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The Effect of Halal Lifestyle on Economic Growth in Indonesia

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Abstract: The halal lifestyle has become a trend for the global community and Indonesia, which incidentally has a Muslim majority population. The total expenditure spent by the Indonesians on halal products in 2017 was USD 218.8 billion. It can be stated that halal product is such a good business, especially in Indonesia. For this reason, this study aims to determine whether the halal lifestyle, Islamic banking, halal tourism, and halal food sector could increase Indonesia’s economic growth. Several sources, such as books, articles, journals, and journal papers, were used for this paper. This study found that the halal lifestyle in the sharia banking, halal tourism, and halal food sector positively affected Indonesia’s economic growth.

Keywords: Halal; Lifestyle; Economic Growth

JEL Classification: P49; E20

Introduction

Halal lifestyle has become a new trend for the global community (Sukesi & Hidayat, 2019). Many countries in various parts of the world are trying to apply the halal lifestyle system in their daily life. Globally, Muslims’ growing population and spending power encourage the present trend toward halal living (Adinugraha & Sartika, 2019). The global movement toward halal living has resulted in a surge in demand for goods and services equipment (Yulia, 2015). The report stated that the world’s Muslims spent as much as US$2.2 trillion in 2018 on halal food, the pharmaceutical sector, and the halal lifestyle (State of the Global Islamic Economy Report, 2019). In Indonesia, halal lifestyle trends include several halal food and beverage sectors, finance, travel, clothing, entertainment and media, medications, cosmetics, and medical treatment or hospitals (Adinugraha & Sartika, 2019).

As an Arabic word, halal means lawful and permitted. Meanwhile, based on sharia law, it has two meanings. The first definition shows that halal refers to the legality of using objects or anything to fulfill physical needs, including food, drink, and medicine. The second understanding concerns the ability to use, eat, drink, and do things, all of which are determined by the texts (Sucipto, 2012). Every Muslim must consume halal goods, such as food and drink, cosmetics, pharmaceuticals, etc. In the book of Saripati Ihya Ulumiddin Imam Al-Ghazali by Shaykh Jamaluddin al-Qasimi,
it is explained that the class of halal goods is divided based on the main category only. The food may be haram because it is based on the substance or could be due to a defect in obtaining it (Republika, 2020).

Moreover, halal refers to things or actions that are compliant with sharia. In other words, the halal concept can assist Muslims in evaluating whether items and services adhere to Islamic rules and standards. The idea of halal in food and drinks is thoroughly defined, such that halal food and drink are defined as those that reflect goodness (tayyib) in all other areas, such as being healthful, clean, hygienic, and morally correct. Therefore, it heightens someone's awareness of the environment, causing them to be more ecologically conscious and concerned about all of Allah's creatures. The idea is that a person's halal knowledge might serve as a motivator to have a sense of morality in whatever he does (Adinugraha & Sartika, 2019).

In 1929, Austrian psychologists Alfred Adler and Ferdinand the Bull invented "lifestyle." Its broader meaning, as understood today, began to be used in 1961. The term "lifestyle" refers to a person's way of life as reflected in their activities, hobbies, and attitudes. The term "lifestyle" also refers to an individual's overall interaction with his surroundings (Paendong, 2016). Besides, lifestyle is a subset of secondary human requirements that may vary over time or in response to an individual's desire (Mongisidi, 2019).

Further, lifestyle is an art that is starting to be cultivated by everyone. Meanwhile, following the Indonesian Big Dictionary, it is stated that lifestyle is a pattern or behavior carried out by a group of people in daily life. When viewed from an economic perspective, lifestyle has the meaning of a person's behavior in terms of spending money and how to allocate time. The lifestyle itself has a very close relationship with technological developments and times. Individuals' interests in various things are shaped by their lifestyles, and the items they purchase reflect that lifestyle. A person's lifestyle is his or her way of life as reflected in activities, hobbies, and attitudes. In theory, a person's lifestyle is defined by his or her approach to time and money management. A person's lifestyle also affects their behavior, ultimately defining their spending pattern.

As defined by Muslim Judicial Halal Trust (MJCHT), the halal lifestyle is "a person's behavior that is consistent with Islamic beliefs and is carried out accurately, honestly, with integrity, dignity, and fairness." Regarding this, numerous individuals are anxious about the lifestyle they will lead. Similarly, a person's lifestyle will reflect his personality for Muslims, who have had every part of their lives governed by Islamic doctrines. Thus, a halal lifestyle is an obligation/must for a Muslim as an embodiment of his or her principles (Muslim Judicial Halal Trust, 2018). Simultaneously, the concept of a halal lifestyle is gaining widespread acceptance. The term "halal lifestyle" refers to a manner of living that prioritizes and adheres to all of Islam's commandments. Halal lifestyle is also one of the halal concepts that are presently more concentrated in the culinary, medical, personal care, tourist, and lodging industries (Aziz & Ahmad, 2018).

On the other hand, halal certification is a critical criterion that Muslims must consider when purchasing food. However, a lack of awareness and information about halal and
food has serious consequences (Ekowati et al., 2020). In addition, all humankind needs
the halal lifestyle, not only for Muslims, because the concept of halal is philosophically
and practically an innovation from "standard operating procedures" in the last fourteen
centuries ago in Islamic sharia. The halal lifestyle includes health, safety, security
elements, purity, prosperity, and human dignity.

The growth of the halal lifestyle manifests the high spirit of religious rationality, which
causes Muslim consumers to be more discriminating in their product purchases. Muslim
cultures in the modern day are also increasingly seeking spiritual advantages from the
items and services they purchase and consume that comply with Islamic teachings. The
halal factor becomes the commercialization of a lifestyle, in which a product must have a
halal component, and its consumers become part of a contemporary lifestyle. The halal
lifestyle has been significantly developed in Indonesia, while the sectors include sharia
finance, halal food, halal tourism.

Rowey et al. (2006) defined Islamic finance as a financial system based on Islamic rules
and values. According to Warde (2010), Islamic finance is a set of tools that includes banks
and non-bank entities, such as mutual funds, securities firms, and insurance
organizations. The appearance of Islamic finance can be traced back to 1963 in Egypt,
while its importance came to the global financial system only after the global financial
crisis occurred in 2008 (Tabash, 2014). When offered through commodity acquisition
mechanisms and with adequate competition among fund users, Islamic finance connects
the cost of finance at the margin to the relative value of each commodity in use for
consumption or production. As a result, financial resource allocation would be optimal.
No funds would be made available for debt or risk trading (Al-Jarhi, 2017).

Next, according to Husein Bahresy (1981), halal food is a nutritious food that is permissible
to consume according to Islamic tenets, such as the Qur’an and Al-hadith. Meanwhile, it
is the belief that excellent food, including any meal that promotes bodily health, may
stimulate hunger and is not prohibited in the Qur’an or Al-hadith. The criteria for halal
food in the view of Islam are: 1) not contain pork and anything derived from pork, 2)
derived from halal animals and slaughtered according to Islamic law, 3) not contain other
ingredients that are forbidden or classified as unclean, such as carcasses, blood, materials
derived from human organs, feces and others, and 4) all storage, sales, processing,
management, and transportation equipment for halal products may not be used for pork
or other non-halal goods (Supriyadi & Asih, 2021).

The third one, tourism, encompasses all aspects of travel, including commercial goods and
attractions and connected enterprises. Juhaya (2014) established the history of tourist
growth in Islam when it developed pilgrimage, which means to visit. Meanwhile, halal
tourism was coined during the OIC summit in 2000. Halal tourism is offered to the public
to meet demand in the context of a tourist journey based on a lifestyle that meets the
requirements of a Muslim while traveling.

Furthermore, the total expenditure spent by the Indonesian population on shopping for
halal products in 2017 was USD 218.8 billion (Fathoni, 2020). It can be a promising
business opportunity for related industries (Yulia, 2015) to supply the various needs and equipment in question (Hidayat & Siradj, 2015). The growing popularity of halal lifestyles would undoubtedly benefit national economic growth, as would the increased consumption of goods and services in these areas. In addition, the trend of the halal lifestyle in the Islamic banking financing sector is one of the instruments that can increase national economic growth (Wardani & Al Arif, 2021). Similarly, Islamic equities and mutual funds positively contribute to economic growth (Auliyatusa'adhah et al., 2021). Halal tourism thus has immense potential as a critical industry capable of sustaining the region's economy (Wijaya, 2020).

Based on the data that has been described, it can be seen that the opportunity to develop the national economy through the halal lifestyle sectors is tremendous. Moreover, Indonesia is the world's biggest Muslim country.

Table 1 Muslim Population

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Muslim Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
<td>231 million</td>
</tr>
<tr>
<td>2</td>
<td>Pakistan</td>
<td>212.3 million</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>200 million</td>
</tr>
<tr>
<td>4</td>
<td>Bangladesh</td>
<td>153.7 million</td>
</tr>
<tr>
<td>5</td>
<td>Nigeria</td>
<td>103 million</td>
</tr>
<tr>
<td>6</td>
<td>Egypt</td>
<td>90 million</td>
</tr>
<tr>
<td>7</td>
<td>Iran</td>
<td>82.5 million</td>
</tr>
<tr>
<td>8</td>
<td>Turki</td>
<td>74.43 million</td>
</tr>
<tr>
<td>9</td>
<td>Algeria</td>
<td>41.24 million</td>
</tr>
<tr>
<td>10</td>
<td>Sudan</td>
<td>39.58 million</td>
</tr>
</tbody>
</table>


However, as seen in the Table 2, according to the Global Islamic Economy Indicator Score study, for the halal food sector and halal tourism or recreation, Indonesia was not even included in the top 10 list in 2019 (State of the Global Islamic Economy Report, 2019).

Table 2 Global Islamic Economy Indicator Score

<table>
<thead>
<tr>
<th>Rank</th>
<th>Halal Food</th>
<th>Halal Media &amp; Recreation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UAE</td>
<td>UAE</td>
</tr>
<tr>
<td>2</td>
<td>Malaysia</td>
<td>Malaysia</td>
</tr>
<tr>
<td>3</td>
<td>Brazil</td>
<td>Qatar</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>Lebanon</td>
</tr>
<tr>
<td>5</td>
<td>Sudan</td>
<td>Bahrain</td>
</tr>
<tr>
<td>6</td>
<td>Pakistan</td>
<td>Brunei</td>
</tr>
<tr>
<td>7</td>
<td>Oman</td>
<td>Singapore</td>
</tr>
<tr>
<td>8</td>
<td>Brunei</td>
<td>UK</td>
</tr>
<tr>
<td>9</td>
<td>Turki</td>
<td>Kuwait</td>
</tr>
<tr>
<td>10</td>
<td>Iran</td>
<td>Azerbaijan</td>
</tr>
</tbody>
</table>

Meanwhile, economic growth is defined as the expansion of economic activities that result in a rise in the number of goods and services produced in a community and an increase in the community's prosperity (Didu, 2018). Economic growth is also a standard that can show how the community carries out activities related to the economy in generating income within a certain period. A country looks at the points of economic growth from the ability of its people to produce goods or services.

Heretofore, research on the effect of the halal lifestyle on economic growth is quite limited. Still, there are several previous studies related to this research, namely in the Islamic banking financing sector (Wardani & Al Arif (2021) and Afandi (2021)), Islamic stocks, Islamic mutual funds (Auliyatussa'adah et al., 2021), and halal tourism (Wijaya, 2020) on economic growth. Some of these studies explained that Islamic equities and mutual funds positively influenced national economic growth, and halal tourism could increase regional economic growth. However, there has been limited research on how it affects economic growth and halal tourism on a national scale in the halal food sector.

In addition, studies on the current halal lifestyle have not been explored in-depth, especially studies on economic growth. From this background, the authors are interested in exploring further the influence of a halal lifestyle on the Islamic banking sector, halal food, and halal tourism on national economic growth.

Research Method

The approach used in this research was qualitative. This type of research includes library research, namely research that in its implementation collects information or data from various books, articles, journals, and reports that are relevant to the research (Muhiyiddin et al., 2017). This type of research relies on literacy and understanding of the literature relevant to the studied topic. In this study, the limitations of the review were that, first, the articles or journals used were those published in 2015-2021; it is to keep information and data up to date. Second, the material used as literature was obtained from studies in journals that used Indonesian and English. Data were obtained from the Google search engine, Google Scholar, emerald.com, and other authoritative websites by typing keywords related to this research topic. Some of the papers and articles used as references are:

Related to halal lifestyle we have Aziz and Ahmad (2018) with “The Halal Lifestyle of Muslim Working Women”, then we have Adinugraha & Sartika (2019) with “Halal Lifestyle di Indonesia”, and the last is Ekowati et al. (2020) with “Increasing Community Empowerment Through Halal Lifestyle and the Critical Point of Halal Food in the Young Generation”.

Related to economic growth we have Auliyatussa'adah et al. (2021) with “Pengaruh Saham dan Reksadana Syariah Terhadap Pertumbuhan Ekonomi Indonesia Tahun 2013-2019”, the next article is El Ayyubi et al. (2018) with “Pengaruh Bank Syariah Terhadap Pertumbuhan Ekonomi di Indonesia”, after that we have Didu (2018) with “Pengaruh
Result and Discussion

Halal lifestyle has become a daily routine because of its inclusive nature, both for Muslims and non-Muslims. In the future, the world’s population is increasingly looking for halal products; it is crucial and provides an opportunity for Indonesia to become a consumer of halal products and a producer who should be taken into account, which will later affect the national economy. The Ministry of National Development Planning/National Development Planning Agency said that the main focus of implementing sharia economic development is on the Islamic finance sector, halal food and beverage, halal tourism, modest fashion, and other sectors that have the potential to increase economic growth (Bappenas, 2018).

Meanwhile, according to Sukirno (2016), economic growth can be used as a measure that can show how a country's economy develops over time. Economic development is usually marked by economic growth with GDP (Gross Domestic Product) as an indicator (Auliyatussa’adah et al., 2021). In addition to GDP, other indicators can be seen from the increase in real per capita income, guarantees for the population's welfare, and the reduced unemployment rate.

Several research results showed that the halal lifestyle in several sectors could be an instrument to increase economic growth. The research of Wardani and Al Arif (2021) used a quantitative technique to investigate the direct and indirect impacts of Islamic bank financing, zakat, and educational spending on economic development and the Human Development Index (IPM). The research was based on a route analysis using panel data covering 2015–2019. The studies revealed that Islamic banking, zakat, and education spending positively affected economic growth (Wardani & Al Arif, 2021).

The research conducted by El Ayyubi et al. (2018) aimed to analyze the causal relationship between Islamic banking on Indonesia’s economic growth, investigate the response of Indonesia's economic growth when shocks occur in Islamic banking variables, and determine the contribution of Islamic banking variables to Indonesia’s economic growth. The study employed the vector error correction model (VECM) method to see the long-term effect and response to shocks in the variables studied, using data from January 2010 to December 2016. The results obtained were the existence of bidirectional causality.
between Islamic financing and GDP. The VECM estimation results significantly influenced Islamic banking and economic growth. In the results of the IRF, the response to economic growth experienced a different response to the shocks of sharia financing and third-party funds (DPK). Based on the FEVD results, it can be seen that financing in Islamic banking had the most significant contribution in influencing economic growth, but not in TPF. Therefore, Islamic banking must be more efficient in distributing TPF in financing (El Ayyubi et al., 2018).

In line with Rahmi’s (2020) research, it is demonstrated that halal tourism had positive results and responses from domestic and foreign tourists, as evidenced by data on rising GDP and the top ten halal tourism destinations in OIC member countries and the number of foreign tourists visiting Indonesia to enjoy halal tourism. Indonesia’s cultural riches also provide an excellent opportunity to promote the halal tourist business, positively affecting Indonesia’s economic growth (Rahmi, 2020).

Research conducted by Komalasari et al. (2020) analyzed the economic contribution of the halal food business to Indonesia. Their study utilized a method known as input-output analysis, with data from the Central Statistics Agency in 2010 by excluding the non-halal sector, namely alcoholic beverages. Their research findings indicated that the halal food business benefited the Indonesian economy and boosted total economic production by IDR 1.5 trillion (Komalasari et al., 2020).

Moreover, the growing popularity of halal lifestyles affected the industry’s contribution to the national economy. As evidenced by the halal sector’s growing market share to GDP, it was from 24.3% in 2016 to 24.86% in 2020 (Ministry of Finance Republic of Indonesia, 2021).

**Conclusion**

The growth of the halal lifestyle manifests the high spirit of religious rationality, causing Muslim consumers to be more discriminating in their product purchases. Muslim cultures in the modern day are also increasingly seeking spiritual advantages from the items and services they purchase and consume that comply with Islamic teachings. The halal factor then becomes the commercialization of a lifestyle, in which a product must have a halal component, and its consumers become part of a contemporary lifestyle. The sectors include Islamic finance, halal food, and halal tourism. In Indonesia, the growing halal lifestyle has resulted in an increasing need and demand for halal goods and services. It is undoubtedly a promising opportunity for related industry players. Based on the various theories and research that the authors referred to, it can be concluded that the halal lifestyle in the sharia banking sector, halal food, and halal tourism could increase Indonesia's economic growth.

The suggestions for further research related to the influence of the halal lifestyle on Indonesia's economic growth are that, first, this study used a qualitative approach. Thus, further research can use a quantitative approach to develop mathematical models,
theories, and hypotheses related to the phenomenon of halal lifestyle on economic growth. It is because the measurement process is a central part that provides a fundamental relationship between empirical observations and mathematical expressions. Secondly, further researchers can conduct studies on other sectors of the halal lifestyle, such as halal clothing, halal cosmetics, and medicines, and their effect on economic growth.

References


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