



Market Potential of Halal Products in Aceh: Case Study of Halal Industry Based on Halal Product Data 2014-2022

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ABSTRACT

Purpose: The majority of people in Aceh Province are Muslims, and the region strictly adheres to Sharia law, particularly in the halal products sector. With a focus on Aceh region, this study attempts to assess growth, obstacles, and solutions in the development of the halal business and halal goods in Indonesia.

Design/Method/Approach: This study employed qualitative approaches to find material from secondary sources, including books, journals, and national statistics organizations, and to gather data.

Findings: The provincial administration of Aceh has worked to establish the halal market and halal goods as an important economic driver.

Originality/Values: The number of visits from visitors, particularly those from outside, is rising year after year, which reflects this expansion. The administration of Aceh province anticipates advantages from this research in the growth of the halal sector and halal goods.

INTRODUCTION

The primary source of current global economic development is said to be Muslim consumers' purchases of halal goods. The analysis predicts that each industry will grow in step with the demand for halal goods throughout the world. For instance, it is expected that by 2024 the halal food and beverage industry would be worth USD 1.97 trillion. By 2024, it is anticipated that the Islamic finance (sharia) industry would grow by USD 3.5 trillion. Additionally, it is anticipated that the travel and tourism sector will grow to reach USD 274 billion by 2024 and the fashion sector will grow to USD 402 billion by that same year¹. Additionally, it is anticipated that the travel and tourism sector will grow to reach USD 274 billion by 2024 and the fashion sector will grow to USD 402 billion by that same year. Aside from that, it is anticipated that the media and entertainment sector will expand to reach USD 309 billion by 2024 and that the halal pharmaceutical and cosmetics sectors will grow by USD 134 billion and USD 95 billion, respectively. Based on the aforementioned, it is anticipated that the Islamic economy's market size (excluding the Islamic finance sector) would increase by 6.2% from USD 2.2 trillion to USD 3.2 trillion in 2024².

The potential of the global halal business is influenced by consumer habits everywhere. Muslims' way of life, which includes Islam, has an impact on many parts of life, including consumption patterns. The food industry, banking, tourism, fashion, education, social services, daily need services, and halal industry support infrastructure are just a few of the industries that are affected by this consumer habit³. Consumers are drawn to quality criteria including healthy eating, environmental friendliness, safety, maintenance, and cleanliness. In the future, halal items will grow in popularity and become more popular

¹ Dinar Standard, *State of the Global Islamic Economy Report 2022 Unlocking Opportunity* (Dubai, June 2022), accessed January 2, 2023, <https://salaamgateway.s3.us-east-2.amazonaws.com/special-coverage/sgie22/pdf/State%20of%20the%20Global%20Islamic%20Economy%20Report%20022%20-%20Eng.%20Summary%20-.pdf>.

² Bank Indonesia, *Bank Indonesia Regulation No. 23/2020 on Payment System* (2020) (Jakarta, 2020).

³ Ramadhan Razali, "Akselerasi Daya Beli Masyarakat Terhadap Produk Halal Melalui E-Commerce Di Provinsi Aceh," *Jurnal Iqtisaduna* 7, no. 2 (October 13, 2021): 115–126, accessed October 2, 2023, <https://journal3.uin-alauddin.ac.id/index.php/Iqtisaduna/article/view/24080>; Fuadi Fuadi et al., "Implementation of Halal Value Chain In Blockchain-Based Halal Industry In Aceh Province," *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAAS)* 2, no. 5 (October 20, 2022): 793–802, accessed April 6, 2023, <http://radjapublika.com/index.php/IJEBAAS/article/view/413>; Ramadhan Razali, "E-Marketing and Halal Product Assurance," *Jurisprudensi: Jurnal Ilmu Syariah, Perundangan-Undangan Dan Ekonomi Islam* 14, no. 2 (2022): 116–128; Ramadhan Razali, "Industri Halal Di Aceh: Strategi Dan Perkembangan," *Jurnal Al-Qardh* 6, no. 1 (2021): 17–29.

among all consumers, not only Muslims. With the expansion of the Muslim population worldwide, the potential for the global halal market will also continue to develop. Indonesia also has a considerable halal market potential due to having the world's biggest Muslim population. As seen in the image below:



Figure 1.1 Islamic Economies Globally

As can be seen from the graph above, one of the major causes fueling the expansion of the global Islamic economy is the growing Muslim population. The number of Muslims reached 1.8 billion in 2018 and is projected to keep increasing to 2.2 billion by 2030. This expansion will inevitably result in a rise in the demand for halal goods and services globally⁴. With the largest Muslim population in the world, Indonesia has a great deal of potential to dominate the global halal market. Indonesia managed to move up to fifth place in the State of Global Islamic Economy Report 2019/2020 despite historically ranking below Malaysia and other GCC nations. According to BPS statistics from 2010, there were 207 million Muslims in Indonesia, or 87% of the total population, yet this figure haven't been able to improve Indonesia's standing in the worldwide halal

⁴ Hayyun Durrotul Faridah, "Sertifikasi Halal di Indonesia: Sejarah, Perkembangan, Dan Implementasi Halal," *Journal of Halal Product and Research* 2, no. 2 (2019): 68–78; Ismah Osman, Erne SUZila Kassim, Balkis Haris Faridah Hassan, *Contemporary Management and Science Issues in the Halal Industry*, ed. Rohana Hassan, *Contemporary Management and Science Issues in the Halal Industry*, 2019th ed. (Singapore: Springer Singapore, 2019), accessed January 7, 2023, <http://libgen.is/book/index.php?md5=DAA9CB46B3E444582CF43A2E6937861D>.

business⁵.

The halal business in Indonesia has advanced, and this advancement has reached Aceh region, which is Indonesia's most western region. The province of Aceh is said to as the hub of Islam or the porch of Mecca. With 5.72 million Muslims living in Aceh province, the government has an advantage in expanding the halal industry and halal-certified goods. Aceh has the potential to become the hub of Indonesia's largest halal sector. With the government-established Qanun of Islamic Financial Institutions (LKS), Aceh may use this to increase the potential of the halal business. Aceh's human resources are advantageous in the fields of agriculture, tourism, and education, which can aid in the growth of the halal business⁶. The Market Potential of Halal Products in Aceh is therefore a topic of interest for researchers: Based on data from halal products from 2014 to 2022,⁷ a Case Study of the Halal Industry.

RESEARCH METHOD

The literature review approach or literature review from many earlier studies is used in this qualitative research project. Secondary data from journals, reference works, and reports from different associated parties, including the Central Statistics Agency, LPPOM MUI, BPS, and other relevant parties, were used in this study. The descriptive analysis method is the one that is utilized to analyze the data. To respond to research formulations, data from diverse sources are gathered, evaluated, and analyzed utilizing descriptive analytic techniques.

RESULT AND DISCUSSION

The halal industry experiences annual growth and, through its contribution to GDP, has a favorable effect on the Indonesian economy. It has been shown that the Islamic economy contributes USD 3.8 billion yearly to

⁵ Badan Pusat Statistik Provinsi Aceh, "Badan Pusat Statistik Provinsi Aceh," *BPS Provinsi Aceh*, last modified September 3, 2022, accessed March 14, 2023, https://aceh.bps.go.id/istilah/index.html?Istilah_sort=keyword_ind.

⁶ Admin DPMPPTSP, "Kepala DPMPPTSP Aceh: Industri Halal Di Aceh Perlu Ekosistem Yang Komprehensif," *DPMPPTSP Provinsi Aceh*; Viva Budy Kusnandar, "Aceh Utara Miliki Pemeluk Islam Terbesar Di Aceh Pada 2021," *Data Books*, last modified March 14, 2022, accessed March 14, 2023, <https://databoks.katadata.co.id/datapublish/2022/03/14/aceh-utara-miliki-pemeluk-islam-terbesar-di-aceh-pada-2021>; Muhammad Jais, "Membangun Ekosistem Halal Di Aceh," *AJNN*, last modified July 4, 2022, accessed March 14, 2023, <https://www.ajnn.net/news/membangun-ekosistem-halal-di-aceh/index.html?page=all>.

⁷ Hendrianto, Hendrianto, and Noza Aflisia. "Development of Local Food Products in Rejang Lebong According to Islamic Economics." *Indonesian Journal of Economics, Social, and Humanities* 4.1 (2022): 55-71.

GDP, which is evident in Indonesians' spending as well as the export and purchase of halal goods. Indonesia has one of the highest rates of halal product consumption in the world, with home consumption and cosmetics accounting for the majority of the growth in overall consumption in 2022, which is equal to 20% of Indonesia's GDP⁸. By 2025, it is expected that the consumption of Indonesian halal goods would have increased by an average of 5.3%, totaling USD 330.5 billion. The bulk of halal products are consumed through imports, however by raising output in the halal industrial sector, it is possible to close the trade balance deficit and boost halal product exports⁹.

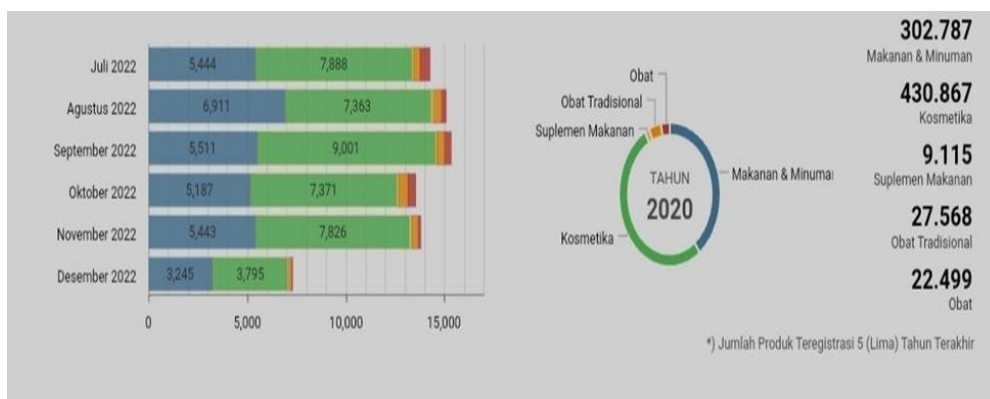


Figure 1.2 Consumption of Halal Products

The figure shows that in 2022, with 430,867 users, cosmetics will account for the majority of Indonesian product consumption. Food and beverage consumption came in second with 302,787 individuals, followed by traditional medicine with 27,568 individuals, medicines with 22,499 individuals, and lastly food supplement items with 9,115 individuals. The data in the table demonstrates that consumers are more inclined to use cosmetics because they are viewed as essential and cannot be separated from everyday consuming

⁸ Al-Ansi & Han, “Role of Halal-Friendly Destination Performances, Value, Satisfaction, and Trust in Generating Destination Image and Loyalty,” *Journal of Destination Marketing and Management* 13 (December 2018): 51–60; Anom Sigit Suryawan, Shuji Hisano, and Joost Jongerden, “Negotiating Halal: The Role of Non-Religious Concerns in Shaping Halal Standards in Indonesia,” *Journal of Rural Studies* 92 (May 1, 2022): 482–491.

⁹ Titin Agustin Nengsih, “Langkah Pertama Menuju Umkm Berbasis Halal: Wujud Pengabdian FEBI UIN Sutha Jambi - UIN Sulthan Thaha Saifuddin Jambi,” accessed April 12, 2023, <https://uinjambi.ac.id/langkah-pertama-menuju-umkm-berbasis-halal-wujud-pengabdian-febi-uin-sutha-jambi/>; Sertifikasi Halal dan Implikasinya Bagi Bisnis Produk Halal di Indonesia Warto, “Sertifikasi Halal Dan Implikasinya Bagi Bisnis Produk Halal Di Indonesia,” *Al Maal: Journal of Islamic Economics and Banking* 2, no. 1 (July 14, 2020): 98–112, accessed October 28, 2023, <https://jurnal.umt.ac.id/index.php/jieb/article/view/2803>.

activities¹⁰.

The halal sector has enormous potential to raise the value of Indonesia's exports from an export standpoint. The halal sector may produce exports worth between US\$5.1 billion and US\$11 billion annually. The halal sector's export revenue totaled USD 7.6 billion in 2018. Indonesia has a 3.8% chance of exporting halal goods to other countries, and this chance may be raised by raising the caliber of exported halal goods and lowering their costs. Indonesia might become the hub of the global halal business if Indonesian halal goods can compete on the international market. Increasing exports will undoubtedly result in a rise in output, which will positively affect employment. The halal sector boosts employment by creating between 170,000 and 330,000 jobs. The value of foreign net assets that must be maintained to satisfy international transactions is a component of export activities that require funding from foreign exchange reserves¹¹.

While the export of food products has been growing steadily over the past few years, in 2019 and 2020, exports of food products decreased by 454.16, cosmetic products by 30.32, and pharmaceuticals by 31.31. This may result in a slowdown in Indonesia's economic progress¹². The halal sector might, however, raise the value of foreign exchange reserves. Increase the export value of the halal business is one of numerous things that may be done to raise the value of foreign exchange reserves. Halal food and Muslim clothes are two halal goods with significant export potential for Indonesia. Steps that may be implemented to promote export value include raising production and product quality as well as setting competitive prices enhancing the possibilities for halal travel. The halal tourist industry has enormous potential to boost foreign exchange reserves, particularly for Indonesia, which has won several accolades for halal

¹⁰ Syayyidah M. Jannah and Hasan Al-Banna, "Halal Awareness and Halal Traceability: Muslim Consumers' and Entrepreneurs' Perspective," *Journal of Islamic Monetary Economics and Finance* 7, no. 2 (2021): 285–316.

¹¹ Yusaini Hisham Mohamed et al., "The Moderating Effect of Halal Traceability System on Halal Food Supply Chain Management and Halal Integrity Assurance Relationship," *The Journal of Contemporary Issues in Business and Government* (2021); N. Zainuddin et al., "The Effect of Halal Traceability System on Halal Supply Chain Performance," *International Journal of Supply Chain Management* (2020).

¹² Fuadi and Ramadhan Razali, "Industri Halal : Kontestasi Label Halal Pada Sektor Makanan Di Provinsi Aceh," *Jurnal Ekonomi dan Manajemen Teknologi (EMT)* 7, no. 3 (2023): 819–827, accessed October 28, 2023, <https://journal.lembagakita.org/index.php/emt/article/view/1456/1009>; Abdul Hafaz Ngah, Yuserri Zainuddin, and Ramayah Thurasamy, "Adoption of Halal Supply Chain among Malaysian Halal Manufacturers: An Exploratory Study," *Procedia - Social and Behavioral Sciences* 129 (May 15, 2014): 388–395.

tourism. By strengthening the integration of tour packages and raising the caliber of human resources, Indonesian halal tourism can be made better.

Challenges faced by the halal industry in Indonesia

Indonesia has a lot of potential for growing its halal sector, but difficulties are unavoidable. Both internal and environmental factors might contribute to the difficulties encountered. From an international standpoint, Indonesia must contend with other rival nations in the halal sector, including Malaysia, Brunei Darussalam, Turkey, and others. The government and industry stakeholders must use their potential in order to ensure that Indonesia does not fall behind. However, the consumption of domestic goods is also impacted by these outside factors. The consumption of domestic goods will decline if there are numerous imported goods entering Indonesia¹³.

The difficulties are just as substantial when seen inside. One of them is the scarcity of high-quality raw halal materials. Many businesses continue to rely on imported a raw material, which raises production costs and lowers the market competitiveness of Indonesian halal goods. Furthermore, issues with halal certification continue to be perceived by industry participants as being complex and difficult to resolve. This is yet another barrier to raising the caliber of Indonesian halal goods.

Indonesia's halal business also faces difficulties due to its inadequate infrastructure and technology. This may have an impact on product quality, manufacturing effectiveness, and worldwide market competitiveness. Additionally, there are still challenges with managing packaging and distributing Indonesian halal goods¹⁴. The government and business leaders must work together to provide the necessary infrastructure and technology to enable the expansion of the halal industry.

The public's ignorance about halal and halal products is the final obstacle the Indonesian halal business must overcome. This may have an impact on the country's halal product consumption, which would reduce the market

¹³ Ramon Arthur Ferry Tumiwa et al., "Investigating Halal Food Supply Chain Management, Halal Certification and Traceability on SMEs Performance," *Uncertain Supply Chain Management* 11, no. 4 (September 1, 2023): 1889–1896; Mohd Farid Shamsudin and Hajjah Zawiah Abdul Majid, "Technology and Traceability in Halal Logistics," *Halal Logistics and Supply Chain Management* (January 1, 2022): 78–88.

¹⁴ Uswatun Nafi'ah, S. Sulhaini, and L. E. H. Mulyono, "Analysis of Halal Supply Chain Management and Internal Halal Traceability System on the Halal Integrity of Tourism in Support of UMKM Products in Lombok," *International Journal of Multicultural and Multireligious Understanding* (2020).

share that the Indonesian halal sector may achieve. In order to raise awareness and create demand for halal products, there must be an effort made to educate and sensitize the general population about the value of halal products and their halal status.

CONCLUSION

The market potential for halal products in Aceh is quite substantial, according to a case study of the halal business in Aceh that used halal product data from 2014 to 2022. This is demonstrated by the fact that there are more halal products available every year, and Aceh has a fantastic chance to grow the halal business there. However, the halal industry in Aceh faces a number of difficulties, including a lack of consumer awareness of halal products, a lack of access to foreign markets, and a dearth of registered halal producers in Aceh. Therefore, through collaboration between the government and the halal industry, efforts are required to raise public awareness about halal products, improve the quality of halal products, and increase access to international markets. The halal business in Aceh also needs support from the government and other stakeholders, including halal certification organizations and allied industries. Long-term economic growth in Aceh may benefit from the expansion of the halal business, which can also enhance the quality of life for Acehnese citizens by generating jobs and boosting welfare. ■

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