

Chapter 11:

Halal Industry as a Catalyst for Economic Growth in Developing Countries: Opportunities and Impacts

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DOI: <https://doi.org/10.21467/books.181.11>

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The halal industry, which offers a unique combination of Shariah-compliant principles, ethical norms, and sustainable practices, has emerged as a significant driver of economic growth in developing countries. In examining the halal industry as a catalyst for economic progress in these nations, this study explores the industry's multifaceted contributions to economic development, its alignment with SDG 8 on Decent Work and Economic Growth, and its untapped potential to address economic challenges. The study emphasises that by leveraging its various sectors, developing countries can capitalise on the halal industry's potential for growth and development. Having reviewed pertinent literature, the study identifies several opportunities for developing countries to harness the halal industry, including enhanced domestic consumption, import substitution, and integration into global supply chains. It also highlights strategic recommendations for policymakers and industry stakeholders, such as investing in halal certification systems, human capital development, digital innovations, and infrastructure for halal logistics and supply chains. Furthermore, the study advocates for inclusive and sustainable growth models that encourage rural and marginalised communities to benefit from the industry's expansion. While the research provides theoretical insights into the halal industry's potential, it acknowledges the need for empirical studies to validate and extend this discussion. Ultimately, the research positions the halal industry as a pivotal tool for achieving sustainable economic growth and aligning developing countries with global market trends.

1 Introduction

As one of the fastest-growing industries in recent decades, the importance of the halal industry to economic growth and development, particularly in developing countries, has been emphasised by academicians, researchers, and practitioners (Azam & Abdullah, 2020; Jaiyeoba, 2021). Driven by the growing Muslim population and the vast and diverse sectors, including food and beverages, pharmaceuticals and healthcare, Islamic banking and finance, cosmetics and personal care, fashion, and Muslim-friendly tourism, the halal industry creates significant opportunities for foreign direct investment, employment, import substitution, and export diversification. Specifically, the Muslim population is expected to grow to 2.2 billion by 2030, accounting for nearly 26.4% of the global population (Cooperman et al., 2011). Muslims worldwide actively seek halal-certified products, citing religious adherence and trust in the halal certification process (Koc et al., 2024). The Organisation of Islamic Cooperation (OIC) countries are experiencing rising per capita incomes, with total consumer spending reaching \$2 trillion in 2021 (DinarStandard, 2022).

Furthermore, the halal pharmaceuticals market was valued at US\$ 128.03 billion in 2023, growing at a CAGR of 9.4% during the forecast period from 2024 to 2030 (Precision Business Insights, 2014). Similarly, the halal cosmetics market was valued at USD 30.21 billion in 2021 and is projected to reach USD 83.76 billion by 2030, growing at a CAGR of 12% from 2022 to 2030 (Straits Research, 2024). Given its potential, there is no doubt that developing countries such as Malaysia, Pakistan, Nigeria, and Indonesia can leverage the halal industry to drive domestic consumption, reduce income disparities, and support grassroots entrepreneurship and business start-ups. In addition, the halal industry's compliance with ethical standards, quality assurance, hygiene, safety, and sustainable practices has made it possible to attract both Muslim and non-Muslim consumers, promote sustainable business practices, and boost market competitiveness (Koc et al., 2024). Given the challenges the world is experiencing today, the halal industry



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ISBN: 978-81-984081-4-3

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provides a unique opportunity for developing countries to strengthen their economies and increase their influence in international trade (Mubarok & Imam, 2020).

Thus, the halal industry can serve as a catalyst for long-term economic growth, social cohesion, poverty reduction, and environmental sustainability (Jaiyeoba et al., 2023) if adequately prioritized, suggesting that the economic impact of the halal industry in developing countries extends beyond monetary gains. Although developing countries, especially those with Muslim majorities, are uniquely positioned to capitalize on the growth of the halal industry, many of these countries face several challenges, such as a lack of skilled manpower, inadequate infrastructure, weak regulatory frameworks, and others, that hinder their ability to fully exploit the halal industry's potential. Therefore, tapping into the halal industry's potential requires strategic approaches, deliberate investments in physical and technological infrastructure, and compliance with recognized halal standards (Jaiyeoba, 2021). Beyond boosting economic activities in domestic markets, these measures will enhance export potential in a way that allows these countries to compete in the global halal market. On this basis, this article discusses the role of the halal industry as a driver of economic growth in developing countries, focusing on its opportunities and socio-economic impacts across key sectors.

While some discussions on the opportunities presented by the halal industry have been undertaken by existing researchers, these discussions have not been adequately tied to the context of developing countries. For example, Azam and Abdullah (2020) examine the current realities of the global halal industry by exploring the factors contributing to the increasing demand for halal products, as well as the opportunities offered by the development of the global halal market. Emphasising the key challenges and opportunities in the halal industry, the work of Elasrag (2016) enhances understanding of the concept of halal, aiming to assist non-Muslims in familiarising themselves with halal principles and products. Similarly, Mubarok and Imam (2020) focuses on identifying the opportunities and challenges in developing the halal industry in Indonesia. Prayuda et al. (2023) focus on identifying the opportunities and challenges associated with developing the halal industry in Indonesia. Laluddin et al. (2019) explore the different segments of the halal industry and their prevalent challenges and opportunities by presenting facts and figures to highlight the global expansion of the halal industry. The article also attempts to delineate the concept of halal in the context of its primary sources, the Qur'an and Sunnah. Syamsiyah and Ardana (2022) explain the opportunities, challenges, and strategies that can be used to develop the halal industry in Indonesia.

Although extant studies have offered some explanations regarding the opportunities presented by the halal industry, the present study distinguishes itself from existing research by providing a comprehensive examination of how the halal industry could specifically contribute to economic growth in developing countries. The researchers have adopted a holistic approach to explore the industry's multidimensional impact, including export diversification, job creation, and fostering small and medium-sized enterprises (SMEs), particularly in developing nations where the halal industry could serve as a critical economic pillar. Unlike existing studies, the present study delves deeper into the untapped opportunities within the halal industry in developing countries, such as strengthening global supply chains to enhance competitiveness and leveraging digital innovations. Previous studies often lack a detailed exploration of how these factors interplay with socio-economic development, particularly in resource-constrained settings. Interestingly, this study seeks to bridge the gap between theoretical discussions and practical implications by providing actionable recommendations for policymakers and industry stakeholders, especially in developing nations, to harness the halal industry as a catalyst for sustainable economic growth.

Meanwhile, this study has been structured into five main sections, including this introductory section. Section Two offers an explanation on the halal industry, with a specific focus on the different sectors of the halal industry. Section Three discusses the contributions of the halal industry to SDG 8, Decent Work and Economic Growth. Section Four details the opportunities offered by the halal industry for economic growth in developing countries. Section Five highlights the recommendations of this research. The final section concludes and provides the limitations of this study.

2 Halal Industry

As indicated, the halal industry is now one of the fastest-growing commercial sectors in the modern business world due to the rising demand for halal products from both Muslims and non-Muslims. Muslim customers desire halal food not just because it aligns with their religious beliefs and the afterlife, but also because it is in their best interests (Koc et al., 2024). International organizations are starting to adopt halal values, which align with advancing social well-being, preserving the environment, and upholding ethical business practices, as mentioned in the Halal Industry Master Plan 2030. The halal industry is a powerful advocate for socioeconomic development, and initiatives to enhance governance and programs for building capacity will support fair wages and burgeoning economies, as can be seen in each sector (Azam & Abdullah, 2020).

One of the biggest and most significant sectors in the halal industry is food and beverage, as the Muslim community seeks out halal food as a requirement of their religious beliefs. According to (Mujar & Hassan, 2014), Muslims spend 16.6% of their total food expenditure, making the halal food sector one of the largest in the world. This is why more Muslims and non-Muslims are becoming aware of the high quality and hygienic value of halal foods, leading to an increase in both local and global demand. Furthermore, the demand for halal food extends beyond food items to include the requirement for halal certification for restaurants in five-star hotels and airline companies that offer halal food to passengers. Halal standards must be followed in every aspect of food handling, preparation, and packaging (Nurrachmi, 2017).

Another important sector in the halal industry is the cosmetics sector. Cosmetics are defined as products designed for use on the human body, particularly the face, for purposes such as washing, beautifying, altering appearance, or treatments intended to restore or enhance a person's appearance (AM Elgharbawy, 2022). They are also considered similar to personal care products, including items such as hair shampoos, conditioners, shower gels, cleansers, perfumes, and others. According to recent data, over 20% of Muslim consumers are concerned about halal compliance in the products they use, including cosmetics and personal care items (Hunter, 2014). This concern has spurred the growth of the halal cosmetics and personal care industry, as advancements in technology have enabled the formulation of new ingredients whose halal status may be uncertain. A reliable technique for distinguishing between halal and non-halal substances is crucial to ensuring the halal compliance of these products. Muslim consumers seek reassurance that the ingredients, handling, manufacturing processes, distribution, and types of cosmetics they use comply with halal principles. Such reassurance is primarily obtained through the halal certification process, which plays a vital role in verifying the halal status of cosmetics and personal care products.

The pharmaceutical sector is another crucial area that has garnered significant attention in the development of the halal industry, as many pharmaceuticals and medicines are not halal compliant. For instance, medications containing alcohol are only considered halal if no suitable alternatives are available (Ab Halim et al., 2015). Pharmaceuticals are sometimes referred to as drug products, dosage forms, or medical devices, and any substance or preparation used in the treatment or prevention of disease can be classified as such (Saha et al., 2019). The *Oxford Advanced Learner's Dictionary* also defines pharmaceuticals as products related to drugs and medicine, particularly in their manufacture and sale. The halal industry has elevated the quality standards of pharmaceuticals by ensuring that products are derived from permissible sources and are prepared, manufactured, and extracted following Islamic guidelines. This commitment to compliance with halal principles not only addresses the needs of Muslim consumers but also enhances the overall integrity and ethical standards of the pharmaceutical sector (Ab Halim et al., 2015).

In line with the pharmaceutical sector, the halal status of medical devices has also become a significant concern, with both simple and complex equipment requiring halal certification. Medical devices are defined as any tool, instrument, computer, implant, reagent, in vitro calibrator, software, substance, or other similar item intended for use in the human body, with consideration for risks to public health, safety, or welfare (Zarmani et al., 2021). According to the *Medical Device Industry Outlook Report 2017* published by the Association of Malaysian Medical Industries, the industry attracted investments amounting to RM2.2

billion in 2017, including RM69.4 million for six new projects and RM2.2 billion for 19 expansion projects (Draman et al., 2019). This highlights the importance of the medical device industry, particularly in Malaysia and across the Asia-Pacific region, as the production, distribution, and use of medical instruments continue to expand globally. Ensuring halal compliance in this industry not only addresses the needs of Muslim consumers but also enhances Malaysia's position as a leader in halal-certified medical products, supporting the industry's growth in the region.

Meanwhile, Several developing nations are increasingly promoting medical tourism as people seek comprehensive, high-quality medical treatment (Rahman & Zailani, 2017). Many of these countries have successfully established a robust tourism economy, adequate infrastructure, and high-quality healthcare services (Kamassi et al., 2021). However, Muslim patients often prefer medical services that adhere to Islamic principles. In response to growing market demand worldwide, hospitals across the globe are rapidly adapting to accommodate Muslim visitors with specific needs and requirements. Islamic medical tourism refers to short trips undertaken by individuals to destinations outside their own country or region, primarily for medical treatment at facilities that comply with Islamic standards. Despite the industry's immense potential, Muslim-friendly medical tourism remains a relatively new concept, and there is a lack of clarity regarding its framework. Rahman and Zailani (2017), describe Muslim-friendly medical tourism as identifying and incorporating features of medical care services that align with Islamic values, which are widely acceptable to both medical professionals and patients. A critical challenge lies in ensuring the growth of this industry aligns with Shariah requirements. Kamassi et al. (2021) highlight the urgent need for an international Islamic accreditation authority to oversee the rise of Islamic-friendly hospitals and medical tourism providers. Countries that invest in the medical tourism sector often develop and promote healthcare services to drive economic growth.

Halal tourism, Halal-Friendly Travel Destinations, Halal Travel, Islamic Travel Destinations, and Halal Lifestyle are some of the terms still used to describe Islamic tourism, which remains an emerging concept. Additionally, Islamic tourism serves as the main umbrella for the development of various other tourism sectors. Several definitions of Islamic tourism have been discussed by Kamarudin and Nizam (2013) For instance, the Islamic Tourism Centre (ITC) in Malaysia defines it as “a sphere of interest or activity related to travel to explore Islamic history, arts, culture, and heritage, and to experience the Islamic way of life, in conformity with the Islamic faith.” Similarly, the Organization of Islamic Cooperation (OIC) describes it as “Muslim tourists travelling to destinations where Islam is an official or dominant faith, often for reasons connected to religion.” Such activities are commonly referred to as *ribla* or *ziyara* (Suid et al., 2018). Islam has always discouraged certain travel practices but recognizes the significant religious, economic, and social functions that travel can serve. Religious beliefs undoubtedly influence and guide Muslim tourists' choice of destinations as well as their attitudes, behaviours, perceptions, and even emotions during their travels. By avoiding any wrongdoings while travelling, Islamic tourism can also be viewed as a form of *ibadah* (worship) and *da'wah* (spreading the message of Islam), where travellers are seen as receiving blessings from God (Kamarudin & Nizam, 2013). Islamic tourism does not merely advocate visiting mosques but also encourages exploring places tied to nature, culture, or the arts, provided they uphold Islamic principles. It represents a novel strategy for expanding the tourism sector while upholding Islamic morals, culture, and values (Amir Abdullah et al., 2020). The concept of pilgrimage is foundational to the development of Islamic tourism (Kamassi et al., 2021). To truly embrace the spirit of pilgrimage, Islamic tourism must embody its core values, including adherence to the prohibitions and allowances outlined in Islamic teachings during travel.

Among the sectors gaining prominence on the global stage within the halal industry is modest fashion. Islamic clothing modesty conceptually and practically relates to the idea of *awra*, an Arabic term meaning “inviolable vulnerability” or “what must be covered.” It refers to parts of the body that must remain private (Darina & Ahmad, 2018). In recent years, Muslim-owned businesses specialising in Muslimah fashion have become increasingly prevalent. Muslim clothing has emerged as a modern trend that bridges the complexities of traditional and contemporary culture while adhering to Islamic principles. This sector

has empowered Muslim women to embrace a balanced lifestyle, allowing them to incorporate the latest fashion trends without compromising on Islamic Shariah guidelines.

In addition, halal is now widely recognized not just in relation to food or ritual slaughter. It is at the centre of the global halal food industry, with logistics being one of its primary drivers. Halal logistics refers to the process of managing the acquisition, movement, storage, and handling of materials, as well as the semi-finished inventory of both food and non-food items, throughout the organization and supply chain, in accordance with general Shariah law standards (Aziz & Zailani, 2017). This definition is similarly mentioned by Hamid et al. (2014), with added details on the associated information and documentation flows within the organization and supply chain. Thus, it is essential for the public, as well as stakeholders in the sector, to understand halal logistics. They must be aware that halal products must be kept separate from haram products and cannot be combined. This has made the halal supply chain increasingly important, widely recognized, and embraced by customers, thereby raising the demand for halal logistics among stakeholders in the halal food industry (Jaafar et al., 2013).

The discussion on the halal industry would be incomplete without an emphasis on the Shariah-compliant financial system. In reality, the integration of the halal business with Islamic finance will create a robust halal ecosystem. Islamic finance is defined as Shariah-compliant lending or business activities that adhere to the rules outlined by Islamic law, with its practical application fostering the growth of broader Islamic economics (Ghaffour, 2019). Every project within the halal industry must be funded through Shariah-compliant financial institutions to establish a distinctive value chain within the halal business hub (Mujar & Hassan, 2014). The combination of Islamic finance and the halal industry will create a halal economy ecosystem, consolidating the growth of the halal industry and strengthening its position. This is due to the similarities in the values and guiding principles of the various sectors, implying a perfect symbiotic relationship between the halal and Islamic finance businesses.

3 Halal Industry contributions to SDG 8 Decent Work and Economic Growth

The Sustainable Development Goals (SDGs) are a set of seventeen objectives and 169 sub-targets designed to serve as a framework for global policymaking until 2030. Officially adopted by the UN's 193 member states on September 25, 2015, the SDGs represent a shared vision for global development that emphasizes social, economic, and environmental issues (Rai et al., 2019). SDG 8, "Decent Work and Economic Growth," aims to promote inclusive and sustainable economic growth, employment, and decent work for all. The relationship between economic, social, and environmental policies, full employment, and respectable employment is mutually supportive in eradicating poverty through secure and well-paying jobs. The gastronomic, Islamic banking, insurance, fashion, cosmetics, pharmaceuticals, entertainment, and tourism sectors of the global economy have experienced tremendous growth (Qomaro, 2019). The infusion of Islamic concept in industries as well as financial system has broader the halal economy. The infusion of Islamic principles into industries and financial systems has broadened the scope of the halal economy. The term "halal economy" refers to the sector of the economy that provides halal products and services throughout the entire process (Chebab et al., 2021).

Today's halal market is thriving and robust, with numerous and growing economic growth potential. Consumer awareness of halal products is rising globally. Halal products depend on producers who must adhere to several restrictions, most notably regarding the preparation of ingredients and product packaging (Aziz et al., 2015). Consequently, this industry, in turn, creates business opportunities and income, potentially contributing to a country's economic growth. This is consistent with the estimated spending of Muslim travellers in 2020, which was projected at \$192 billion worldwide, accounting for 13.36% of all travel-related spending. Malaysia, Turkey, and the United Arab Emirates are the leading Muslim travel destinations, followed by Singapore, Russia, China, France, Thailand, and Italy (Suid et al., 2018). People travel for many reasons, and Islamic tourism has emerged as a newly recognized tourist business concept globally. It is widely acknowledged as one of the key sources of economic growth in the tourism sector (Suid et al., 2018).

Based on history, the government has been seeking new industries to generate substantial revenue for the country's long-term economic development following the 1980s economic recession. The tourism sector was acknowledged as a new industry that could generate significant revenue (Kamarudin & Nizam, 2013). In addition, the continuity of economic development is evident in the growth of the logistics sector. Logistic service providers perceive the advantages of investing in halal-specific infrastructure, such as warehousing and a fleet of vehicles dedicated to the storage and delivery of halal goods, as outweighing the disadvantages (Hamid et al., 2014). Consumer pressure has encouraged logistics service providers to make such investments, thereby contributing to the growth of halal logistics. From an economic standpoint, ports, which play a major role in halal logistics, are viewed as key engines of national and international economic growth, contributing to the GDP of the nation due to their transportation-related functions (Aziz & Zailani, 2017). Looking forward to the potential value of halal logistics, it can serve a marketing role in boosting business success by supporting customer services, which is a crucial aspect of marketing. Among the logistical aspects that can be emphasized in marketing are availability, delivery quality, and communication, which will impact pricing, product support, and sales representatives in the marketing dimension (Hamid et al., 2014). Thus, the halal industry is highly relevant as a driver for achieving SDG 8, Decent Work and Economic Growth, since it is founded on Shariah principles that adhere to global standards of ethics, morality, and sustainability (Jaiyeoba et al., 2023; Qomaro, 2019).

4 Opportunities in the Halal Industry for Developing Countries

Major players in the halal industry, such as Malaysia, Indonesia, and Turkey, have reaped significant economic benefits from their investments in the sector. Like these countries, other developing nations are uniquely positioned to benefit from the rising global Muslim population and the increased demand for halal products and services across various sectors, including food and beverages, fashion, pharmaceuticals, cosmetics, tourism, and finance (Izberk-Bilgin & Nakata, 2016). The production of halal-certified products that align with global halal standards can enable these nations to diversify their economies, establish a competitive edge in the global market, and create new industries. This will not only drive economic growth in these countries but also enhance export potential while creating opportunities for job creation, entrepreneurship, and foreign direct investment (FDI) (Mohd Nawawi et al., 2020). Specifically, developing countries can adopt the halal industry as a means for economic growth, particularly through its impact on the food and agriculture sectors. By strategically focusing on halal food production to cater to both Muslim and non-Muslim consumers globally, developing nations with abundant agricultural resources can leverage their strengths to produce halal-certified food items for export. This approach can significantly enhance export revenues and integrate these countries into the global halal supply chain. Moreover, focusing on halal food manufacturing allows developing countries to take advantage of the global halal industry's growth, stimulating infrastructure development, such as cold chains, logistics, and warehousing facilities. These enhancements not only improve economic activity but also generate employment opportunities, further supporting sustainable economic growth (Nurrachmi, 2017). By capitalizing on the halal industry's potential, developing nations can position themselves as key players in the evolving global market.

In addition to the food and agriculture sectors, developing nations can also leverage the halal tourism sector to stimulate economic growth. Today, halal tourism, which includes services and destinations catering to the needs of Muslim travellers, has become a rapidly growing market worldwide. Developing countries that prioritise the halal industry, such as Malaysia, Indonesia, and Turkey, have established Muslim-friendly accommodations, halal restaurants, and tourism packages tailored to Muslim travellers to benefit from this trend. Beyond attracting visitors from Muslim-majority countries, offering halal tourism packages also promotes cultural exchange and broadens the tourism sector's scope. Moreover, halal tourism plays a crucial role in supporting other key sectors within the economy, such as hospitality, transportation, and retail, creating a ripple effect of economic benefits. By meeting the specific needs of Muslim travellers, these countries not only enhance their appeal to a growing market but also strengthen their global tourism competitiveness. Ultimately, developing countries that invest in halal tourism can generate more revenue,

create jobs, and establish a stronger global tourism brand, contributing to long-term sustainable growth (Aini et al., 2022).

Beyond the growing demand for halal food and tourism, halal banking and finance also offer significant opportunities for economic development in developing countries. Since halal banking and finance operations are based on Shariah principles, including profit-sharing, risk-sharing, and the promotion of ethical investments, they are attractive to Muslims as an alternative to conventional banking and finance systems. By making deliberate efforts to develop the halal finance and Islamic banking sectors, developing countries can attract investments from both domestic and international sources, reduce reliance on conventional financial systems, and promote financial inclusion. With access to financing that aligns with Islamic principles, this sector can also act as a catalyst for the growth of small and medium-sized enterprises (SMEs), thereby promoting entrepreneurship and innovation, which are key drivers of economic growth (Furqani & Mulyany, 2009).

In addition, developing halal cosmetic and pharmaceutical sectors offers significant benefits to developing countries by enhancing economic diversification, fostering innovation, and creating job opportunities. These sectors cater to Muslim consumers and others seeking ethical and safe alternatives, allowing developing countries to tap into lucrative export markets. This can boost foreign exchange earnings, stimulate local innovation, attract foreign direct investment, build technical expertise, and reduce reliance on traditional exports. Interestingly, advancements in halal cosmetics and pharmaceuticals also contribute to public health improvements by ensuring access to high-quality, safe, and ethically produced products. This, in turn, enhances societal well-being and economic resilience, creating a positive cycle of growth and development (Ab Halim et al., 2015; Aziz et al., 2024).

Moreover, developing the halal fashion sector can significantly contribute to the growth of developing countries by fostering cultural preservation and facilitating global market integration. This sector provides avenues for local businesses and designers to showcase traditional and modern Islamic attire, blending cultural heritage with contemporary fashion trends. Such development can lead to job creation across the value chain, from textile production to retail, thereby increasing revenues for businesses and governments while reducing unemployment. In addition to offering substantial export opportunities and increasing foreign exchange earnings, leveraging the halal fashion sector can enhance developing countries' presence in global markets, strengthen local entrepreneurship, and attract foreign direct investment. The sector's growth can also promote inclusive economic development by empowering women entrepreneurs and designers, thereby fostering innovation and encouraging sustainable business practices. Developing halal fashion industry will not only boost economic development, but also enhances cultural representation and creates a platform for social empowerment, driving sustainable progress across multiple dimensions (Alivian & Rohim, 2024).

Furthermore, developing the halal industry holistically will play a vital role in reducing import dependence through import substitution in developing countries. By domestically producing halal goods, these countries will be able to reduce the need for imports, particularly in sectors such as food, cosmetics, and pharmaceuticals. In other words, countries with robust agricultural sectors can focus on halal food production for both domestic consumption and export (Aida et al., 2024). The substitution of imported products with locally manufactured halal goods will not only improve self-sufficiency but also ensure that the products meet local consumer preferences. However, this shift also calls for adequate investment in halal certification and infrastructure. Countries lacking expertise in this area can learn from Malaysia's successful halal certification system, which has enabled the country to export halal-certified goods to international markets and diversify its export portfolio. With a functional halal certification system, expanding halal exports will strengthen the economy, foster strategic partnerships, improve the trade balance, and encourage deeper integration into the global economy (Ab. Wahab & Kamarubahrin, 2019).

Overall, the development of the halal industry in developing countries can serve as a catalyst for their economic growth by improving key economic indicators, such as foreign direct investment, export diversification, employment, and domestic consumption. As an important sector that promotes import

substitution, fosters grassroots entrepreneurship, and strengthens global supply chains, the halal industry can drive broader economic development in developing countries. Similarly, the integration of digital innovations ensures that businesses in the halal sector remain competitive in a rapidly changing global marketplace. As such, the halal industry is not only a significant driver of economic growth but also a tool for achieving broader socioeconomic objectives, including poverty reduction, job creation, and income equality.

5 Recommendations

To fully harness the potential of the halal industry, industry stakeholders, especially in developing nations, need to adopt a comprehensive approach that supports innovation, investment, infrastructure, and inclusive growth. This section offers relevant recommendations for policymakers and industry stakeholders in developing countries, particularly to drive the growth of the halal industry and ensure its effective contributions to their economic development. Firstly, in their quest to leverage the halal industry for economic growth, developing countries must prioritise the enhancement of halal certification systems to ensure that their products meet the required religious, ethical, and quality standards. These countries must invest adequately in training and capacity-building for halal certification bodies, industry stakeholders, and regulators to maintain global competitiveness and ensure that certification processes are transparent, efficient, internationally recognised, and support the exportability of halal products.

Secondly, these countries must prioritise investment in human capital by offering skills development programs in sectors, such as halal food production, processing, logistics, tourism, fashion, etc. Like Malaysia, these countries should promote specialised education and vocational training dedicated to halal standards and practices to create a skilled workforce that meets the needs of the expanding halal sector. This can be achieved by collaborating with relevant stakeholders, including academic institutions and businesses, to develop curricula and certification programs focusing on the halal industry, thereby ensuring employment opportunities and a competitive labour force. Thirdly, it is crucial to invest in halal logistics and supply chain infrastructure to ensure that the halal industry can scale sustainably. Policymakers in developing countries should collaborate with logistics companies to build halal-compliant warehouses, transportation systems, and cold storage facilities to maintain the integrity of halal products throughout the supply chain. By integrating halal logistics into national infrastructure plans, these efforts will enhance the competitiveness of the halal industry and ensure timely delivery to international markets.

Fourthly, the current realities call for adequate investment in digital platforms and technologies to support the growth of the halal industry. The adoption of e-commerce for halal goods, digital certification systems, and halal fintech solutions will enable businesses to reach global consumers more effectively and streamline certification processes. Similarly, digital tools can ensure traceability and transparency in halal supply chains, certifying that products meet required standards from production to consumption. Developing countries should, therefore, encourage the adoption of digital innovations in the halal industry by offering incentives for technology start-ups and fostering collaborations between the public and private sectors. Fifthly, stakeholders should leverage the potential of the halal industry to promote inclusive and sustainable growth. This can be achieved by ensuring that the benefits of the halal industry extend to rural and marginalised communities through fostering inclusive business models and equitable access to halal market opportunities. Furthermore, policymakers should encourage the integration of sustainability practices into the halal industry. This includes promoting eco-friendly production methods, ethical sourcing, and fair-trade principles that align with Islamic values of stewardship and social responsibility. By adopting these measures, developing countries can position themselves as leaders in ethical and responsible economic growth. Such positioning is critical for attracting conscientious consumers and investors while ensuring that the halal industry contributes to broader socioeconomic objectives, such as environmental sustainability and poverty alleviation.

Sixthly, developing countries should incentivise local consumption of halal products by promoting awareness of their economic and ethical benefits. Policies such as improved access to halal certification,

microfinancing, and market linkage programs that support the growth of small and medium-sized enterprises (SMEs) and foster grassroots entrepreneurship in the halal sector should be prioritised. Additionally, it is crucial to create an enabling and business-friendly environment by reducing barriers to entry and providing access to financing for entrepreneurs interested in the halal sector. Furthermore, these countries must streamline regulatory processes to facilitate the establishment of halal businesses by foreign investors, thereby ensuring a favourable environment for long-term investment. Such measures are expected to drive domestic consumption and create a robust entrepreneurial ecosystem, fostering economic growth at the grassroots level. Finally, policymakers should prioritise facilitating the exportation of halal products by establishing trade agreements that support halal goods and services. They should negotiate bilateral agreements with Muslim-majority nations and actively participate in international halal trade forums to access and expand export markets for halal products. To ensure a balanced and resilient export portfolio, they should focus on diversifying halal exports, tapping into sectors beyond food, such as halal pharmaceuticals and cosmetics.

6 Conclusion and Limitations

The halal industry has emerged as a significant sector for economic growth and development. In examining the halal industry as a catalyst for economic progress in developing countries, this study highlights the vast opportunities it offers by exploring the industry's multifaceted contributions to economic development, its alignment with SDG 8, and its untapped potential to address economic challenges in these nations. The significance of this industry lies in its ability to meet global market demands while simultaneously promoting socio-economic benefits in developing countries. As an industry rooted in Shariah principles and aligned with ethical and sustainable values, the halal sector has expanded beyond food products to include other crucial areas, such as pharmaceuticals, cosmetics, finance, fashion, logistics, and tourism. By leveraging these diverse sectors, developing countries can capitalise on the halal industry's potential for growth and development. Thus, this study has provided a comprehensive discussion on how the halal industry can act as a key driver of economic transformation in developing countries by fostering export diversification, import substitution, and foreign direct investment.

In addition, the study emphasises how the halal industry can boost domestic consumption, create employment opportunities, attract foreign direct investment, diversify exports, reduce reliance on imports through local production, and support grassroots entrepreneurship. These contributions would collectively help reduce income disparities and strengthen economic resilience. The study also advocates for the adoption of digital innovations to drive market expansion and ensure economic sustainability. Furthermore, it highlights that integrating halal industry principles with global supply chains will enhance competitiveness and build trust among consumers worldwide. However, to unlock the full potential of the halal industry, developing countries must address critical barriers, such as inadequate infrastructure, fragmented certification systems, and limited access to financing.

While the study comprehensively discusses the transformative potential of the halal industry for developing countries, it is important to acknowledge its limitations. The study primarily focuses on the halal industry as a catalyst for economic growth in developing countries. A more extensive investigation into trends, opportunities, challenges, and consumer preferences across all sectors of the halal industry could provide a more holistic understanding of its contribution to the growth and development in similar nations, such as Malaysia, Indonesia, Turkey, etc. Similarly, this research does not deeply explore the environmental and social impacts of halal practices – an area of increasing relevance in the context of sustainability. Furthermore, the research is largely theoretical, relying on a review of existing literature to explain how the halal industry can serve as a catalyst for economic growth in developing countries. While this approach provides valuable insights, empirical research involving primary data collection from stakeholders in the halal industry could have strengthened the study. Hence, surveys, interviews, and in-depth case analyses could offer more nuanced and practical perspectives. Future researchers are encouraged to employ such methodologies to validate and expand this discussion. Despite these limitations, this study provides a strong

foundation for further exploration and highlights the significant potential of the halal industry in driving sustainable economic growth in developing countries. It underscores the need for strategic investments and policy measures to fully harness the halal industry's transformative impact.

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How to Cite this Chapter:

Sulaiman, W. S. H. W., & Jaiyeoba, H. B. (2025). Halal Industry as a Catalyst for Economic Growth in Developing Countries: Opportunities and Impacts. In M. E. S. Mirghani, A. A. M. Elgharbawy, W. S. H. Sulaiman, H. B. Jaiyeoba, N. Marikkar (Eds.), *Halalan Toyriban Lipids Processing and Utilization* (pp. 135-145). AIJR Publisher, India. ISBN: 978-81-984081-4-3, DOI: <https://doi.org/10.21467/books.181.11>

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