THE URGENCY OF THE HALAL INDUSTRY SECTOR: POTENTIALS AND CHALLENGES

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Abstract

>   *This study aims to explain the position of the Halal Industry in Indonesia. This study also identifies opportunities and challenges in its development. The method used in this study is a quantitative method. The data obtained were analyzed using a questionnaire or questionnaire instrument. This study finds that Indonesia has the potential to develop the Halal Industry in various sectors. The development of the Halal Industry also has the potential to increase national economic growth. However, Indonesia has to face various challenges such as low awareness of halal, low competitiveness of local products and problems in its implementation*

> **Keywords**: *Halal Industry, Halal Products, Economic Growth, Potential of Halal Industry.*

INTRODUCTION

The halal industry is becoming a world trend today. This is evident from the prospect of the halal industry which continues to grow from year to year. According to a report from the State of The Global Islamic Report (2019), there are around 1.8 billion Muslim residents who are consumers of the halal industry. Consumer opportunities in the halal industry are

increasing by 5.2% annually with total consumer spending reaching USD 2.2 trillion. This number is expected to continue to increase every year.

Indonesia is one of the countries that has great potential to develop the halal industry. Of course, this great potential is an implication of the large number of Muslim population in Indonesia. Indonesia accounts for 12.7% of the world's Muslim population. This large Muslim population makes the demand for halal products also large. Indonesia is referred to as the embodiment of the world halal industrial market. In fact, the total spending that Indonesia spent on halal products was USD 218.8 billion in 2017 (Ministry of Finance of the Republic of Indonesia 2019).

The halal industry has a strategic role in improving the economy. So, the halal industry should be developed in Indonesia. The halal industry has contributed USD 3.8 billion to Indonesia's Gross Domestic Product (GDP) every year. In addition, the halal industry has also contributed USD 1 billion in investment from foreign investors and opened 127,000 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). So, Indonesia should have started to develop the halal industry in order to build the economy to its full potential.

However, it is unfortunate that the potential of Indonesia's halal industry has not been fully exploited. Data in the field shows that there is still very little output of the halal industry in Indonesia. Of course, this makes us sad, considering that Indonesia is a country with the largest Muslim population in the world. The large number of Muslim population has not been able to make Indonesia a supplier country for halal commodities in the world. This can be seen from Indonesia's inability to enter the Top 10 in all sectors of the halal industry. In fact, for halal food which is the basic need of an Indonesian Muslim, it has not been able to fulfill it. If we look at it, there is a huge gap between the potential and the reality of the halal industry that is happening in the field..

Based on the background described above, the authors are interested in carrying out research on the importance of the Halal Industry Sector in Indonesia in terms of opportunities and challenges. Through this research, the author hopes to contribute to the portrait of the halal industry in Indonesia which has the opportunity to be developed. Not only that, the results of this study are also expected to provide an explanation of what industrial sectors have great strength and potential in helping the Indonesian economy.

METHOD

This study uses a quantitative approach. The survey method was chosen as the primary data source. The survey method focuses on collecting data from respondents who have certain information that allows researchers to solve problems. Data collection was carried out using a questionnaire or questionnaire instrument. Based on the level of explanation, classified as associative or relationship research, namely research to determine causal relationships. The relationship or influence of the independent variable (X) on the variable (Y) (Sugiyono, 2012: 57).

RESULT AND DISCUSSION

This research is quantitative where the data generated will be in the form of numbers. From the data obtained, it was analyzed using SPSS software. This study aims to analyze how important the halal industry sector is in terms of its potential and challenges. With this objective, data were collected using a questionnaire of 45 respondents who had made an online purchase targeting the general public and students.

 1) **Respondent Characteristics**

`   Characteristics of respondents is a variety of backgrounds owned by the respondents themselves. This characteristic is to see what kind of background the respondent has in this study, the respondent's background is focused on the respondent's knowledge of the title under study.

 2) **Data Analysis**

Validity Test

Validity test is used to measure whether or not a questionnaire is valid. The questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnair.

Table 1.1 Validity Test

n =	45
r tabel =	0.294

	x1	x2	x3	x4	x5	x6	x7	x8	x9	x10	Total
x1	1										
x2	0.48416	1									
x3	0.22512	0.38651	1								
x4	0.39546	0.3195	0.25202	1							
x5	0.09849	-0.1104	0.17683	0.25202	1						
x6	0.33034	0.2357	0.48154	0.53791	0.28632	1					
x7	0.2452	0.09623	0.30816	0.43921	0.30816	0.49897	1				
x8	0.23114	0.24871	0.19064	0.05342	0.04524	0.15173	0.07884	1			
x9	0.33938	0.15459	0.04202	0.08684	0.16021	0.12893	0.27919	0.35629	1		
x10	0.4393	0.37477	0.44283	0.68423	0.44283	0.80383	0.55535	0.20177	0.21034	1	
Total	**0.678**	**0.510**	**0.508**	**0.663**	**0.393**	**0.705**	**0.635**	**0.466**	**0.546**	**0.826**	1
	valid	valid	valid	valid	valid	valid	valid	valid	valid	valid	

Based on table above, each question item on each variable, both independent and dependent, it turns out that the value of r count is greater than r table, so the data obtained in the field can be declared valid.

Reliability Test

The reliability test is to measure a questionnaire which is an indicator of a variable or construct. A questionnaire is said to be reliable if a person's answer to the statement is consistent or stable from time to time. A variable is said to be reliable if it gives a Cronbach Alpha value > 0.60

Table 1.2 Reliability test results :

k =	45
$\sum$(Var b) =	2.259
Var t =	7.609
r_ac =	0.719
r tabel =	0.294

Based on the table above, it shows that this test was carried out in a variable manner, not as a question item on each variable, which can be seen the result is that the Cronbah's alpha value is greater than 0.6, so it can be said to be reliable.

Regression Test

The tool used in testing the hypothesis is multiple regression analysis. This analysis is used to measure the strength of the relationship between the independent variable and the dependent variable, as well as to indicate the direction of the relationship between these variables.

Table 1.3 Regression Test, Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	,513	1,025	1
x1	,108	,124	,129
x2	,132	,261	,080
x3	-,173	,265	-,095
x4	-,054	,262	-,030
x5	-,021	,276	-,016
x6	,138	,158	,131
x7	-,073	,126	-,076
x8	-,079	,108	-,100
x9	,776	,308	,630

Based on the table above shows the coefficient is the form of a regression equation that can be generated as follows:

$$Y = 513 + 0.108X1 + 0.132X2 - 0.173X3 - 0.054X4 - 0.021X5 + 0.138X6 - 0.073X7 - 0.079X8 + 0.776X9 + e$$

From the above equation, it can be seen that the constant coefficient is positive, meaning that the potential to develop the halal industry sector in Indonesia is very large.

Hyphotesist Test

This test is carried out to prove the hypothesis based on existing research. This test includes t test, F test and determinant coefficientada.

Table 1.4 Model Summary[b] Determinant Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,716[a]	,512	,387	,40904	1,973

Table 1.5, ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	6,144	9	,683	4,080	,001[b]
1	Residual	5,856	35	,167		
	Total	12,000	44			

a. Dependent Variable: y

b. Predictors: (Constant), x9, x7, x8, x2, x3, x4, x1, x6, x5

a. Predictors: (Constant), x9, x7, x8, x2, x3, x4, x1, x6, x5

b. Dependent Variable: y

The coefficient of determination (R2) is used to measure the model's ability to explain the variation of the dependent variable. The value of R2 is between 0 and 1. A small R2 value means that the ability of the independent variables to explain the variation of the dependent variable is very limited. The value of R square of 0.512 (51%) can be interpreted that variable X explains the variation of the potential variables and challenges of the halal industry by 51% and the rest is influenced by other independent variables.

Model Accuracy Test (F test)

This test aims to determine the extent to which the independent variables used are able to explain the dependent variable. In this study, the variables X are simultaneously related to the dependent variable, namely Y, and whether the model is appropriate or not. The results obtained in this study are: based on the table, the calculated F value is 4080 with F sig 0.001 where F sig is less than 0.05 then Ho is rejected. It can be interpreted that simultaneously variable X has a significant effect on Y.

CONCLUSSION AND RECOMMENDATION

Based on the research described above, it can be concluded that the halal industry continues to show positive growth every year. This growth certainly makes a positive contribution to the Indonesian economy. Indonesian people's consumption of halal products is very large, even the largest in the world. The halal industry has huge potential in Indonesia.

This is an implication of the very large number of Indonesian Muslim population. We can see the potential of Indonesia's halal industry from several sectors, namely the halal food sector, the sharia finance sector, the halal tourism sector, and the Muslim fashion sector.

In developing the potential of the halal industry in Indonesia, of course, we will face challenges both from external and internal. By looking at these potentials and challenges, the government is advised to further promote education to business actors about the importance of maintaining and guaranteeing the quality of goods and services offered to the public, especially regarding the guarantee of halalness considering that the majority of Indonesia's population is Muslim.

Indonesia has great potential to develop the halal industry. These potentials include the abundant Muslim population that is projected to reach 256 million people by 2050, the growth of various halal industrial sectors, especially the finance, tourism and fashion sectors, the recognition of Indonesia's achievements in the eyes of the world, Indonesia's geographical conditions and demographic bonuses, and developments technology.

This potential can encourage economic growth by increasing the value of exports and foreign exchange reserves. But on the other hand, Indonesia also has challenges in developing this halal industry. The challenges facing Indonesia come from external and internal sources. Through this research, it is hoped that many people will become increasingly aware of the importance of the halal industry so that they can support efforts to advance the Indonesian halal industry.

By looking at these potentials and challenges, the government is advised to further promote education to business actors about the importance of maintaining and guaranteeing the quality of goods and services offered to the public, especially regarding the guarantee of halalness considering that the majority of Indonesia's population is Muslim. With this education and assistance, it is hoped that Indonesia will be able to shift from a consumer country for halal products to a producing country in the future. Based on the results of the research and the conclusions that have been described previously, the researchers provide several suggestions, especially for the community, including the following:

a) The advantage of having an industrial area must be used really by the community and must apply the halal industrial sector. With so many industries spread across the region, people are no longer worried about finding work.

b) For further researchers, it is recommended to develop other variables that may influence the purchase of halal goods or food.

c) It is recommended for companies to maintain and maintain a self-image in the halal sector in the eyes of consumers in terms of tools, raw materials, taste and product quality so that consumers have confidence that the goods consumed are clearly halal.

d) The community is given advice by researchers to always consume halal goods such as food, fashion and fashion. This is because the population in Indonesia is predominantly Muslim.

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