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The Influence of Halal Industry on Increasing Economic Growth in Islamic Countries

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Abstract

This study aims to analyze the halal industry's influence on economic growth in Islamic countries. The research gap in this study is that previous studies have indicated a diverse influence of halal industry variables on economic growth. Therefore, this study aims to provide a deeper understanding of the role of the halal industry in enhancing economic growth in Islamic countries. This study is quantitative research using secondary data categorized as panel data. The data consist of annual figures on Islamic Finance, Halal Food, Halal Travel, Halal Fashion, Halal Media and Recreation, and Economic Growth from 2014 to 2020 in 10 Islamic countries, obtained from the State of the Global Islamic Economy (SGIE) Report and the World Bank. The data analysis technique used is Panel VECM. The study results show that only the Islamic Finance variable positively affects economic growth in the short term. In contrast, the other variables show no effect or a negative effect on economic growth.

Keywords : Halal Industry; Economic Growth; Islamic Countries; Panel VECM

INTRODUCTION

The development of the Islamic or halal industry is one of the strategies to strengthen economic growth in Islamic countries, aligning with the expansion of the halal industry as an integral part of the global Islamic economy (Fathan et al., 2022). The halal industry has experienced significant progress in recent years, marked by the increasing penetration of the halal lifestyle into various countries, making halal a universal standard for ensuring product quality (Meylinda &

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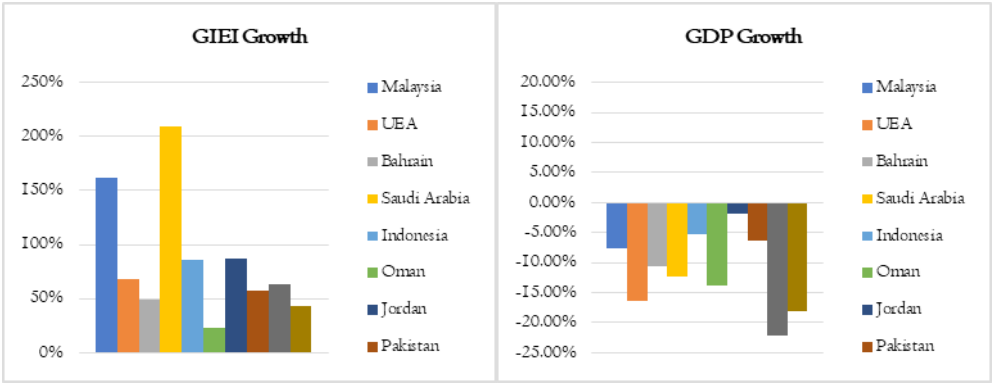
Matondang, 2023). The growth of the halal lifestyle reflects an increased awareness of religiosity, encouraging Muslim consumers to choose products more selectively (Jailani & Adinugraha, 2022). Sahlins, as cited in Fischer (2011), emphasizes that economic flexibility depends on the social structure of trade relations. In the halal market, specific trading relationships are formed where consumers purchase commodities that meet religious standards. The development of halal industry trends reflects shifts in the perspectives and needs of global Muslim customers, driven by the rapid expansion of the halal industry (Susilawati, 2020).

Figure 1 *GIEI Growth and Economic Growth of Islamic Countries 2020*



Source: SGIEI Report and World Bank, 2024

The development of the Global Islamic Economy Indicator (GIEI) Score in Figure 1 provides an overview of the contribution of the Islamic economy in various Islamic countries. Malaysia and the United Arab Emirates showed the highest GIEI development in 2020, signifying substantial progress and diversity within the Islamic economy in these two countries. This suggests that Malaysia and the UAE have implemented successful economic policies or have strong Islamic economic sectors. On the other hand, Oman exhibited the least growth in the GIEI score, with less than 50% growth in 2020. This indicates that although Oman's halal and Islamic economic sectors are expanding, they are growing slower than in the other countries depicted. The SGIE Report states that halal principles have significantly influenced products and services across various economic sectors, such as food, finance, clothing, tourism, media, and recreation.

The contribution of these halal sectors plays a crucial role in shaping the growth of the Islamic economy globally (Shafaki, 2023).

As a result of the COVID-19 pandemic, Islamic countries showed negative economic growth in 2020, as seen in Figure 1. The data indicates that most countries listed experienced negative economic growth, although the rate of decline varied from country to country. Kuwait recorded a significant decline of 22.25%, while Jordan experienced a relatively smaller decline of only 1.80% (World Bank, 2024). The decline in these countries can be attributed to several factors. The global economic crisis triggered by the COVID-19 pandemic led to decreased demand and trade tensions, which disrupted all economic sectors (Hassan et al., 2022). This disruption was due to consumers experiencing reduced purchasing power amid economic uncertainty and rising unemployment, directly impacting product and service sales. Some countries demonstrated a higher level of resilience in the face of these negative economic impacts through appropriate economic policies, which affected their GIEI score.

Solow stated that one of the efforts made by developed countries to accelerate economic growth is to increase the flexibility of the labor market and the goods and services market (Solow & Touffut, 2012). The halal industry can contribute to economic growth by increasing production, creating new jobs, raising people's income, and encouraging investment in infrastructure. In the production of halal products, every stage of value addition, from raw materials to consumers, must be ensured, making information transparency crucial to guarantee product halalness (Hasan, 2021). Destriyansah (2023) showed that the halal industry significantly affects a country's economic growth. Halal food and fashion have a significant positive effect, while halal travel and Islamic finance significantly negatively affect economic growth. Meanwhile, Yusuf (2021) stated that a country's economic growth is influenced by the development of its halal tourism industry. Ahyani (2021) found that halal food in three regions of Indonesia has a positive impact on the regional economy.

The research gap in this study is that previous research has shown diverse influences of halal industry variables on a country's economic growth. Therefore, it is necessary to analyze the relationship between halal industry variables and economic growth in Islamic countries. The strength of this research lies in the fact that there are few quantitative studies discussing the halal industry. Additionally,

this study examines several Islamic countries as research subjects, providing a broader perspective on the development of the halal industry in these nations. This study aims to examine and analyze the effect of the halal industry on economic growth in Islamic countries by identifying the factors that influence this relationship. Thus, this study is expected to provide a deeper understanding of the role of the halal industry in boosting economic growth in Islamic countries. The practical implications of this research can help governments design more effective policies to support the development of the halal industry.

LITERATURE REVIEW

Solow's Theory of Economic Growth

According to Solow (2012), developed countries' policy priorities for increasing economic growth focus on enhancing the flexibility of labor, goods, and services markets, supported by the promotion of international organizations. Solow's growth model assumes that labor and capital are substitutes in the production process, with progressively diminishing returns. An increase in capital and labor will lead to an unimpeded rise in production. When the economy is stable, the return on investment rate will parallel the economic growth rate. This implies that investment will yield returns proportionate to economic growth (Levačić & Rebmann, 1982; Sengupta, 2011). Samli (2011) adds that economic growth significantly improves the quality of life, particularly for low-income people, with infrastructure development based on four main strategies aligned with the country's economic needs. Economic growth involves technological innovation, investment, education, and political stability. This suggests that investment efficiency, supported by technology and skilled labor, greatly influences growth (Szostak, 2009).

Villanueva et al. (2016) revealed that the basic neoclassical model developed by Solow and Swan has become the foundation of the study of economic growth theory, with assumptions such as one homogeneous good, an efficient neoclassical production function, and exogenous technological progress. The Solow-Swan model successfully addressed the issues posed by Harrod and Domar and provided predictions regarding factors that affect the level of per capita income, such as technology, savings rate, and population growth. In his

analysis, Barro (in Cuadrado-Roura, 2010) emphasizes the importance of public capital and infrastructure to support sustainable economic growth, as with adequate infrastructure, productivity and economic activity will be improved. However, Cuaresma et al. (2010) note that the relationship between economic growth and infrastructure remains contentious, mainly due to differences in the measurement and definition of infrastructure, which often make it difficult to draw robust conclusions.

Islamic Finance on Economic Growth

With its ability to develop financing facilities that comply with Sharia principles, the Islamic finance industry has great potential to support economic growth (Nazim et al., 2021). This aligns with Solow's Theory, which emphasizes the role of capital accumulation, labor growth, and technological progress in driving economic growth. By providing Sharia-compliant financing, the Islamic financial sector encourages capital accumulation through investments in projects that adhere to Islamic ethical principles. Osmanovica et al. (2020) revealed that the main attraction of the Islamic banking system lies in the application of risk sharing. Growth in the number of Islamic bank consumers can increase profitability, attract investors, and positively impact the country's economy. This increases the capital available for investment and development, creates new jobs, and supports innovation in various sectors (Kamali, 2013). Therefore, the hypothesis raised is as follows:

H1: Islamic finance positively affects economic growth in 10 Islamic countries

Halal Food on Economic Growth

Bergeaud-Blackler (2016) states that "halal" means "permissible" or "pure" in Islam and is related to practices such as ritual slaughter and the avoidance of pork. Awareness of halal integrity in food products is increasing among Muslim and non-Muslim consumers, as reflected in the market's growing selection of halal food (Azam & Abdullah, 2020; Muhammad & Ngah, 2020). The halal food industry, which is moving towards regulatory standardization with the support of the Standards and Metrology Institute for Islamic Countries (SMIIC),

requires significant infrastructure, technology, and human resources to meet halal standards. These investments drive capital accumulation in the economy and support Islamic banks' initiatives, such as CIMB and Standard Chartered Saadiq, in developing small and medium enterprises (SMEs) in the halal food sector (Shafaki, 2023). According to Solow's Theory, capital accumulation is one of the main drivers of economic growth. Therefore, the hypothesis is:

H2: Halal food positively affects economic growth in 10 Islamic countries

Halal Travel on Economic Growth

Al-Teinaz et al. (2019) revealed that the concept of halal now extends to areas such as travel by Islamic sharia. This reflects the increasing demand for halal products and services. According to Solow's Theory, economic growth is driven by capital accumulation, labor, and technological advancement. The halal travel industry contributes to economic growth by encouraging investment in tourism infrastructure, such as halal hotels, restaurants, and sharia-compliant travel services (Jamal et al., 2018). This investment increases capital accumulation and creates new jobs, boosting productivity and economic growth (Levačić & Rebmann, 1982). Technological advancements in the industry, such as digital platforms for booking halal travel, also accelerate growth. From a sharia perspective, this industry promotes economic growth and ensures that economic activities align with Islamic principles, such as justice, ethics, and sustainability (Mujahidin, 2020). Therefore, the hypothesis is as follows:

H3: Halal travel positively affects economic growth in 10 Islamic countries

Halal Fashion on Economic Growth

The fashion industry plays an important role in economic growth. According to Solow's Theory (in Solow & Touffut, 2012), economic growth is determined by capital accumulation, increases in labor, and technological progress. The halal fashion industry encourages investment in clothing production, design, and marketing that comply with halal standards, increasing economic capital accumulation (Crăciun, 2017). Villanueva (2016) revealed that the industry creates new jobs in various sectors, from manufacturing to retail, thus increasing labor

productivity. Technological advancements, such as e-commerce and innovations in Sharia-compliant materials, also play a role in accelerating economic growth. The halal fashion industry ensures that products meet aesthetic standards and adhere to Islamic ethical values. This industry contributes to economic growth and promotes an economy that complies with Islamic teachings (Randeree, 2020). Therefore, the hypothesis is as follows:

H4: Halal fashion positively affects economic growth in 10 Islamic countries

Halal Media and Recreation on Economic Growth

The development of the halal media and leisure industry contributes to economic growth by increasing capital accumulation, creating new jobs, and driving technological advancement. Investments in halal media and leisure infrastructure, such as media studios, leisure facilities, and digital technology, can accelerate capital accumulation, create employment opportunities, and spur technological innovation. Fischer (2011) explains how halal media, such as magazines, newspapers, websites, and advertisements, contribute to shaping Muslim spaces today and points out that the industry fulfills a market need for content that conforms to Islamic values. Several studies have shown that there is a tendency in Islam to accept art and entertainment, and the development of media and entertainment that conform to Islamic principles offers an alternative for Muslims who want to enjoy halal entertainment and Islamic teachings (Nieuwkerk, 2011). Therefore, the hypothesis is as follows:

H5: Halal media and recreation positively affect economic growth in 10 Islamic countries

RESEARCH METHOD

Research Type and Data

The method used in this study is quantitative, using the Vector Error Correction Model (VECM) approach, utilizing secondary data categorized as panel data. The quantitative method involves collecting, analyzing, and interpreting data, focusing on measuring variables and their statistical relationships (Creswell, 2014). Secondary data refers to data that has been previously collected by other

parties and can be reviewed and analyzed in more detail (Sallis et al., 2021). The data to be tested consists of annual data. The population in this study comprises all Islamic countries in the world. The sampling technique used is purposive sampling, with the criterion of including Islamic countries with score reports in the SGIE Report from 2014 to 2020. Therefore, the 10 Islamic countries that meet these criteria are Malaysia, United Arab Emirates, Bahrain, Saudi Arabia, Indonesia, Oman, Jordan, Pakistan, Kuwait, and Qatar. A description of the variables and data sources can be seen in Table 1. The data were processed and analyzed using Eviews 10 software.

Table 1 *Variables and Data Sources*

Variable	Period	Unit	Source
Economic Growth	2014 – 2020	Percent	World Bank website
Islamic Finance	2014 – 2020	Score	SGIE Report 2014 – 2020
Halal Food	2014 – 2020	Score	SGIE Report 2014 – 2020
Halal Travel	2014 – 2020	Score	SGIE Report 2014 – 2020
Halal Fashion	2014 – 2020	Score	SGIE Report 2014 – 2020
Halal Media and Recreation	2014 – 2020	Score	SGIE Report 2014 – 2020

(Source: Processed data by the author, 2024)

Vector Error Correction Model (VECM)

This study uses the Vector Error Correction Model (VECM) as a data analysis technique. This model is useful for analyzing the relationship between research variables when long-term cointegration is observed in the data. VECM is a derivative model of the Vector Autoregressive Model (VAR). VECM is used when the observed data has a cointegration relationship and is not stationary at the level (Aljandali & Tatahi, 2018). The Empirical VECM in this study is as follows:

$$\Delta Growth_{it} = \alpha + \Sigma_{j=1}^{n}\beta 1\Delta Growth_{i,t-1} + \Sigma_{j=1}^{n}\beta 2\Delta Finance_{i,t-1} + \Sigma_{j=1}^{n}\beta 3\Delta Food_{i,t-1} + \Sigma_{j=1}^{n}\beta 4\Delta Travel_{i,t-1} + \Sigma_{j=1}^{n}\beta 5\Delta Fashion_{i,t-1} + \Sigma_{j=1}^{n}\beta 6\Delta Media_{i,t-1}\gamma e_{it} + \mu_{it} \quad (1)$$

Where $\Delta Growth$ is the first difference of the logarithm of economic growth for country *i*, and year *t*; $\Delta Finance$ is the first difference of the logarithm of the Islamic finance industry for country *i*, and year *t*; $\Delta Food$ is the first difference of the logarithm of the halal food industry for country *i*, and year *t*; $\Delta Travel$ is the first difference of the logarithm of the halal travel industry for country *i*, and year *t*; $\Delta Fashion$ is the first difference of the logarithm of the halal clothing industry for country *i*, and year *t*; $\Delta Media$ is the first difference of the logarithm of the halal media and recreation industry for country *i*, and year *t*.

RESULTS AND DISCUSSION

Results

Stationarity Test

The stationarity test assesses whether a time series shows consistency over time or whether some trends or patterns can affect its behavior (Singh & Tripathy, 2020). In this study, the Augmented Dickey-Fuller (ADF) test is used. The null hypothesis of this test states that the data is not stationary. The results of the stationarity test are presented in Table 2.

Table 2 *Stationary Test Results*

Variable	Probability		Results
	Level	First Difference	
Growth	0.0000	0.0000	I (0)
Finance	0.9999	0.0037	I (1)
Food	0.9854	0.0000	I (1)
Travel	0.8969	0.0000	I (1)
Fashion	0.9999	0.0013	I (1)
Media	0.9637	0.0000	I (1)

(Source: Processed secondary data by the author, 2024)

Based on the stationarity test results in Table 2, with a significance level of 5%, the Growth variable is the only stationary variable at the level. Meanwhile, finance, food, travel, fashion, and media are not stationary at this level. This

conclusion is based on the probability value of the growth variable, which is smaller than 0.05, and the probability values of the other five variables, which are greater than 0.05. Furthermore, after conducting the stationarity test at the first difference level, all six variables are found to be stationary at the first difference level. Thus, it can be concluded that all six variables are stationary at the first difference level.

Optimal Lag Selection

In VAR models, the optimal lag selection is determined using information criteria such as the Akaike Information Criterion. This criterion helps balance model fit and simplicity to determine the optimal lag order (Kilian & Lütkepohl, 2017).

Table 3 *Optimal Lag Selection Results*

Lag	LR	FPE	AIC	SC	HQ
0	NA	8.18e+10	42.15511	42.38456*	42.24249*
1	77.90154*	5.71e+10*	41.78345*	43.38955	42.39506

(Source: Processed secondary data by the author, 2024)

The results of the optimal Lag selection show that the most appropriate Lag is Lag 1. This conclusion is based on most star symbols (*) appearing at Lag 1. According to the AIC, the best Lag is Lag 1. However, based on the SC, the best Lag is Lag 0. Therefore, it was decided to use Lag 1 as the optimal Lag for further testing.

VAR Stability Test

The stability test verifies the consistency of parameters in the VAR model and identifies structural changes. Stable time series fluctuate around a constant mean, while unstable time series exhibit trends or seasonal fluctuations (Lütkepohl, 2005).

Table 4 *VAR Stability Test Results*

Root	Modulus
-0.922321	0.922321
-0.534923 - 0.596430i	0.801168
-0.534923 + 0.596430i	0.801168
-0.483668 - 0.100896i	0.494079
-0.483668 + 0.100896i	0.494079
0.086993	0.086993

(Source: Processed secondary data by the author, 2024)

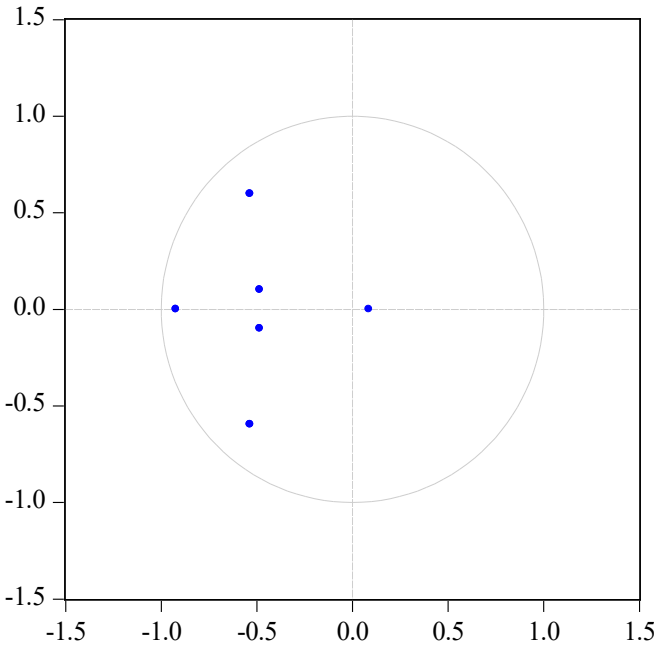


Figure 2 *VAR Stability Test Results*

(Source: Processed secondary data by the author, 2024)

The VAR stability test results in Table 4 show that all modulus values are less than 1, indicating that the VAR model is stable. This suggests that the estimated VAR model maintains structural stability over time. The results in Figure 2 show that all blue dots are inside the circle. Therefore, it is concluded that the VAR model is stable in the long run.

Cointegration Test

A cointegration test is an analytical technique used in time series studies to assess whether two or more time series have a stable long-term relationship. Although the time series may experience fluctuations in the short run, cointegration indicates that they tend to move together in the long run. The Johansen test is used to identify the presence of cointegration between multiple time series in a system (Singh & Tripathy, 2020).

Table 5 *Cointegration Test Results*

Hypothesized No. of CE(s)	Trace			Max-Eigen		
	Statistic	0.05 Critical Value	Prob.	Statistic	0.05 Critical Value	Prob.
None *	201.0797	95.75366	0.0000	76.49353	40.07757	0.0000
At most 1 *	124.5862	69.81889	0.0000	41.53293	33.87687	0.0050
At most 2 *	83.05322	47.85613	0.0000	33.62616	27.58434	0.0074
At most 3 *	49.42706	29.79707	0.0001	22.18492	21.13162	0.0354
At most 4 *	27.24214	15.49471	0.0006	14.52041	14.26460	0.0456
At most 5 *	12.72173	3.841466	0.0004	12.72173	3.841466	0.0004

(Source: Processed secondary data by the author, 2024)

The results of the Johansen cointegration test in Table 5 show that all probability values are less than 0.05 for both the Trace Statistic and Max-Eigen Statistic. This indicates that there is a long-run cointegration relationship among the observed variables. Therefore, the most appropriate model to continue with is the VECM, which will analyze both the long-run and short-run relationships of the observed variables.

VECM Estimation

The VECM is an econometric analysis method used to study the long-run relationship between cointegrated variables. The VECM assumes the existence of a cointegrating relationship and adjusts for long-run changes through an

error correction mechanism, allowing for the analysis of short-run dynamics and the restoration of long-run equilibrium (Kilian & Lütkepohl, 2017). The decision rule in this test is that H0 is rejected if the value of the |t-statistic| > t-tabel, with the Null Hypothesis stating that the independent variable has no significant effect on the dependent variable. The results of the VECM estimation are shown in Table 6.

Table 6 *VECM Estimation Results*

Variable	Long-Run		Short-Run	
	Coefficient	**t-Statistic**	**Coefficient**	**t-Statistic**
Finance	0.000129	0.07512	0.004572	2.94536
Food	0.002278	0.39403	-0.003514	-2.21920
Travel	0.001254	0.40928	0.001239	0.88047
Fashion	-0.033435	-7.41631	0.002510	1.17227
Media	-0.000144	-0.07416	0.000139	0.11869

(Source: Processed secondary data by the author, 2024)

Note: t-table (1.99773)

The VECM estimation results show that finance, food, travel, and media have no significant effect on economic growth, with the t-statistics for each variable being smaller than the critical value from the t-table, so H_o is accepted. This means that Islamic finance, halal food, halal travel, and halal media in the previous period had no significant effect on economic growth in 10 Islamic countries in the long run. Meanwhile, fashion shows a negative and significant effect on growth, with a t-statistic greater than the critical value from the t-table; thus, H_o is rejected. Thus, the increase in halal fashion in the previous period significantly affects the economic decline. The short-term results indicate that finance has a positive and significant effect on growth, with a t-statistic greater than the critical value from the t-table, meaning that an increase in Islamic finance in the previous period significantly affects economic growth in 10 Islamic countries. In contrast, food has a negative and significant effect on growth, whereas an increase in halal food significantly affects economic decline. Meanwhile, travel, fashion, and media

have no significant effect on growth, with the t-statistics for these variables being smaller than the critical value from the t-table, indicating that these sectors do not significantly affect economic growth.

Granger Causality Test

The Granger causality test determines whether prior information from one variable can help predict another variable. The null hypothesis in the Granger causality test states that the regression parameters associated with these variables are not jointly significant. The decision criterion for this test is that Ho is rejected if the significance or probability value is less than alpha (Aljandali & Tatahi, 2018). The results of the Granger causality test are presented in Table 7.

Table 7 *Granger Causality Test Results*

Null Hypothesis:	**F-Statistic**	**Prob.**
Finance ■ Growth	0.56686	0.4546
Growth ■ Finance	1.56701	0.2158
Food ■ Growth	2.60810	0.1118
Growth ■ Food	0.05014	0.8236
Travel ■ Growth	0.00553	0.9410
Growth ■ Travel	0.22635	0.6361
Fashion ■ Growth	0.01609	0.8995
Growth ■ Fashion	3.08834	0.0842
Media ■ Growth	0.14383	0.7059
Growth ■ Media	3.74274	0.0580

(Source: Processed secondary data by the author, 2024)

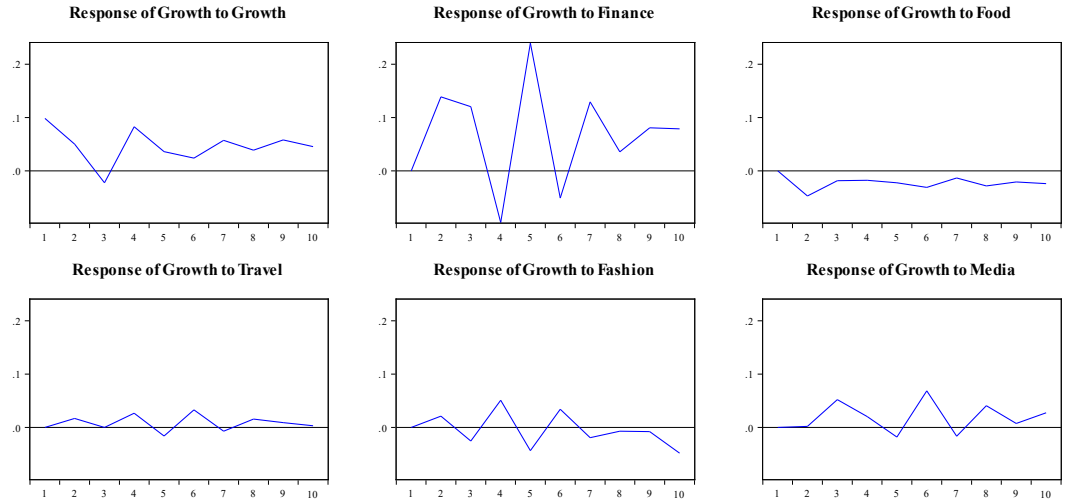
The results of the Granger causality test at a significance level of 5% in Table 7 show that there is neither a two-way (mutual influence) nor a one-way (unidirectional) relationship. This conclusion is based on the probability values greater than the alpha value 0.05. Thus, there is no significant relationship between economic growth and Islamic finance, halal food, halal travel, halal fashion, and

halal media and recreation.

Impulse Response Function (IRF)

The Impulse Response Function (IRF) is an analysis that shows how a variable responds to a one-time shock from another variable while keeping other variables constant (Hamilton, 1994).

Figure 3 *Impulse Response Function (IRF) Results*



(Source: Processed secondary data by the author, 2024)

The IRF results in Figure 3 show how the growth variable responds to shocks in the finance, food, travel, fashion, and media variables, showing significant fluctuations over ten periods. Shocks to the finance variable have the most pronounced effect on growth, as indicated by the significant rise and fall in growth fluctuations. In contrast, the travel, fashion, and media variables also show significant fluctuations, but the impact is less pronounced than finance. The response of growth to shocks in the food variable tends to show minimal fluctuation, remaining relatively stable through the tenth period.

Forecast Error Variance Decomposition

Variance decomposition is an analysis determining how much variation in a variable can be explained by the variable and other variables in the model (Lütkepohl, 2005).

Table 8 *Results of Forecast Error Variance Decomposition (FEVD)*

Period	Growth	Finance	Food	Travel	Fashion	Media
1	100.0000	0.000000	0.000000	0.000000	0.000000	0.000000
2	35.54231	55.92305	6.388385	0.820971	1.314730	0.010551
3	23.96233	63.52748	4.764851	0.531569	2.081146	5.132621
4	26.63765	58.77509	3.870105	1.355943	5.072270	4.288936
5	15.42993	74.45531	2.471691	0.925294	4.149254	2.568522
6	14.65197	70.58529	2.938375	1.589583	4.629361	5.605415
7	14.78905	71.77926	2.677302	1.419757	4.268733	5.065897
8	15.19276	70.21967	3.050430	1.514962	4.161445	5.860731
9	16.15396	69.75640	3.109350	1.470945	3.955368	5.553976
10	16.22646	68.67497	3.208767	1.386524	4.900223	5.603057

(Source: Processed secondary data by the author, 2024)

The variance decomposition results in Table 8 show that at the beginning of the period, economic growth accounted for 100% of the variance, but its influence then decreased significantly over time. Meanwhile, initially contributing minimally, Islamic finance increased significantly by period two and peaked from five to seven before declining slightly. Other factors, such as halal food and halal fashion, show relatively stable contributions, ranging from 1% to 3%. In contrast, the contributions of halal travel and halal media and recreation show a slight increase over time, ranging from 1% to 5%.

Discussion

The Effect of Halal Islamic Finance on Economic Growth

The results of the VECM analysis show that the Islamic financial industry does not have a significant effect on economic growth in the long run but has a

significant positive effect in the short term. Thus, the hypothesis stating that the Islamic financial industry has a significant positive effect on economic growth is accepted. This finding is supported by research by Saleem et al. (2021), which shows that the Islamic finance industry positively contributed to economic growth in eight countries, including Pakistan, from 2005 to 2018. Osmanovica et al. (2020) added that the main attraction of the Islamic banking system lies in the risk-sharing mechanism, which increases the number of consumers and profitability of Islamic banks, attracts investors, and positively impacts the economy. Sharia principles in financial institutions have attracted the attention of both local and foreign investors, especially in the era of a global economy that is currently increasingly leading to circular business models and sustainable development.

In terms of Solow's Theory, the positive influence of the Islamic finance industry in the short term can be seen as a result of increased capital accumulation through investments made by Islamic banks. This capital accumulation can increase productivity and economic growth. In the long run, its contribution may be more limited if not accompanied by technological innovation and increased labor productivity. The Islamic finance industry is unique in its operational principles, particularly regarding risk sharing (Hanieh, 2020). This principle supports greater economic stability, as more distributed risk reduces volatility and increases confidence in the financial system. In addition, the Islamic finance industry can also play an important role in financing public and infrastructure projects, which are crucial in the Solow growth model. Public capital and infrastructure are essential factors that boost total productivity in the economy (Nazim et al., 2021). Thus, this aligns with the need for public capital and infrastructure emphasized in the Solow growth model.

The Effect of Halal Food on Economic Growth

The analysis shows that the halal food industry has no significant effect on economic growth in the long run, while the effect is negative and significant in the short run. Thus, the hypothesis that the halal food industry significantly affects economic growth is rejected. Nevertheless, the growing Muslim population is driving greater demand for halal food products, creating a significant economic opportunity for companies to cater to the needs of Muslim consumers (Riaz & Chaudry, 2004). The halal food market is propelled by the growing Muslim

population and increasing public awareness of the importance of halalness in the products consumed. With this growing demand, the halal food and beverage sector has great potential within the halal industry (Aniqoh & Hanastiana, 2020). Product quality is key to sustainable halal culinary development. For halal culinary businesses, it is important to focus on creating dishes that meet sharia standards and are unique and high quality. This is done to attract and retain customers (Putra et al., 2023).

According to Solow's theory, the negative effect of the halal food industry in the short term can be explained by the imbalance between capital accumulation and productivity improvements needed to support economic growth. In the Solow model, economic growth is determined by capital accumulation, labor force growth, and technological progress. In the short term, the halal food sector may need help in terms of efficiency and innovation, which hinders its contribution to economic growth (Hareebin, 2021). However, in the long run, the halal food industry can contribute more to economic growth if it can overcome these challenges. With the suitable investments in technology, innovation, and human capital development, the sector can improve production and product quality efficiency, driving more sustainable economic growth. By improving efficiency and quality, the halal culinary industry can contribute to economic growth, which aligns with the principles expressed in the Solow Theory.

The Effect of Halal Travel on Economic Growth

Furthermore, halal tourism has no significant effect on economic growth in the long term and short term. Thus, the hypothesis stating that the halal industry has a significant positive effect on economic growth is rejected. This result is in line with the findings of Qoir (2024), which state that the travel or tourism industry has no significant effect on economic growth in eight Organisation of Islamic Cooperation (OIC) member countries. Halal tourism emphasizes compliance with Islamic principles by offering destinations that provide halal products and services for Muslim tourists. It provides an alternative that ensures compliance with Sharia law and offers peace of mind to Muslim tourists when traveling (Adinugraha et al., 2021; Fariana et al., 2022). Muslim travelers tend to seek facilities that support their religious needs and prefer tourist attractions that provide recreational facilities, allowing them to worship quietly and privately.

This suggests that comfort and privacy in worship are major factors in choosing a tourist destination for Muslim travelers (Tieman, 2021).

Within the framework of Solow's Theory, the contribution of this sector to economic growth depends on its ability to attract investment. Without increases in capital accumulation and technological innovation, the economic impact of the halal tourism sector may be relatively limited. From a macroeconomic perspective, this sector may not yet be able to attract significant investment or introduce the necessary technological innovations to drive economic growth. The insignificant impact of halal tourism on economic growth, both in the short and long term, may be related to the economic growth model that emphasizes capital accumulation, labor, and technological advancement (Solow & Touffut, 2012). Therefore, while halal tourism provides important benefits to the Muslim community, particularly in offering travel options that comply with Sharia principles, its contribution to economic growth requires further development in terms of investment, efficiency improvements, and technology adoption (Umara in Gitaharie et al., 2020).

The Effect of Halal Fashion on Economic Growth

In the long term, halal fashion has a negative and significant impact on economic growth, while in the short term, it does not show a significant impact. Therefore, the hypothesis that halal fashion positively and significantly impacts economic growth is rejected. The halal fashion industry has become a significant trend in recent years. Although halal fashion is considered an emerging market seeking recognition among consumers, its contribution to economic growth is arguably still limited. This may be because consumers believe halal fashion consumption based on religious beliefs should be maintained (Jailani et al., 2022). Discussions about Islamic fashion often revolve around interpretations of modesty laws and religious views, which frequently restrict clothing options for Muslim women (Randeree, 2020). An overly narrow or rigid perspective on Muslim fashion design can limit creativity and variety, which in turn reduces market appeal and inhibits the acceptance of innovation. This can slow down the development of Muslim fashion as an emerging sector.

Some view religiously mandated clothing as outdated and incompatible with modernity. In contrast, others attempt to align such clothing with fashion

trends to enhance its market appeal, although this is seen as conflicting with the spiritual purpose of clothing (Crăciun, 2017). The impact of halal fashion on economic growth, as explained by Solow's theory, is limited due to insufficient contributions to capital accumulation and technological innovation. Although the halal fashion industry is developing and becoming a market trend, its contribution to economic growth may still be limited. This may be because halal fashion has not sufficiently contributed to capital accumulation, such as investment in necessary infrastructure and facilities and technological innovation that supports production and marketing processes (Yuli & Wojtyla, 2020). The Solow model suggests that economic growth relies on capital and technological advancements. If halal fashion fails to attract sufficient investment or innovate significantly, its impact will remain limited.

The Effect of Halal Media and Recreation on Economic Growth

Meanwhile, halal media and recreation do not significantly affect economic growth in the long or short term. Therefore, the hypothesis stating that halal media and recreation have a significant positive effect on economic growth is rejected. This result is also supported by the findings of Destriyansah et al. (2023), which indicate that halal media and recreation do not significantly impact economic growth. However, it must be acknowledged that halal media and recreation literacy are still low. This is evident from the lack of Islamic films in countries with Muslim-majority populations. In Islam, media and entertainment are permitted as long as they do not encourage someone to sin or forget Allah, and they also do not encourage behavior that goes against religious values. This means that media and entertainment content should avoid elements that are prohibited in Islam, such as violence or abuse, and instead should promote messages that support religious values. Thus, media and entertainment can strengthen the spirituality and morality of Muslims (Ikhwan, 2021).

Several studies have shown that Islam is open to arts and entertainment as long as it is based on Islamic principles. The development of media and entertainment that conform to Islamic values provides adequate alternatives for those who wish to enjoy halal entertainment without contradicting their religious beliefs, thus enriching the choices available to Muslim consumers (Nieuwkerk, 2011). Regarding Solow's economic growth theory, it can be concluded that the

contribution of halal media and recreation to economic growth is still limited. This is because this sector has been unable to attract significant investment or encourage the technological innovation needed to increase productivity. The lack of literacy about halal media and recreation and minimal development in this sector are the main obstacles preventing it from significantly contributing to economic growth. Without an increase in investment and innovation, halal media and recreation will likely struggle to provide a broader impact on economic growth, especially in increasing capital and productivity.

CONCLUSION

Based on the results of the analysis of the influence of the Islamic finance industry, halal food, halal travel, halal fashion, and halal media and recreation on economic growth in 10 Islamic countries, it shows that: (1) Islamic finance has no significant effect on economic growth in these countries in the long term, while in the short term, it has a significant positive effect. (2) Halal food has no significant effect on economic growth in these countries in the long term, while in the short term, it has a significant negative effect. (3) Halal travel has no significant effect on economic growth in these countries in both the long and short terms. (4) Halal fashion has a significant negative effect on economic growth in these countries in the long term, while in the short term, it has no significant effect. (5) Halal media and recreation have no significant effect on long-term and short-term economic growth.

Investment diversification is essential to strengthen economic growth in Islamic countries and reduce the risk of dependence on a particular sector. In addition to Islamic Finance, countries must allocate resources to sectors such as halal tourism, halal fashion, and halal media and recreation. Improving the quality of the halal food and halal fashion industries can also help reduce their negative impact on economic growth. Policy recommendations include supporting Islamic finance, investing in tourism infrastructure, and improving workforce qualifications in related sectors. However, this study has limitations, such as not accounting for other variables and the limited generalizability of results to these ten specific Islamic countries and the period analyzed. Additionally, data for 2021 and 2022 were not available, so the study could not use the latest data from those years.

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