

## Halal Industry in Javanese Culture: Yogyakarta Regional Government Policy in obtaining its economic values

**Addiarrahman, Illy Yanti**

*UIN Sultan Thaba Saifuddin Jambi, Indonesia*  
*addiarrahman@uinjambi.ac.id, illy.yanti@yahoo.com*

### **Abstract**

Yogyakarta is the center of Javanese culture. He became one of the special regions in Indonesia, because of the uniqueness of history, government system, culture, customs and customs. The local wisdom that is owned is a basic principle that is always present in community activities. In this condition, the halal industry is growing rapidly, including in Yogyakarta. Therefore, this research article aims to understand the regulatory format made by the Yogyakarta government in developing the Halal Industry; *second*, to explain the approach used by the regional government of the Special Region of Yogyakarta in taking advantage of the economic value of the halal industry. The author analyzes the regulatory documents made by the Yogyakarta regional government, and confirms them with the results of in-depth interviews with key informants. This research reveals that the Yogyakarta regional government does not make special regulations on the Halal industry, as other regional governments do. However, the cultural approach used is quite effective in forming a halal business ecosystem that provides economic benefits for the community and business actors.

**Keywords:** Halal Industry, Javanese Culture, Regional Regulation, local government

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## **Introduction**

Globally, as reported in the State of the Global Islamic Economy Report, the market share of the halal industry continues to grow, along with the increasing number of Muslim populations, the per capita income of Muslim countries, religious affinity, digital connectivity, and consumer ethical awareness. Data shows that 62% of the Muslim population is in the Southeast Asia and Asia Pacific regions. Therefore, Indonesia as the largest Muslim population country, has great potential to become the development of the halal industrial sector.

In 2020, Indonesia became the country with the highest Islamic economic investment value. Among the sectors with the highest investment value are halal food, Islamic finance, and Muslim-friendly tourism. This opportunity certainly encourages the government to get involved in the improvement of this sector. Among the concrete steps that have been taken are: Since 2014, the Government of the Republic of Indonesia has passed Law No. 33 of 2014 on Halal Product Guarantee. In addition, through the National Development Planning Agency (Bappenas), Indonesia has also formulated the Indonesian Sharia Economic Master Plan 2019-2024 (Deputy for Economic Affairs, 2018). In 2019, the Indonesian Ministry of Tourism and Creative Economy has also created a Halal Tourism Implementation Guide (Kemenparekraf, 2019).

Not only the central government, some local governments are also trying to take a role in the development of sharia economy. From the policy aspect, this is evidenced by the existence of local regulations on halal product guarantees, halal tourism, the establishment of regional Islamic banks, and others. Among the areas that have such regulations are Aceh, Nusa Tenggara Barat (NTB), Sumatra Barat, and Yogyakarta.

Aceh, NTB and Sumatra Barat became the earliest areas to establish regional regulations related to sharia economy, and other sharia regulations. Studies show that the application of sharia law in these areas tends to be identity politics (Buehler, 2008; Buehler & Muhtada, 2016; Pisani & Buehler, 2017),

dominance over minority groups (Fanani, 2011, 2017; Garadian, 2016), no gender justice (Candraningrum, 2006, 2007). not oriented towards justice and community welfare (Bustamam-Ahmad, 2007; Huda, 2013), or to cover up corrupt behavior committed by the government (Bush, 2008).

Arskal Salim asserted that the political approach is not entirely appropriate to answer the complexity of implementing sharia law in the region. Because, there is also a community encouragement to organize their lives with Islamic sharia, or referred to as sharia from below (Salim, 2004, 2010). Therefore, it is important to look at the accountability and representation of sharia law against the interests and basic needs of society objectively (Permata, 2007). Moreover, the halal industry has the potential to change the structure of Indonesia's economy which is not concentrated by large businesses, but distributed to Micro and Small Enterprises (Hashim, 2018, 2019).

**Table 1.** Regional Paraturan on Sharia Economy

| Area         | Types of Rules  |
|--------------|---|
| Aceh         | <ul style="list-style-type: none"> <li>• Qanun No. 5 of 2015 on Changes in the Legal Form of Rural Bank of Mustaqim Sukamakmur became a Limited Liability Company of Sharia Rural Bank Mustaqim Aceh</li> <li>• Qanun No. 8 of 2016 on Halal Product Guarantee</li> <li>• Qanun No. 11 of 2018 on Islamic Financial Institutions</li> <li>• Qanun No. 10 of 2018 on Baitul Mal</li> <li>• Qanun Regent of Aceh Jaya No. 10 of 2019 on Halal Tourism</li> <li>• Qanun Regent of North Aceh No. 6 of 2018 concerning Limited Liability Company of North Aceh Sharia People's Budget Bank</li> </ul> |
| NTB          | <ul style="list-style-type: none"> <li>• Regional Regulation No. 2 of 2016 on Halal Tourism</li> <li>• Regional Regulation No. 8 of 2018 on Conversion of PT. Bank NTB became PT. Bank NTB Syariah</li> </ul>   |
| West Sumatra | <ul style="list-style-type: none"> <li>• Regional Regulation No. 1 of 2020 on The Implementation of Halal Tourism</li> </ul>  |
| Yogyakarta   | <ul style="list-style-type: none"> <li>• Article 17 F of Yogyakarta Special Region Regulation No. 1 of 2019 on DIY Regulation No.1 of 2019 on Changes to DIY Regulation No.1 of 2012 on DIY Provincial Tourism Development Master Plan 2012-2025</li> </ul>   |

Source: author's documentation

Purwandani and Yusuf found differences in formulations of halal industry policies in Aceh, Lombok and Padang. This difference is closely related to the indigenous and cultural values that live in the local community (Purwandani & Yusuf, 2021). However, these three areas are equally seen as areas with high religious observance. Aceh gets special autonomy rights to implement Islamic sharia. The people of West Sumatra adhere to the customary rules that put Islamic sharia as a joint of life: *Adat basandi syara', syara' basandi kitabullah*. Lombok is known as the island of a thousand mosques as an affirmation of religious observance.

In contrast to these three areas, Yogyakarta is a cultural city that is very close to the values of Javanese wisdom. The specialty of this province has historically been an important part of Indonesia's history. Its civilization is formed from a long and complex history of the process of inter-cultural religious assimilation, namely: Hinduism, Buddhism, Islam, and later Christianity (Woodward, 2011). As a Muslim with a syncretic Javanese cultural life, the policy rationality of a King of the kingdom *Mataram* (Yogyakarta) always seeks to improve balance and harmony between Islamic teachings and Javanese culture (Cut, 2009). Yogyakarta became the birthplace of Muhammadiyah modernist Islamic organization, but Muhammadiyah will not really become Muhammadiyah until it is no longer part of Yogyakarta (Woodward, 2011, p. 11). This expression confirms the strong role of Javanese culture in Yogyakarta.

The strong cultural background, of course, causing friction in the management of halal tourism (Islami & Enggarwati, 2019). In fact, Yogyakarta includes ten halal destinations in Indonesia (Hidayat & Beik, 2020; Kustiani, 2019). The potential of this area is also projected to increase the share of sharia economy in Indonesia (Fatkurrohman, 2017). However, Javanese culture is syncretic and anomistic, but becomes a tourist attraction, often understood as a tradition as opposed to Islam law (Hilmy, 1998).

Cultural backgrounds, ideologies and groups that dominate and color the political and administrative system, greatly impact halal tourism (Hall & Jenkins, 2004). Javanese culture can be an effective management vehicle when managed effectively and

carefully. Paradoxically, it can also be an obstacle when its values that make up an identity prevent people from the change needed (Irawanto et al., 2011). Using this perspective, this research article aims: *first*, to understand the regulatory format created by the Yogyakarta government in developing the Halal Industry; Second, to explain the approach used by the regional government of Yogyakarta Special Region in benefiting from the economic value of the halal industry.

### **Literature Review**

Traditionally, Halal is associated with the ability to consume something measured based on Islamic ethics and law. This definition continues to grow, along with the opening of new markets based on Halal standards. Halal certification and supervision began to be established and at the same time, halal lifestyles were introduced by urban Muslims who wanted to maintain their identity in the globalization of technology and information (Fischer, 2011). For upper society, the Halal paradigm is in line with the eco-ethical, natural, organic, and animal welfare paradigm (International Trade Centre, 2015).

Halal tourism is an integral part of the halal industry (Rasul, 2019). Indonesia's Sharia Economic Masterplan divides it into six clusters, namely: halal eating and beverages, halal tourism, Muslim fashion, halal media and recreation, halal pharmaceuticals and cosmetics, and renewable energy (Deputy for Economic Affairs, 2018). All these clusters are also interconnected with other sectors, such as Islamic finance, Micro, Small and Medium Enterprises (MSMEs), and the digital economy.

The Halal industry is not only growing in Muslim-majority countries, but also in Muslim minority countries. China, Japan, Korea, Thailand, among the countries that are quite actively profiting from the Halal market. Theoretically, there is a complexity of the concept of Halal in each country (Turaeva & Brose, 2020). However, Jia and Chaozhi (2020) asserted that in the case of halal tourism, the concept that exists in Muslim-majority countries, cannot be applied simply in Muslim minority countries, such as in China (Jia & Chaozhi, 2020).

As the largest Muslim country, Halal consumption in Indonesia is increasing, especially in generation Z (Vargas-Sánchez & Perano, 2018). Other studies also confirm that religious and health reasons are the main factors that shape the halal awareness of Indonesian Muslims (Kurniawati & Savitri, 2019). However, the satisfaction factor of Muslim tourists in Indonesia is determined more by the recreational experience than by halal products and services (Suhartanto et al., 2021). Therefore, extra efforts are needed to promote and socialize halal products and tourism (Vargas-Sanchez et al., 2020). Government involvement is indispensable to achieving this goal.

### **Methods**

This research article is a qualitative study of halal tourism in Yogyakarta. This province is a special region that includes ten halal tourist destinations in Indonesia. There are two types of data used. First, regulatory or policy documents relating to industrial regulation. Second, wawancara in depth with key informants from: 1) Halal Club Yogyakarta (HCY) as an organization formed by GRK Mangkubumi, as the spearhead of the development of halal industry in Yogyakarta 2) Sharia Economic Community (MES) Yogyakarta; 3) Academics from several universities in Yogyakarta; 4) Businesspeople. Data is analyzed with a *content analysis approach*. It aims to find out their understanding and perceptions regarding the policies of the Yogyakarta government that use cultural approaches in developing the halal industry.

### **Results and Discussion**

#### *Halal Industry in Yogyakarta*

YOGYAKARTA is one of the provinces that initially responded to the development of Islamic finance, especially through the microfinance sector (Baitul Maal wa Tamwil/ Sharia Financial Services Cooperative). One of them that is very developed is the Koperasi Simpan Pinjam dan Pembiayaan Syariah (KSPPS) BMT Beringharjo which was established on December 31, 1994 with an initial capital of 1,000,000 and inaugurated by BJ. Habibie on April 21, 1995 (Sejarah BMT Beringharjo, 2021). BMT was initiated by 2 Muslim women, namely: Mursida Ramber and Ninawati. The existence of BMT Beringharjo operating in Beringharjo market is very helpful for

traders' capital needs in the market. Not only that, research proves that the existence of BMT is able to release traders from loan shark snares (Dewi & Priyadi, 2021). Until now, the number of sharia cooperatives in Yogyakarta continues to grow, although in quantity there is still very little when compared to conventional cooperatives.

**Table 2.** Comparison of Number of Cooperatives

| No. | Sub-Elements              | Year     |          |          |          |          |
|-----|---------------------------|----------|----------|----------|----------|----------|
|     |                           | 2017     | 2018     | 2019     | 2020     | 2021     |
| 1.  | Conventional Cooperatives | 2.088,00 | 1.721,00 | 1.679,00 | 1.659,00 | 1.698,00 |
| 2.  | Sharia Cooperative        | 292,00   | 268,00   | 239,00   | 279,00   | 280,00   |

Source:[http://bappeda.jogjaprov.go.id/dataku/data\\_dasar/index/98-jumlah-koperasi-per-prinsip-keuangan?id\\_skpd=44](http://bappeda.jogjaprov.go.id/dataku/data_dasar/index/98-jumlah-koperasi-per-prinsip-keuangan?id_skpd=44)

note: Fixed, very temporary

DI Yogyakarta is designated as one of the 10 areas designated as Muslim-friendly tourist destinations. In line with that, in 2019, DI Yogyakarta was awarded *platinum Indonesia's Attractiveness Award* in the field of tourism for the classification of medium provinces from the economic side (Admin, 2021). This shows that DI Yogyakarta has considerable potential to develop the halal industry, both in the fields of tourism, food drinks, and fashion (Muhammad Quraisy, et al, 2020, p. 370). Based on *the Regional Muslim Friendly Tourism Development Report 2019-2020*, the average achievement score in Yogyakarta is 4.00.

Currently, DI Yogyakarta has 92 halal certified restaurants, 170 halal-certified food and beverage outlets, and 53 *self-claimed halal restaurants*. In addition, there are 3 hotels that operate on sharia principles, namely: Hotel Dafam Rohan, Hotel Sofyan, and Hotel Cakra Kusuma. There are also 7 hotels with halal-certified kitchens, namely: Hotel Dafam Rohan, Hotel Sofyan, Hotel Cakra Kusuma, Hotel Pesona Malioboro, Hotel Forriz, Hotel Bhineka, and Hotel Eastpark; and 10 hotels that do not provide pork and alcohol menus, namely: Hotel Royal Darmo Yogyakarta, Hotel Cakra Kembang, Hotel Mutiara, Hotel Ina Garuda, Hotel Fave Malioboro, Hotel Jambu Luwuk, Hotel Cavinton, Hotel Abadi, Hotel Grage, and Hotel Amera Boutique (Hidayat & Beik, 2020). Although the

ratio is still relatively small compared to the number of hotels and restaurants in Yogyakarta, this data shows the positive development of halal tourism in the province.

**Table 3.** Score of ten Muslim-friendly tourism destinations

| Score               | Aspects                       | NTB  | Aceh | Sumbar | Yogyakarta |
|---------------------|-------------------------------|------|------|--------|------------|
| Access Score        | • Water                       | 5    | 5    | 5      | 5          |
|                     | • Rail                        | 1    | 1    | 3      | 4          |
|                     | • Sea                         | 5    | 5    | 4      | 2          |
|                     | • Road                        | 4    | 3    | 3      | 5          |
| Communication Score | • Muslim Visitor Guide        | 5    | 4    | 3      | 3          |
|                     | • Stakeholder Education       | 4    | 5    | 3      | 4          |
|                     | • Market Outreach             | 5    | 5    | 5      | 4          |
|                     | • Tour Guide                  | 5    | 5    | 5      | 5          |
|                     | • Digital Marketing           | 5    | 5    | 5      | 5          |
| Environment Score   | • Muslim Tourist Arrival      | 5    | 5    | 5      | 4          |
|                     | • Wi-Fi Coverage              | 4    | 4    | 4      | 4          |
|                     | • Commitment to Halal Tourism | 5    | 4    | 2      | 3          |
| Services Score      | • Halal Restaurants           | 5    | 5    | 5      | 5          |
|                     | • Mosque                      | 5    | 5    | 5      | 3          |
|                     | • Aripports                   | 5    | 5    | 5      | 5          |
|                     | • Hotels                      | 4    | 5    | 4      | 4          |
|                     | • Attraction                  | 5    | 5    | 5      | 4          |
| Total Scots         |                               | 77   | 76   | 72     | 68         |
| Average Score       |                               | 4,81 | 4,47 | 4,24   | 4,00       |

Source: *Regional Muslim-friendly tourism development report 2019-2020*, p.17

### *Regulation*

The enormous potential and economic value attracted the government in Yogyakarta to adopt it into part of regional policy. This is something interesting considering the specialty of Yogyakarta according to article 1 of Law Number 13 of 2021 on The Specialty of Yogyakarta, based on the principle: recognition of the rights of origin, people-based, democracy, *ke-bhinneka-tunggal-ika-an*, effectiveness of government, national interests and utilization of local wisdom (Law No. 13 of 2021 on The Specialty of Yogyakarta, 2021). The purpose is in article 5 mentioned: creating a democratic government; creating the welfare and tranquility of society;



realizing governance and social order that ensures the *ke-bhinneka-tunggal-ika-an* in the framework of the Negara Kesatuan Republik Indonesia; Creating good government; and Institutionalize the role and responsibility of the Sultanate and Kadipaten in maintaining and developing the culture of Yogyakarta which is the nation's heritage.

To achieve this goal, the implementation of government and regional authority in Yogyakarta is based on "the values of local wisdom and partisanship to the people." Therefore, "the maintenance, utilization and development and strengthening of values, norms, customs, and noble traditions that are rooted in DIY society are part of that process.

Inseparable from these provisions, the process of institutionalization of Sharia economy into government policy in Yogyakarta still makes "local wisdom" as the main basis. This is reflected in the adoption of Sharia tourism into the tourism regulations in Yogyakarta. In article 17 F it is mentioned that "The Local Government organizes halal tourism based on local wisdom" (Regulation No. 1 of 2019). There is no further explanation of what is meant by "halal tourism based on local wisdom."

Further provisions on the implementation of halal tourism, stipulated in the Governor's Regulation. However, when the establishment of the Tourism Development Synergy Forum in Yogyakarta, there was not a single element that represented agents related to "halal tourism" specifically or sharia economy in general, as stipulated in the Decision of the Governor of Yogyakarta Special Region No. 8 / KEP / 2021 on Changes to the Decision of the Governor of Yogyakarta Special Region Number 390 / KEP / 2020 on the Establishment of The Synergy Forum for Tourism Development of Yogyakarta Special Region.

The institutionalization of sharia economy into government policy in Yogyakarta still makes "local wisdom" the main basis. This is reflected in the adoption of Sharia tourism into the tourism regulations in Yogyakarta. Article 17 F states that "The Local Government organizes halal tourism based on local wisdom". There is no further explanation of what is meant by "halal tourism based on local wisdom." According to Agus Triyanta, the term "local wisdom"

needs a deeper explanation, so as not to cause an understanding bias.

“When the specialty of Jogja is finally interpreted and its landing on the program below, it is indeed the program, like reviving old traditions. So, what is called *merti deso*, *merti deso* is like repeating the village. Let the village peace and harmony need to be *ruwat*, *dislameti* (Agus Triyanta, Interview, November 12, 2021).

If “local wisdom” is understood by bringing traditions such as *ruwat*, *merti deso*, in the traditional sense, it can lead to unproductive pros and cons. For example, at the implementation level, considerable privilege funds are used to liven up “local wisdom” realized with the program “visiting the river so as not to flood, lumping horses, sowing flowers on the slopes of merapi”. The translation of local wisdom with activities like this, and of course using privilege funds, needs a review. Different when translated with values such as friendliness, tolerance, or understanding the *ruwat sungai* (river) as an action to clean the river, this is more acceptable to the community (Agus Triyanta, Interview, November 12, 2021). This understanding, has become a *brand* in Yogyakarta that is special and comfortable heart.

One article governing halal tourism is the politics of recognition as well as a step to take economic benefits from the development of the halal industry. Here, the involvement of GRK Mangkubumi Hamemayu Hayuning Bawono Abadi ing Mataram, daughter of Sri Sultan Hamengku Buwono X is very important. She became the initiator of the establishment of Halal Club Yogyakarta (HCL) through the Sharia Economic Community (MES) and KADIN Yogyakarta.

As explained Mursida Rambe (2021), who in 2018 was the Chairman of MES Yogyakarta, HCY was formed at the request of GRK Mangkubumi because she herself is a member of halal club at the international level (Mursida Rambe, interview, November 22, 2021). Until now, HCY continues to strive to develop the halal industry in DIY. The chairman of HCY, Mrs. Mursida Rambe, affirmed that hcy is a partner of the government and other stakeholders to jointly develop the halal industry in Yogyakarta (Tomi, 2021).

According to Wawan Hermawan, there are at least four reasons why Indonesia is important to develop the halal industry. 1) Indonesia as the country with the largest Muslim population in the world; 2) The number of Indonesian Hajj and Umrah pilgrims is also the largest; 3) have great natural resources; 4) Indonesia's position in Southeast Asia which is a region with *a halal global market* of 62%. GRK Mangkubumi as chairman of KADIN DIY and Chairman of the HCY Board affirmed that Indonesia should be king in his own country in the development of halal industry and accepted by the whole community, regardless of religious elements (Tomi, 2021).

The moment of the inauguration of HCL coincided with the Jogja Halal Fest, on Thursday, October 11, 2018. At the same time formed the Indonesian Halal Tourism Association (PPHI) Yogyakarta. Although only the first was implemented, with 217 existing booths and visited by about 31 thousand people, this festival was able to reap a turnover of about 10 billion rupiah (Admin, 2018). This shows the cultural approach in halal industry development policy in Yogyakarta is quite effective. The placement of Mursida Rambe as Chairman of HCL is a very appropriate choice, as he is the founder and main director of BMT Beringharjo. Rambe's active role in bringing ultra-micro, micro and small sectors to life, will greatly help policy communication to businesses.

In contrast to halal tourism, the recognition of the Regency/City government to the Islamic banking sector. Sleman Regency is an example of regional regulatory processes in forming shari rural bank (BPRS). As explained by Alfian Noor Sofyan, the Sleman Regency government is very serious in the establishment of BPRS Sleman. This initiative starts from the study of the existence of village credit agencies that generally face quite complex problems. This situation, in line with the Regulation of the Financial Services Authority (POJK) number 10/POJK.03/2016 concerning the Establishment of a Rural Bank and the Transformation of the Village Credit Agency granted status as a Rural Bank. Based on this POJK, the Sleman Regency government issued a disposition to transform BKD into SHARIA BPR. (Alfian Noor Sofyan, Interview, November 17, 2021)

The process of establishing BPRS Sleman passed a fairly

in-depth study, covering aspects of the market and economic potential, business strategy, organization and infrastructure, capital or sources of funds, and financial aspects. These points are detailed in the establishment feasibility study document of PT. BPR Syariah Sleman (Perseroda). (Drafting Team, 2021) This study revealed that of the 396 MSMEs sampled, 99.50% welcomed the establishment of PT. BPR Syariah Sleman. While among asn with 365 samples, 95.55% also expressed agreement and welcomed its establishment. (Drafting Team, 2021, p. 42) While socializing the establishment plan, Alfian explained that:

“Non-Muslim communities basically welcome the establishment of BPR Syariah Sleman. It’s just that, so far information about what and how the Islamic banking system, has not been conveyed properly in the community, especially among non-Muslims.” (Alfian Noor Sofyan, Interview, November 17, 2021)

After going through the process, the establishment of BPR Syariah Slemaan was established into a regional regulation, namely Sleman Regency Regional Regulation No. 21 of 2019 concerning PT. Bank Pembiayaan Rakyat Syariah (PERSERODA). In this regulation it is mentioned that the purpose of the establishment of BPR Syariah Sleman is “to encourage regional economic growth by applying sharia principles (Article 6).” The goal is “to run a business in the field of banking by applying sharia principles.”

Sleman Sharia BPR activities are basically the same as BPR in general. The difference in addition to lies in sharia principles, new products and services that will be issued, must obtain prior approval from OJK. In article 10 also explained 6 activities that are prohibited, and no less important, in paragraph (2) mentioned that Bank Sleman Syariah “prohibited to convert its business activities into Conventional BPR”. As planned, BPR Syariah Sleman will start operating in 2022.

In contrast to BPR Syariah Sleman, the plan to establish BPR Syariah Yogyakarta so failed to materialize. Regional Regulation Plan (Raperda) that had entered the discussion stage of special committee, was then withdrawn by the Yogyakarta City government through the Walikota letter No. 188/825. The reason is due to the conversion

of three state-owned Islamic banks and the BPD Syariah *spin off* process. In fact, this program includes the campaign promises of the mayoral couple of Yogyakarta City during the general election. According to Edi Sunarto, general secretary of MES DI Yogyakarta, the two reasons are basically not serious obstacles. Its embodiment depends on the *political will* of the local government. (Edi Sunarto, Interview, November 15, 2021)

Alfian explained that the failure of the Yogyakarta City government is also related to the capital ownership of the Regency / City government in DIY which is included in the Regional Development Bank. (Alfian Noor Sofyan, Interview, November 17, 2021) The largest capital participation comes from Sleman Regency, so politically, it does not deter them when planning to establish Sleman Sharia BPR. With that condition, after the 'tug-of-war' from the BPD, the Yogyakarta City government prefers to increase its capital participation in BPD Syariah Yogyakarta which will spin off as a form of commitment to develop sharia economy and to strengthen BPD Syariah Yogyakarta. In addition, the weakened economic conditions during Covid 19, is also the reason for yogyakarta city government.

“So, it’s actually a tactical issue because of the emergency. But it is still possible in time when economic conditions are possible. The commitment to develop sharia economy is still carried out.”  
(Media, 2021)

### *Strategic Programs*

The government in Yogyakarta pays considerable attention to the halal industry. This is evidenced by the strategic programs that have been carried out. The Muslim beverage and fashion sector is a flagship sector currently developed by the government in Yogyakarta. In its implementation, the government in Yogyakarta involves the nodes of the Muslim community, especially pesantren. Therefore, the development of the beverage and fashion food sector, also has an impact on the pesantren economy.

**Table 4.** Strategic Program in Halal Industry

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|                      |  |
|----------------------|--|
| Halal food and drink | <ul style="list-style-type: none"><li>• Halal certification</li><li>• Food and beverage industry training for boarding schools</li><li>• Actors and assistance of processed food products and packaging</li><li>• Online exhibition</li><li>• Meaningful processed product partnership</li></ul> |
| Muslim fashion       | <ul style="list-style-type: none"><li>• Domestic training and exhibitions</li><li>• Overseas exhibitions</li><li>• Business meeting</li><li>• Online cast</li></ul>  |

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Source: *regional Sharia economic report, 2019-2020*,p.370

The recognition of the regional government in Yogyakarta to pesantren is a strategic step that is quite important to do. Park explained the important role of community organizations, including pesantren (Park, 2012). The economic potential of pesantren, when empowered, is also considered quite important to improve the welfare of the community, especially those in the pesantren environment (Buresh, 2002; Patriadi et al., 2015). Agiliti pesantren is also a force for the economic development of the community (Fauroni & Quraisy, 2019).

In addition to the government in Yogyakarta, strategic programs in the development of Sharia economy are also carried out by Universities, Bank Indonesia, OJK, MES, and certain other groups. Not only in Islamic universities, sharia economics programs are also opened by public universities, such as UGM and even established halal study centers: *Institute of Halal Industry and System (IHIS) UGM*. In addition to playing an active role in halal research on food, beverages, cosmetics, and others, IHIS also curates seminars, workshops, and others that are very important for the literacy process (*IHIS UGM - Institute for Halal Industry & System, 2021*).

The UII Waqf Agency established BPRS Unisi Insan Indonesia which began operations on April 1, 2016. With an initial capital of 8 billion rupiah, as of June 2021, BPRS UII has assets of 80 billion, and still posted a profit of 258.59 million rupiah, although in a weakening economic situation during Covid 19.

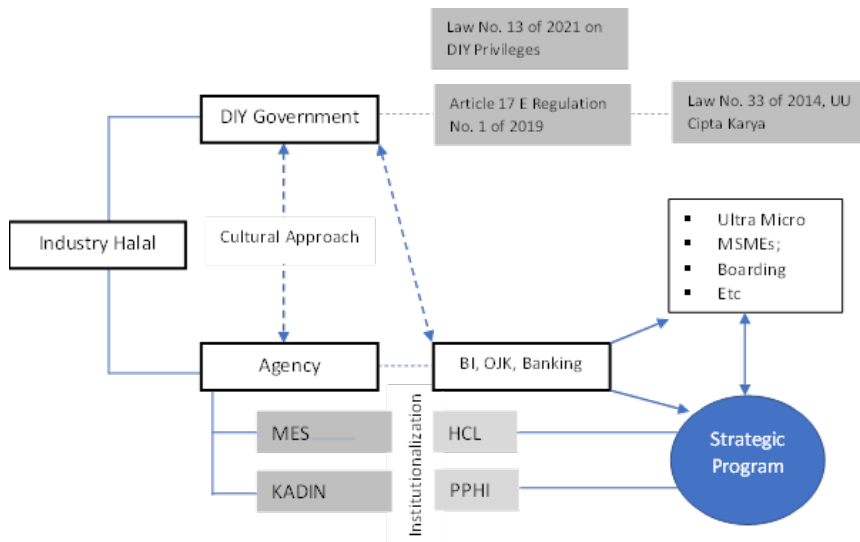
Bank Indonesia Representative Office in Yogyakarta, is also actively involved in accompanying MSMEs to obtain halal certificates. In 2019,

there were 20 MSMEs facilitated by halal certification. While in 2020, there are 20 MSMEs Pesantren also facilitated to get halal certificates. This activity is certainly an important instrument to accelerate the development of the halal industry in DIY, especially in the beverage food sector (Muhammad Quraisy, et al, 2020,p. 370). Throughout 2019-2020, there are 14 pesantren accompanied by Bank Indonesia through the following strategic programs: Establishment and revamping of primary pesantren cooperatives; Institutional strengthening and financial administration of pesantren business; The development of drinking water businesses in MBS Prambanan, PP Mualimin, PP Alimdad, and PP Al-Mumtaz; Development of *mini market* business in PP Al-Mumtaz, MBS Pleret, PP Nurul Haromain Kulonprogo, PP Alimdad Bantul, PP Al-Himah Gunungkidul; The development of laundry business in MBS Prambanan and MBS Pleret; Development of waste recycling business in PP Darul Quran Gunungkidul; Development of entertainment services business at PP Nurul Haromain Kulonprogo; Development of non-cash services of pesantren business; Assistance with the support of the production of pesantren business; and help certify pesantren business products.

Yogyakarta regional government, since sharia economy developed, opened a space of business activities. This is evidenced by the growth and development of Islamic MicroFinance Institutions, such as BMT Beringharjo. Along with the development of Sharia business, the involvement of local governments is increasingly clear. For example, the use of Bank Syariah Mandiri as a government partner in the placement of regional money stipulated through Governor Regulation No. 73/KEP/2016.

The most important thing of the Yogyakarta government's policy model is to keep making local wisdom and culture as the basis of policy; included in the approach in implementing the policy, as stipulated in Law No. 13 of 2021 on The Specialty of Yogyakarta. This is evident from the recognition of halal tourism as part of the tourism development plan in Yogyakarta. Article 17F states that "The Local Government organizes halal tourism based on localwisdom". This one article is quite binding on the Yogyakarta government's policy in taking the economic value of the halal industry, especially in halal tourism clusters.

At the implementation level, the Yogyakarta government took a cultural approach by forming agents that could directly implement Halal industry development programs, such as the Sharia Economic Community (MES) and the Indonesian Chamber of Commerce (KADIN) Yogyakarta. This was realized by forming two institutions, namely Halal Club Yogyakarta and the Indonesian Halal Tourism Association (PPHI) Yogyakarta. In addition, it also cooperates with relevant authorities, such as Bank Indonesia, the Financial Services Authority, and financial institutions. With an ecosystem like this, the Local Government is able to take benefits that directly impact the development of the halal industry and MSMEs and the pesantren economy. Figure 1. Illustrates the policy model of the government Yogyakarta in developing the halal industry.



**Figure 1.** Halal Industry Policy Model of Yogyakarta Regional Government  
Source: author’s documentation

The findings of this study are different from the development model in other regions, such as Aceh, West Sumatra and West Nusa Tenggara (NTB). These three areas despite having strong religious factors, but there are differences in motives that move the development of the halal industry (Purwandani & Yusuf, 2021). Nusa Tenggara Barat as an area that initially implemented regional regulations on halal tourism, but did not directly affect the positive



perception of tourists (Auliya dkk., 2019). Some local regulations use the term “halal tourism” and are different from the formulation of the Indonesian Ulema Council (MUI) which uses the term “Sharia Tourism” (Adinugraha et al., 2021; Paramarta et al., 2021). In Yogyakarta, Javanese culture became an important instrument of local government in industrial development. “Local Wisdom” became the basis of the development of “Halal Tourism”. Through a cultural approach, yogyakarta local government is able to build an effective halal business ecosystem.

### **Conclusion**

This research article aims to find out the regulatory format and policy approach carried out by the yogyakarta regional government. Unlike other regions that make special regional regulations, such as Halal Product Guarantee and Halal Tourism, the Yogyakarta regional government only added one article, namely article 17F, into The Regional Regulation No. 1 of 2019 on Halal Tourism Development Plan in Yogyakarta. There are no other rules that detail what is meant by “halaltourism which is based on the wisdom of lokal” as mentioned in article 17F. However, the Yogyakarta regional government uses a cultural approach, thus effectively forming a Halal eco-business system in Yogyakarta. This approach, able to increase the economic benefits felt directly by the community and business actors.

This article has limitations in terms of place and data. This research is limited in Yogyakarta, as the cultural center of Java. However, further research is needed in other areas of Java, where the character is different. For example, in East Java, although Java, but the tradition of pesantren is very coloring people’s lives. In terms of data, the study is still limited to key informants who are not directly affiliated with local governments. Further research is needed to confirm the findings of this study at the government level.

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