

PAPER NAME

Market Potential of Halal Products in Aceh Case Study of Halal Industry Based on Halal Product Data.

WORD COUNT

2060 Words

CHARACTER COUNT

11366 Characters

PAGE COUNT

7 Pages

FILE SIZE

298.3KB

SUBMISSION DATE

May 9, 2023 10:42 PM GMT+7

REPORT DATE

May 9, 2023 10:42 PM GMT+7

● **4% Overall Similarity**

The combined total of all matches, including overlapping sources, for each database.

- 0% Internet database
- 1% Publications database
- Crossref database
- Crossref Posted Content database
- 3% Submitted Works database

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

Ramadhan¹, Almira Keumala Ulfah^{2*}, Rahma Nurzianti³, Panetir Bunkes⁴,
Emilda Kadriyani⁵

¹*Fakultas Ekonomi dan Bisnis Islam, LAIN Lbokseumawe*

²*Fakultas Syariah, LAIN Lbokseumawe*

³*Fakultas Syari'ah, Dakwah dan Ushuluddin, LAIN Takengon*

⁴*Fakultas Syari'ah, Dakwah dan Ushuluddin, LAIN Takengon*

⁵*Diploma Tiga Akuntansi Politeknik Aceh*

* Corresponding Author. E-mail: almirakeumalaulfah@iainlbokseumawe.ac.id

4

ARTICLE INFO

Article History:

Received

Revised

Accepted

Keywords:

1. Halal Industry;
2. Halal Product;
3. Halal Market;
4. Aceh Province;

Paper Type:

Research Paper

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. 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 year. 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 (Al-Ansi & Han, 2018; Dinar Standard, 2022; Islamic Economy, 2021a). 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 2024.

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 habit. 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 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 Economy 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 globally. 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 hasn't been able to improve Indonesia's standing in the worldwide halal business (Fuadi, Falahuddin, et al., 2022; Razali, 2021).

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

business. 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, a Case Study of the Halal Industry (Fuadi & Ramadhan Razali, 2022; Ramadhan Razali, 2021, 2022).

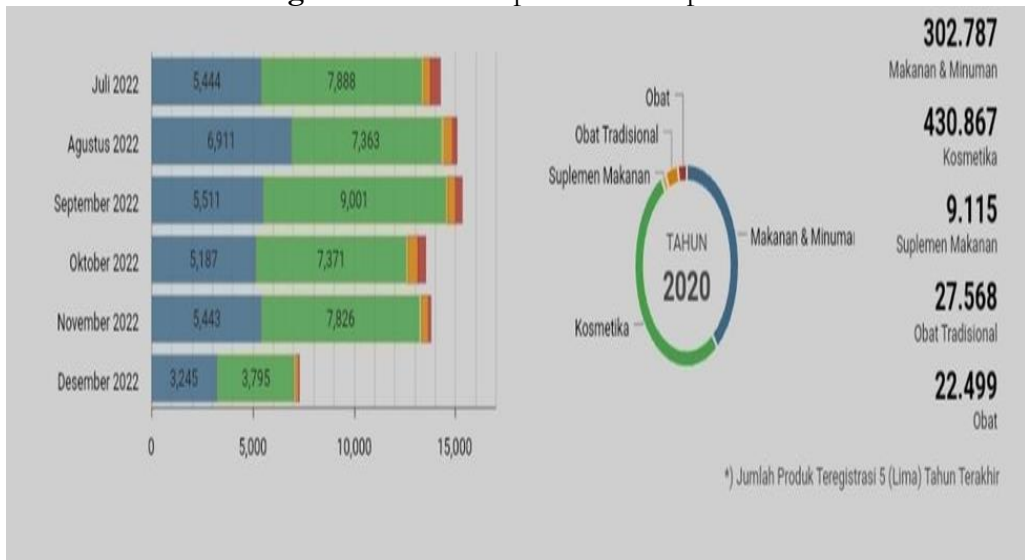
RESEARCH METHOD

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 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 GDP (Faridah Hassan, 2019a; KEMENPARIN, 2022a; Monavia Ayu Rizaty, 2022). 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 exports.

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 (Aydin & Aydin, 2022; Khadijah et al., 2014a). 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 activities.

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 (Badan Pusat Statistik, 2019; Islamic Economy, 2021b; KEMENPARIN, 2022b). 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 reserves.

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

slow down in Indonesia's economic progress. 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 tourism. By strengthening the integration of tour packages and raising the caliber of human resources, Indonesian halal tourism can be made better (Faridah Hassan, 2019b; Fuadi, Razali, et al., 2022; Khadijah et al., 2014b; Razali et al., 2021; Redaksi, 2019).

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 Indonesia.

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 raw materials, 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 goods. 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 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 Acehese citizens by generating jobs and boosting welfare.

● **4% Overall Similarity**

Top sources found in the following databases:

- 0% Internet database
- 1% Publications database
- Crossref database
- Crossref Posted Content database
- 3% Submitted Works database

TOP SOURCES

The sources with the highest number of matches within the submission. Overlapping sources will not be displayed.

| | | |
|---|--|-----|
| 1 | Ida Giyanti, Anita Indrasari, Wahyudi Sutopo, Eko Liquiddanu. "Halal sta... | <1% |
| | Crossref | |
| 2 | Institute and Faculty of Actuaries on 2022-04-19 | <1% |
| | Submitted works | |
| 3 | De La Salle University on 2023-03-18 | <1% |
| | Submitted works | |
| 4 | journal.iaincurup.ac.id | <1% |
| | Internet | |
| 5 | University of Glasgow on 2023-04-02 | <1% |
| | Submitted works | |
| 6 | Ashok Bindra. "Wide-Bandgap-Based Power Devices: Reshaping the po... | <1% |
| | Crossref | |
| 7 | University of Sheffield on 2023-04-24 | <1% |
| | Submitted works | |
| 8 | University of Glasgow on 2011-08-16 | <1% |
| | Submitted works | |