



Development of the Halal Industry in Indonesia: Opportunities and Challenges after the Covid-19 Pandemic

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Abstract

The halal industry in Indonesia after Covid 19 has experienced growth, with Indonesia's population of 229.6 million in 2020, it has not been able to make Indonesia a supplier country for the needs of halal commodities in the world, there are many challenges that deserve joint attention to make Indonesia the center of the world's halal industry as targeted by the government in 2024 there will be two challenges in general, namely external challenges and domestic internal challenges, while opportunities for the halal industry in Indonesia are in the halal food sector, Islamic finance, halal tourism and Modest fashion. For this reason, this study aims to look at the Development of the Halal Industry in Indonesia regarding Opportunities and Challenges in the Post-Covid-19 Pandemic. This study uses a literature study, a descriptive approach, data and information collected from various literature from secondary data. Through this research, the authors hope to contribute to a portrait of the halal industry in post-pandemic Indonesia, so that they can see opportunities for development.

Keywords: Halal Industry, Covid-19, Opportunities, Challenges

A. Introduction

Indent the first line of every paragraph by 1 cm. State the objectives of your work and provide an adequate background, avoiding a detailed literature survey or a summary of the results. Explicitly state the gap in the literature, which signifies the significance of your research. In March 2020 the World Health Organization (WHO) declared that the Covid-19 virus outbreak was declared a global pandemic. According to data from Worldometers, as of November 27 2021, more than 200 countries in the world (including Indonesia) have been infected with Covid-19 with a total of 260.8 million cases and 5.2 million deaths. The impact of the Covid-19 pandemic has not only had an impact on the health crisis, but has also caused the economies of most countries to grow negatively and even experience a recession (kompas.id).

The President of the Republic of Indonesia stipulated in Government Regulation Number 21 of 2020 concerning Large-Scale Social Restrictions (PSBB) in order to accelerate the handling of coronavirus disease 2019 (Covid-19), this regulation was stipulated on March 31 2020. The implementation of this PSBB policy has affected a number of business sectors deep enough to cause damage.

The existence of a pandemic has greatly impacted every industrial sector, including the halal industry in Indonesia. However, this situation actually motivates the country to continue to strengthen the Islamic economic ecosystem in Indonesia, especially the halal industry, which is getting better than before. This is evident from the prospects for the halal industry which continues to grow from year to year. Indonesia is a country where the development of the halal industry can become a sizeable potential, not only domestically but also abroad. The latest data from The State of The Global Islamic Economy Report 2020-2021 states that Indonesia's position continues to improve. Indonesia's ranking on the global Islamic indicator is ranked 4th. This rating continues to increase compared to the previous year, which was recorded as being ranked fifth (2019) and 10th previously. Kontan Deputy President Ma'ruf Amin, who is also listed as Chair of the Board of Trustees of the Sharia Economic Community, expressed his gratitude for this achievement, (Indonesian Information Portal).

The halal industry has played an important role in improving the economy in Indonesia. The halal industry is recorded to have contributed USD 3.8 billion to Indonesia's Gross Domestic Product (GDP) each year. Apart from that, the halal industry has also contributed USD 1 billion in investment from foreign investors and created 127 thousand jobs per year. If optimized again, the halal industry can increase the value of exports and the country's foreign exchange reserves (Ministry of Finance of the Republic of Indonesia 2019). Based on this, Indonesia should be able to optimally develop the halal industry so that it continues to be able to maximally develop the Indonesian economy.

Looking at the facts on the ground, even though Indonesia is a country with the largest Muslim population in the world. However, the large Muslim population has not been able to make Indonesia a supplier country for the needs of halal commodities in the world. Based on the assessment listed in the State of The Global Islamic Report (2019), Indonesia is only ranked 5th in the Top 15 Global Islamic Economy Indicator category with a score of 49. Meanwhile, when viewed from various sectors of the halal industry, Indonesia is ranked -5 in Top 10 Islamic Finance, 4th in Top 10 Muslim-Friendly Travel, and 3rd in Top 10 Modest Fashion. Meanwhile, for the Halal Food, Media and Recreation and Pharma and Cosmetics sectors, Indonesia is not included in the top 10 (State of Global Islamic Economy Report 2019).

Based on the background above, the author is interested in conducting an analysis related to the development of the halal industry in Indonesia by raising the title "Development of the Halal Industry in Indonesia: Opportunities and Challenges after the Covid-19 Pandemic". Through this research, the authors hope to contribute to a portrait of the halal industry in post-pandemic Indonesia, so that they can see opportunities for development. Not only that, the results of this study are also expected to provide an explanation of which industrial sectors have great strength and potential in helping the Indonesian economy.

B. Literature Review

B.1. Halal Industry

B.1.1. Definition of Halal Industry

The halal industry is a group of companies operating in a productive economy processing raw materials, both goods and services with input, process and output guided by Islamic law. Halal is now a prima donna for quality assurance in general for products and living standards (Gillani et al, 2016). This industry has become universal because halal is accepted by everyone, not just Muslims and non-Muslims. The halal industry is growing rapidly in the food and beverage industry, finance, travel, fashion, cosmetics and medicine, recreational media, health and education.

Efforts to boost potential and use the possibilities of the halal sector, good synergy between all elements. This was made to achieve halal standards comprehensively (Faqiatul et al., 2018). In the form of synergy of the halal ecosystem in the halal industry, resources in the form of humans and raw materials or tools require a support system as teachers and mentors to carry out halal economic activities in the halal industry.

B.1.2. Types of Halal Industry

Halal products refer to RI Law Number 33 of 2014 concerning Guarantees for Halal Products. Article 1 states that products are goods and/or services related to food, drinks, medicines, cosmetics, chemical products, biological products, genetically engineered products, as well as goods used, used or used by the public. Halal Products are Products that have been declared halal in accordance with Islamic law.

B.1.3. Interested Institutions

To guarantee the implementation of halal product guarantees, the government established the Halal Product Guarantee Organizing Agency (BPJPH) which is responsible for the implementation of halal product guarantees. BPJPH which is under and responsible for the Ministry of Religion. If necessary, BPJPH can form regional representatives. In carrying out its authority, BPJPH cooperates with related ministries and/or institutions, LPH (Halal Inspection Agency) and MUI (Indonesian Ulema Council). Relevant ministries and/or agencies are ministries and/or agencies in charge of industry, trade, health, agriculture, standardization and accreditation, cooperatives and micro, small and medium enterprises, as well as drug and food control issues. Apart from BPJH, the government will establish an institution tasked with checking the halalness of a product. This institution is LPH (Halal Inspection Agency), where LPH is an institution that conducts inspection and/or testing of product halalness. The halal name for a product given by the MUI is arranged in the form of establishing a halal product name. The government and/or the community can form an LPH. LPH has the same opportunity to assist BPJPH in checking and/or testing product halalness. In its implementation, the Government coordinates with the MUI in the implementation and guarantee of product

halalness as referred to in Article 10, the cooperation between BPJPH and MUI as referred to in Article 7 (c) is as follows:

- a. Halal Auditor Certificate;
- b. Determine product halalness; And
- c. LPH accreditation.

B.1.4. Mechanism for submission and determination of product halalness

Every business actor who produces products and wants to market or trade their products on the market, can apply in writing to obtain halal certification from the MUI. The mechanism starts with a written business actor submitting a Halal Certificate to BPJPH or LPPOM, if a regional BPJH has not been formed. Then BPJPH establishes a Halal Inspection Agency (LPH) which already has an auditor to conduct an audit (examination). Furthermore, the LPH submits the results of the inspection and/or product halal testing to BPJPH for internal trial. The results of the internal hearing are submitted to the Indonesian Ulema Council (MUI) in order to obtain a determination of product halalness. If the internal auditor meeting does not find anything that causes the product to not meet the product halal standard, it will be rejected and the business actor can then submit another application after all is deemed sufficient. As the following flow chart of the halal certification process.

If Law No. 34 of 2014 concerning Guaranteed Halal Products (JPH) is enforced, then products that enter, circulate, and are traded in the Indonesian Territory must be halal certified. For this reason, the Government is responsible for administering JPH (Halal Product Guarantee).

B.2.Economic growth in Indonesia

Sukirno explained "economic growth is a manifestation of the development of an activity in economic activity which causes the goods and services produced in a society's population to increase and people's welfare to increase". Economic growth is often used to determine an achievement and development of an economy from time to time. The ability of a country can be measured by the amount of production of goods and services that have increased. This capability results from the increase in several factors of production both in terms of quantity and quality, including investment which will result in an increase in the number of capital goods and the technology used will also develop. On the other hand, the number of workers will continue to grow due to the increase in population along with the increase in the quality of education and their skills.

In general, economic growth can be interpreted as an illustration of an increase in the ability of an economy to produce goods and services. Economic growth is a very crucial instrument in analyzing economic development that occurs in a country. Economic growth illustrates the extent to which an economic activity will form additional value to people's income within a certain period of time. Because basically economic activity is a process of using factors of production to shape output, this process will in time form a genre of remuneration for factors of production owned by the people, with the existence of an economic

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growth then naturally people's income becomes the owner of these factors. factors of production will also increase simultaneously.

The economy is said to have developed and is said to have experienced growth if all the real remuneration received by the public for the use of some products in a certain period is greater than the receipts in the previous period. Using other terms, the economy will be said to experience growth if the real income of the people in a certain period is greater than the real income of the people in the previous period.

The Neo Classical theory is Robert Sollow and Trevor Swan who have continued to develop it since the 1950s. From this theory, it can be concluded that a country's economic growth depends on the addition and provision of factors of production (population, labor, capital accumulation) and the level of progress of a modern technology. This theory measures the extent to which a country's economy will continue to grow depending on population growth, capital accumulation and technological advances.

Harrod-Domar's theory is a development of Keynes's analysis of economic activity at the national level and employment issues. This theory attempts to illustrate several things that must be needed so that an economy can continue to grow and develop steadily (steady growth).

The Harrod-Domar theory has several assumptions, namely as follows:

- a) The economy is at full employment and the capital goods that are in the community are used in full.
- b) The economy is divided into two sectors, namely the household sector and the corporate sector.
- c) The amount of public savings is proportional to the amount of national income, meaning that the savings function starts from zero.
- d) The incentive to save (marginal propensity to save = MPS) is constant, so is the capital-output ratio (COR) and the incremental capital-output ratio (ICOR).

2.3. Impact of Covid-19 on the Development of the Halal Industry in Indonesia

COVID-19 according to (WHO, 2020) is a disease caused by a new corona virus called SARS-CoV-2. This virus was first recognized on December 31, 2019 in Wuhan, China. People infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people and people with pre-existing medical and medical problems such as cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness.

The impact that occurred as a result of the virus outbreak, affected various fields, both in the health, education and economic sectors. due to the rapid transmission, the Government of Indonesia took preventive steps by implementing Large-Scale Social Restrictions (PSBB). Restrictions imposed by the government include limiting hours or hours of activity, limiting travel from one region to another, limiting the number of workers in one office, and limiting

all activities that impact the economic, social, political, health, tourism and other fields. (Susanna, 2020).

The implementation of the PSBB policy forces companies or organizations to limit production and sales which are the impact of the decline in people's purchasing power. So that in the end it affects the income of various industries, including the halal industry in Indonesia, starting from the halal industry in food products to the halal financial services industry.

Broadly speaking, the COVID-19 pandemic has had a significant impact on the development of the halal industry. The greater need for the quality and safety of halal products provides opportunities and challenges for halal industry players to continue to innovate and improve the quality of their products. The government also plays an important role in encouraging and strengthening the halal industry to remain competitive in the global market.

C. Research Method

This research is a type of literature study research, with a descriptive approach, by collecting data and information from various literature and secondary data from various sources (journal references, reports, web information, etc.) related to the themes raised in this paper, then processed and developed by the author. The problem-solving framework in this study, starts from the selection of research topics and then formulates the problem to see what the problem to be studied is. Furthermore, the researcher collects the required data and performs an analysis based on the data that has been collected, and then draws conclusions based on the descriptive analysis that was carried out. Next, compile a research report.

D. Result/Findings

More than three years since the positive case of Covid-19 in Indonesia was first detected on March 2 2020, the government has officially revoked the status of the Covid-19 pandemic in Indonesia. Reported from dpr.go.id. This decision was made by Indonesian President Joko Widodo at the Merdeka Palace, Wednesday (21/6/2023), which is in line with the revocation of the Public Health Emergency of International Concern (PHEIC) status for COVID-19 by the World Health Organization (WHO). In the wake of the COVID-19 crisis, government and industry have unique experiences and important lessons to learn. The pandemic has affected the global economy in many ways. Some companies were able to strategize and bounce back, while others suffered heavy losses and waited for the pandemic to end.

So with that the Government since 2021 has made important policies as milestones in the development of the sharia economy. First, Bank Syariah Indonesia which is a combination of three state-owned Islamic banks. Second, launch of the National Cash Waqf Movement. Third, strengthening halal regulations through Government Regulation (PP) Number 39 of 2021 concerning Implementation of the Halal Product Guarantee Field. "Furthermore, the Ministry of Industry will hold the IHYA for the first time in 2021 and it will be held again for the second year of the 2022 Indonesia Halal Industry Awards (IHYA) with the aim of strengthening the sharia economic ecosystem, especially the halal industry. (kemenperin.go.id). and for the first time in 2022 Indonesia is entrusted with holding the presidency of the Group of 20 (G20) with

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the theme "Recover Together, Recover Stronger". Indonesia was chosen to invite countries to work together and support each other in order to recover together, grow stronger, and develop in a sustainable manner and demonstrate international confidence in Indonesia's ability and capacity to manage the country's economic recovery, and at the same time, encourage the world economy to rise return. As stated by President Joko "Jokowi" Widodo, the G20 Presidency is a catalyst for an inclusive global economic recovery. (kemenag.go.id)

The growth of the halal industry in Indonesia after Covid 19 has experienced growth, with an Indonesian population of 229.6 million in 2020, make Indonesian home to the world's largest Muslim population. Based on the report from the State of Global Islamic Economic Report 2020-2021, the consumption level of the world's Muslim community has reached USD 2.02 trillion in the food, pharmaceutical, cosmetic, fashion, travel and halal media/recreation sectors. Expenditures of Indonesian Muslims for halal products and services amount to USD 184 billion in 2020, the Islamic economy also continues to grow and shows encouraging developments. Bank Indonesia (BI) in the Indonesia Halal Market Reports 2021/2022 notes the potential contribution of the Islamic economy to a total of US\$5.1 billion to national GDP through exports of halal products, growth in foreign investment, and import substitution.

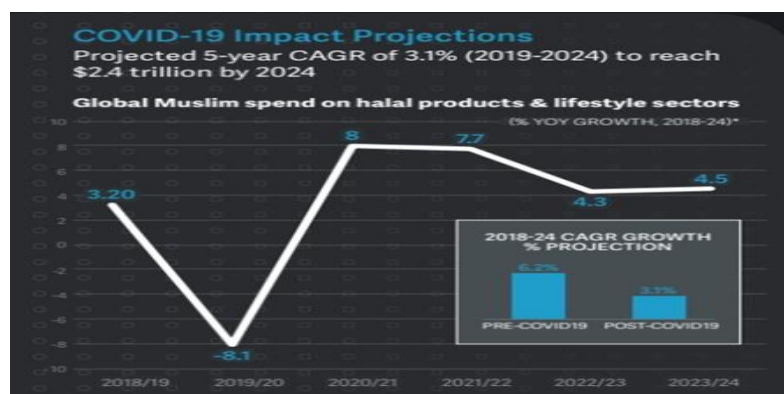
This potential provides an opportunity for Indonesia to become the center of the World Halal Industry, seeing that the public's need for products and services labeled halal is increasing along with increasing awareness of the quality, safety and health of products consumed in the food, pharmaceutical, cosmetic, fashion, travel and Halal media/recreation poses a challenge for Indonesia to recover its economy.

Opportunities for the development of the halal industry which has become a trend in the midst of the global community is a separate opportunity for the halal industry in Indonesia towards the center of the world halal industry which is targeted for 2024.

1. Aspects of Global Recognition

Even though the economic crisis occurred in various countries during the Covid 19 period, it did not stop the growth of the halal industry. Observing the growth of the world's halal industry before Covid-19 and after Covid-19 can be seen in the graph below:

Figure 1. Growth of the World Halal Industry



Sourch: Global Islamic Economy Report 2020/2021

Based on the graph of the Global Islamic Economy Report (Standard, 2020). The growth of the halal industry before Covid-19 grew 6.2% while during Covid-19 the growth was only 3.1%, it can be concluded that the growth of the world's halal industry has decreased by 50% from the year before the pandemic (Hasanah, 2021). Even though it has decreased, the halal industry is still experiencing growth which can at least affect the national economy.

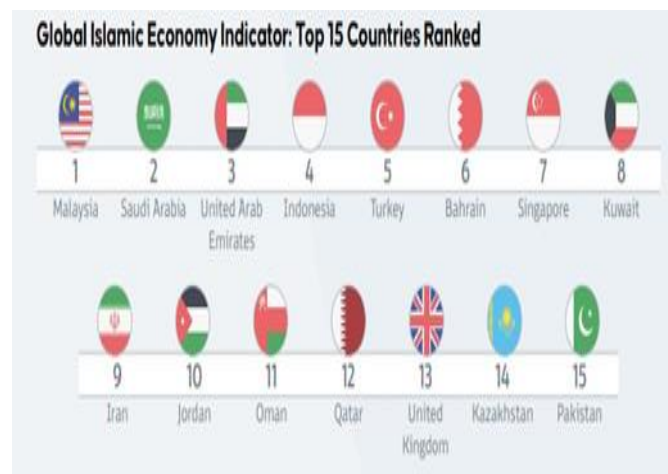
Figure 2. World Islamic Economic Ranking Indicator Scores



Source: Global Islamic Economy Report 2020/2021

Indonesia, especially in the Economic Growth of the Halal Industry according to the State of the Global Islamic Economy Report 2020/2021 notes that globally Indonesia is ranked fourth in the world out of 15 countries included in the Top 15 Global Islamic Economy Indicator Score Rank which has increased to occupy the 4th position, in under Malaysia , Saudi Arabia , United Arab Emirates . More specifically, in the halal food sector, Indonesia is ranked 2nd; then , in modest fashion , Indonesia is ranked 3rd ; and ranked 9th in the pharmaceutical and cosmetics sector.

Figure 3. Indicator score of the World Islamic Economic Ranking



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Source: Global Islamic Economy Report 2022

Figure 4. Score Indikator Rangkang Ekonomi Islam Indonesia



In 2022 Indonesia maintains the 4th position in the overall GIEI ranking. Indonesia continues to rise in the ranking of the Halal Food indicator, occupying the 2nd position this year, where previously in 2021 it occupied 4th position. Islam Finance occupied 6th position and modest fashion in 3rd position, both positions remained the same as the previous year, while in the Muslim friendly travel category in 2022 it experienced a decline not entering the top 10, whereas previously in 2021 occupying the 4th position. pharma and cosmetics has decreased from 6th position to 9th position. Media and recreation has decreased from 5th place, in 2022 it is not included in the category.

2. Sharia Finance

Figure 5. Growth of Global Islamic Finance Assets



Source: Global Islamic Economy Report 2022

The number of Islamic financial institutions in 2021 totaled 471 and in 2022 there will be an increase of 473. From a qualitative aspect, Indonesian Islamic finance has also recorded good performance during the pandemic, as evidenced by maintaining the 2nd place in the 2021 Islamic Finance Development Indicator published by Islamic Finance Development Report 2021. As in the previous year, Indonesia's ranking is supported by 2 (two) indicators, the first is Knowledge which ranks first with Malaysia, marked by the largest number of Islamic financial educational institutions and is the 2nd country that produces financial research papers most sharia. The second indicator is Awareness which ranks 3rd after Malaysia and Bahrn, marked by the many seminars and conferences that discuss topics around Islamic finance.

Figure 6. Growth of Global Islamic Finance Assets



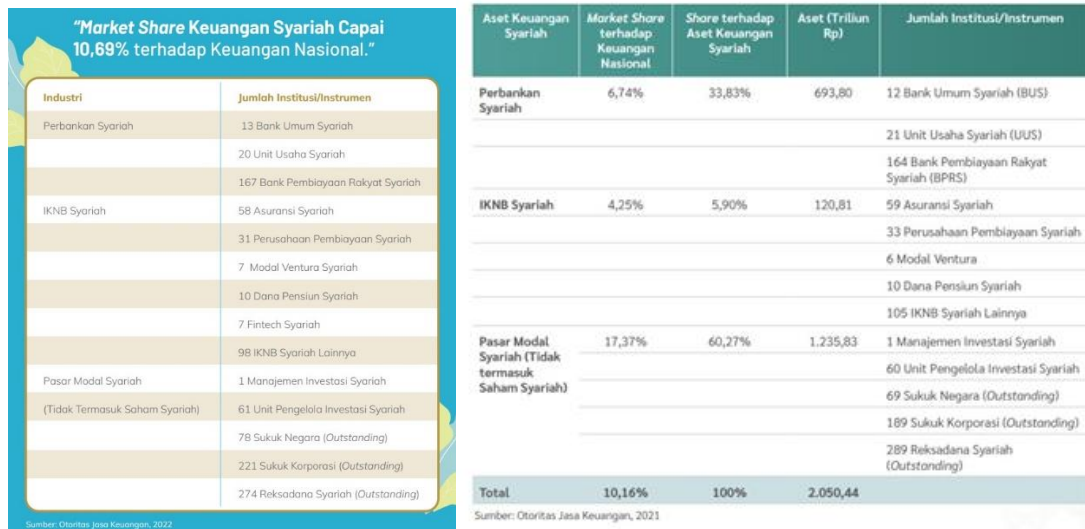
Source: Laporan Perkembangan Keuangan Syariah Indonesia (LPKSI) 2021

As of December 2022, Indonesia's total Islamic financial assets (excluding Sharia Shares) reached IDR 2,375.84 trillion or US\$151.03 billion (BI Middle Rate as of 30 December 2022 = IDR 15,731/US\$). As of December 2021, Indonesia's total Islamic financial assets (excluding Sharia Shares) were able to grow 13.82% (yoy) to Rp. 2,050.44 trillion or US\$143.70 billion (BI Middle Rate as of December 31, 2021 = Rp. 14,269. 01/US\$). increased from the previous year of IDR 1,801.40 trillion. The Islamic Capital Market, which has the largest portion of Islamic financial assets (60.27%), experienced the highest growth among

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other sectors with a rate of 14.83% (yoy). Islamic banking with a market share of 33.83% of Islamic finance grew by 13.94% (yoy). Meanwhile, Sharia IKNB, which has a portion of 5.90% of total Islamic financial assets, also grew by 3.90% (yoy).

Figure 7 . Perkembangan Aset Keuangan Syariah



Source: Laporan Perkembangan Keuangan Syariah Indonesia (LPKSI) 2022

Development of Total Islamic Financial Assets in 2021-2022 In Islamic banking instruments, BUS and BPRS have increased while UUS have decreased, the Islamic IKBN Industry in Islamic Insurance instruments, Islamic financing companies, and Islamic IKBN have decreased while for Islamic venture capital instruments experienced increase, for Islamic Pension Funds to remain the same as before in 2021. The Islamic Capital Market Industry in Islamic investment management instruments remains the same as the previous year, while others have increased.

Figure 8 . Perkembangan Total Aset Sektor Jasa Keuangan Syariah Indonesia



Source: Laporan Perkembangan Keuangan Syariah Indonesia (LPKSI) 2022

The Indonesian Sharia Financial Services Sector consists of 3 sub-sectors namely,

- a. Sharia Banking,
- b. Sharia Non-Bank Financial Industry (IKNB) (consisting of Insurance, Financing Companies, Other Sharia Non-Bank Institutions),
- c. and Sharia Capital Market (consisting of State Sukuk, Corporate Sukuk, and Sharia Mutual Funds)

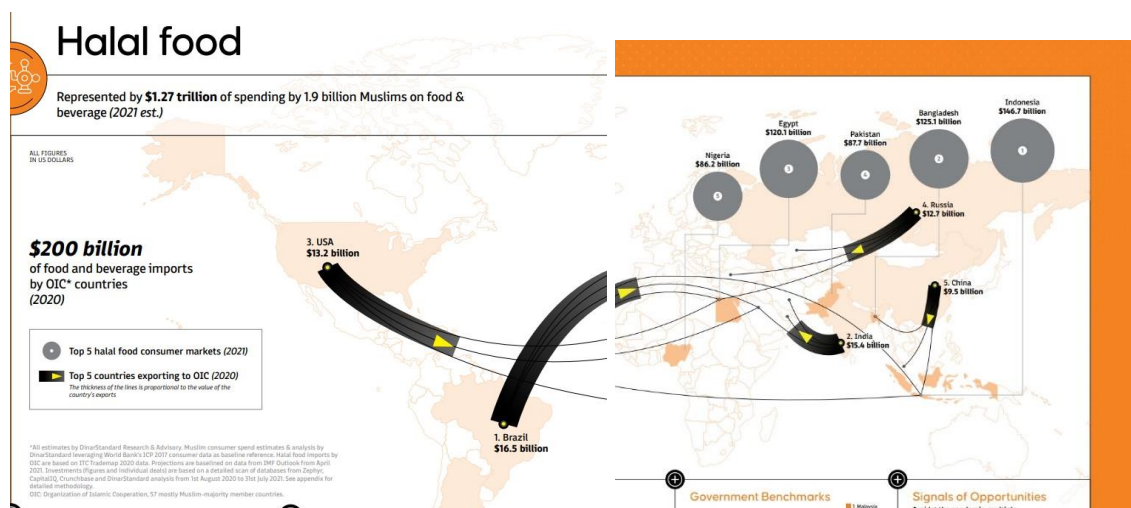
From the Islamic Financial Services sector in Indonesia, to the development of total assets of the Islamic financial industry, the development of total Islamic banking assets, and the development of total Islamic IKNB assets has increased every year even though it was during and after the Covid 19 pandemic in 2019-2022. Meanwhile, the development of total Sharia Capital Market assets have increased since 2018 until 2020 reaching 1,706.22 trillion, which is the highest achievement from 2018 to 2022 but in 2021 it has decreased by 1,235.83 trillion, then in 2022 it has increased by 1,427.48 trillion.

3. Halal Food

Indonesia as the world's largest Muslim population has great potential and opportunities in developing halal products. It is a demand for Muslims to consume halal food products better, so that with a Muslim population in Indonesia which reaches 87 percent of Indonesia's total population of 265 million, Indonesia is one of the most promising market share for halal products.

Globally Muslim spending on food increased by 6.9%, from US\$1.19 trillion in 2020 to US\$1.27 trillion in 2021, with Indonesia, Bangladesh and Egypt ranking as the top three countries, maintaining their position from Then. A CAGR of 7.1% is expected between 2021 and 2025, with Muslim spending expected to reach US\$1.67 trillion by 2025

Figure 9 . Consumer Countries and Countries Exporting Halal Food



Source: Global Islamic Economy Report 2021

Indonesia maintains its position on The Global Islamic Economy Indicator in the State of the Global Islamic Economy (SGIE) Report 2022 which was launched by DinarStandard in Dubai. Indonesia is ranked fourth after Malaysia, Saudi Arabia and the United Arab Emirates.

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DinarStandard CEO Rafi-uddin Shikoh said, although still in the same ranking as last year, Indonesia experienced a significant increase in the halal food sector. Indonesia rose two places to second place in the halal food sector.

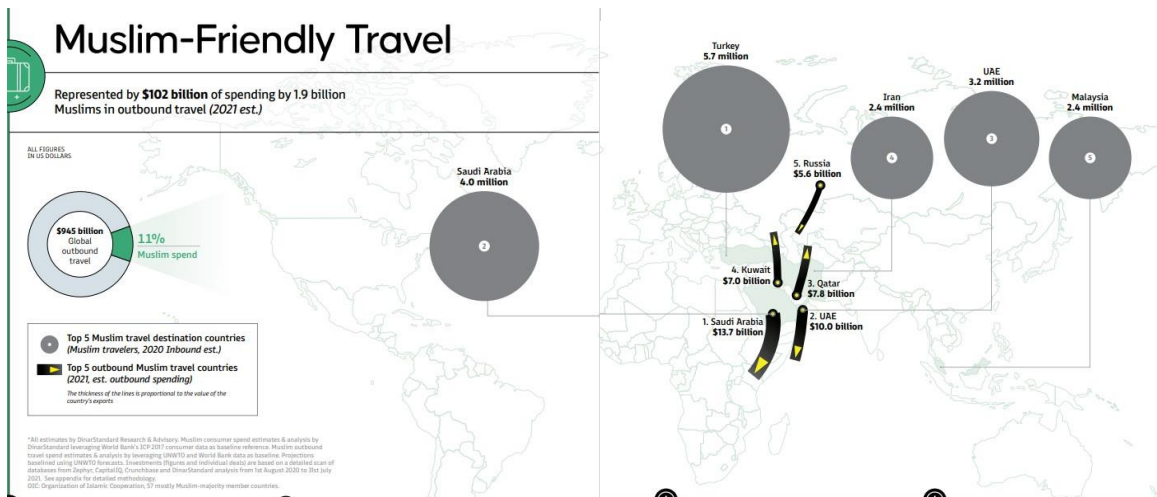
Government investment in the halal food sector is the world's third largest, with a total investment of US\$6.3 billion by 2020. This investment shows how serious the government is in supporting the development of Indonesian halal food products. Other steps and support that show the government's seriousness in the halal food sector with the steps taken by the government are as follows:

- a. Ratification of the Halal Product Assurance Organizing Body (BPJPH) for the transformation of the implementation of halal products in Indonesia which started from voluntary to become mandatory
- b. The Ministry of Industry includes Halal Industry Empowerment as part of the National Industrial Policy (KIN) stipulated in Presidential Regulation number 74 of 2022 concerning National Industrial Policy for 2020 – 2024
- c. The government through the Ministry of Industry facilitates competency certification for 36 halal auditor personnel and 1,205 halal supervisors. In addition, Halal industry certification assistance has also been provided to 1,095 IKMs and will continue again in 2023.
- d. Conduct data collection and selection of assistance for halal industry certification in 2023, the Halal Industry Data Collection Information System, or called SALIHA. Industry players and industry advisory agencies can register potential recipient industries for halal industry certification by accessing the link <http://saliha.kemenperin.go.id/>.
- e. establishment of the Halal Inspection Agency (LPH). There are 13 accredited LPHs spread across Indonesia.

4. Halal Tourism

The world of halal tourism and Sharia travel is totally paralyzed, almost all halal tourist destinations are in suspended animation, every mass crowd and direct two-way communication is a prohibited activity. Countries in the world that have world-class tourist destinations have stopped their activities and closed themselves. They prohibit foreign tourists from entering their respective countries, while local people who incidentally are local tourists are prohibited from traveling. Islamic countries such as Saudi Arabia, which has the largest international service activities for Muslims, namely the Hajj and Umrah pilgrimages, were declared closed. Saudi Arabia International Airport carries out a total closure. The holy cities of Mecca and Medina which are the holy cities of Muslims must carry out sterilization and limit pilgrims who want to worship. Immigrants were sent home without exception, local communities were restricted from leaving their homes. International-class Sharia Travel companies that serve Umrah and Hajj trips lost pilgrims and suffered significant losses, while regional Sharia travel experienced activity closures. Services supporting the world of tourism such as hotels, restaurants, gift shops and transportation stopped for a while with an unclear timeframe for reopening to serve their customers. The halal tourism sector and Sharia travel which absorb a large number of human resources by exploring natural resources in each country experience the lowest point in their activities and transactions.

Figure. 10 Top 5 Muslim travel destination countries



Source: Global Islamic Economy Report 2019/2020- 2020/2021

Based on the 2021 Global Travel Muslim Index (GMTI), Indonesia is in fourth place on the list of the world's 20 best halal tourist destinations with a score of 73. In 2022, Indonesia is ranked second, outperforming 138 destinations from around the world. In 2023 Indonesia ranks first as the best halal tourist destination in the world, beating 140 other countries.

Muslim spending on travel increased by 2.7% in 2019 to \$194 billion from \$189 billion in 2018. With the impact of the COVID-19 crisis, Muslim spending on travel is expected to fall to \$58 billion in 2020 and recover to 2019 levels by 2023. Muslim consumer spending on travel is expected to grow at a 5-year CAGR of 1.4% from 2019 to 2024.

There are three main assets owned by the Indonesian people, namely, human resources, natural resources and culture or customs. These three capitals can be used as the main pillars in the development of halal tourism with Sharia travel. Meanwhile, to apply it post-covid 19, there are three strategies that can serve as guidelines, namely:

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1. Reorient the Indonesian people in the halal tourism movement and Sharia travel,
2. Government regulations in supporting the development of halal tourism and Sharia travel
3. Participation of Islamic Organizations in the development of Halal tourism and Sharia travel.

5. Modest Fashion

The fashion trend for simple clothing by wearing clothes that don't reveal too much skin is currently stealing a lot of attention, whether they are Muslims or not. Fashionistas of the simple movement share the desire to be fashionable without showing too much skin.

Modest dress has evolved from being just a religious movement, it is now a fashion-savvy trend and the industry is thriving. Modesty is an interesting keyword from this trend, not only for Muslims but also a wider audience of women.

Annabel John – founder of a global modest fashion brand - said in an interview with Forbes that Muslim women spend \$48 billion a year on modest clothing. Furthermore, according to the State of the Global Islamic Economy Report 2020/2021, Muslim spending on clothing and footwear grew by 5.7% in 2021 to reach US\$295 billion from US\$279 billion in 2020. Iran, Turkey and Pakistan rank as the top three countries by spending. A CAGR of 6.1% is expected between 2021 and 2025, with the value of spending on Muslim clothing and footwear expected to reach US\$375 billion by 2025. with strong growth predicted for a country like Indonesia (Benissan, 2021).

Figure 11 . Realization of Indonesian Apparel Exports 2018-2023



Source: Ministry of Trade of the Republic of Indonesia

Most exported apparel in Jan-Mar 2023:

1. Suits, women's dresses, USD 460.33 million (22.98% share)
2. Suits, jackets, men's trousers, USD 315.29 million (15.74% share)
3. Jersey, cardigans, USD 205.19 million (10.24% share)
4. Other women's clothing, USD 168.37 million (8.40% share)
5. Women's blouse, USD 161.69 million, (8.07% share)
6. Men's shirts, USD 152.23 million (7.60% share)

The realization of Indonesian apparel exports has continued to increase from 2020 to 2022. The export value in 2022 reached USD 9.58 billion, the highest since 2018. However, in 2023 (January-March), Indonesian apparel exports decreased by 22, 1% (YoY), to USD 2.00 billion.

Figure 8 . Indonesian Apparel Export Countries 2018-2023



Source: Ministry of Trade of the Republic of Indonesia

Modest industry Indonesian fashion according to Bank Indonesia data shows that transactions of halal products traded through e-commerce platforms from January to October 2021 are dominated by Muslim fashion products which have a market share reaching 91.93 percent of the total nominal value of halal products worth IDR 12.18 trillion.

In addition, Indonesia is also experiencing rapid expansion in the middle class (Chan, 2017), which has helped transform the country's consumer market. Based on a recent survey by the Boston Consulting Group (BCG), Indonesia shows a growing middle class of 64% to 41.6 million in 2012 and 68.2 million in 2020. In other words, businesses in various industries can expect to benefit from and experience greater business opportunities, because Indonesian middle class people who can afford to shop for selected goods are increasing.

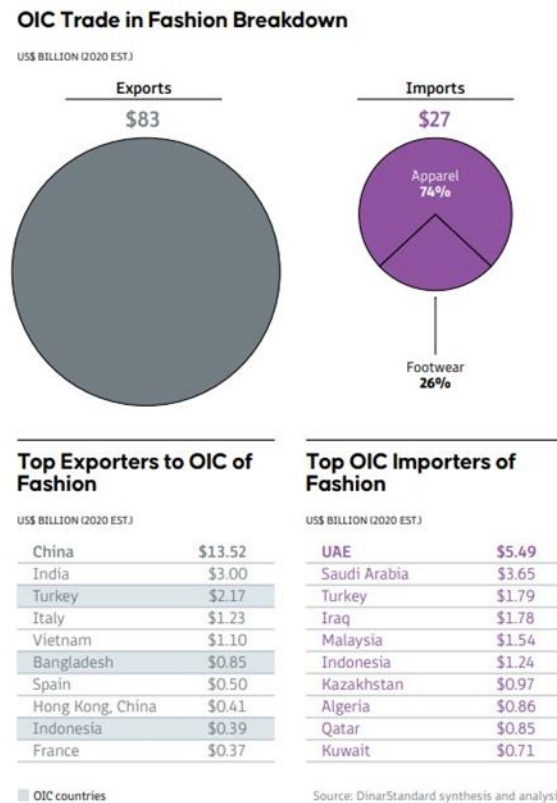
Apart from the opportunity to build a business in this industry, competition in the modest fashion industry must also be considered. Indonesia's main competitor in producing hijab and simple clothing products is China, which is able to offer products at lower prices (Global Business Guide Indonesia, 2016). Currently, the largest modest fashion producer is China, which controls 27.14% of the global market. Bangladesh is in second place (9.49) followed by Vietnam (7.23%, Germany (6.19%) and Italy (5.33%).

This is important because domestic customers tend to prioritize price over quality, which encourages local manufacturers to resell Chinese products rather than helping develop local products. Moreover, several international brands have started to be interested in simple fashion and have proposed collections for the Islamic world, such as H&M, Zara, Uniqlo, Tommy Hilfiger, and Dolce & Gabbana (Sandikci, 2018; Lewis, 2013).

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This opportunity is realized by observing Muslim spending in the fashion sector (Azam & Abdullah, 2020). Based on data on Indonesia's export value, in 2019 it reached US\$8.3 billion until February 2020 there was an increase of US\$1.38 billion with a contribution to national GDP of 5.4% in 2019, this export growth includes the halal fashion industry (Hassanah, 2021)

Figure 8 . Negara Ekspor Pakaian Jadi Indonesia Tahun 2018-2023



Source: Kementerian perdagangan Republik Indonesia

Globally the Organization Islamic Cooperation (OIC) or the Organization of Islamic Cooperation (OIC) in 2020 out of 10 countries, Indonesia ranks 9th as an exporting country and ranks 5th for countries that import clothing

Exports of Indonesian Muslim fashion products exceeded US\$2.91 billion or Rp.41.3 trillion in January-August 2021. Interestingly, most of these products were exported to non-Muslim countries or countries that are members of the Islamic Conference Organization (OIC). Director of Export Product Development of the Ministry of Trade Miftah Farid said the top five export destinations for Indonesian Muslim fashion products were the United States, namely 55.85%, Japan (7.80%), Germany (5.32%), South Korea (3.12%) , and Australia (2.86%). Thus, the total exports to the five countries reached 74.95%. Meanwhile, imports of Muslim fashion were only US\$0.20 billion, so that Indonesia as a whole had a surplus of US\$2.71 billion. Muslim fashion is closely called modest fashion because the clothing style that covers the body shape or does not accentuate the body shape is called modest fashion.

The potential for the development of Muslim fashion or fashion in Indonesia is very large. Director of Various Industries and IKM Chemicals, Clothing and Crafts of the Ministry of Industry, E Ratna Utarianingrum quoted by Media Indonesia stated that consumption of Indonesian Muslim fashion in 2019 amounted to 16 billion US dollars, Indonesia is the fifth largest in the world after Iran, Turkey, Saudi Arabia, and Pakistan. Based on data from the Pusdatin Ministry of Industry, the export performance of the apparel industry throughout 2020 reached US\$7.04 billion and in the January-February 2021 period it reached US\$1.24 billion.

The 2019 PIN editor reported that in 2019, the exports of the Muslim fashion sector had reached 9.2 billion US dollars, equivalent to 9.8 percent of the total processing industry exports. Even when viewed from the domestic market, the consumption of Muslim fashion products has exceeded 20 billion US dollars, with an average growth rate of 18.2 percent. Globally, Indonesia has enormous influence in the field of fashion or Muslim clothing, as reported by the State of the Global Islamic Economy Report 2020/2021, placing Indonesia in second place in the Top 10 world fashion sector. Thus it is not impossible for Indonesia to become a leader and pioneer of world Muslim fashion in the future. Apart from Muslim clothing or fashion, the halal cosmetics industry also has a large market potential, both domestically and abroad. Acting Director General of Small and Medium Industries and Multifarious Industries (Dirjen IKMA), Reni Yanita, said the market potential for the cosmetics industry is quite large. Indonesia's export value alone reached 784 million US dollars, or 0.56% of the total export market value, 140 billion US dollars. Exported products include essential oil & toiletries products, soaps, skin and facial scrub products, as well as perfumes and perfumed liquids. These conditions provide optimism for Indonesia in the international arena as a pioneer in the world's halal industry in the future, if it gets optimal support. from various parties, especially stakeholders and the synergy between business actors and stakeholders.

6. Challenges of the Indonesian Halal Industry

In addition to the opportunities that Indonesia has in the field of the halal industry, it also has many challenges that deserve common attention, especially from the government and stakeholders. As a country with a majority Muslim population and the world's largest Muslim population, ideally Indonesia is able to be at the forefront of all sectors in the country's halal industry, but in reality it is not as easy as imagined. Becoming the center of the world halal industry as targeted by the government in 2024 has two challenges in general, namely external challenges and internal challenges in the country, there are three external challenges faced by Indonesia namely, first, the number of competing countries. Competitor countries emerged from Muslim countries and non-Muslim countries not only countries that are predominantly Muslim, non-Muslim countries are also not left behind to enjoy their market share. This of course will increase competition between countries in the world to seize the size of the halal industry. This was stated by the Minister of National Development Planning/Head of Bappenas, Bambang Brodjonegoro. (Kompas, 2017) As a result of the emergence of these competing countries, it will certainly affect the absorption of Indonesian halal products on the global stage. So that it is necessary to improve the quality of products and services so that they are able to compete with these competing countries so that they do not become bystanders or

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consumer countries of the world's halal products. In addition, domestic products will also be threatened with reduced levels of absorption of consumption among Indonesian people by the presence of foreign products entering the country.

Second, the unavailability of uniform halal certification that has been agreed globally. One of the reasons is the absence of a consensus by countries in the world regarding international standard halal certification. In addition, each country has its own halal certification standards. The involvement of non-Muslim countries in the world's halal industry, as described above, cannot be separated from the incompatibility of Muslim countries in setting halal product standards so that the majority of non-Muslim countries actually play a large role in the production of halal products. This condition is one of the things that needs serious attention for Indonesia if it wants to become the center of the world halal industry, at least Indonesia appears as a pioneer in initiating world halal certification standards.

Third, the incompatibility of Muslim countries in setting standards for halal products. Head of the World Halal Association Ahmet Gelir, quoted by Dea Alvi Soraya, the world's Muslim countries in setting halal product standards is a challenge to the Islamic world. Making non-Muslim majority countries take a big role in producing halal products. Even though the issue of halal products is a matter of Shari'a so it should be managed by an organization or accreditation body that has experts with sensitivity to the Islamic faith.

The internal challenges faced by Indonesia, which were explained by Fathoni and Syahputri, included; First, the lack of halal awareness in Indonesian society. Halal awareness is closely related to knowledge, understanding and the level of religiosity of the community, so it requires more intense socialization by related parties, in order to provide understanding and awareness of the halal life style for the community, especially in consuming halal products. Likewise, socialization for MSME entrepreneurs, especially those engaged in the halal industry, both goods and services. In the current millennial era, there are many ways that can be done to socialize halal products so that they can easily reach the public and are easy to understand, starting from social media, web sites, print media, television, and others. The most effective media for the community can certainly be adjusted to the conditions of the community, those in urban areas can be done through online media, such as social media, websites, and others. While those in remote areas, can be done through television and radio media.

Second, there are problems with Law Number 33 of 2014 concerning Guarantees for Halal Products. Fajaruddin, quoted by Fathoni and Syahputri, explained that since Law Number 33 was enacted in 2014, its implementation only came into effect on October 17, 2019. Even after it was enacted in 2019, the JPH Law still requires time because the obligation to certify halal is carried out legally. gradually. This shows how slow the implementation of regulations in the country is, as well as the weak implementation of halal certification for the halal industry in the country.

Third, the low awareness of the Indonesian people to compete. One of the things that has become the weakness of the Indonesian people is their consumptive habits and lack of awareness to become producers of goods and services. So it is natural that the Indonesian market is dominated by imported products, ranging from home products to large industrial products. Imported products can be found not only in modern markets, such as malls and

supermarkets, but also in traditional markets. Especially in the online market or e-commerce business which is being loved by the majority of the Indonesian population, especially millennials. Based on the results of a survey conducted by We Are Social in April 2021 quoted by Databooks Katadata.co.id, Indonesia is the first country out of the 10 countries with the highest e-commerce users in the world, namely 88.1% of internet users are e-users. -commerce. This is an opportunity as well as a challenge for Indonesia to be able to compete in the global halal industry.

In addition to the respective challenges of the three external and internal challenges mentioned above, an Economist from the Core Indonesia institution said that the halal industry in Indonesia is still facing obstacles, these obstacles are at the same time a challenge for the Indonesian halal industry. First, the business opportunities for the halal industry have not been realized by many parties or regulators. The halal industry business opportunities that have been described above, have not been understood and realized by all elements of society, the nation and state in the country, so it requires various parties to conduct outreach to all levels of society so that they have awareness and understanding of the opportunities for the Indonesian halal industry which can become one of the a superior product in the eyes of the world. Ideally, the Indonesian people, who are predominantly Muslim, have great potential to develop halal products, especially for existing MSMEs, but due to their lack of understanding, this has not been optimal and has not been able to become a superior product in society. Coupled with the business focus and conditions of educational background and understanding of various communities.

Second, the limited supply of raw materials that meet halal criteria. This can be seen from the supply of halal raw materials in Indonesia which is still around 37% of the total demand. Whereas on the other hand the abundance of natural resources in Indonesia if managed properly will produce raw materials that meet halal criteria. Third, there is still limited understanding of a number of producers accompanied by inadequate infrastructure. The lack of understanding of producers of the goods and services business industry about the importance of the halal industry is a challenge for stake holders, especially the government, in socializing halal products. Likewise with the availability of adequate infrastructure to ensure the implementation of the halal cycle in the industrial world. This ultimately makes it difficult to guarantee that the production chain of goods is truly halal.

Fourth, differences in standardization and certification of halal products. As previously stated, uniformity in the standardization of halal certification is important to guarantee the halalness of halal products not only domestically but also products originating from abroad. This is in line with what was disclosed by the Governor of Bank Indonesia, who is also the Chairman of the Council of Experts on the Islamic Economic Community (MES), Perry Warjiyo, in the Opening Ceremony Road to ISEF 2021, 1st Indonesia International Halal Fair and 2nd Intercontinen Talk quoted by Ihram.co .id. that the four aspects of optimizing the Indonesian halal value chain towards global market competition include halal certification, strengthening the ecosystem of business actors, improving product quality, and maximizing the overall value chain.

Fifth, the large number of imported products entering Indonesia. In research conducted by Uswatun Hasanah that one of the challenges of the Indonesian halal industry consists of four, one of which is the large number of imported products circulating in the Indonesian

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market. The Indonesian Employers' Association (APINDO) cited by mediaindonesia.com stated that the number of imported goods entering Indonesian territory apart from Batam and the Riau Islands, throughout 2019 was 57.9 million packages, experiencing a drastic increase of around 197% when compared to imports in 2018. This data does not include imported goods traded directly on social media and e-commerce applications.

According to the Minister of Trade of the Republic of Indonesia (Mendagri), Enggartiasto Lukita quoted by [Tirto.id](http://tirto.id). He stated that around 90 percent of the products traded on the Indonesian e-commerce market were dominated by imports, only around 10 percent of products were domestic. Of course this is a separate threat to domestic MSME products, which incidentally are the backbone of the nation's economy. In addition to the obstacles mentioned above, there are still other challenges in the development of the halal industry in Indonesia which are no less important, namely the role of Islamic banks which are not yet optimal in encouraging the development and improvement of the halal industry. There are at least seven things that cause the role of Islamic banks to be less than optimal in guarding the halal industry in Indonesia.

First, the lack of human resources who can not only understand fiqh aspects but also understand financial aspects. Even though in terms of numbers, Indonesia is a country with the world's largest Muslim population, which of course this can be an asset for Islamic banks in creating quality human resources. However, the world's largest Muslim population apparently does not guarantee the availability of quality human resources. Second, there is still a lack of Islamic banking education for the "lower class" society, which incidentally plays an important role in the MSME sector. Third, Islamic banks are less active in financing. This can be shown by the still difficult process of managing and applying for financing in Islamic banks. Fourth, there is a moral hazard action in the form of information asymmetry between Islamic banks and customers. Fifth, there are still widespread abuses committed by some individuals who work in Islamic banks. Sixth, Islamic banks as partners of MSME actors are considered not optimal, because Islamic banks are only limited to assisting in providing financing, but do not participate in helping advance MSMEs in increasing their income. Seventh, the small number of Islamic banks in Indonesia has caused Islamic banks to not reach remote areas.

E. Conclusion

Based on the description of the results of the discussion above, it can be concluded that there are several aspects to the opportunities for developing the Indonesian halal industry towards the center of the world halal industry which is targeted in 2024. First, global recognition, Second, Finance, Third, halal food, Fourth, halal tourism, and finally, the halal lifestyle aspect. The challenges of the Indonesian halal industry in general come from external and internal to the Indonesian nation. External Challenges consist of three challenges, namely the number of competing countries, the unavailability of uniform halal certification that is agreed globally, and the incompatibility of Muslim countries in setting halal product standards. The challenges that originate from within the Indonesian nation consist of, the lack of halal awareness in Indonesian society, the existence of problems from Law Number 33 of 2014 Concerning Halal Product Guarantees, and the low awareness of the Indonesian people to compete. In addition to these challenges, there are also obstacles faced by the Indonesian people

towards the world's halal center. First, many parties and regulators have not realized the business opportunity for the halal industry; Second, the limited supply of raw materials that meet halal criteria; Third, the limited understanding of a number of producers coupled with inadequate infrastructure; Fourth, differences in standardization and certification of halal products, and Fifth, the large number of imported products entering Indonesia.

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