

Dynamics of Sharia Economic Law in the Halal Industry Context

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Abstract

This study examines the dynamic interplay between Islamic economic law and the halal industry, focusing on the challenges and opportunities presented by globalization, technological advancements, and evolving market demands. Through comprehensive literature review and analysis of contemporary practices, the research explores key areas including regulatory frameworks, international standardization efforts, technological integration, and financial innovations within the halal ecosystem. Findings reveal significant progress in developing comprehensive legal structures for the halal industry across various countries, yet highlight persistent challenges in achieving global harmonization of halal standards. The study identifies a critical need for adapting Islamic economic principles to digital technologies and modern business practices, particularly in areas such as blockchain-based supply chain management and AI-driven halal certification processes. Furthermore, it uncovers tensions between theoretical Islamic economic models and their practical implementation in the halal industry, especially in financial product development and risk management strategies. The research also notes an evolving interpretation of maqasid al-shariah to encompass broader ethical considerations including environmental sustainability and social responsibility. These insights underscore the necessity for a more dynamic, interdisciplinary approach to Islamic economic law that balances sharia compliance with economic efficacy. The study concludes by recommending enhanced collaboration among stakeholders, investment in technology-driven solutions, and continuous education to foster innovation while maintaining ethical integrity in the rapidly growing global halal market.

Keywords: Sharia; Economic Law, Halal Industry

INTRODUCTION

The development of Islamic economics in recent decades has experienced significant growth, not only in Muslim countries but also in various parts of the world. This phenomenon is inseparable from the increasing global awareness of the importance of an equitable economic system that aligns with ethical principles (Deputy of Economy Indonesian Ministry of National Development Planning, 2019). In this context, Islamic economic law plays a crucial role as a regulatory framework governing various aspects of economic transactions and activities based on Islamic principles. However, as the complexity of modern economic development increases, Islamic economic law also faces challenges to continuously adapt and respond to various contemporary issues (Saputro, 2024). One of the most tangible manifestations of Islamic economic development is the rapid growth of the halal industry across various sectors, ranging from food and beverages, cosmetics, pharmaceuticals, to tourism and finance. The halal industry not only reflects a lifestyle in accordance with Islamic law but has also evolved into a global market with immense economic potential (Sechan et al., 2023).

The dynamics of Islamic economic law in the context of the halal industry reflect a complex interaction between sharia principles, technological advancements, market demands, and government regulations (Marnita, 2024). On one hand, Islamic economic law must adhere to fundamental Islamic values such as the prohibition of *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling). On the other hand, this law is also required to provide innovative solutions to various contemporary problems that arise in the halal industry (Uddin, 2015). For instance, in the Islamic finance industry, the development of complex investment products such as *sukuk* and Islamic hedging requires profound *ijtihad* (independent reasoning) to ensure their compliance with sharia principles without sacrificing effectiveness and competitiveness in the global market (Zaini & Bin Shuib, 2021). Meanwhile, in the halal food industry, advancements in biotechnology

and genetic engineering present new challenges in determining the halal status of a product, necessitating an interdisciplinary approach between sharia experts and scientists.

Furthermore, globalization and international economic integration have created a need for standardization and harmonization of halal regulations at a global level. This is not only important to facilitate cross-border trade of halal products but also to protect the interests of Muslim consumers worldwide (Nusran et al., 2023). In this context, the role of international institutions such as the Organization of Islamic Cooperation (OIC) and the Islamic Development Bank (IDB) becomes increasingly crucial in facilitating dialogue and cooperation among countries to develop a comprehensive and universally acceptable halal regulatory framework. However, this harmonization effort also faces challenges in the form of differing fiqh interpretations across schools of thought and variations in practices among Muslim countries (Statistical, 2021).

Additionally, the development of digital technology and platform-based economies has opened new dimensions in the discourse of Islamic economic law. The emergence of cryptocurrencies, smart contracts, and Islamic financial technology (fintech) requires Islamic legal and economic experts to review and reinterpret classical concepts such as money, ownership, and contracts in the context of the digital era. This is not only important to ensure the compliance of technological innovations with sharia principles but also to optimize the potential of technology in realizing Islamic economic objectives such as financial inclusivity and equitable welfare distribution (Ahmad et al., 2024).

In the realm of public policy, the growth of the halal industry has prompted many countries, both Muslim and non-Muslim, to develop regulatory frameworks that support and govern this sector. This includes the establishment of halal certification bodies, development of halal industrial zones, and fiscal incentives to encourage investment in the halal sector (Hidayati, 2023). However, the implementation of these policies also faces various challenges, ranging from institutional capacity and harmonization with international regulations to potential conflicts with free trade principles within the WTO framework.

Thus, the dynamics of Islamic economic law in the context of the halal industry reflect a complex and multidimensional landscape. It involves not only legal and economic aspects but also social, cultural, and ethical issues. In-depth research on this theme becomes highly relevant and urgent, not only for the development of knowledge but also to provide theoretical and practical foundations for policymaking and innovation in the Islamic economic sector and halal industry. Through a comprehensive understanding of these dynamics, it is hoped that new models and approaches in Islamic economic law can be developed that are not only in accordance with Islamic principles but also responsive to the needs and challenges of the contemporary global economy.

METHOD

This study employs a comprehensive library research methodology to examine the dynamics of Islamic economic law within the context of the halal industry. The research process involves a systematic review and analysis of relevant literature, including scholarly articles, books, conference proceedings, and official reports from authoritative sources in the fields of Islamic economics, jurisprudence, and halal industry studies. Primary and secondary sources are carefully selected based on their relevance, credibility, and recency to ensure a thorough and up-to-date analysis of the subject matter. The methodology encompasses several stages: identification of key research questions, extensive literature search using academic databases and specialized Islamic economics repositories, critical evaluation of sources, thematic analysis of collected data, and synthesis of findings to draw meaningful conclusions. This approach allows for a comprehensive exploration of theoretical frameworks, empirical evidence, and contemporary debates surrounding Islamic economic law and its application in the halal industry. By integrating diverse perspectives and cross-referencing multiple sources, the study aims to provide a nuanced understanding of the complex interplay between Islamic legal principles, economic realities, and the evolving landscape of the global halal market.

RESULT AND DISCUSSION

The research findings on the dynamics of Islamic economic law in the context of the halal industry reveal several key insights that reflect the complexity and evolution of this field. Firstly, a significant trend has been identified in the development of more comprehensive legal and regulatory frameworks governing the halal industry across various countries. Comparative analysis indicates that countries with Muslim-majority populations, such as Malaysia, Indonesia, and the United Arab Emirates, have taken proactive steps in developing legal ecosystems that support the growth of the halal industry. This is evidenced by the establishment of specialized bodies for halal certification, the enactment of specific laws on halal product assurance, and the integration of halal concepts into national economic policies. Meanwhile, non-Muslim countries such as Japan, South Korea, and several European nations have also begun to adopt regulations related to halal products, primarily driven by economic interests to enter the global Muslim market (Lubis et al., 2022).

This research unveils significant challenges in the harmonization of halal standards at the international level. Despite efforts by organizations such as the Standards and Metrology Institute for Islamic Countries (SMIIC) to develop globally acceptable halal standards, their implementation still faces obstacles due to differences in fiqh interpretations and national economic interests (Annisa, 2022). Analysis of various international trade disputes related to halal products demonstrates that the absence of uniform standards can create non-tariff barriers in global trade (Bachtiar, 2022).

The study finds that technological advancements have brought new dimensions to the discourse of Islamic economic law, particularly in the context of the halal industry. The emergence of blockchain technology for halal supply chain tracking, the use of artificial intelligence in halal certification processes, and the development of e-commerce platforms specifically for halal products have created both opportunities and new challenges (Ahianindiasdri & Bergmans, 2021). On one hand, these technologies offer solutions to enhance transparency and efficiency in the halal industry. On the other hand, they raise complex legal and ethical questions, such as the validity of digital transactions from a sharia perspective and the protection of Muslim consumer data (Hasan & Pasyah, 2022).

Analysis of the development of Islamic financial products in the halal industry reveals significant innovations, albeit accompanied by debates regarding their compliance with sharia principles. For instance, the development of asset-based sukuk in the halal industry has enabled greater mobilization of funds for infrastructure development in this sector. However, the complex structure of sukuk sometimes raises concerns about potential elements of gharar (uncertainty) or hidden riba (usury). Similarly, the use of Islamic hedging instruments in halal industry risk management remains a subject of debate among Islamic legal scholars (Azwar, 2024).

This research identifies a gap between the theoretical development of Islamic economic law and its practical implementation in the halal industry. While there are numerous academic studies exploring legal and ethical aspects of Islamic economics, their application in business contexts often faces practical constraints. This is evident in the limited adoption of principles such as profit and loss sharing in halal industry financing structures, and the continued dominance of contracts that closely resemble conventional systems, such as murabahah.

The study finds that the development of the halal industry has driven an evolution in the interpretation and application of maqasid al-shariah (objectives of Islamic law) in the context of modern economics. Analysis of contemporary fatwas and academic literature indicates a tendency to expand the interpretation of maqasid al-shariah beyond the aspect of Muslim consumer protection to encompass issues such as environmental sustainability, animal welfare, and corporate social responsibility in the halal industry.

In further discussion, these findings reflect the complexity of interactions between Islamic economic law, global market dynamics, and technological advancements in the context of the halal industry. The development of legal and regulatory frameworks across various countries demonstrates recognition of the halal industry as a significant economic sector. However, variations in regulatory approaches also reflect challenges in achieving global harmonization, which is crucial for facilitating international trade in halal products.

The challenges in harmonizing international halal standards underscore the complexity of accommodating diverse fiqh interpretations and national economic interests. This highlights the need for more intensive dialogue between religious authorities, regulators, and industry players to reach widely acceptable consensus. A more flexible and inclusive approach in developing international halal standards may be necessary to accommodate diversity in practices and interpretations without compromising the integrity of sharia principles (Islam et al., 2023).

The role of technology in transforming the halal industry opens opportunities for innovation in applying Islamic economic law. The use of blockchain and artificial intelligence, for instance, can enhance transparency and efficiency in halal certification and product tracking processes. However, this also demands the development of legal frameworks that can accommodate digital realities while maintaining sharia principles. Collaboration between Islamic legal experts, technology specialists, and regulators is necessary to develop comprehensive guidelines on the application of technology in the halal industry (Insani et al., 2024).

Innovations in Islamic financial products for the halal industry reflect efforts to adapt financial instruments to the specific needs of this sector. However, the debates that arise regarding the compliance of some products with sharia principles demonstrate the importance of continuous and transparent *ijtihad* (independent reasoning) processes. This also underscores the need for capacity development in Islamic finance, not only among practitioners but also among sharia scholars to ensure financial innovations remain aligned with *maqasid al-shariah*.

The gap between theory and practice in applying Islamic economic law in the halal industry indicates challenges in operationalizing Islamic principles in modern business contexts. This may suggest the need for a more pragmatic approach in interpreting and applying Islamic economic law, without compromising its fundamental principles. The development of innovative yet sharia-compliant business models becomes an important area for further research and development.

The evolution in the interpretation of *maqasid al-shariah* in the context of the halal industry reflects efforts to make Islamic economic law more responsive to contemporary issues. The expansion of focus from mere formal compliance with halal-haram rules towards more holistic considerations of social and environmental impacts represents a positive development. This opens opportunities to integrate concepts such as circular economy and sustainable development within the framework of the halal industry.

Overall, these findings indicate that the dynamics of Islamic economic law in the context of the halal industry are at a critical juncture. On one hand, there is strong momentum for growth and innovation. On the other hand, there are significant challenges in maintaining the integrity of sharia principles while adapting to global economic realities and technological advancements. This necessitates a more dynamic and interdisciplinary approach in the development and application of Islamic economic law, as well as closer collaboration among various stakeholders in the global halal industry ecosystem.

CONCLUSION

In conclusion, this study reveals that Islamic economic law in the halal industry context is experiencing significant evolution, driven by technological advancements, market demands, and regulatory developments. The research highlights the complex interplay between sharia principles, economic realities, and global market forces, demonstrating both progress and challenges in harmonizing standards, implementing innovative financial instruments, and adapting to digital technologies. Key issues include the need for international standardization, bridging the gap between theory and practice, and addressing emerging ethical concerns in the digital age. Based on these findings, it is recommended that stakeholders in the halal industry ecosystem - including religious scholars, policymakers, industry players, and academics - engage in more collaborative and interdisciplinary efforts to develop adaptive yet principled frameworks for Islamic economic law. Priority should be given to enhancing regulatory harmonization, investing in technology-driven solutions for transparency and compliance, and fostering innovation in Islamic finance that aligns with both market needs and sharia principles.

Furthermore, continuous education and capacity building in Islamic economics and finance should be emphasized to ensure that the industry's growth is supported by a knowledgeable and skilled workforce capable of navigating the complexities of modern economic challenges while upholding Islamic ethical standards.

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