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Nur Farhani Zarmani · Zety Sharizat Hamidi
Zeiad Amjad Abdulrazzak Aghwan
Norliza Binti Dato Haji Mahalle
Hakimah Haji Yaacob · Tomizawa Hisao *Editors*

Enhancing Halal Sustainability

Selected Papers from the
4th International Halal Conference 2019

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Preface

Interest in halal supply and demand and the opportunities they create will continue to intensify as any developing nation aspires for developed status. Issues and problem that arise as effects from the process of development are therefore numerous, and scientists, engineers and planners at all levels should therefore look more closely at the interdisciplinary nature of halal and halal-related issues. A great deal of accomplishment can be made with regard to sustainable development by using accommodative and integrative manner in approaching such issues. The series of the International Halal Conference had been held annually since 2012. It originated from the need to unite academicians, researchers and practitioners working in different aspects of halal industry.

International experts from several halal organizations were invited to deliver Keynote speeches at the fourth International Halal Conference (INHAC): Enhancing Halal Sustainability, which was held at Osaka University Nakanoshima Center, Osaka, Japan, from 22nd to 23rd of April 2019. Apart from that, this conference received over 150 paper submissions from various countries. And this special book compiles selected papers containing 35 important findings that form four (4) interrelated themes, namely (1) Halal Research and Education; (2) Halal Business and Industry; (3) Halal Science; and (4) Halal Management.

On behalf of the Organizing Committee, I would like to take this opportunity to extend my thanks and appreciation to Academy of Contemporary Islamic Studies (ACIS) Universiti Teknologi MARA Malaysia, Osaka University Japan, Sultan Sharif Ali Islamic University (UNISSA) Brunei, Malaysia International Halal Showcase (MIHAS) and other organizations that have contributed directly or indirectly for making this conference possible. Our sincere thanks to the SPRINGER publication team for publishing this book. Finally, I would like to thank our organization committee, authors, editors and reviewers that generously contributed to this special book.

Shah Alam, Selangor, Malaysia

N. N. M. Shariff

Contents

Part I Halal Research and Education

| | |
|---|-----------|
| Students' Perception Towards Halal Food in Cube Shop: The Importance of Transparency | 3 |
| Norkhairiah Hashim | |
| Understanding Level of Science-Related Halal Academic Courses Among Malaysian University Students: An Experimental Approach . . . | 17 |
| Mohd Amzari Tumiran, Nasharuddin Mohammad, and Zulaipa Ruzulan | |
| Counterfeit Fashion Goods Purchase Intention Among Muslim Millennial: What Counts—Religiosity, Ethical Concern or Attitude Towards Lawfulness? | 27 |
| Norzehan Abu Bakar, Nor Syafiqah Walam Rosol, Rozita Naina Mohamad, and Nur Hazirah Hashim | |
| Is Sharia-Compliant Hotel a Good Investment? Using Netnography Research Method to Explore the Society's Perceptions | 39 |
| Nor Nazihah Chuweni, Mohd Noor Ismawi Ismail, Nurulanis Ahmad Mohamed, Siti Nadiyah Mohd Ali, Nurul Sahida Fauzi, and Huraizah Arshad | |
| Enhancement of Halal Virtual Inspection Model: The Requirements of Food Premise Virtual Inspection Process | 49 |
| Mohd Zabiedy Mohd Sulaiman, Nurulhuda Noordin, Nor Laila Md Noor, Ahmad Iqbal Hakim Suhaimi, and Wan Abdul Rahim Wan Mohd Isa | |
| Fiqh Traveller According to Maqasid Shariah | 65 |
| Nurzahidah bt Hj Jaapar, Sharifah Fadylawaty Syed Abdullah, and Fadhilah Adibah bt Ismail | |

| | |
|--|------------|
| Factors Contributing to Mosque Tourism in Malaysia | 77 |
| Sedigheh Moghavvemi, Ainin Sulaiman, Azni Zarina Taha, Mohd Edil Abd Sukor, Mohd Zulkhairi Mustapha, Mozard Mohtar, Noor Ismawati Jaafar, and Shamshul Bahri Zakaria | |
| Classification of Visual Marker in YouTube Videos: A Preliminary Outlook | 87 |
| Anitawati Mohd Lokman, Roshaliza Mohd Rosli, and Syaripah Ruzaini Syed Aris | |
| Shariah Compliant Guidelines on the Use of Gadgets | 99 |
| Sharifah Fadylawaty Syed Abdullah, Fadhilah Adibah Ismail, Kamariah Yusoff, Azizah Zakaria, and Norsalwati Sabtu | |
| Developing Basic Criteria in Halal Food Security: An Overview from Islamic Perspectives | 109 |
| Syuhaida Idha Abd Rahim, Siti Khurshiah Mohd Mansor, Zulaipa Ruzulan, and Noraini Ismail | |
| Part II Halal Business and Industry | |
| Sharia Issues About Bitcoin Cryptocurrency Transactions | 119 |
| Najahudin Lateh and Siti Noorbiah Md Rejab | |
| Shariah Governance in the Face of Value-Based Intermediation: Islamic Banking to Thrive Beyond Halal | 129 |
| Nurul Afidah Mohamad Yusof and Mohammad Mahbubi Ali | |
| Marketing Innovation of Muslim Agro-Food Small and Medium Enterprises (SMEs) in Peninsular Malaysia | 141 |
| N. H. Khairuddin, N. H. Kamarulzaman, H. Hashim, and S. R. Hussin | |
| Development of Gold Using Model as Takaful Contract | 155 |
| Siti Noorbiah Md Rejab and Najahudin Lateh | |
| Earning Announcement and Stock Return: Evidence from Indonesia . . . | 167 |
| Diyani Lestari | |
| A Conceptual Framework: Enhancing Shariah Compliance via Adopting Enterprise Waqf Model as Endowment for Urban Regeneration Development | 183 |
| Nurulanis Binti Ahmad, Nor Nazihah Chuweni, Jannatun Naemah Ismam, Siti Nadiyah Mohd Ali, Nurul Sahida Fauzi, and Huraizah Arshad | |
| Islamic Mediation Model: An Adoption on Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) | 197 |
| Rafidah Mohd Azli, Nasif Sidque Pauzi, Ahmad Faiz Ubaidah, Hajah Makiah Tussaripah Jamil, Dziauddin Sharif, and Mohd Asmadi Yakob | |

Solution to Malaysia Halal Certification Premises Issue Through Waqf Commercial Building: A Preliminary Study 203
 Nur Azlin Ismail, Asiah Alkharib Shah, Nur Atika Atan, and Ismail Omar

Investment Prospect of Halal Products in Indonesia: A Review 215
 Hardiwinoto Hardiwinoto, Fatmasari Sukesti, and Stalis Norma Ethica

Part III Halal Science

Detection of Pork DNA in Meatballs and Ice Cream Using Polymerase Chain Reaction Restriction Fragment Length Polymorphism (PCR-RFLP) 237
 Agustin K. Wardani, Aji Sutrisno, Helmy A. Prabowo, Nikita Fendy, and Fatony Kurniawan

Utilization of Banana Peel-Wastes for the Production of Low-Cost and Shariah-Compliant Amylolytic Enzyme 249
 Moohamad Ropaning Sulong, Hazirah Hamid, Ashvini Sivam, Hasdianty Abdullah, and Lai Long Wee

Utilization of Bioreactor Operation Mode in Producing Influenza Vaccine Syariah-Compliant 259
 F. N. Aliya Mohamad Ros, Norliza Abd. Rahman, Jarinah Mohd Ali, Nurina Anuar, Siti Rozaimah Bt. Sheikh Abdullah, and Amir Fazlim Bin Jusoh

The Identification of Alcohol Percentage Limit in Halal Food Using Fuzzy Logic 269
 Jarinah Mohd Ali, Suhaili Othman, Nurrulhidayah Ahmad Fadzillah, and Norliza Abd. Rahman

Food Colouring Issues in the *Halāl* Industry 277
 Syahierah Haji Japar and Zeiad Amjad Aghwan

Anti-microbial Properties of Turmeric Extracts Against Common Oral Pathogens as a Potential Therapeutic Alternative in Dentistry 287
 Aida Nur Ashikin Abd Rahman, Nurul Izzah Mohd Sarmin, Nur Syahira Nabila Abu Jamil, and Nur Ain Muhd Hanifah

Horse Mackerel (*Trachurus Trachurus*) Skin Gelatin and Its Physicochemical Properties 295
 Siti S. Ramli and Nurain Inche Mohamed Nasir

Water Treatment from Fiqh and Science Perspectives 311
 Irwan Mohd Subri, Wan Ainaa Mardhiah Wan Zahari, Mohd Hafez Mohd Isa, Azman Ab Rahman, Mahazan Abdul Mutalib, and Ahmad Sanusi Azmi

Part IV Halal Management

| | |
|--|-----|
| The Effect of Operational Capabilities and Process Management on Firm Performance of Halal Food Manufacturers in Sarawak, Malaysia | 327 |
| Mohamad Norjayadi Tamam, Abang Zainoren Abang Abdul Rahman, and Firdaus Abdullah | |
| The Factors Influencing Islamic Leadership in Project Management: A Pilot Study | 343 |
| Zaimy Johana Johan and Nurfatimatuz Zahraa Baharudin | |
| Developing of Crowdsourcing Theoretical Framework: An Analysis Crowdsourcing Issues from Shari’a Perspective | 361 |
| Mohamad Norzamani Sahroni, Azhar Abdul Aziz, Mohd Takiyuddin Ibrahim, and Ahmad Nawir Abu Amrin | |
| Sharia Compliance Idealism or Is It Just Another Fallible in Management Innovation Model? | 371 |
| Fatimah Yusof and Faizul Abdullah | |
| Halal Management System for Main Course Product in Aerofood Indonesia-Yogyakarta Ltd: A Case Study | 383 |
| Elok Waziroh and Syafina Maylita Tijani | |
| Halal Supply Chain of Chicken Meat in Negeri Sembilan | 395 |
| Rafidah binti Mohd Azli, Nor Saadah binti Musa, Asnizah binti Ahmad, Muallim bin Bakri, Athira Ayuni binti Asmadi, Mohammad Nor bin Othman, Muhammad Syukri bin Ashmir Wong, and Noor Rashidah binti Ariffin | |
| Risk Assessment on Bird Slaughterhouses in Negeri Sembilan | 407 |
| Rafidah binti Mohd Azli, Nor Saadah Musa, Muallim Bakri, Athira Ayuni Asmadi, Mohammad Nor bin Othman, Nur Nabilah Azimoha, Noor Rashidah binti Mohamad Ariffin, Muhammad Syukri bin Mohd Ashmir Wong, and Asnizah Ahmad | |
| Effect of Halal Product Variation and Display Layout Toward Visit of Interest China Town Bandung | 419 |
| Vina Meliana and Donant A. Iskandar | |
| Index | 429 |

Investment Prospect of Halal Products in Indonesia: A Review



Hardiwinoto Hardiwinoto, Fatmasari Sukesti, and **Stalis Norma Ethica**

Abstract This paper mainly discusses about investment prospects of halal industry in Indonesia. Being the world's largest Muslim country for its majority (87%) of Muslim population, the country is one of important investment destinations for halal products. Five sectors of halal products i.e. halal food, Islamic finance, halal pharmaceuticals and cosmetics, modest fashion, and halal tourism were reviewed. Literature study was conducted by including all publications related to the set keywords, yet excluding those older than 2012. Trend analysis on the obtained numeric data was conducted based on trend formula. Results from the literature study and trend analysis data showed that in general, growth of the five halal product sectors increased. Based on evaluated data, in Indonesia, markets associated with halal products or sharia products are the future prospect.

Keywords Indonesian halal investment · Indonesian halal product · Indonesian halal trend · Asian halal market

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1 Introduction

Halal industry in Indonesia is growing rapidly along with the country's economic growth. The Minister of National Development Planning, Bambang Brodjonegoro, illustrated that in 2016 population expenditure for halal lifestyle was estimated at US \$ 2 trillions. Among them are food and beverage expenses of US\$ 1.24 trillions, fashion of US\$ 254 billions, halal tourism of US\$ 169 billions, and the rest for drugs, cosmetics, media and entertainment. This huge potential attracts Indonesia to present halal products, for example in the development of halal tourism sector with greater promotion. In 2027, it is estimated that global millennial growth will reach 0.7 billion (Bappenas, 2015).

The synergy of halal industry activities and the development of Islamic investment are mutually supporting, particularly in food, cosmetics and medicine industries, fashion, and tourism. The core Indonesia economist, Akhmad Akbar Susanto, explained that increasing consumer demand for halal products had boosted investment and trade in the industry, not only from local companies, but also multinational companies. Unilever, Nestle, Kelloggs, and Cargill are a number of multinational companies that have developed halal products. BASF, the world's largest chemical company, has bagged 145 halal certifications for facial cleansers, soaps and detergents. Meanwhile, Nike, the world's leading producer of sportswear, has also planned to launch a hijab specifically for sports (Antariksa, 2011).

Regarding with the prospects and opportunities of global sharia investment, Thomson Reuters and Dinar Standard (2017) have predicted in their reports that there will be continuous positive development until 2030. The potential for investment in the halal industry could be read, among others through a series of research, discussion and analysis of sharia industry players. Various countries with a majority Muslim and non-Muslim population were studied, especially from the countries of the Organization of the Islamic Conference (OIC) (Reuters & Standard, 2017).

Investment in halal products in the capital market with sharia principles was also developed. At the end of March 2015, total Islamic stocks traded in the capital market reached Rp. 2,946.89 trillion, while corporate sukuk traded reached a value of Rp. 7.1 trillion (Ethica, Saptaningtyas, Muchlissin, & Sabdono, 2018). Analysis, discussion and research had been carried out on several key business sectors including the halal industry, Islamic finance, fashion, and sharia media and recreation. Predictions are made by including indicators of investment value, innovation in new products from the world of industry, finance, and halal lifestyle and improvements in the regulatory sector.

Table 1. presents information on opportunities for halal industry sector of Indonesia compared to that of other countries based on the "State of the Global Economy: 2016-2017 Report" released by Thomson Reuters along with the Dubai Islamic Economy Development Center. The report has placed Indonesia in the 10th rank out of a total of 70 countries that already have attention and programs in developing halal industry (Reuters & Standard, 2017).

Table 1 World's halal industry ranking

| Indicator | Indonesian ranking | First rank | Total Muslim market in 2015 (in US\$ Million) |
|-----------------------------------|--------------------|------------|---|
| Halal food | NA | UAE | 7049 |
| Islamic finance | 9 | Malaysia | 162,000 |
| Halal travel | NA | UAE | 1347 |
| Modest fashion | NA | UAE | 2213 |
| Halal pharmaceuticals & cosmetics | 8 | UAE | 1922 |

Source: State of the Global Islamic Economy Report 2016/2017 (Reuters & Standard, 2017)

Prospect of halal investment is supported by the largest Muslim majority population in the world. Legally it is reinforced by the fatwa of the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) No.80 concerning the application of sharia principles in the mechanism of equity securities trading in the regular market of stock exchanges. The fatwa confirms that the implementation of sharia securities trading on the IDX has a strong foundation or fiqh law that is used in equity securities transactions in the regular market. This study aims to analyze the investment prospects of halal industry in Indonesia.

2 Methods

The present review was carried to get insight on investment prospects of halal industry in Indonesia covering five sectors i.e. halal food, Islamic finance, halal pharmaceuticals and cosmetics, modest fashion, and halal tourism. To reach this aim, first, the descriptive qualitative method adopted from that a scientific review reported by Ethica et al. (2018) will be used to obtain detailed and accurate knowledge reckoning on relevant papers for literature review. Next, elaboration was conducted between literature study and trend analysis of available data from the most relevant reports and articles in terms Indonesian role in the mentioned five sectors of halal investment (Ethica et al., 2018).

2.1 Eligibility Criteria for the Studies

Literature selection was based on the following inclusion criteria: [i] studies with subjects limited to halal investment covering five sectors i.e. halal food, Islamic finance, halal pharmaceuticals and cosmetics, modest fashion, and halal tourism in involving Indonesia; [ii] published in Indonesian and English languages; [iii] studies or reports analyzing the roadmap or trend of mentioned five sectors of halal investment in Indonesia; [iv] observational studies. Publication date limited to the

last 8 years was considered in the search strategy. Next, trend and summary of halal investment in Indonesia was carried out and displayed in charts or tables to signify the role of Indonesia in global halal economy.

2.2 Identification of Relevant Studies

The present review of literature was performed both electrically and manually. It was conducted based on the protocol and guidelines have been previously used by Wright and McDaid (2011). Relevant literature search was carried for two categories: (1) Halal investment worldwide including Indonesia. (2) Halal investment in Asia including Indonesia. (3) Halal investment in Indonesia. For all of these categories, both electronic and manual literature searches as well as manual search irrespective of publication date were done using MESH terms-through Google Scholar and Science Direct using keywords: “Indonesian halal investment”, “Indonesian halal product”, “Indonesian halal trend”, and “Asian halal market” Studies excluded from the present review were: [i] studies conducted before 2012 [ii] Studies of halal industry covering sectors other than halal food, Islamic or sharia finance, halal pharmaceuticals and cosmetics, modest fashion, and halal tourism; [iii] personal opinions in personal web (blogs); [iv] studies on halal investment that does not include Indonesia (Wright & McDaid, 2011).

2.3 Selection of Studies

Two of the authors [H & FS] independently identified studies that met inclusion criteria in the present review. Initially, both titles and abstracts of the records resulted by the search were evaluated to determine inappropriate studies that should be excluded based on exclusion criteria. Review articles were not included although their reference lists were searched in turn for any studies not recovered by the electronic search. Full text articles of the remaining studies were retrieved that met the inclusion criteria.

2.4 Control of Bias Assessment

Following issues were included in the risk of bias or quality assessment in the present systematic review: (i) completeness of reporting information regarding halal investment in Indonesia for consecutive years, (ii) selective data reporting, (iii) selection of institutions (including Indonesian government) issuing the reports (iv) study design, and (v) conflict of interest in the conduct of the study. When all

criteria were met, the overall plausible risk of bias was considered as low (Gambhir, Singh, Talwar, Gambhir, & Munjal, 2016).

2.5 *Collection, Extraction and Analysis of Data*

The present review was performed based on the guidelines set forth by Preferred Reporting Items for Systematic Reviews and Meta-Analyses (Liberati et al., 2009). Two authors [H & SNE] was responsible for extracting data from the studies. From each of the studies, pre-specified data was extracted including the study design, sample size, halal investment trend all over the world including Indonesia, and knowledge related with roadmap of halal business in Indonesia. Data from statistical institutions related with similar keywords were also added to support numeric data collection leading to trend analysis. Data analysis method used is based on trend analysis. Trend analysis is a technique used in technical analysis that attempts to predict the future investment prospect of halal product movements based on recently observed trend data. Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future (Keller, 2007). Trend analysis will get a good forecast, so it takes information in the form of a lot of data in the year of observation and usually takes a relatively long time, so that the results of the analysis can be known for the level of fluctuations and factors that affect changes (Keller, 2007). Analysis trends are calculated using:

$$\begin{aligned}
 Y &= a + bX \\
 a &= \sum Y/N \\
 b &= \sum XY / \sum X^2.
 \end{aligned}$$

Information:

Y: value of the trend in a certain period

X: time period

a: intercept of the trend equation

b: the slope coefficient or gradient of the trend equation that shows the magnitude of a unit change in X

3 Results and Discussion

3.1 *Halal Food Sector*

The development of the halal food and beverage industry in Indonesia has become a central issue in this study. This is based on an analysis of business opportunities

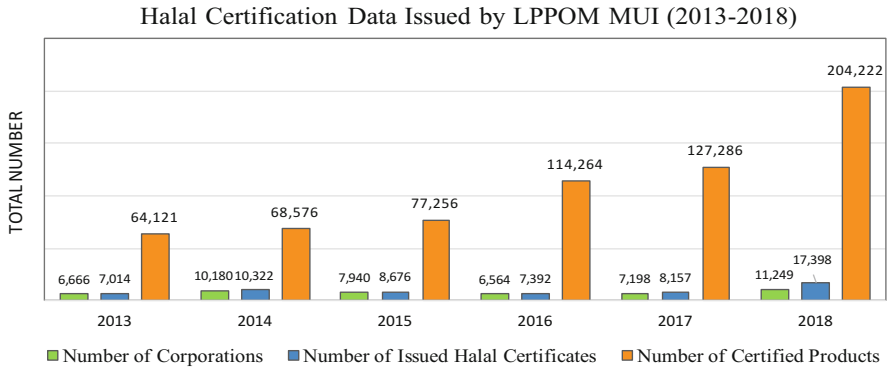


Fig. 1 Indonesian certification data on halal products (including food and beverages) issued by LPPOM MUI (2013–2018). (Source: MUI, LPPOM, 2018)

through Law number 33 of 2014 concerning Halal Product Guarantee (JPH) which mandates that in 2019 all producers will be required to have halal certificates.

Globally, halal food & beverage market size was valued at US\$ 436.8 billions in 2016. Worldwide, food and beverage leads Muslim spend by category at US\$ 1.3 trillions (Reuters & Standard, 2018). Indonesian market size for halal food industry in 2014 reached US\$ 191 billions (Rp. 2604 trillion) (Nurrachmi, 2018). Demand for halal food and other halal products in the world including Indonesia increases along with public awareness of guaranteed quality, hygiene and safety of food and beverages consumed. Halal food and other products in general have been accepted by the community both Muslim and non-Muslim (Ambali & Bakar, 2014).

could be seen from positive trend in the number of certified products, number of the issued certificates and number of participated corporates concerning halal products (including food and beverages) in Indonesia (Fig. 1).

For Muslim consumers, they must ensure that the food and drinks they consume are fulfilling the orders of Islamic law, while for non-Muslims, halal food and beverages are a guarantee of the quality of a product (Alqudsi, 2014). Market value of halal food and beverage by Indonesia is the largest in the world, yet the country is not among top exporters in this sector (Fig. 2).

3.2 Islamic Finance Sector

At present time, the term “halal” turned out to be a universal conception covering the entire concept of fresh, clean, and healthier production as well as services of food. This is completely contradictory to the traditional notion, which was restricted to only slaughtering of animals according to Islamic law or merely free from swine & alcohol. It is no more a mere religious obligation but has moved beyond that to become a standard of choice for both Muslims and non-Muslims. The shift in

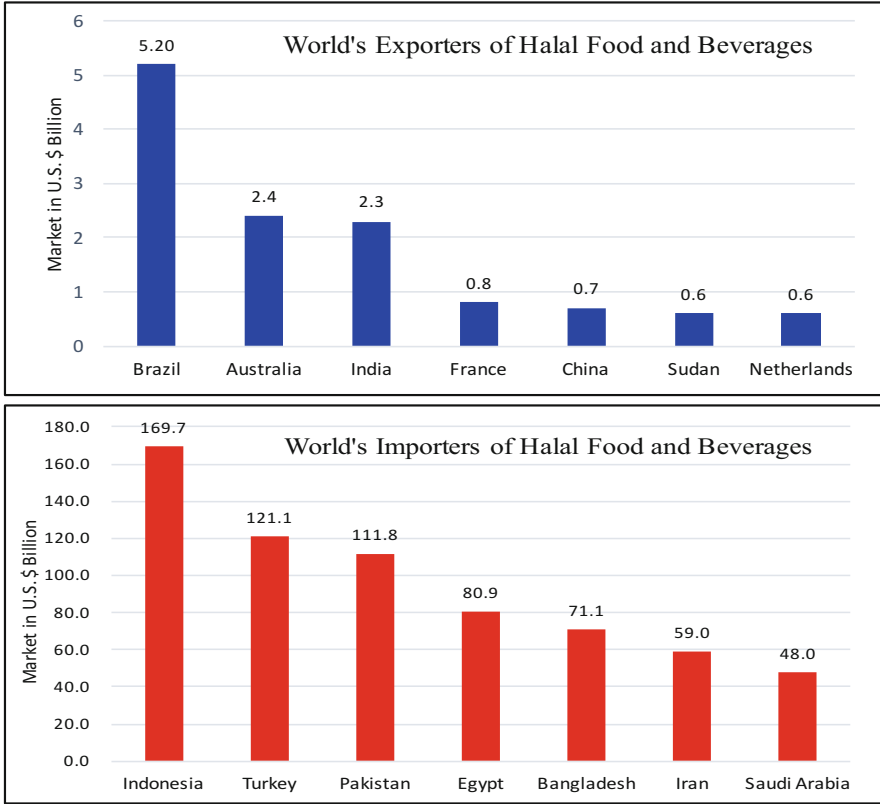


Fig. 2 Position of Indonesia among the world’s importers (top) and exporters (below) of halal food sector. (Source: Theaseanpost.com; Khidhir, 2019)

consumer perceptions regarding such products offers strong opportunities for a substantially rapid growth of the global halal food industry in the next 8 years (Grand View Research, 2018).

In food sector, the opportunity for the halal industry is predicted to exceed US\$ 1 trillion, some of which come from the halal-certified food and beverage industry, which is estimated to generate revenues of up to US\$ 415 billions in 2015. This figure is predicted to continue to grow significantly, exceeding US\$ 1 trillion 2030. This calculation is based on the total expenditure of the global Muslim community on halal products, along with the increasing application of halal certification in all OIC countries. Based on Thomson Reuters and Dinar Standard’s analysis, with such a large market growth, the role of private equity, clearly has an important role in market share movements in various halal industry sectors, for several reasons (Reuters & Standard, 2017):

First, when the companies’ awareness and interest in halal food arises, among various reason is because it is driven by the amount of potential and business

opportunities that could be achieved, private investment will participate in playing with the capital that the companies have. This will help in creating an expansion or spread of products across geographical boundaries, which, according to Thomson Reuters and Dinar Standard analysis, will contribute at least 0.5% of the total revenue of US\$ 5 billions.

Second, Indonesia is the country that has the largest level of halal food consumption in the world which reaches a market value of US\$ 190.4 billions and is ranked as the eighth largest importer of halal food with an import value of US\$ 594,385.

Indicators that are used as a measure in terms of halal food are the value of exports to OIC countries, halal law, halal certification for importers, halal certification for domestic producers, level of public awareness in terms of number of activities, reporting and research and food price index. This has become a homework for all stakeholders of the Indonesian halal food industry to improve themselves so that they are not only the country with the largest consumption level but also become the largest producer country in the world.

Reports by Reuters and Standards (2018) stated that Indonesia is ranked tenth place for global Islamic economy overtaking Brunei (Reuters & Standard, 2018). Indonesia spends in aggregate US\$ 218.8 billions across the Islamic economy sectors in 2017, with 215 million Muslims representing 13% of the global Muslim population (in 2015). In terms of GIEI (Global Islamic Economy Indicator) Score in Islamic Finance sector, Indonesia is ranked tenth in the world (Reuters & Standard, 2019).

Meanwhile, based on the 2017 ICD-Thomson Reuters report, in total Islamic financial assets, Indonesia ranks seventh out of total global sharia financial assets, with total assets of US\$ 81 billion, increased from the previous position ranked 9th in the same report the previous year (OJK, Otoritas Jasa Keuangan, 2019a). By June 2018, the total Indonesian Islamic financial assets (excluding Sharia Shares) reached Rp. 1204.47 trillion or US\$ 83.62 billions. The percentage of sharia investors to the total investors in the Indonesian capital market continues to increase significantly. In 2014, the percentage only reached 0.7%, so in 2015 it rose to 1.1%, and 2.3% in 2016, to reach 3.1% as of August 2017 (OJK, Otoritas Jasa Keuangan, 2019b).

Based on Islamic Finance Development Report 2017, total assets of Indonesian sharia insurance ranks fifth of total global Islamic insurance assets with value of US\$ 1.79 billion (OJK, Otoritas Jasa Keuangan, 2019a). Along with the growth of the banking industry, the development of Islamic banking industry in Indonesia continued to show a positive trend (Disastra & Priansa, 2019).

Globally, Muslim spend across lifestyle sectors was US\$ 2.1 trillion in 2017, while the Islamic finance sector has US\$ 2.4 trillions in total assets (Reuters and Standard, 2018). By sector, the global Islamic finance industry sector is currently still dominated by the sector of Islamic banking with total assets reached US\$ 1.6 trillion or 72% of total industrial assets of global sharia finance. Second largest contribution for the Islamic finance industry is in the sector sukuk with a proportion of 16% or equal to US\$ 0.34 trillion. Sector of Islamic mutual funds recorded the biggest growth among all sectors, namely 37% in 2016. Then it is followed by other



Fig. 3 Trend of corporation sukuk (sharia investment) in Indonesia representing growth of issued and outstanding sukuk. (Source: OJK, Otoritas Jasa Keuangan, 2019b)

Islamic non-bank financial industry (Other Islamic Financial Institution/ OIFI and takaful, each of which recorded growth of 17% and 13%, respectively in 2016. Meanwhile, the sector of Islamic banking recorded growth by 10% and sukuk grew by 1% (OJK, Otoritas Jasa Keuangan, 2019a).

One factor encouraging growth of Islamic finance industry in Indonesia is increasing issuance of sukuk since 2013. In 2016, the issuance of sukuk Indonesia reached US\$ 14.36 billions, which made Indonesia record second place in the total volume of sukuk issuance in 2016 after Malaysia or 12.1% of the total global sukuk issuance. With total sukuk assets reaching US\$ 36.99 billions, Indonesia ranked third after Malaysia and Saudi Arabia as the largest sukuk issuing country. The accumulation of Issued Indonesian corporation sukuk is displayed in Fig. 3.

In addition to sukuk, the performance of Indonesian Islamic mutual funds experiencing increased development. In 2016, outstanding asset under management (AuM) of Indonesian Islamic mutual funds ranks 8th globally after Kuwait and Britain by a total of value of US\$ 1.04 billion (MUI, LPPOM, 2018). Figure 4 displays trend of development of sharia mutual funds in terms of number and net asset value, which is represented in proportion total mutual funds in Indonesia. Based on the Net asset value (NAV), Islamic mutual funds that have the largest proportion in terms of number mutual funds are Sharia Mutual Funds of Shares by 49.60%, followed by Protected Sharia Mutual Funds by 14.50% and Sharia Mutual Fund of Fixed Income by 10.97% (OJK, Otoritas Jasa Keuangan, 2019b).

Based on the Islamic Finance Development Report (2017), Indonesia is known as a country with the fastest asset growth in Islamic non-bank finance industry in the world. The total Indonesian sharia insurance assets occupy fifth position of total

Proportion of Number of Sharia Mutual Funds and NAV (Net Asset Value) to Total Mutual Funds in Indonesia

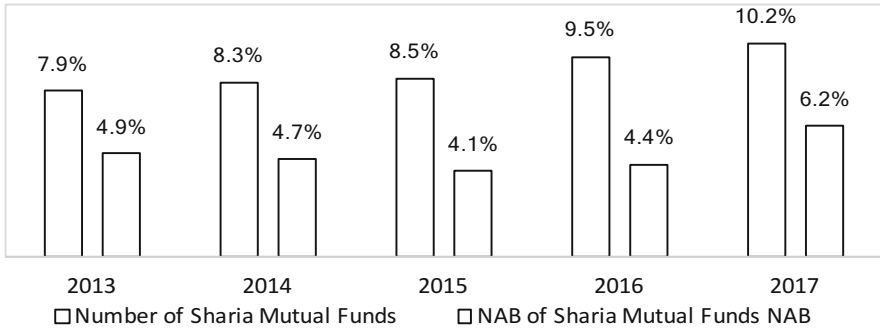


Fig. 4 Proportion of number of Sharia Mutual Funds and NAV (Net Asset Value) to total mutual funds in Indonesia (2013–2017). (Source: BEI, 2018)

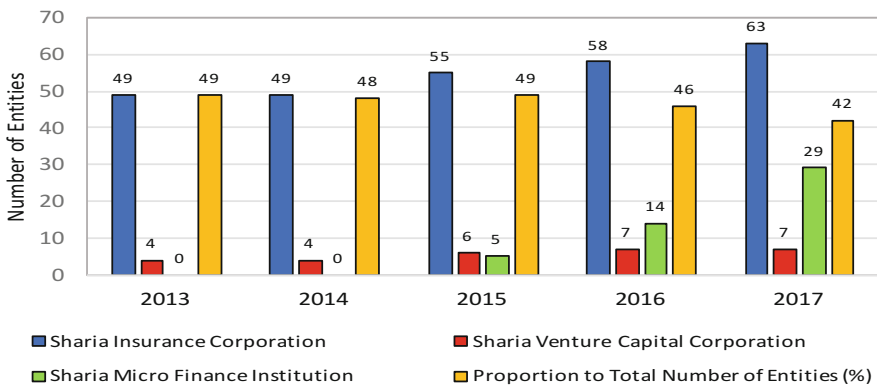


Fig. 5 Entities of Sharia non-bank finance industry in Indonesia (Industri Keuangan Non-Bank, IKNB). (Source: OJK, Otoritas Jasa Keuangan, 2019a)

global Islamic insurance assets with US \$ 1.79 billion or an increase of 41% from the previous year’s position by US\$ 1.27 billion. In 2016, Indonesian other non-bank financial assets reached US\$ 2.02 billion placing the country at the eighth position globally, increasing by 171% from its position in 2015 by US\$ 0.747 billion (OJK, Otoritas Jasa Keuangan, 2019a).

The other sharia non-bank sectors that show significant growth are the venture capital industry, finance, leasing and microfinance companies (OJK, Otoritas Jasa Keuangan, 2019a). Entities of these Islamic non-bank finance industry from 2013 to 2017 is represented by Fig. 5. As seen in Fig. 5, entities of Indonesian micro finance institutions start to display considerable growth in number from 2015 to present.

Today, the sharia microfinance startups have begun accepting cryptocurrencies for zakat via the block chain, channeling funds to the Indonesian cooperative Baitul Maal Wat Tamwil (BMT) (Winosa, 2018).

3.3 Halal Pharmaceuticals and Cosmetics Sectors

The increasing level of awareness and needs of the community towards the halal industry both domestically and globally is a very good opportunity for the Indonesians to take a more significant role. The turnover of the pharmaceutical and halal drug industry in 2014 was 52 trillion rupiahs and the pharmaceutical industry market share came from 70% of domestic investment and 30% of foreign investment (Hijriawati, Putriana, & Husni, 2016).

The total expenditure of Muslim countries in the Pharmaceutical and Cosmetic Industry sector is US\$ 46 billions by placing Indonesia as the second largest exporter with export value reaching US\$ 600 millions and the fourth largest importer country with import values reaching US\$ 100 millions. Indonesia’s total expenditure in this sector is US\$ 3.4 billions. As seen in Fig. 6, Indonesia is ranked 4 in terms of halal cosmetics market value (Carlton, 2019).

Cosmetic consumers in Indonesia are attracted to branded products. Also, they also tend to be image conscious. Brand loyalty is most likely achieved by quality product with nice packaging, distribution, promotion, and pricing. In Indonesia, as many other Asian countries, the two aesthetic qualities most highly valued are skin and hair. Accordingly, skin and hair care are the two biggest categories of product sales, with greater than 20% of the market (Gerstle, 2016).

Aziz, Ibrahim, and Raof (2014) stated that the legal role is required in regulating halal-certified pharmaceutical products and formalizing the rules for making halal medicines, so that the pharmaceutical and drug industries can develop, and achieve

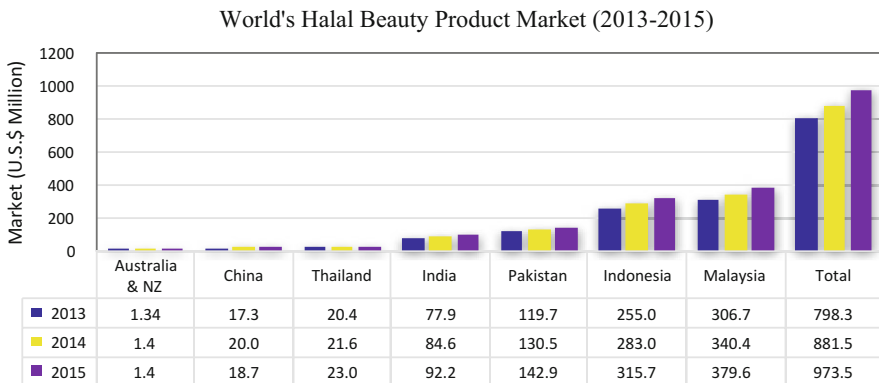


Fig. 6 Indonesia among other countries with the highest halal beauty product market value. (Source: Carlton, 2019; Hijriawati et al., 2016)

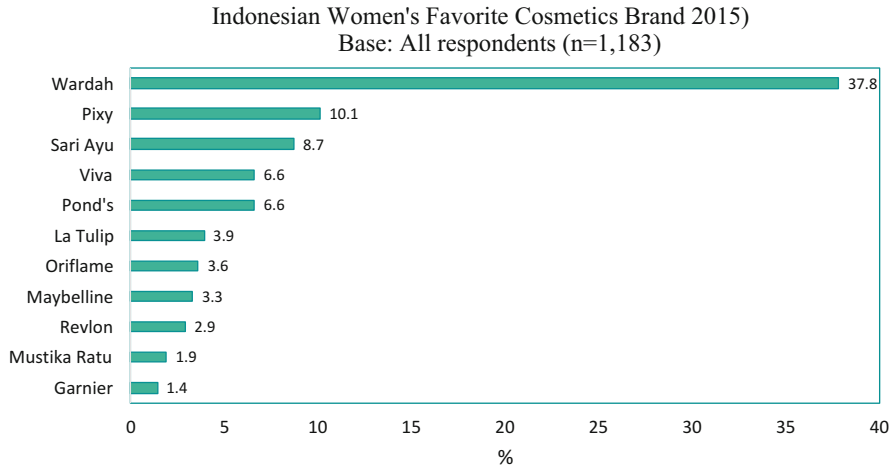


Fig. 7 Analysis on Indonesian women's most popular cosmetics brand in 2016. (Source: Indonesia, 2018)

drugs that are recognized by all Muslims as halal, and by non-Muslims equivalent or superior quality. Hence, there is a need to put in place a system of halal certification and halal management that is well coordinated and harmonious in Indonesia. This is a reflection of all halal industry stakeholders to immediately improve themselves in many ways, including aspects of market control, regulatory aspects, aspects of socialization and aspects of benefits as pharmaceutical efforts in implementing Law No. 33 of 2014 (Aziz et al., 2014).

As stated by Gerstle (2016), since the cosmetics market in Indonesia is much competitive, for substantial entry into the market the making of a strong brand through promotion is recommended. However, prosperous products tend to have unique ingredients not available in the country. Moreover, a powerful marketing campaign plays a crucial role in promoting awareness of products and brands and in expanding market reach. As a country with the largest Muslim population, it is not surprising if in Indonesia halal cosmetics have received huge attention (Gerstle, 2016).

Based on a survey by MarkPlus Insight Women in 2015, two halal-certified brands, Wardah and Sariayu were found to be the three most popular cosmetics brands in Indonesia for women. In fact, Wardah, which advertised itself as a halal and Muslim-friendly cosmetics brand, was acknowledged in the top rank of this category (Fig. 7).

The adherence local Muslim population to halal food has been mainstay, yet the use of halal cosmetics is a relatively newer phenomenon. To be halal, cosmetics should not contain alcohol, should not be tested on animals, and should avoid materials from animals. Consequently, there is also an increasing favor for organic and herbal organic products, because consumers become more health-conscious and choose for securer, chemical-free treatments (Gerstle, 2016).

3.4 *Modest Fashion*

Modest fashion is one of the fastest growing sub-sectors in fashion, with a US\$ 373 billions potential market size. Global Muslim spend on fashion was US\$ 270 billions in 2017 and is forecast to grow by 5% to US\$361 billions by 2023. Indonesia is ranked third of countries with the largest Muslim apparel expenditure by US\$ 20 billions in 2018 (Reuters & Standard, 2018). However, in terms of GIEI (Global Islamic Economy Indicator) Score in Modest Fashion sector, Indonesia is ranked second in the world (Reuters & Standard, 2019).

The development of the Muslim fashion world has significantly increased in the last few decades. Even Indonesia is proclaimed to be the world's Muslim fashion Mecca in 2020. This is discussed by the Indonesia Islamic Fashion Consortium (IIFC). This is very possible considering the Muslim fashion industry in Indonesia has experienced growth since the 1990s. In general, the export value of Indonesian fashion products in 2013 reached US \$ 11.78 billions, even in the January–July 2014 period worth US\$ 8.47 billions. Based on data from the Organization of the Islamic Conference (OIC), Indonesia's Muslim fashion exports are currently ranked third with a value of US\$ 7.18 billions, after Bangladesh valued at US\$ 22 billions and Turkey worth US\$ 14 billions (Nuraini, 2015).

Indonesia as a country with the largest Muslim population in the world certainly has a high economic value for the development of Muslim clothing. The target to become the world's Muslim fashion center is determined not only by fashion entrepreneurs, but also by the government. This is what becomes a brilliant phenomenon and market potential for the fashion industry. There are several things that need to be considered in the development of Muslim fashion industry in Indonesia, namely raw materials, technology, human resources, marketing and capital. The five factors are keys to success in the fashion field. In 2012, market demand of the Indonesian clothing market was approximately 9.1 billion U.S. dollars. The government must also provide support to the Indonesian fashion industry, by implementing a fashion development program directed at creating product value added through improving the quality and design of fashion products (design dispatch services, brand development, registration of intellectual property rights); increasing capacity building through design workshops, as well as increasing sustainable business networking for fashion players with buyers, both at home and abroad. Industrial players should be provided with special exhibition zones for modest fashion works, including this education and training to strengthen the foundation of their retail business. From the series of coaching programs, it is expected that more Indonesian designers, especially modest fashion, will be known and able to penetrate the international market (Hendar, Nurhayati, & Sugiyarti, 2018; Perdana, 2018).

Indonesian government through Minister of Industry Airlangga Hartarto stated that, the value of Indonesian exports in the fashion industry until July 2018 reached US\$ 8.2 billion with an export growth value of 8.7%. With this performance, Indonesian fashion products could control 1.9% of the world fashion market. The government will also continue to encourage the love of domestic products to the

wider community. Indonesia has a great opportunity to become the center of Muslim fashion in the world in 2020 (Nurbaya, 2018). In addition to the need to boost the value of fashion exports, the thing that needs to be encouraged is to strengthen local brands to be able to appear in the global market by strengthening strategies in the field of e-commerce.

3.5 *Halal Tourism*

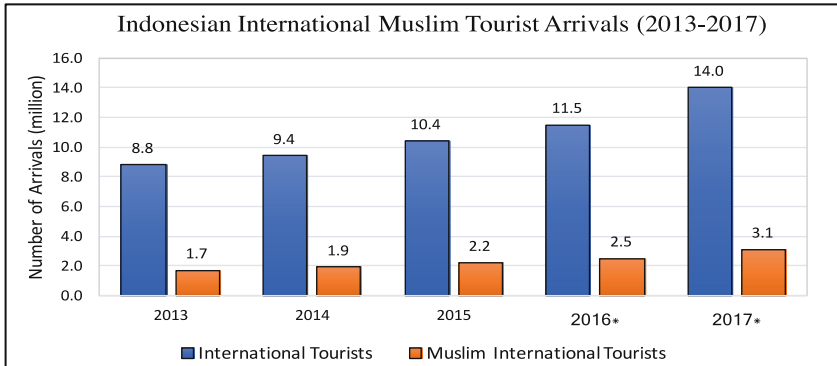
Globally Muslim spend on travel was valued at US\$ 177 billions in 2017, and is forecast to grow to US\$ 274 billions by 2023. The global hotels and resorts industry reached US\$ 1 trillion in 2018, growing annually at 2.3% over the past 5 years, and is expected to reach US\$ 1.2 trillions by 2023. The main growth driver is the improving global economy which is resulting in increased travel spending (Reuters & Standard, 2019).

In terms of GIEI (Global Islamic Economy Indicator) Score in Halal Travels sector, Indonesia is ranked fourth in the world (Reuters & Standard, 2019). Meanwhile, for the Global Muslim Travel Index (GMTI) Indonesia is ranked second just below Malaysia in 2018 (Mastercards and Crescentrating, 2018). It actually means that Indonesia has been rapidly promoting Halal tourism and concurrently achieving the relatively high standardization set by GMTI. Previously, Indonesia was positioned at the sixth rank with the total score of 67.5 in 2015. It was the upgraded to fourth rank with the total score of 70.6 in 2016, and next, it stayed on the third rank with the total score of 72.6 in 2017 (Suharko, Khoiriati, Krisnajaya, & Dinarto, 2018).

Tourist destinations in Indonesia that have been the focus of tourism programs set by its tourism ministry are West Nusa Tenggara, Aceh, West Sumatra, East Java, Central Java, East Kalimantan, Yogyakarta and South Sumatra. These eight tourist areas need to be equipped with proper halal tourism concept, which include making programs to facilitate halal certification for actors in the tourism industry as one of the important conditions for developing halal tourism areas.

The development of halal tourism must synergize with other halal business actors such as halal hotels, halal food, halal travel and halal marketing (Yousaf & Xiuccheng, 2018). Halal tourism must facilitate accommodation, food and beverages that are certified by halal certification organizations to ensure compliance and trust in the halal tourism segment. Furthermore Mohsin, Ramli, and Alkhalayfi (2016) stated that the development of halal tourism must be supported by Islamic organizations that actively sponsor and participate in offers and provide consulting services to the tourism and hospitality industry to make the destination a halal-friendly destination (Mohsin et al., 2016).

In 2016 Indonesia received 2.5 million people Muslim arrivals. The target of foreign tourists from Muslim countries in 2019 to Indonesia is five million. In fact, number of Indonesian international Muslim tourist arrivals increases steadily increase as seen in Fig. 8, from 2013 to 2017 (Comcec, 2019; Worldbank, 2019).



* Predicted value on Muslim International Tourists

Fig. 8 Trend in number of International Muslim tourist arriving at Indonesia from 2013 to 2017. (Source: Comcec, 2019; Worldbank, 2019). * Predicted value on Muslim International Tourists

At present, China is still the largest contributor of foreign tourists to Indonesia according to the 2018 Global Muslim Travel (Global Muslim Travel Index, 2018). Based on Travel Index studies (GMTI, 2018) several important aspects supporting the growth of Muslim tourists are the increasing Muslim population, the development of the middle class, the number of young people, the ease of accessing tourist information, the proliferation of Muslim-friendly facilities, and tourism period in Ramadan. The study mapped millennial Muslim tourists in the aspects of 3A, namely Authentic (authenticity), Affordable (affordable price) and Accessible (accessibility). Of the three aspect, there are several behaviors often carried out by millennial Muslim tourists, namely traveling with family and relatives, traveling easily and cheaply, staying connected to the internet, prefer Muslim-friendly areas, using online tools for prayer, and using transportation public. In the study, the Muslim market was predicted to increase to US\$ 220 billions in 2020 with the number of tourists reaching 158 million people (Global Muslim Travel Index, 2018).

3.6 Finding Prediction Result Through Trend Analysis

Based on the development trend of halal product indicators in Indonesia, using the trend analysis research method, the results of the halal industry investment forecast in 2025 and 2030 are shown in the following Table 2 and 3:

The table above shows the forecast results of the development of investment in halal products in Indonesia in 2025 and 2030 using trend analysis.

1. Number of corporations involved in halal products in 2025 will be 19,792 and in 2030 will be 28,002
2. Number of number certified products in 2025 will be 28,819 and in 2030 will be 42,394

Table 2 Results of trend analysis and forecast in 2025 and 2030

| Year | (Year- n) X | Number of corporations (Y) | Number of issued halal certificates (Y) | Number of certified products (Y) | International tourists | Muslim international tourists |
|---------------|----------------|-------------------------------|--|-------------------------------------|---------------------------|----------------------------------|
| 2013 | 2 | 6.666 | 7.014 | 64.121 | -2.0 | 1.7 |
| 2014 | 1 | 10.180 | 10.322 | 68.576 | -1.0 | 1.9 |
| 2015 | 0 | 7.940 | 8.676 | 77.256 | 0.0 | 2.2 |
| 2016 | 1 | 6.564 | 7.392 | 114.264 | 1.0 | 2.5 |
| 2017 | 2 | 7.198 | 8.157 | 127.286 | 2.0 | 3.1 |
| 2018 | 3 | 11.249 | 17.398 | 204.222 | NA | NA |
| Tren analysis | | | | | | |
| $Y = a + bX$ | | | | | | |
| 2025 | | 19.792 | 28.819 | 398.382 | 20.8 | 5.0 |
| 2030 | | 28.002 | 42.384 | 604.877 | 27.1 | 6.7 |

Table 3 Results of trend analysis and forecast in 2025 and 2030

| Year | (Year-n) X | NAV of Sharia mutual fund | Sharia insurance corporation (Y) | Sharia venture capital corporation (Y) | Sharia micro finance institution (Y) | Proportion to total number of entities (%) (Y) |
|-------------------------------|------------|---------------------------|----------------------------------|--|--------------------------------------|--|
| 2013 | -2 | 8% | 49 | 4 | 0 | 49 |
| 2014 | -1 | 8% | 49 | 4 | 0 | 48 |
| 2015 | 0 | 9% | 55 | 6 | 5 | 49 |
| 2016 | 1 | 10% | 58 | 7 | 14 | 46 |
| 2017 | 2 | 10% | 63 | 7 | 29 | 42 |
| Tren analysis $Y = a + bX$ | Year | | | | | |
| | 2025 | 14% | 77 | 11 | 52,8 | 37,2 |
| | 2030 | 16% | 95,5 | 15,5 | 88,8 | 29,2 |

3. For the number of certified products in 2025 as many as 398,382 and in 2030 as many as 604,877.
4. Number of sharia mutual fund in 2025 will be 13.54% and in 2030 will be 16.45%.
5. Number of sharia mutual fund in 2025 will be 6.75% and in 2030 will be 7.87%.
6. International tourist arrivals in 2025 will be 20.82% and in 2030 will be 27.07%
7. Halal international tourist in 2025 will be 5.00% and in 2030 will be 6.7%.
8. Sharia insurance corporations in 2025 will be 77 and in 2030 will be 96
9. Sharia venture capital corporations in 2025 will be and in 2030 will be 11
10. Shariah micro finance institutions in 2025 will be 53 and in 2030 will be 89
11. The proportion of total entities in 2025 will be 37.2% and in 2030 will be 29.2%.
12. Globally Muslim spend on travel was valued at US\$177 billion in 2017, and is forecast to grow to US\$274 billion.

4 Conclusion

Based on the analysis and discussion, it was concluded that Indonesia has investment prospects in the halal industry which can provide high returns to investors. The halal industry by food sector, Indonesia has the highest market value compared to Muslim countries and is supported by a very significant number of halal-approved products from 2013 to 2018. Islamic financial sector, Indonesia has a positive trend, supporting indicators are Financing investment in the form of sukuk (issued sukuk), increasing the number of the Islamic financial industry, namely Islamic banks, Islamic insurance and Islamic venture capital. Likewise in the pharmaceutical and cosmetics sector, in Asia Indonesia is one of the second largest producers after Malaysia, so that this sector must continue to be supported by policies that support so that it can transform faster such as supporting the Islamic financial industry. In the sharia fashion sector industry, Indonesia has significant growth every year, in 2018

the value of exports increases 8% growth. Finally, the tourism industry has become one of the most potential in Indonesia based on the number of Muslim tourists visiting Indonesia over the past few years. Based on calculations using trend analysis, Indonesia has a very favorable prospect for investors, with high rates of return based on development trends that seem to be fully capitalized.

5 Recommendation

Based on trend analysis, it could be recommended that:

1. The government should facilitate the growth of sharia-based industries and halal products.
2. It is necessary to develop halal product certification institutions which are halal industry sector-based to support MUI in order to provide wider access to the halal industry.
3. More products need to be verified by halal certifications so that it could add confidence for cautious customers about general industrial products. Thus, these careful consumers get guaranteed security from halal certification, which could be issued from MUI and other halal product certification institutions recommended by MUI.

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Index

A

Agro, 113, 142–152, 209, 257, 402, 404, 405
Alcohol, 42, 50, 73, 74, 124, 220, 226, 239,
240, 270–274, 278, 283, 289, 384, 390

Analysis

fuzzy logic, 270–274
measurement model, 353, 354
pearson, 146, 150, 151
PLS, 351, 353, 354
regression, 33, 34, 176, 178, 355, 357, 423,
425, 427
risk assessment, 407–416
trend, 217, 219, 229–232

Anti-microbial, 288–292

Artificial intelligence (AI), 41, 267, 271, 274

Association of Islamic Banking Institutions
Malaysia (AIBIM), 130

Auditors, 53, 56–59, 205, 208

B

Banana, 249–257

Bank Negara Malaysia (BNM), 126, 127, 130,
134, 135

Bitcoin, 119–127

Blockchain, 119, 122, 123, 127

Brunei, 5, 11–14, 68, 222, 282

C

Consumer, 4, 23, 27, 43, 52, 114, 122, 138,
142, 168, 204, 216, 238, 270, 277, 297,
321, 329, 396, 420

Critical control point (CCP), 57, 385, 386

Crowdsourcing, 361–368

Cryptocurrency, 119–127, 225

Cyber, 104–106

D

Dentistry, 288–292

Department of Islamic Development Malaysia
(JAKIM), 50, 56, 59, 78, 204, 205, 207,
208, 270–274, 398, 400, 401, 408, 416

Derivatives, 238, 245, 246, 278, 388

DNA, 238–246, 265

E

Endowment, 184–195

Enzymes, 239, 241, 244, 246, 249–257

Ethics, 33, 46, 58, 75, 104–106, 114, 136, 364,
365, 380

F

Fatwa, 66, 71, 120, 122, 125–127, 217, 274,
282, 317–320

Fiqh, 20, 22, 23, 65–75, 121, 123, 135, 155,
157, 159, 217, 312–322

Food

additive, 242, 270, 278, 279, 282, 297

aero, 383–392

coloring, 306

safety, 5, 8, 115, 220, 278, 283, 383, 384,
386, 387, 397, 409

security, 13, 109–115

Framework

conceptual, 146, 184–195, 200, 330, 349,
350, 362

Framework (*cont.*)

- fuzzy logic, 271–274
- Islamic, 130, 131, 134, 135, 137, 146, 201, 362
- theoretical, 56, 361–368

G

- Gadget, 99–107
- Gelatin, 238, 239, 243–246, 296
- God, 34, 50, 66, 69, 106, 111, 112, 184, 344, 346, 349, 368, 422, 426
- Gold, 119, 125, 155–164, 334, 401
- Good hygiene practice (GHP), 52, 411
- Good manufacturing practice (GMP), 52, 59, 208, 209, 384
- Guidelines, 5, 14, 50, 52, 53, 79, 88, 115, 120, 218, 219, 270, 272, 274, 320, 367, 372, 422

H

Halal

- assurance, 41, 50–52, 59, 204, 205, 278, 384, 387, 388, 392, 408, 410
- certificate, 5, 11–13, 50, 52, 59, 72, 142, 206, 207, 220, 384, 388, 390
- certified, 42, 204, 221, 225, 226, 228, 238, 397–402, 404, 405, 408, 415, 416
- concept, 4, 18, 23, 40, 50, 278
- cosmetics, 50, 204, 216–218, 225, 226, 231, 384
- food, 3–15, 20, 22, 23, 41, 53, 65, 70, 72, 73, 109–115, 206, 217–221, 226, 228, 250, 270–274, 277, 283, 297, 328–338, 384, 390, 392, 396, 407, 409
- industry, 17, 51, 205, 216–218, 221, 225, 226, 229, 231, 232, 270, 271, 273, 274, 277–283, 328, 330–332, 338, 396
- ingredient, 5, 6, 8, 10–14, 52, 53, 58, 61, 207, 246, 270, 278, 283, 383–385, 390
- inspection, 50–61, 208
- manual, 59, 205, 396, 408
- manufacturer, 14, 112, 121–123, 127, 204, 210, 283, 328–338
- organization, 384, 387
- pharmaceutical, 50, 204, 217, 218, 225
- policy, 4, 110, 112, 113, 130, 131, 134, 137, 373, 384, 387
- process, 23, 51, 410, 416
- product, 12, 14, 20, 23, 40, 50, 51, 61, 68, 168, 169, 172, 177, 179, 204, 206, 216–232, 278, 328, 384, 387, 392, 419–427

- standards, 5, 6, 8, 9, 13, 14, 21, 22, 42, 51, 53, 59, 271, 273, 274, 384, 385, 387, 415

- supply chain, 112, 207, 334, 396–405
- tourism, 23, 40, 41, 74, 79, 216–218, 228, 408, 420, 427

Halal assurance system (HAS), 387, 396, 397, 408

Haram, 14, 50, 112, 114, 120, 250, 278, 282, 283, 383–385, 388, 390, 411, 422

Hazard analysis critical control point (HACCP), 52, 59, 384

Horse Mackerel, 295–309

I

Index

- Jakarta Islamic, 168, 170, 172, 174, 177
- travel, 40, 228, 229
- Indonesia, 67, 123, 142, 156, 167, 187, 216, 238, 384, 410, 420
- Influenza, 260–267
- Investment, 40–47, 125–127, 131, 156, 159–162, 164, 168–172, 176, 184, 186, 187, 191, 207, 216–232, 379
- Investors, 43, 45, 125, 168–172, 174, 176, 177, 179, 193, 222, 231, 232
- Islamic
 - banking, 130–138, 157, 231
 - fashion, 227
 - finance, 121, 126, 130, 136, 138, 216, 217, 220, 222, 223
 - leadership, 343–356
 - mediation, 197–201
 - perspective, 68, 69, 75, 104, 106, 109–115, 330, 345, 362, 364, 365, 368, 381

L

- Law, 3, 4, 14, 28, 42, 50, 52, 66, 70, 72, 88, 104, 106, 112, 120–123, 125–127, 135, 195, 199, 217, 220, 222, 226, 261, 274, 278, 316, 322, 345, 419

M

- Malaysia, 17, 28, 42, 67, 78, 90, 102, 113, 121, 130, 142, 156, 184, 199, 204, 223, 260, 270, 295, 320, 328, 396, 408

Management

- halal, 18, 20, 23, 226, 328–338, 383–392
- innovation, 371–381
- practice, 329, 376
- process, 328–338

- project, 343–356
- risk, 205, 408, 410
- total quality, 329, 378
- Marketing**
 - concept, 143, 145
 - innovative, 143–147, 150–152
 - orientation, 144–147, 150–152
 - performance, 147, 150–152
 - strategy, 142–147, 150, 152
- Minimum inhibitory concentration (MIC) test, 289–291
- Model, 30, 51, 137, 156, 172, 185, 199, 207, 261, 271, 300, 330, 344, 362, 373, 409, 420
 - bioreactor, 261
 - conceptual, 363, 368, 420
 - Waqf, 184–195
- Muhammad, 14, 50, 68, 69, 71, 104, 113, 114, 121, 157, 184, 198, 200, 205, 316, 344, 346, 347, 422
- MUI, 217, 220, 232, 239, 384, 385, 387, 388, 390, 421
- Muslim, 3, 18, 28, 40, 50, 65, 78, 100, 112, 120, 133, 142, 162, 169, 184, 197, 204, 216, 238, 260, 277, 312, 345, 381, 383, 396, 407, 419

- P**
 - Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN), 197–201
 - pH, 243, 251, 252, 256, 261, 262, 280, 297, 298, 300, 302, 304, 307, 308, 321
 - Physicochemical, 296–309
 - Polymerase chain reaction restriction fragment length polymorphism (PCR-RFLP), 238–246
 - Pork, 5, 124, 238–246, 278, 284, 384, 388, 422
 - Poultry, 20, 23, 402, 403, 407, 415
 - Purification, 71, 313–319

- S**
 - Shariah
 - committee, 130, 131, 134–138
 - compliance, 41, 42, 46, 72, 74, 134, 135, 137, 184–195, 206, 261, 263, 371–381, 409, 410, 416
 - compliant, 40–47, 70, 115, 132, 138, 184, 185, 249–257, 260–267
 - Maqasid, 65–75, 100, 104, 113, 134, 162, 261, 322, 330, 363, 367
 - Shariah Governance Policy Document (SGPD), 130, 134, 135, 137
 - Shubhah, 9, 250, 278, 283
 - Slaughter house, 401–404, 408, 410
 - Small and medium enterprises (SMEs), 142–152, 204, 206, 331, 425
 - Society, 14, 19, 28, 29, 35, 40–47, 66, 69, 70, 85, 88, 90, 100, 102, 104, 112–115, 133, 138, 184–188, 190, 191, 194, 200, 206, 210, 238, 278, 282, 320, 345
 - Statistical package for social science (SPSS), 6, 301
 - Stock
 - price, 167, 168, 170–172, 174, 177
 - return, 167–179
 - volume, 172
 - Sukuk, 130, 189, 190, 192, 216, 222, 223, 231
 - Sulh, 197, 199, 200
 - Surah, 3, 4, 50, 69, 105, 111, 260, 261, 278, 362, 366, 367, 407
 - System, 29, 50, 77, 103, 113, 122, 133, 155, 177, 201, 204, 226, 239, 260, 271, 288, 300, 312, 333, 351, 363, 374, 384, 396, 408

 - T**
 - Takaful, 130, 134, 155–164, 186, 191, 223
 - Tayyiban, 112, 277, 278, 410, 416
 - Thermophilic bacterial isolation, 251
 - Tourism, 23, 40, 52, 65, 77, 216, 396, 408, 420
 - Trading, 125, 168, 170–173, 176–179, 217, 420
 - Transactions, 119–127, 132, 135, 156, 157, 164, 217, 346, 347, 397
 - Travel, 40, 65, 78, 158, 228, 344, 423
 - Turmeric, 281, 283, 284, 288–292

 - V**
 - Vaccine, 260–267

 - W**
 - Wakalah, 156, 157, 159, 161, 163, 186, 190, 191
 - Water, 19, 70, 71, 113, 124, 184, 241, 251, 252, 279, 289, 296, 298–301, 307, 312–322, 386, 409