

Analysis of Halal Industry Development in Padangsidempuan City

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Abstract

The halal industry in Padangsidempuan City has significant potential to develop, especially in the food and beverage sector, along with increasing public awareness of the importance of halal products. This study aims to analyze the dynamics and challenges faced by business actors, especially Micro, Small, and Medium Enterprises (MSMEs), in developing the halal industry. Through a qualitative approach and SWOT analysis, this study identifies the strengths, weaknesses, opportunities, and threats that affect the halal industry in the area. The results of the study indicate that support from the government and related institutions is very important to assist business actors in the halal certification process and increase the competitiveness of halal products in local and international markets. The resulting policy recommendations are expected to encourage the development of a more integrated and sustainable halal industry in Padangsidempuan City

Keywords: *Halal Industry, Micro, Small and Medium Enterprises (MSMEs), Halal Certification, Economic Development .*

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INTRODUCTION

The global halal industry has experienced significant growth, with global consumption of halal products projected to reach USD 2.4 trillion by 2024 (Waluyo, 2024) . This trend is driven by the increasing global Muslim population, which is estimated to reach 26.5% of the world's total population by 2030. Indonesia, as the country with the second-largest Muslim population (241.7 million), is strategically positioned to capitalize on this opportunity. However, competition with countries such as Malaysia, Turkey, and the United Arab Emirates demands innovation and a well-thought-out strategy to strengthen competitiveness (Batubara & Harahap, 2022) .

At the national level, Indonesia's halal industry recorded 1.94% year-on-year growth in the first quarter of 2024, with the halal food/beverage (5.87%) and *modern fashion* (3.81%) sectors as the main contributors. The halal pharmaceutical and cosmetics sectors also experienced progress, placing Indonesia in fifth place globally. The government is encouraging exports through policies such as the *Indonesia Halal Industry Awards* (IHYA) and participation in international exhibitions such as Halal Expo Turkey 2024 (Waluyo, 2024) . However, challenges such as certification complexity, an unintegrated supply chain, and a lack of consumer awareness still hamper the optimization of potential (Zahra, 2023) .

In North Sumatra, the halal industry has significant growth potential, given its significant Muslim population and growing public awareness of the importance of halal products. The food and beverage sector is a major focus, with many small and medium enterprises (SMEs) producing food products that meet halal standards, while the halal cosmetics sector is also gaining traction with local products becoming halal-certified (Fathoni & Syahputri, 2020).

Padangsidimpuan City, as part of North Sumatra, has a significant Muslim population. While local Statistics Indonesia (BPS) publications, such as "*Padangsidimpuan City in Figures 2024*," present demographic and economic data, specific data for the halal industry is still lacking. Therefore, the only available data is for MSMEs with halal certification. Of the 9,000 MSMEs registered with the Padangsidimpuan City Trade Office, only 91 are halal-certified. In fact, this city has the potential to become a regional halal production center, particularly in the agro-industrial and MSME sectors. However, the lack of detailed data hampers evidence-based policy formulation (Wahyudi *et al.*, 2023).

Several critical challenges have been identified, including complicated and expensive **halal certification**, especially for MSMEs (Lubis, 2021), and suboptimal **coordination between stakeholders (government, industry, and academia)**. In Padangsidimpuan, these issues are exacerbated by a **lack of halal literacy and access to funding** (Prayuda *et al.*, 2023).

Previous studies have focused on macro-analysis of the Indonesian halal industry using case studies or certification policy reviews. For example, Fathoni & Syahputri's (2020) research identified export opportunities in the halal food sector, Hakim *et al.*'s (2023) focused on the development of halal fashion accessories, and Silalahi *et al.*'s (2024) research discusses halal tourism that the development of the halal industry can attract investment and tourists, as well as strengthen the local economy, Husaeni & Ayoob (2024) focused their research on countries with minority Muslim populations (Finland), Hakim *et al.* (2024) discussed halal cosmetics, Al Amin *et al.* (2022) whose research focused only on the MSME sector, Respati *et al.* (2024) discussed halal cosmetics in Malaysia and Indonesia, Madjid (2022) analyzed the halal industry in Indonesia during *the Covid-19 pandemic*, Batubara & Harahap (2022) analyzed the development strategy of the halal industry in Indonesia and the response of the Muslim community to sharia compliance. Imsar *et al.* (2024) analyzed the impact of the halal industry and Islamic financial assets on Indonesia's economic growth. Most of the studies are generalist and do not touch on local-specific contexts such as Padangsidimpuan. This gap creates a need for micro studies that link regional potential with local wisdom-based development strategies.

This study aims to fill this academic gap by analyzing the local halal industry, with a primary focus on halal food, using a qualitative approach. Focusing on Padangsidimpuan, this study will uncover unique dynamics such as the role of agro-

industry MSMEs, geographic constraints, and local cultural interactions in shaping the halal ecosystem. Furthermore, this study integrates a *stakeholder theory perspective* to evaluate collaboration between stakeholders, an aspect underexplored in previous studies (Mubarok & Imam, 2020).

The main objective of this research is to map the potential of the halal food industry in Padangsidempuan based on leading sectors. Through a SWOT analysis, we can identify specific challenges faced by business actors and local governments, and formulate a development model based on multidisciplinary collaboration (Hatta *et al* ., 2024). Theoretically, this research enriches the Islamic economics literature with a local-specific perspective. Practically, the resulting policy recommendations can serve as a reference for local governments in developing halal industry master plans and increasing the competitiveness of MSMEs (Harahap *et al.*, 2023).

The research findings are expected to encourage the creation of an integrated halal food industry in Padangsidempuan, encompassing integrated certification, supply chain strengthening, and digital-based product promotion. Thus, this study will not only contribute to increasing local GRDP but also serve as a pilot model for halal industry development in mid-sized cities in Indonesia (Zahra, 2023).

LITERATURE REVIEW

The Concept of Halal in Islamic Law

Halal comes from Arabic, meaning "permissible" or "lawful." In the Islamic context, halal refers to anything permitted by Islamic law, including food, drink, and other activities (Rahmawati *et al* ., 2022). In the context of everyday life, halal encompasses various aspects, from food and drink to behavior and transactions. Halal serves as a guideline for Muslims in living their lives in accordance with religious teachings. In the Qur'an, Surah Al-Baqarah (2:173) reads:

﴿۱۷﴾ اضْطُرَّ غَيْرَ بَاغٍ وَلَا عَادٍ فَلَا إِثْمَ عَلَيْهِ { { غَفُورٌ رَحِيمٌ } } God bless you God willing

"Indeed, He has only forbidden you carrion, blood, pork, and (meat) of animals slaughtered by (naming) other than Allah. However, whoever is forced to (eat it), not because he wants it and not (also) beyond the limit, then there is no sin for him. Indeed, Allah is Forgiving, Most Merciful."

In tafsir (comprehension books), halal is often explained in the context of Quranic verses that regulate food and drink. One frequently cited verse is Surah Al-Maidah (5:3), which states that halal and good food is that which is permissible for Muslims to consume. This verse emphasizes the importance of choosing food that is not only halal but also *thayyib* (good and quality). Thus, halal relates not only to legal status but also to the quality and benefits of a product (Sahib & Ifna, 2024).

More in-depth interpretations of halal can also be found in various classical and contemporary texts. For example, in Ibn Kathir's commentary, it is explained that Allah SWT provides guidance regarding halal and haram foods as a manifestation of

His compassion for humanity. This demonstrates that halal laws are not merely prohibitions, but also guidelines for maintaining the health and well-being of the people. By understanding this interpretation, Muslims are expected to better appreciate and adhere to halal provisions in their daily lives (Hidayatullah, 2020) .

Halal indicators include various aspects that must be considered in determining the halalness of a product. Some of the main indicators include raw materials, production processes and packaging. Raw materials must come from halal sources, such as meat slaughtered in accordance with sharia. The production process must also pay attention to hygiene aspects and not mix haram ingredients. Apart from that, product packaging must be done in a way that does not contaminate the halalness of the product (Affendi *et al.* , 2022) .

By paying attention to these halal indicators, consumers can be more confident that the products they consume are truly halal. *Thalib* , in this context, refers to a thorough understanding and knowledge of halal law. A *thalib* (student) is expected to study and understand various aspects of Islamic law, including the concept of halal. A sound education and understanding of halal is crucial, especially for entrepreneurs seeking to develop halal products. With adequate knowledge, they can ensure that their products meet halal standards and are competitive in the market (Sahib & Ifna, 2024) .

The importance of the halal concept is also reflected in the development of the halal industry in various countries, including Indonesia. In Indonesia, which has the largest Muslim population in the world, demand for halal products continues to increase. This encourages businesses to pay greater attention to the halal aspects of the products they offer. Therefore, a good understanding of the halal concept is key to meeting market needs and increasing product competitiveness (Muhammad & Antin, 2022) .

Halal Certification in Indonesia

Halal certification is a process aimed at ensuring that a product, whether food, beverage, or other goods, meets halal criteria according to Islamic law. This process involves evaluation and audits by authorized institutions to ensure that the product does not contain prohibited ingredients and is produced in accordance with Islamic principles (Lubis, 2021) .

Halal certification provisions in Indonesia are regulated by Law No. 33 of 2014, which regulates Halal Product Assurance (JPH) in Indonesia. Halal certification is mandatory for products intended for Muslim consumers. The authorized institution for halal certification is the Halal Product Assurance Organizing Agency (BPJPH), which is under the Ministry of Religious Affairs. The certification process includes submitting an application, auditing, and issuing a halal certificate. Certified products receive a halal label, indicating that they meet halal requirements (Lubis, 2021) .

Halal certification in Indonesia is a crucial process to ensure that products distributed to the public meet halal standards in accordance with Islamic sharia principles. This process encompasses not only food and beverages, but also pharmaceuticals, cosmetics, and other products. With a large Muslim population, Indonesia is one of the countries with a high demand for halal products. Therefore, halal certification is a crucial aspect of industry and trade in Indonesia (Hidayatullah, 2020).

The importance of halal certification lies not only in religious aspects but also in economic ones. Halal-certified products have greater market appeal, especially in countries with large Muslim populations. This opportunity allows businesses to expand their market share and increase the competitiveness of their products. With increasing consumer awareness of the importance of halal certification, halal-certified products have become a primary choice for many (Risiko Aprida *et al.* , 2022) .

On the other hand, halal certification also presents challenges for businesses, particularly small and medium enterprises (SMEs). The costly and time-consuming certification process can be a barrier for SMEs in obtaining halal certification. Therefore, support from the government and relevant institutions is needed to provide training and assistance to businesses in the halal certification process. This is crucial so that all businesses, not just large ones, can participate in the halal product market (Elwardah *et al.* , 2024) .

Development of the Halal Industry in North Sumatra

The halal industry in North Sumatra has experienced significant growth in recent years, as public awareness of the importance of halal products grows. This province, with its large Muslim population, has become one of the growth centers of the halal industry in Indonesia. Various sectors, including food, beverages, and cosmetics, are beginning to adapt to halal standards to meet market demand (Muhammad & Antin, 2022) .

One of the main driving factors behind the development of the halal industry in North Sumatra is support from the local government. The North Sumatra Provincial Government has issued various policies to encourage businesses to obtain halal certification (Elwardah *et al.* , 2024) . Through training and outreach programs, businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), are educated on the importance of halal certification and how to obtain it .

Furthermore, the existence of halal certification bodies such as the Indonesian Ulema Council (MUI) also plays a crucial role in this process. MUI audits and verifies products submitted for halal certification. This process not only guarantees the halal status of products but also increases consumer confidence in local products. With certification, products from North Sumatra can compete in national and international markets (Masitoh & Yarham, 2023) .

The development of the halal industry in North Sumatra is also driven by the global trend toward the consumption of halal products. Many consumers, both Muslim and non-Muslim, are starting to choose halal products because they are perceived as healthier and of higher quality (IL Nasution & Mutiah, 2024) . This situation presents an opportunity for businesses in North Sumatra to expand their market reach, both domestically and internationally.

However, challenges remain, especially for small businesses that may struggle to meet halal certification standards. The costs and processes required to obtain halal certification can be prohibitive. Therefore, it is crucial for the government and relevant institutions to provide support and assistance to businesses so they can participate in the halal industry (Muhammad & Antin, 2022) .

Furthermore, collaboration between businesses, the government, and educational institutions is also needed to improve the quality of halal products. Through research and development, businesses can create product innovations that meet market tastes while also meeting halal standards. This will help increase the competitiveness of halal products from North Sumatra (Kamiliyah *et al.* , 2024) .

Overall, the development of the halal industry in North Sumatra shows significant potential for regional economic growth. With the right support and increasing public awareness, the halal industry in North Sumatra is expected to continue to grow and benefit all parties, including businesses and consumers. The halal industry in North Sumatra has experienced significant growth in recent years, along with increasing public awareness of the importance of halal products (Hakim *et al.* , 2023) . This province, with its large Muslim population, has become one of the growth centers of the halal industry in Indonesia. Various sectors, including food, beverages, and cosmetics, are beginning to adapt to halal standards to meet market demand.

METHODOLOGY

This study uses a qualitative approach to analyze the halal industry in Padangsidempuan City (AF Nasution, 2023) , allowing for an in-depth understanding of the dynamics and challenges faced by business actors, government, and academics. In this context, a SWOT (*Strengths, Weaknesses, Opportunities, Threats*) analysis will be used to provide a more comprehensive understanding of the halal industry's position in the region (Fadli, 2021) .

1. Data source
 - a. Primary Data: In-depth Interviews: Conducted with MSMEs, government officials, academics, and other *stakeholders* . These interviews aimed to explore their perspectives, experiences, and expectations regarding the halal industry.
 - b. Secondary Data: Related Literature: Books, articles, and journals discussing the halal industry, both globally and locally. BPS Reports: Relevant statistical data

on local economics, demographics, and industry development. Government Policy Documents: Policies and regulations supporting the development of the halal industry, including certification regulations.

2. Data collection technique

- a. Interviews: Semi-structured to provide flexibility for in-depth information. Questions will cover aspects such as challenges faced, support received, and hopes for the future of the halal industry.

Source person:

1. Muhammad Arif, SEI, MA: Lecturer in Islamic Economics at UIN Syahada Padangsidempuan
 2. Lismayanti, SP: Trade Division, Padangsidempuan City Trade Office
 3. Aswin Hasibuan: MSME Actor
 - b. Observation: Observing halal industry practices in the field, including the production, packaging, and distribution of halal products. This observation will also cover the halal certification process carried out by relevant institutions.
- ## 3. Data analysis
- a. SWOT Analysis:
 1. *Strengths* : Identify competitive advantages, such as the availability of local resources (raw materials), community support, and significant market potential. Examples: The availability of quality local raw materials for halal products, as well as support from religious institutions in the certification process.
 2. *Weaknesses* : Analyze internal challenges, such as lack of knowledge about halal certification, limited access to capital, and inadequate infrastructure. For example, many MSMEs do not yet understand the halal certification process and its benefits for their businesses.
 3. *Opportunities* : Identifying external opportunities, such as the growing demand for halal products in the global market and government support for halal industry development. For example, the growing market for halal products abroad, which can be utilized by local businesses.
 4. *Threats* : Analyze external factors that could threaten the sustainability of the halal industry, such as competition from non-halal products and unfavorable regulatory changes. For example, the emergence of non-halal products that are cheaper and more accessible to consumers.

RESULTS AND DISCUSSION

The halal industry in Padangsidempuan City has significant growth potential, particularly in the halal food sector. Through in-depth interviews with business owners, government officials, and academics, a SWOT (*Strengths, Weaknesses, Opportunities, and Threats*) analysis was conducted to understand the dynamics and challenges facing this industry (Sylvia & Hayati, 2023) . In this analysis, we will use the IFAS (*Internal Factors Analysis Summary*) Matrix to identify strengths and weaknesses, and the EFAS (*External Factors Analysis Summary*) Matrix to identify opportunities and threats. This way, we can formulate an appropriate strategy for the development of the halal industry in this region (Latif *et al.* , 2024).

1. IFAS Matrix (*Internal Factors Analysis Summary*)

Internal Factors	Rating	Weight	Score
Strength			
Availability of quality local raw materials	4	0.25	1.00
Support from religious institutions (MUI)	5	0.30	1.50
Public awareness of the importance of halal products	4	0.20	1.80
Total power			3.30
Weakness			
Lack of knowledge about halal certification	4	0.25	1.00
Limited access to capital	3	0.20	0.6
Inadequate infrastructure	3	0.15	0.45
Total weakness			2.05

Source: researcher data processing

Explanation of the IFAS Matrix

Strength

1. Availability of Quality Local Raw Materials

Padangsidempuan City boasts abundant natural resources, including meat, vegetables, and spices that can be used for halal products. The availability of these raw materials provides a competitive advantage for local businesses, allowing them to produce high-quality halal food at more competitive prices.

Positive impact:

- 1) Reduction of Production Costs.
 - 2) Support for the Local Economy.
- ##### 2. Support from Religious Institutions

The Indonesian Ulema Council (MUI) plays a crucial role in providing halal certification, which guarantees a product's halal status to consumers. This support is crucial for building a halal product's reputation in the market, as consumers tend to trust products certified by a recognized institution more.

Positive impact:

- 1) Consumer Trust.
- 2) Effective Marketing.
3. Public Awareness

People in Padangsidempuan are increasingly recognizing the importance of halal products, which is driving demand. Businesses report that consumers are now more selective in choosing products, especially regarding halal certification and quality.

Positive impact:

- 1) Increased Demand.
- 2) Changes in Consumption Patterns.

Weakness

1. Lack of Knowledge about Halal Certification

Many Micro, Small, and Medium Enterprises (MSMEs) do not understand the halal certification process and its benefits. This prevents them from obtaining the certification necessary to compete in the market.

Negative impact:

- 1) Missing Market Opportunities.
- 2) Limitations of Innovation.
2. Limited Capital Access

Entrepreneurs often struggle to access capital for business development. Many lack the necessary networks to secure loans or financial support from financial institutions.

Negative impact:

- 1) Business Growth Restrictions.
- 2) Dependence on Personal Capital.
3. Inadequate Infrastructure

Supporting infrastructure, such as production and distribution facilities, still needs improvement. These limitations hamper operational efficiency and their ability to meet market demand.

Negative impact:

- 1) Production Delays

2) High Operating Costs

2. EFAS Matrix (*External Factors Analysis Summary*)

External Factors	Rating	Weight	Score
Opportunity			
Increasing demand for halal products	5	0.30	1.50
Government support in halal certification	4	0.25	1.00
Halal product export opportunities	4	0.20	0.80
Total chances			3.30
Threat			
competition for non-halal products	4	0.30	1.20
Unsupportive regulatory changes	3	0.25	0.75
Economic crisis affecting purchasing power	3	0.20	0.60
Total threat			2.55

Source: Researcher data processing

Explanation of the EFAS Matrix

Opportunity

1. Increasing Demand for Halal Products

Global demand for halal products continues to grow, both among Muslim and non-Muslim consumers. This is driven by a growing awareness of the importance of healthy, quality food and a desire to consume products that comply with halal principles.

The impact

- 1) Market Expansion.
- 2) Quality Improvement.

2. Government Support

Regional governments have issued various policies to encourage businesses to obtain halal certification. Government-organized training and outreach programs have been highly beneficial in helping businesses understand the significance of halal certification.

Positive impact:

- 1) Access to Resources.

2) Increased Trust.

3. Export Opportunities

Halal products from Padangsidempuan have the potential to be exported to international markets, especially to countries with large Muslim populations, such as Malaysia, the Middle East, and African countries.

Positive impact:

- 1) Market Diversification.
- 2) Increased Income.

Threat

1. Competition from Non-Halal Products

The emergence of cheaper and more accessible non-halal products poses a threat to the sustainability of halal products. Businesses have expressed concerns that consumers may prefer more affordable products, even those without halal certification.

Negative impact:

- 1) Decline in Market Share.
- 2) Pressure on Prices.
2. Regulatory Changes

Regulatory changes that do not support the halal industry can pose a threat to businesses, especially MSMEs that are not yet ready to adapt. Regulatory uncertainty can hinder investment and business development.

Negative impact:

- 1) Difficult Compliance.
- 2) Market Uncertainty.
3. Economic Crisis

An unstable economic situation can affect consumer purchasing power and demand for halal products. Businesses have indicated that economic fluctuations can directly impact their sales.

Negative impact:

- 1) Decline in Purchasing Power.
- 2) Demand Fluctuations.

3. Analysis of IFAS and EFAS Matrix Results

- 1) Total IFAS Score

Total Strength: 3.30

Total Weaknesses: 2.05

IFAS Score (Strengths - Weaknesses): $3.30 - 2.05 = 1.25$

2) Total EFAS Score

Total Odds: 3.30

Total Threats: 2.55

EFAS Score (Opportunities - Threats): $3.30 - 2.55 = 0.75$

4. Strategy Based on Analysis Results

Based on the IFAS and EFAS analyses, we can formulate several strategies for developing the halal industry in Padangsidempuan City. These strategies are divided into two categories: SO (*Strengths-Opportunities*) strategies and WO (*Weaknesses-Opportunities*) strategies.

SO Strategy (*Strengths-Opportunities*)

1. Utilizing the Availability of Raw Materials

Using quality local raw materials to increase the production and marketing of halal products. Businesses can collaborate with local farmers to ensure a sustainable supply of raw materials.

Implementation Steps:

- 1) Partnerships with Local Farmers: Building long-term partnerships with local farmers to ensure a consistent and high-quality supply of raw materials. This can be achieved through mutually beneficial purchasing contracts.
- 2) Farmer Empowerment Program: Conducting training programs for farmers on good and sustainable agricultural practices, as well as how to meet the quality standards required for halal products.

2. Enhancing Cooperation with MUI

Strengthening collaboration with MUI to improve product certification and expand market reach through joint promotions.

Implementation Steps:

- 1) Joint Certification Program: Holding a joint certification program involving MUI and business actors, where MUI provides direct guidance to business actors in the halal certification process.
- 2) Public Awareness Campaign: Launch a public awareness campaign about the importance of halal products and the role of the Indonesian Ulema Council (MUI) in ensuring their halal status. This can be done through seminars, *workshops* , and social media.

WO Strategy (*Weaknesses-Opportunities*)

1. Halal Certification Training Program

Conduct training programs to increase MSMEs' knowledge about halal certification and access to capital. This can be done through collaboration with educational institutions and the government.

Implementation Steps:

- 1) **Educational Materials:** Develop easy-to-understand educational materials, such as step-by-step guides to obtaining halal certification, as well as information about institutions that can assist in the process.
- 2) **Evaluation and Feedback:** Conducting evaluations of training programs to ensure their effectiveness and obtaining feedback from participants for future improvements.

2. Building a Capital Access Network

Creating a network between business actors and financial institutions to facilitate access to capital for MSMEs wishing to obtain halal certification.

Implementation Steps:

- 1) **Partnerships with Financial Institutions:** Building partnerships with banks and other financial institutions to provide financing products specifically aimed at those seeking halal certification.
- 2) **Platform Creation :** Developing an online platform that connects business actors with financial institutions, where they can find information about available financing products and how to apply for them.

ST Strategy (Strengths-Threats)

1. Increasing Consumer Confidence

Leveraging the support of religious institutions like the Indonesian Ulema Council (MUI) to increase consumer trust in halal products, businesses can conduct marketing campaigns that emphasize the halal status and quality of their products, while also educating consumers about the benefits of halal products.

Implementation Steps:

- 1) **Integrated Marketing Campaign:** Develop a marketing campaign that includes social media, print advertising, and community events to explain the halal certification process and the importance of choosing halal products.
- 2) **Labels and Certification:** Ensure that all products have clear and easy-to-understand labels regarding their halal status, as well as information about the certification process they have undergone.

2. Product Diversification

Developing a variety of halal products that can compete with non-halal counterparts. By utilizing quality local raw materials, businesses can create innovative products that appeal to consumers, both Muslim and non-Muslim.

Implementation Steps:

- 1) Market Research: Conducting research to identify consumer trends and preferences, as well as halal products that are under-available in the market.
- 2) New Product Development: Developing new products that are in accordance with research results, such as ready-to-eat meals, frozen meals, or healthy snacks that are halal certified.

WT Strategy (Weaknesses-Threats)

1. Collaborative Initiative to Improve Infrastructure

Develop collaborative initiatives between businesses, government, and educational institutions to improve infrastructure supporting the halal industry. This includes improving production and distribution facilities to help businesses meet market demand.

Implementation Steps:

- 1) Public-Private Partnerships: Building partnerships between government and business actors to invest in infrastructure, such as food processing plants, distribution centers, and storage facilities that meet halal standards.
- 2) Infrastructure Training Program: Conducting training programs for business actors on how to utilize existing infrastructure and how to adapt to new technologies in production and distribution.

2. Counseling and Education about Regulations

Conduct outreach programs to help businesses understand applicable regulations and how to adapt to potential changes. This may involve collaborating with government and relevant agencies to provide accurate and up-to-date information.

Implementation Steps:

- 1) Creating a Practical Guide: Developing an easy-to-understand practical guide on the halal certification process, applicable regulations, and the steps that must be taken by business actors to comply with these regulations.
- 2) *Online Information Platform* : Building *an online platform* that provides the latest information on halal regulations, including a discussion forum for business actors to share experiences and solutions.

Halal Industry Potential in Padangsidempuan City

Padangsidempuan City has significant potential for halal industry development, particularly in the food and beverage sector. With a large Muslim population, demand

for halal products continues to increase, creating opportunities for local businesses to meet market needs. Many small and medium enterprises (SMEs) in the city have begun producing food according to halal standards, demonstrating public awareness and initiative to participate in the halal industry. The agro-industrial sector in Padangsidimpuan, rich in natural resources, also offers significant opportunities for the development of quality halal products (Risiko Aprida *et al.*, 2022).

Based on the analysis, several policy recommendations can be implemented to improve the competitiveness of MSMEs in the halal industry. Regional governments need to develop a clear and integrated halal industry master plan, encompassing development strategies, promotion, and support for businesses. This master plan must involve all stakeholders, including businesses, academics, and the public, to ensure that all aspects of halal industry development are addressed (Muhammad & Antin, 2022).

Hope for the Future of the Halal Industry in Padangsidimpuan

With planned and collaborative efforts, it is hoped that the halal industry in Padangsidimpuan City can thrive. This research is expected to positively contribute to increasing local GRDP and create a pilot model for halal industry development in other mid-sized cities in Indonesia. Through the integration of certification, supply chain strengthening, and digital-based product promotion, the halal industry in Padangsidimpuan will not only meet local demand but also have the potential to penetrate the international market.

The success of developing the halal industry in Padangsidimpuan will have a broad impact, not only on business actors but also on society as a whole (Ikhsan *et al.*, 2022). With increased awareness of the importance of halal products, it is hoped that the public will prefer local, halal-certified products, thereby boosting the regional economy. Furthermore, this success can also inspire other regions in Indonesia to develop their halal industries, thereby enabling the Indonesian halal industry as a whole to grow and compete in the global market (Masitoh & Yarham, 2023).

CONCLUSION AND SUGGESTIONS

The halal industry in Padangsidimpuan City shows significant potential for growth, particularly in the food and beverage sector, as public awareness of the importance of halal products increases. Despite these opportunities, businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), face various challenges such as a lack of knowledge about halal certification, limited access to capital, and inadequate infrastructure. Support from the government and relevant institutions is crucial to assist businesses in the halal certification process and increase the competitiveness of halal products in local and international markets. A SWOT analysis identifies the strengths, weaknesses, opportunities, and threats facing the halal industry in Padangsidimpuan, which can serve as the basis for formulating more effective development strategies.

To address these challenges, it is recommended that MSMEs conduct training and education programs on the halal certification process and its benefits, so they better understand the importance of halal products. Furthermore, building networks between businesses and financial institutions to facilitate access to capital is crucial, enabling them to obtain the financial support necessary for business development. The government also needs to invest in infrastructure supporting the halal industry, such as production and distribution facilities, to improve operational efficiency.

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