

# Potential of Circular Economy to Indonesia's Sustainable Halal Fashion Industry In The Framework of Accelerating Sharia Economy And Business

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**Abstract.** The circular economy is one of the tools that can be used to support the achievement of the Sustainable Development Goals and can be a driving force for the acceleration of the sharia economy and business, especially in supporting the sustainable halal fashion industry in Indonesia. This study uses a qualitative approach. The method used in this research is descriptive analysis. Sources of data in this study came from books, journals and interviews with related informants with potency economy circular towards sustainable Indonesian halal fashion as well as the effect to economy and business sharia. Results study show that potency circular economy in the Indonesian halal fashion industry will bring many benefits to the Indonesian economy in terms of saving material costs and reducing exposure to price volatility of input resources, profit opportunities for the sharia economy and business as well as additional economic growth through a more regenerative and restorative value chain.

**Keywords:** Circular Economy, Halal Fashion, Sharia Economics and Business

## 1 Introduction

Moment this and possible in the future come, problem environment faced will endanger life human. Concepts to concern environment on offer as solution for reduce waste industry keep going developed wrong the only one moment this Becomes something known concept with economy circular. Realization continuity need endorsement from various party through various method and channel for could achieve the targets of the Sustainable Development Goals. Draft economy circular must for disseminated so that every man realize importance play a role in realize economy circular for continuity life in the future come (Nurhidayati Dwiningsih 2022) .

The circular economy is an approach to a circular economy system by maximizing the use and value of raw materials, components, and products, so as to reduce the amount of waste that is not used and disposed of in landfills (Julian Kirchherr, Denise Reike 2017) .

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Indonesia itself has strengthened its commitment and efforts in tackling economic, social and environmental problems, one of which is through a circular economy. The circular economy is part of meeting the targets for the Sustainable Development Goals and targets for reducing greenhouse gas emissions in accordance with the *Paris Agreement* in 2030.

The implementation of a circular economy is able to encourage higher green growth when compared to other businesses that are considered to be running as usual, through the design of production systems that require resources, ensuring that raw materials used in the production process are used efficiently and as long as possible, and use those products and services more efficiently than in practice alone.

The circular economy is one of the tools that can be used to support the achievement of the Sustainable Development Goals and can be a driving force for the acceleration of the sharia economy and business, especially in supporting the halal fashion industry in Indonesia. Appearance linear economy with consumption model cause various factor social, economic and environment no oriented sustainable. Very important for halal fashion designer for know and apply economic model development new, deep thing this is economy circular for could upgrade appropriateness in work (Rianingrum 2019) .

Indonesia has adopted the circular economy concept into its development vision and strategy. Indonesia's Vision 2045 has outlined the concept of a circular economy as a long-term policy. As a first step towards implementing a circular economy in Indonesia, the Government of Indonesia has collaborated with the Government of Denmark in compiling an analytical study on the environmental, economic and social potential of the circular economy that is taking place in Indonesia, particularly in the 5 (five) industrial sectors, namely food and beverage, construction, electronics, textiles and plastics.

Textiles are materials used in the manufacture of Muslim fashion. Muslim fashion is one of the textile product categories that has great demand in Indonesia, considering Indonesia's status as a country with the largest Muslim population in the world. The population who adheres to Islam in Indonesia is very big , that is about 12.7 percent of all Muslims world (Nasution 2015) . Likewise with Indonesia's production capacity in meeting the demand for world Muslim fashion, especially to fellow Muslim countries who are members of the Organization of Islamic Cooperation. In 2021, Indonesia will be in the top five of the OIC Countries as the largest exporter of Muslim fashion in the world. Indonesia as country with resident Muslim biggest in the world of course have mark high economy for development fashion Muslim (Mayang 2019) .

According to The State Of Global Islamic Economic Report 2018/2019, Muslims around the world spent up to USD 270 billion of *modest wear* in 2017 and it is estimated that this will continue to increase to USD 361 billion by 2023. The Indonesian Textile Industry is the manufacturing sector that recorded the highest growth, this achievement surpassed the economic growth of other sectors. In the textile product trade balance, Indonesia experienced a surplus of USD 1.16 billion in 2019, which actually increased from 2018 due to declining imports with almost the same export value in 2018.

Sector economy and business sharia moment this Keep going experience enhancement that is be marked with development halal industry, wrong the only one is halal fashion industry. A number of factor reason development Halal fashion industry continues increased, among others: *First*, the need will halal fashion products. *Second*, diversity halal fashion products. *Third*, a lot perpetrator business in the market halal fashion products. *Fourth*, needs export halal fashion products (Faried 2019) . The development of halal fashion trends in Indonesia in recent years has accelerated along with the increase in the phenomenon of migration and the strengthening of Muslim identity among the Indonesian middle class. Market Muslim class medium created halal fashion producer is successful herding atmosphere economy and Islamic business becomes big (Yuswohady 2014) . The *modest wear* business industry, especially Muslim clothing, is one of the highest sharia economic

and business transactions in Indonesia and abroad. Muslim fashion is not only clothing to be used during various activities or when there are events related to religious activities, but can also be adapted to functions in daily activities.

The current trend of Muslim fashion in Indonesia is almost the same as that of the rest of the world, namely the development of polite clothing. Change style life Muslim Keep going experience development along with development increasingly forward. Fashion Muslims in Indonesia are very fast develop fast, change style life public Indonesian Muslims don't again experience missed, wrong one factor of them is sale fashion Muslims who continue increase (Melda Hidayanti, Saputri 2018) .

The rapid development of the halal fashion industry in Indonesia cannot be separated from the creativity of designers who pour their ideas and innovations into Muslim fashion. A designer halal fashion clothing must more innovate for make results creation Muslim fashion or Modern Muslimah (Darojatun 2018) . The development of Muslim fashion trends pioneered by these designers is also accompanied by increased awareness of business actors engaged in these fields to use environmentally friendly textile materials in accordance with the circular economy concept as a fulfillment of products and production processes, to then export Muslim fashion as quality improvement according to world standards.

Currently, research and studies related to the circular economy and the halal fashion industry in Indonesia are still very rare. So that the research conducted is one of the studies that can be used as a discourse as well as enrich the treasures of new scientific knowledge which so far are still very limited, especially the results of studies that are directly related to the circular economy in relation to halal fashion. Research related to this research and study is a study that has been conducted by Novi Sekar Sari & Ririn Tri Ratnasari, this research has the result that the value of experience in halal fashion has an influence on behavioral intentions research has the result that the value of experience in halal fashion has an influence on behavioral intentions. This is different from research conducted by researchers, where researchers examine the circular economy in relation to halal fashion.

The application of the secular economy in the textile industry, especially in halal fashion, can generate economic income of 24 trillion rupiah, by creating as many as 200,000 jobs, in the environmental sector, it can reduce CO<sub>2</sub> emissions 16 million tons and save water by 1.3 billion cubic meters. Consumers from halal fashion can benefit from products that are sourced from a circular economy, because the products produced are more durable, durable and innovative and can improve the *quality of life* because they can create an environment that is minimal in waste and low in pollution.

The textile industry itself is an industry that produces a large amount of waste in Indonesia. The industry is one of the industries that contributes the largest pollution in the world. The textile industry produces the biggest pollution because in its production process it uses large amounts of water and releases carbondioxide, and uses harmful chemicals, requires large amounts of energy and uses non-renewable materials. From August 2021 data from 292 districts in Indonesia, it shows that there are 1.7 million tons of textile waste every year. Textile waste is a problem as well as a potential that can be utilized. The circular economy concept approach can be used as the key to alleviating the textile waste problem from these halal fashion products.

The Indonesian government through the ministry of industry supports the development of *sustainable halal fashion* as a commitment to support a circular economy. Sustainable halal fashion is part of the green industry with a focus on the *recycle polyester industry* , *staple fiber* derived from used plastic bottles and the development of *renewable* and *sustainable fiber rayon* with *tracable woods* , *sustainable forestry* and *eco-friendly production*. The awareness of halal fashion actors on the application of sustainable principles is expected to increase. Collaborative actions from the industrial sector, government and society are expected to be formed which in the end can create a sustainable halal fashion

industry so that it can increase the acceleration of the sharia economy and business in Indonesia.

## 2 Research Method

Study this is study qualitative descriptive related economy circular and halal fashion. The method used in this research is descriptive analysis. Analysis descriptive is organize data, break it down into units, do synthesis , compose into the pattern , choose which one is important and who will studied as well as make conclusions that can be explained (Arikunto 2010) . Focus study this is potency economy circular towards sustainable halal fashion as well as the effect to economy and business sharia. Study this expected will give description related economy circular in Indonesia towards halal fashion as a ingredients consideration direction policy economy circular that exists in the current era this . In qualitative research, the methods that are usually carried out are interviews, observations and interviews utilization document. Interviews were conducted with practitioners of halal fashion in Indonesia, namely the manager of samase clothes. With the interview technique conducted in the form of in-depth interviews.

## 3 Results and Discussion

### 3.1 Potential of Circular Economy, Halal Fashion, Sharia Economics and Business

A lot has happened during the corona pandemic, including the corona pandemic that has changed the world order. This includes how we view the economy and how we produce and consume. The pandemic has shown us that we can change the way we live, and we have come to understand more that it is more important than ever to be able to lighten the burden on our common environment and a new way of thinking about the halal supply chain and the recovery and acceleration of the sharia economy and business in Indonesia. now after the corona pandemic is under control and presents clear opportunities for recovery and acceleration of the sharia economy and business.

The circular economy puts a framework around these changes. The implementation of a circular economy is a way of change that requires enormous effort not only from the point of view of producers and consumers, but from every entity of the entire value chain. The concept of a circular economy is increasingly developing into research among academics and practitioners by suggesting different concepts, objectives and forms of implementation (Winans 2017) . Investing in a circular economy is not only seen from an environmental point of view but is also a good investment for the sharia economy and business. This is because a circular economy will help the Indonesian economy by increasing job opportunities and reducing our carbon footprint as human beings.

The circular economy will increase the *Gross Domestic Product* (GDP) by USD 7.5 billion and will increase net exports by 3-7%. The potential of a circular economy in Indonesia with its five leading sectors will be very beneficial for the Indonesian economy in general and the sharia economy and business in particular. Investing in a circular economy is a smart way to accelerate the sharia economy and business in Indonesia with a high return on positive investment.

Balancing the use of energy and the use of resources for sustaining as part of economic growth is a complex question that can lead to setbacks if not taken seriously (Korhonen Jouni, Antero Honkasalo 2018) . Through a circular economy, halal fashion industry players in Indonesia can generate zero waste and reuse any by-products from their production. The economic benefits derived from the circular economy have the potential to generate revenue

of 593-638 trillion rupiah in 2030. Therefore, with great potential in cost efficiency, the circular economy is a *win-win model* for all stakeholders of the halal fashion industry in Indonesia. to be able to encourage addressing climate change and most importantly the creation of a sustainable growth of the halal fashion industry.

The circular economy aims to generate sharia economic and business growth by maintaining the value of products, materials and resources in the Indonesian economy for as long as possible or in the long term, thereby minimizing social and environmental damage caused by the old, linear economic approach. Not only in the form of better waste management with more recycling (Rizoa Vasileros, Katja toukko 2017) . The circular economy includes a broad range of interventions across all sectors of the economy. Several business institutions in Indonesia have adopted elements of the circular economy principle in their company operations. A circular economy can be built on the progress made by the halal fashion industry sector accompanied by an increase in the skills of designers which can substantially increase the economic value associated with halal fashion products that have ended their trending period and textile waste that has been recovered.

### 3.2 Application of the Circular Economy to the Indonesian Halal Fashion Industry

The environmental impact of the textile sector in the halal fashion industry occurs along the value chain, with the largest impact coming from the dyeing and refining process which is the most energy, water and chemical intensive step. All types of fabrics usually go through a wet processing stage consisting of cleaning, bleaching, dyeing and finishing to be able to produce finished materials.

This wet processing step consumes large amounts of fresh water and releases large amounts of potentially toxic substances (Nells, M, J. Grunes 2016) . Indonesia has attempted to address these challenges through the introduction of voluntary sustainability standards for the textile sector, namely green industry standards. The standard seeks to minimize the use of raw materials and emissions of hazardous chemicals.

Green industry standards can be used as an initial process rather than the transformation process of the halal fashion industry in Indonesia. With the condition that circularity in cloth and clothing products produced in halal fashion must go beyond the production steps. From the results of the research conducted, information can be obtained that on a global or international scale there is some decrease in lost income due to the textile manufacturing system due to the lack of utilization of clothing and the lack of recycling processes. Less than 1 percent of the materials used to produce clothing are recycled into new clothing (M. R Munaro, Tavares, Braganca 2020) . Therefore, waste recycling can be a potential as well as a substantial sharia economic and business opportunity. In the halal fashion industry, pieces of cloth can be recycled into new items such as tops, *outers*, pants and *tote bags*.

In the halal fashion industry, the application of the circular economy concept can be implemented using the 5R principles, namely *Reduce, Reuse, Recycle, Recovery and Repair*.

1. *Reduce* : the process of cutting fabric is done with a pattern that allows less fabric to be wasted. That way the use of yarn or cotton raw materials can save much more for the same result.
2. *Reuse* : when clothes are difficult to repair, the cloth is used again for other functions. For example, it is used as a rag, then if it is not clean enough, it can be used as a mop.
3. *Recycle* : if the condition is no longer usable as cloth, then the pieces of cloth are recycled into compost or sent to a processing site. Especially for clothes made from organic materials, such as cotton, tencel and so on.
4. *Recovery* : if the cloth is not suitable to be used as a cloth, it can still be processed again. For example, cloth is cut into patchwork for later use in making bags, pillows or handicrafts.

5. *Repair* : when clothes that have been worn and damaged are sewn back into the same product. Then they are used or sold as used clothes that are suitable for use, so they don't end up as trash.

A circular economy in the Indonesian halal fashion industry will bring many benefits to the Indonesian economy in terms of saving material costs and reducing exposure to price volatility of input resources, profit opportunities for the sharia economy and business (Muslim clothing), additional economic growth through a more regenerative value chain. and restorative (Michael Todaro 2006) . A part from that, other advantages will be seen from the low emissions generated, reduced maintenance and non-renewable materials and reduced energy consumption.

### 3.3 The Response of Halal Fashion Industry Players to the Circular Economy

Not only well-known brands, many other fashion brands also apply sustainable fashion. The application of a circular economy for fashion business actors has the potential to be profitable by reducing a lot of emissions and cubic water. This can reduce the production costs of business actors in the halal fashion sector. There are many ways that have been done by the halal fashion industry players, namely by carrying out sustainable industrial management, modifying products and equipment and making technological changes. In addition, other things that are done by stakeholders in the halal fashion industry are to reduce clothing waste such as *reduce, reuse, recycle, recover* and *repair* clothes so that they are not disposed of directly to the final disposal site.

Many of the practitioners of halal fashion have started a new view that the consumption of unfriendly fashion products can cause problems in the preservation of the ecosystem and the health of Muslim clothing consumers in the long term. Plus human activities that still require energy sources that still come from fossil fuels such as oil, natural gas, coal and the extraction of other natural resources (Lewandowski 2016) . If it is used continuously, it will not only run out but will have an impact on long-term environmental damage. Just like the clothes or clothes used if they come from *instant fashion trends* that are ready to wear.

Currently, the conventional fashion industry contributes about 10 percent of carbon emissions and plus textile waste which is difficult to decompose, it contributes to global warming (McClelland 2016) . Meanwhile, dyes and other chemicals that are part of the textile production process dissolve into the soil and can pollute rivers and other sources. If there is no change, it is projected that the fashion industry will burn a quarter of the world's carbon budget by 2050.

According to an Indonesian fashion practitioner, Nova said that the fashion industry's contribution to the earth is at least balanced between the choice of fashion products to be purchased, where fashion is not only produced continuously, fashion is not only bought because consumers like the clothes or clothes, but some consumers buy because there is meaning in it. The anxiety experienced by some practitioners of the fashion industry arises due to global concerns about the high waste generated from a garment that will eventually make the earth's burden heavier (Velenturf, AP M, Purnell 2021) . So far, many have thought that all clothes are the same, as long as the price is still cheap, if the clothes are torn, just throw them away and buy them again.

The initiative of several fashion practitioners who use and recycle clothes and mix and match with other clothes that can still look *chic* and *trendy* is an effort and a very good thought to be able to create sustainable fashion. Several other efforts have been made to combine denim and leftover batik fabrics, so that the production process is carried out in a responsible and environmentally friendly manner.

### 3.4 Sustainable Indonesian Halal Fashion Industry

Halal fashion products that are produced in a sustainable manner can reduce the negative impact on the environment and provide a variety of fashion choices that suit consumers'



wishes. If viewed from the circulation of the production process, sustainable products will indeed cost more because they use higher quality materials and are safe for nature (Govindan 2018).

However, the cost savings in question is that consumers of Muslim clothing or clothing can reduce spending on purchasing clothes or clothes continuously because the quality is still good. Sustainable halal fashion can also be applied in the form of recycling from the fashion part that is owned into a different shape or model so that it will look new and consumers will be able to save on their expenses.

Muslim clothing that is produced in a sustainable manner will definitely have good quality so that when it is recycled back into a new product, the new product will definitely have good quality so it can last a long time (Hinaa, M., Chauhan, C., Kaur), P., & Amandeep 2022). Sustainable halal fashion cannot be produced haphazardly, Muslim clothing designers must have considered all aspects, especially the quality and comfort of their products. Halal fashion products with good quality will definitely feel more comfortable when used by consumers. When a good quality product is used, it will provide a sense of comfort and happiness for consumers.

Sustainable halal fashion is a practice in fashion that puts forward the values of the various parties involved in it, especially the environment and humanity. How can fashion, whatever its form, from personal lifestyle to business sphere, should prosper and leave losses to a minimum (Geissdoerfer, M., Savaget, P., Bocken, NP, & Hultink 2017). The goal of sustainable halal fashion is to unite various groups in the Indonesian halal fashion industry from designers, producers, distributors to consumers to work together to change the way a fashion item is sourced, produced and consumed for the better.

## 4 Conclusion

Based on the explanation above, it can be concluded that through a circular economy, halal fashion industry players in Indonesia can produce zero waste and reuse any by-products from their production. The circular economy aims to generate sharia economic and business growth by maintaining the value of products, materials and resources in the Indonesian economy for as long as possible or in the long term, thereby minimizing social and environmental damage caused by the old, linear economic approach. A circular economy can be built on the progress made by the halal fashion industry sector accompanied by an increase in the skills of designers which can substantially increase the economic value associated with halal fashion products that have ended their trending period and textile waste that has been recovered.

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