

HALAL TOURISM DEVELOPMENT AND LOCAL ECONOMIC GROWTH IN INDONESIAN COASTAL REGIONS A CONCEPTUAL FRAMEWORK

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Abstract

Purpose: This conceptual article explains the relationship between halal tourism and local economic growth in the Indonesian context. **Approach:** It integrates the theoretical arguments and prior studies cited in the manuscript through a structured narrative review. **Conceptual synthesis:** The framework identifies destination credibility, visitor expenditure, local supply linkages, and infrastructure development as the principal explanatory channels. The strength and direction of these relationships depend on community participation, environmental carrying capacity, accessibility, and institutional coordination. **Conclusion:** The proposed framework clarifies causal pathways, identifies practical decision points, and provides testable propositions for future empirical research. No primary survey, interview, experiment, or regression result is claimed in this article.

Keywords: Halal Tourism, Muslim-Friendly Tourism, Tourism-Led Growth, Coastal Regions, Regional Economy, Indonesia

Introduction

Tourism has become an important component of regional development strategies in Indonesia. With more than seventeen thousand islands and one of the longest coastlines in the world, coastal and marine attractions form the backbone of the country's tourism offer. At the same time, Indonesia has the largest Muslim population in the world and has increasingly promoted halal or Muslim-friendly tourism as a segment in which it has a natural advantage. In the Global Muslim Travel Index published by Mastercard and CrescentRating, Indonesia has been ranked among the top destinations and was ranked first jointly with Malaysia in the 2024 edition (Mastercard & CrescentRating, 2024). Provinces such as West Nusa Tenggara, Aceh and West Sumatra have adopted halal tourism as a branding strategy, and numerous coastal districts in other provinces have followed.

Halal tourism refers to tourism products and services that allow Muslim travelers to maintain their religious practices while traveling. Its core elements include the availability of halal food, prayer facilities, accommodation that respects Islamic norms, and recreational activities that are consistent with Muslim values (Battour & Ismail, 2016; Mohsin et al., 2016). In Indonesia, the development of halal tourism is closely linked to the halal product assurance regime established by Law No. 33 of 2014, which requires halal certification of

products, including food and beverages, that are distributed and traded in the country (Government of the Republic of Indonesia, 2014).

Proponents argue that halal tourism can attract a growing segment of domestic and international Muslim travelers, increase length of stay and spending, and create business opportunities for local enterprises, particularly micro and small food businesses. Critics note that the concept is sometimes applied in a narrow or symbolic manner, that branding may not be matched by improvements in services, and that an emphasis on religious attributes could alienate non-Muslim travelers or local communities with different traditions (El-Gohary, 2016). These concerns are particularly relevant for coastal destinations, where beach tourism, nightlife and the presence of international visitors create a more diverse tourism environment.

The broader tourism economics literature has long examined whether tourism contributes to economic growth. The tourism-led growth hypothesis argues that tourism expansion generates foreign exchange, stimulates investment and creates employment, thereby promoting long-run growth (Balaguer & Cantavella-Jordá, 2002). A review of the evidence by Brida et al. (2016) found that most studies support the hypothesis, although results vary across countries and methods. However, the literature has mainly examined tourism in aggregate at the national level. There is little evidence at the sub-national level on whether particular forms of tourism development, such as halal tourism, contribute to local growth.

This study addresses this gap by examining coastal regencies and cities in Indonesia. It poses three questions. First, is halal tourism development associated with higher local economic growth? Second, does this relationship operate through increased tourist arrivals? Third, does halal tourism development contribute to the growth of the accommodation and food service sector, which is the sector most directly affected by tourism? The study contributes by developing a composite index of halal tourism development that can be constructed from publicly available data and by testing the tourism-led growth hypothesis at a sub-national level for a distinct segment of the tourism economy.

Literature Review and Hypothesis Development

Concept and dimensions of halal tourism

The literature uses several related terms, including Islamic tourism, halal tourism and Muslim-friendly tourism. Battour and Ismail (2016) define halal tourism as any object or action that is permissible to use or engage in, according to Islamic teachings, in the tourism

industry, and emphasize that the concept concerns the fulfillment of Muslim travelers' needs rather than the religious motivation of the trip. Mohsin et al. (2016) describe the emerging opportunities of halal tourism and identify halal food, prayer facilities, and appropriate accommodation as key requirements. Henderson (2016) highlights the importance of halal certification in building trust among Muslim travelers, while Samori et al. (2016) show that countries in Asia have developed different models of halal tourism based on their institutional contexts.

El-Gohary (2016) warns that the concept is often used loosely and that the term "halal" should be applied carefully to avoid misleading consumers. This caution supports the use of objective indicators, such as the number of halal-certified food businesses and the availability of prayer facilities, rather than relying solely on branding or policy declarations. Based on these studies, this research defines halal tourism development at the local level as the extent to which a destination provides facilities and services that allow Muslim travelers to meet their religious needs, measured through three dimensions: food, facilities and destination services.

Tourism and local economic growth

The tourism-led growth hypothesis is grounded in export-led growth theory. International tourism is an export of services that brings foreign exchange, while domestic tourism transfers spending from origin regions to destination regions. Balaguer and Cantavella-Jordá (2002) provided early evidence of a long-run relationship between tourism and growth in Spain. Brida et al. (2016) reviewed the extensive literature and found that the hypothesis is supported in a majority of studies, but noted that the effect depends on the size of the tourism sector, the level of development and the characteristics of the destination.

Sinclair (1998) emphasized that tourism affects the economy through direct, indirect and induced effects. Direct effects arise in sectors that serve tourists, such as accommodation, food services and transport. Indirect effects arise through supply chains, including agriculture, fisheries and handicrafts. Induced effects arise from the spending of incomes generated in these sectors. Dwyer et al. (2010) similarly noted that the net contribution of tourism depends on linkages with the local economy and on leakages through imports and external ownership. For coastal regions, linkages with fisheries, food processing and local crafts could be particularly important.

Destination life cycle and the limits of tourism growth

Butler (1980) proposed that destinations follow a life cycle from exploration and involvement to development, consolidation and stagnation, and that rapid growth can eventually lead to decline if the carrying capacity of the destination is exceeded. Wall and Mathieson (2006) documented the economic, environmental and social impacts of tourism and noted that the benefits of tourism can be offset by congestion, environmental degradation and social tensions. These perspectives suggest that the growth effect of halal tourism development may be stronger for destinations at earlier stages of development and weaker, or even negative, for congested destinations.

Hypotheses

Based on the literature, the study proposes the following hypotheses.

H1: Halal tourism development has a positive effect on local economic growth in coastal regencies and cities.

H2: Halal tourism development has a positive effect on tourist arrivals.

H3: Tourist arrivals mediate the effect of halal tourism development on local economic growth.

H4: Halal tourism development has a positive effect on the growth of the accommodation and food service sector.

Table 1. Dimensions of the Halal Tourism Development Index (HTDI)

Dimension	Indicator	Rationale
Halal food	Number of halal-certified food and beverage businesses per 10,000 population	Battour and Ismail (2016); Henderson (2016)
Facilities	Number of mosques and prayer rooms at tourist sites; Muslim-friendly accommodation	Mohsin et al. (2016)
Destination services	Existence of halal tourism regulation or program; halal tourism information services	Samori et al. (2016)

Research gap and conceptual framework

The literature reviewed above reveals three gaps. First, halal tourism research has been largely conceptual or based on traveler perceptions (Battour & Ismail, 2016; Mohsin et al., 2016), with few studies measuring the economic outcomes of halal tourism development at the destination level. Second, tests of the tourism-led growth hypothesis have mainly used national time series (Balaguer & Cantavella-Jordá, 2002; Brida et al., 2016), leaving sub-

national variation largely unexplored, even though tourism benefits are concentrated in specific localities. Third, there is no widely used indicator of halal tourism development at the regency level in Indonesia, which makes it difficult for local governments to monitor progress.

This study addresses these gaps by constructing a composite index from administrative data and linking it to regional economic outcomes. The conceptual framework proposes that halal tourism development affects local growth through two channels. The demand channel operates through increased tourist arrivals, as Muslim-friendly facilities attract travelers who would otherwise choose other destinations. The linkage channel operates through the growth of local food and accommodation businesses, many of which are micro and small enterprises that benefit directly from halal certification and tourist spending (Sinclair, 1998; Dwyer et al., 2010). The framework also recognizes that the strength of these channels may depend on the stage of destination development (Butler, 1980).

Conceptual Review Method

This article uses a structured narrative review to integrate the literature already identified in the manuscript. Sources are interpreted according to their contribution to the relationship between halal tourism and local economic growth, the mechanisms they propose, and the conditions under which those mechanisms may strengthen, weaken, or change direction. The review does not present itself as a systematic review or meta-analysis, and it does not generate new numerical estimates. Instead, it organizes established concepts into an explicit framework that can guide later empirical testing.

Conceptual Synthesis

The synthesis indicates that halal tourism and local economic growth should not be treated as a single direct relationship. The first layer consists of destination credibility, visitor expenditure, local supply linkages, and infrastructure development. These channels explain how an institutional, technological, managerial, or behavioral change is translated into an economic or organizational outcome. They also show why apparently similar actors may respond differently to the same intervention.

The second layer consists of boundary conditions: community participation, environmental carrying capacity, accessibility, and institutional coordination. These conditions shape exposure, capability, incentives, and the capacity to respond. Accordingly, the conceptual model predicts conditional rather than universal effects. Future research should measure the mediating mechanisms separately and test interactions with the identified boundary conditions instead of relying only on a single aggregate association.

Conceptual Propositions

Proposition 1. The relationship between halal tourism and local economic growth operates through the combined influence of destination credibility, visitor expenditure, local supply linkages, and infrastructure development.

Proposition 2. The magnitude and direction of the relationship vary according to community participation, environmental carrying capacity, accessibility, and institutional coordination.

Proposition 3. Outcomes are more sustainable when organizational capability, stakeholder trust, and governance safeguards develop together rather than independently.

Practical and Research Implications

For practitioners and policymakers, the framework suggests that interventions concerning halal tourism and local economic growth should be designed as coordinated packages. Technology or formal policy alone is unlikely to produce consistent results without capability development, credible communication, monitoring, and accessible support. For researchers, the framework provides a transparent basis for selecting constructs, specifying mediators and moderators, and comparing different Indonesian regions or organizational settings.

Conclusion

This article reframes halal tourism and local economic growth as a conditional process rather than a simple one-directional effect. The conceptual contribution is the integration of destination credibility, visitor expenditure, local supply linkages, and infrastructure development with the boundary conditions of community participation, environmental carrying capacity, accessibility, and institutional coordination. The framework offers testable propositions while avoiding unsupported empirical claims. Future studies can evaluate the propositions using verified survey, administrative, qualitative, or longitudinal evidence.

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