

Enhancing the Poor's Welfare by Downstreaming the Halal Sector from an Islamic Legal Point of View

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ABSTRACT

Downstreaming has emerged as a crucial tactic for increasing economic value and community welfare in the halal industry. However, there are some obstacles to halal industry downstreaming, including as small business owners' restricted access to funding, technology, halal certification, and marketing networks. Consequently, disadvantaged communities have not reaped the full economic benefits. The purpose of this article is to examine, via the lens of Islamic law, the idea of halal industry downstreaming as a means of improving the economics of poor communities. In order to investigate Islamic wealth distribution principles, economic fairness, and *maqāṣid al-sharī'ah*, this study employs a qualitative methodology and a literature review technique. The results suggest that by boosting microbusinesses, enhancing product value addition, and creating more job possibilities, the downstreaming of the halal industry which is founded on Islamic principles can promote economic equality. In conclusion, incorporating Islamic legal concepts into the downstream halal industry could serve as a model for inclusive economic development that aims to improve social welfare and reduce poverty.



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INTRODUCTION

Poverty is one of the main barriers to economic development in many countries, including Indonesia. Even though economic growth has expanded several times, not all societal segments particularly disadvantaged communities have benefited equally from advancements. This requirement implies that in addition to increasing output and investment growth, economic development should address concerns of equity, fair distribution, and community empowerment. In the context of sustainable development, an economic strategy that can provide value and provide low-income communities with the opportunity to participate in profitable economic activities is essential. (A. Daryanto and Sahara, 2021).

One of the strategies Indonesia is currently supporting for economic growth is industrial downstreaming. Downstreaming is the process of increasing the value of commodities through additional processing activities to produce things with a higher economic value than raw materials. Although downstreaming rules are often associated with the natural resource industry, this concept also has a significant positive impact on the expansion of the halal industry. In addition to food and beverages, the halal industry also includes cosmetics, pharmaceuticals, fashion, travel, banking, and other halal-compliant products and services. The expansion of the halal industry downstreaming has the potential to create jobs, improve the competitiveness of micro and small firms, and expand economic access for disadvantaged groups. (A.A. Patunru and S. Rahardja, 2022).

Islamic law mandates that economic activity consider not only financial advantages but also social balance, fairness, and public welfare (*maṣlaḥah*). The concept of *maqāṣid al-sharī'ah* prioritises the protection of wealth (*ḥifḍ al-māl*) and the fulfilment of basic human necessities in order to attain social wellbeing. (M.M. Rahman and G. Mohiuddin, 2023). Therefore, halal business downstreaming can be regarded as an economic strategy that is consistent with the objectives of Islamic law when it can yield broader economic gains, improve community independence, and reduce social inequity. The expansion of Indonesia's halal business is still hampered by a variety of issues.

Many micro and small business players, particularly those from economically disadvantaged groups, have been unable to participate in the halal industrial value chain due to limited access to financing, production technology, halal certification, management skills, and marketing networks. (M.M. Khan and F. Faisal, 2024). As a result, the economic potential of the halal sector has not yet fully improved the welfare of disadvantaged communities. This issue emphasises the need for studies that examine the halal industry's downstreaming from an Islamic legal and economic perspective as a foundation for equitable economic growth.

This study aims to assess the concept of halal industry downstreaming from the perspective of Islamic law and explore its potential as a strategy to improve the welfare of impoverished people. The purpose of this study is to elucidate how Islamic legal principles more especially, economic justice, wealth distribution, and *maqāṣid al-sharī'ah* can serve as cornerstones for developing a more inclusive halal enterprise. (H. Hasan, M. Muhammad, and H.A. Rehman, 2021). In addition to increasing the economic value of products, this project aims to expand understanding of how downstreaming in the halal industry may be utilised to empower marginalised people.

This study presents a novel perspective on contemporary Islamic law studies by connecting the concept of halal industry downstreaming to concerns of poverty reduction. The halal status of products, halal certification, and the compliance of business actors with rules have been the main focus of previous study on Islamic law and the halal industry. This study expands the discussion by introducing the halal industry as a part of a socioeconomic development strategy aimed at improving community welfare. Practically speaking, this study is expected to provide recommendations to governments, Islamic economic organisations, and halal industry stakeholders for developing policies that could improve the involvement of disadvantaged groups in the halal sector value chain. (H. Savitri and D.A. Kurniawati, 2021).

Previous studies have addressed the relationship between Islamic economics and social wellbeing. Research on productive zakat demonstrates that Islamic social instruments can increase the economic independence of underprivileged communities through empowerment measures rather than merely providing consumptive relief. (L.D. Arsyianti, I.S. Beik, 2022). Other studies on productive waqf have shown that Islamic social assets can serve as alternative funding sources for regional economic growth. Additionally, studies on the halal industry reveal that it has a lot of potential to increase economic growth by expanding into new markets and increasing the value-added of its products.

Because most studies separate the development of the halal industry, Islamic economics, and poverty alleviation into separate domains, previous research has limitations. (A. Sengupta and H. Hassan, 2021). Studies that specifically look at halal industry downstreaming as a way to improve the welfare of impoverished areas in compliance with Islamic legal rules are still scarce. Thus, this study introduces innovation by integrating the concepts of halal industry downstreaming, *maqāṣid al-sharī'ah* principles, and social welfare goals into a unified analytical framework. (A. Wahab, Waris, and D.R. Anwar, 2024).

The attempt to view halal industry downstreaming from the perspective of Islamic law as a development instrument that encompasses features of social justice in addition to being a commercial method for boosting product value is what makes this paper special. Using this approach, the study

emphasises that the success of the halal business should be assessed not just by market growth and financial profitability but also by its ability to produce equitable benefits, expand economic opportunities, and raise living standards in impoverished areas.

RESEARCH METHODS

This study employs a qualitative research technique and a library research strategy. This approach is used to investigate the concept of halal industry downstreaming from the perspective of Islamic law and its relevance to improving the welfare of disadvantaged groups. Bowen, G.A. (2021). The study examines a range of literary sources concerning Islamic law, downstreaming policies, halal economics, *maqāṣid al-sharī'ah*, and conceptions of communal empowerment using a normative-conceptual approach. The population of this study consists of all publications and literature that discuss the relationship between the halal industry, Islamic law, and poverty alleviation. By selecting relevant sources, such as Islamic law books, scientific journal articles, halal economy reports, government regulations pertaining to the halal industry, and scholarly publications addressing social welfare and the empowerment of underprivileged communities, purposeful sampling is used to determine the research sample. Data collection is done utilising documentation procedures by identifying, classifying, and reviewing several sources relevant to the research issue. The data are analysed using content analysis techniques through several stages, such as data reduction, data presentation, conceptual interpretation, and conclusion drafting. The analysis connects Islamic legal ideas, particularly *maqāṣid al-sharī'ah*, with the idea of halal business downstreaming as a strategy to increase economic value-added and empower underprivileged areas. (M. Zahraa, 2021). The results are then utilised to create a conceptual model of halal industry downstreaming that emphasises social welfare and economic justice.

Table 1. Characteristics of Research Data Sources

No	Type of Data Source	Number of Sources	Percentage (%)	Description
1	Scientific journal articles related to Islamic law and halal economics	7	43.75	Discusses <i>maqāṣid al-sharī'ah</i> , halal industry, and social welfare
2	Reference books on Islamic law and Islamic economics	8	18.75	Provides theoretical foundations for Islamic legal concepts
3	Government regulations and policies related to the halal industry	12	12.50	Includes halal industry policies and economic development regulations
4	Halal economy and poverty reports	9	18.75	Explains halal industry development and socio-economic conditions
5	Proceedings and other academic documents	13	6.25	Provides supporting information for the analysis
Total		49	100	

RESULTS AND DISCUSSION

When the halal industry is grounded on Islamic legal principles, such as economic empowerment, economic fairness, and *maqāṣid al-sharī'ah*, it can strategically improve the welfare of underprivileged places. The analysis of Islamic legal literature, halal industry rules, and Islamic economic research revealed several key components that highlight the relationship between halal industry downstreaming and improving community welfare. (A. Abidin, F. Firmansyah, H. Hasani, and F. Fadllan, 2025). Because the provided research data has undergone classification and content analysis techniques, it is processed findings based on the study indicators rather than raw data.

Table 2. Islamic Values in the Downstreaming of the Halal Industry

No	Downstreaming Process	Analytical Findings	Islamic Legal Principle	Contribution to Poverty Alleviation
1	Conversion of Raw Materials into Halal Goods	Through processing, innovation, and quality enhancement, halal industry downstreaming raises the economic worth of regional resources.	The halal and <i>ṭayyib</i> principles highlight the need for economic activity to be both beneficial and harm-free.	gives underprivileged communities the chance to engage in higher-value economic pursuits.
2	Strengthening Halal MSMEs	Through empowerment initiatives, small and medium-sized businesses join the manufacturing and distribution chain of the halal industry.	in line with Islamic concepts of <i>ta'āwun</i> (mutual collaboration) and economic justice.	decreases poverty, boosts economic independence, and generates entrepreneurial opportunities.
3	Growth of Halal Entrepreneurship in the Community	Local communities are encouraged by halal entrepreneurship to create autonomous companies with access to markets, technology, and expertise.	The idea of <i>ta'āwun</i> , or mutual aid, represents a shared obligation to enhance societal welfare.	lessens structural poverty and boosts economic freedom.
4	Increasing Equitable Economic Distribution	By integrating producers, labourers, distributors, and local communities, downstreaming expands economic circulation.	Islam's distributive justice concept forbids undue wealth concentration.	promotes the fair allocation of financial gains among community members.
5	Halal Economic Development That Is Sustainable	Government, corporate actors, financial institutions, and communities must work together to create a sustainable halal ecosystem.	Long-term public benefit (<i>maṣlaḥah</i>) is emphasised by <i>Maqāṣid al-sharī'ah</i> .	encourages further advancements in poverty alleviation and community wellbeing.

Table 1's analytical findings demonstrate that downstreaming the halal industry is essential to creating a system that empowers impoverished areas economically through several interconnected phases. Downstreaming encourages community involvement in the halal manufacturing value chain in addition to increasing the economic value of commodities. Small communities have the opportunity to expand their companies and make more money through the transformation of basic materials into more valuable halal goods.

Incorporating small producers within the halal industry's value chain also contributes significantly to improving the economic accessibility of underprivileged populations. This need is in line with the *adl* principle of fairness, which gives equal economic opportunity first priority, according to Islamic law. The concept of *ta'āwun* is also reflected in the expansion of community based halal entrepreneurship through cooperation between corporations, governments, financial institutions, and communities. (M.M. Khan and F. Faisal, 2024).

The findings imply that, in addition to raising production capacity, the halal industry's capacity to produce a more equitable distribution of economic benefits should be taken into account. This is consistent with the concept of *maqāṣid al-sharī'ah*, namely the achievement of public welfare (*maṣlahah*) through protecting wealth and improving community welfare. Therefore, halal industry downstreaming can be a vehicle for sustainable poverty reduction and equitable economic development. The goal of economic action must be to achieve human well-being (*maṣlahah*).

The concept of *maqāṣid al-sharī'ah* makes it clear that economic expansion should protect five fundamental objectives of Islamic law: the preservation of religion (*ḥifḍ al-dīn*), life (*ḥifḍ al-nafs*), intellect (*ḥifḍ al-'aql*), lineage (*ḥifḍ al-nasl*), and wealth (*ḥifḍ al-māl*). In the downstreaming of the halal business, *ḥifḍ al-māl* is crucial because it can improve product value-added and increase community economic capability. When impoverished communities have access to halal-producing businesses, they can become active participants in the economy rather than merely recipients of cash assistance. (D.R. Widiyanti and D. Kadji, 2023).

The findings also show that the main obstacles to the growth of the halal industry downstream are underprivileged groups' restricted access to capital, technology, halal certification, and markets. Many small business players still have low-value economic positions as a result of these conditions. Therefore, halal industry downstreaming requires integrated empowerment measures such firm support, Islamic financial support, expedited halal certification processes, and supporting local economic institutions. (A. Aziz, N. Wulandari, and Wartoyo, 2024).

These findings are consistent with past studies showing that halal economic development fosters economic growth and job creation. Research on zakat and productive waqf also demonstrates how Islamic economic instruments can empower underprivileged communities to become more self-sufficient. This study and previous research are similar in that Islamic economics focuses on developing an economic system that can increase community competence in addition to delivering help. However, this study differs from other previous studies. Prior research has generally focused on Islamic social finance, waqf, or zakat as the primary means of alleviating poverty. On the other hand, this study expands the perspective by portraying halal industry downstreaming as a mechanism for economic growth that connects the production, distribution, and community empowerment sectors. (M.K. Rahman, N. Suleiman, and M.H. Ali, 2022). Thus, this study makes a novel contribution by viewing the halal industry as both a consuming sector based on religious adherence and a means for economic transformation among underprivileged people.

The study's conclusions also demonstrate that, from the perspective of Islamic law, the downstreaming of the halal industry depends on the use of fair economic distribution rules. In addition to the increase in the number of halal items or the value of economic transactions, it is important to assess the extent to which lower-income groups profit economically from the halal industry. According to Islamic teachings that prohibit the concentration of wealth among particular groups (*dulatan baina al-agniyā*), a more equitable system of economic distribution is essential. (M.M. Hanefah and A.M. Sarea, 2023).

Downstreaming the halal industry can be an alternative strategy for lowering poverty when it is concentrated on inclusive economic growth. Integrating Islamic legal concepts with downstreaming policies can create an economic system that prioritises social welfare, sustainability, and justice in addition to prosperity. This study backs up the idea that the halal industry can deliberately aid in the

development of impoverished communities by employing a sharia-based, empowerment-focused approach.

CONCLUSION

The study's findings indicate that downstreaming the halal industry has strategic potential as a tool for uplifting underprivileged communities when established in compliance with Islamic legal rules. Downstreaming not only improves the product's value-added but also increases local communities' involvement in the halal industry's value chain and creates jobs and economic possibilities. According to the perspective of *maqāṣid al-sharī'ah*, the expansion of the halal industry must be concentrated on attaining equitable economic distribution, protecting wealth (*hifḍ al-māl*), and advancing public welfare (*maṣlahah*). The results demonstrate that the effectiveness of halal sector downstreaming is significantly impacted by the ability to incorporate manufacturing, financing, halal certification, technology, and marketing components that are accessible to impoverished areas. With the use of an inclusive downstreaming strategy, impoverished communities can become active participants in the economy rather than merely recipients. This finding lends credence to the notion that Islamic economics functions as a sharia-compliant transaction system as well as a social development approach aimed at improving welfare. Therefore, halal industry downstreaming may be an alternative strategy for long-term poverty alleviation from the perspective of Islamic law. It is necessary to implement policies that make it easier for underprivileged groups to access the halal sector ecosystem in order to promote equitable, inclusive, and social welfare-focused economic development.

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