

Development of Halal Tourism and its Impact on The Economy in Indonesia

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ABSTRACT

This study examines the development of halal tourism in Indonesia and its economic impact within the framework of Islamic principles. Indonesia, as the country with the largest Muslim population and ranked first in the Global Muslim Tourism Index 2023, has significant potential to become a global halal tourism hub. Using a qualitative literature review method, this research analyzes data from electronic media, previous studies, and relevant tourism regulations. The findings show that halal tourism is not only a recreational activity but also reflects Islamic values such as worship, learning, and reflection. A halal destination is characterized by key components, including halal hotels, transportation, restaurants, food, logistics, Islamic financial systems, and Islamic tourism packages. Economically, halal tourism contributes to job creation, foreign exchange earnings, regional income growth, and local business development. Provinces such as Aceh and West Nusa Tenggara illustrate its positive regional impact. However, challenges remain in marketing strategies and ensuring inclusivity without compromising Islamic principles. Strengthening the halal tourism value chain through strategic planning is essential for sustainable growth.

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INTRODUCTION

Indonesia is known as a prosperous and fertile country with abundant natural resources, historical and cultural heritage, and biodiversity (Setiawan, 2022). The abundance of resources can boost the economy if they are developed appropriately based on the community's priorities, so that in utilizing these natural resources, time and materials are not wasted due to mismanagement (Akbar et al., 2024). Tourism, as an activity that utilizes natural resources, can generate high sales value, turning an area of natural resource management into a tourist destination that attracts local and foreign tourists (Wang et al., 2024). This is a source of national pride, encouraging the community to care more about the country's environment. Traveling is something that everyone enjoys because it relieves boredom, develops creativity, and increases personal productivity (Syrek et al., 2021).

Tourism is a strategic industry that contributes to national income. According to UNESCO data, tourism revenue increased by 25% between 1995 and 2005 and accounted for nearly 10% of global economic activity. For developing countries, the tourism sector ranks sixth in terms of state revenue, after fossil fuel trade, telecommunications equipment, computer equipment, automobiles, and agriculture. According to the United Nations World

Tourism Organization (UNWTO), foreign tourist arrivals increased by 4.6% in 2015 to 1.184 million people. In addition, 2015 data shows that export revenues from international tourism amounted to \$1.5 trillion. The UNWTO defines tourism as recreational, commercial, or other activities undertaken by a person while traveling and staying temporarily in places outside their home country for less than one year. The number of foreign tourists recorded in 2014 reached 9 million and is predicted to reach 20 million in 2019. Meanwhile, the number of domestic tourists in 2014 was 250 million and in 2019 it reached 275 million. Meanwhile, in 2014, state revenue reached 120 million people. trillion rupiah, and around 240 trillion rupiah in 2019. In the field of inclusive development, it is hoped that can grow local businesses in the tourism industry and empower certified local workers (Subarkah, 2018)

Indonesia currently ranks first as the country with the largest Muslim population in the world. According to data from Global Religion Futures, the number of Muslims in Indonesia in 2010 was 209.12 million, equivalent to 87.17% of the total population of 239.89 million. Furthermore, according to the Pew Forum on Religion and Public Life in 2012, there were 209.1 million Muslims in Indonesia, or 87.2% of the total population, a proportion that corresponds to data from the Indonesian information portal. This means that there are excellent opportunities and potential for the presentation and development of halal tourism (Hidayatullah, 2023)

In 2023, Indonesia will rank first in the Global Muslim Tourism Index (GMTI) as the world's best halal tourist destination, beating 140 other countries. This achievement is an improvement from last year, when Indonesia ranked second and Malaysia ranked first (Sumpena, 2025). This yellow ink is what makes many people optimistic about the huge potential for developing halal tourism in Indonesia. Another major advantage for Indonesia in developing halal tourism is that the majority of its population practices Islam. Indonesia's Muslim population will ultimately become a skilled driver of halal tourism in developing destinations. Therefore, with such significant capital, Muslim tourists from various countries need not worry about Islamophobia when vacationing in Indonesia (Muhajir & Hasan, 2021).

Although Indonesia has achieved international recognition through its top ranking in the Global Muslim Tourism Index (GMTI) 2023 and has received multiple global halal tourism awards, most existing studies tend to focus on descriptive potential, economic contribution, or regulatory dilemmas of halal tourism (Lestari & Hidayah, 2025). Previous research largely emphasizes statistical growth, regional case studies (such as Aceh and West Nusa Tenggara), or normative discussions of sharia compliance. However, limited attention has been given to an integrated strategic analysis that connects demographic strength, global competitiveness, Islamic values, and value-chain development within a comprehensive economic framework.

Furthermore, many studies discuss halal tourism either from a purely economic development perspective or from a theological standpoint, but rarely integrate both dimensions simultaneously. There remains a gap in examining how Islamic philosophical foundations of travel can be aligned with modern tourism industry competitiveness and sustainable economic development strategies. In addition, strategic assessments based on value-chain mapping and SWOT analysis at the national level remain underexplored (Jabeen et al., 2025; Muthoharoh, 2025; Octavia et al., 2024).

Therefore, this study offers novelty in three main aspects. First, it integrates Islamic normative foundations with contemporary tourism economic analysis in a single conceptual framework. Second, it develops a strategic value-chain perspective to evaluate halal tourism as an interconnected industry ecosystem rather than isolated sectors. Third, it provides a structured SWOT-based strategic assessment to identify sustainable development pathways

for Indonesia's halal tourism competitiveness in the global market. By addressing these gaps, this research contributes theoretically to the discourse on Islamic tourism studies and practically to policymaking strategies for strengthening Indonesia's position as a global halal tourism hub.

METHODS

This study employs a qualitative research design using a descriptive-analytical approach. The research relies on secondary data collected through an extensive literature review. Data sources include academic journal articles, books, government reports, policy documents, official statistics, and publications related to the development of halal tourism in Indonesia, including reports from the Global Muslim Tourism Index and relevant Indonesian government institutions. The data collection process was conducted through systematic document analysis by identifying, selecting, and reviewing credible and relevant sources published within the last decade. The inclusion criteria focused on studies discussing halal tourism development, strategic management, Islamic tourism concepts, and tourism competitiveness. Data analysis was carried out using qualitative content analysis. The collected data were categorized, compared, and interpreted to identify patterns, strategic issues, opportunities, and challenges in the development of halal tourism in Indonesia. Furthermore, a SWOT analytical framework was employed to examine internal and external factors influencing the sustainability and competitiveness of Indonesia's halal tourism sector. Conclusions were drawn through an interpretative synthesis of the findings, ensuring logical coherence between the identified research gap, analytical results, and proposed strategic recommendations.

RESULT AND DISCUSSION

The development of halal tourism in Indonesia cannot be separated from the broader transformation of the national tourism sector as a strategic pillar of economic growth. Based on qualitative content analysis of policy documents, academic literature, institutional reports, and industry publications, this study finds that Indonesia's halal tourism development is shaped by the intersection of regulatory legitimacy, Islamic normative foundations, demographic advantage, and global market dynamics. The findings are organized into four analytical dimensions: conceptual foundation, value-chain integration, strategic positioning through SWOT analysis, and economic implications.

The Concept of Tourism from Legal and Islamic Perspectives

Tourism in Article 1 paragraph (3) of Law Number 10 of 2009 concerning Tourism is defined as "various kinds of tourist activities supported by various facilities and services provided by the community, entrepreneurs, the Government, and Local Governments." This definition indicates that tourism is not merely a travel activity, but a system involving multiple stakeholders and supporting infrastructures. Tourism is a multidimensional sector encompassing economic, social, cultural, and governance aspects (Rahmah & Permata, 2025).

Linguistically, tourism is understood as a travel activity undertaken by individuals or groups to make temporary visits to destinations or tourist attractions outside their place of residence for recreational purposes. In this general sense, tourism is oriented toward experience, relaxation, and entertainment. However, in the context of global development, tourism is no longer limited to recreational activity but has become a strategic industry that significantly contributes to national development (Sujatna et al., 2020).

From an Islamic perspective, the concept of travel (safar) has a broader meaning than the general understanding of tourism. Travel in Islam functions not only as recreation but also carries spiritual, educational, and reflective values (Harahap et al., 2025). Several perspectives regarding travel in Islam can be explained as follows.

First, travel is considered a form of obedience to Allah SWT, particularly in fulfilling the pillars of Islam such as the Hajj pilgrimage in the month of Dhu al-Hijjah and the Umrah pilgrimage to Mecca. In this context, travel is not merely a physical journey but an act of worship with profound religious significance and an obligation for Muslims who are able.

Second, travel in Islam is closely associated with the pursuit of knowledge. Historically, Prophet Muhammad (peace be upon him) and his companions traveled to spread Islamic teachings and expand intellectual understanding. Islamic intellectual tradition places travel as an essential means in the process of learning and civilizational development.

Third, travel serves as a means of reflection and learning. The Qur'an encourages human beings to travel across the earth to draw lessons from past events and observe the signs of Allah's greatness in nature. Thus, travel contains a reflective dimension that strengthens both spiritual and intellectual awareness.

Fourth, travel represents Allah's invitation for humanity to understand the teachings of Islam revealed to Prophet Muhammad (peace be upon him). Through travel, Muslims can remember the struggles of the Prophet and his companions in upholding Islam, thereby cultivating gratitude and commitment in practicing the religion.

Fifth, travel enables human beings to contemplate the magnificence of Allah's creation. By experiencing natural beauty and cultural diversity, individuals are expected to strengthen their belief in the Oneness of Allah and improve the quality of fulfilling their daily obligations.

Based on the above explanation, tourism from an Islamic perspective is not solely oriented toward entertainment but also encompasses dimensions of worship, education, and spirituality. This concept later became the foundation for the development of halal tourism.

The Concept and Components of Halal Tourism

The Global Muslim Tourism Index explains that halal tourism refers to travel activities conducted according to Islamic principles with the aim of providing services and facilities that are friendly to Muslim tourists (Irma & Yani, 2019). This definition emphasizes that halal tourism is not limited to the provision of halal food but includes the overall service system aligned with Sharia principles.

According to Ramadhani, (2021) a destination can be categorized as a halal tourism destination if it fulfills seven main components.

First, halal hotels. A halal hotel not only provides halal food and beverages but also operates in accordance with Sharia principles. This includes transparent management, the absence of services contrary to Islamic values, and the provision of prayer facilities.

Second, halal transportation. This component includes transportation services that consider the comfort and needs of Muslim travelers, including specific seating arrangements in accordance with Islamic principles.

Third, halal restaurants. Halal restaurants do not only serve halal food and beverages but also consider supporting facilities such as prayer rooms. Additionally, proper waste management and professional service standards form part of the halal criteria.

Fourth, halal food. Halal food must meet Sharia standards in terms of both raw materials and production processes. The slaughtering of animals must follow Islamic procedures, including mentioning the name of Allah during slaughter.

Fifth, halal logistics. Halal logistics covers processing, storage, distribution, and supply chain management in accordance with Islamic principles. This shows that the halal concept applies not only to the final product but to the entire distribution system.

Sixth, the Islamic financial system. Financial transactions in halal tourism must adhere to principles of fairness, transparency, and honesty. Transactions must not involve *riba* (usury), *gharar* (uncertainty), or any harmful practices.

Seventh, Islamic tourism packages. Halal tourism packages are designed by incorporating facilities and rules consistent with Islamic values, such as schedules that accommodate prayer times and visits to religiously significant destinations.

These seven components demonstrate that halal tourism is an integrated and comprehensive system rather than merely a marketing label.

The Impact of Halal Tourism on the Indonesian Economy

In general, tourism has both positive and negative impacts. The positive impacts include increased state revenue and job creation. Tourism stimulates growth in the service sector, trade, transportation, and creative industries. On the other hand, tourism may also generate negative impacts such as environmental pollution, increased waste, and ecosystem degradation. From a socio-cultural perspective, tourism flows may influence changes in societal values and norms.

Halal tourism is expected to minimize these negative impacts by promoting ethical principles and social responsibility in accordance with Islamic teachings. Values such as cleanliness, honesty, and balance form the foundation of halal destination management.

Currently, tourism is one of the largest and fastest-growing industries globally. The increasing number of destinations and investments has made tourism a significant contributor to foreign exchange earnings, employment opportunities, and infrastructure development. Within this context, the halal tourism market represents one of the fastest-growing segments.

In 2020, halal tourism was estimated to contribute 35% or USD 300 billion to the global economy. The Global Muslim Tourism Index (GMTI 2018) report projected that the Muslim travel market would reach USD 220 billion in 2020 and increase to USD 300 billion by 2026.

In 2017, the number of Muslim tourists worldwide reached 131 million, up from 121 million in 2016. This figure was projected to increase to 156 million by 2020, representing approximately 10% of the total global tourism industry segment (Rahmi, 2020). These data indicate that Muslim tourists constitute a rapidly growing and highly potential market segment.

In Indonesia, the positive impact of halal tourism can be observed in the provinces of Aceh and West Nusa Tenggara. Aceh, known as the Veranda of Mecca, is characterized by a strong Islamic culture embedded in daily life. Meanwhile, West Nusa Tenggara, known as the Veranda of Medina, applies Islamic principles in community governance through a Sharia-based system.

Aceh achieved three awards in the 2016 National Halal Tourism Competition: Most Muslim-Friendly Cultural Destination, Most Muslim-Friendly Airport (Sultan Iskandar Muda Airport), and Best Tourist Attraction (Baiturrahman Mosque). According to data from the Ministry of Tourism and Statistics Indonesia (BPS) in 2017, the tourism industry in Aceh was valued at approximately IDR 10.87 trillion, equivalent to 8.97% of Aceh's total economy (Ramadhani, 2021). This indicates the significant contribution of tourism to the regional economic structure.

Nizar (2011) explains that the relationship between tourism and the economy is reflected in job creation, increased state revenue, balance of payments improvement, and foreign exchange earnings. Furthermore, tourism stimulates regional branding and enhances public awareness of local products. Herlambang in Suryani & Bustamam (2021) adds that tourism impacts local economic conditions by increasing employment opportunities for local communities, raising income through infrastructure development, encouraging the growth of new business sectors such as culinary and accommodation services, and influencing price changes and purchasing power in tourist destinations. Therefore, halal tourism holds significant potential to strengthen both national and regional economic structures.

Challenges of Halal Tourism in Indonesia

Despite its substantial potential, halal tourism faces several challenges, particularly in marketing and public perception. Halal-based marketing strategies are sometimes perceived as exclusive and intended solely for Muslim tourists. This perception may limit market expansion if not managed strategically.

For example, hotels that explicitly promote themselves as Sharia-compliant may be perceived as less attractive to non-Muslim tourists. Such perceptions could pose obstacles to broader tourism industry growth.

However, these challenges also present opportunities. Business actors can design more inclusive strategies by emphasizing universal values such as cleanliness, safety, and comfort, which align with halal principles. Academic research and policy development are necessary to formulate adaptive and competitive halal tourism models while maintaining consistency with Sharia principles (Satriana & Faridah, 2018).

CONCLUSION

The development of halal tourism in Indonesia reflects the integration of legal legitimacy, Islamic values, and economic strategy within the broader transformation of the national tourism sector. Rooted in Law Number 10 of 2009 and the Islamic concept of *safar*, halal tourism is not merely recreational but encompasses spiritual, educational, and ethical dimensions. Its implementation involves an integrated value chain including halal hotels, food, logistics, transportation, Islamic finance, and tourism packages demonstrating that it is a comprehensive system rather than a marketing label. Economically, halal tourism holds significant potential to enhance regional and national growth, as evidenced by developments in Aceh and West Nusa Tenggara, while contributing to employment, income generation, and global competitiveness. Despite challenges related to perception and market inclusivity, strategic and adaptive policies emphasizing universal values such as cleanliness, safety, and transparency can position halal tourism as a sustainable and competitive pillar of Indonesia's long-term economic development.

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