds, and cosmetic ingredients are largely sourced from abroad. This means that Indonesia's halal supply chain is not yet fully integrated. This dependency has the potential to reduce economic benefits as the value chain is not fully realized domestically. Additionally, global price and supply fluctuations can disrupt the stability of the local halal industry. Efforts to substitute imports by promoting upstream industries (such as cattle farming for gelatin, herbal plantations, etc.) require time and significant investment. During the transition period, this has become a structural weakness criticized by economists: the “halal industry” should not just mean processing imported products and repackaging them with halal labels, without increasing domestic production capacity.
- c) **Social Resistance and Issues of Inclusiveness:** Although the majority supports it, the development of the halal industry has not been without social criticism. Some groups question whether the massive push for “halal labeling” will impact social cohesion with non-Muslim communities. There are concerns that non-halal businesses (e.g., pig farming, local wine production, etc.) may be marginalized and lose market share, even though they are formally permitted to operate. The government must ensure that halal policies are inclusive and non-discriminatory, based solely on consumer choice. Additionally, there is criticism regarding the potential for “halal overreach”—for example, the issue of halal certification for mineral water or products that do not inherently contain haram elements, which some view as an excessive bureaucratic burden. This discourse necessitates that the government exercise caution in defining the scope of mandatory halal certification to ensure it is targeted and does not impose unnecessary burdens. Another issue is that some industry players may be pursuing halal certification merely as a formality to gain access to Muslim markets, without necessarily improving hygiene or production ethics (halal label versus halal values). If this occurs, the noble goals of the halal industry could be reduced to mere administrative

compliance. Therefore, quality control and training must ensure that halal certification truly reflects high-quality and ethical production processes.

- d) Possibility of Domestic Market Saturation: Massive growth in the domestic halal industry means more players entering the national halal market. In the medium term, this could lead to overcrowding in certain markets if not accompanied by market expansion abroad. For example, if halal food and beverage production increases rapidly but export capacity has not been established, intense competition in the local market could drive down prices and profit margins. This particularly impacts SMEs with limited capital and networks. The risk of oversupply in the domestic market must be anticipated with early export marketing strategies, ensuring halal industry players do not solely compete for the domestic market share. Additionally, consumer education to foster loyalty toward locally produced halal products (rather than imported halal-certified products) is crucial to ensure the domestic market fully absorbs domestic industry output. Without these measures, the halal industry could fall into a paradox: production increases, but local products are not sufficiently absorbed, leading to business closures, while imported halal products continue to dominate the market.

Overall, the benefits of halal industry development are very promising for Indonesia's economy and society, but a number of real challenges cannot be ignored. A critical approach is needed to ensure that the enthusiasm for the halal industry is accompanied by risk mitigation strategies. In this regard, the role of research and academic input, such as that conducted by Rusydiana (2023) and colleagues, is invaluable—for example, identifying regulatory aspects, human resources, and lifestyle as areas requiring improvement. By understanding the pros and cons, stakeholders can formulate policies that maximize benefits while minimizing issues, ensuring that the halal industry grows in a healthy and inclusive manner.

CONCLUSION

Entering 2025, the development of the halal industry in Indonesia has achieved significant progress but still has work to do to truly realize its vision as a global player. Macroeconomically, Indonesia has successfully leveraged its domestic advantages (large Muslim population and high demand) to rank high in the global Islamic economy index and begin to feel the contribution of the halal sector to GDP. Government policies, from halal product certification regulations to incentives for halal SMEs, have established important institutional foundations. Similarly, the participation of the younger generation with technological innovations and entrepreneurial spirit is injecting new momentum into the halal ecosystem. Case studies in the halal fashion industry demonstrate Indonesia's ability to compete creatively on the global stage, despite facing various competitive challenges. Findings from the five studies reviewed—Al-Banna (2019), Hudaefi & Jaswir (2019), Rusydiana (2023), Julianti et al. (2024), and Rini et al.

(2025)—collectively highlight the necessity of integrative strategies: strengthening halal governance and regulations, enhancing human resource capacity and halal literacy, consumer-research-based marketing innovation, and multi-stakeholder collaboration, including the youth. Critically, the current conditions indicate that Indonesia has not yet fully realized the optimal potential of its halal industry.

There remains a gap between high domestic halal consumption and the need to enhance local production capacity. Indonesia's share in the global halal value chain remains relatively small, signaling significant challenges in exports and standardization. Despite this, trends point in a positive direction: Indonesia's halal industry has shown relative resilience even during the pandemic, and the government has become more adaptive in responding to stakeholder feedback (e.g., simplifying certification processes, improving technical regulations). Global

competition is pushing Indonesia to improve faster—learning from Malaysia on certification governance, from Thailand on halal food industrialization, and from Turkey on promoting modest fashion. By 2025, Indonesia may not yet be a leading halal industrial nation, but the foundation for getting there is becoming stronger.

The critical conclusion is that the development of the halal industry in Indonesia is like a double-edged sword with great benefits but requiring sharp strategy. To move forward, Indonesia must maintain growth momentum by strengthening fundamentals: consistent and business-friendly regulations, competent human resources through education and training, widespread adoption of technological innovation, and investment in research and development of halal products. Upstream-downstream integration must be prioritized to enhance raw material self-reliance. Additionally, a holistic and inclusive approach is crucial—the halal industry must be able to embrace all stakeholders as part of the national economic system without fostering excessive exclusivity. Collaboration between the government, religious scholars, academics, businesses, and youth is the key to addressing challenges. If prospects and challenges are addressed with an open mindset and continuous improvement, Indonesia's halal industry will not only become a domestic economic engine but also a pillar of Indonesia's reputation in the global economic arena. Thus, Indonesia's vision of becoming a global halal industry hub is not a utopian goal but a realistic target that can be achieved through strategic, innovative, and sustainable steps aligned with current developments.

Acknowledgements

The first author would like to express his gratitude to Veithzal Rivai Zainal (also Chairman of the Indonesian Association of Islamic Economists, Financiers, and Accountants), Nurwahidin, Mohammad Izdiyan Mutaqqin, and Nur Fatwa as the teaching team and academic advisors to the first author during his studies at the University of Indonesia, Depok.

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