

## Young Generation's Contribution in Building a Halal Industry Ecosystem in Indonesia

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### Abstract

The younger generation in Indonesia plays a pivotal role in building the ecosystem of the halal industry, with a focus on technological innovation, entrepreneurship, Sharia financial education, and business ethics. This research, using a qualitative method, aims to discuss the development of the halal industry in Indonesia and the strategic role of the younger generation. The research findings indicate Indonesia's significant potential in the halal industry based on the majority Muslim population, natural resources, and government support. The younger generation's role in innovation and social responsibility is key to the growth of the halal industry, positioning Indonesia as a global leader in halal product consumption.

**Keywords:** Contribution, Ecosystem, Halal Industry

### INTRODUCTION

Indonesia, as a country with a majority Muslim population, faces significant challenges in ensuring the halalness of products consumed by its citizens. Even though the need for halal consumption is increasing, the distribution of raw materials and finished products in the Indonesian market is still not completely guaranteed to be halal. Muslims, as the main consumers, are faced with the responsibility to ensure that the products they consume meet halal standards, from raw materials to finished products. (Risa Qoniah, 2022)

In the last two decades, the development of sharia economics has provided new hope for Muslims in Indonesia. The existence of the halal product industry is an opportunity for domestic business players, supported by the active role of the government and the community's positive response to the sharia economy. The market potential in Muslim countries, with large sales values in the non-financial sector, including food, fashion and tourism, has attracted the attention of many countries to develop halal products. Even though Indonesia has great potential with human resources, natural resources, and institutions supporting halal products such as the Indonesian Ulema Council (MUI), challenges arise along with global competition.

Along with developments in technology and times, the concept of halal in everyday life is not only limited to food and drinks. However, it covers all aspects of life, such as security, cleanliness, welfare and social justice. (Boby Indrawan et al., 2022)

The halal industry is growing not only in Muslim majority countries but also in Muslim minority countries. China, Japan, South Korea and Thailand are some of the countries that are very active in the halal market. Theoretically, there is a complexity of the halal concept that is different for each country.

There are at least four reasons why the development of the halal industry is important for Indonesia. 1) Indonesia is the country with the largest Muslim population in the world; 2) Indonesia also has the largest number of Hajj and Umrah pilgrims in Indonesia; 3) Has abundant natural resources; 4) Indonesia's position in Southeast Asia, which controls 62% of the global halal market. As Chair of the DIY KADIN and Chair of the HCY Council, GRK Mankubumi emphasized that Indonesia must be king in developing its own Halal industry, which must be accepted by all society regardless of religious factors. (Addi Arrahman and Illy Yanti, 2022).

To achieve the vision of "Indonesia as a mecca for the global Halal industry," the role of the younger generation is crucial. They have potential in technological innovation, entrepreneurship development, sharia financial education and literacy, as well as implementing ethics and social responsibility. These steps will help build a strong halal industry ecosystem, sustainable, and in accordance with sharia principles. ( Evita Farcha Kamila (2022) In this context, the role and contribution of the younger generation does not only cover economic aspects, but also forms the moral and ethical foundation for the progress of the Indonesian halal industry on the global stage.

### **formulation of the problem**

The problem is:

1. How is the halal industry ecosystem in Indonesia?
2. How is the contribution of the younger generation?
3. How is the implementation of the younger generation in building the halal industry ecosystem in Indonesia?

### **OBJECTIVE**

The aim of this community service is:

1. To find out the halal industry ecosystem in Indonesia
2. To find out the contribution of the younger generation
3. To find out the implementation of the younger generation in building the halal industry ecosystem in Indonesia

### **LITERATURE REVIEW**

#### **a. About Research Subjects**

Contribution is a donation given by someone as a form of effort to help with the lack of things that are needed. This means that the contribution of each individual must also try to increase the efficiency and effectiveness of his life.

Ecosystem is a place used by parties to meet, transact, implement marketing strategies, and develop business through a reliable system that optimizes data and information management. There are benefits and objectives of the ecosystem. Namely the interest of entrepreneurs in digitizing their businesses.

halal industry is an industry that produces halal goods and services in accordance with Islamic law. Halal industry is any form of improving the welfare of society, both in the process of processing raw materials and developing other aspects that can become economic products that are permitted by sharia, both in the business process, its use, its marketing or its development, not the result of prohibited muamalah activities.

#### **b. About the Research Program**

Indonesia has a great opportunity to develop the halal fashion sector because currently there has been a growing lifestyle of people who want to wear closed trendy clothes while still following sharia rules. It is known that the role of the halal industry in Indonesia is so large, not only the food and beverage sector, but the halal industry has expanded widely to include the sharia financial sector, Muslim fashion, cosmetics, pharmaceuticals, travel, hotels, tourism, media and including film recreation. The researcher took this title to evaluate by discussing in depth the contribution of the younger generation in building the halal industry ecosystem in Indonesia.

### **METHOD**

This research is research that uses qualitative methods. With the aim of interpreting and explaining the data in question. The research method used is a literature study research method by searching for information through books, magazines and other literature to form a theoretical basis. This research also includes collecting information and data from books, scientific literature references and scientific works as well as other sources and is related to the object being researched. There is also previous research that describes and explains the contribution of the younger generation in building the halal industrial ecosystem in Indonesia.

## RESULTS AND DISCUSSION

### Halal Industrial Ecosystem in Indonesia

Halal is now a globally recognized standard and is not just about meeting the needs of Muslims and fulfilling sharia law. The increasing population of Muslims in the world has also had an impact on the need for halal products. This then influences Indonesian people's awareness of halal products which continues to increase from time to time. The Indonesian Ulema Council's Food, Drug and Cosmetics Study Institute (LPPOM MUI) received 15,333 applications for halal certification during 2022.

To support this, BPJPH has launched many programs to provide halal certification to MSE members. First, reducing the costs of obtaining halal certification and offering the Free Halal Certification (Sehati) program to ten thousand MSE members. Apart from certification services, improvements are also made in the areas of product inspection and manufacturing. Currently BPJPH has 151 Halal Product Process Assistance Institutions (LPPPH) including universities and Islamic organizations. In addition, BPJPH has completed certification of 344 Halal studies and 18,248 Halal Process Improvement (PPH) studies. To guarantee product halal standards, BPJPH also has around 497 certified halal auditors. (Nur Faridah, 2024)

In the 2023 Global Islamic Economy Indicator (GIEI), Indonesia is ranked 3rd. With halal food being part of the main area of the ranking, it is in second place, which is up two places from the previous year. Now Indonesia aims to become the center of the global Islamic economy. This is influenced by two important facts, one of which is the resilience of Indonesia's sharia economy during the pandemic as evidenced by the increase in ranking from 4th to 3rd in the Global Islamic Economy Indicator (GIEI). Second, the untapped potential of human geography (namely population, cultural, political and economic geography). ( Yuniarti F.R., Adha I.A.F., and Purbasari L.T., 2022)

The halal industry, especially halal food, records positive growth every year. Of course, this growth will make a positive contribution to the Indonesian economy. This contribution can be seen in gross domestic product (GDP). It is proven that the sharia economy contributes \$3.8 billion to GDP every year. This contribution to GDP is reflected in Indonesian people's consumption as well as import and export activities of halal products.

Indonesian people consume a lot of halal products, some of which are even the largest in the world. Total consumption of halal products in Indonesia is estimated to reach \$250 billion in 2022, representing more than 40% of total household consumption. This amount is equivalent to around 22% of Indonesia's GDP. With a constant growth trend of 5.3% per year, consumption of halal products is expected to continue to increase. Consumption of halal products in Indonesia will reach \$330.5 billion per year by 2025. Even though the majority of halal product consumption comes from imported products, there is a big opportunity to increase production in the halal industrial sector and reduce the trade balance deficit. However, increasing exports of hala products is not impossible.

From the export side, the halal industry has great potential to increase the value of Indonesian exports. The halal export industry could generate between \$5.1 billion and \$11 billion in value per year. By 2022, the halal industry will generate \$9.2 billion. Indonesia has 3.8% of global halal export opportunities. This number can be increased by improving the quality of halal products exported. Competitive pricing is also considered important so that products can compete with products from other countries.

With all the existing potential of the halal industry, it can be used to help increase foreign exchange reserves. There are several ways to do this. In particular, to increase the value of Indonesian halal food products and Muslim clothing, which are very valuable export options for developing countries' economies. Second, increase the potential for halal tourism. The sector with the greatest potential to increase foreign exchange reserves is halal tourism. Apart from that, Indonesia has also received various awards related to halal tourism.

Third, improve the role played by the sector Islamic finance in reach inclusion finance. Loan can given to MSMEs (businesses small middle) who work in the halal sector through inclusion Islamic finance. As more and more MSMEs develop their businesses, production activities will increase. To continue to grow and develop the halal industry, it requires support from all parties, both society and government. Government support includes regulation of halal products and industries, as well as halal certification. ( Fathoni M.A., 2020)

### **Contribution of the Younger Generation**

In the millennial era, the Islamic economic system is expected to be able to overcome economic challenges in this country. There are approaches that can support the role and transformation of a conventional economic system into a sharia economic system. The approach involves adjusting elements in the economic system to align with sharia principles. Observing the potential reflected in Islamic economics, many scientists are interested in switching from a capitalist economic system to an economic model based on Islamic principles. The Islamic economic system has a universal nature, which means it regulates all aspects of economic activity and can be applied by anyone, not just limited to Muslims. ( Achmad Soediro et al., 2021)

When building an economic foundation, the first step that must be considered is choosing the concept used. However, the question now is to what extent Islamic economics has grown and developed in the Indonesian economic order, especially considering that Indonesia is a country with a majority Muslim population. Many of the younger generation do not fully realize or even know their important role in the Indonesian economic context. In fact, their contribution has very significant weight, and they play an important role in determining the future direction of the nation.

Considering the important role of the younger generation in participating in building the halal industrial ecosystem in Indonesia, there are important aspects that can support this contribution, including:

1. **Sharia Technology and Fintech Innovation**

Today's youth tend to be more skilled in dealing with the latest technological developments and innovations. In the context of the halal industry, technology can be utilized to facilitate the process of labeling, tracking and verifying halal products, thereby providing confidence to consumers. Sharia fintech, as part of the overall fintech change, has the potential to simplify business transactions in accordance with sharia principles, such as interest-free financing and fair financial services. (Legowo M.R., Steph Subanidja, and Sorongan F.A., 2020)

2. **Entrepreneurship and Startup Development**

The younger generation can become entrepreneurs with sharia fintech start-ups, creating innovative solutions according to sharia principles such as micro-financing services, risk-sharing savings, or investment platforms based on justice and Islamic law. This initiative not only increases the inclusivity of sharia fintech, but also contributes to sustainable economic growth. With creativity and technology, they can overcome financial problems according to sharia principles, strengthen the positive image of sharia fintech globally, and inspire others to apply Islamic ethics in business. The role of the younger generation is key in encouraging innovation and development of sharia fintech through start-ups that adhere to sharia principles, not only for economic growth, but also to create an inclusive and ethical vision in the financial sector. (Faridah H.D., 2019)

3. **Sharia Financial Education and Literacy**

The younger generation has a key role in increasing awareness about Islamic finance through an educational approach. They can create interesting educational materials, such as online videos and articles, and hold online seminars with Islamic finance experts. These steps have the potential to change public perception and increase interest in Islamic fintech. By becoming agents of change through creative education, the younger generation not only provides information, but also helps society understand the economic and spiritual benefits of sharia finance, contributing to the overall development of sharia fintech.

4. **Development of Ethics and Social Responsibility**

The younger generation has great potential to shape the development of sharia fintech and the halal industry with a significant role. In a dynamic era, they play an important role in balancing industrial growth with ethical values and sharia principles. As agents of change, they can drive business practices to address social, economic, and financial disparities. A focus on sustainable business allows them to contribute to the sustainability of the environment and society, creating a long-term positive impact.

The younger generation has a key role in advancing inclusivity in the sharia fintech and halal industries. They can ensure equitable access regardless of background, create a business environment that is honest and cares about social impact, and promote social responsibility to support community welfare and a business culture that focuses on long-term benefits. As leaders of change, they are not only technology

users, but also pioneers of ethics, inclusivity, sustainability and social responsibility in the industry.

### **Application of the Young Generation in Building a Halal Industrial Ecosystem in Indonesia**

The role of the younger generation in building the halal industrial ecosystem in Indonesia is a strategic step to drive this rapidly developing economic sector. Indonesia's young generation has a crucial role in building a strong and sustainable halal industrial ecosystem. First, through education and training, the younger generation needs to receive special education and training in the field of halal economics. Formal and non-formal education programs can provide a solid foundation for them to contribute to the sector, and can also provide an in-depth understanding of sharia principles, and halal certification. (Syahrudin Kadir et al., 2024)

Second, the role of the younger generation in innovation and technology is very important. The younger generation can play an active role in developing innovation and technology to support the halal industry. They can be involved in research and development of halal products, as well as the application of technology such as blockchain to ensure the authenticity and halalness of products in a transparent manner. With creativity and technological knowledge, the younger generation can create breakthroughs that support efficiency and quality in the halal industry.

Third, encouraging an entrepreneurial spirit among the younger generation can increase the growth of the halal industrial ecosystem. The government and private sector need to provide support, both in facilities, training and funding to help the younger generation start their own halal businesses. Fourth, promotion and marketing of halal products is also a vital part in the implementation of the younger generation. The younger generation can utilize skills in digital marketing to increase the visibility of halal products in local and international markets.

Fifth, collaboration and networks between the younger generation, government, educational institutions and industry players need to be improved. Through business forums, such as business meetings, conferences and halal industry events, it can be a means to build networks, share knowledge, design joint strategies and build strong synergies to support the growth of the halal industry. The active involvement of the younger generation in business and industrial organizations can also strengthen their voice in formulating industry policies and standards. (LPPOM MUI, 2022)

Sixth, the younger generation can also play a role in promoting business ethics that are in accordance with sharia principles. They can be agents of change who promote corporate social responsibility, including sustainability and concern for society. Seventh, the active participation of the younger generation in business and industrial organizations can strengthen their voice in formulating industrial policies and standards. This is important to ensure that the interests of the younger generation are accommodated and that they have a real role in shaping the future of the halal industry. Lastly, the younger generation can also become ambassadors for promoting the Indonesian halal industry internationally.

Thus, the application of the younger generation in building a halal industrial ecosystem will not only provide local benefits but also support Indonesia's positive image as a leader in the halal industry at the global level. The application of the younger generation in building a halal industrial ecosystem in Indonesia is not only about creating jobs and economic growth, but also ensuring that this development is in accordance with sharia values. Through education, innovation, entrepreneurship, promotion, collaboration and social responsibility, the younger generation can play an important role in advancing the halal industry and increasing Indonesia's competitiveness in the global market. (Syahrudin Kadir and Hassan Alaraj, 2023)

### **CONCLUSION**

In efforts to build and develop a halal industrial ecosystem in Indonesia, many factors need to be considered. Indonesia has great potential in the halal industry, supported by the majority of its Muslim population, natural resources, as well as support from the government and institutions such as the Indonesian Ulema Council (MUI). Indonesia's position as the country with the largest consumption of halal products in the world provides significant opportunities, especially in increasing exports and contribution to Gross Domestic Product (GDP).

The role of the younger generation is considered very important in shaping and encouraging the growth of the halal industry. In this context, technological innovation, entrepreneurship development, sharia financial education and literacy, as well as the implementation of ethics and social responsibility are key elements to achieve this goal. It is hoped that the younger generation can become agents of change who bring innovation, technological progress and awareness of Islamic finance to the halal industry.

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