

## Halal Industry Products influence on Current Account in OIC Economics in Asia on 2015-2019

Syamsuri<sup>1)</sup>, Nadhilah<sup>2)</sup>, Atika Rukminastiti Masrifah<sup>3)</sup>

<sup>1,2</sup> Program Pascasarjana, Universitas Darussalam Gontor

<sup>3</sup> Fakultas Ekonomi dan Manajemen, Universitas Darussalam Gontor

Correspondence email: [syamsurigontor@gmail.com](mailto:syamsurigontor@gmail.com)

### Abstract

*The Halal industry is growing rapidly, which is driven by the high public demand for halal products. Halal products in various aspects of the industry are the new prima donna. The government hopes that halal products in the export and import approach can overcome the country's problems, especially the current account deficit. The purpose of this study analyze the effect of halal industrial products in the export and import approach on the current account balance of OIC member countries in Asia in 2015-2019. This type of research is quantitative research. The model was calculated using the FEM (Fixed Effect Model) which discusses the correlation between the dependent variable and the independent variable to determine the effect on the current account balance from 2015 to 2019. The results found that halal industrial products which are proxied by the export and import of halal products greatly affect the current accounts in 13 OIC member countries in Asia. Exports of halal products have a positive and significant effect on current accounts in OIC member countries in Asia. Meanwhile, imports of halal products have a negative and significant effect on current accounts in OIC member countries in Asia.*

**Keywords :** Halal Industry, Halal Products, Current Account Balance .

**Citation suggestions:** Syamsuri., Nadhilah., & Masrifah, A. R. (2022). Halal Industry Products influence on Current Account in OIC Economics in Asia on 2015-2019. *Jurnal Ilmiah Ekonomi Islam*, 8(03), 3401-3411. doi: <http://dx.doi.org/10.29040/jiei.v8i3.5407>

**DOI:** <http://dx.doi.org/10.29040/jiei.v8i3.5407>

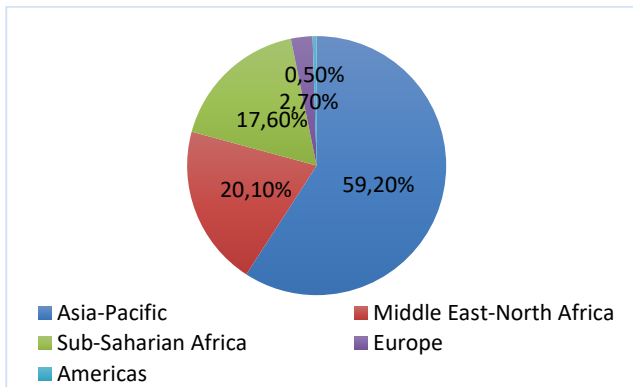
### 1. INTRODUCTION

Halal Industry is a new potential growth sector in the global economy.(Purnama & Auwalin, 2020) The Industry is growing at 20 percent per year estimating a value of US \$560 billion and the total estimated value is US\$2.3 trillion excluding Islamic Finance. The Industry is spreading like wings in the global economy rapidly, it is not limited to 1.8 billion Muslims only but also to the non-Muslim market.(Azam & Abdullah, 2020).

Nowadays, Halal industry has become a separate trend in the world community, not only among Muslims but from many other faiths. Halal industry is one sector that supports the establishment of Islamic economics. The halal industry into the real sector of the economy in countries that are currently being

developed or which have been advanced. Worldwide demand against halal food not only from Muslims but also because of rising consumer preference of Non-Muslims to consume halal products(Badi, 2019)

The Halal industry is growing rapidly based on the increasing demand for halal products in line with the growth of Muslims in the world.(Purnama & Auwalin, 2020). The current Muslim population is 2.18 billionn which is 28.26% of the total population is increasing at 1.84% a year. In 2030, the muslim population was expected to spread to 79 countries, as opposed to current 72 countries. More than 60% muslim will continue to live in the Asia pacific region, while about 20% will live in the Middle East and North Africa.(MICF, 2020)

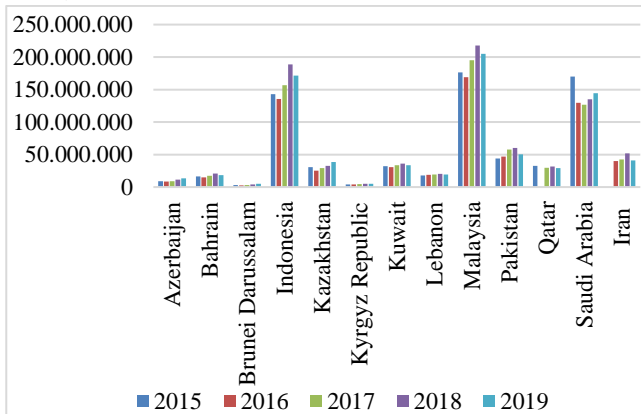


**Figure 1. Prediction Muslim Population in 2030**

Source: Pew Research Center's (data processed)(World Bank, 2020)

The picture above is a prediction of Muslim population in 2030 which will be dominated by countries in the Asia Pacific. Asia is the largest continent in the world. Asia has 8.7% of total surface area of earth and covers 30% of land area. There are 4.3 billion people or 60% of the human population in the world today.(Nurrachmi, 2017)The Halal industry in Asia has potential to grow rapidly. This shows the potential for high growth in the Islamic economy in the future in line with the population growth of the world's Muslim community.

The rapid growth of Muslim community more than 210 million Moslems makes Indonesia become country with the largest consumer of halal products in the world. As a consumer, Indonesia also as the target for halal products industry from other countries. Developing of this industry is very important had two benefits such as protect domestic consumer from consuming non-halal products and to gain earnings from export halal products and consumption of halal products is 7% derived from imports.(Nurrachmi, 2017)

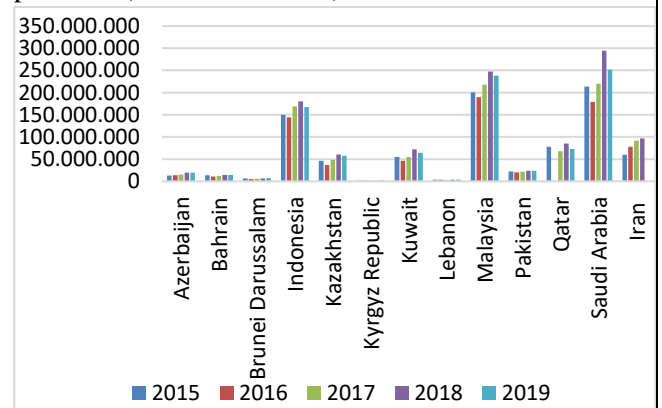


**Figure 2. Import Halal Products**

Source: ITC Trade Map statistics (data processed)(World Bank, 2020)

The Organization of Islamic Cooperation (OIC) is the second largest intergovernmental organization after the United Nations with a membership of about 57 countries spread over four continents. This organization is the collective voice of the Muslim world and to protect and guard the interests of Muslim world in spirit of promoting international peace and harmony among them. Halal Industry in Indonesia has a big potential. Because the majority of population is Muslim and make Indonesia as the largest consumer of halal products in the world, with the economic value reaching 197 billion dollars.(Dinar Standard, 2018) It's supported by muslims population of about 207 million from 237 million of the total population in Indonesia.(Badan Pusat Statistik, 2017)

Indonesia is the biggest market in Asia for Halal Products. It's more than 210 million Moslems, it is an opportunity that foreign firms couldn't resist. Indonesia as the target for Halal product industry from the other countries, developing of this industry is very important and has two benefits such as to protect domestic consumers from consuming non-Halal products and to gain earnings from export of Halal products.(Nurrachmi, 2017)



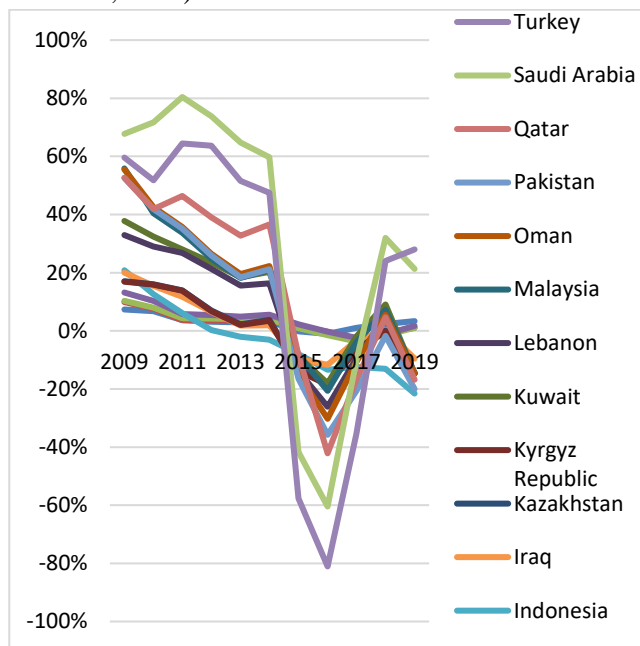
**Figure 3. Current Account Balance's OIC Countries (ASIA)**

Source: World Bank (data processed)

OIC countries exported US \$ 397 billion worth of services in 2018, which is the highest number recorded by the group of OIC countries. On the other hand, the total services import of OIC services reached US \$ 575 billion in the same year and the OIC countries as a group continued to remain net importer of services. As of 2018, OIC countries as a group account for 6.8% of global services exports and 10.3% of global services imports. United Arab Emirates, with US \$ 71 billion exports and 17.8% share in total OIC services exports, was the top exporter in services in 2018. A country's economic growth affects the current

account balance through imports, which reflects domestic demand for imported products. In a good economy, the level of consumer spending then grows and countries will buy more imported goods. In an economic situation that is experiencing a recession, the level of consumer spending will decrease so that the level of purchasing imported goods will also decrease.(Purnama & Auwalin, 2020)

If high imports of halal products are not balanced with balanced exports, it will contribute to the weakening of the balance of payments position and cause the current account deficit to continue. Sluggish export performance because of falling global demand is the driving force behind this deficit(Purnama & Auwalin, 2020)



**Figure 4. Current Account Balance's OIC Countries (ASIA)**

Source: World Bank (data processed)(World Bank, 2020)

The picture above illustrates the current account balance in OIC countries in Asia from 2009-2019. From 2015-2019 there was a current account deficit in almost all OIC countries in Asia continuously and some have not recovered to date. Sluggish export performance because of falling global demand is the driver of the deficit. Current accounts had slightly deteriorated both in developed and in developing countries in 2018, compared with their 2017 levels. The current account surplus in developed countries has narrowed to 0.7% of GDP in 2018, while the current account deficit of developing countries increased from (-0.03% in 2017 to (-0.1%) in 2018.(OIC and SESRIC, 2019)

Despite minor improvements observed in 2017, the contribution of OIC countries to the global flow of goods and services remains below their potential. Inadequate levels of capacity in manufacturing and services make them net importers of both goods and services. In 2017, the total deficit of OIC countries as a group was recorded at the US \$ 127 billion in manufacturing goods. Despite the fall in trade deficit in services since 2014, they still collectively record a total of more than the US \$ 160 billion deficit in 2017.(OIC and SESRIC, 2019)

The concept of 'halal' is not anymore confined to food only, It has made the halal industry a new potential growth sector in the global economy. The industry is growing at 20 percent per year estimating a value of US \$ 560 billion and the total estimated value is US \$ 2.3 trillion. This value excludes Islamic Finance which is also growing rapidly. As the consumer size is increasing, the market size of the halal industry is also increasing at an annual rate of 20% with a value of US \$ 560 billion a year. Moreover, Muslim average per capita income (GDP) has risen from USD1763 to USD10,728 from 1993 to 2015 and the 57 OIC countries have a combined GDP of USD27.9 trillion.(Azam & Abdullah, 2020) Indonesia is the biggest market in Asia for Halal Products. It's more than 210 million Moslems, it is an opportunity that foreign firms couldn't resist. Indonesia as the target for Halal product industry from the other countries, developing of this industry is very important and has two benefits such as to protect domestic consumers from consuming non-Halal products and to gain earnings from export of Halal products.(Nurrachmi, 2017)

The Muslim Population was growing in line participating in halal tourism activities significantly. The world's Muslim population was expected to reach 2.2 billion in 2030 and Muslim will make up 26.4 percent of the world's total projected population of 8.3 billion in 2030. It was determined that 131 million Muslim tourist joined halal tourism. Forecasting that will reach 156 million visitors by 2020 that will represent 10 percent of the global travel segment. The halal industry in Asia has the potential to grow rapidly. Asia is the largest continent in the world, the continent of Asia has 8.7% of the total surface area of the earth and covers 30% of its land area. With a population of about 4.3 billion people, there are 60% of the human population in the world today. In 2019, the United States economy grew at a slower pace of 2.1 percent

but in contrast the Chinese economy grew by 6.2 percent. And countries in Asia are in the top rank based on the indicator score of the halal industry in the world.(Boğan & Sarıışık, 2019)

Based on the background of the problems that have been described, the author is interested in conducting research on **HALAL INDUSTRY PRODUCTS INFLUENCE ON CURRENT ACCOUNT IN OIC COUNTRIES IN THE ASIA REGION IN 2015-2019**. Based on the description of the background of the problems that have been described above, then the issue will be discussed in this research is does the halal industry impact on the state current account in the each OIC Countries economics in the asia region in 2015-2019.

## **2. LITERATURE REVIEW**

### **International Trade**

International economy can be defined as the economic relations of one country with another country that can affect the allocation of resources of either the two or more countries. These international economic relations can take the form of trade, investment, loans, assistance and international cooperation. The actors who carry out international economic relations include the private sector, government, and international organizations.(W. & Ohlin, 1935)

Another definition of trade or exchange has a special meaning in economics. Trade is defined as a process of exchange based on the voluntary will of each party. The trade referred to here is that each party must have the freedom to determine the trade-offs from the point of view of their respective interests. The same fundamental methods of analysis used between international economics and the other branches of economics. It is because of the motivations and behavior of individuals are the same in international trade as they are in domestic transactions.(Hayakawa et al., 2020)

International trade theory helps explain the direction and composition of trade between several countries and how it affects the economic structure of a country. Theories about international trade consist of classical and modern theories. Among the most influential groups of scholars namely David Ricardo, John Stuart Mill, Hecksher & Ohlin argued that two countries can benefit from mutual trade even if one of them is more efficient than the other at producing goods. For example, when Portugal and England

produce wine and cloth. Portugal can produce both wine and cloth using less labor force than Britain, according to his calculations Portugal must specialize in the wine trade because in this commodity field its productivity is the highest. Portugal benefited greatly from this because for every unit of wine it exported to England, it would get more cloth than the domestic market offered. From his findings regarding the principle of comparative advantage, David Ricardo drew the following conclusions:

"In a free trade system, each country naturally specializes in capital and labor in the jobs that are most profitable for it. This pursuit of individual profits is

Strongly linked to the universal good for all. By encouraging the industry by rewarding ingenuity, and by harnessing the most efficient special powers that nature provides, it distributes work most effectively and most economically. Meanwhile, by increasing production in general, it spreads profits in general, and binds with one common interest and common relationship, the communities of nations throughout the civilized world ."(Leamer & Levinsohn, 1995)

### **Export Halal Products**

Todaro said that exports are an international trade activity that provides an incentive to grow domestic demand which lead to the growth of large factory industries, together with stable politics and flexible social institutions. Todaro in his Third World Economic Development book said:

"Exports are international trade activities that provide stimuli to grow domestic demand leading to the growth of large factory industries, along with stable political structures and flexible social institutions. In other words, exports reflect international trade activity, so that a developing country is likely to achieve economic progress on par with more developed countries."(Todaro, 2005)

Jhingan said that the export component has an important function of foreign trade, namely that the country gets profits and national income increases, which is in line with the increase in the amount of output and the rate of economic growth. With an increase in total output, the vicious cycle of poverty can be broken and economic development can be increased. (Jhingan, 2003)

The increase in the production of goods to be shipped abroad, also has an impact on the increase in domestic demand. direct exports enlarge the output of these industries and indirectly foreign demand affects

the industry to use production factors well, such as capital and production methods that are cheaper and efficient so that prices and quality can compete in the international trade market. International trade can be used as an engine for economic growth in a country. International trade is a source that contributes to the Gross Domestic Product and is very significant for the economic, social and political growth of a country. (Salvatore, 2013)

### **Import Halal Products**

According to the Law of the Republic of Indonesia, import can be defined as the activity of entering goods into the custom area. Literally, imports can be interpreted as the activities of entering goods from foreign countries into the customs territory of our country. Hutabarat said Import is the purchase of goods and services from abroad to within the country with a cooperation agreement between two or more countries. Imports can also be said to be trade by entering goods from abroad into Indonesian territory in accordance with applicable regulations. (Dwi Kartikasari, 2017)

### **Current Account**

Madura said the current account represented a summary of the flow of funds between one specified country and all other countries because of purchase of goods and services, or the provision of income on financial assets. The main components of the current account are payments for merchandise likes goods and service, factor income, and transfers. (Madura, 2008)

The current account balance has a special meaning that when the current account surplus indicates that exports are greater. This means that a country has accumulated foreign exchange wealth, so it has a positive balance in foreign investment and vice versa. Thus the current transaction is very closely related to national income, because exports and imports are national income. Current Account Deficit is the outcome of forward looking dynamic saving and investment decisions driven by expectations of productivity growth, government spending, interest rates, and several other factors. (Titik Hastuti, 2019) Current account deficits therefore occur when an economy imports more than imports. (Leflore, 2012)

The relationship between exports and the current account balance can be described by a mathematical formula as follows:

$$CA = X - M$$

CA : Current Account  
X : Export  
M : Import

If the export value is greater than the import value, the current account will be surplus, whereas if the export value is smaller than the import value, the current account will be worth a deficit.

### **Halal Industry Products**

Halal derived from an Arabic word that means allowed or permitted. (Rahim, 2016) In the terminology, Halal translated as anything that is useful and anything that does not harm the body, mind and religion. (Abdelali, 2019) The antonym is Haram, haram is a legal status for any object or activity that is permitted to be consumed, used, and done. (Sawari et al., 2020) In Islam, The Concept of Halal is line with the concept of Maqashid Syariah. Maqashid Syariah guides all products, transactions, and matters in this life. It was designed to invite benefits and prevent haram. (Mohd Dali et al., 2007) The Concept of Maqashid Syariah aims to preserve the followings: to preserve the purity of religion, to preserve life, to preserve Islamic mentality, to preserve property, to preserve future generations, and to maintain self-respect and integrity. (Rahim, 2016)

The halal industry can be defined as an industry that carries out production activities by paying attention to all series of activities. Starting from the selection of raw materials, processing of raw materials to selecting equipment and production processes to the distribution process which is carried out based on Sharia. The aspect of halalness is not only seen when consuming goods and services but involves every aspect of activities such as offers from suppliers to producers and so on. (Mujahidin, 2020)

Industri Halal conducted by sixth sectors. The Sixth sectors in halal industry namely islamic finance, halal food, modesty fashion, halal tourism, halal media and recreation, halal pharmaceuticals and cosmetics. This requires a deeper definition of those sectors, which the halal industry is not only limited to halal products, but also halal lifestyle. Islamic Finance is a financial system which in practice is based on the principles of Islamic law. The financial system has a major role in encouraging the allocation of financial resources and real resources for various purposes and objectives. (Iqbal, Zamir & Mirakhor, 2008)

### 3. RESEARCH METHOD

Research uses quantitative methods, this method is a scientific method / scientific because it has met scientific principles, namely concrete / empirical, objective, measurable, rational, systematic, and replicable. This study uses secondary data derived from literature studies from various books, journals, and reports from various government institution websites whose validity has been tested.(Williams, 2007)

The documentation selected holds the above mentioned characteristics, which leads us to carry out panel data analysis. in this research were obtained from published World Bank and data issued by ITC Trade Map Statistic. The method of data collection in this study with the use of journals and trusted official sites that can support in this research. Documentation methods were used for secondary data collection in this study. Documentation method is the search and processing of data required through data that has been available, usually in the form of statistical data, agenda activities, policies, and other matters related to research. The advantages this documentation technique because the data is available, ready to use, and cost-effective and labor-efficient.(Bowen, 2009)

This method is a data collection technique that is not directly shown to the research subjects, but through documents. The data in this study are data related to the Effect of Halal Industrial Products on the Current Account in OIC Countries in Asia for the 2015-2019 period. In this research, the data used is the secondary data. The Secondary data obtained from official websites such as the World Bank and ITC Trade Map Statistics on period 2015-2019.

#### Data Panel Analysis

The estimation results of the functions in this study will be displayed using the Stata 14.2 software program with various advantages and disadvantages of using the software program. The model for the countries studied used panel data estimates as described in this research method.(Gujarati, 2008) The model built in this study consists of the halal industrial product variables which are proxied by the export of halal products and imports of halal products as well as the current account balance variable. Data from these variables are taken from the publication of the World Bank and the ITC Trade Map Statistics for 2015-2019.

Therefore, the model formulation compiled in this study to analyze the influence of halal industry products on current accounts in OIC countries in Asia are:

$$Y_{i,t} = \alpha + \beta_1 ex_{it} + \beta_2 im_{it}$$

#### Testing Model Selection in Panel Data

In this study will be conducted with testing to choose what method is the best, so that chow test and Hausman test will be done. Chow testing was conducted with the following hypotheses:(Williams, 2007)

H0 : PLS

H1 : *Fixed Effect Model*

The Hausman test was conducted with the following hypothesis:

H0 : *Random Effect Model*

H1 : *Fixed Effect Model*

As a basis for rejection of the null hypothesis, it is used by considering the chi-square statistic. (Williams, 2007)

### 4. RESULTS AND DISCUSSION

#### 4.1. Results

This study uses two independent variables, namely export halal products and import halal products affect the dependent variables is Current Account countries of OIC. The use of these variables aims to analyze the impact of export halal products and import halal products to Current Account in the OIC countries of Asia in the study period 2015-2019. The model used in this study is the method of panel data regression. Methods approaches data in this study is combination of data between two data, they are time series data (period 2015-2019) and cross. section (13 OIC member countries). The initial stage of data processing is panel data regression to following equation:

$$\text{Current Account} = -828.000.000 (\pm \text{Dummy Country}) + 912.959 \text{ Exp} - 1.140.286 \text{ Imp}$$

The process of doing the panel data regression channeled through three types of model approaches between the PLS, FEM, or REM. Selection of the best model seen through the Chow test and Hausman Test. Based on the test that has been done can be in the know that the estimate by using three models are the CEM/PLS, FEM, and REM.



**Table Result Estimates**

Dependent variable		Model		
		CEM/ PLS	FEM	REM
Export Halal Product	coefficient	329.1363	912.9594	580.3403
	prob	0.000	0.000	0.000
Import Halal Product	coefficient	-381.1858	1.140.286	-650.9669
	prob	0.000	0.000	0.000
C	coefficient	-1.570.000.000	6.100.000.000	-2.210.000.000
	prob	0.472	0.000	0.000
F-statistic probabillity		0.000	0.000	0.000
R-squared		0.5134	0.8578	0.8514
Adjusted R-Squared		0.4977	0.5008	0.6463

Source : Output Stata 14.2

### Analysis Model and Testing Hypotheses

#### Selection of Panel Data Estimation Model

Effect Test	F-Statistic	Probability
Chow Test	17.17	0.000
Hausman Test	-197.14	0.000

Source: Output Stata 14.2

Chow and Hausman Test results show a probability of  $0.000 < \alpha 5\%$  which means reject  $H_0$ . So that the best model used in analyzing the influence of halal industrial products that are projected by the export and import of halal products to the current account of OIC member countries in Asia by using Fixed Effect. And considering the differences in characteristics of each region of the OIC country in Asia the author will use a Fixed Effect model with Dummy variables or Least Square Variable Dummy.

### 4.2. Discussion

#### Interpretation and Analysis model

Based on the results of panel data model selection, the best model to be taken is the Fixed Effect Model with Dummy or Least Square Dummy Variables. Therefore the equation model to be interpreted is:

$$\text{Current Account} = -828.000.000 (+ \text{Dummy Country}) + 912.959 \text{ Exp} - 1.140.286 \text{ Imp}$$

#### Export Halal Product

$$\text{Current Account} = -828.000.000 (+ \text{Dummy Country}) + 912.959 \text{ Exp} - 1.140.286 \text{ Imp}$$

The estimation results of the model explain that the export value of halal products in 13 OIC member countries in Asia has a positive and significant effect on the current account variable with a probability of  $0.000 < \alpha 5\%$ . From the estimation results, the elasticity value of Halal Product Exports to Current

Account per year is US \$ 912,9594. So the interpretation of the slope coefficient is that if the export of halal products increases by 1% it will cause an increase in the current account of 912.9594% assuming the other variables are fixed. The results of the analysis that have been carried out show that international trade in the form of exports of halal products has a positive relationship and has a significant effect on current accounts. These results indicate when the level of exports of goods and services has increased, it will affect the current account.

This result is also supported by previous research, namely (Abubakar, Attahir Babaji & Kabiru, 2015) in his research on international trade relations on economic growth in India, showing the results that international trade in the form of exports of goods and services has a positive relationship and has a significant effect on the growth of an economy. This result is also supported by previous research, namely (Purnama & Auwalin, 2020), (Yeisa & Rani, 2020), (Dixit et al., 2018), (Kehinde, 2012), and (Hye, 2012) which in their research found that exports of goods and services have a significant positive relationship.

This result suitable with some theories, Todaro said that exports are an international trade activity that provides an incentive to grow domestic demand which leads to the growth of large factory industries, together with stable politics and flexible social institutions. (Todaro, 2005) Mankiw said that exports are various kinds of goods and services that are produced domestically and then sold abroad. When viewed from the point of view of expenditure, exports are one of the most important factors of Gross National Product (GNP) so that by changing the value of exports, people's income will directly change. On

the other hand, high exports of a country will cause the economy to be very sensitive to fluctuations in the international market and in the world economy.(Mankiw, 2006)

Salvatore said the increase in the production of goods to be shipped abroad, also has an impact on the increase in domestic demand. direct exports enlarge the output of these industries and indirectly foreign demand affects the industry to use production factors well, such as capital and production methods that are cheaper and efficient so that prices and quality can compete in the international trade market. International trade can be used as an engine for economic growth in a country. International trade is a source that contributes to the Gross Domestic Product and is very significant for the economic, social and political growth of a country.(Salvatore, 2013)

In line with Islamic teachings that trade is one of the recommended forms of activities, even international trade activities in Islamic history have been carried out for a long time, as stated in the Qur'an surah Al-Quraisy that there has been export-import activities by the Quraysh. Allah SWT has indeed given orders to mankind to always seek sustenance, through the way of business (buying and selling) in accordance with Islamic law as stated in the following verse: In Islamic economics, this export activity is explained in the Qur'an surah al-jumu'ah verse 10:

فَإِذَا قُضِيَتِ الصَّلَاةُ فَانْتَشِرُوا فِي الْأَرْضِ وَابْتَغُوا مِنْ فَضْلِ اللَّهِ  
وَادْكُرُوا اللَّهَ كَثِيرًا لَعَلَّكُمْ تُفْلِحُونَ

It means: "When the prayer has been performed, then scatter on the earth, seek the bounty of God and remember Allah much so that you may be lucky, (QS. Al-Jumu'ah: 10).

God commands people to spread out in the land seeking Allah's sustenance. God commands us to seek sustenance throughout the world that can be carried out through export activities that are doing trade with other countries.

### Import Halal Products

**Current Account = -828.000.000 ( + Dummy Country) + 912.959 Exp -1.140.286 Imp**

Based on the estimation results, it can be seen that the variable import of halal products has no effect on the current accounts of OIC member countries in Asia in the 5 percent real level. The regression coefficient value of the halal product

import variable is -1140,286 with a probability of  $0.000 > 5\%$  alpha. This means that every one percent increase in imports of halal products will reduce the current account by 1140,286 percent. Based on the results of the panel data regression analysis conducted in this study, the results show that the international trade variable in the form of imports has a negative relationship and has a significant effect on economic growth yearly.

This result is also supported by previous research, namely (Purnama & Auwalin, 2020), (Yeisa & Rani, 2020),(Chandra Kiran B.K, 2017), (Abubakar, Attahir Babaji & Kabiru, 2015),(Kehinde, 2012),and (Hye, 2012) which in their research found that exports of goods and services have a significant positive relationship and imports have a negative effect on the country's economic growth. This result suitable with some theories, Hutabarat said Import is the purchase of goods and services from abroad to within the country with a cooperation agreement between two or more countries. Imports can also be said to be trade by entering goods from abroad into other territory in accordance with applicable regulations.(Hutabarat, 1996)

International trade between nations and nations, not only between individuals from one country is allowed to remain on the basis of Islamic traditions. Indeed, Allah has reminded them of one of the great favors He has bestowed on them, that is to leave them free to trade in the land of Sham in the summer, and in the land of Yaman in the winter. As for trade, imports commodities into Islamic countries. As Allah swt said in QS. Al-Baqarah verse 275 which reads:

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

Meaning: Allah has made buying and selling legal and forbidden usury. (Al-Baqarah: 275) (Departemen Agama RI, 2000)

Abu Ubaid also expressed his thoughts on exports and imports, namely the absence of zero tariffs in international trade, cheaper basic food excise, and there are certain limits to be taxed. Their custom is to levy an imported merchandise tax on their property. Tax is a custom that was treated in the time of the Jahiliyyah. Then Allah canceled the tax system with the obligation to pay zakat, for imported goods muslims are charged zakat by 2.5% while non-Muslims are taxed 5% for dzimmah members and 10% for kafir habbi namely Jews and Christians.



**Effect of Export and Import of Halal Products on Current Accounts of OIC each countries**

**Export and Import Halal Products influence on Current Accounts in OIC Countries in 2015-2019 (Rank)**

Country	Export (USD)	Rank	Country	Import (USD)	Rank
Kyrgyzstan	5110000000	1	Malaysia	77700000000	1
Brunei Darussalam	4890000000	2	Saudi Arabia	60100000000	2
Bahrain	-1700000000	3	Turkey	57200000000	3
Lebanon	-3890000000	4	Indonesia	34800000000	4
Azerbaijan	-6740000000	5	Kuwait	15200000000	5
Qatar	-16000000000	6	Pakistan	10200000000	6
Kuwait	-17200000000	7	Azerbaijan	6210000000	7
Pakistan	-20000000000	8	Qatar	4000000000	8
Kazakhstan	-25900000000	9	Kazakhstan	1020000000	9
Turkey	-101000000000	10	Bahrain	-482000000	10
Indonesia	-105000000000	11	Brunei Darussalam	-3270000000	11
Malaysia	-106000000000	12	kyrgyzstan	-5120000000	12
Saudi Arabia	-111000000000	13	Lebanon	-7280000000	13

Source: Output Stata 14.2 (Data Processed)

From the table above we can see the countries that have the number of export values in the top five but the number of imports is included in the top thirteen. For example, kyrgyzstan country which ranks first in the number of export value of halal products that affects the current account but has a large import value of twelfth. Similarly, the Lebanese state occupies the fourth position in the number of export values of halal products that affect halal products but has the thirteenth highest import value. This is also the case in our beloved country Indonesia, but the difference is the number of Imports Indonesia puts Indonesia in the fourth most importers who influence the current account but very sad in the field of export, Indonesia is still in the eleventh lowest position in exports compared to other OIC countries.

## 5. CONCLUSION

Based on the research results, the halal industrial products which are proxied by the export and import of halal products greatly affect the current accounts in 13 OIC member countries in Asia. Exports of halal products have a positive and significant effect on current accounts in OIC member countries in Asia. Meanwhile, imports of halal products have a negative and significant effect on current accounts in OIC member countries in Asia. Whereas, Based on the results of the study, Kyrgyzstan ranked first with the highest number of halal product exports affecting current accounts among OIC member countries in

Asia. Meanwhile, Saudi Arabia ranks thirteenth with the lowest number of halal product exports affecting the country's current accounts. In contrast to exports, Malaysia ranks first with the highest number of imports of halal products affecting current accounts among OIC member countries in Asia. Meanwhile, Lebanon ranks thirteenth with the lowest number of imports of halal products affecting the country's current accounts.

## 6. REFERENCES

- Abdelali, B. N. B. Z. (2019). Syariah Compliance on Halal Food Based on the Authority of Selected AYAT in S Ū Rat Al-M Ā' Idah. *E-Proceeding of The 2nd International Conference on Halal Global 2019, January 2019*, 1–25. <https://doi.org/10.5281/zenodo.4316593>
- Abubakar, Attahir Babaji & Kabiru, K. (2015). An Appraisal of the impact of International Trade on Economic Growth of India: an ARDL Approach. *Annamalai Journal of Management*, 4.
- Azam, M. S. E., & Abdullah, M. A. (2020). Global Halal Industry: Realities and Opportunities. *International Journal of Islamic Business Ethics*, 5(1), 47. <https://doi.org/10.30659/ijibe.5.1.47-59>
- Badan Pusat Statistik. (2017). *Statistik Politik Indonesia*.
- Badi, A. S. (2019). Halal Industry Influence on State Gdp - Oic Countries in the Asian Region in 2013 - 2016. *Airlangga International Journal of Islamic Economics and Finance*, 2(1), 37. <https://doi.org/10.20473/aijief.v2i1.15472>

- Bank, W. (2020). *Chart of Current Account Balance's OIC Countries*. 2020.
- Boğan, E., & Sarıışık, M. (2019). Halal tourism: conceptual and practical challenges. *Journal of Islamic Marketing*, 10(1), 87–96. <https://doi.org/10.1108/JIMA-06-2017-0066>
- Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27–40. <https://doi.org/10.3316/QRJ0902027>
- Chandra Kiran B.K. (2017). *The Theory of the Current Accounts and the Developing World: An Exploratory Empirical Analysis*.
- Departemen Agama RI. (2000). *Al-Qur'an dan Terjemahnya*.
- Dinar Standard, T. R. and. (2018). State of the Global Islamic Economy Report 2018/19. *Dubai International Financial Centre*, 112. <https://haladinar.io/hdn/doc/report2018.pdf>
- Dixit, A. M., Subba Rao, S. V., Article, O., Choudhary, K., Singh, M., Choudhary, O. P., Pillai, U., Samanta, J. N., Mandal, K., Saravanan, R., Gajbhiye, N. A., Ravi, V., Bhatia, A., Tripathi, T., Singh, S. C. S., Bisht, H., Behl, H. M., Roy, R., Sidhu, O. P., ... Helmy, M. (2018). No 主観的健康感を中心とした在宅高齢者における健康関連指標に関する共分散構造分析Title. *Analytical Biochemistry*, 11(1), 1–5. <http://link.springer.com/10.1007/978-3-319-59379-1%0Ahttp://dx.doi.org/10.1016/B978-0-12-420070-8.00002-7%0Ahttp://dx.doi.org/10.1016/j.ab.2015.03.024%0Ahttps://doi.org/10.1080/07352689.2018.1441103%0Ahttp://www.chile.bmw-motorrad.cl/sync/showroom/lam/es/>
- Dwi Kartikasari. (2017). The Effect of Export, Import and Investment to Economic Growth of Riau Islands Indonesia. *International Journal of Economics and Financial Issues*, 7(4), 663–667.
- Gujarati, D. N. (2008). *Basic Econometric*.
- Hayakawa, K., Ishikawa, J., & Tarui, N. (2020). What goes around comes around: Export-enhancing effects of import-tariff reductions. *Journal of International Economics*, 126(26220503), 103362. <https://doi.org/10.1016/j.jinteco.2020.103362>
- Hutabarat, R. (1996). *Transaksi Ekspor Impor*. Erlangga.
- Hye, Q. M. A. (2012). Exports, imports and economic growth in China: An ARDL analysis. *Journal of Chinese Economics and Trade Studies*, 5(1), 42–55. <https://doi.org/10.1108/17544401211197959>
- Iqbal, Zamir & Mirakhor, A. (2008). *Pengantar Keuangan Islam: Teori dan Praktik*. Kencana.
- Jhingan, M. . (2003). *Macroeconomics Theory 11th Edition* (11th ed.). Raja Grafindo Persada.
- Kehinde, A. (2012). Foreign Trade and Economic Growth in Nigeria an Empirical Analysis. *IOSR Journal of Humanities and Social Science*, 2(1).
- Leamer, E. E., & Levinsohn, J. (1995). International trade theory: The evidence. *Handbook of International Economics*, 3(C), 1339–1394. [https://doi.org/10.1016/S1573-4404\(05\)80006-1](https://doi.org/10.1016/S1573-4404(05)80006-1)
- Leflore, E. (2012). *The External Current Account in the Macroeconomic Adjustment Process in Turkey*. January.
- Madura, J. (2008). *International Finance Management 9th Edition*. Thomson South Western.
- Mankiw, G. T. (2006). *Principles Of Economics*. Salemba.
- MICF. (2020). *Malaysia World's Islamic Finance Marketplace, Halal ecosystem prospect for global growth*. 2020 Fourth International.
- Mohd Dali, N. R. S., Sulaiman, S., Samad, A. A. A., Dali, N. R. S. M., Sulaiman, S., Samad, A. A. A., Ismail, N., & Alwi, S. H. (2007). Halal Products From the Consumers Perception. an Online Survey. *Islamic Entrepreneurship Conference, Kolej Universiti Islam Malaysia.*, July. <https://doi.org/10.1007/s13398-014-0173-7.2>
- Mujahidin, M. (2020). The Potential Of Halal Industry In Indonesia To Support Economic Growth. *Al-Kharaj: Journal of Islamic Economic and Business*, 2(1), 77–90. <https://doi.org/10.24256/kharaj.v2i1.1433>
- Nurrachmi, R. (2017). The Global Development of Halal Food Industry : A Survey Halal industry is the latest trend in the world market . With Moslem Halal food market is one of the largest consumer markets in the world as reported by the Stated of The Global Islamic Economy Rep. *Tazkia Islamic Finance and Business Review*, 11(1), 41–56.
- OIC and SESRIC. (2019). *OIC E CONOMIC O UTLOOK 2019: Mobilizing Financial Resources for*.
- Purnama, W. A., & Auwalin, I. (2020). Pengaruh Ekspor Produk Halal terhadap Current Account Balance di Indonesia. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 6(6), 1242. <https://doi.org/10.20473/vol6iss20196pp1242-1258>
- Rahim, N. @ F. binti. (2016). Consumer Behaviour, Perception and Planning Towards Halal Marketing. In *Advances in Islamic Finance, Marketing, and Management*. <https://doi.org/10.1108/978-1-78635-899-820161014>
- Salvatore, W. D. (2013). *International Economics 11th Edition*. R. R. Donnelley-JC.

- Sawari, S. S. M., Ghazali, M. A. I., & ... (2020). Determinants of Consumer Demeanors With Regard To Halal Food. ... *Business and Management*, 12(2), 179–186. [http://ijibm.site666.com/IJIBM\\_Vol12No2\\_May2020.pdf#page=183](http://ijibm.site666.com/IJIBM_Vol12No2_May2020.pdf#page=183)
- Titik Hastuti. (2019). *Analisa Empiris Data Panel Neraca Transaksi Berjalan negara –negara anggota Asean dan Faktor – faktor yang mempengaruhinya tahun 2013-2017*.
- Todaro, M. (2005). *Economic Development in the Third World*.
- W., G. R., & Ohlin, B. (1935). Interregional and International Trade. *Journal of the Royal Statistical Society*, 98(4), 739. <https://doi.org/10.2307/2342319>
- Williams, C. (2007). Research methods. *Journal of Business & Economic Research*, 5(3), 65–72. <https://doi.org/10.1017/9781108656184.003>
- Yeisa, W., & Rani, L. N. (2020). Analisis Faktor-Faktor Yang Mempengaruhi Pertumbuhan Ekonomi Di Oki. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(6), 1128. <https://doi.org/10.20473/vol7iss20206pp1128-1145>