# The Effect of Halal Product Exports and Gross Domestic Product on Current Account Balance in Indonesia

**Ade Habsyah[a*], Irina Kartika[b], Maya Panorama[c]**

[a,b,c] *Faculty of Economic and Islamic Business, Universitas Islam Negeri Raden Fatah Palembang, Indonesia*

*\* Corresponding author e-mail: habsyahade@gmail.com*

## A R T I C L E   I N F O

## A B S T R A C T

*This study aims to analyze the effect of Halal Product Exports and Gross Domestic Product on Indonesia's Current Account Balance. The research focuses on understanding how the halal industry and macroeconomic growth contribute to the dynamics of external economic stability. Using a quantitative approach, this study employs time series data from 2010 to 2024, analyzed through econometric methods including the Augmented Dickey-Fuller (ADF) test, Granger Causality Test, Cointegration Test, and Autoregressive Distributed Lag (ARDL) model, processed with EViews version 12. The findings reveal that Halal Product Exports have a significant positive effect on the Current Account Balance, whereas Gross Domestic Product shows no significant direct impact. These results suggest that promoting halal product exports could serve as a strategic policy to strengthen Indonesia's external economic position. This study provides insights for policymakers in enhancing export diversification strategies and sustaining economic resilience.*

## 1. INTRODUCTION

The global economy is currently facing many challenges and opportunities that impact on a country's economic performance. The current account balance is an important indicator in measuring external economic performance. The current account balance is an important indicator to assess a country's international economic activity, particularly in the purchase and sale of goods and services (Suwikromo et al., 2024). According to Bank Indonesia, 2009, the Indonesian Balance of Payments records economic transactions between Indonesian residents and foreign parties in a certain period. Indonesia has faced the problem of frequent current account deficits in recent years. Based on data from report of Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS) 2024, Indonesia's current account surplus was recorded in the third to fourth quarters of 2020 and the third quarter of 2021 to the first quarter of 2023, driven by a greater decline in imports than exports and an increase in global commodity prices. However, in the second- fourth quarter of 2023, the current account balance again experienced a widening deficit due to increased imports of capital goods and services and rupiah appreciation which reduced export competitiveness. In 2024, Indonesia's current account deficit widened sharply to around USD 8.86 billion or 0.6% of GDP, a fourfold increase compared to the 2023 deficit of around USD 2.04 billion (0.1% of GDP). The widening deficit was mainly due to the reduction in the goods trade surplus due to a higher increase in imports than exports, despite relatively high global commodity prices. Strong domestic demand also contributed to the increase in imports, widening the deficit. Due to this situation, it is necessary to find components that can make a positive contribution to the improvement of the current account balance.

The halal industry is emerging as a promising sector and has the potential to become a driving force for national exports amid efforts to diversify exports and increase product competitiveness in the global market. Indonesia, as a country with the largest Muslim population in the world, has great potential in the halal product sector. According to the report of Komite Nasional Ekonomi dan Keuangan Syariah KNEKS (2024), the demand for halal products in the global market continues to increase, with a projected growth of the world halal market of around 7.6% per year and a market value estimated to reach USD 492 billion by 2027. The trade ministry also stated Kementerian Perdagangan RI (2024), Indonesia's halal product exports show a positive growth trend, with export value reaching USD 41.42 billion (IDR 673.90 trillion) in January-October 2024.

In recent years, Indonesia's exports of halal products have experienced a significant increase. KNEKS 2024 states that in terms of exports, there is a trend of increasing the value of Indonesia's halal products by 10.95 percent per year in the last five-year period (2019-2023). In 2023, the value reached USD 50.54 billion and in 2019, the value was USD 37.29 billion. The market for halal products around the world continues to grow rapidly, which provides a great opportunity for Indonesia to increase the value of its halal product exports and benefit from the current account balance. The government through the Kementerian Perindustrian RI (2024) targets

three priority sectors to be developed as the focus of exportable halal industrial products, namely halal food and beverages, Muslim fashion, and halal pharmaceuticals and cosmetics (Hutagaluh et al., 2023). Based on a release by Liaqat (2023), for halal food and beverages, Indonesia ranks second after Malaysia. As for halal fashion, Indonesia ranks third (Hasan & Hamdi, 2024). Indonesia is still not the world's largest producer of halal products despite having the world's largest Muslim population. The Minister of Trade stated that Indonesia's halal exports are still lagging behind other countries (Qoniah, 2022).

Based on a statement from the ministry of finance 2024, Throughout 2024, the Indonesian economy showed a strong and stable performance. This was reflected in Gross Domestic Product (GDP) growth of 5.1%, a slight increase compared to the previous year which reached 5.0%. A fast-growing GDP indicates economic growth which has an impact on increasing people's purchasing power (Dewi Sartika et al., 2019). Central Bureau of Statistics 2024 data release (BPS Indonesia, 2023) economy as measured by Gross Domestic Product (GDP) at current prices reached IDR22,139.0 trillion and GDP per capita reached IDR78.6 million or USD4,960.3. Indonesia's economy in 2024 grew by 5.03 percent. The current account balance and GDP growth are theoretically related. In analyzing the impact on the current account balance, the structure of Indonesia's GDP, which is still dominated by the consumption sector and dependence on primary commodity exports, is an important consideration. On the other hand, rapid economic growth can increase production capacity and exports, but an increase in people's income can also encourage consumption of imported goods.
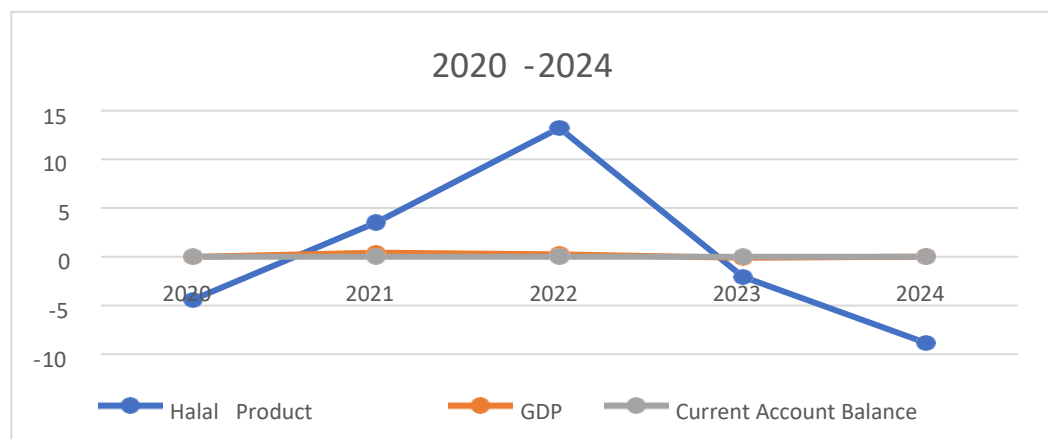


**Figure 1. Conditions for Halal Product Exports, Gross Domestic Product, and Current Account Balance In Indonesia**
*Source: Bank Indonesia. (2024).*

Halal product exports play an important role in strengthening Indonesia's current account balance by creating a large trade surplus and supporting national economic growth, thus becoming

one of the strategic sectors in maintaining economic stability and the country's external resilience. GDP and the current account balance are interrelated in that economic growth can improve or worsen the current account balance depending on the structure of a country's consumption, investment, and export-import. Based on the above background, the problem can be formulated, namely whether there is a significant influence between exports of halal products and Gross Domestic Product (GDP) on the current account balance in Indonesia.

This research will thoroughly examine how Indonesia's exports of halal products, which have greater added value than primary commodities, can be one way to improve the current account balance. In addition, this study will also analyze how the composition and growth of GDP affect the dynamics of Indonesia's current account balance in the context of an increasingly integrated global economy.
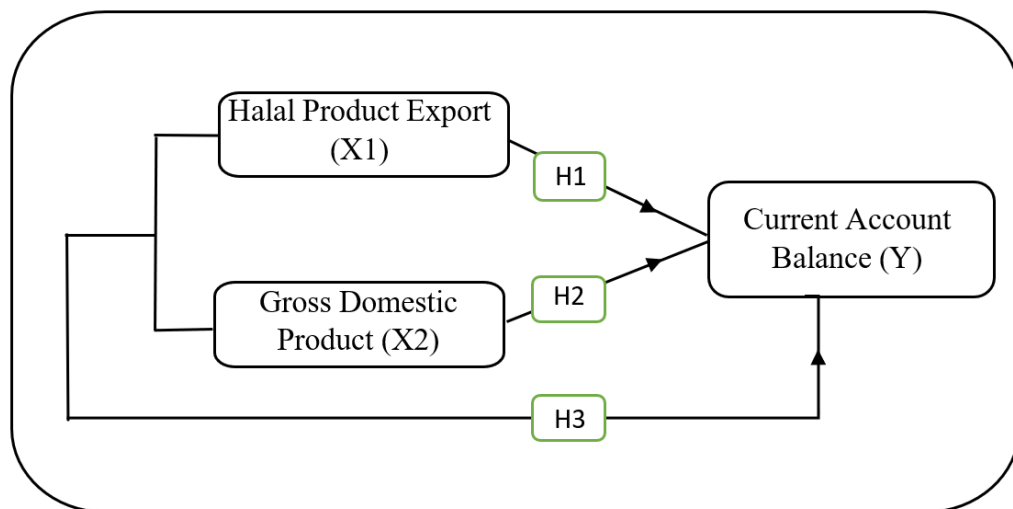
**Conceptual Framework**



**Figure 2. Research Model**

This study used a quantitative research approach. The types of variables used in this study are Independent variables (free) and dependent variables (bound). The dependent variables used by researchers in this study are exports of halal industrial products (X1), gross domestic product (X2). The dependent variable used in this study is the current account balance (Y).

**Hypothesis.** H1 : Halal Product Export Variables affect the Current Account Balance. H2: Gross Domestic Product variable affects the Current Account Balance. H3: The variables of Halal Product Exports and Gross Domestic Product jointly affect the Current Account Balance.

**RESEARCH METHODS**

This study adopts a quantitative research approach by utilizing secondary time series data obtained from official publications such as Bank Indonesia, the Central Bureau of Statistics (BPS), and the National Committee for Islamic Finance (KNEKS). The observation period covers the years from 2010 to 2024. The research focuses on three main variables: Halal Product Exports (X1), Gross Domestic Product (X2), and Current Account Balance (Y).

Before presenting the results, the econometric techniques applied in this study are described as follows. The stationarity of the data is tested using the Augmented Dickey-Fuller (ADF) test. To examine causal relationships between variables, the Granger Causality Test is conducted. The existence of a long-term equilibrium relationship is assessed through the Cointegration Test. To model the short-term and long-term relationships, the Autoregressive Distributed Lag (ARDL) approach is employed. The optimal lag length is determined using the Akaike Information Criterion (AIC), and the Bound Test is performed to confirm cointegration among variables. Furthermore, classical assumption tests, including the Breusch-Godfrey Serial Correlation LM Test (to detect autocorrelation) and the Breusch-Pagan-Godfrey Test (to detect heteroscedasticity), are applied to ensure the robustness of the regression results.

The data used are annual time series data, representing the values of Indonesia's halal product exports, the gross domestic product at current prices, and the current account balance, measured in USD. Halal product export data are sourced from the National Committee for Islamic Finance (KNEKS) and the Ministry of Trade reports. GDP and current account data are retrieved from Bank Indonesia's and BPS's annual statistical publications. The dataset reflects the dynamic interaction between export performance, economic growth, and external sector sustainability in Indonesia.

All data were processed using EViews version 12 software. The analysis involves several sequential steps: (1) Stationarity testing of the variables using the ADF test; (2) Granger causality testing to explore cause-effect relationships; (3) Cointegration analysis to determine long-term relationships; (4) Estimation using the ARDL model; (5) Significance testing through t-tests (partial tests) and F-tests (simultaneous tests); and (6) Diagnostic testing for classical assumption validity.

## 2. RESULTS & DISCUSSION

The data utilized in this study are secondary time series data obtained from the official publications of Bank Indonesia, the Central Bureau of Statistics, and the National Sharia Finance Committee. The dataset covers the period from 2010 to 2024 and focuses on three main variables: Halal Product Exports, Gross Domestic Product (GDP), and Current Account Balance. Halal Product Exports represent the annual value of Indonesia's halal industry exports, GDP reflects the total annual national income, and the Current Account Balance measures the net flow of goods, services, and transfers. These data were selected to capture the dynamic interactions among export performance, economic growth, and external sector sustainability over a 15-year period, providing a comprehensive basis for the econometric analysis conducted in this research.

**Stationarity Test**

<p align="center">**Table 1. Stationarity Test Results**</p>

| Variables | Stationarity Level | | |
|---|---|---|---|
| | **Level** | | |
| | **t-statistic** | **Prob** | **Ket** |
| CAB (Y) | -2,748581 | 0,0908 | Non-stationary |
| Halal Product Exports (X1) | -4,146942 | 0,0086 | Stationary |
| Gross Domestic Product (X2) | -2,846132 | 0,0771 | Non-stationary |
| **Variables** | ***First Difference*** | | |
| | **t-statistic** | **Prob** | **Ket** |
| CAB (Y) | -5,577532 | 0,0010 | Stationary |
| Export (X1) | -5,230785 | 0,0064 | Stationary |
| Gross Domestic Product (X2) | -3,417366 | 0,0368 | Stationary |

*Source* : *Eviews Processed Data 2025*

The stationary test results above show that the halal product export variable is stationary at the level because the variable has a probability smaller than the value of the *level of significance*, namely 1% 5% and 10% at the level. While some variables such as the current account balance variable are not stationary at the level because they have a probability greater than the value of the *level of significance*, namely 1% 5% and 10%. All three variables are stationary when tested at the *first difference* level.

**Granger Causality Test**

<p align="center">**Table 2. Granger Causality Test Results**</p>

| Null Hypothesis: | Obs | F-Statistic | Prob. |
|---|---|---|---|
| Gross Domestic Product (X2) does not Granger Cause Export (X1) | 13 | 7.45815 | 0.0149 |
| Export (X1) does not Granger Cause Gross Domestic Product (X2) | | 0.52993 | 0.6080 |
| CAB (Y) does not Granger Cause Export (X1) | 13 | 1.05737 | 0.3913 |
| Export (X1) does not Granger Cause CAB (Y) | | 0.31383 | 0.7392 |
| CAB (Y) does not Granger Cause Gross Domestic Product (X2) | 13 | 1.22710 | 0.3429 |
| Gross Domestic Product (X2) does not Granger Cause CAB (Y) | | 2.83315 | 0.1174 |

*Source* : *Eviews Processed Data 2025*

From the table above, it can be explained that those that have a *granger* causality relationship are variables with a probability value smaller than 0.05. In the table above, the following results are obtained:

1. The variable X1 significantly affects the variable X2 (0.0149), which means rejecting the null hypothesis, while the variable X2 does not significantly affect the variable X1 (0.6080). Thus, it is concluded that there is a unidirectional relationship between variables X1 and X2, that is, only variable X1 statistically affects variable X2, and not vice versa.

2. Variable X1 does not significantly affect variable Y (0.3913), meaning that the null hypothesis cannot be rejected and vice versa, variable Y is statistically insignificant in affecting

variable X1 (0.7392). The probability of each is greater than 0.05, the null hypothesis cannot be rejected, and it is concluded that there is no causality between variables X1 and Y.

3.  The X2 variable does not significantly affect the Y variable (0.3429), meaning that the null hypothesis cannot be rejected, and vice versa, the Y variable is statistically insignificant in affecting the X2 variable (0.1174). The probability of each is greater than 0.05, the null hypothesis cannot be rejected, and it is concluded that there is no causality between variables X2 and Y.

**Cointegration Test**

### Table 3. Cointegration Test Results

| Cointegration Test | Probability | t-statistic |
|---|---|---|
| Augmented Dickey-Fuller test | 0,0390 | -3,241359 |
| Mackinnon Critical Value | | |
| 1% | 5% | 10% |
| -4,004425 | -3,098896 | -2,690439 |

*Source: Eviews Processed Data 2025*

The cointegration test results above show that the probability of the test results is 0.0390 smaller than the *Mackiinon Critical Value of* 1% and the t-statistic of -3.241359 is greater than the *Mackiinon Critical Value* so it can be concluded that the residuals are stationary at the level, so the variables can be said to be cointegrated.

**Estimation and Results of *Autoregressive Distributed Lag (*ARDL)**

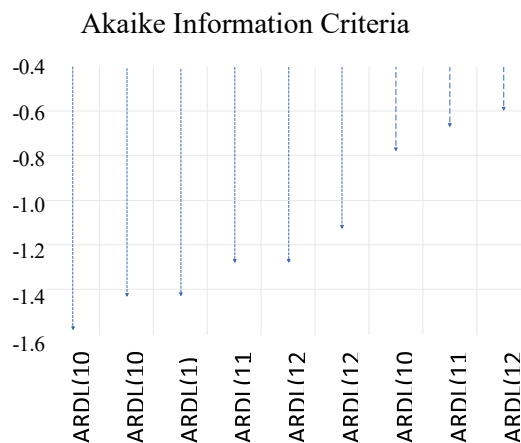**Regression Optimal Lag Test**



**Figure 3. Optimal Lag Test Results**

*Source: Eviews Processed Data 2025*

The figure above shows that the suitable model for the ARDL method in this study is ARDL (1,1,0) because it has the smallest *error* compared to other models.

**Bound Test**

**Table 4. *Bound Test* Results**

| F statistics | Significance | I(1) | Description |
|---|---|---|---|
| 4,264929 | 10% | 3,35 | Co-integrated |
| | 5% | 3,87 | |
| | 2.5% | 4,38 | |
| | 1% | 5 | |

*Source: Eviews Processed Data 2025*

The table above shows that the *bound test* value of 4.264929 is greater than the I(1) value so that the H0 hypothesis which says that there is no long-term relationship is rejected, so it can be concluded that there is a long-term relationship (cointegration) between variables.

**Autocorrelation and Heteroscedasticity Test Autocorrelation Test (Serial LM Test)**

**Table 4. Results of the *Breusch-Godfrey Serial LM Test* Autocorrelation *Test***

Breusch-Godfrey Serial Correlation LM Test: Null hypothesis: No serial correlation at up to 2 lags

| | | | |
|---|---|---|---|
| F-statistic | 0.067225 | Prob. F(2,10) | 0.9354 |
| Obs*R-squared | 0.199001 | Prob. Chi-Square(2) | 0.9053 |

*Source: Eviews Processed Data 2025*

The results of the LM test autocorrelation test above have a *probability obs * R-squared* of 0.9053 which is greater than the 5% significance level so it can be concluded that the residuals from this regression do not have autocorrelation problems.

**Heteroscedasticity Test**

**Table 5. *Breusch-pagan-Godfrey* Heteroscedasticity Test Results**

| Heteroskedasticity Test. | Breusch-Pagan Godfrey Null hypothesis | | Homoskedasticity |
|---|---|---|---|
| F-statistic | 0.153604 | Prob. F(2,12) | 0.8593 |
| Obs*R-squared | 0.374424 | Prob. Chi-Square(2) | 0.8293 |
| Scaled explained SS | 0.144349 | Prob. Chi-Square(2) | 0.9304 |

*Source: Eviews Processed Data 2025*

The heteroscedasticity test results above have a *probability obs * R-squared* 0.2172 which is greater than the 5% significance level. So it can be concluded that there is no heteroscedasticity problem.

**Significance Test Simultaneous Test (F-statistic)**

Based on processed data, it shows that the *F-Statistic* value is 5.003619 with a *Prob (FStatistic)* value of 0.026284 (<0.05). So it can be concluded that the Independent Variable of Halal Product Exports (X1) and Gross Domestic Product (X2) has a significant effect simultaneously (simultaneously) on the Independent Variable of the current account balance (Y).

## Partial Test (t-statistic)

**Table 6. T-statistic test**

| Variables | t-Statistic | Prob. (Significance) |
| --- | --- | --- |
| Halal Product Exports (X1) | 3,115696 | 0,0089 |
| GDP (X2) | 0,961836 | 0,3551 |

*Source: Eviews Processed Data 2025*

Based on the table above shows that: The halal product export variable (X1) has a *t-statistic* value of 3.115696 with a *prob. (significance)* value of 0.0089 <0.05). So it can be concluded that the halal product export variable has a significant effect on the current account balance variable (Y). The GDP variable (X2) has a *t-statistic* value of 0.961836 with a *prob. (significance)* value of 0.3551 (>0.05). So it can be concluded that the halal product export variable has a significant effect on the current account balance variable (Y).

**Coefficient of Determination.** Based on the regression results, the *adjusted R Squre* value is 0.363846, which means that the halal production export and gross domestic product variables affect the current account balance in Indonesia by 36.40% and remaining 63.6% is explained by other factors.

**The Effect of Halal Product Exports on Account Balance**. The results show that exports of halal products have a significant positive effect on Indonesia's Current Account Balance during the period 2010–2024, with a probability value (p-value) of 0.0089, which is lower than the 5% significance level. This finding indicates that increasing halal product exports can contribute directly to strengthening Indonesia's external economic position by improving the current account.

These results are consistent with previous research by Purnama & Auwalin (2019), who found that halal exports have a positive relationship with the current account balance. However, this study extends previous findings by covering a longer timeframe (15 years) and incorporating more recent data reflecting structural shifts in the global halal market.

The urgency of this finding lies in Indonesia's persistent current account deficit, which poses a vulnerability to external shocks. The growing global demand for halal products offers Indonesia a strategic avenue to diversify exports and reduce its dependence on traditional commodities. Thus, strengthening halal product exports is not only important for boosting trade surpluses but also vital for achieving sustainable economic resilience.

In addition, the lesson learned from this result highlights the critical role of niche industries—such as the halal sector—as alternative drivers for national economic stability. The findings suggest that policies promoting the competitiveness and global market access of Indonesia's halal products could significantly contribute to improving the current account balance over the long term.

**The Effect of Gross Domestic Product on  Account Balance**. The analysis shows that Gross Domestic Product (GDP) does not have a significant effect on Indonesia's Current Account Balance over the period 2010–2024, as indicated by a p-value of 0.3551, which exceeds the 5% significance threshold.

This result is consistent with the findings of Purnama and Auwalin (2019), who also observed no significant direct impact of GDP on the current account balance. Theoretically, while economic growth often leads to higher production and potential export capacity, it can simultaneously drive higher domestic demand for imported goods, especially in consumption-driven economies like Indonesia.

The urgency of this result lies in understanding that merely focusing on GDP growth without addressing the structural imbalances in trade will not necessarily improve the external account. Consequently, lessons from this finding emphasize the importance of targeted export-oriented growth strategies rather than relying solely on aggregate economic expansion.

**The Effect of Halal Product Exports and Gross Domestic Product on  Account Balance**
The simultaneous testing results indicate that Halal Product Exports and Gross Domestic Product together have a significant effect on the Current Account Balance in Indonesia during 2010–2024, with an F-statistic value of 5.003619 and a p-value of 0.026284, which is below the 5% significance level.

This result underscores that while GDP individually may not significantly impact the current account, when combined with a strong performance in specific export sectors such as halal products, the overall impact on external balance becomes significant.

The lesson learned from this combined effect is that policy efforts should be synergistic: fostering overall economic growth while simultaneously prioritizing sectoral strategies like the development of halal industries. Such integrated approaches are crucial for sustaining current account improvements and ensuring Indonesia's resilience against global economic fluctuations.

## 3.  CONCLUSION

Based on the findings of this study, it can be concluded that Halal Product Exports have a positive and significant effect on Indonesia's Current Account Balance during the period 2010–2024. This suggests that strengthening halal product exports can make a substantial contribution to enhancing Indonesia's external economic resilience. In contrast, Gross Domestic Product (GDP) does not show a significant direct effect on the Current Account Balance, indicating that economic growth alone, without corresponding improvements in trade structure, may not be sufficient to overcome the current account deficit. However, when combined, Halal Product Exports and GDP have a significant joint influence on the Current Account Balance, emphasizing the importance of sectoral export development alongside broader economic growth strategies. This study is limited by the scope of variables analyzed, focusing solely on Halal Product Exports and GDP, and does not account for other potential influencing factors such as foreign

direct investment, exchange rates, or international trade agreements. Therefore, future research is encouraged to explore a broader set of variables affecting the current account balance, including the roles of trade policies, global value chains, and Islamic financial instruments. Additionally, further studies could employ panel data analysis across multiple countries to provide comparative insights and enhance the generalizability of the findings.

## REFERENCES

BPS Indonesia, S. I. (2023). Catalog : 1101001. Statistik Indonesia 2023, 1101001, 790. https://www.bps.go.id/publication/2020/04/29/e9011b3155d45d70823c141f/statistik-indonesia-2020.html

Dewi Sartika, U., Siddik, S., & Choiriyah, C. (2019). Pengaruh Inflasi, Suku Bunga, Nilai Tukar, Dan Produk Domestik Bruto Terhadap Nilai Perusahaan. Jurnal Ilmu Manajemen, 8(2), 75. https://doi.org/10.32502/jimn.v8i2.1821

Hasan, A. S., & Hamdi, B. (2024). Perkembangan dan Tantangan Halal Fashion Indonesia Dalam Menjadi Produsen Utama Industri Halal Global. Al-Azhar : Journal of Islamic Economics, 6(1), 14–30. https://doi.org/10.37146/ajie

Hutagaluh, O., Hamzah, N., & Siradjuddin, S. (2023). Tantangan Sektor Industri Halal Prioritas di Indonesia. Jurnal Alwatzikhoebillah : Kajian Islam, Pendidikan, Ekonomi, Humaniora, 9(2), 550–557. https://doi.org/10.37567/alwatzikhoebillah.v9i2.2223

Kementerian Perdagangan RI. (2024). Ekspor Produk Halal Indonesia Tembus Rp673,90 Triliun : Potensi Dalam Perdagangan Global. Kemendag.Go.Id. https://www.kemendag.go.id/berita/siaran-pers/ekspor-produk-halal-indonesia-tembus-rp67390-triliun-potensi-dalam-perdagangan-global

Kementerian Perindustrian RI. (2024). Kemenperin Genjot Kolaborasi Percepatan Industri Halal Nasional. Kemenperin.Go.Id. https://bbt.kemenperin.go.id/blog/kemenperin-genjot-kolaborasi-percepatan-industri-halal-nasional

KNEKS. (2024). Ekspor Produk Halal Indonesia Berpotensi dalam Perdagangan Global, Tembus Rp673T. Kneks.Go.Id. https://kneks.go.id/berita/674/ekspor-produk-halal-indonesia-berpotensi-dalam-perdagangan-global-tembus-rp673t?category=3

Liaqat, I. A. (2023). State of the Global Islamic Economy Report. Dinarstandard.Com. https://www.dinarstandard.com/post/state-of-the-global-islamic-economy-report-2023

Purnama, W. A., & Auwalin, I. (2019). 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

Qoniah, R. (2022). Tantangan dan Strategi Peningkatan Ekspor Produk Halal Indonesia di Pasar Global. Halal Research Journal, 2(1), 52–63. https://doi.org/10.12962/j22759970.v2i1.246

Suwikromo, T. V, Engka, D. S. M., Usd, I. D. R., Neraca, T., Berjalan, T., Indonesia, D. I., Tahun, P., Niode, A. O., Suwikromo, T. V, & Engka, D. S. M. (2024). Pengaruh Produk Domestik Bruto , Tingkat Suku Bunga Dan Tingkat Kurs ( Idr / Usd ) Terhadap Neraca Transaksi Berjalan Di Indonesia Periode Tahun 2018 : Q1-2023 : Q4 . Pengaruh Produk Domestik Bruto , Tingkat Suku Bunga Dan Tingkat Kurs Vol . 13 No . 1 Januari 2024 , Hal . 662-671. 13(1), 662–671