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Halal Fashion, Halal Travel, Islamic Finance, and Economic Growth: Panel Evidence from Twelve Leading Countries of the Global Halal

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Abstract

Objective: This study analyses the impact of halal industry variables on economic growth and evaluates each subsector's contribution to economic growth dynamics in twelve countries with the highest halal production.
Method: This study uses a quantitative approach with a multiple linear regression model based on panel data, combining time-series and cross-sectional dimensions from twelve Global Halal Leader Countries over 2020-2025 at a biennial interval, resulting in 36 observations. The independent variables are Halal Fashion, Halal Travel, and Islamic Finance, while the dependent variable is economic growth.
Result: The findings indicate that halal fashion has no significant effect on economic growth, halal travel has a positive and significant effect on economic growth, and Islamic finance hurts economic growth.
Implication: Strengthening the halal industry ecosystem through halal fashion, halal travel, and Islamic finance can serve as an important alternative strategy to promote economic growth in Global Halal Leader countries.
Novelty: This study's novelty lies in its cross-country panel-data quantitative approach across twelve Global Halal Leader countries, which simultaneously examines the halal industry's contribution to economic growth. This area remains limited in the existing cross-country empirical literature.

Keywords: Economic Growth; Halal Fashion; Halal Travel; Islamic Finance.

Introduction

Economic growth is a primary indicator of a country's development success. Economic growth reflects an increase in an economy's capacity to produce goods and services over a period, as indicated by an increase in real national income. A higher rate of economic growth signifies expanded economic activity and productivity, thereby contributing to improved societal welfare (Kurniawan et al., 2021). Therefore, every country seeks income sources to support and sustain national development. Amid the increasingly complex dynamics of the global economy, countries with predominantly Muslim populations and high levels of productivity have positioned the Islamic economy as a strategic sector for fostering economic growth. The Islamic economy is not merely concerned with compliance with Islamic principles; it also has significant potential to

generate economic output through various segments of the halal industry, including halal fashion, Islamic finance, and halal tourism (Aslikah, 2021). Growth in sectors within the halal industry has emerged as a new avenue for enhancing national economic performance through job creation, expanded international trade, and investment attraction.

The development of the Islamic economy is closely linked to the growth of the global Muslim population. In 2011, projections indicated that the global Muslim population would increase by 26.4% by 2030, reaching approximately 2.2 billion people (Center, 2011). However, by 2020, the global Muslim population had grown more rapidly than previously projected, reaching approximately 2.02 billion people and accounting for 26.1% of the world's population. (Center, 2025). Growth in the Muslim population increases demand for Shariah-compliant products and services and strengthens awareness of the importance of consuming products that comply with Islamic principles, meet safety and hygiene standards, and are produced through processes that adhere to Shariah requirements. In the halal industry, halal products are defined not only by compliance with Islamic law but also by maintaining product quality, integrity throughout production processes, and sustainability (Aslikah, 2021). This phenomenon has contributed to the growing adoption of the halal lifestyle concept in everyday life. The expanding market share of halal products and services has the potential to contribute to national economic development and to foster a halal industry ecosystem capable of capitalizing on emerging economic opportunities.

The halal industry has grown rapidly globally and has emerged as a sector with substantial potential to drive economic growth. This development is reflected in the expanding scope of the Islamic economy, which extends beyond the halal food sector to encompass Islamic finance, halal fashion, halal tourism, pharmaceuticals, and other related industries. In 2023, Muslim consumer expenditure across the halal economy reached USD 2.43 trillion and is projected to increase to USD 3.36 trillion by 2028. Meanwhile, total Islamic financial assets amounted to USD 4.93 trillion in 2023 (DinarStandard, 2025). The rise in consumer spending and asset values suggests the Islamic economy has become one of the most attractive sectors in the global economy. This development underscores that the halal industry no longer serves solely to meet the religious needs of Muslim populations. However, it has also emerged as a significant force in the global economic landscape.

Modest fashion has become a strategic sector within the halal industry, as clothing is a basic everyday necessity. Alongside the growing adoption of the halal lifestyle, modest fashion is no longer seen solely as a religious requirement. However, it has evolved into a segment of the global creative industry with substantial economic value (Triwibowo & Sya'adi, 2025). The modest fashion industry is closely linked to the manufacturing and textile sectors, which drive economic activity in many countries. Rising demand for modest fashion products stimulates higher production, expands textile exports, and supports the development of micro, small, and medium-sized enterprises (MSMEs), thereby contributing to increased output, export growth, and job creation (Alam, 2024). The success of several countries in developing this sector is reflected in the achievements reported in the annual SGIE report. According to DinarStandar (2025), Indonesia ranked first with a score of 135.9, followed by Malaysia with 76.7 and Türkiye with 63.6. These achievements are reflected in the growing number of modest fashion brands that have emerged and successfully entered international markets. In Indonesia, brands such as

Buttonscarves, Kami, and Elzatta have continued to expand their market presence in international markets. In Malaysia, Naelofar has emerged as a pioneer of modern modest fashion. At the same time, several new brands, including NARA, CAMELLIA, and MZH, entered the industry in 2025 to target the global modest fashion market. In Türkiye, Modanisa has evolved into a leading modest fashion platform serving consumers across numerous countries (Alimen & Kütük-Kuriş, 2020). This development indicates that the modest fashion industry has become an economic sector with an extensive value chain, encompassing textile manufacturing, garment production, design, marketing, and digital commerce.

Halal travel has emerged as one of the most promising tourism segments within the global halal industry. Growth in the number of Muslim travelers worldwide, along with rising demand for tourism services that comply with Shariah principles, has driven the sector's expansion. According to Mastercard (2025), the Global Muslim Travel Index (GMTI) estimated that international Muslim tourist arrivals reached 176 million trips in 2024, up about 25% from 2023, and are projected to reach 245 million trips by 2030 (DinarStandard, 2023). This trend reflects the growing global Muslim-friendly tourism market. Consequently, many countries have sought to develop halal tourism ecosystems by providing prayer facilities, halal food services, Muslim-friendly accommodations, and tourism services designed to meet Muslim travelers' needs (Muflihin et al., 2023). Beyond its direct contribution to the tourism sector, halal travel also generates multiplier effects across a wide range of economic sectors, including transportation, hospitality, food and beverage services, trade, and other supporting industries.

Islamic finance supports economic development by providing Shariah-compliant financing mechanisms. Operating on the principles of profit and loss sharing, equity, and a close link to real economic activities, Islamic finance promotes a more productive allocation of funds than speculative transactions. This sector's growth is reflected in the rise of global Islamic financial assets from approximately USD 2.52 trillion in 2018, with projections indicating an increase to USD 3.5 trillion by 2024, representing a compound annual growth rate (CAGR) of 5.5% (DinarStandard, 2025). This expansion highlights Islamic finance's growing role in the global economy. Various Islamic financial instruments, including Islamic banking, sukuk, Islamic mutual funds, and takaful, have continued to expand and serve as important sources of financing for business activities, investment, and infrastructure development across numerous countries (Nastiti & Cupian, 2024). Beyond expanding access to financial services, the growth of the Islamic finance sector increases investment and strengthens real economic activity.

The development of the halal fashion, halal travel, and Islamic finance sectors indicates that the halal industry has emerged as a new economic driver capable of generating substantial value added to the economy. Nevertheless, halal industry development varies across countries. Several countries have successfully established more advanced Islamic economic ecosystems through supportive policies, infrastructure development, innovation, and integration among halal sectors. These achievements are reflected in the State of the Global Islamic Economy (SGIE) report, which evaluates national performance across various Islamic economic sectors. During the 2020-2025 period, Indonesia, Malaysia, Singapore, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Kuwait, Oman, Türkiye, Iran, and Jordan consistently ranked among the countries with the highest index scores in the halal fashion, halal travel, and Islamic finance sectors (Dinar Standar, 2025). These countries not only lead the development of halal fashion, halal travel, and

Islamic finance but also represent diverse economic characteristics. Indonesia and Malaysia are supported by large Muslim consumer markets, the GCC countries possess strong investment capacity and pursue economic diversification strategies, Türkiye demonstrates a comparative advantage in the halal fashion industry, Iran has a well-established Islamic financial system, Jordan exhibits strength in the service sector, and Singapore, despite being a non-Muslim-majority country, has successfully developed a competitive halal ecosystem. Such diversity makes these twelve countries particularly relevant as research objects for examining the role of the halal industry in promoting economic growth.

This study contributes to the growing literature on the relationship between the halal industry and economic growth across countries. Most previous studies have focused on a single halal sector or been limited to a specific country, providing only a partial understanding of how different halal industry sectors contribute to economic growth. In contrast, empirical studies that simultaneously investigate the effects of halal fashion, halal travel, and Islamic finance on economic growth in countries with well-developed Islamic economic ecosystems remain relatively scarce. Accordingly, this study aims to analyze the impact of these three sectors on economic growth in twelve countries with the highest Global Islamic Economy Indicator (GIEI) rankings during 2020-2025. The findings are expected to provide valuable insights for policymakers in formulating halal industry development strategies, offer guidance for investors and business practitioners in identifying promising halal sectors for future development, and enrich academic discourse on the halal industry's contribution to international economic growth.

Literature Review

Economic growth refers to an increase in the production capacity of goods and services, as reflected in the growth of a country's real Gross Domestic Product (GDP). The relationship between the halal industry and economic growth can be explained through Endogenous Growth Theory, which posits that economic growth is determined not only by the accumulation of capital and labor but also by investment, innovation, and the development of productive sectors capable of generating value added to the economy (Mankiw et al., 1992). From the perspective of Islamic economics, (Umer, 1992) argues that economic development aims to achieve welfare (falah) through the productive, equitable, and Shariah-compliant utilization of resources. Accordingly, the halal industry can drive economic growth by stimulating production, consumption, trade, investment, and job creation.

Halal fashion, commonly referred to as modest fashion, constitutes a segment of the creative industry that has expanded in response to growing demand for products that conform to Islamic principles. According to the Creative Economy concept, creativity and innovation are important sources of value creation that can promote economic growth (Rodríguez-Insuasti et al., 2022). Through design, production, marketing, and trade activities, the halal fashion industry can stimulate economic activity in the textile and garment sectors, expand exports, and generate employment opportunities. Consequently, the expansion of the halal fashion industry is expected to contribute positively to economic growth through increased production and trade.

Halal travel refers to tourism services designed to accommodate the needs of Muslim travelers. The growing number of Muslim tourists has stimulated the expansion of transportation, hospitality, food and beverage, and other supporting service sectors. Beyond increasing foreign

exchange earnings and tourism-related revenues, halal travel generates multiplier effects that can promote economic growth. The Tourism-Led Growth Hypothesis suggests that tourism development can catalyze economic growth through higher foreign exchange earnings, government revenues, investment, and job creation (Putri & Wakhid, 2023).

The relationship between financial sector development and economic growth is explained by the Finance-Led Growth Theory proposed by Joseph Schumpeter. This theory posits that the financial system plays a crucial role in fostering economic growth by mobilizing funds, increasing investment, and financing productive activities (Ajisafe & Okunade, 2020). Within the Islamic financial system, these functions are carried out through various instruments, including Islamic banking, sukuk, takaful, and Islamic mutual funds, all of which operate on the principles of profit-and-loss sharing and a close linkage to real economic activities. The development of Islamic finance can enhance access to financing for households and businesses, stimulate investment, and strengthen productive sectors. Therefore, the expansion of Islamic finance is expected to contribute positively to economic growth.

Research Methodology

This study uses a quantitative approach to examine the impact of halal fashion, halal tourism, and Islamic finance on economic growth in the 12 countries with the highest production of halal products, as measured by the State of the Global Islamic Economy (SGIE) Index. This study uses data collected at two-year intervals in 2021, 2023, and 2025, resulting in 36 observations from 12 countries across three periods. The study sample includes Indonesia, Malaysia, Singapore, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Kuwait, Oman, Türkiye, Iran, and Jordan. Secondary data were collected from State of the Global Islamic Economy (SGIE) reports and the World Bank database. The sample countries were selected using purposive sampling based on the criterion that they had the highest production of halal products in the halal fashion, halal tourism, and Islamic finance sectors according to the SGIE index throughout the study period.

This study employs panel data regression, an econometric approach that combines time-series and cross-sectional observations. Data processing and statistical estimation are performed using EViews 12. Three alternative estimation models are considered: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The appropriate model is identified through a series of specification tests, comprising the Chow test, Hausman test, and Lagrange Multiplier (LM) test. The decision criteria for each test are described below.

1. The Chow test is used to determine whether the CEM or FEM provides a more appropriate specification. A probability value greater than 0.05 indicates that the CEM is preferred; in that case, the analysis proceeds to the LM test. Conversely, a probability value below 0.05 favors the FEM, and the Hausman test is subsequently conducted to determine whether the FEM or REM is more appropriate.
2. The Hausman test is employed to distinguish between the FEM and REM. When the probability value exceeds 0.05, the REM is considered more appropriate. Conversely, a probability value below 0.05 indicates a preference for the FEM.

3. The LM test is used to assess whether the REM offers a better specification than the CEM. A probability value greater than 0.05 supports selecting the CEM, whereas a probability value below 0.05 indicates that the REM is more appropriate.

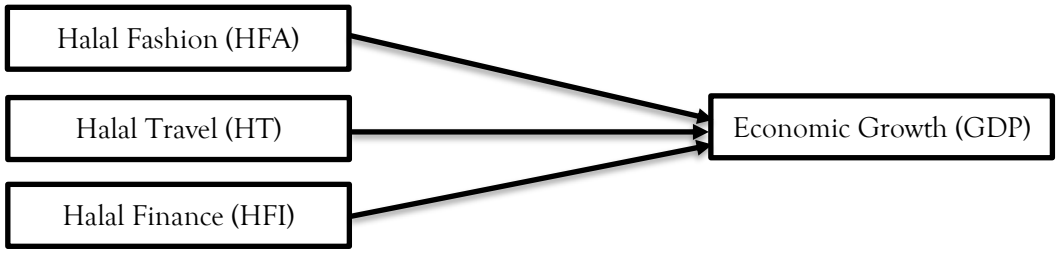
Following model selection, diagnostic tests are conducted to assess the adequacy of the regression specification and identify potential violations of the relevant statistical assumptions. These diagnostics include tests for normality, multicollinearity, heteroskedasticity, and autocorrelation, as appropriate to the selected model and the dataset's characteristics. These tests identify issues that could affect the reliability of parameter estimates and statistical inference. Hypothesis testing is then performed using the t-test to assess the individual statistical significance of each independent variable, the F-test to evaluate their joint statistical significance, and the coefficient of determination (R^2) to measure the proportion of variation in the dependent variable explained by the regression model.

Data analysis was conducted using panel data regression, which combines time-series and cross-sectional data. The analysis employed multiple linear regression. Data processing was performed using EViews 12 software. Three models were available: CEM, FEM, and REM. The first stage involved testing panel model assumptions, including the Chow test, the Hausman test, and the Lagrange Multiplier test, as well as classical assumptions and hypothesis testing using the t-test, the F-test, and the coefficient of determination (R^2). The dependent variable was economic growth, proxied by Gross Domestic Product (GDP) growth expressed as a percentage (%). The independent variables are halal fashion, measured using the Modest Fashion Indicator score; halal travel, measured using the Muslim-Friendly Travel Indicator score; and Islamic finance, measured using the Islamic Finance Indicator score published in the SGIE report. The research equation model is formulated as follows:

$$GDP_{it} = 2.4083 - 0.0156HFA_{it} + 0.0614HT_{it} + 0.0200HFI_{it} + \varepsilon_i$$

The conceptual framework of the study is presented as follows:

Image No.1
Conceptual Framework



The indicators utilized in this study are derived from internationally recognized indices published by a leading global halal industry ranking institution. These indices capture the level of development, competitiveness, and ecosystem readiness of halal-related sectors across countries. Adopting internationally standardized indices improves cross-country comparability and provides a consistent basis for evaluating sectoral performance. Consequently, these indicators offer a reliable measure of the relative performance of halal fashion, halal travel, and Islamic finance within the global halal economy.

1. Halal fashion (HFA)

Table No.1

Assessment Components of the Halal Fashion Index

No	Dimension	Assessment Components
1.	Economic Performance	Total domestic retail expenditure of Muslim consumers on clothing, hijabs, accessories, and related fashion products
		Export value of modest fashion products
		Corporate investment inflows (including mergers and acquisitions and venture capital investments) directed to Muslim fashion brands and e-commerce platforms.
2.	Governance	Halal Textile Certification
		Regulations protecting the intellectual property rights (IPR) of local fashion designers.
		Government incentives for textile industry clusters and fashion-related creative economic zones.
3.	Awareness	Frequency of internationally recognized modest fashion exhibitions, trade fairs, and fashion events hosted annually.
		Availability and institutional development of higher education and professional training programs in fashion design, fashion management, and retail business administration
		Level of media visibility, digital engagement, and public exposure related to modest fashion trends within the national market.
4.	Social	Integration and implementation of sustainability principles across the modest fashion value chain.
		Compliance with environmental sustainability standards and labor protection regulations, including fair wages and decent working conditions.

Source: State of the Global Islamic Economy (SGIE) Report, 2025

2. Halal Travel (HT)

Table No.2

Assessment Components of the Travel Halal Index

No	Dimension	Assessment Components
1.	Economic Performance	Total inbound expenditure by Muslim travelers on accommodation, food and beverage services, and transportation.
		Value of independent religious tourism transactions, including private Umrah packages, tourist visas for Umrah, and pilgrim expenditures outside government-administered quotas.
		Outbound expenditure of domestic residents on Muslim-friendly tourism activities.
2.	Governance	Availability of Muslim-friendly certification systems, including official accreditation standards for halal hotels and certified halal restaurants.
		Regulatory provisions supporting prayer facilities and ablution-friendly washrooms at airports, railway stations, rest areas, and tourist destinations.
		Visa accessibility and pilgrim-friendly policies facilitating religious travel and Umrah-related tourism.
3.	Awareness	Global digital marketing exposure and international promotion of halal tourism destinations.
		Number of international awards and recognitions received by tourism destinations within the country.
		Organization of halal tourism exhibitions, Muslim-friendly travel fairs, and Umrah/Hajj travel expos.

4.	Social	Adoption of eco-tourism principles within tourism development and destination management.
		Local economic empowerment through employment generation and the participation of micro, small, and medium-sized enterprises (MSMEs) in tourism destinations.

Source: State of the Global Islamic Economy (SGIE) Report, 2025

3. Halal finance (HFI)

Table No.3
Assessment Components of the Finance Halal Index

No	Dimension	Assessment Components
1.	Economic Performance	Total assets of Islamic banking institutions.
		Outstanding value of commercial sukuk issuances.
		Assets under management (AUM) of Islamic mutual funds and Islamic exchange-traded funds (ETFs).
		Market penetration of takaful premiums, including family takaful and general takaful.
		Financing volume generated by Islamic fintech and Shariah-compliant peer-to-peer (P2P) lending platforms.
2.	Governance	Strength of the legal and regulatory framework governing Islamic banking and Islamic capital markets.
		Mandatory implementation of Shariah governance and compliance structures within Islamic financial institutions.
		Degree of adoption of internationally recognized Islamic finance standards and best practices.
3.	Awareness	Media coverage intensity related to Islamic financial literacy and financial inclusion.
		Availability of higher education programs specializing in Islamic finance.
		Research output in Islamic finance, including scholarly publications, policy papers, and academic books.
4.	Social	Effectiveness of governance mechanisms for the collection and distribution of zakat, sadaqah, waqf, and other Islamic social finance instruments.
		Proportion of Islamic banking financing allocated to micro, small, and medium-sized enterprises (MSMEs).
		Issuance and development of sustainable Islamic financial instruments, including green sukuk and productive waqf initiatives.

Source: State of the Global Islamic Economy (SGIE) Report, 2025.

Results

Table 4.1 presents the descriptive statistical analysis and provides an initial overview of the characteristics and distribution of the data used in this study. This analysis focuses on four main variables: Gross Domestic Product (GDP) growth, Halal Fashion, Halal Travel, and Halal Finance, each comprising 36 observations over the research period. The descriptive statistics include the mean, median, maximum, minimum, and standard deviation, which are used to identify the central tendencies, ranges, and variations within each variable. These measures provide a preliminary understanding of the dynamics of the global Islamic economy, particularly the development of the three key sectors of the State of the Global Islamic Economy (SGIE) and their relationship to overall economic growth. The results of the descriptive statistical analysis are presented in Table 4.

Table 4
Descriptive Statistics of Research Variables

	GDP	Fashion Halal	Travel Halal	Finance Halal
Mean	3.195499	46.91111	65.96667	126.2861
Median	2.913542	29.50000	58.20000	105.4000
Maximum	13.61416	235.6000	193.5000	426.9000
Minimum	-4.140640	13.90000	27.10000	16.90000
Std. Dev.	3.625685	45.80652	35.00726	89.23815
Observations	36	36	36	36

Source: process data, EViews

Based on Table 4, this study uses 36 observations for each variable: GDP growth, Halal Fashion, Halal Travel, and Halal Finance. The GDP growth variable ranges from −4.140640 to 13.61416. During the observation period, this variable had a mean of 3.195499 and a standard deviation of 3.625685. This indicates that the standard deviation is greater than the mean, meaning that the GDP growth data exhibits a relatively high degree of dispersion relative to its mean. The Halal Fashion variable has a minimum value of 13.90000 and a maximum value of 235.6000, with a mean of 46.91111 and a standard deviation of 45.80652. These conditions indicate that the standard deviation is slightly lower than the mean, so the data dispersion is relatively smaller compared to its mean. Furthermore, the Halal Travel variable has a minimum value of 27.10000 and a maximum value of 193.5000, with a mean of 65.96667 and a standard deviation of 35.00726. This shows that the mean is greater than the standard deviation, indicating that the data dispersion is relatively low compared with the mean. Meanwhile, the Halal Finance variable has a minimum value of 16.90000 and a maximum value of 426.9000, with a mean of 126.2861 and a standard deviation of 89.23815. A mean greater than the standard deviation indicates that the data spread is relatively small compared with the mean. Overall, these descriptive statistics show variation in the characteristics of all research variables: GDP growth has a standard deviation greater than its mean, while the three SGIE indicators have means greater than their standard deviations. However, comparing the mean and standard deviation provides only a preliminary picture of data dispersion. It is insufficient to conclude that the distribution of values is even or homogeneous across countries and periods.

Model Selection Test

Panel data regression analysis begins with selecting the most appropriate estimation model among the CEM, FEM, and REM. The model selection procedure uses a series of specification tests to identify the model that best fits the data's characteristics.

Chow Test

Table No.5
Chow Test

Effect Test	Statistic	Probability
Cross-section F	0.957756	0.5100
Cross-section Chi-square	14.637077	0.1997

Source: processed data, EViews

If the probability value (p-value) > 0.05, H_0 is not rejected, indicating that the Common Effects Model (CEM) is preferred

Lagrange Multiplier Test

Table No.6
Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.103976	0.483104	0.587080
	0.7471	0.4870	0.4436

Source: process data, EViews

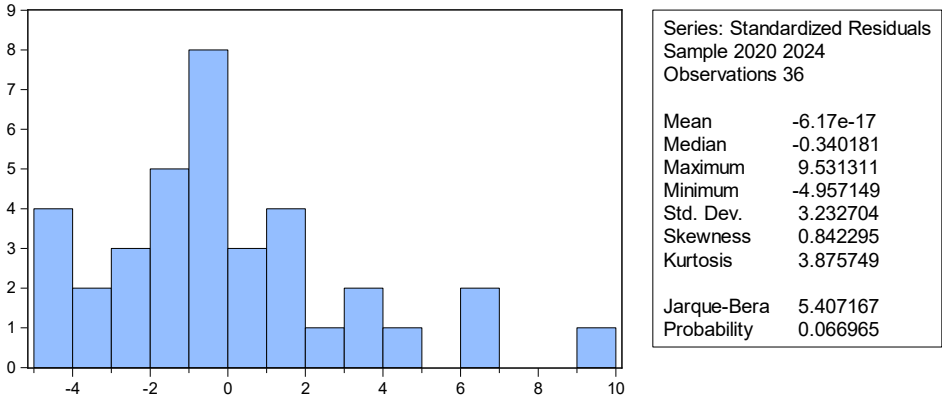
The Lagrange Multiplier test produced a cross-sectional probability value of 0.7471. Since the probability value exceeds 0.05, CEM was selected as the most appropriate model for this study.

This study uses the Common Effects Model (CEM) to analyze the relationship between SGIE indicators and economic growth in 12 countries. The model choice was based on panel model specification tests. However, the CEM has limitations because it does not account for country-specific heterogeneity. Therefore, the estimation results are interpreted as statistical relationships, while accounting for the possibility of unobserved country-specific factors.

Classical Assumption Tests

Normality Test

Image No.2
Normality Test



Source image: process data, EViews

Based on the normality test, the Jarque-Bera probability value was 0.066965, which exceeds the significance level of 0.05. Therefore, the data are normally distributed

Multikolinieritas Test

Table No.7
Multikolinieritas Test

	GDP	HFA	HT	HFI
GDP	1	-0.00719	0.226831	-0.14024
HFA	-0.00719	1	0.345187	0.028278
HT	0.226831	0.345187	1	0.604143
HFI	-0.14024	0.028278	0.604143	1

Source image: process data, EViews

The multicollinearity test produced correlation coefficients of -0.00719, 0.226831, -0.14024, 0.345187, 0.028278, and 0.604143. As all correlation values are below 0.80, no strong

correlation exists among the independent variables. Therefore, the model is free from multicollinearity problems.

Heteroskedasticity Test

Table No.8
Heteroskedasticity Test

Variable	Coefficient	t-Statistic	Prob.
HFA	0.013858	1.615858	0.1159
HT	-0.0216	-1.53444	0.1348
HFI	0.001501	0.289558	0.7740

Source: process data, EViews

The heteroskedasticity test produced probability values of 0.1159, 0.1348, and 0.7740. Since all probability values exceed 0.05, the null hypothesis of homoskedasticity cannot be rejected. Therefore, the variance of the error terms is constant, indicating that the model does not suffer from heteroskedasticity

Autokorelasi Test

Table No.9
Uji Autokorelasi

Durbin-Watson stat	2.033648

Source: processed data, EViews

The study includes 36 observations and four variables (k = 4). Based on the Durbin-Watson critical value table, the lower bound (dL) is 1.2358, and the upper bound (dU) is 1.7245. A model is considered free from autocorrelation when the Durbin-Watson statistic falls within the range of 1.7245 < dW < 2.2865. The results indicate a Durbin-Watson statistic of 2.03, which lies within the acceptance region. Therefore, the model is free from autocorrelation problems.

Hypothesis Test

t-Test

Table No.10
t-Test

	GDP	HFA	HT	HFI
C	2.408365	1.263723	1.90577	0.0657
HFA	-0.01567	0.013697	-1.14376	0.2612
HT	0.061406	0.022481	2.731461	0.0102
HFI	-0.02002	0.00828	-2.41824	0.0215

Source: process data, EViews

1. The halal fashion variable exhibits a coefficient of -0.01 with a probability value of 0.2612, which exceeds the 0.05 significance level. Therefore, halal fashion does not significantly affect economic growth.
2. The halal travel variable exhibits a coefficient of 0.06 with a probability value of 0.01, which is below the 0.05 significance level. Therefore, halal travel has a positive and statistically significant effect on economic growth.
3. The Islamic finance variable exhibits a coefficient of -0.02 with a probability value of 0.02, which is below the 0.05 significance level. Therefore, Islamic finance has a negative and statistically significant effect on economic growth.

F Test

Table No.11
F Test

F-statistik	2.750998
F-probabilitas	0.058768

Source: processed data, EViews

The F-test result shows a probability value of 0.058768, which is greater than the 5% significance level but less than 10%. Thus, Halal Fashion, Halal Travel, and Islamic Finance are not simultaneously significant at the 5% level but are significant at the 10% level. These findings suggest a statistical relationship between the three SGIE indicators and economic growth, although the empirical evidence is relatively weak. This suggests that economic growth is also likely influenced by other factors such as investment, domestic consumption, labor productivity, international trade, and fiscal and monetary policies, which help drive production and aggregate demand. However, since these factors were not directly tested in this study, their impact cannot yet be confirmed.

Coefficient of Determination Test (R^2)

Table No.12
Coefficient of Determination Test (R^2)

R-squared	0.205028
Adjusted R-squared	0.130499

Source: processed data, EViews

The estimation results indicate an adjusted R-squared value of 0.130499, suggesting that approximately 13.04% of the variation in economic growth can be explained by halal fashion, halal travel, and Islamic finance. The remaining 86.96% is attributable to other factors not included in the model. The relatively low adjusted R-squared may be because these variables are not the primary determinants of economic growth. Economic growth is influenced by a wide range of macroeconomic factors, including interest rates, inflation, exports, imports, investment, labor productivity, and government expenditure. Therefore, although halal fashion, halal travel, and Islamic finance contribute to economic activity, their explanatory power for economic growth remains limited compared with broader macroeconomic determinants.

Discussion

The Effect of Halal Fashion on Economic Growth

The findings indicate that Halal Fashion is not statistically significantly associated with economic growth in the twelve Global Halal Leader countries during 2020-2025. This suggests that improvements in the halal fashion indicator are not consistently associated with GDP growth within the estimated model. This finding may be understood by distinguishing industry growth from aggregate economic growth. Increases in sales, exports, and the competitiveness of halal fashion products do not necessarily generate sufficient domestic value added to be reflected in national GDP growth. This relationship may depend on domestic production capacity, reliance on imported raw materials, labor productivity, and the industry's ability to establish an integrated value chain.

From the perspective of endogenous growth theory, innovation, technology, and human capital contribute to economic growth when they enhance productivity and productive capacity

over time (Schilirò, 2019). Accordingly, the expansion of the halal fashion market alone may not explain economic growth unless it is accompanied by productivity improvements and greater value creation. One possible explanation is that some halal fashion businesses continue to face constraints in production scale, technological capabilities, financing, and access to international markets. These constraints may limit the sector's aggregate economic contribution, although its potential to generate employment and strengthen micro, small, and medium-sized enterprises (MSMEs) remains relevant (Putriningsih et al., 2025). However, these mechanisms represent plausible explanations rather than relationships directly established by the empirical model.

Measurement considerations are also important when interpreting these findings. The Halal Fashion indicator within the State of the Global Islamic Economy (SGIE) framework captures the development of the industry's ecosystem and competitiveness. However, it does not directly measure the sector's contribution to GDP in terms of value added. Consequently, an increase in the SGIE score does not necessarily correspond to higher national economic growth. Furthermore, the 2020–2025 observation period encompasses the COVID-19 pandemic and subsequent economic recovery, which may have affected demand, production, and consumption patterns. These factors may have shaped the relationship between halal fashion and economic growth, although their influence cannot be established because they were not directly examined in the model. From an Islamic economics perspective, development also encompasses achieving falah, social welfare, and justice. Therefore, halal fashion's contribution should not be evaluated solely by GDP growth.

The Impact of Halal Travel on Economic Growth

The findings indicate that halal travel has a positive and statistically significant effect on economic growth in the twelve Global Halal Leader countries during 2020-2025. This result suggests that the expansion of halal tourism activities serves as an important driver of economic growth in countries with well-developed halal ecosystems. Improvements in the halal travel sector, reflected in the increasing number of Muslim tourist arrivals, the quality of Muslim-friendly services, and the readiness of halal tourism destinations, contribute positively to national economic output (Prawiro, 2023). This finding aligns with the concept of Halal Tourism, which posits that providing tourism products and services that comply with Islamic principles creates economic value through greater mobility of Muslim travelers, expanded business activities, and stronger linkages across economic sectors (Nabila et al., 2025). From a development economics perspective, halal travel functions not only as consumption but also as a growth-enhancing instrument that can stimulate aggregate demand and increase service-sector productivity.

The growth in international Muslim tourist arrivals contributes to higher foreign exchange earnings from the tourism sector (Munifatussaidah et al., 2025). Tourist spending on accommodation, transportation, halal food and beverages, recreation, and other supporting services directly increases service-sector revenues. Furthermore, increased tourism activity generates greater domestic demand, thereby fostering the growth of micro, small, and medium-sized enterprises (MSMEs) operating around tourism destinations. The development of halal travel also encourages investment in hospitality, transportation, halal culinary centers, and tourism infrastructure (Adiba & Nisa, 2025). Such investments expand productive capacity while strengthening the long-term competitiveness of tourism destinations. Consequently, halal travel acts as a catalyst linking consumption, investment, and trade in services to economic growth.

Halal travel also contributes to economic growth through employment creation and multiplier effects. The expansion of the halal tourism industry increases labor demand in hotels, restaurants, transportation services, travel agencies, retail businesses, and creative industries. The resulting rise in employment opportunities increases household income, which in turn stimulates consumption expenditure (Hussain et al., 2024). This finding aligns with the Tourism-Led Growth Hypothesis (TLGH), which argues that tourism development can drive economic growth by generating spillover effects across sectors of the economy. Each increase in tourist spending creates additional income for businesses and workers, which then circulates through the economy through consumption and investment. The economic benefits of halal travel extend beyond the tourism sector itself and spread to trade, construction, manufacturing, agriculture, and financial services. Countries such as Indonesia, Malaysia, Saudi Arabia, the United Arab Emirates, Türkiye, and Qatar have consistently developed Muslim-friendly tourism destinations by providing prayer facilities, certified halal restaurants, Shariah-compliant hotels, and tourism services tailored to international Muslim travelers. Meanwhile, Singapore, Bahrain, Kuwait, Oman, Iran, and Jordan have continued to strengthen their halal tourism appeal through infrastructure development and supportive tourism policies.

The growth of halal travel across these twelve Global Halal Leader countries is reflected in the rising appeal of leading tourism destinations that attract international Muslim travelers. In Saudi Arabia, visits to the Grand Mosque (Masjid al-Haram) and the Prophet's Mosque (Masjid Nabawi) generate substantial economic activity through accommodation, transportation, trade, and pilgrimage-related services (Hussain et al., 2024). In Malaysia, destinations such as the Petronas Twin Towers and Langkawi Sky Bridge are supported by a strong Muslim-friendly tourism ecosystem that attracts international visitors (Azlina et al., 2025). Similarly, the Burj Khalifa and the Sheik Zayed Grand Mosque in the United Arab Emirates have become global tourism icons, stimulating investment in hospitality, transportation, and tourism infrastructure (Yas et al., 2020). In Indonesia, destinations such as Gili Trawangan, Senggigi Beach, and the Baiturrahman Grand Mosque demonstrate how halal tourism development can increase tourist arrivals and regional economic activity. Similar patterns can also be observed in other prominent destinations, including Hagia Sophia in Türkiye, the Imam Reza Shrine in Iran, and Petra in Jordan. These destinations reinforce the strategic role of halal travel in creating employment opportunities, increasing foreign exchange earnings, and promoting economic growth. The strength of the halal ecosystem in these countries enhances the confidence of global Muslim travelers, thereby increasing international tourist flows. This suggests that the success of halal travel depends not only on the attractiveness of tourism destinations but also on a country's ability to build an integrated, internationally competitive halal ecosystem.

The long-term contribution of halal travel to economic growth depends heavily on countries' ability to develop a sustainable supporting ecosystem. Muslim-friendly infrastructure, including adequate prayer facilities, access to halal food, reliable transportation, and certified halal accommodation, must be continuously improved to maintain destination competitiveness. In addition, credible, internationally recognized halal certification systems play a crucial role in strengthening tourist confidence. The digitalization of tourism services through online reservation platforms, digital marketing strategies, and information technology integration has also become increasingly important for reaching the rapidly expanding global Muslim travel

market (Azam et al., 2024). From a policy perspective, government support through investment incentives, international promotion, strengthened halal regulations, and tourism infrastructure development constitutes a strategic element in maximizing the economic benefits of this sector. Therefore, halal travel should be viewed not merely as a strategy to increase tourist arrivals but as a development instrument that can generate sustainable economic growth.

The Effect of Islamic Finance on Economic Growth

The results show that Islamic Finance has a negative and statistically significant relationship with economic growth in the 12 Global Halal Leader countries over the 2020–2025 period. This finding differs from Finance-Led Growth Theory, which suggests that financial sector development can promote economic growth through savings mobilization, financial intermediation, and more efficient capital allocation. The results indicate that increases in the Islamic Finance indicator have not been accompanied by corresponding increases in GDP growth across the countries in the sample. One important consideration is the distinction between financial sector expansion and its contribution to productive economic activities. Increases in financial assets and financing volumes do not automatically translate into higher production capacity, productivity, or value added. In Islamic finance, sale-based contracts such as *murabahah* serve various economic needs; therefore, the contribution of Islamic finance should be assessed not only through asset growth but also through financing allocation and its linkages with the real sector (Jatmiko et al., 2023).

The relationship between Islamic finance and economic growth should also be considered in light of differences in national financial systems and economic structures. Malaysia has a relatively mature Islamic finance industry supported by Islamic banking, sukuk, and takaful. In contrast, Indonesia continues to expand its Islamic finance market share within a banking system dominated by conventional banking ifs(IFSB, 2024). Türkiye and Jordan operate dual banking systems, while Singapore incorporates Islamic financial services into its role as an international financial center. Among the Gulf countries, Saudi Arabia, Kuwait, Qatar, and Oman maintain economic structures linked to oil and gas, alongside efforts to diversify their economies. The UAE has a financial sector tied to trade, services, real estate, and construction, while Bahrain is an established financial services center in the region. Iran differs institutionally because its banking system operates entirely within an Islamic banking framework. These differences demonstrate that Islamic finance develops within diverse economic and institutional settings, which should be considered when interpreting cross-country relationships between financial development and economic growth.

The findings confirm a negative and statistically significant relationship between the Islamic Finance indicator and economic growth at the aggregate sample level during 2020–2025. This result highlights the importance of examining not only the expansion of Islamic finance assets but also the effectiveness of financial intermediation and the contribution of financing to productive economic activities (Ansari et al., 2025). Strengthening financing for micro, small, and medium-sized enterprises (MSMEs), productive investment, innovation, and linkages between the financial and real sectors may help enhance the economic contribution of Islamic finance. Nevertheless, the panel regression results describe the relationship across the sample as a whole and do not establish statistical significance for each country individually. The country-

level characteristics discussed above provide economic context for interpreting the findings rather than direct evidence that any specific national characteristic explains the negative coefficient.

Conclusion

The halal industry is increasingly recognized as a strategic sector with the potential to promote economic growth through the development of various economic activities driven by global Muslim consumer demand. However, this study's findings indicate that not all subsectors within the halal industry ecosystem contribute equally to economic growth in the twelve Global Halal Leader countries during 2020-2025. Halal fashion is found to have no significant effect on economic growth. In contrast, halal travel has a positive and statistically significant impact, and Islamic finance exhibits a negative and statistically significant effect. The insignificance of halal fashion suggests that the modest fashion industry has not yet generated a sufficiently strong macroeconomic impact, despite its relatively rapid market growth. In contrast, halal travel has been shown to drive economic growth through increased tourist inflows, foreign exchange earnings, job creation, and stronger intersectoral linkages. Meanwhile, the negative effect of Islamic finance indicates that the expansion of the Islamic financial sector has not been fully accompanied by increased productive economic activity, primarily because financial intermediation has been limited in channeling funds into the real sector. These findings emphasize that the halal industry's contribution to economic growth depends not only on the scale of sectoral development but also on its ability to generate value added and stimulate productive economic activities. Therefore, the development of the halal industry should be directed toward strengthening inter-sectoral integration, enhancing real-sector productivity, and optimizing the role of Islamic finance in supporting productive investment, MSMEs, innovation, and halal industry development in order to achieve more inclusive and sustainable economic growth.

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Author Contributions Statement

This study was authored by two authors. The first author drafted the article, including the research background, theoretical framework development, data collection, and critical analysis. The second author contributed by providing guidance and input on the research development, reviewing the alignment of theory and analysis results, strengthening the discussion, and evaluating and refining the manuscript. Both authors have read, reviewed, and approved the final version of the article.

Conflict of Interest

The authors declare no conflict of interest regarding the publication of this paper.

AI Usage Statement

The authors state that the use of Artificial Intelligence in preparing this research was intended solely as a supporting tool, specifically to refine the language, correct grammar, and improve the clarity and comprehensibility of the text. AI was not used to formulate the main research ideas, process and analyze data, interpret research results, or draw conclusions. The author remains solely responsible for the entire process of scientific reasoning, academic judgment, and research results, and adheres strictly to research ethics.

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