

The Development of Halal Value Chain Based on a City in Indonesia

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Article history: Received August 3, 2024 | Revised February 9, 2025 | Accepted March 19, 2025 | Available online on April 11, 2025.

To cite this article [*Turabian of style 8th edition*]: Sochimin, Muhammad Wildan , Ahmad Dahlan, Naerul Edwin Kiky Aprianto, and Muhammad Sirajuddin Qahtan Hamdan. "The Development of Halal Value Chain based on a City in Indonesia". IQTISHODUNA: Jurnal Ekonomi Islam 14, no. 1 (April 11, 2025): 85-100. Accessed April 11, 2025.

ABSTRACT

This paper aims to answer the halal value chain phenomenon that is developing in several cities in Indonesia. However, the study focuses only on Purwokerto City, where the city center in Banyumas Raya has succeeded in developing various fields, including economics, education, and industry. One of the exciting things about this development is the potential of the halal value chain, especially in three main aspects: the halal food sector, halal fashion, and Islamic financial institutions. This article uses field research and qualitative descriptive analysis; the research data shows that this development has yet to become a force supported by policy, public understanding, and business actors regarding halal aspects. With a qualitative descriptive nature supported by SWOT analysis, this article provides an overview that, conceptually, Purwokerto City has tremendous and promising potential in developing the halal value chain. However, this potential is still sporadic and has not received attention from policymakers to develop Purwokerto City as a "Halal City Area" in Banyumas Raya, Indonesia.

Keywords: halal value chain, halal city, purwokerto city, Indonesia.

INTRODUCTION

Theoretically, Michael E. Porter was the first to introduce the term value chain in his book *Competitive Advantage: Creating and Sustaining Superior Performance*. He defines the halal value chain as a company's revenue link based on pricing and cost structure.¹

However, the value chain approach described by Porter still needs to be expanded to the company level by ignoring the analysis of activities outside the company. Then, many experts develop the value chain to cover the entire range

¹ Porter M E, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: Free Press, 1985).

of activities and services from producers, input suppliers, operations, processors, retailers, and buyers required to sell products in local or global markets.²³⁴⁵

The term halal, as opposed to the word haram, was originally an exclusive activity used in Islam, which means it is permissible. Still, the study could be more interesting.⁶ Halal studies have attracted attention as a scientific study after the term halal became a universal concept.⁷ At the 2019 World Halal Summit in Istanbul, Turkey, it was explained that there are elements in economic development based on the concept of halal, namely halal food, Islamic finance, halal tourism, halal cosmetics, scientific solutions, halal lifestyle, and standardization.

Along with the halal-based economic sector, which has developed rapidly in the last ten years, the theory of "value chain," initially focused on conventional companies, has also been transformed in terms of the Halal Value Chain (HVC) or halal supply chain. As a new concept in the Islamic economic system, HVC was developed in four halal industry sectors in the following fields: 1. Tourism, 2. Food, 3. Cosmetics and medicines, 4. The financial industry.⁸

In the four main points of the Islamic Financial Economics Masterplan (MEKSI) 2019-2024, the HVC strengthening program is written in the first part. They were second, strengthening the sharia financial sector. Third, the main driver of HVC is strengthening the Micro, Small, and Medium Enterprises (MSMEs) sector. They were fourth, strengthening the digital economy.⁹

The idea of the development concept of a "Halal City Area" in the era of information disclosure and the needs of the halal market continues to grow in many countries; even the idea of a halal city area is being developed in non-Muslim countries. As in Japan, the cities of Hokkaido, Kansai, Chiba, Okayama, and Tokyo are several cities that are projected to become halal city areas because various facilities have been built for the needs of Muslim tourists. CNN Indonesia, July 29, 2021, as well as in several cities in the United States as well recently labeled as a halal tourism city area.

² Anja Fabe, "Value Chain Analysis Methodologies in the Context of Environment and Trade Research," *Diskussionsbeitrag*, no. 429 (2009).

³ M Tieman, "Principles in Halal Supply Chain Management," *Journal of Islamic Marketing* 3, no. 3 (2012): 217-243.

⁴ A S Amir and W Tjibtosubroto, "The Creating of Halal Value Chains: A Theoretical Approach," *IOSR Journal of Economics and Finance* 10, no. 1 (2019): 14-22.

⁵ L Jones, "Global Value Chain Analysis: Concepts and Approaches," *Journal of International Commerce and Economics* (2019), https://www.usitc.gov/journals/jice_home.htm.

⁶ H Elasrag, "Halal Industry: Key Challenges and Opportunities," 2016.

⁷ Amir and Tjibtosubroto, "The Creating of Halal Value Chains: A Theoretical Approach."

⁸ A A Y Saoki, "Zakat Dalam Pusaran Ekosistem Halal Value Chain," in *Sharianews.Com, Selasa*, 2019, <https://sharianews.com/posts/zakat-dalam-pusaran-ekosistem-halal-value-chain>.

⁹ Bappenas, "Masterplan Ekonomi Syariah Indonesia 2019-2024" (Jakarta, 2018).

There have been many studies on the halal-based economy that focus on Indonesian studies, such as Saeroji, et al.,¹⁰ Suradin,¹¹ Adinugraha, et al.,¹² Irwansyah & Zaenuri,¹³ all of whom concluded that Indonesia has cities that have the potential to be part of the development of the halal industry in Indonesia.

This article will discuss the potential of HVC based on the development of a city as the concept of "Halal City Area" by taking objects in the Purwokerto City.

METHODS

This article is the result of field research on a case and uses qualitative methods with the theme of exploring the potential of the halal value chain to develop the concept of "Halal City Area".¹⁴ The location is in Purwokerto City, Banyumas, and the time of the research will be carried out in 2021.

Data collection methods include observation or recording, interviews, and documentation. Meanwhile, the analysis is carried out using qualitative descriptive studies based on descriptions that have been explained by considering aspects of scientific quality. SWOT analysis, namely Strengths, Weaknesses, Opportunities, and Threats, is also used to strengthen the HVC potential map in Purwokerto City.

RESULT AND DISCUSSION

1. The Growth of Halal Value Chain di Purwokerto City

The word halal is translated as "lawful" but is sometimes associated with the adjective good or "tayyib". The meaning of everything that is "halal" or "tayyib" is excellent, beneficial, and nutritious. Islam encourages its followers to consume food that tastes delicious and has good nutritional content, as well as halal and tayyib. Thus, in the context of food, the word halal or tayyib means food that is beneficial and nutritious, not dirty, damaged, expired, or mixed with unclean objects.¹⁵¹⁶

Referring to the above understanding of halal, in the discussion of halal, what is meant here is only some of what is halal and has been legalized under

¹⁰ Saeroji, "A Study of Solo's Tourism Product Potential as Halal Tourism Destination In Indonesia," *Kawistara* 8, no. 3 (2018): 213–309.

¹¹ Muhammad Suradin, "Halal Tourism Promotion in Indonesia: An Analysis on Official Destination Websites," *Journal of Indonesian Tourism and Development Studies* 6 (2018): 143–158.

¹² Adinugraha, "Halal Lifestyle Di Indonesia," *An-Nisbah: Jurnal Ekonomi Syariah* 5, no. 2 (2019): 57–81.

¹³ Irwansyah Irwansyah and Muchamad Zaenuri, "Wisata Halal: Strategi Dan Implementasinya Di Kota Banda Aceh," *Journal of Governance and Social Policy* 2, no. 1 (2021): 41–55.

¹⁴ H Nawawi, *Metodologi Penelitian Bidang Sosial* (Yogyakarta: Gadjah Mada University Press, 1995).

¹⁵ Misbahul Munir, "Nilai-Nilai Islam Dalam Bahan Ajar Tematik Makananku Sehat Dan Bergizi: Suatu Konsep Integratif Pembelajaran Di Madrasah Ibtidaiyah," *Madrasah: Jurnal Pendidikan dan Pembelajaran Dasar* 7, no. 2 (2015): 289–308.

¹⁶ Oky Iskandar, Luhur Prasetyo, and Umar Abdulloh, "Halal Supply Chain on Food Products: Evidence From Wali Songo Islamic Boarding School, Ngabar Ponorogo," *JoIE: Journal of Islamic Economics and Business* 3, no. ue 1 (2023): 1–17.

the competent regulators in Indonesia. However, the thing in question is everything that contains elements of "*tayyiban*", and is good. On this basis, the study's results show that the potential of the halal value chain in Purwokerto City is vast, and almost all of the parameters of the halal value chain are met.

a. Halal Food

According to Arsi & Ilyas, halal value chain ecosystem development is an effort to develop the halal industry, starting from input to the outcome of the halal industry. This development is excellent, especially in the era of Society 5.0. In the 2019-2024 Indonesian Sharia Economic Masterplan, it is explained that to strengthen the halal value chain, several sectors are essential parts, including the food and beverage industry consisting of raw materials, manufacturing, retailers, financing, distribution channels, and technology.¹⁷ However, in this discussion, the halal value chain study focuses on the development of the halal food industry and distribution channels in Purwokerto City.

Halal value chain in the halal food sector in Purwokerto, distribution channels that can support the halal value chain can be divided into several network models;

1) Local brand

So far, Purwokerto City has had a soup-type food called "Soto". In terms of the name, it is not local. Still, in terms of the type of food, Purwokerto-style "soto" is very local because it has specifications in the form of peanut sauce, which is not found in other kinds of "soto" in different regions, apart from using "kupat", a type of rice that is cooked solidly.

The network for Purwokerto-style "soto" is based on Jl. Bank. Many types of "soto" are available on Jalan Sawangan; some are spread across almost all the markets in Purwokerto City, and some are in tents.

There are also local brands that are characteristic of the Purwokerto City, namely "gethuk" snacks, dry "tempe kripik", "bakpia", and "mendoan" which is very legendary for the Purwokerto City and its surroundings. Several types of food are sold in several centers, on Pramuka Street, the souvenir center near Moro Supermarket, and in several corners of Purwokerto City. Of the many souvenir places typical of Purwokerto City, there is a central location, namely several shops on Jalan Sawangan, the northernmost area.

The second location, namely Bank Street and Sawangan Street, has formed a halal value chain because it has different specifications for halal food services and is a center for economic activity for consumers, mainly local, national, or national tourists visiting the Purwokerto City.

2) Nasional brand

The regional brand is an area chain based on halal food that provides food services for consumers, which is the hallmark of Purwokerto City. This brand has

¹⁷ Kholifatul Husna Asri and Amin Ilyas, "Penguatan Ekosistem Halal Value Chain Sebagai Pengembangan Industri Halal Menuju Era 5.0," *Alif: Sharia Economics Journal* 01, no. 01 (2022): 37-47.

become a hallmark of other cities. Still, it has been duplicated in Purwokerto City, the area for satay traders with "ordinary" and "special" specifications, located on Banaran Street, Kalibogor. This area is part of the halal value chain because it has brought economic value to Purwokerto City and is strategic because it is located towards the exit of the Purwokerto City and there is a policy project for the production of local, namely "sandal Bandol" that made from used tires.

Various national halal food brands have also developed on Encung Street, where there are many food stalls with their characteristics offering Indonesian cuisine: Central Java, West Java, and Yogyakarta. Even some of the buildings and their names are synonymous with the origin of the food provided.

In the northern area, towards the tourist area of Purwokerto, super exotic halal food services are also developing rapidly. Food counters serve a variety of local and national menus, plus locations are located on the outskirts of rice fields. It is unique and natural to attract tourists looking for the sensation of halal food, not just an extensive menu but also a calm and comfortable atmosphere.

3) Regional brand

In the millennial era, halal food in the city of Purwokerto, which offers regional brands, is moving from the east in the GOR complex (Jl. Prof. Dr. Suharso) lined with regional brand culinary stalls in various types of food with present-day packaging and appearance.

Regional brand halal food types are also found along the Overste Isdiman (Ovis) to HR road. Bunyamin (almost 5 km) also provides a variety of culinary delights with local or national brands.

The counters serve halal food with food specifications from several countries such as Japan, Korea, and Thailand, and fast food drinks from China have spread to almost every corner of Purwokerto City.

The development of halal food in Purwokerto City is a significant factor in driving the halal value chain. Referring to Charina & Charisma, the role of halal business actors in the food and beverage sector, MSMEs, and the government as a regulator and driver of the community economy have a determining influence in enlivening the halal value chain ecosystem with the aim of creating businesses that apply halal values in production, distribution, and other activities, including the consumption sector of goods and services.¹⁸ There are many essential factors in creating an optimal and comprehensive halal value chain, namely government support, human resource and asset management, collaborative partnerships, halal certification, halal traceability, product brands and information technology.

The local brands are a strength in developing the halal value chain in Purwokerto City. According to Kussudyarsana,¹⁹ brands are vital in marketing. Trademarks include names, signs, terms, symbols, or combinations that become

¹⁸ A Charina and D Charisma, "The Effectiveness of the Implementation of The Halal Value Chain (HVC)," *Ecosystem In The Halal Food And Beverage Industry In Indonesia*, *Mimbar Agribisnis: Jurnal Pemikiran Masyarakat Ilmiah Berwawasan Agribisnis* 9, no. 2 (2023): 1858–1878.

¹⁹ Kussudyarsana, "Persepsi Konsumen Atas Merek Lokal Dan Asing Pada Kategori Produk Hedonik Dan Utilitarian," *Benefit; Jurnal Managemen dan Bisnis* 1, no. 1 (2016): 48–56.

the identity of a product.²⁰ A brand is the identity of a product that contains a specific image and association that can increase the selling value of a product.

b. Islamic Finance

Islamic finance applies the system based on profit-sharing contracts. It is a contract based on the principle of cooperation, namely mudârabah and mushârakah. It becomes the contract that forms the basis for financial transactions in Islamic finance and Sharia banking.²¹

The financial system creates incentives for the allocation of economic resources and is efficient in achieving goals and objectives. It also functions to encourage investment that is in line with business opportunities, mobilize savings, enable trade, hedging, and risk diversification, facilitate the exchange of goods and services, and engage in economic growth.²²

The development of Islamic finance in Purwokerto City is at the forefront of the western Central Java region in the former Pekalongan Residence and former Banyumas Residence.

In Purwokerto, there are two regulatory agencies for financial institutions: the Representative Office of Bank Indonesia (BI) and the Financial Services Authority (OJK). These two institutions are essential to the rapid development of Islamic finance in Purwokerto.

The development of Islamic finance in Purwokerto City has moved from the era of Bank Muamalat and Bank Mandiri Syariah (BSM) in the 2003s, which were located in the city center on the central part of Jalan Jenderal Soedirman.

Islamic finance is developing three Bank Syariah Indonesia (BSI) Offices and five Non-BSI Sharia Commercial Banks, namely National Indonesia Sharia Bank, Bank Mega Syariah, Bank Sinarmas Syariah, Bank BTPN Syariah, and BTN Syariah. There are also three BPRS (BRPS BAS, BPRS Artha Laksana, BPRS Khasanah Umat), 23 BMT, two sharia insurance and sharia pawnshops. Several Islamic financial institutions are scattered in Jalan Jenderal Soedirman, Jalan Pramuka, Jalan Perintis Kemerdekaan, Jalan Karang Kobar, Kembaran, and others.

Apart from Islamic finance, there are also non-profit financial institutions, namely the National Amil Zakat Agency (BAZNAS), four LAZ (Amil Zakat Institute), and UPZ (Zakat Collection Unit) in several government institutions which also support the halal value chain in the Purwokerto City.

c. Halal Tourism

Halal tourism facilities and services include places of worship, food, and drinks labeled halal, toilets with clean water, services and facilities to support the

²⁰ Philip Kotler, *Marketing Management: The Millennium Edition*, 2000.

²¹ A Dahlan, "The Crucial History of Sharia Banking Law Development in Indonesia," *Al-Manâhij: Jurnal Kajian Hukum Islam* 17, no. 1 (2023): 27–40.

²² Z Iqbal and A Mirakh, *An Introduction to Islamic Finance: Theory and Practice* (New Jersey, USA: John Wiley & Sons, 2011).

month of Ramadan, free from alcoholic beverages, and Sharia hotels.²³ Awwal and Rini²⁴ explained that standardization in halal tourism includes family-friendly destinations, Muslim-friendly services and facilities, and halal awareness and destination marketing.

Meanwhile, the dimensions that must be built into the intelligent tourism concept are information, accessibility, interactivity, and personalization.²⁵

Halal tourism in Purwokerto City is attached to the Baturaden area, which offers the beauty of the natural regions and hot springs not found in many other cities. However, this area is located outside Purwokerto City. Still, it plays a significant role in supporting the halal value chain in Purwokerto City because its existence facilitates the economic activities of Purwokerto City, especially the types of halal value chains based on halal food.

Meanwhile, potential tourist attractions as part of development in Purwokerto are Taman Rekreasi Andhang Pangrenan, Taman Hiburan dan Rekreasi (THR) Panglima Besar Soedirman, Museum Wayang, Taman Apung Maskemambang, Gedung Kesenian Soetedja, Menara Teratai, and others.

The halal tourism infrastructure in Purwokerto is marked by the spread of Hajj and Umrah travel agencies such as Al-Hikmah Haji and Umrah, Hajj and Umrah Tours & Travel, PT. Adzikra Hajj & Umrah, Umrah and Hajj Plus PT. Ashwir Mubahar Mahmus, Patuna Umrah & Hajj Bureau, Umrah & Hajj Plus Indonesia, ASBIHU, Hotel Syariah, etc.

d. Halal lifestyle

The Halal Lifestyle has great potential and can be developed to encourage the demand for goods and services labeled halal. Second, user understanding and awareness of the need for halal products will provide impetus to developing halal goods and services and improve performance. Third, increased producer performance can support increased demand for Sharia economic workers.²⁶

Halal lifestyle includes fashion, travel, recreation, and halal cosmetics. In Purwokerto, shops have developed to offer national brands of Muslimah fashion and cosmetics. The halal lifestyle is also reflected in various organizations promoting the halal lifestyle, such as MES (Sharia Economic Society), the Anti-Riba Community, and public awareness for zakat (zakat awareness). There is also the modern traditional market Pasar Manis, 1 of the 5000 programs of modern traditional markets which President Jokowi inaugurated as infrastructure towards a halal lifestyle.

²³ Hendry Ferdiansyah, "Pengembangan Pariwisata Halal Di Indonesia Melalui Konsep Smart Tourism," *Tornare, Journal of Sustainable Tourism Research* 2, no. 1 (2020): 30–34.

²⁴ Muhammad Al Faridho Awwal and Dewi Wahyu Setyo Rini, "Perbandingan Pengaruh Persepsi Terhadap Minat Masyarakat Untuk Mengunjungi Destinasi Pariwisata Halal Pada Lima Kabupaten/Kota Di Provinsi Daerah Istimewa Yogyakarta," *JUMPA* 6, no. 1 (2019): 157–182.

²⁵ Hendry Ferdiansyah, "Pengembangan Pariwisata Halal Di Indonesia..."

²⁶ Asri and Ilyas, "Penguatan Ekosistem Halal Value Chain Sebagai Pengembangan Industri Halal Menuju Era 5.0."

Halal lifestyle products, such as retail goods, cosmetics, and food, are mostly available in various shops located in Jalan Soedirman from the east to the center. Thus, this area is a distribution center for production goods that greatly supports the development of the halal value chain in Purwokerto City.

SWOT Analysis of Purwokerto City as a "Halal City"

1. Strengths

a. Political Aspects

From a political perspective, the Indonesian government's policy in developing the halal value chain is firm. Because the central government has formed various policies in several stages and policy packages of the Indonesian Islamic Financial Architecture Masterplan (MAKSI) in 2015, the Indonesian Islamic Economic and Financial Masterplan (MEKSI) in 2019, then the National Committee for Islamic Economics and Finance (KNEKS) was formed to become a political force in the development of Islamic Finance and Economy including the Halal Industry in Indonesia.²⁷

The Purwokerto government has developed and realized the development of the halal value chain. One of the many policies that stand out the most in tourism is the Banyumas Regency Regional Regulation (Perda) No. 10 of 2018 Tourism. The Regional Regulation describes tourism development, strategic areas, tourism businesses, tourism business permits, regional tourism promotion bodies, tourism industry associations, human resource training, standardization, certification and workforce, rights, obligations and prohibitions, training and supervision, community participation, administrative sanctions, investigations, criminal provisions.

There are also events where the Banyumas Regional Government has implemented many policies that have strengthened HVC. On Saturday, November 23, 2019, the Regional Government, supported by Bank Indonesia KPw Purwokerto, held the 2019 FesmaBI (Bank Indonesia MSME & Sharia Economic Festival) for three days led by practitioners, teachers, and Islamic boarding schools.²⁸ Since 2012, the Regent of Kab. Banyumas Ir. H. Husein encouraged the growth of funds for BAZNAS Kab. Banyumas from IDR two billion (2012) to IDR 11 billion in 2019. It is proven that BAZNAS Banyumas received the 2019 Baznas Central Java Award.²⁹

District economic growth Banyumas is also very good. According to data from the Bank Indonesia Purwokerto Regional Representative Office (KPw), the average economic growth reached 5.68 percent, above national economic

²⁷ A. et. al Dahlan, "The Political Challenge of Islamic Economic Development in the Jokowi Government, Indonesia," *IQTISHODUNA: Jurnal Ekonomi Islam* 13, no. 1 (2024): 81–100.

²⁸ E Widiyatno, "BI Purwokerto Gelar Fesmabi 2019," 2019.

²⁹ Suprijanto, "Baznas Banyumas Raih 2 Penghargaan Baznas Jateng Award 2019," 2019, <https://rri.co.id/purwokerto/berita/banyumas/>.

development. Meanwhile, the inflation rate in Purwokerto City in 2019 was only 2.28 percent (yoY), which was below national inflation.³⁰

The local government has also issued Perbup 110/2021 concerning the Procurement of BLUD Directors from Other Professional Personnel. The existence of BLUD is beneficial politically with the managerial delegation of various BUMD (Regional-Owned Enterprises) that have the potential to be managed professionally in various aspects, especially financial aspects. The existence of BLUD can also be used politically as a strategic policy to increase the halal value chain in Purwokerto City.

b. Social Condition

Banyumas Regency, with a Muslim population of 1,774,332 people, has a very large potential for driving demand for value chains from all sectors, especially the halal food, halal fashion, and halal tourism sectors. Purwokerto City, as an economic center, has great potential for this, especially in the distribution of manufactured goods and retail centers for various household goods.

This potential will be even greater if calculated using the population of the area around Banyumas Raya, which includes Purbalingga, Kebumen, and Cilacap. Then, the potential for the halal value chain towards the Purwokerto Halal City Area will be even greater.

Many socio-religious organizations have developed in Purwokerto, the largest of which are Nahdhatul Ulama (NU), Muhammadiyah, and Al-Irsyad. The minority organizations are Islam Jama'ah, Salafi, Jama'ah Tabligh, and Hizbut Tahrir Indonesia (HTI) Purwokerto. Although HTI has been banned by the government as an organization, its followers still exist in society. Abdul Rohman's research shows the existence of minority Islamic organizations, although they are less able to establish openness and connections.³¹ However, culturally, they are very enthusiastic about participating in developing the Islamic economic system, especially in Islamic banking.

Also, Islamic educational institutions such as Islamic boarding schools, madrasahs, and Islamic schools located in Purwokerto are developing very well in terms of quantity and quality. This condition is a potential halal chain that is crucial to synergize into a force towards the concept of the Purwokerto Halal City Area.

c. Economic Sources

Purwokerto is an extensive economic center. The Pasar Wage primary market consists of several blocks, some open 24 hours a day, super malls, and halal food in various upper classes, such as national and international brand restaurants. This potential and existence are only available in some cities in the western part of Central Java.

³⁰ E Widiyatno, "Pejabat Kepala BI Purwokerto Dikukuhkan," 2020, <https://www.republika.co.id/berita/q5btdy291/pejabat-kepala-bi-purwokerto-dikukuhkan>.

³¹ A Rohman, "Karakter Kelompok Aliran Islam Dalam Merespons Islamic Social Networking Di Kabupaten Banyumas," *Jurnal Pendidikan Karakter* 4, no. 2 (2014): 200–2012.

Regional Regulation No. 21 of 2003 concerning the Spatial Planning of the Province of Central Java states that the Central Java regional government has planned Purwokerto to be part of the strategic growth area development center. The follow-up to this planning is the formation of the BARLINGMASCAKEB (Banjarnegara, Purbalingga, Banyumas, Cilacap, and Kebumen) autonomous body. With the planning of the Purwokerto area as a growth center, the formation of the candidate for Purwokerto City has positive aspects in the form of:

- 1) The city will be a medium for attracting investors to do business in the Purwokerto area because the consequence of the city's emergence is an increase in supporting infrastructure facilities and the town's infrastructure
- 2) It is triggering and spurring growth in the area around Purwokerto.³²

The strength of Purwokerto City's economic resources also comes from the economy in the tourism sector; there is a Baturraden tourist complex that includes Wayang Museum, Husada Kalibacin, Pancuran three, Pancuran seven, Wanawisata, Telaga Sunyi, Bumi Perkemahan, Curug Cipendok, Curug Ceheng, Saka Tunggal Mosque, Curug Gede. While in the center of Purwokerto city against the Andhang Pangrenan Recreation Park, Taman Mas Kemambang, there are many financial institutions under the control of Bank Indonesia and the Financial Services Authority, which have offices in the city of Purwokerto.

2. Weaknesses

a. Political Aspects

The national policy that has issued many regulatory instruments and rules that encourage the development of the halal industry in Indonesia has yet to be optimally implemented in the form of regional regulations in the Purwokerto area. Socially, the potential for the halal value chain in the city of Purwokerto has been formed in several sectors.

The local government's role as a policy maker in encouraging the creation of a halal city area in Purwokerto City is still mostly incidental. There has yet to be a regional governance system, so the halal industry's potential can be identified.

However, this weakness also occurs in other aspects, where the Banyumas Regency Government, as the parent of Purwokerto City in the last few years, has not made many innovations in city development that are ready to move towards modern progress and is easily accessible to the public.

b. Social Conditions

The number of Muslim residents of Banyumas Regency, which reaches IDR 1,774,332, is enormous. However, most people still need to understand the importance of the halal value chain as a movement or business concept that is

³² Sri Nugroho and Suprapto, "Potensi Daerah Purwokerto (Analisis Kesiapan Menjadi Kota Purwokerto)," *Eko-Regional* 2, no. 1 (2007): 9–16.

very useful for developing an economy based on halal industry and a city, especially the town of Purwokerto.

There is no public space that provides knowledge of various products that lead to the promotion of Islamic financial institutions, halal products, or halal food. So socially, the halal value chain runs based on tradition and assumptions because the majority of the Purwokerto City community is Muslim, so automatically, related things will also lead to halal products. Halal food is traditionally impossible to market in Purwokerto City. However, in terms of potential, several culinary traders may need to pay attention to the halal aspect of the food they sell.

The social potential that has yet to be integrated into the halal value chain's development is the population's migration to Purwokerto City, which can be used as infrastructure development and the quality of human resources who understand and affirm the halal value chain. Meanwhile, the potential for scientific solutions can be explored in the role of universities, which are also developing rapidly in Purwokerto City. There are three Islamic Universities, four non-Islamic universities, two Information Technology Universities, seven colleges, and two polytechnics (Universitaspendidikan.com, 2021). This number is a social potential that has not developed much in other areas, but their presence in Purwokerto City has not become an essential part of the development of the halal value chain

c. Economic Sources

The movement of economic or business activities strengthens the empirically developed halal value chain in Purwokerto City. However, this needs to be more sustainable, sporadic, individual, and coordinated by a social or government institution. So, there has yet to be an official mapping of several clusters and sectors of economic activities that are based on or contain elements of halal food, halal fashion, halal destinations, or Islamic finance to be used as Purwokerto City's strength in building a halal value. Thus, the fundamental weakness of the halal value chain potential in Purwokerto City is that economic and business development that leads to the halal sector is still natural and has not been conceptualized in an integrated manner into the policies and strengths of the local government in encouraging Purwokerto as a Halal City Area. If this is not anticipated, the formation of the halal value chain will become increasingly weak. It will no longer be a common interest between the community, economic actors, and the government.

3. Opportunities

The concept of Purwokerto Halal City has yet to become a significant policy project in other cities close to Purwokerto, so it is a potential idea to be developed by the Banyumas Regency Government as the parent of Purwokerto City. This opportunity is based on the economic capital of Purwokerto City as an area that has a lot of tourist destinations and has regularly become a tourist destination for the general public; where after COVID-19 passed, the number of

tourists in Purwokerto City and its surroundings reached more than one million in 2022 (table 1)

Table 1. Number of Visitors of Tourism Object Owned by The Government of Banyumas Regency, 2020-2022³³

No	Obyek Wisata Tourism Object	2020	2021	2022
1	Taman Rekreasi Andhang Pangrenan	36.920	22.266	56.607
2	Taman Hiburan dan Rekreasi (THR) Panglima Besar Soedirman - Karanglewas	21.538	38.578	77.716
3	Museum Wayang - Banyumas	3.435	1.391	15.167
4	Pemandian Tirta Husada Kalibacin - Rawalo	2.264	5.995	10.126
5	Gedung Kesenian Soetedja	6.150	680	9.815
6	Lokawisata Baturraden	262.445	179.268	408.476
7	Taman Apung Maskemambang	94.920	60.198	274.427
8	Menara Teratai	NA	NA	165.110
9	Taman Botani - Baturraden	NA	NA	3.400
10	Bumi Perkemahan Kendalisada - Kalibagor	1.133	800	2.040
11	Curug Gemawang - Somagede	20.000	798	321
12	Kolam Renang Tirta Kembar Utara	2.423	-	12.692
	Banyumas	451.228	309.974	1.035.897

Halal tourism is the most significant opportunity the Banyumas Regional Government can use to build a halal value chain in Purwokerto City by involving the vast and varied halal food sector. Meanwhile, the Islamic financial institution sector is an opportunity used as a supporting sector in developing halal infrastructure, such as cooperation with MSMEs engaged in the halal industry or halal food with the ease of applying for financing to Islamic banks. Another opportunity is the existence of non-governmental organizations (NGOs) such as the Islamic Economic Community (MES), the Anti-Usury Community, ASBISINDO (Association of Indonesian Islamic Banks) in the Purwokerto and Banyumas Raya regions, as well as the existence of universities whose numbers are enormous. Their existence is an opportunity for the government as a partner and driving force for realizing Purwokerto as a Halal City Area by developing a halal value chain.

4. Threats

Halal value chain management is a concept that manages the business ecosystem based on the trade sector and access to halal tourism and finance.³⁴ The development and changes in society's increasingly complex lifestyle are

³³ Dinas Komunikasi dan Informatika Kabupaten Banyumas, "Jumlah Pengunjung Obyek Wisata Yang Dikelola Oleh Pemerintah Kabupaten Banyumas 2020-2022," n.d., <https://dimassatria.banyumaskab.go.id/gerbangdata/statictable/16/pariwisata/534/jumlah-pengunjung-obyek-wisata-yang-dikelola-oleh-pemerintah-kabupaten-banyumas-2020-2022>.

³⁴ Muslihati, "Milenial Sebagai Penggerak Ekosistem Halal Value Chain Di Indonesia," in *Study of Scientific and Behavioral Management (SSBM)*, vol. 1 (2), 2020, 45-55.

real challenges, but they are also factors that can facilitate the development of the halal value chain in Purwokerto City.

Building a halal value chain is not enough to build public confidence in the halalness of products as a teaching system, as explained in Q.S. al-Baqarah (2) verse 173, which means:

Materials that Allah forbids are carcasses, blood, pigs, and animals slaughtered in the name of other than Allah".

Another challenge is the involvement of Islamic financial institutions that must be consistent and continuously involved in building the halal value chain in Purwokerto City because they have a crucial role in forming the halal industry ecosystem. Rachman et al.'s writing explain that a halal ecosystem is needed to create a halal industry; this characteristic is seen in raw materials and production and includes finances covered by regulatory strength.³⁵³⁶

Challenges also come from stakeholders engaged in halal tourism in Purwokerto City. Many private parties are involved in developing tourist destinations, including Palawi, off-road rides, Limpakuwus pine forest, The Village, Small World, and Melung, all managed by the private sector and tourist villages. This tourism is attractive because if the local government does not take an intensive approach to forming a halal value chain in Purwokerto City, then the integration of the halal ecosystem as the basis of the halal value chain will be complex to integrate as a socio-economic force.

Conclusion

From several data that have been explained descriptively-qualitatively and using the SWOT approach, it can be concluded that the potential for the halal value chain in Purwokerto City is as follows:

Culturally, several sectors of the halal value chain, which include halal food, Islamic finance, halal lifestyle, and other supporting infrastructure in forming the halal value chain, have been running very evenly in several regions. The development is very comprehensive and dynamic because it is organized in one area at a time, especially in the aspect of halal food, which is distributed according to the tastes of the market or consumers, as well as Islamic finance, which is mainly located along the main road, namely Jalan Soedirman.

There are still structural areas for improvement, namely specific policies regarding the halal value chain. It means that the regional government politically has not provided many regulations or in-depth analysis of the change in the Purwokerto City as a "Halal City Area".

Sociologically, many people still need to familiarize themselves with the halal value chain. Thus, elements such as halal food, Islamic finance, and halal

³⁵ Kholifatul Husna Asri and Amin Ilyas, "Strengthening the Halal Value Chain Ecosystem as the Development of the Halal Industry Towards Era 5.0," *Alif: Sharia Economics Journal* 1(1), 2022, 37-47.

³⁶ M A Rachman and Syamsuddin, "Halal Industry in Indonesia: The Role of Sharia Financial Institution in Driving Industrial and Halal Ecosystem," *Al-Iqtishad, Journal of Islamic Economics* 11, no. 1 (2019): 35-58.

lifestyle are still running as normal economic activities that must be made known among the public. Their existence is part of encouraging the development of the halal value chain in Purwokerto City.

The above several factors lead to the initial conclusion that Purwokerto City has all sectors of the halal value chain that are complete and comprehensive, leading to the formation of the concept of a "Halal City Area."

Author's Contribution

Sochimin and Wildan: Contribute to formulating research ideas, collecting data, processing data, and interpreting data.

Naerul Edwin Kiky Aprianto: Contributing to writing systematics and research methods.

Ahmad Dahlan, Muhammad Sirajuddin Qahtan Hamdan: Contributed to analyzing and interpreting the discussion and proofreading the language.

Acknowledgements

The author is grateful to those who helped in the completion of this article, especially during the data collection process and article review.

Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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