

## What are the challenges of the Indonesian halāl industry in the 5.0 era?

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### ABSTRACT

Indonesia has very good potential, such as the majority of the Moslim population and the growing halāl industry in Indonesia, with the such good potential it should be able to become the center of the world's halāl industry. However, there are several problems that are a challenge for the government, policymakers, and the public to be able to synergize in the development of the halāl industry in Indonesia. This article describes the challenges of the Indonesian halāl industry in the era of society 5.0. The update of this paper is a discussion of the 5.0 era of society and the development of the halāl industry, which is currently in Indonesia entering the 5.0 century. This article uses descriptive qualitative with library research methods. The results of this paper are that there are two challenges that become evaluation material for the government and policymakers, namely internal challenges consisting of the lack of human resources for the halāl industry, the low number of MSMEs that are halāl certified, and halāl product certification. The external challenges in the form of rampant global competitors and competition for the advancement of technology digitalization

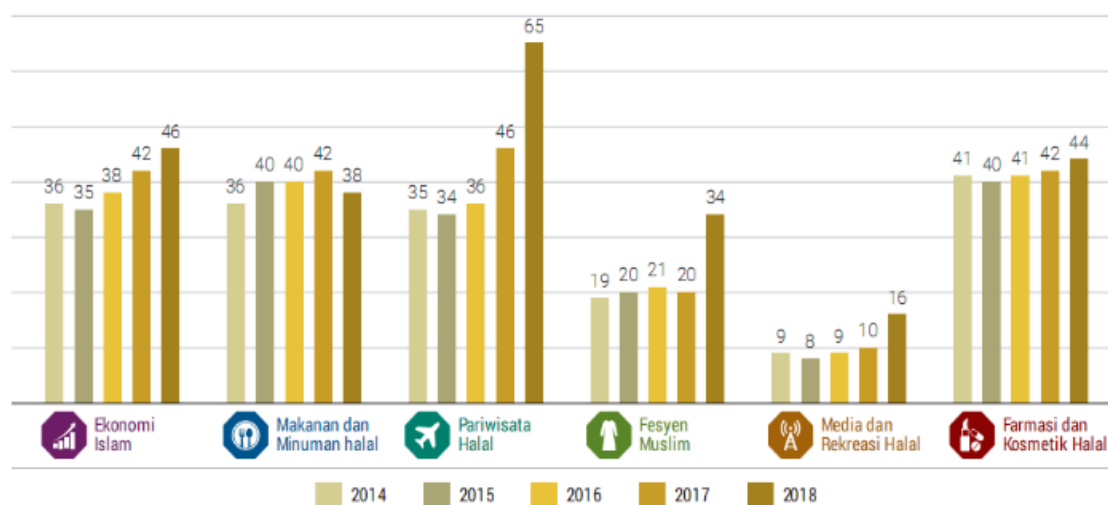
Keywords: Halāl industry; Indonesian challenges; society 5.0

### INTRODUCTION

The changes in the halāl industry in Indonesia are increasing from year to year (Yazid et al., 2020). The halāl industry is not only limited to halāl food and drinks, the halāl industry includes halāl services, products, businesses, and entrepreneurship (Yunos et al., 2014). Halāl products are certainly an important issue for Muslims in Indonesia with a clear halāl certificate which will certainly provide a sense of security for consumers, especially Muslims and non-Muslims, besides that it can also provide economic value for halāl product businesses (Yulia, 2015)

According to the State of the Global Islamic Economy report, the contribution of Muslims to the global halāl industry was USD 2.2 trillion in 2018 (Dinar, 2018). While the Islamic finance industry reached USD 2.5 trillion. Food and beverage products reached USD 1.369 trillion, followed by clothing (fashion) products with USD 283 billion. Media and entertainment with USD 220 billion, travel and tourism businesses with USD 189 billion, and medicine and cosmetics with USD 1.92 billion and USD 64 billion (Thomson, 2019). The following is data on the development of the halāl industry in 2014-2018, using a score comparison.

Figure 1: The development of the halāl industry



Data source: Global Islamic Economy Gateway, 2018

Based on this data, the halāl industry from 2014-2018 has increased. The Islamic economy has increased, although in 2015 it decreased with a difference of 1 score from the previous year, overall there was an increase. There was an increase in halāl food and drinks in 2014-2017, although in 2018 there was a difference of 4 scores decreased from the previous year. Halāl tourism tends to increase, even in 2018, it increased significantly. The Muslim fashion section, halāl media, recreation as well as halāl pharmacy, and cosmetics also have an increasing trend.

Based on this data, it is predicted that by 2024 the halāl industry will reach a value of USD 3.2 trillion (Sukoso et al., 2020). One of the key factors for the growth of the Islamic (halāl) economy is that the world's Muslim population continues to increase, reaching 1.8 billion in 2018 (Azam & Abdullah, 2020). This number will continue to grow and is expected to increase to 2.2 billion Muslims by 2030 (Sukoso et al., 2020). The increase in population will automatically increase the demand for halāl goods and services (Pahim et al., 2012). Of course, this is a potential for Indonesia, great opportunity for the halāl industry to develop better and can be one of the contributors to economic growth in Indonesia.

Currently, Indonesia has entered a new phase in world civilization, namely entering the era of society 5.0 (A. Aziz, 2021). In the era of society 5.0, this will be an innovation in the fields of government, business, and technology (Fukuda, 2020). Of course, it can be profitable in terms of business in the halāl industry, namely increasing productivity and efficiency. The era of society 5.0 was introduced by Japan in 2016, by introducing a vision to create a "Super Smart Society" that is connected to the digital technology presented, by detailing the various needs of the community (Deguchi & Kamimura, 2016). If the necessary goods or services are provided to those in need in a specified quantity, citizens,

regardless of age, gender, etc., can lead active and comfortable lives through high-quality services (Holroyd, 2022). However, digitization is only a means, and people remain the main role. In introducing this vision, Japan illustrates that in the era of society 5.0, when sending shopping goods or products, you can use drone delivery. In the health sector, it can automatically measure blood pressure and body temperature at home (Telemedicine). In the finance section, there is an Accounting cloud, which is to access and store all financial information. In the field of transportation, providing safe automatic buses (automated unmanned buses), etc (Deguchi & Kamimura, 2016).

Of course, this can greatly help the productivity of the halāl industry in the 5.0 era, with the use of digital technology (Arwani, 2020) Opportunities for the Indonesian people, who are predominantly Muslim, there will be an increase every year in halāl industry products or services, and the latest innovations in the era of society 5.0 will provide major changes for the halāl industry and, predictably, Indonesia will become the center of the world halāl industry in 2030 (Hasan, 2021). Many opportunities and potential exist, as described above. However, with the many potentials and opportunities that exist, this certainly cannot be separated from the challenges that will come. The more sophisticated digital technology to facilitate the community, there will be difficulties or challenges in it. This article will describe the existence of the halāl industry in Indonesia and what are the challenges of the Indonesian halāl industry in the era of society 5.0. Many previous researchers discussed the halāl industry, but in this article what has become a renewal, namely a discussion of the halāl industry in the 5.0 century, which Indonesia has just started. This article is very useful for the government and policymakers, as a reference to find out the challenges that exist and then prepare solutions for the advancement of the halāl industry in Indonesia.

## LITERATUR REVIEW

### Halāl Industry in Indonesia

Halāl industry is a business that produces products in the form of goods and services, with the provisions of Islamic sharia (Aniqoh & Hanastiana, 2020)(Nour Athiroh et al., 2022). This means that there are no elements that violate Islamic law in these products (goods and services). According to (Mubarok & Imam, 2020) halāl industry is the activity of processing goods or services in accordance with Islamic law, with the aim of providing security for users (benefit of the people). Agree with (Elasrag, 2016) that the halāl industry must pay attention to all business activities in accordance with the teachings of the Qur'an, hadith, ijma, and qiyas. Several Muslim economic figures describe the halāl industry such as (Noordin et al., 2009) (Elasrag, 2016),(Boğan, 2020) from their opinion, the halāl industry is a business activity that produces work (products and services) that according to Islamic teachings. In other words, according to researchers, the halāl industry is an effort made to produce

blessings with products and services that are in accordance with the provisions of Islamic law. Thomson Reuters in collaboration with Dinar standards State of the Global Islamic Economy 2019 report states that the halāl economy consists of sectors whose main products and services are structurally influenced by Islamic law, driven by values, consumer lifestyles, and business practices (Dinar Standard, 2019). Islam considers halāl industry to be in accordance with religious rules, as in the Qur'an Surah Al-Baqarah verse 172 explains that "O you who believe, eat of the good sustenance that We give you and be grateful to Allah. if it is really only Him you worship only". The verse certainly tells mankind to eat and seek sustenance with the tayyib and lawful. In practice, the halāl industry has been regulated in Law no. 33 2014 concerning Halāl Product Guarantee. The law is designed to ensure that every resident independently accepts their own religion, and the state is obliged to provide protection and guarantees regarding the halālness of the product (M. Aziz, 2017). Currently, halāl has become a lifestyle for people and industries in Indonesia flocking to use labels and slogans to strengthen the image of the halāl brand of their products and companies (Sukoso et al., 2020). For example, cosmetic manufacturers launched "Halāl from scratch" halāl cosmetics; several ice cream producers (food and beverage industry) with the tagline "Halāl food is quality food"; certain clothing manufacturers (fashion industry) launched the first halāl-certified veil in Indonesia with "Beautiful.Comfortable.Halāl"; certain detergent manufacturers launch the first halāl-certified hoods in Indonesia.

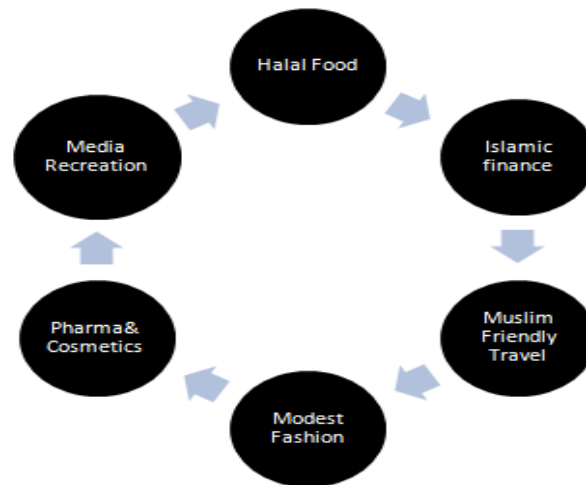
### **Halāl Industry Scope**

The halāl industry is not only a trend in Muslim-majority countries, even minority countries are also promising markets (Nawawi et al., 2019). The scope of the halāl industry, not only related to food and beverages, has a lot of coverage from the halāl industry(M. Aziz, 2017) The scope of the world's halāl industry is already broad, according to sharia related to halāl food and drinks, of course, there are no food and beverage ingredients in it that contain haram elements and are in accordance with Islamic law(Laluddin et al., 2019). Halāl fashion is fashion related to clothing according to the genitals, the rise of people in Muslim-majority countries using the hijab (Adinugraha et al., 2021). Cosmetics and personal care are increasingly widespread among Muslims. In Indonesia, cosmetics and personal care are the main goals (Sukoso et al., 2020). Some people are starting to realize the importance of choosing halāl cosmetics for personal safety.

The scope of other halāl industries, namely logistics, and halāl tourism, which of course has been verified by the Indonesian Ministry of Religion, is in accordance with Islamic law. Likewise with sharia hotel services, applying provisions that are in accordance with Islamic law. For example, it is not allowed for non-halāl couples to do lodging. The hotel is not allowed to provide illegal drinks and food

(alcohol, food derived from materials or funds that are not in accordance with the Shari'a) and so on (Boğan, 2020). Finally, Islamic financing is related to Islamic banks and does not apply the element of usury(Suyanto et al., 2022). Because usury is strictly prohibited by religious teachings, it causes misery for one party. The following is a picture of the scope of the halāl industry.

Figure 2: The scope of the world's halāl industry



Data source: State of the global Islamic economy repor

### Society 5.0

In 2016, Japan released the 5th basic technology plan which discussed the concept of "Society 5.0" a vision of a future society oriented towards technological innovation (Deguchi & Kamimura, 2016),(Nurlaili; et al., 2021) his concept is explained as combining the physical space (real world) and the digital world by utilizing technology. The goal of society 5.0 is to facilitate human activities. The center in controlling human activities is still human, only assisted by digital technology. Society 5.0's coverage is for all ages, genders, and locales or languages(Nakanishi & Kitano, 2018).

It can be said that society 5.0 is a model that communicates the government's vision of a future society to industry and the public. The discussion is the result of many discussions between experts in various fields(Salgues, 2018). Of course, this is based on technological and social developments. Society 5.0 is different from the industrial era 4.0, based on its goals in the industrial era 4.0 prioritizing smart factories, while society 5.0 prioritizes supersmart communities(Zengin et al., 2021). Furthermore, the two visions between the industrial era 4.0 and society 5.0 jointly advocate the realization of a virtual physical system, only the scope of application is different; industrial era 4.0 CPS must be applied in the manufacturing environment, while in society 5.0 it must be applied to society as a whole(Potočan et al., 2021). In the measurement results, the industrial era 4.0 and society 5.0 have different visions.

The industrial era 4.0 is more about creating new value and minimizing production costs. Simple results allow for relatively simple performance metrics. Meanwhile, society 5.0 works to create a supersmart society. Performance metrics in this case are much more complex (Deguchi & Kamimura, 2016).

Society 5.0 can be sustainable to advance the economy because it can solve social problems (Potočan et al., 2021). Society 5.0 provides goods and services that specifically meet basic needs (Nurlaili; et al., 2021). The range of expected future technological innovations is also highly variable. Industry 4.0 emphasizes the manufacturing-centric industrial revolution. Society 5.0 focuses on the impact of technology on society and the need to create a better society, as demonstrated by the concept of a human-centered society. The following is a comparison of the industrial era 4.0 with society 5.0 (Deguchi & Kamimura, 2016).

Figure 3: Comparison of the industrial era 4.0 with society 5.0

Title	Industrie 4.0 (Germany)	Society 5.0 (Japan)
Design	<ul style="list-style-type: none"> <li>•High-Tech Strategy 2020 Action Plan for Germany (BMBF, 2011)</li> <li>•Recommendations for implementing the strategic initiative INDUSTRIE 4.0 (Industrie 4.0 Working Group, 2013)</li> </ul>	<ul style="list-style-type: none"> <li>•5th Science and Technology Basic Plan (released 2016)</li> <li>•Comprehensive Strategy on Science, Technology and Innovation for 2017 (released 2017)</li> </ul>
Objectives, scope	<ul style="list-style-type: none"> <li>• Smart factories</li> <li>• Focuses on manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Super-smart society</li> <li>• Society as a whole</li> </ul>
Key phrases	<ul style="list-style-type: none"> <li>•Cyber-physical systems (CPS)</li> <li>•Internet of Things (IoT)</li> <li>•Mass customization</li> </ul>	<ul style="list-style-type: none"> <li>• High-level convergence of cyberspace and physical space</li> <li>• Balancing economic development with resolution of social issues</li> <li>• Human-centered society</li> </ul>

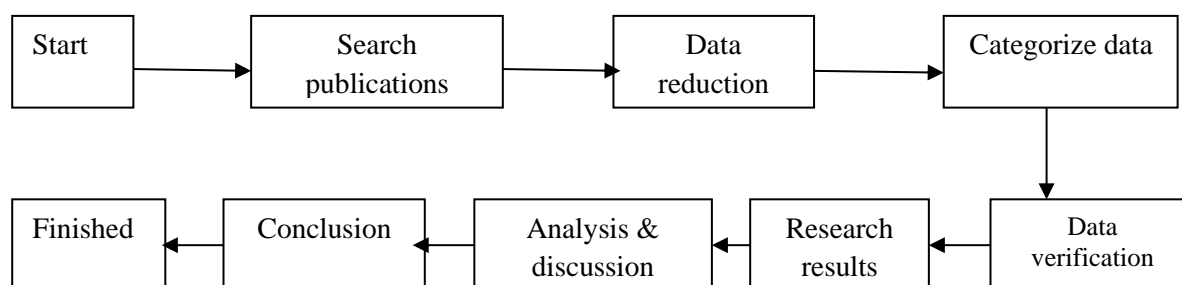
Source from (Deguchi & Kamimura, 2016)

Society 5.0 supports unrestricted economic activity and approaches the advantages and problems of digital platforms to be installed in a data-driven community economic system. So, the community will be able to use digital money to make transactions with fellow humans (Potočan et al., 2021). In the business sector, such as the halāl industry in the era of society 5.0, this will certainly be a change in the quality of global standards, global halāl lifestyles, and global trade trends (Aulia et al., 2022).

## METHODS

This article uses qualitative descriptive with library research methods. Using secondary data obtained through scientific articles and other relevant documents. Analyzing the data that has been obtained, namely with descriptive explanations in the form of words, symbols, and images that are associated with the object of this research. There are three stages in analyzing research data, namely: data

reduction, data categorization, and data verification (Gunawan, 2022). Data reduction in this study was carried out by selecting all data by cutting and simplifying existing data according to the research topic (Abdussamad, 2022). Furthermore, the reduced data categorization was carried out according to the research topic, namely the Halāl Industry and the Challenges of the Halāl Industry in the era of society 5.0. The last stage is data verification to draw conclusions which are the researcher's interpretation of the data. Verification is done by triangulation technique, which is comparing one data source with other data sources.



## RESULTS AND DISCUSSION

### Halāl Industry Existence in Indonesia Era Society 5.0

The potential population in Indonesia, which is currently predominantly Muslim, is expected to become the strongest halāl economic country in the world, of course, if it is balanced by fixing the challenges of the halāl economy in Indonesia and pursuing industrial development efforts (Astuti, 2021). The halāl industry in the era of society 5.0 will certainly provide facilities for the efficiency of existing resources (Aulia et al., 2022). One of them is providing convenience in the field of digital technology, such as the launch of SGIE 2022 held by Dinar Standard in Dubai which is carried out online through the use of technology in the era of society 5.0. All current activities can be assisted by the use of digital technology for human convenience, in accordance with the vision of society 5.0, namely "a super-intelligent society".

The halāl industry based on Thomson Reuters in the State of the Global Islamic Economy Report 2019-2020, Indonesia has increased its position from 10th to 5th rank (Dinar Standard, 2019). Another increase in position was achieved by Indonesia in 2020-2021 based on The State of the Global Islamic Economy Report, Indonesia was ranked 4th, below the UAE. Indonesia's position, which is measured using the Global Islamic Economy Indicator (GIEI), is still below Malaysia which ranked 1st, followed by Saudi Arabia in 2nd place, United Arab Emirates ranked 3rd and Indonesia ranked 4th (Dinar Standard, 2022). The interesting thing about the seven Thomson Reuters assessment indicators, Indonesia entered the top 10 in the six indicators of the halāl industry sector, of course this is an increase from 2019-2020 when only three indicators in the halāl industry sector entered the top 10.

The halāl industry sector that is in the top 10 for 2020-2021 includes; Halāl food, Islamic Finance, Muslim Friendly Travel, Modest Fashion, Pharma & Cosmetics, Media & Recreation.

Based on the State of the Global Islamic Economy (SGIE) Report 2022 data released by the DinarStandard 2021-2022, Indonesia remains in the 4th position by boasting that halāl food is in second place(Dinar Standard, 2022). This is encouraging news that in the midst of the national economic recovery, Indonesia persists in the Islamic economic sector, in the halāl industry. It is different from 2021 that Indonesia is only included in the four indicators of the halāl sector that enters the top 10, namely; halāl food, modest fashion, pharma & cosmetics, and Islamic finance. For clarity, the researcher displays a picture of the rank position based on The State of the Global Islamic Economy Report 2020-2021 and 2021-2022.

Table 1 The position of Indonesia's rank to the six halāl industrial sectors in 2021

Year	Halāl Food	Islamic Finance	Muslim Friendly Travel	Modest Fashion	Pharma& Cosmetics	Media Recreation
2021	Malaysia	Malaysia	Malaysia	UAE	Malaysia	UAE
	Singapore	Saudi Arab	UAE	Turkey	UAE	Malaysia
	UAE	UAE	Turkey	Indonesia	Singapore	Singapore
	Indonesia	Jordan	Thailand	Malaysia	Iran	UK
	Turkey	Bahrain	Tunisia	Spain	Egypt	Indonesia
	Iran	Indonesia	Indonesia	Italy	Indonesia	Brunei
	South Africa	Kuwait	Azerbaijan	Banglades	France	Bahrain
	Pakistan	Pakistan	Jordan	Canada	South Afric	Lebanon
	Brunei	Qatar	Singapore	France	Turkey	Kuwait
	Russia	Nigeria	Albania	Iran	Tunisia	Netherlands

Data based on the State of the Global Islamic Economy in 2021

Table 2 The position of Indonesia's rank to the six halāl industrial sectors in 2022

Year	Halāl Food	Islamic Finance	Muslim Friendly Travel	Modest Fashion	Pharma& Cosmetics	Media Recreation
2022	Malaysia	Malaysia	Malaysia	UAE	Singapore	Malaysia
	Indonesia	Saudi Arab	Singapore	Turkey	Malaysia	Singapore
	Turkey	Bahrain	Turkey	Indonesia	Netherlands	UAE
	Russia	Kuwait	Bahrain	China	Belgium	China
	UAE	UAE	UAE	Spain	France	Turkey
	Kazahastan	Indonesia	Tunisia	Italy	Egypt	UK
	Singapore	Iran	SaudiArab	Singapore	Turkey	Netherlands
	Saudi Arab	Oman	Kuwait	France	UAE	Belgium
	South Afric	Qatar	Kazahstan	Malaysia	Indonesia	Germany
	Australia	Jordan	Morocco	Germany	UK	US

Data based on the State of the Global Islamic Economy in 2022

Based on the data, based on the state of the global Islamic economy in 2021, Indonesia in the halāl



food sector occupies the fourth position and in 2022 the halāl food sector occupies the second position, this is a good achievement for Indonesia as a form of commitment. However, from this achievement, it is a spirit of Indonesia to be even better and not satisfied with the existing position. In more detail per sector, Indonesia's halāl food expenditure reaches USD 146.7 billion, and halāl food growth is assumed to be 7.1% during the period 2021-2025 so it will reach USD 1.97 trillion in 2025 (Dinar Standard, 2022). In the Islamic finance sector in 2021, Indonesia occupies the sixth position and in 2022 Indonesia occupies the same position, namely the sixth position, with the first position being Malaysia, followed by Saudia Arabia, and Bahrain (occupied the third position which has increased from 2021). Indonesian Islamic finance based on IFCI 2021 Indonesia occupies the first position with an increase in Islamic financial assets by 13.9% around USD 2.52 Trillion to USD 2.88 Trillion (Rahman, 2022). The next sector based on the table data above, namely Muslim Friendly Travel in 2021 Indonesia managed to enter the top 10, namely entering the sixth position, but in 2022 Indonesia did not enter the top 10, this has decreased in position. On the other hand, based on the GMTI 2022, Indonesia is in second place out of 138 countries, with a point score of 70 (Zulvianti et al., 2022). Previously, Muslim Friendly Travel in 2020 was in the fifth position with Indonesia's total spending reaching USD 11 billion from a market share of USD 189 billion (Sukoso et al., 2020). The first order that was visited by many was Malaysia and this is a note for the Indonesian government to better create comfort and opportunities in the Muslim Friendly Travel sector. To always provide innovation in the Muslim-friendly travel sector with the aim of Indonesia being the main destination when traveling halāl in the world (Dinar Standard, 2022).

Another halāl industry sector that enters the top 10 in 2022 is Fashion. Indonesia occupies the third position, still in the same position as the previous year. The first place is occupied by the UAE and followed by Turkey. The fashion sector, with Indonesia's total expenditure reaching USD 21 billion and global expenditure of USD 295 billion in the fashion sector, is predicted to grow by 6 or 5.8 percent in the next five years (Dinar Standard, 2022). Furthermore, the Pharma & Cosmetics sector in 2022 occupies the ninth position, experiencing a decline previously Indonesia was in the sixth position in 2021. Total pharma & cosmetics expenditures were USD 5 billion and USD 4 billion from global spending of USD 92 billion and USD 64, respectively billion. The decline in position from 2021 to 2022 is a challenge for the government to make better changes in the pharmaceutical & cosmetics sector. Another sector is media recreation, in 2021 media recreation occupies the top 10 positions, namely in the fourth position but in 2022 Indonesia will not enter the top 10 positions (Dinar Standard, 2021), (Dinar Standard, 2022). From the several sectors above, such as Muslim Friendly Travel and media recreation, it is the government's evaluation, responding to existing challenges and optimizing

the halāl industry even better. Creating travel and media recreation that is in accordance with sharia and is comfortable for all ages and circles.

With the development of the world's halāl industry, Indonesia is optimistic that it can become a leader in the world's halāl industry by jointly correcting deficiencies and overcoming challenges in the halāl industry. This is reflected in the enthusiasm for economic growth over the last few decades, with per capita income increasing almost sixfold over the last 50 years. Therefore, Indonesia aims to achieve considerable economic growth and aims to become an industrialized country by 2025-2030, and its long-term economic plan targets a GDP of US\$4 trillion in 2025 and US\$15 trillion in 2040-2045 (Sukoso et al., 2020).

### **Indonesia's challenges in the halāl industry**

Based on several sectors that have been explained, Indonesia's existence in the eyes of the world can be said to be good and capable. However, it is all inseparable from several evaluations to be better. Of course, there are challenges for the government and policymakers to work together hand in hand to bring Indonesia to the world. From the existence of the Indonesian halāl industry in the 5.0 era, of course, there are several sectors that actually experienced a decline. As in the media recreation sector, Muslim-friendly travel, and pharmaceutical & cosmetic (Dinar Standard, 2022). Of course, the decline was due to several reasons, such as in the pharma & cosmetic sector where there is a lot of competition for products from abroad and not a few Indonesian people choose to use foreign brand cosmetic products, with digital marketing in the era of rapid society 5.0 (marketing through social media). Using brand ambassadors of influencers, artists, and famous people makes it easier for people to choose various products from various foreign countries (Bintarti et al., 2022). If this continues to be applied by the Indonesian people and there is no awareness, it will certainly make local cosmetic brands decline. Furthermore, others occurred in the Muslim-friendly travel sector, namely the effects of the post-covid-19 pandemic which had an effect on several tourist attractions that were deserted by enthusiasts (Azis & Ahmat, 2022). However, the government continues to strive to provide a good trend of change. Based on the explanation above, the decline in several sectors of the halāl industry is a challenge for policymakers and the government, and society as well, by jointly developing the halāl industry and trying to make improvements for Indonesia's progress in the halāl industry.

In this section, the author will discuss in detail the facts that have been presented and what challenges must be overcome by the government and policymakers in the era of society 5.0. As we know today the world has been made easier by digitalization, and with the rise of digitalization, the main role is still human (Salgues, 2018). Likewise in the halāl industrial sectors with the use of digital technology and the role of humans who continue to be upgraded, it should create a sustainable ecosystem with

the economy, in this case, the halāl industry with technology digitalization (Salaheldeen, 2022). However, the increasing role of digital technology certainly has challenges in it. Likewise, in the halāl industry in the 5.0 era, there must be challenges, in the government and policymakers must cooperate with each other to overcome them to create a common goal, namely by 2030 Indonesia will become a trend center for the halāl industry in the world. To find out the challenges, the researchers divided them into two groups, namely internal and external challenges. Here's the explanation.

#### **a. Challenges from internal**

The form of problems that come from internal (inside) is something that must be addressed first, when the internals are able to compete, others will follow. There are several kinds of challenges, namely:

##### **1). Lack of human resources in the halāl industry**

The challenge of developing the halāl industry is certainly related to its human resources, or halāl business actors (Sukoso et al., 2020). There are still very few business actors in the halāl industry who understand and realize the importance of halāl products (Rahmi, 2022). Human resources in the halāl industry such as halāl auditors, halāl supervisors, and halāl slaughterers (Ismanto, 2022). On the other hand, due to the variety of products circulating in Indonesia, the number of halāl auditors needed is very large, while halāl auditors previously registered with the MUI were only around 1,300 who were supported by the Human Resources of National Higher Education (PTN), and must be adjusted to the provisions of the regulations legislation. Law 33 JPH is related to the required educational background competencies. It aims to make halāl industry business actors competent in their fields (Erliani & Sobiroh, 2022).

Likewise, there are very few halāl regulators, which are competent halāl regulators (Sukoso et al., 2020). Even though its role is very much needed to assist in the process of preparing halāl products for business actors in MSMEs and large companies. Also, the number of halāl butchers is still small who learn about the correct slaughter procedure (Erliani & Sobiroh, 2022). Therefore, the challenge of increasing the capacity of human resources must be considered as well to help accelerate halāl certification in the development of the Indonesian halāl industry.

On the other hand, in addition to the lack of industrial business players, there is also a lack of awareness in choosing halāl products for the public (Rahmi, 2022). Usually, awareness of halālness is closely related to a person's level of belief and understanding of the concept of halāl itself (Ozturk, 2022). Faith and a good understanding of Islam will make Muslims more selective in choosing consumption (Sihotang, 2022). At the same time, the lack of understanding of the halāl concept by Muslims can be misleading because it seems that all products circulating are halāl products (Sukoso et al., 2020). According to the director of the halāl corner, assessing awareness

of the importance of halāl products needs to be fostered. One of them is through education and socialization from the government and authorized institutions(Zuraya, 2016).

## 2). The low number of halāl-certified MSMEs

Micro, small and medium enterprises or MSMEs are the largest economic sector in Indonesia, contributing about 99% of national economic activities and playing an important role in job creation(Tambunan, 2021). Article 20/2008 of the MSME Law explains the meaning of MSMEs, namely small companies owned and managed by individuals, or small companies owned by a small group of people with certain wealth and income(Sundari, 2019). According to data from BPS and the General Chair of the Association of Food and Beverage Entrepreneurs (GCAFBE), only 10% of the 1.6 million MSMEs have halāl certification. Around 90% of MSMEs still have not certified their products (BPS, 2020). This is due to the high cost of halāl certification, the lack of awareness of operators to carry out halāl certification, the reluctance of operators to carry out halāl certification due to the convoluted halāl tracking process, and the low capacity of human resources (Sukoso et al., 2020).

This will be a challenge for the development of the Halāl industry in Indonesia. Although starting October 17, 2019, all products circulating in Indonesia must be certified halāl(Muhamad, 2020). This condition finally allows the enactment of the Halāl Product Guarantee Act to provide concessions for commercial actors to carry out Halāl certification. The application for waivers in the form of a stage is justified because there are still many people or MSME actors who do not know about halāl certification(Sukoso et al., 2020).

## 3). Halāl product certification

The next challenge is the certification of halāl products, which consist of food and beverages, cosmetics, medicines, goods for use, ingredients (raw materials, auxiliary materials, and additional materials), and others. Currently, halāl certification is at the Ministry of Religion through the Halāl Product Assurance Organizing Agency (BPJPH), where BPJPH will be assisted by the Halāl Inspection Agency(LPH) which includes halāl auditors, and involves the role of MUI in issuing fatwas(Yazid et al., 2020). The problem is, several things must be immediately prepared in halāl certification, such as LPH is still not accredited, halāl auditors are also not accredited and the need for auditors is very large, considering the number of MSMEs in Indonesia is quite large as well as their derivative products. Therefore, this challenge must be overcome by accelerating LPH accreditation and appointing halāl auditors to pursue the development of the halāl industry in Indonesia(Komite Nasional Keuangan Syariah, 2018). Malaysia is a country that already has halāl certification and the implementation of sharia as a whole in the country. Indonesia must have good

management of the halāl industry so that this very large market share will not be taken over by other countries that are more prepared to manage the halāl industry. Indonesia needs to as fast as possible to prepare itself in the face of intense competition in the halāl industry market (Yakub & Zein, 2022).

#### **b. External challenges**

The form of challenges originating from within and outside the development of the halāl industry in Indonesia such as increasing global competition and is supported by the advancement of technological digitalization. For more details, here's the discussion:

##### **1). The rise of global competitors**

The next challenge is the increasing number of global competitors in the halāl industry sector. Based on data from the state of the global Islamic economy report 2022 that there are countries that in 2021 are not included in the top 10 have now begun to improve their quality, such countries as; Kazakhstan, Singapore, South Africa, Australia, UK, Netherlands, Belgium, and Germany (Dinar Standard, 2022). Although the top position is still achieved by Muslim countries. Such as Malaysia, Turkey, and the United Arab Emirates. The current halāl industry does not only come from Muslim-majority countries, even countries with a non-Muslim majority are currently involved in the halāl industry. These countries, as discussed in the previous paragraph, are South Korea, Thailand, China, and Japan (Komite Nasional Keuangan Syariah, 2018). China has now become the largest exporter of Muslim clothing. Then South Korea became the largest halāl cosmetic producer accompanied by the development of halāl tourism. Japan is also developing the halāl industry and halāl tourism. In addition, neighboring countries such as Thailand have the vision to become the world's halāl kitchen (Yousaf & Xiucheng, 2018). This is natural considering the huge and progressive potential of the Halāl Industry (Sa'adan & Pauzi, 2017). However, it harms Indonesia, because it can reduce the consumption of halāl products produced in Indonesia, both in the domestic and international markets. Even if Indonesia is unable to compete, Indonesia will only become a consumer of this promising market (Fathoni, 2020).

##### **2). Technology digitalization competition**

In the era of society 5.0, which also desperately needs the role of digitalization of technology to facilitate the development of the halāl industry, the control center is still human (Rizal et al., 2022). One of the uses of digital technology is digital marketing. Digital marketing that uses digital technology is very important for business actors (Watini et al., 2022). The halāl industry needs to take advantage of this opportunity to expand its market share both domestically and globally (Rahmi, 2022). The development of digital marketing will encourage the halāl industry to

be better known by the public because digital media is increasingly being used by the public (Lestari, 2022). A big opportunity in the development of digital marketing for the halāl industry today is the growing number of internet users around the world, which shows that by 2020 internet users in the world will increase by more than 298 million users (Deliabilda et al., 2022).

In the era of Society 5.0, many things can be used to support digital marketing to balance economic development with solving social problems (Watini et al., 2022). On the other hand, this is also a challenge that must be faced by practitioners in the halāl industry. The industry will be increasingly competitive and industry players must research and apply it to their business as optimally as possible. In terms of digital marketing, halāl industry players need to implement these important things so that marketing can run optimally (Rahmi, 2022). Business people need to plan their marketing strategy, set goals and objectives, choose which marketing channels to use, design the type of content and media to use, plan time and choose the best partners for their business. All of these things can be easily done by business actors with the data they already have (Ahmad et al., 2022). This is why humans are at the center of and assisted by digital technology in marketing in this day and age.

The most important part of a digital marketing idea is the quality of the product to be sold (Kingsnorth, 2022). The best quality of the products offered is one of the key factors in the marketing concept. Halāl industry players will be able to compete globally with quality products and of course valuable halāl food (Ahmad et al., 2022). As long as the products offered have good quality and value, as a supporter of the next marketing strategy, it will be easier to implement (Kingsnorth, 2022). Therefore, good coordination of the digital marketing system will be able to realize the strong competitiveness of the halāl industry players in the domestic and global markets, as well as guide business actors in a better direction

## CONCLUSIONS

Based on the results of the explanation above, the halāl industry in Indonesia has quite a lot of potential to increase development of the halāl industry. The potential is quite a lot, namely from the majority of Indonesia's Muslim population. However, the existing potential is not managed properly, and several problems are a form of challenge for the Indonesian government, and policymakers to work together to make Indonesia a center for the halāl industry in the world. This article is certainly useful as good advice for the government, policymakers, and the people of Indonesia.

Suggestions for the government and policymakers to pay attention to human resources or halāl

industry business actors can recruit competent business actors. The government can also initiate a special agency for the development of the halāl industry. The government can strengthen export products and import substitutions. Can strengthen the halāl value chain, which is needed for the development of the halāl industry. The government and relevant policymakers provide direct financial support to the industry by setting up special funds for direct investment in domestic companies. In addition, the government can strongly support the industry through trade promotion activities, such as in Thailand actively supporting its halāl industry. Indonesia's existing action plans need to be expanded to support MSMEs encouraging greater diversity and innovation in halāl food. Implementation of good governance on progress regularly to allow for correction. Monitor progress and measure the impact of the halāl industry. Suggestions for the public as consumers are to increase awareness of the opportunities for the halāl industry in Indonesian society. Can build domestic affinity as part of the import substitution agenda.

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