

Green Halal Business Model: Integrating Maqasid al-Shari'ah into Circular Economy Practices for Sustainable Competitive Advantage

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ABSTRACT

Keywords:

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Background: This study aims to propose an integrative framework of the "Green Halal" business model that synergizes the dimensions of Maqasid al-Shari'ah with the principles of a circular economy to achieve sustainable competitive advantage. The urgency of this research is based on the low waste recycling rate in Indonesia, which only reaches 10-12%, amidst the rapid growth of the national halal industry

Method: Using an exploratory qualitative approach through literature review and content analysis, this study analyzes how Islamic noble values are transformed into modern operational strategies.

Results: The results of the study indicate that the integration of the dimensions of Hifz al-Bi'ah (environmental protection) and Hifz al-Mal (protection of wealth through efficiency) can transform wasteful linear production patterns into regenerative circular systems. The implementation of Digital Halal Traceability technologies such as Blockchain and IoT is identified as a key driver in ensuring supply chain transparency while minimizing the carbon footprint. The novelty of this research lies in the use of Maqasid al-Shari'ah as an operational ethical compass that positions the circular economy not merely as a management trend, but as a theological obligation.

Conclusion: This study concludes that the "Green halal" model provides a competitive advantage through cost leadership and value differentiation for increasingly environmentally conscious consumers

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INTRODUCTION

In the last decade, global awareness of environmental concerns has triggered a major transformation in business management practices worldwide. The halal industry, previously focused solely on raw material supply (ritual compliance), now faces significant pressure to adopt green and sustainable economic principles. (Ali & Suleiman, 2021) emphasize that halal certification plays a crucial

role in supporting sustainable supply chain management, yet its implementation on the ground is often fragmented and fails to address holistic waste management issues.

The urgency of this research is based on the stark contrast between economic potential and challenges. On the one hand, Indonesia has solidified its position as the world's third-largest producer in the 2024/2025 SGIE report, with halal product exports reaching USD 41.42 billion by the end of 2024. However, on the other hand, the growth of this industry places a significant environmental burden, given that Indonesia still produces approximately 68.5 million tons of waste annually with a low recycling rate of only 10-12% (KLHK, 2025). Therefore, adopting a business model that aligns halal profitability with environmental demands is no longer an option but a strategic imperative.

The Circular Economy (CE) phenomenon has emerged as a strategic solution to address environmental degradation, embracing the principles of reduction, reuse, and recycling. In the context of Islamic business, this is not merely a modern management trend but rather an embodiment of noble Islamic values. (Hassan & dkk, 2023) argue that there is a strong synergy between the circular economy and Islamic finance in supporting the Sustainable Development Goals (SDGs)(Haleem et al., 2022). However, the integration of religious values with circular operational practices still requires a more concrete framework, particularly from the perspective of Islamic Business Management.

Indonesia is currently at an environmental tipping point that can no longer be ignored. According to projections from the Ministry of Environment and Forestry (KLHK) for 2025/2026, our country produces 68.5 million tons of waste per year. Ironically, despite this massive mountain of waste, our recycling rate remains very low, at only 10-12%. This low efficiency indicates that our current "take-make-dispose" economic model is no longer relevant and is simply a waste of the planet (Al-Jayyousi, 2012).

(Parliament, 2023) One of the biggest contributors to this pile of waste is food waste (food loss and waste). Without serious circular management interventions, the impact will be dire in the future. It is estimated that by 2045, each individual in Indonesia will contribute 344 kg of food waste per capita annually. Imagine how many resources will be wasted and how much methane gas will be produced if this consumption pattern is not immediately transformed into a more sustainable system.

(Parliament, 2023) The real impact of our negligence in environmental management has already begun to produce disasters. In early 2026 alone (January-February), Indonesia recorded more than 300 natural disasters, ranging from floods and extreme weather to landslides. This series of disasters is a strong signal of worsening environmental degradation and climate change. Therefore, implementing a Circular Economy is no longer just a choice or a trend, but an absolute obligation to restore ecosystems and ensure the safety of future generations.

A research gap arises when Green Supply Chain and Halal Supply Chain practices often operate separately. Although (Zulfakar, 2021) have attempted to reflect on the literature on integrating these two concepts, research specifically using the Maqasid al-Shari'ah approach as an ethical compass in circular management remains very limited. Similarly, (Hanim & Rohman, 2023) emphasize the importance of the Hifz al-Bi'ah (environmental protection) dimension as an integral part of Sharia objectives that must be implemented in business strategies.

This study aims to fill this gap by proposing a "Green Halal" business model that integrates the Maqasid al-Shari'ah dimensions into circular economy practices. By understanding how the preservation of wealth (Hifz al-Mal) and the environment can drive cost efficiency and create sustainable competitive advantage (Widiastuti et al., 2023), this study is expected to provide a roadmap for Islamic business managers in Indonesia. The urgency of this research lies in its ability to align Islamic compliance with global poverty standards, which will ultimately enhance business resilience in the era of a broad economic climate.

In contrast to previous studies that tend to end between ritual (Halal Supply Chain) and environmental killing (Green Supply Chain), this study offers novelty through holistic integration in the 'Green Halal' business model. The main novelty lies in the use of Maqasid al-Shari'ah compass as operational ethics, which transforms the concept of circular economy from merely a modern management trend into a theological obligation through the dimension of Hifz al-Bi'ah (environmental protection). By combining the principle of Hifz al-Mal (preservation of wealth) through resource efficiency and waste reduction strategies, this model not only fills the gap in the limited literature, but

also provides a concrete roadmap for the halal industry to move up from mere compliance with sharia raw materials, to become a pioneer of a green, sustainable industry globally (Al-Jayyousi, 2012).

Novelty This research focuses on developing an integrative 'Green Halal' model that views the circular economy not only as material efficiency but also as a form of implementing Maslahah Mursalah. This research fills a gap in the literature by synergizing Islamic ethics (Hifz al-Bi'ah) and digital technology to create sustainable competitive advantage.

METHOD

Research Approach and Methods

This research uses a qualitative exploratory approach. This approach was chosen because the integration of Maqasid al-Shari'ah and the Circular Economy is an emerging field of study, requiring in-depth exploration to develop a new conceptual framework. The methods used are:

- a. Library research: collecting secondary data from authoritative literature related to sharia principles, circular economy theory, and competitive advantage strategies.
- b. Content analysis (Content Analysis): conducted an in-depth analysis of texts, policy documents, halal certifications, and company intention reports to identify patterns of integration of green and halal values.

Data Sources

The data in this study comes entirely from credible secondary sources:

- a. Primary literature: Al-Qur'an and Hadith (related to nature conservation), classic books regarding Maqasid al-Shari'ah (Ash-Syatibi, Ibn Ashur).
- b. Secondary literature: reputable scientific journals (Sinta 2/Scopus), circular economy textbooks, and official reports from halal certification bodies (BPJPH/LPPOM MUI).
- c. Corporate documents: Annual Reports and Sustainability Reports of companies that implement the Green Halal concept.

Data Collection Techniques

Data is collected through documentation techniques with the following steps:

- a. Search: search for literature using keywords (eg: "Halal Circular Economy", "Green Maqasid", "Sustainable Competitive Advantage").
- b. Filtering: selecting sources published only in the last 10 years (except classics) to maintain relevance.
- c. Implementation: grouping the literature into thematic categories: (1) maqasid principles, (2) circular economy mechanisms, (3) business strategies.

Data Analysis Techniques

Data analysis was carried out manually with strict coding stages:

- a. Open coding: researchers read the literature and labeled key concepts such as hifz al-mal (protection of property/assets) and hifz al-bi'ah (protection of the environment).
- b. Axial coding: defining these categories. For example, linking "waste reduction" in the circular economy with the principle of "rejecting harm" (dar'u al-mafasid) in sharia (Al-Qaradawi, 2007).
- c. Selective coding: compile the data essence into a complete "green halal" business model.

Data Validity

To ensure the validity of the research results, data source triangulation was conducted. Researchers compared circular economy theory from a Western perspective with Islamic economic principles to find common ground (convergence) that strengthens the argument for competitive advantage.

RESULTS AND DISCUSSION

Based on the results of in-depth content analysis and literature studies, this study found that the “Green halal” business model is not simply a combination of two labels, but rather a structural transformation in business operations.

Philosophical Integration: Maqasid al-Shari'ah as the Foundation of a Circular Economy

The study results demonstrate a strong convergence between the Maqasid al-Shari'ah pillars and the principles of a circular economy (Chapra, 2008). A circular economy aims to maintain the value of products, materials, and resources within the economy for as long as possible. A manual coding process of classical and modern literature identified three main dimensions of integration:

- a. Dimensions of environmental protection (Hifz al-Bi'ah): this finding is in line with research by (Shofiyah & Ghozali, 2021) this principle aligns with the concept of Regenerate Nature in a circular economy. Halal business activities must not damage ecosystems (QS. Al-A'raf: 56) (Indonesia, 2020).
- b. Dimensions of resource efficiency (Hifz al-Mal): Islam prohibits israf (excessive spending) and tabzir (wasteful spending). Data coding shows that the practice of Resource Recovery (recovering resources from waste) is a concrete manifestation of asset protection on a macro scale.
- c. Public safety dimension (Hifz al-Nafs): Toyyib products in the halal supply chain ensure there is no pollution or toxic substances that are harmful to human health, in line with the principle of Design Out Waste and Pollution (Husdiana & Harahap, 2023).

Digital Halal Traceability in the Green Supply Chain

The discussion found that digital technology (Blockchain and IoT) line with the findings of (Wicaksono & Ahmad, 2022) acts as the main driver. In this business model, digital tracking serves to:

- a. Verifying halal authenticity: eliminate consumer doubts (syubhat) through transparent data.
- b. Monitoring carbon footprint: integrating logistics data to ensure the most efficient energy distribution routes, which is the core of Green Supply Chain Management.

Achieving Sustainable Competitive Advantage

Data analysis shows that companies adopting the Green Halal Business Model gain competitive advantage through three mechanisms:

- a. Cost efficiency (Cost Leadership): By implementing circular systems (such as reusing wastewater or biomass energy from production waste), companies reduce their reliance on expensive new material inputs.
- b. Value Differentiation: the product has a unique selling point in the global market (exports). Environmentally conscious Muslim and non-Muslim consumers (who seek a healthy and sustainable lifestyle) constitute a loyal market segment.
- c. Risk mitigation: compliance with Maqasid and green standards makes companies more resilient to changes in increasingly stringent environmental regulations in the future (Rahmah & dkk, 2024).

Table 1. Comparison of Conventional Halal Business Model vs Green Halal (Circular) Business Model

Comparative Dimensions	Conventional Halal Business	Green Halal (Circular) Business Model	The Foundation of Maqasid al-Shari'ah
Main Focus	Compliance with raw materials (substances/inputs) to be free from pork, alcohol.	Compliance across the entire product life cycle (input, process, output/waste).	<i>Hifz al-Nafs</i> (soul) & <i>Hifz al-Bi'ah</i> (environment)
Production Pattern	<i>Linear economy</i> (take, make, throw away).	<i>Circular economy</i> (reduction, reuse, recycling).	<i>Hifz al-Mal</i> (asset efficiency & anti-waste)

Waste Management	Waste is considered as residue that is discharged into the environment.	Waste is considered a resource (new raw material).	<i>Hifz al-Nasl</i> (protecting descendants from natural damage)
Energy Usage	Depends on fuel energy (conventional).	Prioritize renewable energy and carbon efficiency.	<i>The benefit of the community</i> (public interest)
Supply Chain	Important logistics standards reach consumers.	<i>Green Logistics</i> (Minimizing carbon and plastic footprint).	<i>Adl</i> (justice for the environment)
Indicators of success	Profitability and halal label certification.	<i>Triple bottom line</i> (profit, people, planet) & blessings.	<i>Falah</i> (success in this world and the hereafter)

Based on Table 1 above, the fundamental difference between conventional halal businesses and the Green Halal model is clear (Nasution & Prasetyo, 2022). While conventional halal businesses tend to be reactive in providing sharia requirements for final products, the Green Halal model is proactive, integrating them into core management. The application of the Maqasid al-Shari'ah principle here transforms from merely protecting religion to protecting the ecosystem (Hifz al-Bi'ah). This aligns with (Widiastuti et al., 2023) who argued that the circular model not only reduces operational costs but also creates business blessings by eliminating wasteful behavior (mubazzir) in the production process.

Table 2. Mapping of the Integration of Maqasid al-Shari'ah & Circular Economy

Pillars of Maqasid	Implementation of Circular Economy	Strategic Objectives (Competitive Advantage)
<i>Hifz al-Din</i> (Protection of Religion)	Absolute compliance with halal certification and Islamic business ethics (Shari'ah Compliance).	Brand trust: building fanatical Muslim consumer loyalty through spiritual integrity.
<i>Hifz al-Nafs</i> (Life Protection)	Guaranteeing products are free from hazardous substances (Toyyib) and environmental pollution that threatens health.	Product quality: reduce the risk of product recalls and lawsuits.
<i>Hifz al-'Aql</i> (Protection of Reason)	Smart product design innovation (Eco-design) and consumer education on responsible consumption.	Inno-efficiency: cost advantages through designs that minimize the use of raw materials.
<i>Hifz al-Nasl</i> (Protection of Offspring)	Regenerative practices to ensure natural resources remain available for future generations.	Long-term sustainability: ensure the continuity of raw material supply in the future.
<i>Hifz al-Mal</i> (Protection of Property)	Resource efficiency (3R: Reduce, Reuse, Recycle) and asset optimization to avoid waste.	Cost leadership: significant operational cost savings through waste elimination.

From Table 2 above, data analysis can explain that this integration is not merely a religious obligation, but also a modern business strategy. Eliminating israf (waste) in a circular economy, waste is considered a "design error." Manual coding will reveal that the Islamic principle of prohibiting tabzir (wasting wealth) aligns with material efficiency (Shofiyah & Ghozali, 2021). Companies that are able to recycle waste into raw materials (circular) will have a lower cost structure than their competitors (linear).

Halal-Greenas differentiation Today's global market seeks products that are not only "safe to consume" but also "ethical to consume." By adopting a green halal model, companies gain a dual Unique Selling Proposition (USP) that is difficult for competitors to imitate if they only focus on one aspect. Supply chain resilience through the use of Digital Halal Traceability ensures transparency. From a Maqasid perspective, this is a form of amanah (trust). From a business perspective, transparent data reduces risk and increases responsiveness to market changes.

CONCLUSION

Research has successfully developed a framework for integrating Maqasid al-Shari'ah (the principles of Sharia) with the principles of the Circular Economy within the "Green Halal" business model. The study's findings demonstrate that Sharia compliance in business management should not be limited to the physical halal aspects of products, but should extend to ecological responsibility. The integration of the dimensions of Hifz al-Bi'ah (environmental protection) and Hifz al-Mal (protection of wealth through efficiency) has been proven to be able to transform business operations from a wasteful, linear pattern to a sustainable, circular pattern.

Theoretically, this research enriches the literature on Islamic business management by expanding the scope of Maqasid al-Shari'ah in the context of modern operational management. This demonstrates that Islamic values are highly relevant and aligned with the global Sustainable Development Goals (SDGs) agenda.

For Sharia business practitioners, the Green Halal model offers a competitive advantage through resource efficiency and enhanced brand image among increasingly environmentally conscious consumers. Meanwhile, the government and regulators (such as BPJPH and KNEKS) are advised to begin integrating environmental ecosystem indicators into the national halal industry ecosystem to strengthen Indonesia's position in the global market.

This research is still contextual in nature. Future research is expected to conduct empirical tests using quantitative data in specific halal industry sectors, such as food and beverages or modest fashion, to more specifically validate the economic impact of implementing this circular this model.

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