



## The Role of Halal Certification in the Halal Industry

**Dwi Vita Lestari Soehardi**

Sekolah Tinggi Agama Islam Negeri Sultan Abdurrahman Kepulauan Riau, Indonesia,

[dwi\\_vita@stainkepri.ac.id](mailto:dwi_vita@stainkepri.ac.id)

Article Info	Abstract
<b>Article history:</b> Received June 07, 2023 Revised July 01, 2023 Accepted August 27, 2023 Available online September 15, 2023 <b>*Corresponding author email:</b> <a href="mailto:dwi_vita@stainkepri.ac.id">dwi_vita@stainkepri.ac.id</a> Phone number: 0811770811	This article examines halal certification and its impact on the halal industry in Indonesia. Halal certification guarantees halal products for consumers. It is based on religious observance, safety, and hygiene. This research uses descriptive analysis, among others, through observation and library research by looking for theoretical references relevant to the research. The result of this study is to explain that halal certificates provide benefits for the halal industry, namely from the perspective of religion and sales, and can influence customer purchasing decisions. In addition, human resources for business actors can improve their knowledge and skills related to the Islamic economy.
<b>Keywords:</b> Halal Certification, Halal Industri, Islamic Economics	
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### INTRODUCTION

Given the significant Muslim population and global demand for halal products and services, the halal industry has great economic potential and continues to grow worldwide. Indonesian people's consumption of halal products is enormous, even among the largest in the world. According to the Ministry of Finance of the Republic of Indonesia, the total consumption of halal products in Indonesia was recorded at USD 200 billion in 2017. This reaches over 36% of total household consumption, equivalent to 20% of Indonesia's GDP. Katadata Publication Team predicts it will continue to grow with an average growth of 5.3%. Furthermore, it is estimated that the consumption level of Indonesian halal products in 2025 will reach USD 330.5 billion. (Adamsah&Ganjar Eka Subakti, 2022)

According to research (Warto and Samsuri, 2020), making Indonesia the center of the world's halal industry is not impossible. Indonesia has a huge opportunity to make it happen through halal certification instruments. Therefore, the growth of the halal industry has encouraged the development of halal certification bodies, the promotion of halal products, and the development of standards and regulations related to halal in various countries, including Indonesia. Indonesia's halal industry covers various economic sectors as a country with the world's largest Muslim population. Here are some of the main sectors of the halal industry in Indonesia:

**Table 1.** Development of Halal Industry Potential

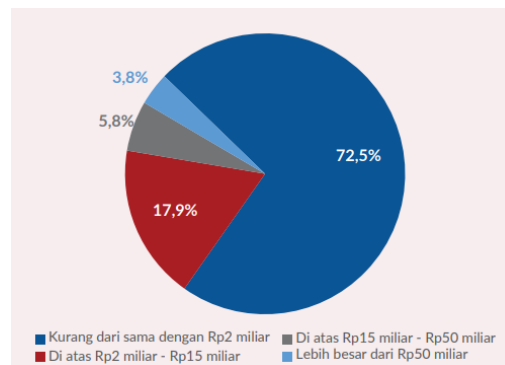
Sector	Description
<b>Islamic Finance</b>	The Islamic financial industry includes financial institutions, such as banks, insurance, and investments that run according to Sharia.
<b>Halal Food and Beverage</b>	Includes the production, distribution, and service of food and beverages by halal requirements
<b>Halal Fashion</b>	The halal fashion industry includes designing, producing, and distributing clothing and accessories that comply with halal standards, such as clothing that covers the aurat and does not contain haram ingredients.
<b>Halal Tourism</b>	The halal tourism sector is concerned with providing Muslim-friendly travel, accommodation, and tourism services, such as hotels with halal facilities and tourist attractions that follow Islamic principles.
<b>Halal Pharmacy</b>	The halal pharmaceutical industry is related to producing drugs, vitamins, and other supplement products that meet halal requirements.
<b>Halal Cosmetics and Skincare</b>	The halal cosmetics and personal care industry involves producing and distributing skin, hair, and body care products that do not contain haram ingredients.

Source: Processed Researcher, 2023

Buyer behavior will make purchasing decisions for a product urgency to achieve *selling* goals (Sururi, 2021), including the need for guaranteed Halal and Thoyib products. This motivation theory can be one of the concepts of the development of the halal industry by looking at purchasing decision-making from consumers. Of course, together with *Self-awareness* from the application of *Halal Lifestyle*. Sahir and Tarigan (Soehardi, 2022) Simultaneously, the *halal lifestyle* significantly influences consumer decisions in buying Wardah brand cosmetics that have been halal-certified.

Data on the development of the halal industry when viewed from the influence of halal certificates on the world of age. One of the factors in increasing consumer confidence is the ownership of halal certification by business actors. In addition, it can also be *a value-added* for a product. Bank Indonesia has survey results from 397 respondents who have carried out halal certification procedures. This is dominated (72.5%) by micro-entrepreneurs, with a turnover of  $\leq$  Rp 2 billion in the past year. The following are the results of the Real Sector Special Survey (SKSR) on the effect of halal certification on the business world conducted by (Sharia Economic and Financial Review Report 2022):

**Picture 1.** Development of Halal Industry Potential seen from Turnover of Halal Certification Respondents in 2022



Source: Bank Indonesia, 2022

The author is interested in conducting this research based on the data above. So that it becomes the background of research on the role of halal certification in the halal industry. Indeed, there has been quite a lot of research on halal certification. However, rare research still discusses the relationship between halal certificates for the halal industry in Indonesia.

## METHOD

This research is descriptive. They were done by digging deeper into information about the Role of Halal Certification in the growth and development of the Halal Industry in Indonesia. Secondary data from descriptive research include scientific articles, publications of government agencies and international institutions, and other documents. This research will explain the situation and conditions. In addition, information related to the discussion. The secondary data will be analyzed for descriptive explanation through narratives, symbols, or images. (Neuman, W.L, 2014).

Reducing data, categorizing data, and verifying data is the way to do data analysis. After selecting the data, it is sorted and simplified according to the research object, namely the role of halal certification and the halal industry. After that, the categorization of data that has been reduced is carried out to be further verified, and conclusions are drawn, which is an interpretation of the data. (Lawrence, N. W. 2014)

## RESULT AND DISCUSSION

### Halal Certificate

A Halal Certificate is a certification given by a halal authority institution that guarantees that the product or service concerned has met the requirements of Islamic Sharia. This certificate indicates that the product or service is halal or can be consumed or used by Muslims. The halal certification process thoroughly inspects ingredients, production processes, and product storage conditions. Halal certification bodies usually conduct audits or inspections to ensure that the product has no haram (prohibited) ingredients and that the production process complies with Halal principles.

Manufacturers usually require halal certificates for food and beverages, pharmaceuticals, cosmetics, and other products consumed or used by Muslims. In some countries, such as Indonesia and Malaysia, halal certificates are also required for restaurants or eateries that want to serve halal food to customers. Getting a halal certificate can give Muslim consumers confidence that their products or services are by halal principles. It also helps manufacturers and service providers to penetrate the *broader Muslim* market.

In Indonesia, halal certification is issued by the Halal Product Assurance Organizing Agency (BPJPH), part of the Ministry of Religious Affairs of the Republic of Indonesia. BPJPH is responsible for regulating and supervising the halal certification process. Here are the general steps in the halal certification process in Indonesia namely: 1). Application. Producers or trademark owners apply for halal certification to the Halal Inspection Agency (LPH) accredited by BPJPH. 2). Document Check. LPH will check related documents, such as the list of raw materials and production processes, to ensure that the product meets halal requirements. 3). Audit. LPH will conduct production audits to directly check the production process, use of materials, sanitation, and separation of halal products from non-halal products. 4). Testing. If required, product samples will be tested in an accredited laboratory to verify the halality of the product. 5). Judgment and Decision. LPH will assess whether the product meets halal requirements based on document inspection, audit, and testing. If it meets, a halal certificate will be issued. Once the halal certificate is issued, manufacturers or trademark owners can use the official logo on their product packaging. This logo shows consumers that the product has passed the halal certification process. The complete information can be accessed through the official website of BPJPH ([bpjph.halal.go.id](http://bpjph.halal.go.id), 2022)

In the halal industry context, certification assures that the product or service meets specific requirements. Halal certification ensures *that the ingredients used in* producing such products are halal and do not contain haram (forbidden) ingredients in Islam. This includes foodstuffs, chemicals, additives, and other ingredients used in the product. The halal certificate guarantees that the production process from start to finish is carried out with due regard to halal principles. These include good sanitation, separating halal products from non-halal products, and preventing contamination with haram materials. Halal certification also pays attention to the processing and storage of products by halal principles. This includes the use of clean and separate equipment for halal products, as well as the fulfillment of high sanitary and hygiene requirements.

With halal certification, Muslim consumers can purchase and use a product or service with confidence that it is by the principles of their religion. Halal certificates help consumers choose products based on their beliefs and values and assure them of the halal products they buy. In addition, halal certification also makes it easier for consumers to identify halal products more quickly by using official halal logos usually displayed on product packaging. This allows consumers to avoid hesitation in choosing halal products and provides confidence and certainty in meeting their needs per halal principles.

Halal certification is based on three main principles: religious compliance, safety, and hygiene. These principles are the basis for ensuring the halal products and services offered, namely:

1. Religious Obedience

Halal certification ensures that products and services, up to the scope of use of materials and processes, are by Islamic law.

2. Security

Halal certification focuses on ensuring that the product or service is safe for consumption or use by going through and paying attention to high hygiene and sanitation standards.

3. Hygiene

Cleanliness is part of faith. Hygiene principles are also an essential aspect of halal certification. The use of clean equipment and not exposed to non-halal and fulfillment of established hygiene requirements.

As a religious brand, the Halal brand has a significant influence as the highest critical consumption for Muslims and health-conscious consumers. Halal is a cleanliness and safety landscape with standards (Borzooei, Mahdi, and Maryam Asgari, 2013).

### **Halal Industry**

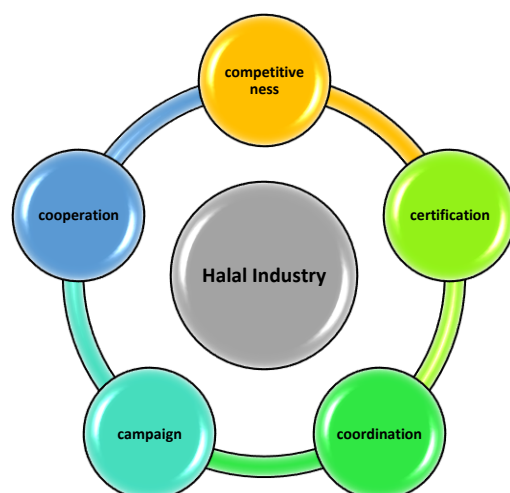
The development of the current issue of *halal lifestyle* in the domestic and foreign communities. There are many online news and webinars with the theme of *halal lifestyle*. The younger generation has made a halal lifestyle as a contemporary lifestyle. This can be seen in *Muslim Friendly Tourism*, halal cosmetics, pharmaceuticals, and clothing styles. The influence of social media is one of the factors that affect the *market share* of the halal industry. (Kamarulzaman, et al in Adinugraha, et al, 2019). Halal industry refers to all economic activities, including production, distribution, to service of halal products and services. The growth of the halal industry is driven by the growing demand of Muslim consumers for products and services that meet halal principles.

Halal value chain management is an activity of entities involved in processes along the supply chain comprehensively from upstream to downstream. Of course, by applying concepts that are by Islamic law. This starts from selecting suppliers, the production process, storage, and distribution. The thing that is maintained is that no non-halal elements are mixed in the product by implementing a *halal value chain*. The government aims to realize Indonesia as a reference for global halal industry producers. In addition, it intensifies public education and literacy to accelerate the development of the halal industry by increasing the application of a *halal lifestyle*. (Saputri, Oktoviana Banda, 2022).

### **The Role of Halal Certificate in the Halal Industry**

Several efforts can be used to accelerate optimization to grow and develop the potential of the halal industry in Indonesia. Among them are: 1). The role of the government in providing policies. 2). Law Number 33/2014 concerning Halal Product Assurance (JPH Law) must make changes to the halal industry. 3). Have strong human resource development and halal industry. 4). Halal certification is part of *excellent service* (Warto & Samsuri, 2020).

**Picture 2.** Development of Halal Industry Strategy in Indonesia



Sumber : Olahan Peneliti, 2023

Bank Indonesia provides five strategies to encourage the halal industry in Indonesia. The five strategies are competitiveness, certification, coordination, campaign, and cooperation. This can be key to making Indonesia the production base of the global halal industry, not only as a market. To expand market access, certification is required. Therefore, *policymakers* and actors must jointly encourage the goods and services produced to obtain halal certification. (Kamila, Evita Farcha, 2021).

Efforts to develop the halal product industry have several other strategies, such as increasing the ability of human resources with expertise in the certification and production of halal products. Regarding human resources, business actors can improve their knowledge and skills in Islamic economics. Therefore, to encourage the improvement of the capacity and competence of human resources in the halal industry through professional certification. (KNEKS, 2022).

To support the role of halal certificates in the halal industry, the government and related institutions in Indonesia, such as the Halal Product Assurance Organizing Agency (BPJPH), continue to strengthen regulations and supervision related to halal certification, as well as ensure the credibility of existing halal certification bodies. (Dinar Standard, 2022). The halal management process carried out by the Ministry of National Development Planning Agency (IBRA) in the publication of the Indonesian Sharia Economic Masterplan 2019-2024 has been explained through the concept of *halal by design*. This is based on Islamic law on the production of goods and their processing, which must be halal and tayyib. In the world industrial sector, it can undoubtedly become a new paradigm. One of the visions of the Indonesian Sharia Economic Masterplan is to aim to realize an independent, prosperous, and civil Indonesia by becoming the leading Islamic economic center in the world. (KNEKS in Putro, H.S et al, 2023).

Halal certification has a vital role in supporting the growth and confidence of consumers in the halal industry. Here are some of the primary roles of halal certificates in the halal industry:

1. Sharia Compliance

Halal Certificate guarantees that the product or service is produced and processed by Sharia. These include the use of halal materials, safeguarded processing of contamination with illicit materials, and respect for ethics and fairness in business. So that Muslims can fulfill their obligations in carrying out what Allah has commanded and avoid His prohibitions.

2. Consumer Trust

It helps build trust in a particular brand or product, increase consumer satisfaction, and encourage loyalty. Based on *the Theory of Planned Behavior* is useful and used as a basis for measuring consumer buying interest. In several similar studies, it can be concluded that intention is a measure to show an individual's confidence in purchasing halal products. It implies a causal relationship between beliefs, attitudes, intentions, and behaviors. (Saifuddin et al, 2022)

3. Opportunities for access to the Muslim Market will be greater

Manufacturers and service providers can access a broader Muslim market domestically and internationally with a halal certificate. Muslim consumers tend to look for products and services that have halal certificates.

4. Providing Added Value

It can provide a competitive advantage when compared to competitors who do not have halal certificates. Muslim consumers who are aware of the value of halal will choose products that are halal-certified. Of course, this can provide *value* for business actors to produce and sell halal products. (Syafri in Burhanuddin, et al, 2022). Bank Indonesia and the government synergize in preparing the *halal value chain* business model. The steps taken are not only the *Sharia local value chain*. But it also penetrated the global industry by increasing exports. In addition, halal certificates can increase added value for business actors in producing and selling their products. (Charity, May Lim, 2017).

5. As Production and Quality standards

Manufacturers must meet strict production requirements and standards to obtain a halal certificate. This encourages manufacturers to pay attention to quality and cleanliness and separate halal products from non-halal ones. With the halal certificate, manufacturers are expected to maintain the quality of their products better. One way to compete with other countries in the halal food industry is to maintain the quality of halal food products. (Peristiwo, Hadi, 2019)

6. Providing Consumer Protection

Halal certificates also play a role in protecting consumers from products that do not follow halal principles. Law Number 33 of 2014 concerning Halal Product Assurance, followed by establishment of the Halal Product Assurance Organizing Agency in 2017, aims to take care of halal product guarantees. (Handyani, Amita Fayzia&Ninuk Wijiningsih, 2023)

## 7. Development of Halal Industry

Halal Certificate also encourages the development of the halal industry as a whole. The demand for halal certification encourages producers and industries to improve their production standards and processes, create new job opportunities, and boost the domestic economy. The halal industry reaches both Muslim and non-Muslim consumers. It is also the application of religious moderation in the economy. According to several references, halal supply chain collaboration provides practical solutions for the halal industry to optimize the halal supply chain. Of course, to support the development of customer-driven supply chains that are better able to meet the diverse needs of the Muslim market and meet common halal standards worldwide. (Events, Hadi, 2015). Indonesia has the potential as a significant market and even a significant halal product producer. The government supports this realization. (S Soesilowati in Fuadi, et al. (2022)

## CONCLUSION

Halal certification benefits the halal industry from the perspective of religious sales and can influence customer purchasing decisions. In addition, it can affect customer purchasing decisions. Thus, it can increase sales and expand the market for manufacturers and providers of halal products and services. This also helps improve the company's image and strengthen consumer relationships in an increasingly competitive industry. Halal certificate is an advantage and added value that can attract domestic and global consumers.

Halal Certificate has a role in the development of the Halal Industry. Human resources who have the knowledge and skills are also needed to be able to participate in the growth of the halal industry by increasing the capacity and competence of halal industry human resources.

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