

# **The Role of Bank Syariah Indonesia (BSI) in Sustaining Indonesia as a World-Halal Industry Center**

Zulfikar Hasan<sup>1\*</sup>, Nur Indira<sup>2</sup>

Department of Islamic Banking STAIN Bengkalis Riau<sup>1</sup>, Department of Islamic Banking STAIN Bengkalis RIAU<sup>2</sup>

*Corresponding author. Email: [zulfikarhasan61@gmail.com](mailto:zulfikarhasan61@gmail.com)*

**Abstract.** This study aims to determine the extent of BSI's role in supporting Indonesia as the centre of the world's halal industry. BSI, as a sharia bank with the largest assets in Indonesia, is expected to play a good role so that it can become a facilitator both in the form of financing and the collection of third-party funds (DPK) in the halal industry. The halal industry is a form of effort to improve the welfare of people who run an economy based on sharia law. The data collection technique used was descriptive qualitative, namely analyzing the sources of information, which were then compiled into a framework for discussion and ended with conclusions. The results of this study are the optimization of the role of Islamic banks in developing the halal industry in Indonesia must receive moral and material support from the central government and local governments as well as interested stakeholders.

**Keywords:** banking performance, halal industry

## **1. INTRODUCTION**

The halal lifestyle in recent years developed in Indonesia. Various kinds of halal products and industries ranging from food to entertainment or tourism are all presented with the official halal label from MUI (Mohd & Ismail, 2016). Indonesia, with the largest Muslim majority population in the world, with people who are aware of the halal lifestyle, can become a market for various halal products (Hasan, 2021a). The size of the halal lifestyle market in Indonesia makes entrepreneurs and investors interested in building and developing a halal business in Indonesia. Multiple halal products officially issued and circulated in Indonesia include Wardah cosmetics, Zoya fashion, cooking utensils (Maspion), detergents, etc (Satriana & DurrotulFaridah, 2018).

The development of the sharia economic system through strengthening the halal ecosystem proves that the halal industry and sharia finance will support and develop each other, so Malaysia continues to be a consistent leader in developing the sharia economy to date. The halal industry can utilize various Islamic banking products and services, such as savings, current accounts and time deposits. Each product has its contract so that it can adapt to the needs of the halal industry itself. In addition to funding products, Islamic Banking also has financing product facilities with various types of contracts, such as buying and selling-based financing, profit sharing, and lease-based financing (Utomo et al., 2020).

Not limited to funding and financing, Islamic banking also has service products that can support the operational activities of the halal industry, such as cash management systems, payroll, transfers, Letters of Credit (L/C) for export and import needs and so on. The facilities owned by Islamic banks are currently very easy to obtain by halal industry players, so there is no reason not to be able to use Islamic banks (Ismal & Haryati, 2013). Sharia banking product facilities can facilitate operational activities in the halal industry.

For example, halal industry players can use these facilities to develop their businesses for financing products so that later halal products and a perfect halal ecosystem will be created (Hasan, 2021b). The great and increasing demand for halal products will be a great opportunity for halal industry players, so additional capital is needed to innovate products and compete with other halal industry players. (Wijayanti et al., 2017) states that Islamic banking can encourage the improvement and development of the halal industrial sector through customer financing in Islamic banks and the amount.

Demographically, Indonesia is one of the countries with the largest Muslim population in the world. According to data from Global Religious Futures, Indonesia's Muslim population in 2020 will reach 229.62 million, meaning that Indonesia is the largest Muslim country in the world (Zaki et al., 2020). This data indicates that Islam influences the culture that develops in the community, including the consumption pattern of the community for halal products. Although it is quite lagging compared to neighbouring countries (Malaysia, Singapore and Australia), Indonesia is improving to catch up in developing the real halal industry (Mohd & Ismail, 2016).

Indonesia is still focusing on the halal food, cosmetic and pharmaceutical industries. Therefore, there is a need for synergy between government institutions to maximize Indonesia's potential as a centre for the halal industry (Muryanto et al., 2022). Islamic financial institutions are considered to be in sync with the development of the halal sector because of the inherent sharia principles. However, the market share of Islamic banks is still in the range of 5%. That can also be seen in Islamic financial institutions such as sharia insurance, pawnshops, sharia capital markets, and BMT. Therefore, the momentum for developing the halal industry in Indonesia should be utilized for synergizing and collaborating with halal industry players and Islamic financial institutions. Collaboration and synergy between halal industry business players and Islamic financial institutions is a win-win solution (Hasan et al., 2021).

According to Tampubolon, a merger combines two or more corporations into one corporation, where the acquiring company (acquiring company) retains its identity. Meanwhile, according to Wiyono & Kusuma, a merger is a form of absorption by one company against another. For example, if two companies, A and B, merge, there will only be one company, namely A or B only. Tampubolon explained that one of the reasons companies choose to merge is to obtain synergies and improve capabilities in raising funds, as well as obtain a better return on investment (ROI) (Hapsoro et al., 2020).

This statement is in line with research conducted, which states that mergers and acquisitions are carried out as a process of saving from financial difficulties and uniting forces in facing threats and competition from the presence of a financial system based on financial technology. Company mergers can also be caused by various factors, including increasing the company's capabilities, diversification in business fields, increasing control over market share, reducing the tax burden that exists in the company, and asset valuation that is lower than it is. The last factor is to increase the prestige of the company itself (Pertwi et al., n.d.), (Biasmara et al., 2021).

The government officially recognizes and supports halal assurance in Indonesia with the issuance of Law no. 33 of 2014 concerning Halal Product Guarantee (JPH). The issuance of this law implies that the state officially recognizes and guarantees Islamic law in the obligation to consume halal food and *thoyib*, as stated in the Halal Industry Ecosystem Report issued by Bank Indonesia in 2020 (Hidayat & Siradj, n.d.).

Research conducted by Insani et al. in 2019 stated that consumption is one of the pillars of Islamic economics that must follow the concept of halal and tayyib. The potential of the halal industry itself can be seen from several sectors, namely halal food and beverages, Muslim-friendly tourism (PRM), Muslim fashion, halal logistics, halal pharmaceuticals and cosmetics, and hospitality services. According to the State of Global Islamic Economy Report 2020, this pandemic will cause a decline in global Muslim spending in 2020 for the

six halal industry sectors above by 8%, with an Annual Cumulative Growth Rate (CAGR) of 3.1% for the period 2019-2024 (Charity et al., 2017).

That means that global Muslim spending will reach 2.3 trillion dollars in 2024. Indeed, this is an opportunity and a challenge to the potential of the halal industry in the world. Line with (Abduh, n.d.) states that the halal sector's growth positively contributes to the Indonesian economy. Therefore the halal industry should be developed in Indonesia.

The role is a normative behaviour pattern expected in a certain status. In other words, a status has a role that must be lived according to the applicable rules (norms). The role is the behaviour expected of a person based on his social function. A person can be said to have carried out the rights and obligations which are an inseparable part of his status. Based on Law No. 21 of 2008 concerning Islamic banks firmly recognizes the existence of Islamic banks to play a role in development. The existence of Islamic banks is expected to contribute to the economic growth of the community through financing issued by Islamic banks. Through Islamic bank financing, the community can become a partnership relationship with Islamic banks no longer as creditors and debtors (Aristoni, 2018).

Islamic banking as a financial institution has a very important role in developing the real sector, especially in the halal industry; several strategies that can be applied include collaboration with companies that will issue products with halal labeling (Zaki et al., 2020). In this case, it is hoped that the government's support will issue these regulations, for example, in the form of laws, circulars or fatwas that there is an obligation for every company engaged in the halal industry to cooperate with Islamic banking financially. For example, suppose company A will make halal labels on its products. In that case, company A already has a small number of funds deposited in one of the Islamic banks or has collaborated through financing at Islamic banks. That, of course, will also improve the Islamic finance industry in Indonesia. There is a reciprocal form between the real halal industry and Islamic banking (Ismal & Haryati, 2013).

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## **2. METHODS**

Descriptive qualitative, namely analyzing the sources of information which are then compiled into a framework of discussion, which is then ended with conclusions. Data reduction in this study was carried out by selecting all data by cutting and simplifying the existing data according to the research topic. The reduced data categorization was carried out according to the research topic, namely the portrait of the performance of the Indonesian Islamic Bank (BSI) and its relation to the development of the halal industry in Indonesia. The last stage is data verification to conclude the researcher's interpretation of the data. Verification is done using triangulation techniques, namely comparing one data source with another (Personal & Archive, 2018)

## **3. RESULTS AND DISCUSSION**

PT Bank Syariah Indonesia Tbk (BSI) hopes for a strong synergy between Islamic banking and the halal industry. One of which is through link and match, thereby accelerating the potential of halal in the country and reducing challenges from other countries starting to build halal tourism. Currently, the halal food & beverage industry is in demand by many people during the pandemic. That is an opportunity that Indonesia can use to become a global halal producer. All parties must cooperate in developing Indonesia as a producer and leader in the world's halal industry.

Islamic banks as financial institutions that are one of the pillars of the economy in Indonesia. Have the same great opportunities as other financial institutions. The roles that Islamic banks can play are quite numerous and very diverse. However, to optimize their role, Islamic banks should carry out institutional synergies with interested parties and have the same vision for developing the halal industry in Indonesia. The following are institutional synergies that Islamic banks can carry out to optimize their role in developing the halal industry in Indonesia.

Halal industry players are one of the most influential parties in developing the halal industry in Indonesia. In this case, Islamic banks must synergize with the halal industry players themselves. The forms of synergy between Islamic banks and halal industry players are:

1. Identification and development of industrial models. Islamic banks in developing the halal industry by identifying and developing industrial models. The industrial model development strategy is carried out by adopting the industrial cluster concept. An industrial cluster is a geographic concentration of interconnected industrial firms and institutions. That is because of the similarity of products and complement each other.
2. Support for strengthening and providing outlets and market access. Islamic banks in developing the halal industry in Indonesia must provide support as a reinforcement to the halal industry by providing outlets and market access. Market access is one of the important things in developing the halal industry. However, industrial players such as MSMEs still have several obstacles in providing market access, such as those MSME actors who still need legality for their businesses.
3. Provision of financing funds. Along with the government's attention to developing the halal industry, Islamic banks should not lose in optimizing their role in developing it. The role that Islamic banks can play is to provide financing in the form of capital to halal industry players. As we all know, the profit-sharing system is a system applied by Islamic banks in providing financing, and the system is an alternative system that is quite good to use.
4. Education and assistance. Synergy efforts that Islamic banks can carry out in optimizing their role in developing the halal industry are by providing education and assistance. Forms of education that Islamic banks can carry out, for example, are workshops or seminars about the importance of consuming halal food, the dangers of haram food, or education to industry players, such as the importance of using halal ingredients. Provided by Islamic banks to industry players, education about products and profit-sharing systems at Islamic banks, education about the importance of technology in marketing or other education that can develop the halal industry in Indonesia.

#### **4. DISCUSSION**

According to data from the Ministry of Industry, in 2016, there were 74 industrial estates in Indonesia with a total area of 36.29 thousand hectares. Furthermore, based on information from the Ministry of Industry, the export value of world halal products in 2014 reached US\$1.1 trillion and is targeted to reach US\$1.6 trillion in 2018. The value of Thailand's halal products itself is at US\$6 billion throughout 2014. Meanwhile, the growth in the export value of halal products from Indonesia from 2011 to 2014 was 11.17 per cent. Bank Indonesia, as the monetary authority, also plays a very important role in the progress of this halal supply chain. Bank Indonesia provides its commitment through the development of a digital-based halal supply chain ecosystem. One of these commitments is realized by preparing online marketing for MSMEs.

Bank Indonesia's objective in encouraging the development of the halal value chain business is primarily to increase the role of the Islamic economy and finance as one of the areas of the policy mix in maintaining national economic stability and growth. The development of the sharia economy, which started from the establishment of a national halal industry ecosystem, is able to create and encourage Indonesian exports, which can become a source of foreign exchange for the country. Starting from this support, it is necessary to map the industry's potential that needs to be developed as the first step in preparing a halal value chain ecosystem. The next step is bringing together two business interests (business matching) to accelerate industrial development.

Four main industries can be developed optimally by Indonesia as a country with the largest Muslim population in the world, namely the halal tourism industry, the halal food industry, the halal fashion industry and the halal finance industry. Mapping and identification of the potential of each

type of industry are very important as the first step in developing the halal industry. What is very important to do is to create an ecosystem that can develop the four halal industries at the same time by ensuring the optimization of the performance of the halal value chain management. In the mapping process, it is known that each halal industry has the potential to be improved to add value while maintaining Indonesian culture.

Islamic banks, as an important part of the Islamic finance sector, also have a significant role in supporting the growth of the Islamic economy and the halal industry in Indonesia. Based on data from the Ministry of Trade, the Muslim fashion industry has a large market, reaching US\$11 billion. So far, Indonesia has only exported US\$500 million.

Realizing the huge opportunity for growth in the Muslim fashion industry, BSI, as part of the sharia economic ecosystem in Indonesia, will support efforts to develop and optimize this potential, one of which is strengthening the synergy of industry players, including fashion designers.

The support from the Islamic finance sector, including BSI's strong commitment, is expected to realize the hope of making Indonesia a centre for Muslim fashion and even the centre of the world's halal industry. According to research data from the State of the Global Islamic Economy Report, the halal industry has great potential of up to Rp. 4,000 trillion. The potential of the halal industry consists of halal food, media, tourism, pharmacy, fashion, cosmetics and umrah.

In general, the potential value of the halal industry in Indonesia is projected to continue to grow in 2022. This condition is also supported by several events in the halal industry sector, which will be held in 2022. As a form of support for developing a halal lifestyle, BSI synergizes with Jenna & Kaia in a fashion event titled Jenna & Kai's 6th Anniversary. With this synergy, BSI seeks to improve the halal ecosystem through transactions and sharia financial services.

## 5. CONCLUSION

Indonesia's capability and capacity in working on the halal market, from the food sector, and Muslim fashion, to Islamic finance, further emphasizes that Indonesia can become a core player in the global Exyars. The policy of developing the sharia economy and finance is an effort by Bank Indonesia to support national sharia economic and financial policies that aim to make Indonesia the Epicenter of the World Sharia Economy and Finance.

Optimizing the role of Islamic banks in developing the halal industry in Indonesia must receive moral and material support from the central and local governments and interested stakeholders. Opportunities and challenges in developing the halal industry will be even greater. These opportunities and challenges will affect the development and growth of the halal industry. Therefore, the institutional synergy between Islamic banks and the government and related ministries and institutions is needed to optimize their role in developing the halal industry in Indonesia through institutional synergy. The institutional synergy that Islamic banks can carry out is institutional synergy with the government. The forms of institutional synergy carried out by Islamic banks with the government are identifying and mapping areas for the halal tourism sector, support for strengthening regulations, standardization, and supervision processes for halal products. Second, the institutional synergy of Islamic banks with halal industry players. The form of institutional synergy between Islamic banks and the halal industry can be done by identifying and developing industrial models; support for strengthening and providing outlets and market access; provision financing funds; education; and assistance. Third, the synergy of Islamic banks with educational institutions through the inclusion of halal industry awareness in educational institutions.

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