

## Halal Food Industry Innovation in Jember (Study on Opportunities and Challenges)

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### *Abstract*

Indonesia is a country that has great potential for the development of the halal industry. This is certainly one of the biggest opportunities in increasing the halal food industry with the influence of Indonesia's large Muslim population. Indonesia accounts for 12.7% of the world's Muslim population. This research is a descriptive study with qualitative and phenomenological methods. While the data used is library data which is supported by several articles relating to this research. Then analyze the data obtained by providing a descriptive explanation of the form of text, images, and symbols that are connected. The purpose of this study. To increase awareness about halal products in Indonesia, it will be more optimal if there is a government role in handling the development of these products directly and sustainably. One of the methods in developing halal food in Indonesia is to socialize the advantages of halal products that are conceptualized and comply with the criteria of Islamic sharia. This can also be done by researchers, participants, media (mass and print) and educational institutions that are still in the realm of Islam.

**Keywords:** halal food; industry; opportunities; challenges

## BACKGROUND TO THE PROBLEM

Indonesia is a country that has great potential for the development of the halal industry. This is certainly one of the biggest opportunities in increasing the halal food industry with the influence of Indonesia's large Muslim population. Indonesia accounts for 12.7% of the world's Muslim population. In terms of numbers, it is estimated that by 2020 there will be 229 million Muslims living in Indonesia. The total population of Indonesia has an estimated population of 273 million, so the Muslim population equals 87.2% of the total population of Indonesia (World Population Review, 2020). Large Muslim population There is also a large demand for halal products. Indonesia is called the world's halal industrial market. In fact, the total expenditure of Money spent in Indonesia on halal products reached \$ 218.8 billion in 2017 (Ministry of Finance of the Republic of Indonesia 2019)

The halal lifestyle has become synonymous with Muslims so that the halal industry has grown rapidly which has emerged in recent years. Apart from this, the spread of Muslims to various countries can also affect the development of the halal industry on the international market, even countries with minority Muslim populations. Halal is one indicator of universal assurance which is product quality and standard of living (Gillani, Ijaz and Khan, 2016). Halal is usually only related to substances, however, therefore, halal in Islam includes behavior and work or what is called *Dan Muamalah* (Qardhawi, 1993).

This Institutional Halal Product Guarantee Agency (BPJPH) replaces the Indonesian Ulema Commission (MUI) in halal product certification. This change is being promoted by the NGO organization MUI. Therefore, the replacement by BPJPH is expected to further strengthen the legal umbrella for the circulation of halal products in Indonesia. So far, MUI's halal fatwa is only a recommendation from the Food and Drug Supervisory Agency (BPOM), namely the requirement to include labels set by the government. Product packaging for distribution / sale of halal products in Indonesia (MUI, 2017) However, the role of MUI in halal product certification is still an important obstacle. In accordance with Law Number 33 of 2014 concerning Halal Product Guarantee, a halal certificate is an acknowledgment of the degree of halalness of a product issued by BPJPH, based on MUI. Minister of Religion Lukman Hakim Saifuddin (Republic of 2017) It was explained that the Institute of Food, Medicine and Cosmetics Panitia Ulama Indonesia (LPPOM-MUI) still has three powers, namely: 1) Issue warnings of halal products; 2) Proving the Halal Inspection Agency (LPH); and 3) Give approval to the Auditor working in the halal industry.

The halal industry is experiencing rapid development in many fields, including: Halal food, finance, tourism, fashion, cosmetics and medicine, media and entertainment, and other sectors, such as health and education. So that in its application, it has progressed very rapidly both in product sales and in its application. Apart from its application in the community, it is relatively halal food also has a strong contribution to regional income. This can be seen based on the following:

Table 1. Total Income and Estimated Income of the Halal Industry

<b>Sector</b>	<b>Total Revenue (2015)</b>	<b>Estimated Income (2021)</b>
food Halal	\$ 1.17 trillion	\$ 1.9 Trillion
Finance	\$ 2 trillion	\$ 3.5 Trillion
Travel	\$ 151 Billion	\$ 243 Billion
Fashion	\$ 243 Billion	\$ 368 Billion
Medicine and Cosmetics	\$ 78 Billion	\$ 132 Billion
Media and Entertainment	\$ 189 Billion	\$ 262 Billion
Healthcare	\$ 436 Billion	-
Education	\$ 402 Billion	-

Source: State of The Global Islamic Economy 2016/2019

Halal food can be defined as meeting the quality standards of the Sharia law used in every activity carried out by Muslims (Bohari, Cheng and Fuad, 2013). Muslims choose halal products and services to comply with Islamic law. Although halal has a very close relationship with Muslims, it does not mean that consumers of halal products are only Muslims. Consumers of halal products from countries with small Muslim populations have experienced significant growth in recent years.

The demand for halal products is large in the domestic and foreign markets, and the Indonesian government has not provided support. Halal product certification is an example. Like most Muslim countries, the assumptions of most halal certification bodies are unsatisfactory, because every food produced in that country is halal and therefore not. This product requires halal certification (Gillani et al., 2016). Halal certification is one of the tools that must be prioritized by the Indonesian government to be able to compete in the halal industry. In addition, the advantages and disadvantages of halal certification between the government and the Food, Drug and Cosmetics Research Institute of the Indonesian Ulama Commission (LPPOM MUI) still contribute to the current halal certification process.

## **RESEARCH METHODS**

This research is descriptive research. Qualitative and phenomenological methods. While the data used is library data which is supported by several articles relating to this research. Then analyze the data obtained by providing descriptive explanations in the form of text, images, and connected symbols.

This study conducted data analysis which was divided into three stages, namely data reduction, data classification and data verification. Data reduction in this study was carried out by selecting all, and data was obtained by cutting and simplifying existing data in accordance with the research theme. Furthermore, by classifying the streamlined data according to the research theme, the role of the halal food industry in analyzing opportunities and challenges in Jember Regency. In the final stage, verify the data and draw conclusions, namely the interpretation of the data by the researcher. Triangulation techniques are used for verification, namely comparing data sources with other data sources (Neuman and Djamba 2014).

## **LITERATURE REVIEW**

Journal, Faqiatul Mariya Waharini with the title Model Halal Food Industry Development in Indonesia. The development of the halal industry will become more competitive with the involvement of the financial industry and Islamic banking sectors. This study aims to explore the role of Islamic banking in the development of the halal food industry in Indonesia. The research method used is descriptive qualitative method with a review of the literature. Based on the results of the analysis, it can be concluded that the role of Islamic banking is not only limited to sharia-based financing which is free of usury (interest), maysir (uncertainty), and gharar (gambling). But also at all stages of the production process (halal value chain management). An important role that Islamic banking can play in developing and improving the halal food industry, including in the

three halal integrity processes. The first is in the halal control stage, the second is in the logistical process and finally the halal verification stage.

## **THE HALAL FOOD INDUSTRY A THEORETICAL STUDY OF THE INDUSTRY**

Industry is an activity of managing raw materials, raw materials, semi-finished goods into goods with higher economic value (UU Nomor 5 tahun 1984 tentang perindustrian). Meanwhile, according to the Central Statistics Agency, industry is the change in raw materials into finished materials that have higher economic value with the intention of selling or getting profit.

Industry in Islam is all branches of industry, both those that produce industrial raw materials or industries that produce products for consumers that are built and regulated in a framework and paradigm based on Islamic law. Talking about industry in Islam, it does not only discuss related to the Islamic spiritual industry, such as the food industry, clothing industry and other industries but also talks to all industrial branches which are required to comply with or comply with Islamic law.

The main aspects of motivation to do industry in Islam are:

1. In accordance with the principles of justice in Islam. An entrepreneur in Islam is not allowed to just seek profit, but on the other hand, an entrepreneur must run his business in accordance with Islamic principles and emphasize *maslahah* which is the main objective in industrial activities in Islam.
2. Prioritizing common goals rather than personal interests or minority groups related to company policy.
3. Limiting the maximum profitability based on the principles set out in Islam (Muhammad Nejatullah Siddiq: 1991. 108).

## **HALAL FOOD**

Halal in Arabic means that it is permissible and in accordance with Islamic Shari'ah. If it is related to food and drink, then the meaning is food or drink that is allowed to be consumed by Muslims (Mufraini: 2011.24). Muslims who occupy the enforcer (*ummatah wasathan*) are made the chosen *ummah* (*khaira ummah*) have several principles regarding halal and haram, namely: (1)

The origin of every thing is permissible, (2) Determining halal and haram is solely the right of Allah SWT, (3) To forbid what is halal and make what is haram the same as *shirk*, (4) To forbid what is haram will result in crime and danger, (5) Every thing that is lawful does not need what is haram, (6) Whatever brings to haram is haram, (7) Struggling against what is haram, the law is haram, (8) Good intentions cannot give up what is haram, (9) Abstain from *syubhat* for fear of being involved in haram, (10) Something that is haram applies to everyone, (11) The situation is forced to allow what is forbidden (Qardhawi, 1993). From the above principles, Islam provides the concept of *halalan thoyyibah* in determining the quality of food.

Ulema Council 'Indonesia (MUI) said that halal products are products that comply with Islamic Shari'ah, namely: first, animals slaughtered in accordance with Islamic teachings; second;

ingredients that do not contain pork; third, not from prohibited materials such as materials made of blood; fourth, the place for storing other products, selling and transporting goods that are used of an unclean nature unless sanctified in an Islamic manner; fifth, the materials used must not be made of wine, be it food or drink; sixth, human organs, filth and so on (Hasan: 2014.26).

Indonesia is a country that has religious diversity, it has become an important task for the government to ensure that every religious person can worship and carry out his religious teachings. The state is obliged to provide protection and guarantee regarding the halalness of products consumed by the public. This guarantee is written in Law Number 33 of 2014 concerning Guarantee of Halal Products (JPH) Chapter 1 paragraph 2 which explains that, Halal products are products that have been declared halal according to Islamic law. Apart from that, it was explained that in ensuring the availability of halal products, both those originating from raw materials for animals, plants, microbes, and materials produced through chemical processes, biological process or genetic engineering process. In addition, PPH is also determined which is a series of activities to ensure the halalness of a product which includes material supply, processing, storage, packaging, distribution, sale and presentation of products.

The purpose of the law is explained in article 3 which reads, first, providing, comfort, security, safety, and certainty of the availability of halal products for the public in consuming and using the product; and second, increasing added value for business actors producing and selling halal products. Based on the law, there are two parties who benefit, namely the first party is the buyer as a product user and a product maker as a provider of halal goods.

Apart from that, in Law No. 18 of 2012 concerning Food, it is written in CHAPTER VIII Label and Food Part One Food Label Article 96 explains that, food labeling aims to provide correct and clear information to the public about each food product that is packaged before buying and / or consuming food. The labeling is clarified in Article 97 paragraph 3 which states that the inclusion of labels in and / or on food packages as referred to in paragraph (1) and paragraph (2) is written or printed in Indonesian and contains at least information regarding: (1) name of product, (2) list of ingredients used, (3) net weight or net content, (4) name and address of the party producing or importing, (5) halal for those who are required, (6) date and production code, (7) ) expiration date, month and year, (8) distribution permit number for processed food, and (9) origin of certain foodstuffs.

The law above will provide comfort when people consume and use various products, especially food in various regions. To make it easier for ordinary people to identify whether this food is halal or not? The government, especially the Minister of Religion of the Republic of Indonesia, decided that a halal certificate as a guarantee for the halalness of a product is marked with a halal stamp so that it is safe for consumption by the Muslim community (Hasan: 2014. 30).

The current concept of halal is not limited to religious obligations. But that includes food safety (food safety). The effect of food safety can be obtained if the quality of food is good (including material conditioning). Clean and fresh, as well as good processing methods to maintain the nutrients contained in it can bring healthy food. In Islam, the condition of halal food is

consumed or allowed to consume, starting from the acquisition of raw materials, the process to the final determination of the product.

Mathew (2014) divides food quality into four dimensions, namely pleasure, related to health, related to convenience, and related to process. Hedonic quality focuses on satisfaction, including the taste, aroma, and appearance of dishes. Quality is related to health, with regard to its effect on physical health. When eating food. Convenience related to quality and time and costs needed by consumers to obtain goods, from buying, storing, preparing, consumption. Process-related quality Related to the processing of materials into ready-to-consume goods. Therefore, along with the increasing number of consumer responses to food needs, halal product labels must be certified. Halal products help ensure food safety.

In terms of food, Islam commands eating halal food (halal food and *toyyib*). The term "halal" in the verses of the Koran is often tied to the word "*toyyib*" because to produce sustainable food, both standards must be met. Physical fitness and adherence to Islamic law. Halal is a standard. According to him, food eaten in Islam is the driving factor. This is spirituality (Alzeer, 2018). In addition, halal food is also a concept of goods labeled (naturally classified as halal) (Jiang, 2017), so everything eaten by Humans will have a behavior pattern. And *Toyyib* is a concept about purity, cleanliness and obedience to Islamic law (Arif and Ahmad, 2011), so *Toyyib* puts more emphasis on food processing according to the Islamic Food Safety Law.

In terms of procedures, Indonesian halal certification management In addition to the level of halal food, you can also make judgments about food processing. The concept of Halala *Toyyiba* prioritizes that in addition to halal, basically. In terms of food, the *Toyyib* category in food processing must also be considered Satisfaction to achieve physical (food safety) and spiritual (religious ceremonies) satisfaction. So it can be said that halal food is a necessary condition, and in this case, *toyib* is a sufficient condition for food processing.

## **HALAL FOOD INDUSTRY INNOVATION IN JEMBER: STUDY ON OPPORTUNITIES AND CHALLENGES**

The halal industry has huge potential in Indonesia. This is what numbers mean Indonesia has a large Muslim population. We can see the potential of the Indonesian halal industry. Several departments, namely the department of halal food, Islamic Finance, halal tourism and the Muslim clothing sector. The following is an explanation that researchers will reveal only on halal food.

Halal food department. Muslim Food That is the basic necessity of Muslims. For someone to fulfill these basic needs Muslims can continue to live. If we look at the number of Muslims in Indonesia, Indonesia has potential in this field. Effectiveness What really shows is the market potential is very promising. 2019, Indonesia \$ 173 billion spent on Muslim Food consumption. This makes Indonesia the largest halal food and beverage market in the world.

Government support also has great potential. The halal food industry in Indonesia. Support This can be seen from the establishment of the government agency Halal Product Guarantee Organizer (BPJPH) as ratified by Law no. 33 About the 2014 halal product guarantee. BPJPH

Ratified on 27 October 2017, and has been affiliated with the Ministry of Religion. The formation of BPJPH changed accordingly. Implementing halal product guarantee in Indonesia From the beginning voluntary (voluntary) started to become mandatory. This has been completed To provide safety and comfort for Muslim consumers and initially the Indonesian halal industry, especially the halal food industry (Aziz et al., 2019)

In terms of developing the potential of the Indonesian halal industry, it will certainly face challenges. This challenge can be seen from an external perspective or from an internal aspect. From an external perspective, the challenge is Facing Indonesia:

First, the number of competing countries (Permana 2019). These Competing Countries include Malaysia, Brunei Darussalam, Turkey, Pakistan, Qatar, United Arab Emirates, and many more. In fact, several competing countries belong to non-Muslim countries. These countries include Australia, Thailand, Singapore, UK, Italy, etc. then not to be left behind, Indonesia must be able to take advantage of its potential. if not, then Indonesia will only be a broad and promising market. These external challenges also impact the consumption of domestic products. If there are many foreign products entering Indonesia, then the consumption of Indonesian products will decrease. As a result, the trade balance will experience large imports causing a trade deficit instead of exporting. Then, solve this problem. The seriousness of the government's execution of Customs and Excise Law (Pryanka, 2018). We Need Local protection to protect products. This protection strategy must be able to reduce the import figure, but the importer's producing country is not "offended". The goal is to place products that are protected while maintaining international relations.

Second, there is no halal certificate Can be applied globally. This is due to the absence of consensus between countries regarding the world of international halal certificate standardization. Each country has its own standards Requires halal certification. This standard does not yet exist. Of course it is accepted by other countries. Therefore, creating halal certification is not standardized. Of course, this can affect consumer confidence when products are exported to other countries (Randeree 2019). Therefore, it is necessary to hold a meeting between countries in the world to discuss the standardization of this halal certification. At least, this step could be initiated by the Organization of Islamic Cooperation (OIC).

At the same time, experiencing internal challenges in Indonesia, namely: first, the lack of halal awareness in Indonesian society. Besides that, understand that Indonesian society is moving towards the idea of the halal doctrine. Can't feel it. There are many Indonesians assuming that all products on the market are halal products (Pryanka, 2018). Halal awareness Has a relationship with religion Knowledge of the concept of halal. based on (Nusran et al., 2018) conducted research, The influence of religion is compared to the consumption behavior of halal products Knowledge of halal products. Also have (Kartika, 2020; Kurniawati and Savitri, 2019) Halal awareness is influenced by the degree of religious belief, health reasons, halal labels / logos, and a good level of exposure. In addition, according to (Yasid, Dll, 2016), halal awareness is influenced by the following factors, religious belief, self-identification and media exposure.

Therefore, to increase awareness of Indonesian halal, the key is to conduct socialization. Outreach must be ongoing, direct or indirect. Direct socialization can be done through religious research on the concept of halal, holding seminars on the theme of the halal industry, and visiting educational institutions. Organizing events and exhibitions of the halal industry. At the same time, socialization can be indirectly resolved under the intermediary of various media. In print media, it can be socialized in the following ways. Publish articles in newspapers and magazines, books and comics about the concept of halal by the Indonesian Ulema Council (MUI) (Nuslan) 2018). Through electronic media, socialization can be done by broadcasting related concepts and the halal industry. Social Through online media, for example by creating content on websites and social media, it is true social media, as well as doing online broadcasts on social media.

Based on the opportunities and challenges that the researchers have described above, to develop the halal food industry in Indonesia requires very optimal support from both the government and the community itself. The form of support from the government can be in the form of regulations related to products, industry and halal certification that can strengthen the existence of these products. In addition to that, the development of MSMEs which is a community activity in fulfilling their economic system is also very important in supporting the improvement of the halal food industry so that it can compete on the international stage. Meanwhile support from the community also determines the welfare of the halal industry in Indonesia, this is in the form of awareness of the halal lifestyle and buying halal products from the domestic industry.

Therefore, with the synergy between the government and the community in developing the halal industry, what has become the aspiration of the State, namely the State as the center of the world's halal industry, will be achieved. And this is not an impossible thing to achieve if the synergy between the government and the community can run according to the applicable guidelines.

## **CONCLUSION**

Based on the opportunities and challenges that have been described above researchers that to develop the halal food industry in Indonesia is in need of optimal support both from the government and from the community itself. Forms of support from the government can be in the form of regulations related to products, industries and halal certifications that can strengthen the existence of such products. In addition, the development of MSMEs which is a community activity in the fulfillment of its economic system is also very important in supporting the improvement of the halal food industry so that it can compete on the international scene.

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