

Optimizing Sharia Insurance in Building Halal Value Chain

Arisy Abror Dzukroni¹ Mukhamad Yazid Afandi²

^{1,2} Sunan Kalijaga State Islamic University, Yogyakarta

✉ dzukronia@gmail.com¹, yazidafandi99@gmail.com²

Abstract : *The phenomenon of the halal lifestyle demands modern society to fulfill sharia principles in almost all aspects of life. In order to improve the quality of halal integrity to reach the global market potential of US\$ 2.3 trillion, a system is built that can accommodate halal products. In the end, a halal value chain was formed that could integrate various companies and industries to work hand in hand to build a halal ecosystem. One aspect that cannot be abandoned in the development of the halal ecosystem is the financial sector in which transactions and financial mobilization occur. Of course, the system used is Islamic finance, in accordance with the principles of the halal value chain. One of the Islamic finance sectors is sharia insurance. In general, insurance is used as a guarantee if one day there is a loss to the related party. The halal industry certainly does not guarantee the avoidance of business actors from losses. From this, it can be understood that Islamic insurance plays a vital role in developing the halal value chain. Therefore, further research is needed regarding the identification of the role of Islamic insurance in optimizing the halal value chain. This research using qualitative methods and library research aims to analyze the role of sharia insurance in developing the halal value chain. The results found that almost all halal value chain clusters such as food and beverage clusters, halal tourism, fashion, cosmetics, and recreational media require sharia insurance to develop the halal value chain. This is because sharia insurance can guarantee the continuity of sharia-based businesses if there is an unthinkable loss one day. The government needs to pay more attention to implementing the Islamic financial system, one of which is sharia insurance, if it wants to create a halal ecosystem in Indonesia.*

Keywords : *Halal industry, halal value chain, sharia insurance.*

Received
2022-09-21

Revised
2022-12-20

Accepted
2022-12-31

1. INTRODUCTION

Muslim population worldwide, according to Pew Research Center's Forum on Religion and Public Life has reached 1.9 billion people, or roughly 24% of the world's total population of around 8 billion (Dinar Standard, 2020). The Muslim population is spread worldwide, comprising 56 Muslim-majority countries. The potential of Muslim consumers can be seen in the total global Muslim expenditure (Adinugraha, Sartika, & Ulama'i, 2019). In 2019, around USD 2.2 trillion was spent by global Muslim consumers (Harahap, Nurul Izzah, & Muhammad Ridwan,

2022). Indonesia is the largest Muslim country in the world, with a total of 231 million Muslim population, or nearly 13 percent of the world's Muslim population (Hafizd, 2022). The demand for halal products and services in the global market has increased significantly, impacting the need to develop a halal system. The global halal market will reach USD 2.3 trillion in the next five years and is expected to grow (Antonio, Rusydiana, Laila, Hidayat, & Marlina, 2020).

Halal lifestyle is currently being liked by many people in various countries, not only in Muslim-majority countries but also in Western countries with Muslim minority populations. Awareness of the importance of halal compliance is increasing at a global level. The fulfillment of halal products in food or other sectors is no longer just a belief in religion but has reached other dimensions of human life such as health, economy, and security (Astuti, 2020). The existence of a halal lifestyle in this modern era demands halal assurance in the production chain (Annisa, 2019).

Marco Tieman, an expert in halal studies, said that there are four stages of halal evolution that people need to go through. The four stages of evolution are Muslim company, halal product, halal supply chain, and halal value chain (Tieman, 2011). At the Muslim company level, halal production is only based on trust. A Muslim buys a product from another Muslim who has the responsibility to his Lord to ensure that the food or product he sells is halal. At the halal product level, halal certificates are the basis of consumer trust. At the halal supply chain level, the halal label is a guarantor of the halalness of the entire supply chain process. As for the halal value chain level, halal value covers all related aspects (Tieman, 2011).

Some of the challenges faced by various developing countries in the halal industry to reach the halal value chain stage include the scarcity of researchers who focus on halal research, the scarcity of food product scientists, and irresponsible people who control natural resources. The halal value chain occurs when various countries and multinational companies cooperate to maintain halal integrity from the source to the consumer (from seed to fork). In addition, to deal with high fluctuations in the value of the Euro and Dollar, international Islamic currencies become the ideal currency when used in halal trading activities (Tieman, 2011). With an excellent halal value chain, a halal ecosystem will be created, eventually making Indonesia the world's halal center while Malaysia currently holds first place (Dinar Standard, 2020).

In supporting the growth of the quality and quantity of the halal industry, of course, a support system is needed. One of the supporting systems for the halal ecosystem is the economic sector. However, not just conventional economics in general, but Islamic economics based on Islamic values. The right strategy in developing the sharia economy will help strengthen the halal value chain, especially in Indonesia (Ahla, 2020). Indonesia, with the world's largest Muslim population, should regulate the sharia economy to guarantee the people's rights and needs. Sharia economic activity is conducting transaction and financing activities that do not violate sharia principles (Ahyar & Abdullah, 2020). Currently, Indonesia is ranked sixth in the Islamic economic sector with a value of 111.6 (Dinar Standard, 2020).

Sharia insurance is one of the sharia economic products that have a significant role in the social and economic fields of the Muslim community. Ma'ruf Amin, an expert in sharia economics, said that current sharia insurance has the

opportunity to play a significant role in the development of the halal value chain, both through halal products and sharia finance. The ASEAN Framework Agreement on Service (AFAS) aims to realize market openness in ASEAN countries and opens up opportunities for Islamic insurance to participate in it (Fahlevi, 2017). Several sharia insurance companies in Indonesia are starting to open their eyes to pay more attention to the halal industry to realize the halal value chain (Pressrelease.id, n.d.). Among the sharia insurance companies is Zurich Syariah (Puspaningtyas, 2021).

In contrast to conventional insurance, Islamic insurance uses Islamic principles to carry out its activities. Among the properties of conventional insurance that Islamic insurance avoids are *gharar* and interest. Using transaction models based on Islamic philosophy such as *wakalah bil ujroh*, *mudharabah*, and *tabarru'*, sharia insurance protects its customers from transactions and actions that violate sharia principles (Abdullah, 2018). This study seeks to analyze the distinction offered by sharia insurance over general insurance that has been running previously and to what extent sharia insurance can help build a halal value chain.

2. RESEARCH METHODS

This research uses descriptive qualitative research methods and logical analysis methods. With a library research approach, this study obtains secondary data which information obtained not from primary data sources such as interviews and observations, but from written sources such as books, journals, documents, magazines, and so on. Documentation is a technique used to collect data from secondary sources. Data validity will be obtained by collecting, selecting, and processing data. As already mentioned, that research using a qualitative approach aims to understand more deeply social phenomena and the subject's point of view (Apriantoro, Rahayuningsih, & Sarwanto, 2022). The data analysis of research uses analytical method by doing data collection, data reduction, data display, and conclusion or verification.

3. RESULT AND DISCUSSION

3.1 Halal Value Chain and Islamic Finance

a) Measuring the Probability of Halal Value Chain in Indonesia

Before going further into the halal value chain, we must first understand what a value chain means. The term value chain is often used to assess a company's performance. The value chain can be constructed based on a standard format consisting of three interacting elements: processes, information, and actors (Noordin, Noor, Hashim, & Samicho, 2009). According to Atkinson, the value chain is a sequence that contributes more to the final value of a product, so that all processes that go through the flow of the value chain, such as observation, development, engineering, and manufacturing activities, up to the customer have higher standards and value (Permatasari, Basith, & Mulyati, 2018). Other sources say that the value chain is a series of different activities of the company, the interaction between related activities, and how a company generates revenue in a particular business environment (Kesuma, 2020). So it can be said that the halal value chain is broadly an ecosystem that includes several industrial sectors from

upstream to downstream industries that are in accordance with sharia principles (Ahla, 2020).

Indonesia itself has such great potential to welcome the halal ecosystem. Each region in Indonesia has its potential that needs to be mapped to form an appropriate strategy. For example, in Eastern Indonesia, several potentials that can be developed include integrated farming, woven fabrics, local handicraft products, and tourism. In Sumatra, the owned natural potential can continue to develop into tourism and local products. The island of Java has a variety of regional industries and developments in the Islamic economy and finance that are superior to other regions. The development of a halal ecosystem through the halal value chain can accommodate these various potentials and then develop it into a halal industry to form a halal ecosystem. One aspect that cannot be abandoned in the development of the halal ecosystem is the economic sector in which transactions and financial mobilization occur. On the one hand, the sharia economy provides various sharia-based transaction products; on the other hand, the middle-class Muslim community needs services that can meet sharia principles. In conditions like this, the halal value chain can connect the two sides of supply and demand (Saputri, 2020).

In order to achieve the vision as the center of the world's sharia economy, it is necessary to strengthen the halal value chain in which a number of industries are needed by the community and are divided into several clusters. Referring to the Sharia Economic Masterplan, some of these clusters are halal food and beverages, halal tourism, Muslim fashion, halal media and recreation, halal pharmaceuticals and cosmetics, and renewable energy. Each cluster has different industrial sectors in the halal value chain system. For example, the halal pharmaceutical and cosmetic cluster require an animal content detection industry, downstream chemical industry, organic and inorganic chemical industry, and several other industries. This is different from the halal tourism cluster, which requires the media and recreation, food and beverage, hotel, and modest fashion industries (Bappenas, 2018). However, apart from the differences in industry needs, it is noted that all of the above clusters require the Islamic finance industry as one of the aspects that must be met in the development of the halal value chain.

b) Islamic Finance in the Halal Value Chain Framework

The global institute (Thomson Reuters) publishes the potential of Muslim consumption for various consumer products. The publication of the increase in the purchasing power of the world's Muslims affects the global economy. Previously, in the 2000s, the Islamic financial industry was focused on consumptive and highly competitive sectors such as food, lifestyle, tourism, and finance. In 2021, Islamic banking assets were projected to reach USD 3.5 billion. This figure is a huge number because there has been an increase of 75% for the Islamic finance sector, if calculated starting in 2015. Of the six halal industry sectors in the global scope, the halal food industry sector is a pillar of the halal industry because, in 2014 alone, the market share. This industry in the world reaches 17% and will continue to grow if it is accompanied by supporting global regulations and standards. Meanwhile, Muslim spending on the halal food sector in 2021 is estimated to reach USD 1.9 billion (Bappenas, 2018).

Another sector with no less potential continues to experience significant development in Islamic finance. Sharia economics is an act or business activity based on sharia principles. Sharia economics includes sharia banks, sharia insurance, sharia reinsurance, sharia mutual funds, sharia bonds and medium-term securities, sharia securities, sharia microfinance institutions, sharia financing, sharia pawnshops, and sharia business (Bappenas, 2018). Although the Islamic finance sector is still dominated by Islamic banking, there are other potential such as zakat, waqf, and crowdfunding. In addition, Islamic capital instruments such as shares and sharia Sukuk have also begun to be pleased by government institutions. The compound annual growth rate of Islamic banking reaches 11% every month.

According to the Global Islamic Economy Indicator 2020/2021, Indonesia still ranks sixth in the year in the Islamic finance category (Dinar Standard, 2020). Indonesia continued to improve the Islamic finance sector until in 2019, the Global Islamic Finance Report (GIFR) provided information that Indonesia was ranked first in the Islamic Finance Country Index (IFCI) with a score of 81.93, an increase from the previous year, which only reached a score of 24.13 (Saputri, 2020). This great potential needs to be accommodated to improve Indonesian Islamic finance. One of the instruments in Islamic finance is sharia insurance. Sharia insurance has a reasonably broad role in developing the halal value chain. Among its roles are minimizing risks in the food business, commercial tourism, Islamic capital markets, and social security.

3.2 Exploring Insurance Principles

a) Insurance as Social Security

According to Law No. 2 of 1992 about Insurance in The Commercial Law Code (KUHD) Chapter 9 Article 246, insurance is an agreement in which the insurer binds himself to the insured by receiving a premium, to compensate for the loss, or not obtaining the expected profit, which can be suffered due to strange events (Rosidah, 2010). Insurance plays a vital role in the economic development of a country. Insurance can not only collect large amounts of capital but can also empower these funds to be developed through investment schemes whose profits will return to the participants themselves. In addition, insurance can also be developed to help the country's development sector (Mubarrak, 2016).

Insurance has four main elements in its implementation: 1) the insured, someone who promises to pay the premium to the insurer either done all at once or gradually, 2) the insurer, namely the party who promises to pay compensation to the insured, 3) the event (accident), which is an uncertain event that can bring losses, 4) interest, which is possible to suffer losses due to an un-certain event. The uncertainty of an event is divided into several categories, namely economic uncertainty, the uncertainty of nature, and the uncertainty of human behavior (Thohari, 2011). Insurance's purpose is not to prevent loss or equity but to reduce the uncertainty of possible losses. Insurance can provide certainty to each member by leveling the cost of losses (Thohari, 2011).

Indonesia's insurance is divided into two systems: conventional insurance and sharia insurance. The two insurances are often considered the same but have very different fundamental philosophies. Conventional insurance, apart from what

has been stated in the legislation above, is an organization that accepts the transfer of risk and collects funds from its members to pay for the losses suffered by each member. Because of not all members are not sure to experience losses, members who have never experienced such losses are contributors (Thohari, 2011).

Conventional insurance does not use sharia values as its principle in its implementation. So, although, on the one hand, sharia insurance can guarantee a person's future, on the other hand, there are losses that someone must accept because the conventional system is not very careful about the benefit of the individual. The basic concept of conventional insurance is buying and selling between the company and the participant, where the participant pays a premium to the company every month to be disbursed if the participant receives a loss. If the participant does not experience a loss, then the premium money deposited to the company belongs to the company because, basically the money is transacted by buying and selling (Puspitasari, 2011).

In contrast to conventional insurance, which has the principle of buying and selling, Islamic insurance has the principle of helping and sharing risk. Sharia insurance, also known as *Takaful*, has the concept of responsibility and brotherhood among participants. Fatwa of the National Sharia Board-Indonesian Council of Ulama (DSN-MUI) No. 21/DSN-MUI/X/2001 about the General Guidelines for Sharia Insurance states that sharia insurance is "an effort to protect and help each other among some people or parties through investments in the form of assets or *tabarru'* which provides a pattern of returns to face certain risks through contract (engagement) in accordance with sharia" (Winarno, 2015).

Attention to the law of conventional insurance in Indonesia began in the late 1980s. The Mukhtar Tarjih Muhammadiyah Assembly meeting in 1987 in Malang, East Java, decided that all forms and types of conventional insurance containing *maisir*, *gharar*, and *riba* are legally haram. However, in the decision, insurance that is directly managed by the government, which still uses conventional systems such as Health Insurance (ASKES), and retirees (TASPEN), is allowed for a while because it contains benefits, although it is still proposed to use the sharia insurance system (Mubarrak, 2016).

b) The Distinction of Conventional and Sharia Insurance Principles

Each sharia and conventional insurance has several principles that are certainly different from each other. Conventional insurance has been known to have elements that are contrary to Islamic religious values, such as *gharar* (unclear), *maisir* (speculation or gambling), and *riba* (Winarno, 2015). However, here are some of the principles contained in conventional insurance: 1) Insurable interests, the principle states that the insured party (insured party) must have a financial relationship with the insured object; 2) Utmost Good Faith, namely that the insured must have good faith in insurance by explaining the actual conditions; 3) Indemnity, if there is a loss guaranteed in the policy, then the insurer has an obligation to restore the insured's financial position as before the loss occurred; 4) Subrogation, namely "if an insurer has paid full compensation to the insured, then the insurer replaces the insured's position in all cases to sue a third party who has caused a loss to the insured". (Article 284 of the KUHD); 5) Contribution,

if the insured has more than one policy on the same object (dual coverage), then in the event of a loss, the insured may not receive compensation that is more than the total loss; 6) Proximate Cause, the cause of the loss must be an unbroken cause and not intervened by other causes (Puspitasari, 2011).

In contrast to conventional insurance, Sharia insurance is based on accountability, fairness, transparency, and honesty. This is because if insurance is not based on honesty and transparency, it does not rule out the possibility of engineering and fraud. Of course, these two practices have violated Islamic values (Rosidah, 2010). Another version says that the principles of sharia insurance are mutual responsibility, cooperation, assistance, and protection (Latifah, n.d.). The following paragraphs is a description of some of the principles of sharia insurance.

Tauhid, every Muslim activity must be based on monotheism (*tauhid*) with no exception in muamalah. In other words, insurance must be based on the principle of monotheism and expect God's will. *Fairness*, which means that sharia insurance must be fair, including making patterns of relationships between customers and between customers and companies related to their respective rights and obligations. *Helping each other*, namely the basic principle of sharia insurance where fellow participants donate to each other (*tabarru'*) to benefit customers stricken by disaster. In other words, customers do not hand over their money to donate to the company like conventional insurance but leave it to the company to be given to other customers who are hit by a disaster. *Cooperation* between customers and companies to cooperate with each other. The cooperation that can be done can vary according to what contract was done when someone first got in touch. Among them are *mudharabah musytarakah* and *wakalah bil ujah* contracts. *Trust*, the companies are required to manage premium funds in a trustworthy manner. Likewise, customers must be trusted for what risks they accept. Mutual willingness ('An Ta-radhin), any transaction must be carried out based on the willingness of both parties. Customers are willing to pay premiums, and companies are willing to pay premiums to them.

Avoiding usury (riba), a prohibited act by religion, must be avoided from all transactions and muamalah activities, including sharia insurance. So, sharia insurance must implement a system of sharing risk (bearing the risk together) which leads to the *tabarru'* contract. That way, the element of usury will be lost when giving benefits (claims) to customers. *Avoid gambling (maisir)*, which can be a customer many times but can not make a claim in the end because there is no loss. This incident can occur in conventional insurance because it uses the transfer of risk (transfer of risk to the bank). *Avoiding vagueness (gharar)*, where the loss or risk is unclear so that the participant cannot know when he will get a claim. However, this can be avoided with the concept of *tabarru'* because fellow participants will help each other if one of them is affected by a disaster. *Avoiding bribery (risywah)*, the customers are not allowed to bribe insurance agents to get a claim or vice versa where the company bribes customers to get contribution money (Winarno, 2015). *Surrender and endeavor*, the customer always surrenders and strives for what he does. *Mutual responsibility*, all participants are mutually determined to be responsible for the calamity that befell one of them. *Protect each other and share hardships*, which means all customers must protect and share distress with other customers through monthly premiums (Puspitasari, 2011).

3.3 Optimizing Sharia Insurance Role in Halal Value Chain Project

The Sharia Economic Masterplan issued by Bank Indonesia (BI) states that every element of the halal value chain must require sharia finance and IKNB (Non-Bank Financial Industry). Sharia Non-Bank Financial Industry is a field related to non-bank financial activities that include sharia insurance, sharia financing institutions, investment institutions, pensions, and other financial institutions that aim to provide financial services (Rusydziana & Devi, 2018). Of the several elements of the IKNB, sharia insurance occupies the second priority after sharia financing (Rusydziana & Devi, 2018). As already mentioned, that one form of sharia IKNB is sharia insurance. In other words, Islamic insurance plays a role in almost every sector of the halal value chain.

As of December 2015, eight sharia insurance companies contributed premiums of 10.49 trillion rupiahs. Five of the eight sharia insurances are sharia life insurance, and the rest are general sharia insurance (Rusydziana & Devi, 2018). The total assets owned by sharia insurance in August 2015 reached 24 trillion rupiahs, an increase of 24% from the previous year. Even sharia reinsurance has grown by 37% to 1 trillion rupiahs. In addition, sharia insurance investment also increased by 27% to 21 trillion rupiahs, while sharia reinsurance increased by 44% from the previous year (Nurlatifah & Mardian, 2016).

The sharia insurance market share in 2014-2018 was consistently above 5%. It slowed down in 2015 to 5.13%, and in 2018 increased to 6.16% and became the highest. In 2018, total assets in sharia insurance had reached 41.68 trillion rupiahs, an increase of 16 trillion rupiahs from 2015. However, the comparison of sharia insurance assets with conventional insurance assets is still too unequal. In the same year, conventional insurance assets reached 676.15 trillion rupiahs.

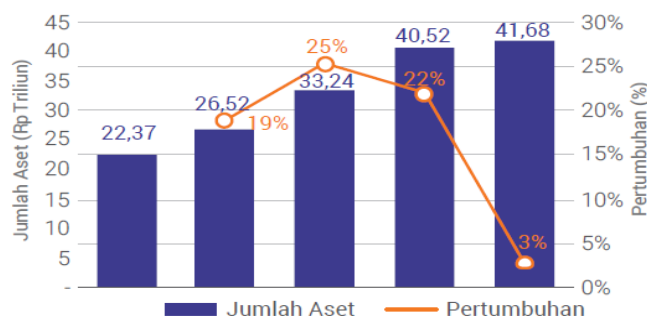


Figure 1: Sharia Insurance Asset (Source: OJK & BPS, 2018)

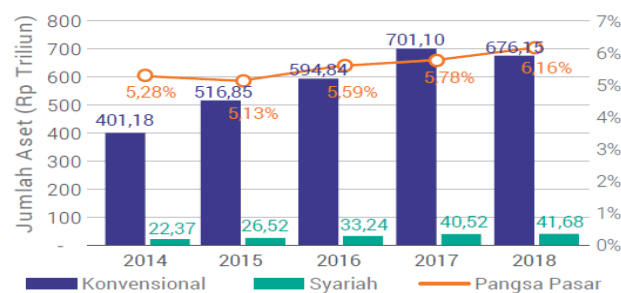


Figure 2: Comparison Between Sharia & Conventional Insurance (Source: OJK, 2018)

As previously explained, the halal industry has six main clusters, each with a halal value chain. In almost each of these clusters, sharia insurance can play an essential role in building a halal value chain that will boost the increase in the halal industry in Indonesia. Here we describe the role of sharia insurance in each halal industry cluster.

Halal Food and Beverage Cluster

Islamic insurance can play a role in this cluster in the financing value chain. With the value chain, the expectation of quality standards, quality, and service of products, including food and beverages, can be realized. There is a need for financing using sharia finance to maintain the halal integrity of the halal food and beverage industry. In addition, to minimize the risks that occur in the business, it is necessary to have sharia insurance. Every business certainly has unpredictable risks. Therefore, sharia insurance, with its principles, can help business actors who experience a loss or disaster in the future.

Halal Tourism Cluster

Tourism that prioritizes sharia principles has a value chain that must also be met to provide for Muslim tourists' needs. One is the financing sector, where there are opportunities for collaboration between sharia tourism stakeholders and sharia finance. However, Islamic financial institutions have not given more attention to the halal tourism industry. At the same time, sharia financing is one of the halal chains that must be fulfilled in the halal tourism industry. Therefore, it is necessary to increase attention and concentration on the development of the sharia ecosystem. One of them is by developing the implementation of sharia insurance schemes for commercial tourism. Sharia insurance will minimize the risks experienced by tourists or anyone related to halal tourism.

Islamic Fashion Cluster

Not much different from the tourism cluster, sharia insurance can play a role in the financing sector. Business actors can apply for insurance in anticipation of a loss or disaster that is experienced at any time. Textile materials susceptible to fire can carry no small risk to a company. Anticipating something that is not desirable, of course, needs to be done. One form of anticipation is sharia insurance. So Islamic insurance is very relevant to apply in the Islamic fashion industry.

Halal Recreation and Media Cluster

Halal media and recreation can be distributed through film production houses, TV and radio publishing, application, game providers, and the music and arts industries. Cultural arts festivals and art performances can also be a place for halal media and recreation. In addition, halal media and recreation can also be associated with Islamic TV and radio (ARTIVISI), the Indonesian Film Agency, Karya Cipta Indonesia (KCI), and others. One sector that cannot be left behind is financing, in which sharia insurance will minimize losses and calamities at any time.

Halal Cosmetics Cluster

Halal cosmetics, whose raw materials can be taken from the upstream, inorganic, and organic chemical industries, prioritize sharia and halal aspects in

selecting and sorting these raw materials. Halal cosmetics can be marketed through e-commerce, retail stores, exhibitions, media, and drugstores. The financing must use Islamic finance financing and IKBN. One of the economic instruments that can be used in this cluster is insurance.

Renewable Energy Cluster

Renewable energy comes from energy sources that can be used continuously indefinitely and will never run out because it can be restored in a relatively short time (Azhar & Satriawan, 2018). Renewable energy can be the axis of the industry and development of the country. This is because almost all industrial sectors require energy to produce. Renewable energy covers four community life sectors: household, transportation, industrial, and commercial (Bappenas, 2018). Because of this very vital role, there is a need for sustainability and production resilience by renewable energy companies. Sharia insurance can guarantee the sustainability of the production of the renewable energy industry to minimize the risks.

In addition to several clusters supporting the halal value chain above, other clusters also require sharia insurance to minimize risk, one of which is the capital market. The Islamic capital market consists of sharia shares, sukuk, mutual funds, sharia EBA (*Efek Beragun Aset*), sharia DINFRA (*Dana Investasi Infrastruktur*), and sharia DIRE (*Dana Investasi Real Estat*). Sharia economic education institutions, capital sharia market certification, and associations are needed to run the halal chain on the sharia capital market. Utilization of the Islamic capital market can be allocated to the halal industry. Then many Islamic financial institutions are ready to support the capital market in buying and selling instruments. The distribution and commercialization of the sharia capital market can be channeled through sharia banks, sharia pension funds, sharia industries, and sharia insurance.

Security is a social protection program ratified through a legislative or another mandatory process. According to the International Social Security Association (ISSA), social security can include social insurance programs, social assistance programs, universal programs, mutual benefit schemes, national provident funds, and other forms. Private companies have provided social insurance through 138 insurance institutions and 232 pension fund institutions. Sharia-based social security is implemented in the sharia insurance scheme and sharia pension fund.

3.4 Strengthening and Developing the Sharia Insurance System

In order to accelerate the development of sharia insurance, several concrete steps can be taken by various elements as follows: 1) Increasing sharia insurance literacy, 2) Optimizing digital technology, 3) Strengthening sharia insurance regulations, and 4) Collaboration with Penta Helix. The development of sharia insurance can be started with sharia literacy. It is recorded that out of 100 Indonesians, only 15 to 16 people are familiar with insurance financial service institutions, while there are only 12 people who use insurance services. As for the sharia insurance literacy index, Indonesia only reached 2.5 percent in 2017 (Bappenas, 2018). Therefore, it is necessary to increase public understanding of sharia insurance (Jannah & Nugroho, 2019). One of the efforts is to increase sharia insurance literacy through the Sharia Economic Community (MES), an inde-

pendent and non-profit organization that aims to promote Islamic economics. The available activities are the Sharia Insurance Roadshow, Sharia Insurance Webinars, Sharia Economics E-Learning (ELSYA), and Sharia Insurance Education Videos (Hakim, 2020).

Furthermore, digitalization of the sharia economy, especially sharia insurance, must be carried out by several related parties such as insurance companies, governments, and developers. Indonesia has a relatively high level of digital literacy, with a figure of 3.49 from a maximum value of 5.00 in 2021 (Humaira, n.d.). By digitizing sharia insurance, it is assumed to reach a broader market. One way to do this is to create a digital-based sharia insurance application. The Ministry of Communication and Information Technology (Kominfo) said that Millennials and Gen Z have high digital literacy (Delphia, n.d.). With the creation of applications that are easily accessible to both groups, the increase in the market and sharia insurance literacy in Indonesia is expected to increase significantly. Digitalization of sharia insurance or sharia economy, in general, will help the development of the halal value chain because it facilitates access to several interrelated institutions.

It is not only strengthening at the grassroots or bottom-up that needs to be done but also at the regulatory level or top-down. Regulatory strengthening can be done by optimizing the Financial Services Authority (OJK) role and the National Sharia Council of the Indonesian Ulama Council (DSN-MUI), especially in the supervisory sector. With strict supervision, public trust will increase, and in the end, the demand for sharia insurance will also increase. Therefore, strengthening regulations in the supervision sector needs to be done as an effort to optimize sharia insurance (Ulum, 2018). In addition, in the development of the halal value chain, regulations that link halal industry policies with sharia finance, especially sharia insurance, need to be strengthened, one of which is sharia insurance obligations for products in the process of halal certification.

Some of the steps above can be combined with a collaboration called the Penta Helix, which is a collaboration that combines various elements such as academia, government, business people, the community, and the media. Academia play a role in discovering ideas and innovation in industrial development. The government is the guardian of a regulation and innovation system that has been found and agreed upon. Business actors provide education and inclusion that is sustainable and not limited to mere commercial values. The community plays a role in connecting good relations between business people and buyers (customers). The media promotes and disseminates education and discourse in the market (Sudiana, Sule, Soemaryani, & Yunizar, 2020).

4. CONCLUSION

Islamic insurance has a fundamental principle that is different from conventional insurance. Conventional insurance has the principle of buying and selling, while Islamic insurance has the principle of mutual assistance. Using the *tabarru'* contract means that the customer has given up the contribution money given is used for the benefit of other participants affected by the disaster. That way, the element of *gharar* contained in conventional insurance can be removed from sharia insurance because the customer buys something whose existence is not yet evident.

Sharia insurance can play a significant role in developing the halal value chain in Indonesia. The halal value chain, which demands cooperation from various companies and industries to form a halal value chain, is an essential target the government must achieve if it wants to develop the halal industry in Indonesia. In practice, an industry certainly has unpredictable risks. Therefore, it is necessary to have a risk guarantor to sustain the industry. Sharia insurance is a risk minimization instrument in accordance with the halal value chain concept. Almost all clusters in the halal value chain require sharia insurance in their implementation.

Sharia insurance included in IKNB (Non-Bank Financial Industry) can support the industry's sustainability for a more extended period. The sharia insurance, which minimizes losses, can help business actors and industries continue their business for creating a halal ecosystem. It is necessary to develop a sharia insurance development strategy for increasing Indonesia's halal industry in the global arena. These strategies are increasing sharia insurance literacy, digitizing sharia insurance, strengthening sharia insurance regulations, and the Penta Helix collaboration that connects academics, government, communities, business people, and the media.

BIBLIOGRAPHY

- Abdullah, J. (2018). Akad-Akad di dalam Asuransi Syariah. *TAWAZUN: Journal of Sharia Economic Law*, 1(1), 11. <https://doi.org/10.21043/tawazun.v1i1.4700>
- Adinugraha, H. H., Sartika, M., & Ulama'i, A. H. A. (2019). Halal Lifestyle Di Indonesia. *An-Nisbah: Jurnal Ekonomi Syariah*, 5(2), 57–81.
- Ahla, A. (2020). *Strategi Pengembangan Ekonomi Syari'ah Melalui Penguatan Halal Value Chain (Studi Kasus pada Industri Pariwisata Halal di Kota Banjarbaru)* (PhD Thesis). Universitas Islam Kalimantan MAB.
- Ahyar, M. K., & Abdullah, A. (2020). Membangun Bisnis dengan Ekosistem Halal. *Jurnal Pasar Modal Dan Bisnis*, 2(2), 167–182.
- Annisa, A. A. (2019). Kopontren dan Ekosistem Halal Value Chain. *Jurnal Ilmiah Ekonomi Islam*, 5(01), 1–8.
- Antonio, M. S., Rusydiana, A., Laila, N., Hidayat, Y. R., & Marlina, L. (2020). Halal value chain: A bibliometric review using R. *Library Philosophy and Practice (e-Journal)*, 4606.
- Apriantoro, M. S., Rahayuningsih, I. N., & Sarwanto, S. (2022). Implementation of Green Economy Through Integrated Urban Farming as Family Economic Resilience During The Pandemic: Maqasid Sharia Perspective. *IQTISHODUNA: Jurnal Ekonomi Islam*, 11(1), 1. <https://doi.org/10.54471/iqtishoduna.v11i1.1593>
- Astuti, M. (2020). Pengembangan Produk Halal Dalam Memenuhi Gaya Hidup Halal (Halal Lifestyle). *Juris Studia: Jurnal Kajian Hukum*, 1(1), 7.
- Azhar, M., & Satriawan, D. A. (2018). Implementasi Kebijakan Energi Baru dan Energi Terbarukan Dalam Rangka Ketahanan Energi Nasional. *Administrative Law and Governance Journal*, 1(4), 398–412. <https://doi.org/10.14710/alj.v1i4.398-412>
- Bappenas. (2018). *Masterplan Ekonomi Syariah Indonesia 2019-2024* (Deputi Bidang Ekonomi, Ed.). Kementerian Perencanaan Pembangunan Nasional.
- Delphia, R. (n.d.). 60 Persen Gen Z Memiliki Indeks Literasi Digital Tinggi. Retrieved from Databoks website: <https://databoks.katadata.co.id/datapublish/2022/07/06/60-persen-gen-z-memiliki-indeks-literasi-digital-tinggi>
- Dinar Standard. (2020). *State of the Global Islamic Economy Report (Driving the Islamic Economy Revolution 4.0)*.
- Fahlevi, A. (2017, December 23). Wapres: Industri Asuransi Syariah Tingkatkan Nilai Halal. Retrieved June 13, 2022, from TAGAR website: <https://www.tagar.id/wapres-industri-asuransi-syariah-tingkatkan-nilai-halal>
- Hafidz, J. Z. (2022). The Importance of Religious Moderation-Based Islamic Economic Education to the Community for the Realization of Economic Justice in Indonesia. *Jurnal Studi Sosial Keagamaan Syekh Nurjati*, 02(01), 21.
- Hakim, M. L. (2020). *Peran Masyarakat Ekonomi Syariah (MES) Dalam Meningkatkan Literasi Asuransi Syariah Di Indonesia* (PhD Thesis). Universitas Islam Negeri Sumatera Utara.
- Harahap, M. I., Nurul Izzah, & Muhammad Ridwan. (2022). Determinan Generasi Z Menerapkan Gaya Hidup Halal Di Kota Padangsidempuan. *J-EBIS (Jurnal Ekonomi dan Bisnis Islam)*, 23–42. <https://doi.org/10.32505/j-ebis.v7i1.3761>
- Humaira, F. R. (n.d.). Indeks Literasi Digital Berdasarkan Wilayah di Indonesia. Retrieved August 14, 2022, from Databoks website:

- <https://databoks.katadata.co.id/datapublish/2022/07/12/indeks-literasi-digital-berdasarkan-wilayah-di-indonesia#:~:text=Adapun%2C%20berdasarkan%20laporan%20Status%20Literasi,2020%20yang%20sebesar%203%2C46.>
- Jannah, D. M., & Nugroho, L. (2019). Strategi Meningkatkan Eksistensi Asuransi Syariah di Indonesia. *Jurnal Maneksi*, 8(1), 8.
- Kesuma, Y. M. (2020). Analisis Rantai Nilai (Value Chain Analysis) Bank Muamalat untuk Peningkatan Kinerja. *AL-MISBAH*, 1(2).
- Latifah, N. A. (n.d.). *Konsep dan Aplikasi Asuransi Syariah di Indonesia*. 16.
- Mubarrak, H. (2016). Kontroversi Asuransi di Indonesia: Telaah Fatwa Majelis Ulama Indonesia (MUI) tentang Badan Penyelenggara Jaminan Sosial (BPJS). *TSAQAFAH*, 12(1), 105. <https://doi.org/10.21111/tsaqafah.v12i1.370>
- Noordin, N., Noor, N. L. M., Hashim, M., & Samicho, Z. (2009). Value chain of Halal certification system: A case of the Malaysia Halal industry. *European and Mediterranean Conference on Information Systems, 2008*, 1–14. The British University in Dubai UAE.
- Nurlatifah, A. F., & Mardian, S. (2016). Kinerja Keuangan Perusahaan Asuransi Syariah di Indonesia: Surplus on Contribution. *Akuntabilitas*, 9(1). <https://doi.org/10.15408/akt.v9i1.3590>
- Permatasari, P. C., Basith, A., & Mulyati, H. (2018). Model Bisnis Inklusif Rantai Nilai Kopi Arabika di Bondowoso Jawa Timur. *Jurnal Manajemen Teknologi*, 17(2), 111–125. <https://doi.org/10.12695/jmt.2018.17.2.3>
- Pressrelease.id. (n.d.). Fokus Kembangkan Pasar Ritel & Produk Halal, Zurich Syariah Siap Jadi Pemain Terdepan Asuransi Syariah di 2024. Retrieved June 13, 2022, from <https://pressrelease.kontan.co.id/release/fokus-kembangkan-pasar-ritel-produk-halal-zurich-syariah-siap-jadi-pemain-terdepan-asuransi-syariah>
- Puspaningtyas, L. (2021, October 12). Zurich Syariah Fokus ke Pasar Ritel dan Industri Halal. Retrieved June 13, 2022, from [Republika Online website: https://republika.co.id/share/r0uxew370](https://republika.co.id/share/r0uxew370)
- Puspitasari, N. (2011). Sejarah dan perkembangan asuransi islam serta perbedaannya dengan asuransi konvensional. *Jurnal Ekonomi Akuntansi Dan Manajemen*, 10(2).
- Rosidah, N. H. (2010). Asuransi Konvensional dan Asuransi Syariah: Perbedaan dalam Lingkup Akuntansi. *Universitas Negeri Surabaya*.
- Rusydia, A. S., & Devi, A. (2018). Mengembangkan Industri Keuangan NonBank (IKNB) Syariah. *Indonesian Journal of Islamic Economics and Finance*, 1(2), 1–14.
- Saputri, O. B. (2020). Pemetaan Potensi Indonesia Sebagai Pusat Industri Halal Dunia. *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, 5(2).
- Sudiana, K., Sule, E. T., Soemaryani, I., & Yunizar, Y. (2020). The Development and Validation of The Penta Helix Construct. *Business: Theory and Practice*, 21(1), 136–145. <https://doi.org/10.3846/btp.2020.11231>
- Thohari, F. (2011). Menyoal Asuransi Konvensional Versus Asuransi Syariah. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 3(2), 273–292.
- Tieman, M. (2011). The application of Halal in supply chain management: In-depth interviews. *Journal of Islamic Marketing*, 2(2), 186–195. <https://doi.org/10.1108/17590831111139893>

- Ulum, F. (2018). Progresifitas Regulasi Keuangan Syariah Di Indonesia. *Al-Daulah: Jurnal Hukum dan Perundangan Islam*, 7(2), 419-443.
<https://doi.org/10.15642/ad.2017.7.2.419-443>
- Winarno, S. H. (2015). Analisis Perbandingan Asuransi Syariah dan Asuransi Konvensional. *Moneter-Jurnal Akuntansi Dan Keuangan*, 2(1).

