
The Effect of Import-Export on Economic Growth in Batam City, Indonesia

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Abstract:

The purpose of this research is to generally determine the influence of economic growth with export and import figures in Batam City. Batam City has a policy that provides additional value in international trade that is Free Trade Zone or tax-free zone. Export and import activities are called interstate trade, the purpose is to see the influence of exports and imports on the economic growth of Batam City. The research method is quantitative with multiple linear regression supplemented by secondary data from the Central Statistics Agency (BPS) from 2013 to 2022 where the independent variable is export-import and the dependent variable is the economic growth of Batam City. The results of the study are that the export-import variable has a positive and significant effect on the economic growth of Batam City. Based on the determination results, it shows that 74% of the export and import variables contribute significantly to the economic growth of Batam City.

Keywords: Exports, Imports, Economic Growth

1. Introduction

Economic development is one of the crucial indices of the country's economic development. Economic growth is something per capita income to improve and the welfare of society. The success of a country's economic development process can be observed from the quality of economic increase and can also determine other macro indicators such as inflation, unemployment, poverty, and others. Economic progress is said to be a strategy for the development of long-term per capita output. If the economic growth rate is high, the country is able to meet the needs of its population. (Ellen & Ibnu, 2021).

In a state of development a country experiences development called economic growth. Economic growth can result from an increase in the number of goods in the country's economy such as an increase in the production of goods or services and the prosperity of society. Export and import activities are a type of international trade, so it is part of the government's efforts to advance the economic growth of the country. If a country has product reserves, but another country needs it, the product can be exported to that country. This activity is one of the efforts to boost a country's economy. (Triyawan & Mutmainnah, 2021).

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International trade is the activity of sending and entering goods or services to provide benefits and as a major factor to advance the growth of the country. If the economy is open, exports can expand to various countries so as to increase the value of production for the advancement of economic growth. It is expected to participate in the growth and consistency of the country. Meanwhile, imports aim to fulfill cosmetic products that cannot be produced, so the funds used for goods and services are much cheaper. (Angelina, 2021).

Indonesia is a developing country with coastal areas that are utilized for economic development, such as international trade, industrial management and investment. Geographically, Batam City is directly adjacent to Singapore which can provide benefits and be able to advance the economic growth of Batam City so that it is used as the center of the economic field through industry and investment. In cosmetic activities, exports and imports have an important role because they can affect the level of foreign exchange of a country. One of the problems of export and import is the price changes in the international market and unstable currency exchange rates.

Batam City was named as a *Free Trade Zone* (FTZ) area in Law Number 44 Year 2007 concerning the establishment of free trade zones and free ports. Charles W. Thurston's opinion on *Free Trade Zone* (FTZ) is "*A free trade zone is in essence, a tax-free enclave and is not considered part of the country as far as import regulations are concerned. When an item leaves a free trade zone and is officially imported into the host country of the free trade zone, all duties and regulations are imposed.*" (Ellen & Ibnu, 2021).

Batam City is one of the strategic areas so that Batam forms a superior area and as a partner in the implementation of international trade and investment, this is because Batam is close to the Strait of Malacca which neighbors Singapore. Due to these advantages, the government issued a regulation No. 26/2008 regarding national regional use planning, which is a local diplomatic area for the economic development of Batam City targeted by investors. (Azzahra et al., 2022)..

The potential of Batam city which is close to Singapore, a country with a developed economy, makes it a strategic trade route. In addition, Singapore is also an international trade center. So the city of Batam must utilize this potential because Singapore has limited land for industrial areas. So that bilateral cooperation is established where Singapore imports raw materials so that production progress continues. Investing in Batam city is a driving factor in Batam's economic development so that economic growth increases. This will encourage Batam and its people to compete with other countries globally. The Batam Corporate Authority achieves this by promoting economic growth.

The following data on exports, imports and economic growth of Batam city in 2013-2022, namely:

Table 1. Data on Export, Import and Economic Growth of Batam City

Year	Export (US\$ Million)	Imports (US\$ Million)	Economic Growth (%)
2013	11.754.48	9.480.69	7.18
2014	11.302.76	8.398.69	7.16
2015	9.167.84	6.798.99	6.87
2016	8.412.17	6.127.84	5.43
2017	8.708.70	6.461.83	2.61
2018	9.507.43	8.925.68	4.96
2019	9.674.45	8.540.61	5.92
2020	9.522.10	8.510.26	-2.54
2021	12.036.91	10.835.98	4.75
2022	15.562.16	13.299.91	6.83

Source: <https://batamkota.bps.go.id>

From the table, the economic growth of Batam city for 10 years has fluctuated every year. The economic growth of Batam city in 2013 was at 7.18%, in 2014 it was at 7.16%, in 2015 it was at 6.87%, in 2016 it was at 5.43%, and in 2017 it was at 2.61%, it can be seen that from 2013-2017 economic growth has dropped dramatically every year due to several factors, such as the impact of various critical world economies since 2008, weak infrastructure, fellow economic zone competitors in the Asean region, the application of customs entry tariffs (only abolished in 2018), labor wages that increase every year, and inefficient spatial planning. (Saputra, 2018).

In 2018 it seemed to increase at 4.96%; in 2019 it increased again at 5.92%; in 2020 economic growth slumped at -2.54% due to the Covid-19 worldwide and export and import activities were closed, so in 2020 economic growth declined. In 2021 at 4.75% and in 2022 at 6.83%, it can be seen that economic growth in Batam city has increased dramatically in the past two years due to economic activities in the export and import sector running more optimally to restore economic growth in 2020. Likewise, import and export in 2013-2017 decreased, in 2018 and 2019 there was an increase and in 2020 there was a decrease, and in 2021 and 2022 it increased dramatically.

Widiyanto and Suryono conducted a study titled "Analysis of the Effect of Exports, Imports, Exchange Rates, and Inflation on Indonesia's Foreign Exchange Reserves in 1996-2020" using the Partial Adjustment Model (PAM) approach. Their research revealed a positive and significant impact of exports on foreign exchange reserves, while indicating a negative relationship among the examined variables (Widiyanto & Suryono, 2020). H. Saragih's research focused on the "Effect of International Trade on Indonesia's Economic Growth." Employing descriptive qualitative techniques and secondary statistics from the Central Statistics Agency, the study found that exports positively influenced Indonesia's economic growth, whereas imports had no discernible effect. Moreover, the research demonstrated that export-import collectively impacted Indonesia's economic growth (Saragih, 2022). Intan Sari Arfiani conducted empirical analysis on the "Relationship between Exports, Imports, Exchange Rates, and Economic Growth in Indonesia" using the Vector Autoregression (VAR) technique. The study uncovered a significant two-way causality between export and import variables at the 95% confidence level. Specifically, exports were 90% significant to exchange rates, exchange rates were

95% significant to exports, and exchange rates were 95% significant to economic growth. The findings underscored the pivotal role of the exchange rate variable (Arfiani, 2019). Nurdani and Puspitasari's research, conducted in 2009, corroborated that exports had a substantial positive impact on Indonesia's economic growth, while imports exhibited a significant negative effect (Nurdani & Puspitasari, 2009).

Building on the insights from previous studies, the present research aims to delve into the growth data of export and import figures in Batam City, a Free Trade Zone (FTZ) area.

2. Theoretical Background

Export

Exporting is the activity of selling a product abroad with the aim of making a profit. Export activities are carried out based on requests from other countries to meet their needs. In addition, export activities must pass through the customs of the sending and receiving countries with applicable regulations. Exports are also a source of foreign exchange to expand the market for cosmetic production and labor.

Export is a series of economic activities to produce goods or services that are influenced by domestic factors. In this case, the raw materials and products come from abroad, creating cooperation between countries known as international trade. (Bambungan et al., 2021).

Exports can be said to be an international trade activity that is expected to have an impact on the dynamics of international trade growth, so that developing countries have the possibility of developing their economies so that they are at par with more developed countries. In addition, it will also have an impact on national income because exports directly affect national income. International trade can be used as a driving force in a country's economic growth (*trade as engine of growth*). (Muhammad Ikhsan Harahap, 2023).

Exports provide foreign exchange that will be used to pay for raw materials and capital goods needed in the production process which will form additional value. The sum of the added value generated by all production units in the economy is the value of Gross Domestic Product. (Imsar, Khairina Tambunan, Ranti Silviani, 2022)..

Import

Import is the activity of bringing a foreign product into the country. Countries will import products that they cannot produce themselves as efficiently as exporting countries and import raw materials that are not available in their country. For example, a country imports oil because it cannot produce it itself or cannot produce enough to meet its needs. The value of imports depends on national income, so the lower the production, the higher the imports, which causes national income to fall.

In other terms, imports show the level of consumption through the dependence of a product that people need. In terms of income level, the value of imports shows the

strength of the country to enter foreign products, making imports a picture of the prosperity of a country that is driven through its economic growth. (Hendra Kusuma, Fidanti Pramay Sheilla, 2020).

Economic Growth

The country's economic growth cannot be separated from the influence of globalization. Globalization is considered a major influence on international trade and creates both adverse and real effects, where globalization makes the whole world easily reach commercially in free trade. It is to minimize the negative effects and increase the positive effects on international trade because the effects of international trade of developed and developing countries can affect economic development. Economic progress is an important issue related to the quality of human resources, natural resources and production progress for population income. Economic activity will continue to be carried out to increase the value of the production of goods or services and the development of infrastructure.

Economic growth is a way of advancing the state of the country's economy in a good direction in a certain period. Economic development is said to be a policy of increasing the value of economic products seen through an increase in national income to be interpreted as a factor in the effectiveness of economic progress. Economic development is a state policy to increase its output through increasing the value of goods or services and is measured by the level of gross domestic product (GDP). (Imsar et al., 2023).

Calculation of economic development using the GDP formula because it directly affects national income which is used to measure economic growth within 1 year. (Safira et al., 2021). The formula for calculating economic growth, namely

$$(\text{GDPt} - \text{GDPBTt-1}) / \text{GDPt-1} \times 100\%$$

The economic development of a country will never be separated from the international economy. For example, the war between Russia and Ukraine did not only harm the countries on the border, but also affected the partner countries. The result is that if a partner country has problems, it will hamper the economic activities in the country concerned.

Economic Growth from an Islamic Perspective

In Islam, economic development encompasses a wide range of not only material but also spiritual aspects of human life. The increase in economic growth of Islamic interest in the context of classical Islamic theory (Nasution et al., 2021). The following is what Allah says in QS. Hud verse 61,

وَالَّذِي يُؤْتِيهِ مِثْقَالَ حَبِّ خَلْدٍ مِمَّا يَدْرِي ۚ فَلْيَبْسُطْهُ وَإِلَّا يَضْمَخْهُ
 فِي سُبْحَانَ اللَّهِ عِندَ ذُرِّيَّتِهِ الْمُجْتَمِعِ ۚ

Meaning: "He who has created you from the earth and made you its prosperity".

The term 'prosperity of the earth' means an explanation of economic growth, as Ali Bin Abi Talib said to the governor of Egypt, "Let us pay more attention to the prosperity of the earth with great concern than

paying taxes because taxes can only be optimized in prosperity itself.

Whoever pays taxes without caring for the prosperity of the earth will have his country destroyed."

Islam defines economic development as a continuous trend that results in significant and beneficial aspects of production for human prosperity. Therefore, Islam interprets economic growth as the most important point (Sadeq 1991). A limited factor of production should not be interpreted as a hindrance to economic development, such as causing the production of goods or services to deteriorate for humans. (Eza Okhy Awalia et al., 2022).

International Trade

In times of globalization, international trade is the driving aspect of economic development. This activity occurs because of the scarcity of a country's resources, which can be overcome by obtaining from other countries in the way of export-import. However, the purpose of international trade now is to make profits to promote economic growth. The theories of international trade are absolute advantage, comparative advantage, and Heckscher-Ohlin. (Hariwijaya & Badriyah, 2020)..

International Trade from an Islamic Perspective

Systematically, the concept of international trade is similar to the concept of general trade. In fact, there is no word that expresses international trade directly, but the etymology of trade words such as *at-tijara*, *al-bai'* and *isyatara* includes the general *isim nakirah* which relates to a specific trade context.

Allah SWT in Q.S. al-Jumu'ah / 62 verse 10 shows international trade by telling His servants to seek sustenance and bounty in the country of cosmetics to international. As well as in the interpretation of al-Qurthubi in Q.S. al-Mulk / 67 verse 15 and Q.S. Fushshilat / 41 verse 10 which quotes the opinion of Ikrimah and Al-Dahhak that Allah gives His servants sustenance according to their lives such as buying and selling and trees in each country where Allah does not create them in other countries in order to support them through cosmetic or international trade and travel from one country to another. (Harahap, 2019)

3. Methodology

This research method is carried out quantitatively using some data in the form of numbers and variables of exports (X), imports (M) and economic growth (g). The data is accessed from the Central Bureau of Statistics (BPS). This data uses secondary data, namely time series from 2013-2022 for about 10 years. The analysis used is multiple linear analysis to determine how the influence between two or more variables is linear to the independent variable. Multiple linear regression analysis as follows:

Multiple Linear Regression Analysis

Multiple linear regression analysis is useful to see the effect of the independent variable, namely import and export, on the dependent variable, namely economic growth, which will be processed with the *spss statistic 25* program:

$$g = \alpha + \beta_1 X + \beta_2 M + e$$

Ket: g = economic growth in Batam City (%)
 X = Exports in Batam City (US\$ million)
 M = Import in Batam City (US\$ million)
 e = confounding error
 $\beta_0, \beta_1, \beta_2$ = regression coefficients

4. Empirical Findings/Result

Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			10
Normal Parameters ^{a,b}	Mean	.0000000	
	Std. Deviation	1.21532694	
Most Differences	Extreme	Absolute	.144
		Positive	.104
		Negative	-.144
Test Statistic			.144
Asymp. Sig. (2-tailed)			.200 ^{c,d}
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. This is a lower bound of the true significance.			

Data source: processed spss 25

Table 2 shows that the normality test value is 0.200, meaning that the value > 0.05, the conclusion is that the data is normally distributed in the regression model is fulfilled.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Variables	Calculations		Description
	Tolerance	VIF	
Export	0,123	8,150	Non-Multicollinearity
Import	0,123	8,150	Non-Multicollinearity

Data source: processed spss 25

Table 3 shows that the *tolerance* value of the export and import variables is 0.123 > 0.10 and the VIF value of the export and import variables is 8.150 < 10. This means that all independent variables are not exposed to multicollinearity.

Autocorrelation Test

Table 4. Heteroscedasticity Test Results

Model Summary ^b	
Model	Durbin-Watson
1	2.050

Data source: processed spss 25

The results of table 4 show that the Durbin-Watson value of 2.050 is greater than the upper limit (du) of 1.641. So the Durbin-Watson test concluded that there were no symptoms of autocorrelation.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Variables	Significant	Description
Export	0,684	Non Heteroscedasticity
Import	0,787	Non Heteroscedasticity

Source: data processed spss 25

The results of table 5 reveal that the significant value of the export variable is 0.684 and the import variable is 0.787 > 0.05, meaning there is no heteroscedasticity.

Multiple Linear Analysis Test

Table 6. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients Beta
	B	Std.Error	
Constant	0,622	0,384	
Export	0,711	0,101	0,220
Import	0,651	0,087	0,070

Source: data processed spss 25

In table 6, the multiple linear regression equation is formulated, namely:

$$g = 0.622 + 0.711 X + 0.651 M + e$$

In the multiple linear regression equation, there are several statements, namely:

1. A constant of 0.622 means that exports (X) and imports (M) are 0, so economic growth (g) is 0.622.
2. The regression coefficient value for the export variable (X) is positive at 0.711, meaning that if exports increase by 1, economic growth will increase by 0.711. The positive sign directs the influence in line with the independent variable and the dependent variable.
3. The regression coefficient value for the import variable (M) is positive at 0.651, which means that if imports increase by 1, economic growth will increase by 0.651. The positive sign directs the influence in line with the independent variable and the dependent variable.

T Test (Partial)

Table 7. Results of t Test (Partial)

Variables	Significant	t count
Export	0,009	5,033
Import	0,008	5,009

Source: data processed spss 25

Table 7 reveals the value of T_{hitung} 5.033 and the value of T_{tabel} 2.36462 means $5.033 > 2.36462$ and a significance value of $0.009 < 0.05$ means H_0 is rejected, then exports have a significant effect on economic growth. Table 7 shows the value of T_{hitung} 5.009 and the value of T_{tabel} 2.36462 means $5.009 > 2.36462$ and a significant value of $0.008 < 0.05$, meaning H_0 is rejected, meaning that imports have a significant effect on economic growth.

F Test (Simultaneous)**Table 8. Test Results f (Simultaneous)**

Variables	Significant	f count
Export	0,009	12,424
Import		

Source: Data Processed Spss 25

In the regression data above, it can be seen that the value of $f_{count} = 12.424$ and $f_{tabel} = 4.76$, so $f_{count} > f_{tabel}$ then H_0 is rejected and H_a is accepted, meaning that exports and imports simultaneously affect the economic growth variable.

Determination Coefficient Test**Table 9. Test Results of the Coefficient of Determination**

Model	R	R Square	Adjusted R Square
1	0,640	0,709	0,740

Source: data processed spss 25

The data in table 9 shows that the *adjusted R* value² of 0.740 means that the variation in economic growth can be explained by the import-export variable by 74%. Then the calculation is left at 26% that other variables are not examined in this study.

5. Discussion**The effect of exports on economic growth in Batam city in 2013 - 2022**

Multiple linear regression of the effect of exports on economic growth in Batam city in 2013-2022 resulted in a significant value of $0.009 < 0.05$ and a coefficient of 0.711, which means that every increase in export value of 1, economic growth increases by 71. Thus the results of the study say that H_0 is rejected and H_a is accepted, meaning that exports have a positive and significant effect on the economic growth of Batam city in 2013-2022 partially. Exports in Batam City during 2013-2022 have a positive influence, meaning that if the exports provided are of good quality and good, the economic growth of Batam city will increase.

It can be seen that exports have a positive effect on economic growth in Batam City because exports can expand domestic production abroad which can add to the country's foreign exchange, then can establish cooperation between countries and the flow of exchange of goods and services between countries. Some commodities exported by Batam City are electrical equipment; mechanical aircraft engines; animal and vegetable products; iron and steel objects; chemical products; cocoa/chocolate; plastics and plastic goods; ships; optical devices. These goods are produced by Batam City and exported to countries in need.

The effect of imports on economic growth in Batam city in 2013-2022

The results of research related to the effect of imports on economic growth in Batam city in 2013-2022, show that a significant value of $0.008 < 0.05$ and a coefficient of 0.651 means that every 1 increase in export value, economic growth increases by 65. Thus the research results say that H_0 is rejected and H_a is accepted, meaning that imports have a positive and significant effect on the economic growth of Batam city

in 2013-2022 partially. Imports in Batam City during 2013-2022 have a positive influence, meaning that if the imports provided are of good quality and good, the economic growth of Batam city will increase.

It can be seen that imports also have a positive effect on economic growth in addition to exports. Because imports can make it easier for business owners to have a wide variety of products that can be processed into goods or directly sold and distributed to the domestic market. In addition to the efforts of the Batam City government to increase export activities, the government also has policies in the field of imports that are intended to support and support the growth of industry in Batam City, especially export-oriented. Several commodities are imported to Batam City, such as electrical machinery/equipment; machinery/mechanical equipment; objects of iron and steel; iron and steel; plastics and plastic goods; ships; aluminum; cocoa/chocolate; essential oils, cosmetics, fragrances; essence of the same material and dyes. These goods are imported into Batam City and then produced in Batam City.

In the research results, namely exports and imports are significantly and positively related to the economic growth of the city of Batam from the test results f count = 12.424 and f table = 4.76, meaning $12.424 > 4.67$ and significant $0.009 < 0.05$ then H_0 is rejected and H_a is accepted. The results of the Coefficient of Determination show the adjusted R^2 value of 0.740 or 74%, meaning that this value shows the economic growth variable described by the export and import variables by 74% and the remaining 26% by other variables not examined by this study.

Table 10. Supporting Data

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(EXPORT X1 ₁)	0.379049	0.120625	3.142378	0.0029
LOG(IMPORT X2 ₁)	0.222206	0.103284	2.151406	0.0366
C	10.49866	1.585401	6.622083	0.0000
Effects Specification				
R-squared	0.656512	F-statistic	44.91569	
Adjusted R-squared	0.641895	Prob(F-statistic)	0.000000	

data source: pico, 2020

In table 10, the supporting data researched by (Pico, 2020) said that exports and imports had a positive effect on economic growth of 65.65% similar to the research conducted by researchers now so as to prove the results are the same as the value of exports and imports which have a positive influence on economic growth by 74%.

International trade and economic growth in Islamic economics

International trade (export and import) is one of the roles of the government to carry out economic growth. In Islamic economics teaches in seeking sustenance. It has been explained in the words of Allah SWT. In Qs. Al-Mulk verse 15:

هَيَّأَ جَلَّ لِذِكْرُ تَلُوَ لَا فَا تِلَافِي بِكَرِيهِ وَ رُنَزَ إِلَئِي تَدْرُ
 ذِنِي مُمْلَايَ مُمَضَّ هَاهَا مَنَا كُلُّ نَقِيهِ هِ الذُّو
 وَ م وَ رُ

Meaning: "It is He who has made the earth easy for you. So walk all over it and eat some of its sustenance and only to Him do you return when you are resurrected.

In the Qur'an Allah SWT. commands His servants to walk in all directions on the face of the vast earth, scattered looking for the bounty that is spread as much as possible, in a good way, doing cross-border trade called international trade. It is known that Islamic economics studies the science that studies the way of life of people in order to meet their needs economically in order to get the pleasure of Allah.

In Islam, economic development encompasses a wide range of not only material but also spiritual aspects of human life. The increase in economic growth of Islamic interest in the context of classical Islamic theory (Nasution et al., 2021). The following is what Allah says in QS. Hud verse 61,

وَالِىُّ يُثَىُّ وَودَىُّ أَوَّخَهُنَّ مَصَالِحَ قَلِيلًا قَوْوَمَاعِبِ يُثَوَا حَمَّ مَأَلُ كُكُمَنْ لَ لَ غِي
 رُونَ هَرَا أَشَا كُكُمَنْ لَ لَ رِضَ وَاسْتَدَّ عَمَرَ كُفِي هِ
 فَسْتَدَّ غِفُوهُ تَبَّ وَيُوا إِلَ لَ يِهِ
 أَنَزَّ بِي قَرِيبَ مِ حِب

Meaning: *And to the Tsamud (we sent) their brother Shaleh, Shaleh said: "Worship Allah; there is for you no god but Him. He has created you from the earth and made you its caretakers, so seek His forgiveness and repent to Him; surely my Lord is very near (to His mercy) and accepts (the prayer of His servant)."*

From this verse, it can be interpreted that humans are given the mandate to prosper the earth or it is hoped that humans can interfere in the process of changing the world from what it is to what it should be. Because, we must carry out activities including the economic field including production. The concept of production in Islamic economics is not only motivated by the maximization of world profits, but refers to achieving the maximization of the hereafter. So, what is meant by production is to meet the needs of individuals and society and achieve prosperity.

It can be explained that the role of the government in increasing economic growth is carried out in various ways, one of which is through international trade (export and import). It has been explained above that Allah SWT. Has commanded His servants to walk in all directions on the face of the vast earth, scattered in search of the bounty that is spread out as much as possible in a good way, conducting cross-border trade called international trade, because basically Islamic economics is a science that studies the way of life of society in order to meet its needs economically in order to achieve the pleasure of Allah SWT

6. Conclusions

In the t test, the export variable and the import variable of Batam city have a positive and significant effect on the economic growth of Batam city. In the f test, it produces

$f_{count} > f_{tabel}$ or $12.424 > 4.67$, meaning that the exports and imports of Batam city have a significant effect on the economic growth of Batam city in 2013-2022. And shows that the economic growth variable described by the export and import variables is 74%

and the remaining 26% can be explained by other variables that cannot be examined by this study.

The results of this research can be seen that import-export in economic growth has a positive influence of 74%. This can make new findings or differences from other studies. This is because Batam City was named by the government as a Free Trade Zone (FTZ) area, namely free trade areas and free ports. So export and import make one of the influences on economic growth in Batam City.

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