

The Existence of Halal Fashion Industry in escalating Economic Growth Through the Export Value of Indonesian Halal Products in the Era of Society 5.0

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Abstract

The halal fashion industry has become an integral part of the global economy, particularly in Indonesia, which has significant potential as a producer of products that meet halal standards. With the growing global awareness of the need for halal products, the halal fashion industry in Indonesia plays a strategic role in supporting the country's economic growth. This study aims to analyze the impact of the existence of the halal fashion industry on the escalation of economic growth through the increase in halal product export values, especially in the context of the economic paradigm shift towards Society 5.0. The initial hypothesis of this study is that the existence of the halal fashion industry is believed to be capable of escalating economic growth through the export value of Indonesian halal products in the Society 5.0 era. A qualitative descriptive method is used in the research, utilizing information and references from sources such as the State of the Global Islamic Economy (SGIE) report, Statistics Indonesia (BPS), Halal Ecosystem Reports, the Sharia Economic and Financial Report (LEKSI), Databoks website, the Ministry of Communication and Information Technology (Kemkominfo), the Ministry of Tourism and Creative Economy (Kemenparekraf), the Ministry of Trade (Kemendag), and several related studies and scientific works. Based on the research conducted, the existence of the halal fashion industry plays a crucial role in driving Indonesia's economic growth through increased export values of halal products in the Society 5.0 era.

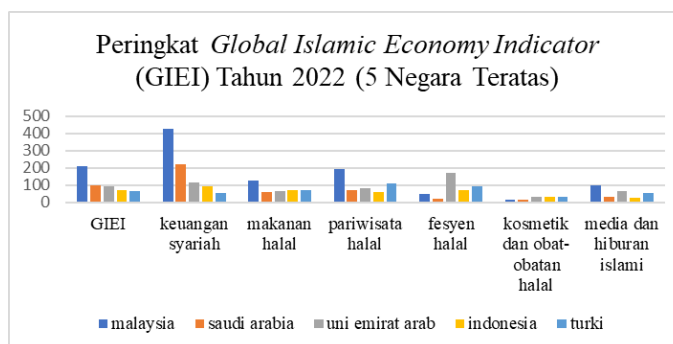
Keywords: Fashion Industry, Economic Growth, Exports, Halal Products, Society 5.0 Era

INTRODUCTION

Indonesia is the country with the largest percentage of Muslim population in 2023. Out of Indonesia's total population of 277.53 million people, 240.62 million, or approximately 86.7%, are Muslim (Annur, 2023). The large Muslim population in Indonesia is an asset that can be optimized to improve societal welfare. One way to optimize this is through the development of the halal industry. Currently, the concept of halal has become a part of the lifestyle embraced by various segments of society. In fact, industries in Indonesia are adopting halal labels and taglines to strengthen their brand and company image. In the business world, products with halal labels can add value for producers, potentially leading to significant profits (Saepudin, 2022).

According to the State of Global Islamic Economy (SGIE) 2022 report, Indonesia is one of the top four countries with the largest Islamic economies, following Malaysia, Saudi Arabia, and the United Arab Emirates (UAE) (Dinar Standard, 2022 : 20).

Figure 1. GIEI Ranking Statistics 2022



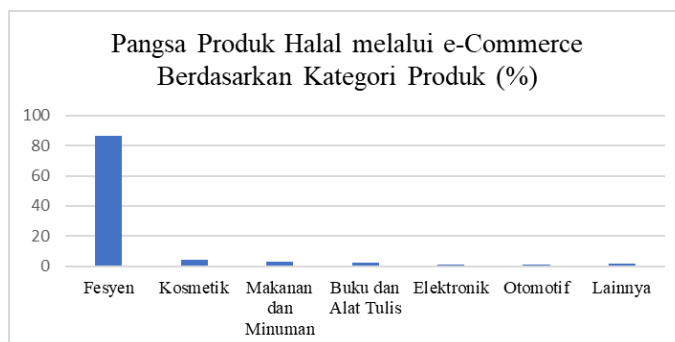
Source: SGIE 2022 Report (data processed)

According to the SGIE 2022 report, Indonesia demonstrates excellence in the Global Islamic Economy Indicators, particularly in the halal industry sector. In the halal food category, Indonesia ranks second, while halal fashion is in third place (Dinar Standard, 2022 : 21). This position reflects significant growth in the halal fashion industry in Indonesia, driven by high interest and involvement from Muslim designers, as well as prestigious events showcasing their work (Muhaimin dkk., 2023).

From an economic perspective, the halal fashion industry plays a crucial role in driving the development of Indonesia's creative economy. According to the SGIE report, in 2021, the value of halal fashion consumption in Indonesia reached IDR 300 trillion, an increase of 18.2% from 2020. Additionally, exports of halal fashion products from Indonesia also saw a significant rise, reaching 12.5% and totaling USD 4.6 billion (Viska,

2022). As a result, Indonesia ranks second after the UAE as the country with the best Muslim fashion industry in the world (K. RI, 2021)

Figure 2. Chart of the Most Popular Halal Industries in E-Commerce in 2020



Source: LEKSI 2020 Report (data processed)

According to the 2020 Sharia Economy and Finance Report (LEKSI), fashion emerged as the most sought-after halal product in e-commerce transactions over the previous year. Fashion products were the most purchased halal items on e-commerce platforms, with a market share of approximately 86.63% (Rizaty, 2021).

From the information provided, it can be concluded that the halal fashion industry is a creative economy sector with significant potential to boost the economy in Indonesia. In terms of exports, Indonesia shows remarkable growth, positioning itself as a major player on the global stage (Makiah dkk., 2022). In this context, the author is interested in further exploring the topic: "The Existence of the Halal Fashion Industry in Escalating Economic Growth Through the Export Value of Indonesian Halal Products in the Era of Society 5.0."

RESEARCH METHODS

The author employs a qualitative descriptive approach to analyze data aimed at understanding the contribution of the halal fashion industry to economic growth (Makiah dkk., 2022). The data and its sources are obtained from the State of the Global Islamic Economy (SGIE) report, Statistics Indonesia (BPS), the Halal Ecosystem Report, the Sharia Economy and Finance Report (LEKSI), Databoks website, the Ministry of Communication and Information Technology (Kemkominfo), the Ministry of Tourism and Creative Economy (Kemenparekraf), the Ministry of Trade (Kemendag), as well as various related studies and academic works.

RESULTS AND DISCUSSIONS

The Existence of the Halal Fashion Industry and Its Impact on Indonesia's Economic Growth

The growth of the halal industry has recently become a major topic in the global business world. With the rapid expansion of the halal product industry worldwide, especially amid a large Muslim population, spending on halal products reached approximately 2 trillion USD in 2021 (Utari dkk., 2022 : 92). According to projections, by 2025, the halal sector is anticipated to grow by around 7.8%, reaching approximately 3 trillion USD, while the global halal economy is expected to reach 4.96 trillion USD by 2030. Halal product transactions have also reached a value of 254 billion USD, contributing significantly to economic growth by 1-3% of GDP in some Organization of Islamic Cooperation (OIC) countries ('IZZA, 2023 : 5).

The halal industry also has a significant impact on the Indonesian economy, contributing 24.5% to the national GDP. The potential global market value of the halal industry is estimated at 1.9 trillion USD, indicating substantial growth opportunities (K. K. RI, 2022). In 2022, the halal industry is predicted to add 5.1 billion USD to Indonesia's GDP through exports and investments annually (K. K. RI, 2023). In 2019, the halal industry received 1 billion USD in investments from international investors and created 127,000 job opportunities each year (Utari dkk., 2022 : 93).

According to a report from Statistics Indonesia (BPS), the fashion industry makes a significant contribution to the creative economy category within GDP. In 2016, the fashion industry's contribution reached 18.01% of GDP, equivalent to IDR 166 trillion, with more than half, or 56%, of creative economy exports coming from the fashion industry. In 2019, foreign exchange earnings from clothing products amounted to 4.48 billion USD, indicating sustained growth (Kadir, 2023 : 148-149).

With Indonesia's substantial potential as a major market for halal products, the halal fashion industry is not only an important factor in the creative economy but also a key player in the global halal product market. With ongoing support, it is expected that this industry will continue to be a major pillar in driving Indonesia's economic growth, creating investment opportunities, and providing employment for the community.

The Contribution of the Halal Fashion Industry to Export Value in Driving Indonesia's Economic Growth

The halal fashion industry contributes positively to Indonesia's export value, particularly due to increasing public awareness of halal products. In the first semester of 2022, halal fashion exports from Indonesia rose by 39% to USD 2.8 billion. Despite this significant increase, Indonesia's global market share for Muslim clothing remains small, at only 1.86%, and Indonesia ranks 13th as the largest exporter of Muslim clothing (Noval dkk., 2020). This small market share has led some to question Indonesia's potential to compete in the global market (Dinar Standard, 2022 : 26).

However, several Indonesian halal fashion companies have successfully penetrated the global market and contributed to national economic growth, including:

1. PT. Busana Muslim Rabbani, a large Muslim clothing company in Indonesia, has successfully entered the export market to more than 50 countries worldwide. Its export value in 2022 reached USD 100 million.
2. PT. Elzatta Hijab, a leading hijab manufacturer in Indonesia, has reached the global market by supplying its products to over 20 countries. Its export value in 2022 reached USD 50 million.
3. PT. Zoya Fashion, another prominent Muslim clothing producer in Indonesia, has successfully reached the global market by supplying its products to over 10 countries. Its export value in 2022 reached USD 30 million.

The contribution of the halal fashion industry to Indonesia's export value includes increasing foreign exchange earnings, creating job opportunities, and enhancing the competitiveness of the national industry (Yusuf dkk., 2023). To further maximize the contribution of the halal fashion industry to economic growth, the government needs to continue supporting the development of this sector. Measures that can be taken include encouraging improvements in product quality, including aspects such as design, raw materials, and production stages, as well as intensifying the promotion of Indonesian halal fashion products in the global market through various activities such as exhibitions, trade missions, and digital promotion. Public awareness about the importance of halal products should also be improved through socialization programs and education on halal certification (Azizah dkk., 2022; Makiah, 2021).

Technology and Innovation Supporting the Development of the Halal Fashion Industry as a Driver of Indonesian Halal Product Exports in the Era of Society 5.0

Technology and innovation play a crucial role in the development of the halal fashion industry in the era of Society 5.0, driving efficiency, quality, and competitiveness (Faridah dkk., 2023). Here are some technologies and innovations that can support the development of the halal fashion industry:

1. Halal Certification.

Halal certification is a process that ensures a product and its infrastructure meet the halal standards established by Islamic principles (Makiah dkk., 2022). This process involves using materials that are compliant with Islamic law, applying production methods according to halal requirements, and preventing contamination with prohibited components (Banten, 2017). Halal certification offers significant benefits for businesses, including serving as a key to the legality of marketing products, enhancing consumer trust in the products, being a requirement for international distribution, and reaching both domestic and international Muslim markets (Puspitasari & Roosiani, 2021 : 141).

2. Development of Halal Fashion Products that Do Not Resemble Non-Muslim Clothing.

The development of halal fashion products that do not mimic non-Muslim clothing is crucial in the Muslim fashion industry, as it requires adherence to halal standards and the embodiment of Islamic values in design. This principle is rooted in the hadith narrated by Abu Dawood, which states, “Whoever imitates a people is one of them” (Andirja, 2021).

Efforts to develop halal and Islamically compliant Muslim fashion products have been undertaken by various parties. For example, PT. Soka Cipta Niaga produces undergarments and related products with a special focus on their halal status, while LKP Usi Modist in Jambi focuses on developing Muslim fashion products with attention to raw materials and design (Isnaeni & Lubis, 2022 : 170). The Road to Jakarta Muslim Fashion Week 2023 also plays a role in introducing and marketing Indonesian Muslim fashion products to the global market, leveraging the opportunity presented by the global economic recovery for halal product development.

3. Use of Digital Technology as an Enabler in the Development of the Halal Fashion Industry

The utilization of digital technology has become a crucial enabler in supporting the growth of this industry (Anshary dkk., 2023), as demonstrated by the following brands:

- a. Heaven Light, utilizes the Heaven Light app, an official website, and various e-commerce platforms such as BliBli, Tokopedia, and Shopee in Indonesia, Singapore, and Malaysia to successfully market and distribute its products to the international market.
- b. Button Scarves, also leverages technology with the Button Scarves app, an official website, and various e-commerce platforms such as BliBli, Tokopedia, Shopee, Zalora, and Hijup to market and distribute its products abroad.
- c. Vivi Zubedi, a local brand, has successfully marketed and distributed its products to the international market by utilizing the Vivi Zubedi official website and various e-commerce platforms such as BliBli, Tokopedia, and Zalora.

The use of digital technology as an enabler plays a key role in the development of the halal fashion industry. Renowned brands such as Heaven Light, Button Scarves, and Vivi Zubedi have employed technology-focused marketing and distribution strategies. This approach helps the halal fashion industry compete effectively with conventional fashion, optimizing accessibility and reach for their products.

DATA ANALYSIS

Data analysis indicates that the increase in halal fashion product exports has the potential to significantly impact Indonesia's economy positively. The fashion industry, in general, significantly affects export values in the creative economy sector, making it a major contributor to GDP. Additionally, the fashion industry continues to generate growing foreign exchange earnings over time.

Research by (Hasan & Hamdi, 2022), aligns with the research conducted by the author. This study concludes that the halal fashion industry in Indonesia has bright prospects, with the potential to positively impact the country's economic growth, supported by a majority Muslim population and a broad market share (Hasan & Hamdi, 2022).

Research by (M. Dliyaul Muflihin, 2018a), is consistent with the findings of the author's research. According to this study, the fashion industry in Indonesia shows a

positive growth trend, as evidenced by the substantial increase in the value of domestic fashion product exports. This significant progress in exports indicates that the halal fashion industry is also experiencing aligned development (M. Dliyaul Muflihini, 2018b)

The results of the research conducted by (Utari dkk., 2022a), are also consistent with the author's research. According to this study, the contribution of the halal industry to GDP and foreign investment in 2019 demonstrates the important role of this industry in advancing economic growth (Utari dkk., 2022)

CONCLUSION

Indonesia's large Muslim population makes it an attractive destination for producers of halal products and services. The substantial population also plays a major role in driving the country's rapid economic growth. One example is the development of the halal industry, which meets the needs of its significant Muslim population. The rapidly growing global Muslim fashion trend presents opportunities for the halal fashion industry to expand and develop. The halal product industry is thriving despite facing major global challenges. With a Muslim population reaching 1.9 billion worldwide, spending on halal products reached approximately USD 2 trillion in 2021, marking an increase of nearly 9% compared to the previous year. The contribution of the halal fashion industry to export value has a positive impact on driving Indonesia's economic growth. Indonesia benefits from increased awareness of the halal industry among its population. The value of halal fashion exports from Indonesia rose by 39% in the first half of 2022, from USD 2.04 billion in the first half of 2021 to USD 2.8 billion in the first half of 2022. Technology and innovation act as catalysts for social and economic changes in the Society 5.0 era, supporting the development of the halal fashion industry as a driver of Indonesian halal product exports. Innovations that support the development of this industry include halal certification, the development of halal fashion products that do not resemble non-Muslim clothing, and the use of digital technology as an enabler in the development of the halal fashion industry.

Based on our research findings, the existence of the halal fashion industry has the potential to escalate Indonesia's economic growth. To enhance the contribution of the halal fashion industry to Indonesia's economic growth, the government and industry players need to collaborate to increase the industry's presence.

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