INSANIA
Journal of Islamic Studies and Humanity
Published by PT. Pilar Cendekia Indonesia
E-ISSN : XXXX-XXXX
ISSN : XXXX-XXXX

# Halal Industrial Ecosystem and Regional Economic Development: A Qualitative Policy Analysis in Indonesia

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**ARTICLE INFORMATION** **ABSTRACT**

**Keywords:**
Halal ecosystem; Halal industry; Regional economy; Islamic public policy; Sustainable development; Indonesia

**Article History:**
Received: 21 May 2026
Accepted: 28 May 2026
Published: 31 May 2026

**ABSTRACT**
This study analyzes the halal industrial ecosystem policy in Indonesia and its contribution to regional economic development from the perspectives of Islamic economics and sustainable development. Employing a qualitative descriptive approach grounded in documentary research and content analysis of government regulations, international institutional reports, official statistical data, and peer-reviewed scholarly literature, the study applies systematic content analysis and thematic analysis. Findings reveal that while Indonesia's halal industry regulatory framework has advanced significantly through Law No. 33 of 2014 and the establishment of BPJPH, ecosystem implementation at the regional level continues to face institutional fragmentation, limited human resource capacity, and infrastructure disparities across territories. The contribution of the halal industry to regional GDP is found to be substantially greater in regions endowed with integrated halal industrial zones. This study offers a novel analytical perspective by integrating a business ecosystem framework with principles of Islamic public economics and the Sustainable Development Goals (SDGs), thereby providing both theoretical and practical contributions to the development of inclusive and sustainable halal industry policy in Indonesia.

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## 1. INTRODUCTION

Indonesia, as the world's most populous Muslim-majority nation with approximately 237 million Muslims comprising 86.9 percent of its total population (BPS, 2023), commands extraordinary potential for halal industry development. The global phenomenon broadly termed the "halal economy" has transcended its religious origins and evolved into a formidable economic force spanning the value chains of the food and beverage, pharmaceutical, cosmetics, tourism, finance, and fashion industries. The State of the Global Islamic Economy Report (DinarStandard, 2024) recorded that global Muslim consumer spending across the primary halal industry sectors reached USD 2.29 trillion in 2023, with projections of USD 3.1 trillion by 2027. Paradoxically, despite possessing the world's largest Muslim consumer base, Indonesia has yet to attain a top-tier ranking in the Global Islamic Economy Indicator, signaling a structural gap between the nation's latent potential and the actual realization of a nationally integrated halal industrial ecosystem.

The urgency of developing a halal industrial ecosystem within the context of regional economic development becomes increasingly salient when considered alongside Indonesia's fiscal decentralization and regional autonomy agenda. Since the enactment of Law No. 23 of 2014 on Regional Government, each region has been granted broader authority to design local economic development strategies, including the cultivation of industry sectors based on comparative advantage. In this context, halal industry presents a highly strategic opportunity given its cross-sectoral character and its capacity to generate a significant multiplier effect on regional revenue, employment absorption, and the international competitiveness of local products. The Indonesian government, through the National Islamic Economic Masterplan 2019–2024 formulated by KNEKS (the National Committee for Islamic Economics and Finance), has formally designated halal industry as one of the principal pillars in the national economic transformation toward the vision of Indonesia as the World Halal Center by 2024.

Nevertheless, academic inquiry specifically examining the dynamics of the halal industrial ecosystem from a regional economic development perspective remains conspicuously limited. Prior research has largely concentrated on halal certification regulatory aspects (Adnan et al., 2022; Tieman & Ghazali, 2021), Muslim consumer behavior (Aziz & Chok, 2023), or national-level halal industry development in specific country contexts such as Malaysia and the United Arab Emirates (Wahab et al., 2022; Mohd Salleh & Ahmad, 2023). Meanwhile, the holistic ecosystem dimension encompassing the interaction of regulation, infrastructure, institutions, human resources, Islamic finance, and innovation within the context of regional economic development in Indonesia has yet to receive adequate scholarly attention. This research gap is rendered increasingly significant by the sheer complexity and diversity of Indonesia's regional characteristics across geographical, demographic, and institutional capacity dimensions.

This study is designed to fill that gap by offering an integrative analytical approach. The novelty of this research rests on three aspects not yet fully explored in existing literature. First, it integrates the business ecosystem theory (Moore, 1993; Adner, 2017) with the principles of Islamic public economics (Chapra, 2021; Khan, 2022) to generate a more comprehensive analytical framework for evaluating halal industry policy. Second, it adopts a sustainable development perspective anchored in the SDGs (Sustainable Development Goals) to assess the contribution of the halal industrial ecosystem not only in economic terms but also across social and environmental dimensions. Third, it situates the analytical level at the regional tier, which is the most policy-relevant yet most frequently neglected level of analysis in halal industry scholarship. Accordingly, this study aims to: (1) analyze the policy framework of the halal industrial ecosystem in Indonesia; (2) identify implementation challenges for the halal ecosystem at the regional level; and (3) evaluate the contribution of the halal industrial ecosystem to regional economic development in an analytically rigorous and critical manner.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1. The Concept of the Halal Industrial Ecosystem

The business ecosystem concept introduced by Moore (1993) in his seminal work defines an ecosystem as an economic community supported by a foundation of interacting organizations and individuals. The application of this concept to the halal industry context expanded rapidly following Tieman's (2015)

introduction of a holistic halal supply chain model, which was subsequently extended by Wibowo and Ahmad (2021), who proposed the "Halal Industrial Ecosystem" (HIE) framework encompassing six principal dimensions: production, logistics, financing, certification, markets, and governance. The halal industrial ecosystem is thus not merely a collection of entities producing halal products and services, but rather a complex and dynamic system in which diverse actors governments, industry players, certification bodies, Islamic financial institutions, universities, and consumers interact synergistically to co-create value within a Sharia-compliant framework.

Adner (2017) extended the ecosystem perspective by introducing the concept of "ecosystem-as-structure," which emphasizes alignment among actors as a determinant of ecosystem success. In the context of halal industry, such alignment encompasses coherence among halal standards, certification systems, logistics infrastructure, and mutually reinforcing regulatory frameworks. Empirical research by Wahab et al. (2022) in Malaysia demonstrated that countries with integrated halal ecosystems exhibit substantially higher halal product export performance than those possessing only certification regulations unsupported by adequate ecosystem infrastructure. This finding is directly pertinent to Indonesia's conditions, where existing halal certification regulation has not yet been fully underpinned by an integrated regional ecosystem.

A critical dimension frequently overlooked in halal industrial ecosystem scholarship is innovation and digitalization. Research by Mohd Salleh and Ahmad (2023) affirms that digital transformation through halal blockchain, e-halal certification, and halal marketplace platforms constitutes an increasingly important enabling factor in building a competitive halal ecosystem. Indonesia, with internet penetration reaching 78.19 percent and the largest e-commerce user base in Southeast Asia (Hootsuite, 2024), possesses a significant comparative advantage for adopting digital technology in its halal industrial ecosystem development. However, the digital infrastructure disparity between Java and the outer islands remains a distinct challenge requiring more serious policy attention.

### 2.2. Islamic Public Economics Theory and Halal Industry Policy

Islamic public economics offers a distinctive normative framework for understanding the role of the state in the economy. Unlike conventional public economics, which rests on a welfare economics paradigm grounded in utility, Islamic public economics is founded on the concepts of maslahah (public interest) and maqashid al-Shariah (the objectives of Islamic law) as the primary criteria for policy evaluation (Chapra, 2021). In the context of halal industry, the role of the state extends beyond market failure correction to encompass a responsibility for ensuring that systems of production and distribution are consonant with Shariah values that protect life, intellect, wealth, lineage, and religion.

Khan (2022) developed the concept of "Halal Public Governance," identifying four principal state functions within the halal industrial ecosystem: (1) the regulatory function, through the establishment of halal standards and certification systems; (2) the facilitative function, through the provision of infrastructure and fiscal incentives for halal industry actors; (3) the educational function, through the enhancement of halal literacy among consumers and producers; and (4) the promotional function, through halal economic diplomacy at the international level. These four functions collectively constitute a "halal governance framework" that serves as the backbone of a sustainable halal industrial ecosystem. In the Indonesian context, analysis of the Islamic Economic Masterplan and associated regulations indicates that the government has endeavored to fulfill all four functions, albeit with varying levels of effectiveness.

The integration of maqashid al-Shariah and the Sustainable Development Goals within a halal industry policy framework represents a conceptual contribution receiving growing attention in contemporary literature. Beik and Arsyianti (2022) proposed an "Islamic Sustainable Development" framework demonstrating the compatibility of Islamic economic principles with all 17 SDG targets. Within this framework, the halal industry contributes not only to economic goals (SDG 8: Decent Work and Economic Growth; SDG 9: Industry,

Innovation and Infrastructure), but also to social objectives (SDG 1: No Poverty; SDG 2: Zero Hunger) and environmental goals (SDG 12: Responsible Consumption and Production; SDG 13: Climate Action). This integrative perspective is highly relevant for evaluating Indonesia's halal industrial ecosystem policy within the context of inclusive and sustainable regional development.

### 2.3. Regional Economic Development and the Role of Halal Industry

Regional economic development theory has evolved substantially from the growth pole paradigm (Perroux, 1955) toward approaches of endogenous regional development, emphasizing social capital, local innovation, and institutional networks as engines of growth (Storper, 2011). Within this perspective, regional halal industry development may be construed as an endogenous development strategy that leverages comparative advantages including a large Muslim population base, traditions of halal food production, and local knowledge systems to integrate into global halal value chains.

Empirical research on the impact of the halal industry on regional economic development remains relatively sparse, yet several studies offer promising indications. A study by Adnan et al. (2022) in Aceh Province Indonesia's only region implementing formal Islamic law found that integrated halal industrial zone policies contributed to a 23.4 percent increase in real sector investment during 2018–2022. Meanwhile, spatial analysis by Wibisono (2023) identified a significant positive correlation between the density of halal-certified business operators and the economic growth rate of regencies and cities on the island of Java. Notably, these findings do not universally apply to regions outside Java, where distinct infrastructure limitations and market access constraints prevail, underscoring the importance of contextually grounded approaches in regional halal ecosystem policy.

The distributional dimensions of halal industry economic benefits also command considerable attention in the regional development literature. Amalia and Marhaeni (2022) found that micro, small, and medium enterprises (MSMEs) operating in the halal industry sector absorb a larger proportion of local employment than large corporations, yet their access to halal certification, Islamic financing, and distribution networks remains severely limited. This signals the risk of a "halal divide" a gap between large enterprises capable of fully accessing the halal ecosystem and marginalized MSMEs that could exacerbate regional economic inequality absent inclusive policy interventions.

### 2.4. Conceptual Framework

Drawing on this synthesis of the literature, the present study develops a conceptual framework integrating three analytical dimensions: (1) the Policy Dimension, encompassing the regulation, institutional architecture, and governance of the halal industrial ecosystem; (2) the Ecosystem Dimension, comprising infrastructure, human resources, Islamic financing, innovation, and actor networks; and (3) the Regional Development Dimension, measuring outputs and outcomes in terms of economic growth, employment absorption, poverty reduction, and regional competitiveness. These three dimensions are connected by the mechanism of the "Policy–Ecosystem–Development Nexus" (PED Nexus), which depicts how the quality of halal ecosystem policy determines ecosystem quality, which in turn shapes the trajectory of regional economic development. This conceptual framework serves as the analytical guide for interpreting the findings presented in subsequent sections.

## 3. METHODOLOGY

### 3.1. Research Approach and Design

This study employs a qualitative descriptive approach commensurate with the goal of developing a deep understanding of the complex phenomenon of halal industrial ecosystem policy and its contribution to regional economic development (Creswell & Poth, 2018). The qualitative approach is chosen on epistemological

grounds, reflecting the understanding that public policy constitutes a social construct not fully comprehensible through quantitative data alone, but requiring contextually rich interpretation (Denzin & Lincoln, 2018). More specifically, the study adopts a documentary research design combined with policy analysis as its primary research strategy. This design is selected for its relevance to the nature of available data and the research objectives, which center on the analysis of regulations, policy documents, and official institutional reports.

### 3.2. Data Sources and Collection Techniques

Data in this study are drawn from four categories of primary documents collected systematically. First, government regulatory and policy documents, encompassing Law Number 33 of 2014 on Halal Product Assurance and its derivative regulations (Government Regulation No. 39 of 2021, BPJPH Regulations), the National Islamic Economic Masterplan 2019–2024 issued by KNEKS, Presidential Regulation Number 18 of 2020 on the National Medium-Term Development Plan (RPJMN) 2020–2024, and various Regional Regulations (Perda) related to halal industry development at provincial and regency/city levels. Second, official reports from national and international institutions, including BPJPH annual reports (2021–2024), the State of the Global Islamic Economy Report (DinarStandard, 2022–2024), the Indonesia Halal Industry Report (KNEKS, 2023), Bank Indonesia reports on regional Islamic economic development (2022–2024), and the Global Islamic Economy Indicator report from Thomson Reuters. Third, official statistical data sourced from BPS (the Central Bureau of Statistics), comprising regional GDP data, manufacturing sector employment data, and Indonesian halal commodity export data for the period 2019–2024. Fourth, scholarly literature from reputable international journals indexed in Scopus and Web of Science, purposively selected based on thematic relevance and the currency of publications within the past five years (2020–2024).

Data collection was conducted through three systematic stages. The first stage involved document identification and inventorying, wherein the researchers identified all relevant documents against established inclusion criteria: (a) official documents issued by government agencies or credible international organizations; (b) reports possessing verifiable empirical data bases; and (c) peer-reviewed scholarly literature. The second stage comprised document retrieval via access to official government databases, institutional repositories, and scholarly journal platforms including Google Scholar, Scopus, and the portals of relevant institutions. The third stage entailed document quality and authenticity verification to ensure the reliability of sources employed in the analysis.

### 3.3. Data Analysis Techniques

Data analysis in this study employs two complementary analytical techniques content analysis and thematic analysis executed sequentially in three principal phases. The first phase, data reduction, involved the selection, focusing, and abstraction of the collected documents. In this phase, each document was subjected to unit-of-analysis identification paragraphs or sentences containing information pertinent to halal industry policy, ecosystem components, or regional economic development indicators producing initial codes forming the basis for further analysis.

The second phase, content analysis, was conducted inductively following Mayring's (2015) guidelines. This process encompassed open coding of all regulatory and policy documents to identify themes related to halal ecosystem policy, followed by axial coding to identify inter-theme relationships and subcategories, and selective coding to identify the core categories most representative in explaining the phenomenon under investigation. The third phase, thematic analysis, followed the six-step framework of Braun and Clarke (2020): familiarization with the data, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. In this phase, themes identified through content analysis were integrated with the PED Nexus conceptual framework to yield a coherent and academically defensible analytical narrative.

Trustworthiness was established through the four criteria articulated by Lincoln and Guba (1985): credibility through source triangulation (cross-referencing government documents, international institutional reports, and

scholarly literature); transferability through thick description and clear delineation of the study's scope; dependability through systematic documentation of the research process; and confirmability through researcher reflexivity in recognizing potential interpretive biases. The entire analytical process was documented in an audit trail permitting replication by other researchers.

## 4. RESULT AND DISCUSSION

### 4.1. The Halal Industrial Ecosystem Policy Framework in Indonesia: A Critical Analysis

Analysis of the regulatory documents reveals that Indonesia's halal industrial ecosystem policy framework has undergone significant transformation over the past decade. The most pivotal milestone is the enactment of Law Number 33 of 2014 on Halal Product Assurance, which fundamentally shifted the paradigm of halal certification from voluntary to mandatory for all products circulating within Indonesian territory. However, in-depth analysis of its implementation process reveals that this transition was not seamless, generating numerous challenges that remain incompletely resolved to date.

The establishment of the Halal Product Assurance Organizing Body (BPJPH) in 2017 as the state agency responsible for halal certification constituted a strategic step that explicitly separated regulatory functions from the religious fatwa function previously monopolized by the Indonesian Ulema Council (MUI). Nevertheless, analysis of BPJPH performance reports (2021–2024) reveals a significant implementation paradox: while mandatory halal certification targets were announced from 2019 onward, with deadlines repeatedly revised, BPJPH's capacity to process the millions of MSME products requiring certification remains severely constrained. Through end of 2023, BPJPH had issued approximately 2.5 million halal certificates, whereas it is estimated that more than 64 million business units in Indonesia are potentially subject to mandatory halal certification requirements (BPJPH, 2024). This capacity gap reflects what Wibowo and Ahmad (2021) term a "certification infrastructure gap" within the halal ecosystem.

The National Islamic Economic Masterplan 2019–2024 (KNEKS, 2019) represents the Indonesian government's most comprehensive attempt to articulate a vision and integrated strategy for halal industrial ecosystem development. The Masterplan identifies four priority halal industry sectors (food and beverage, fashion, tourism, and pharmaceuticals/cosmetics) and establishes development roadmaps for halal industrial zones, halal supply chain strengthening, human resource development, and enhancement of halal export competitiveness. Critical analysis of this document, corroborated by the KNEKS evaluation report (2023), reveals that the achievement of Masterplan targets has been markedly uneven: the food and beverage sector recorded relatively satisfactory progress, with halal product export value growing at 6.2 percent annually, while halal tourism and Muslim fashion sectors have fallen substantially short of targets, attributable in large part to pandemic-induced disruption and sluggish institutional consolidation. These findings align with Khan's (2022) contention that the effectiveness of "Halal Public Governance" is critically dependent on implementation consistency and inter-institutional coordination, which constitutes the principal weakness of Indonesia's halal ecosystem governance.

The institutional dimension emerges as the most critical finding of this policy analysis. The institutional map of Indonesia's halal industrial ecosystem encompasses no fewer than twelve distinct ministries and agencies spanning the Ministry of Religious Affairs, the Ministry of Industry, the Ministry of Trade, the Ministry of Agriculture, the National Standardization Agency (BSN), Bank Indonesia, and the Financial Services Authority (OJK) with coordination conducted through KNEKS. This coordination complexity generates substantial fragmentation risk, with each agency tending to develop its halal ecosystem programs sectorally without adequate integration. This situation contrasts significantly with Malaysia, where the Halal Industry Development Corporation (HDC) performs centralized and integrated halal ecosystem coordination functions (Wahab et al., 2022), enabling Malaysia to maintain its position as the world's leading halal ecosystem country

according to the Global Islamic Economy Indicator for more than a decade. This comparison suggests that Indonesia needs to consider more substantive institutional reform to achieve the requisite ecosystem integration.

### 4.2. Regional Implementation Challenges of the Halal Ecosystem: Findings and Analysis

Analysis of Bank Indonesia reports (2022–2024) on regional Islamic economic development and various regional regulations pertaining to halal industry reveals four mutually reinforcing clusters of implementation challenges at the regional level. First, regional regulations exhibiting redundancy or inconsistency with national regulations. Although the Halal Product Assurance Law provides a clear mandate to BPJPH as the national halal certification authority, certain regional governments continue to issue local halal certification regulations that create bureaucratic duplication and additional compliance burdens for business operators. Such regulatory inconsistency, known in institutional economics as "regulatory fragmentation" (North, 2020), significantly elevates transaction costs and impedes the inter-regional mobility of halal products, thereby counteracting the objective of building an integrated halal ecosystem.

Second, limited human resource capacity at the regional level constitutes the most fundamental structural challenge. Analysis of BPJPH data reveals a severely unequal distribution of halal auditors: approximately 67 percent of the 3,847 registered halal auditors as of end-2023 are concentrated in Java, while regions outside Java particularly Papua and Kalimantan possess a minimal auditor supply relative to the number of businesses requiring certification. This human resource distribution imbalance reflects and exacerbates the disparities in halal ecosystem capacity across regions, a condition identified by Amalia and Marhaeni (2022) as one of the principal factors constraining the inclusivity of halal industry development in Indonesia. From an Islamic public economics perspective, this condition contradicts the principle of 'adalah (justice) in the distribution of developmental benefits, which serves as the normative foundation of Islamic economic policy (Chapra, 2021).

Third, the sharp infrastructure disparity in halal industrial zones between Java and the outer islands is starkly evident. As of 2024, of the seven Halal Industrial Zones (Kawasan Industri Halal, KIH) designated by the Ministry of Industry, five are located on Java (Jakarta, Sidoarjo, Cilegon, Cikampek, and Kendal), one in North Sumatra, and one in South Sulawesi. Meanwhile, regions with the greatest potential for halal raw materials including Aceh, East Kalimantan, and West Nusa Tenggara lack operational KIHs. Analysis of GDP data indicates that regions possessing KIHs recorded manufacturing sector growth 2.3 times higher than regions without KIHs during 2019–2023 (BPS, 2024). This finding confirms Adner's (2017) argument that physical infrastructure constitutes a fundamental component of ecosystem structure determining the effectiveness of actor alignment.

Fourth, limited access to Islamic financing for regional halal MSMEs remains a critical constraint. Although Indonesia's Islamic financial industry continues to expand, with total assets reaching IDR 2,452 trillion by end-2023 (OJK, 2024), MSME access to Islamic financing in the regions remains extremely low. The ratio of Islamic banking financing to halal MSMEs outside Java stands at only 4.2 percent of total MSME financing in those regions, well below the national average of 9.7 percent (Bank Indonesia, 2024). This financing access gap not only inhibits the expansion of halal MSME productive capacity but also prevents the adoption of technologies and production standards required to enter formal halal supply chains a concrete manifestation of the "halal divide" phenomenon identified by Amalia and Marhaeni (2022).

### 4.3. Contribution of the Halal Industrial Ecosystem to Regional Economic Development: Critical Evaluation

Analysis of GDP data and KNEKS (2023) reports reveals that the contribution of the halal industrial ecosystem to regional economic development is asymmetric and highly contingent upon the degree of ecosystem maturity within each respective region. Regions with relatively advanced halal ecosystems characterized by the availability of KIHs, consolidated halal MSME clusters, and adequate access to Islamic financing exhibit

superior economic development performance. As an illustration, Sidoarjo Regency in East Java, which hosts the Sidoarjo Halal Industrial Estate, recorded manufacturing sector GDP growth of 7.8 percent in 2022–2023, substantially above the provincial average of 5.1 percent (BPS East Java, 2024). Similarly, the city of Padang in West Sumatra, home to the largest Muslim fashion MSME cluster outside Java, has consistently demonstrated creative economy sector growth exceeding 8 percent annually.

From an employment perspective, analysis of the 2023 National Labor Force Survey (Sakernas) indicates that the halal industry sector encompassing halal-certified food and beverage manufacturing, Muslim fashion, and halal tourism directly absorbs approximately 4.2 million workers, with estimated indirect employment effects extending to 12.6 million workers through supply chain linkages (KNEKS, 2023). The character of this employment absorption is inclusive, as the majority of jobs created reside in the informal and semi-formal sectors where women and young people predominate. This finding carries positive implications for the achievement of SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities), consistent with the "Islamic Sustainable Development" framework articulated by Beik and Arsyianti (2022).

The export dimension constitutes one of the most tractable indicators of halal industry contribution to economic development. Data from the Ministry of Trade (2024) show that the value of Indonesian halal product exports reached USD 46.3 billion in 2023, up from USD 38.9 billion in 2020, with three leading commodities: palm oil and its derivatives (halal-certified), processed food products, and Muslim fashion products. Deeper analysis, however, reveals that Indonesia remains heavily dependent on primary commodities and low value-added products in its halal exports, in contrast to Malaysia, which has succeeded in shifting its export composition toward higher value-added halal products such as pharmaceuticals and halal cosmetics. This dependence on primary commodities reflects the suboptimal functioning of Indonesia's halal ecosystem in stimulating product innovation and upgrading, a condition requiring more targeted policy intervention.

The contribution of the halal industrial ecosystem to poverty reduction in the regions is the most complex yet normatively most significant dimension from an Islamic public economics perspective. Analysis of case studies of halal MSME programs in three provinces (East Java, West Sumatra, and West Nusa Tenggara) as reported in the Indonesia Halal Industry Report (KNEKS, 2023) demonstrates that programs integrating free halal certification facilitation for MSMEs with access to Islamic financing and marketing assistance generated average MSME income increases of 34.7 percent over three program years. This finding confirms the theoretical argument that an inclusive halal ecosystem not merely one oriented toward exports and large enterprises holds significant potential as a poverty reduction instrument in the regions, consistent with the principle of maslahah in Islamic public economics as articulated by Chapra (2021).

Overall, the findings of this study support, while also refining, the literature's argument that the halal industrial ecosystem contributes positively to regional economic development. Such contribution is conditional: it is significant in regions with mature ecosystems but limited or negligible in regions with fragmented ecosystems. This underscores that a "one-size-fits-all" policy approach to halal ecosystem development will be ineffective in Indonesia given the high degree of regional capacity heterogeneity. Instead, what is required is a policy approach that acknowledges and responds to the contextual diversity of regions a recommendation consistent with the endogenous regional development perspective developed by Storper (2011) and relevant to Indonesia's regional autonomy framework.

## 5. CONCLUSION

This study has critically analyzed Indonesia's halal industrial ecosystem and its contribution to regional economic development through a qualitative approach grounded in documentary research and policy analysis. Three principal conclusions may be drawn.

First, Indonesia's halal industrial ecosystem policy framework, despite significant advancement since the enactment of the 2014 Halal Product Assurance Law, continues to confront fundamental challenges of institutional fragmentation, implementation inconsistency, and capacity gaps that obstruct the formation of an integrated ecosystem. The gap between policy ambitions as articulated in the Islamic Economic Masterplan and implementation realities on the ground reflects a "governance deficit" requiring more substantive institutional reform.

Second, regional-level implementation of the halal ecosystem is characterized by four mutually reinforcing challenge clusters: regional regulatory redundancy, unequal distribution of halal human resources, KIH infrastructure disparities, and constrained Islamic financing access for MSMEs. Collectively, these challenges produce a "halal divide" that disadvantages MSMEs and outer-island regions, potentially exacerbating inter-regional economic inequality.

Third, the halal industrial ecosystem's contribution to regional economic development is demonstrably significant yet conditional. Regions possessing more mature halal ecosystems exhibit superior development performance across GDP growth, employment absorption, and halal product exports. This contribution can only be optimized through a contextual, inclusive policy approach oriented toward holistic ecosystem strengthening, rather than a mere expansion of certification coverage.

Academically, this study contributes to the development of the PED Nexus (Policy–Ecosystem–Development Nexus) framework, which integrates business ecosystem theory with Islamic public economics principles and a sustainable development perspective, offering a more comprehensive analytical instrument for evaluating halal industry policy. Practically, the findings of this study provide a strong evidential basis for policymakers in designing more effective and equitable halal ecosystem development strategies at the regional level.

## 6. RECOMMENDATIONS AND POLICY IMPLICATIONS

Based on the findings of this study, several concrete recommendations are addressed to the various stakeholders of Indonesia's halal industrial ecosystem.

For the central government, institutional reform of the halal ecosystem represents an urgent priority. Specifically, the establishment of an Indonesian Halal Authority (Badan Halal Indonesia, BHI) is recommended, integrating the functions of BPJPH with the ecosystem coordination and facilitation functions currently dispersed across numerous ministries and agencies. Malaysia's HDC model may serve as a reference, adapted to Indonesia's institutional and legal context. Additionally, the government should develop a system of differentiated fiscal incentives to attract KIH investment in outer-island regions with high halal potential but limited commercial attractiveness.

For regional governments, the development of an Integrated Regional Halal Ecosystem Master Plan (Rencana Induk Ekosistem Halal Daerah, RIEHD), embedded within regional medium-term development plans (RPJMD), constitutes a strategic step warranting immediate attention. The RIEHD should identify regional halal comparative advantages, establish realistic ecosystem development targets, and allocate adequate budgets for MSME halal certification facilitation, halal human resource training, and supporting infrastructure development. Regions should avoid regulatory duplication that adds compliance burdens and instead focus on the effective local implementation of national regulations.

For Islamic financial institutions, the development of halal ecosystem financing schemes specifically designed to meet the needs of regional halal MSMEs represents both a business opportunity and a social responsibility deserving more serious pursuit. Musyarakah and mudharabah financing integrated with business mentoring programs and halal market access can constitute a sustainable and socially inclusive business model.

For educational and research institutions, the development of curricula and study programs integrating halal competencies with technical industry expertise represents a critical long-term investment. Collaboration among universities, government agencies, and industry in halal standards research and development also warrants intensification to ensure academic relevance to the continuously evolving needs of the industry.

## 7. LIMITATIONS AND FUTURE RESEARCH

As documentary research and policy analysis, this study confronts several limitations warranting candid acknowledgment. First, the absence of primary empirical data is the most significant methodological consequence. The lack of in-depth interviews with policymakers, industry actors, and other stakeholders constrains the study's capacity to verify documentary interpretations against insider perspectives and to identify the informal dimensions of policy implementation not always documented in official records. This limitation, though deliberately chosen as a methodological decision, must nonetheless be considered when reading and applying the study's findings.

Second, the study's geographical scope is limited. Although it claims to analyze the regional dimension, the available data largely reflect conditions in relatively advanced regions with established track records in halal industry, while more remote and underdeveloped regions with undeveloped halal potential are underrepresented in the analysis. This may introduce selection bias warranting caution in the interpretation of results.

Third, the dynamic character of halal ecosystem policy, which is continuously evolving, poses an inherent challenge for static documentary-based analysis. Some regulations and programs analyzed in this study may have undergone revision since the analyzed documents were published, necessitating ongoing verification of certain findings against recent developments.

Based on these limitations, several directions for future research that are more empirical and comparative may be suggested. First, comparative case studies conducting in-depth comparisons of two or three regions at different levels of halal ecosystem maturity such as East Java, West Nusa Tenggara, and South Sulawesi using a combination of in-depth interviews, focus group discussions, and secondary data analysis would yield considerably richer insights into the determinants of successful regional halal ecosystem development. Second, longitudinal studies measuring the impact of halal ecosystem policy on regional economic development indicators over extended timeframes would provide stronger causal evidence. Third, international comparative research contrasting Indonesia's experience with those of Malaysia, Saudi Arabia, and Turkey in building integrated halal industrial ecosystems could yield valuable lessons for Indonesian policy renewal. Finally, research specifically examining MSME experiences in accessing the halal ecosystem, employing nationally representative quantitative surveys, would complement the findings of this study with the micro-analytical dimension essential for the design of more precisely targeted policy interventions.

### Declaration of AI and AI-Assisted Technologies in the Writing Process (if the author uses AI)

During the preparation of this work, the author used ChatGPT (OpenAI) and Claude AI to assist with language refinement, improving academic writing clarity, organizing the manuscript structure, and supporting paraphrasing while preserving the original meaning and scientific substance. After using these tools, the author carefully reviewed, revised, and validated the manuscript as necessary and takes full responsibility for the content of the publication.

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