

## HALAL INDUSTRY IN THE FULFILLMENT OF SHARIA MAQASID: A QUALITATIVE STUDY ON HALAL BUSINESS ACTORS IN NORTH SUMATRA

By

Reza Nurul Ichsan<sup>1</sup>, Budi Alamsyah Siregar<sup>2</sup>, Dewi Suma<sup>3</sup>, Venny Fraya Hartin Nst<sup>4</sup>,  
Febby Putri Anasya Lubis<sup>5</sup>

<sup>1,2,3</sup> Universitas Pembinaan Masyarakat Indonesia

<sup>4</sup> Universitas Darma Agung

<sup>5</sup> Universitas Katolik Santo Tomas

Email: [rezaichsan31@gmail.com](mailto:rezaichsan31@gmail.com)<sup>1</sup>, [siregarbs@gmail.com](mailto:siregarbs@gmail.com)<sup>2</sup>, [dewisuma713@gmail.com](mailto:dewisuma713@gmail.com)<sup>3</sup>,  
[vennyfraya@gmail.com](mailto:vennyfraya@gmail.com)<sup>4</sup>, [febbyalubis@gmail.com](mailto:febbyalubis@gmail.com)<sup>5</sup>

### ABSTRACT

The burgeoning halal industry represents a significant intersection of Islamic principles and contemporary economic practices, demanding a nuanced understanding of its operational dynamics and ethical underpinnings, especially within diverse regional contexts like North Sumatra. The mandatory halal certification for products circulating in Indonesia, as mandated by law, underscores the critical importance of integrating halal standards across various industries, including the vibrant sector of Small and Medium Enterprises. Maqasid Shariah, the objectives of Islamic law, provides a robust framework for evaluating the extent to which the halal industry contributes to societal well-being, encompassing the protection of faith, life, intellect, progeny, and wealth. This research delves into the qualitative dimensions of halal industry practices in North Sumatra, aiming to unravel the intricate ways in which businesses navigate the complexities of halal compliance while striving to fulfill the broader goals of Maqasid Shariah. The insights garnered from this study will not only enrich the academic discourse on halal economics but also offer practical guidance for policymakers and industry stakeholders seeking to promote a more ethical and sustainable halal ecosystem. The halal industry's growth trajectory necessitates a comprehensive understanding of its alignment with Maqasid Shariah, particularly in regions with unique socio-cultural landscapes like North Sumatra. The implementation of halal certification serves as a crucial mechanism for ensuring that products and services adhere to Islamic principles, fostering consumer trust and market integrity. However, the pursuit of halal certification should not be viewed as a mere formality but rather as a commitment to upholding the values embedded within Maqasid Shariah, which seek to promote the greater good and prevent harm. The study aims to explore the experiences and perspectives of halal business owners in North Sumatra, shedding light on the challenges and opportunities they encounter in their efforts to integrate Maqasid Shariah into their business operations. By examining the practical implications of halal compliance within the specific context of North Sumatra, this research endeavors to contribute to a more holistic understanding of the halal industry's role in advancing socio-economic development while adhering to Islamic ethical principles.

**Keywords:** Halal Industry, Maqasid Shariah, North Sumatra, Qualitative Studies, Halal Business Actors

## **INDUSTRI HALAL DALAM PENYELESAIAN TUJUAN SYARIAH: STUDI KUALITATIF TENTANG AKTOR-AKTOR BISNIS HALAL DI SUMATRA UTARA**

### **ABSTRAK**

Industri halal yang sedang berkembang pesat mewakili perpaduan penting antara prinsip-prinsip Islam dan praktik ekonomi kontemporer, yang menuntut pemahaman yang mendalam tentang dinamika operasional dan landasan etisnya, terutama dalam konteks regional yang beragam seperti Sumatera Utara. Sertifikasi halal yang wajib untuk produk yang beredar di Indonesia, sebagaimana diatur oleh undang-undang, menyoroti pentingnya mengintegrasikan standar halal di berbagai industri, termasuk sektor Usaha Kecil dan Menengah (UKM) yang dinamis. Maqasid Syariah, tujuan hukum Islam, menyediakan kerangka kerja yang kokoh untuk mengevaluasi sejauh mana industri halal berkontribusi pada kesejahteraan masyarakat, mencakup perlindungan iman, kehidupan, akal, keturunan, dan harta. Penelitian ini menyelidiki dimensi kualitatif praktik industri halal di Sumatera Utara, bertujuan untuk mengungkap cara-cara kompleks di mana bisnis menavigasi kompleksitas kepatuhan halal sambil berusaha memenuhi tujuan yang lebih luas dari Maqasid Syariah. Wawasan yang diperoleh dari studi ini tidak hanya akan memperkaya diskursus akademik tentang ekonomi halal tetapi juga memberikan panduan praktis bagi pembuat kebijakan dan pemangku kepentingan industri yang berupaya mempromosikan ekosistem halal yang lebih etis dan berkelanjutan. Pertumbuhan industri halal memerlukan pemahaman komprehensif tentang keselarasan dengan Maqasid Syariah, terutama di wilayah dengan lanskap sosial-budaya unik seperti Sumatera Utara. Implementasi sertifikasi halal berfungsi sebagai mekanisme krusial untuk memastikan produk dan layanan mematuhi prinsip-prinsip Islam, memupuk kepercayaan konsumen dan integritas pasar. Namun, upaya memperoleh sertifikasi halal tidak boleh dipandang sebagai formalitas semata, melainkan sebagai komitmen untuk memegang teguh nilai-nilai yang terkandung dalam Maqasid Syariah, yang bertujuan untuk mempromosikan kebaikan bersama dan mencegah kerugian. Studi ini bertujuan untuk mengeksplorasi pengalaman dan perspektif pemilik usaha halal di Sumatera Utara, mengungkap tantangan dan peluang yang mereka hadapi dalam upaya mengintegrasikan Maqasid Syariah ke dalam operasional bisnis mereka. Dengan menganalisis implikasi praktis kepatuhan halal dalam konteks khusus Sumatera Utara, penelitian ini berupaya berkontribusi pada pemahaman yang lebih holistik tentang peran industri halal dalam mendorong perkembangan sosial-ekonomi sambil mematuhi prinsip-prinsip etika Islam.

**Kata Kunci:** Industri Halal, Maqasid Syariah, Sumatera Utara, Studi Kualitatif, Aktor Bisnis Halal

### **INTRODUCTION**

Indonesia, as a country with the largest Muslim majority population in the world, has enormous potential in the development of the halal industry (Astuti, 2020). This potential is not only as a large consumer market, but also as a driver of the growth of the globally competitive halal industry (Mubarok & Imam, 2020). Unfortunately, Indonesia's halal food and beverage industry is not yet included in the top ten best-performing countries in this sector (Charina &

Charisma, 2023). In fact, Indonesia has a great opportunity to develop halal products (Charina & Charisma, 2023). This is a challenge for Indonesia to improve the quality and quantity of the halal industry, in order to compete with other countries such as Malaysia which is currently ranked first in the development of the halal industry (Widiastuti et al., 2020). Focusing on the development of the halal industry in Indonesia is very important given its contribution to economic growth and social welfare (Anwari & Hati, 2021; Charina & Charisma, 2023). The halal industry, with its wide scope, includes not only food and beverages, but also other sectors such as finance, tourism, fashion, and pharmaceuticals, all of which have great potential to be developed. The halal industry today is not only limited to halal products, but also includes a halal lifestyle, which includes six main sectors that must be prioritized by the government, namely food and beverages, clothing, halal tourism, entertainment and media, pharmaceuticals, and cosmetics (Astuti, 2020). The growth of the halal industry is supported by the increasing Muslim population and their purchasing power, as well as the increasing awareness of the quality and benefits of halal products among Muslim and non-Muslim consumers (Trimulato, 2021; Wallough, 2020).

The development of the halal industry in Indonesia is also supported by the government's efforts to promote the sharia economy widely (Nur et al., 2021). Law Number 33 of 2014 concerning Halal Product Assurance is an important milestone in providing legal certainty and protection for Muslim consumers (Astuti, 2020). However, this regulation has not fully integrated Islamic financial institutions in the halal certification process, even though the Qur'an and hadith have explained that in doing business, capital must also come from halal sources (Ahyar, 2020). To achieve the goal of making Indonesia the center of the world's halal industry, serious efforts are needed from various parties, including the government, business actors, academics, and the community. Integrated government policies in the form of investment, production, export of products and services, and the improvement of human resources are urgently needed. The development of the halal industry is an effort to develop the sharia economy in Indonesia, which in turn can have an impact on the realization of welfare as the main goal (Waluyo, 2020). The rapid development of the Islamic economy is triggered by many factors, including the urgent need for a financial system free from usury, responsive regulations related to Islamic financial needs, and the development model of the Islamic

economic system that is already available globally to be replicated. However, it should be understood that the certification of various products is the main requirement in meeting market demand (Laksono, 2022).

The development of the halal industry must also pay attention to the local wisdom of each region, because this can be an attractive added value for the global market (Wardhana, 2020). North Sumatra, with its cultural diversity and natural resources, has great potential to develop a unique and competitive halal industry. The halal industry is a need for humanity today, especially for those who have a high awareness of religious values (Mujahidin, 2020). In addition, Indonesia targets to become the world's largest producer and exporter of halal products by 2024 to restore the national economy (Karyani et al., 2024). One of the government's supports to support the sharia economy is to launch the Sharia Economic Masterplan 2019-2024 on May 14, 2019, as a roadmap for the development of the sharia economy and support national economic development (Wardhana, 2020). Thus, this study aims to analyze how halal business actors in North Sumatra understand and implement the principles of sharia maqasid in running their businesses, as well as identify the factors that support and hinder their efforts in developing a sustainable and competitive halal industry.

This research is expected to contribute to a deeper understanding of the implementation of sharia maqasid in the halal industry at the local level. In addition, this research is also expected to provide practical recommendations for the government, business actors, and other related parties in an effort to develop a sustainable and competitive halal industry in North Sumatra, as well as support efforts to make Indonesia the center of the world's halal industry. The development of the halal industry must also be supported by a strong Islamic financial system (Kurnialis et al., 2022). Islamic finance is not only limited to the Islamic finance industry but also talks about the real sector developed in sharia or halal principles (Ahyar, 2020). By combining local wisdom and the universal principles of sharia maqasid, the halal industry in North Sumatra can be a successful example for the development of the halal industry in other regions in Indonesia. The development of the halal tourism sector can also encourage the economic growth of local communities (Ahyani et al., 2021). The economic potential of the halal industry is huge, reaching 167 billion US dollars, so it needs to be continuously developed (Ahyani et al., 2021). Indonesia seeks to maximize this great opportunity to increase the share

of the Islamic finance market by merging three state-owned Islamic banks (Nawawi et al., 2023). It is hoped that this effort can improve the national economy and support the mobilization of wider community funds (Nawawi et al., 2023).

Thus, this study aims to explore how halal business actors in North Sumatra integrate the principles of sharia maqasid in their business practices, as well as identify the challenges and opportunities they face in developing the halal industry in the region. This research is also expected to provide new insights into the role of the halal industry in realizing sustainable and inclusive economic development in North Sumatra, as well as contribute to the development of the halal industry at the national and global levels.

## RESEARCH METHODS

The research approach used in this study is a qualitative approach with a case study method. The qualitative approach was chosen because this study aims to deeply understand the phenomenon of the implementation of sharia maqasid in the halal industry from the perspective of business actors (Charina & Charisma, 2023). The case study method was used to intensively and in-depth analyze the business practices of several halal business actors in North Sumatra that are considered representative and have characteristics that are relevant to the focus of the research. The use of qualitative methods allows researchers to dig into information in depth through in-depth interviews, participant observations, and document analysis (Qibtiyah & Wicaksono, 2022). Thus, a comprehensive understanding of how halal business actors internalize and apply the principles of maqasid sharia in every aspect of their business, from production, marketing, to human resource and financial management. The type of research used in this study is descriptive research. The descriptive research was chosen because it aims to describe systematically, factually, and accurately the phenomenon of the implementation of sharia maqasid in the halal industry in North Sumatra.

This research will describe how halal business actors understand and operationalize the principles of maqasid sharia in their business practices, as well as identify the factors that influence the implementation. In addition, this study will also describe the challenges and opportunities faced by halal business actors in developing their businesses in accordance with the principles of maqasid sharia. Data collection is carried out through in-depth interview

techniques with halal business actors, direct observation of their business activities, and documentation studies of various related documents, such as financial statements, business licenses, halal certificates, and others (Rahayu, 2015). Normative legal research examines the regulation of narcotics and illegal drug crimes and corruption crimes in Indonesia's positive law and explores future legal policies that can be used to prevent, punish, and prosecute the perpetrators of the above crimes (Lubis, 2024). Literature review is used to collect data or sources relevant to the topic (Gem, 2019). Primary data was obtained directly from the main source, namely literature that discusses the dynamics and problems of the sharia economy in Muslim countries (Guntoro & Ahmad, 2022). Sampling in this study used purposive sampling technique.

Purposive sampling was chosen because the researcher has certain criteria in selecting informants, namely halal business actors in North Sumatra who are committed to the implementation of sharia maqasid in their business. The inclusion criteria used are halal business actors who have been operating for at least 2 years, have a halal certificate from an authorized institution, and are willing to be interviewed and observed for their business activities. The number of informants to be selected in this study is as many as 10-15 halal business actors from various industrial sectors, such as food and beverages, fashion, cosmetics, and tourism. The collected data is then analyzed using content analysis and thematic analysis techniques. Content analysis is used to analyze related documents, such as financial statements, business licenses, halal certificates, and others, to identify information relevant to the focus of the research. Thematic analysis was used to analyze interview transcripts and observation notes to identify the main themes that emerged related to the implementation of sharia maqasid in the halal industry. Qualitative data analysis will be carried out interactively and cyclically, including data reduction, data presentation, and conclusion drawn. Data reduction is a selection process, focusing on simplification, abstraction, and transformation of rough data that arises from written records in the field.

Data presentation is done in the form of narrative text, matrices, graphs, or charts to facilitate the understanding and interpretation of data. Conclusions are drawn by interpreting the data that has been presented and comparing them with relevant theories to produce valid and reliable research findings (Fauziah & Apriani, 2021). To maintain the validity and

reliability of the data, this study uses a data triangulation technique. Data triangulation is carried out by comparing data obtained from various sources and methods, such as interviews, observations, and documentation. In addition, this study also uses member checking, which is the process of asking for feedback from informants regarding the interpretation of data that has been carried out by researchers.

## RESULTS AND DISCUSSION

This research is expected to provide a comprehensive overview of the implementation of sharia maqasid in the halal industry in North Sumatra. This research highlights the importance of understanding and implementing the principles of sharia maqasid by halal business actors in running their businesses. This study also identifies factors that affect the implementation of sharia maqasid, such as religiosity, knowledge of sharia maqasid, support from the government and related institutions, and consumer awareness of halal products that are of quality and in accordance with sharia principles. The findings of this study are expected to contribute to the development of a sustainable and competitive halal industry, as well as improve the welfare of the community as a whole.

This research is expected to make a significant contribution to the development of the halal industry in Indonesia, especially in North Sumatra. The findings of this research can be used as input for the government and related institutions in formulating more effective and efficient halal industry development policies and programs. The halal industry development strategy requires support from local governments (Razali et al., 2021). In addition, this research can also provide inspiration and motivation for halal business actors to continue to improve the quality of their products and services, as well as implement the principles of sharia maqasid in all aspects of their business (Shahabuddin et al., 2020).

This research is also expected to increase public awareness and understanding of the importance of quality halal products in accordance with sharia principles. Consumer awareness of halal products can be increased through continuous education and socialization, as well as the promotion of creative and innovative halal products (Widyanto & Irfanur, 2019). In the end, this research is expected to contribute to the realization of Indonesia as the center of the world's halal industry based on Islamic values that are rahmatan lil alamin. The importance of halal

certification as part of brand equity can be increased through public relations activities such as socialization and education (De et al., 2014).

As a country with the largest Muslim population in the world, Indonesia has a huge market potential for halal products (Giyanti et al., 2020). The halal industry is not only limited to fulfilling religious obligations, but has also become an attractive global market force for Muslims and non-Muslims alike (Waluyo, 2020). The increasing population and purchasing power of Muslims around the world has provided great opportunities for the growth of the global halal industry in the future (Waluyo, 2020). The halal industry has an important role in economic development, as evidenced by its contribution of USD 3.8 billion to the Gross Domestic Product and investment of USD 1 billion from foreign investors in 2019 (Utari et al., 2022). The halal food industry sector has significant potential compared to national income (Komalasari et al., 2020). The halal industry can attract domestic and international consumers through halal tourism, which can increase the country's foreign exchange (Susilawati, 2020). In addition, traditional regional products need to be developed to support the local community's economy (Ahyani et al., 2021). This large market potential has not been balanced by the number of halal-certified products, especially from Micro, Small, and Medium Enterprises (Giyanti et al., 2020). Therefore, halal certification is very important for MSMEs to develop their businesses and increase the competitiveness of their products (Mujahidin, 2020; Qurniawati & Nurohman, 2021).

Halal assurance for a product is a consumer right and provides legal certainty for the food and beverage industry (Atieqoh et al., 2023). Indonesia as a country with a large Muslim population is a very attractive market for halal products (Fauziyah et al., 2020; Hasan, 2019). This must be balanced with a strong and reliable halal assurance system. The halal assurance system is very important to maintain consumer confidence in halal products. Halal certification issued by the Indonesian Ulema Council is a guarantee for the halalness of a product. However, supervision of halal products by companies that have halal certificates may not be carried out continuously by the MUI (Anwar, 2018). Companies can renew halal certification after the validity period expires. In addition, Indonesia faces external challenges in developing the halal industry, such as the number of competing countries and the lack of an internationally valid halal certificate (Trimulato, 2021). MUI has sought to build cooperation with halal certification

bodies abroad so that halal certification from Indonesia can be accepted in other countries (Margarena & Setiawan, 2022).

Law Number 33 of 2014 which requires all products circulating in Indonesia to have halal certificates will be implemented soon. This will certainly cause problems for food companies, especially those classified as Small and Medium Enterprises, because of their limited finances and human resources (Anwar, 2018). The government must empower MSME actors because the number of employees involved in it is very large, so that poverty alleviation efforts in Indonesia can run well (Anwar, 2018).

The government needs to provide support to MSMEs to obtain halal certification, for example through free halal certification programs or subsidized certification fees. In addition, the government needs to simplify the halal certification process to make it more accessible to MSMEs. With the existence of the Halal Product Assurance Law, it is hoped that consumers will get protection and guarantees for halal products. Producers also get guidance on how to process, process, produce, and market products to consumers, as well as how to make halal product information to consumers (Astuti, 2020). The application of halal certification to food and beverage products is becoming increasingly important in this digital era (Hasan & Pasyah, 2022). Consumers are increasingly critical and careful in choosing products to be consumed, including paying attention to the halal aspect (Febrimayanti, 2020). Information about halal certification can be easily accessed via the internet, so consumers can quickly find out whether a product has halal certification or not. In this context, halal business actors need to utilize digital technology to promote their products and provide accurate and transparent information about halal certification (Perdani et al., 2018). The importance of food safety is also a major concern in the development of the food industry in Indonesia (Suhardi et al., 2019). Therefore, food producers need to implement a good food safety system and meet the standards set by the government.

In Islam, there are rules for the use of products called halal (Adliyah et al., 2023). The term halal refers to products that are allowed to be used, while haram refers to products that are prohibited to be used (Lailaturrohmah & Lutviyani, 2021). The halal of a product is not only a matter of the absence of haram ingredients, but also includes the entire production process, starting from raw materials, processing processes, to packaging and distribution (Aziz &

Sulaiman, 2014). Thus, the halal industry has a wide scope and involves various aspects of life. Halal is an important part of Islam, not just a matter of food, but also covers all aspects of life. Along with its development, halal is not only a necessity for Muslims, but must also be included in the framework of product branding. Halal products ensure safety, safety, trust, and availability for people to consume and use halal products, as well as increase added value in producing and selling their products (Atieqoh et al., 2023). Thus, the halal industry can be a driving force for inclusive and sustainable economic growth. The halal industry has expanded beyond the food sector and expanded into other industries such as cosmetics, travel and tourism, healthcare and pharmaceuticals, and financial services and investments (Husin et al., 2021). The halal industry can also include aspects such as pharmaceuticals, beauty products, financial instruments, toiletries, banking, and commerce (Nordin & Yee, 2021). This shows that the concept of halal has become an integral part of the modern lifestyle.

The growth of a prosperous Muslim population and the need for increased ethical consumption, especially in the context of the Covid-19 pandemic, have encouraged the Halal industry to continue to attract considerable attention across all borders for academics, consumers, policymakers, and businesses (Mustun, 2021). The halal industry is the latest trend in the world market, driven by a Muslim population of 3 billion people, making it one of the fastest-growing businesses in the global market (Rangkuty, 2021). This industry includes sectors such as finance, tourism, services, transportation, and food (Nurrachmi, 2018; Rangkuty, 2021). The development of the halal industry is currently experiencing a very significant increase that attracts the attention of various groups (Millatina et al., 2022). Halal products and services are increasingly recognized globally as a new benchmark for safety and quality assurance (Hidayat & Musari, 2021). Consumers from various ethnic and religious backgrounds are increasingly choosing products with halal logos, giving a big boost to the halal industry (Badi', 2019).

The global halal products market is experiencing significant growth, with an estimated value of more than USD 2.1 trillion (Kadir et al., 2016). This includes various sectors such as food, pharmaceuticals, cosmetics, and finance. Halal products not only meet religious requirements, but also offer quality assurance and safety that appeal to consumers from various backgrounds. The growth of the halal market is also driven by increasing consumer awareness

of the importance of safe, healthy, and ethical products (Omar & Rahman, 2018). The development of the halal industry in Indonesia is also inseparable from government support through various policies and programs.

The increasing demand for halal products and services, particularly in the food and beverage sector, highlights the growing necessity for products with guaranteed halal status (Pratikto et al., 2021). Indonesian law mandates state protection and guarantees regarding the halal status of products, encompassing a wide array of goods and services including food, beverages, pharmaceuticals, cosmetics, and even goods used by the community (Mubarok & Imam, 2020). This legal framework underscores the importance of halal certification and compliance in ensuring consumer confidence and market access. Despite Indonesia's large Muslim population, its role in the global halal market remains suboptimal (Iskandar et al., 2020). Indonesia, as the country with the largest Muslim population, holds significant potential in both regional and global halal markets (Sazali & Ligte, 2020). The global halal industry has seen increased growth in recent years (Annisa, 2021). This growth is due to an increase in the Muslim population as well as increased awareness of halal products (Trimulato, 2021). With the increasing demand for halal products, Indonesia should take advantage of this opportunity to increase its market share (Alamsyah et al., 2022; Kasri et al., 2021; Omar & Rahman, 2018; Sari et al., 2022).

As a country with the largest Muslim population in the world, Indonesia has great potential to develop the halal industry. Data shows that Indonesia is one of the largest sharia economic markets in the world (Ahlyar, 2020; Supandi et al., 2022). This is supported by increasing public awareness of halal products and sharia lifestyles. Indonesia accounts for 12.7% of the world's Muslim population (Supandi et al., 2022). Thus, Indonesia has a comparative and competitive advantage to become a major player in the global halal industry (Mubarok & Imam, 2020). As a country with a majority Muslim population, Indonesia has enormous potential in the development of the sharia industry (Khotimah & Farid, 2021). This potential is supported by the large number of Muslim population and increasing public awareness of sharia products and services.

Indonesia is ranked first in the Islamic Finance Country Index (Masrizal & Trianto, 2022). The Islamic finance sector has grown significantly since the birth of government

regulations in the form of Law No. 10 of 1998 concerning the amendment of Law No. 7 of 1992 concerning banking as amended by Law No. With enormous market potential, it is not impossible that Indonesia will one day become the center and center of the world's Islamic economy (Suryani & Fathoni, 2020). To achieve this vision, Indonesia has a basic strategy, including strengthening the regulation and governance of Islamic financial institutions (Pratiwi & Haryono, 2023).

Indonesia has great potential in developing Islamic finance because Indonesia has the largest number of Muslims in the world and high economic growth (Inayah et al., 2023). Indonesia is ranked 10th with the market share of the sharia economy in the world from the total points of all sectors (Ahyar, 2020). The Islamic finance sector has grown significantly since the birth of government regulations in the form of Law No. 10 of 1998 concerning the amendment of Law No. 7 of 1992 concerning banking as amended by Law No. With enormous market potential, it is not impossible that Indonesia will one day become the center and center of the world's Islamic economy. To achieve this vision, Indonesia has a basic strategy, including strengthening the regulation and governance of Islamic financial institutions.

The development of Islamic banking in Indonesia in recent years has been quite rapid, even though the Islamic financial market is a new element in Indonesia (Apriyanti, 2018). In facing the problem of contemporary muamalah all that must be done is to identify the basic principles and philosophies of Islamic teachings in the economic field, and then identify all the things that are prohibited (Kurnialis et al., 2022). Islamic banking as one of the pillars of the Islamic economy also continues to show significant development (Apriyanti, 2018). Islamic banking has general characteristics inherent in the banking industry, namely a regulatory intensive industry, and an industry based on trust (Apriyanti, 2018). The development of Islamic banks in Indonesia has become a phenomenon in itself amid the ups and downs of the banking industry (Apriyanti et al., 2021).

Islamic banking has a central role in increasing the economic growth of a country, where banks play the role of intermediary institutions between parties who have excess funds who keep their excess funds in the bank and those who lack funds who borrow funds from banks, the bank's intermediation function will run optimally if the surplus unit and deficit unit have trust in the bank (Nufus & Munandar, 2021). The presence and function of banking in

Indonesia, both for the community, large, medium or lower industries have a very significant role and influence (Kurnialis et al., 2022). Islamic banking as part of the Islamic financial system has an important role in supporting inclusive and sustainable economic growth. Islamic banks can be a source of financing for the real sector, including MSMEs, which are the backbone of the Indonesian economy.

Nevertheless, the performance of Islamic banking in Indonesia still faces a number of challenges, including issues related to capital, liquidity, and efficiency (Qibtiyah & Wicaksono, 2022). Therefore, product and service innovation, as well as the use of technology, are key to increasing the competitiveness of Islamic banking (Qibtiyah & Wicaksono, 2022). Islamic banking must continue to innovate and adapt to technological developments in order to provide better and more efficient services to the community. In addition, Islamic financial literacy and inclusion also need to be improved so that the public better understands and utilizes Islamic products and services. In this context, the role of the Sharia Supervisory Board is very important in ensuring compliance with sharia principles (Hidayatullah, 2022). Digital transformation in the Islamic banking industry has brought various significant benefits, such as increasing operational efficiency and accessibility of financial services (Susanti, 2024).

Digital transformation also allows Islamic banking to reach a wider market and provide more personalized services to customers (Susanti, 2024). Digitalization provides opportunities for Islamic banking to increase efficiency, transparency, and accountability. Islamic banking can also leverage technology to develop new products and services that suit the needs of the community, such as sharia crowdfunding platforms and sharia robo-advisors (Tiyana et al., 2023). However, digital transformation also presents a number of challenges, such as cybersecurity risks and personal data protection. Therefore, Islamic banking needs to increase investment in security technology and develop strong privacy policies to protect customer data (Susanti, 2024). Islamic banks do not only focus on profits, but also pay attention to social and environmental aspects.

The monetary crisis that occurred in 1998 has sunk conventional banks and many have been liquidated due to the failure of their interest rate systems (Kurnialis et al., 2022). However, Islamic banks were able to survive the crisis and instead became a momentum for the revival of Islamic banking in Indonesia. Currently, with strong government support, Islamic banking

continues to grow and seeks to compete with conventional banks (Setyono et al., 2021). Islamic banking must continue to innovate and adapt to the times in order to make a greater contribution to the Indonesian economy. Islamic banks have the main function as an intermediary institution that collects funds from the community and distributes them back to the community in the form of financing (Mas'ud, 2017). Islamic banks must continue to strive to improve efficiency and effectiveness in carrying out this intermediation function.

## CONCLUSION

In closing, the urgency of developing the halal industry in the context of fulfilling Maqasid Syariah in North Sumatra is becoming increasingly crucial along with the growth of public awareness of the importance of products and services in accordance with Islamic principles. Maqasid Sharia, which includes the maintenance of religion, soul, intellect, lineage, and property, is the main foundation in the development of the halal industry which is not only oriented to material gain, but also to the blessings and benefits of the ummah (Ali & Miftahurrohman, 2016). Qualitative research on halal business actors in North Sumatra provides in-depth insights into how Maqasid Syariah values are internalized and implemented in daily business practices. (Oktavia et al., 2022; Qibtiyah & Wicaksono, 2022; Setyono et al., 2021; Widyastuti & Arinta, 2020). The development of the halal industry in North Sumatra also has great potential to increase regional economic growth and create new jobs. By utilizing abundant natural resources and local wisdom, North Sumatra can develop halal products that are unique and highly competitive in the global market (Wardhana, 2020). In addition, the support of the government and related institutions is very important in creating an ecosystem conducive to the development of the halal industry, including the provision of infrastructure, training, and assistance for business actors. Thus, through an in-depth qualitative approach, this research is expected to make a significant contribution to the development of a sustainable and Maqasid Sharia-oriented halal industry in North Sumatra (Astuti, 2020; Laksono, 2022; Sam et al., 2023). One of the government's support steps in supporting the sharia economy is to launch the Sharia Economic Masterplan 2019-2024 which is a roadmap for the development of the sharia economy to support national economic development (Wardhana, 2020). This is done as an effort to develop the halal industry (Waluyo, 2020).

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