

HALAL TOURISM IN YOGYAKARTA, INDONESIA: OPPORTUNITIES AND CHALLENGES IN POLICY AND PRACTICE

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Abstract: *Halal tourism has emerged as a key growth driver within the global tourism economy, shaped by rising Muslim travel demand and the increasing importance of religiously compliant consumption. Yogyakarta, Indonesia, with its strong cultural heritage and Islamic traditions, holds significant potential to position itself as a competitive halal tourism destination. However, integration of halal principles into the region's tourism sector faces several challenges, including fragmented policy frameworks, high certification costs for small and medium enterprises (SMEs), and inconsistent application of halal standards across hospitality and service providers. This study employs a qualitative desk-research methodology through literature review and policy analysis to examine the current state of halal tourism in Yogyakarta. Findings reveal that although awareness of halal tourism is growing, its implementation remains uneven. Opportunities exist in leveraging Yogyakarta's Islamic cultural assets, youthful demographics, and digital innovation to attract Muslim travelers. The paper concludes that harmonised policies, stronger certification support, and cohesive branding are essential for aligning Yogyakarta's tourism development with global halal market trends.*

Keywords: *halal tourism, Yogyakarta, policy integration, economic opportunities, certification challenges, Muslim travel market, Indonesia*

Introduction

One of the biggest and most important drivers of economic growth at the regional, national, and international levels is tourism. It is essential for creating jobs, revenue, and foreign exchange profits as well as for improving a nation's reputation and brand value (Khan et al., 2020a; Naseem, 2021; Su et al., 2021). Halal tourism, which caters exclusively to Muslim tourists, has become a fast-expanding segment within this large industry. This type of travel includes services that are consistent with Islamic values, such as modest lodging, halal cuisine, prayer spaces, and morally righteous recreational pursuits (Vargas-Sánchez & Moral-Moral, 2020).

The term "halal tourism" describes travel-related goods and services that adhere to Islamic values, such as food that has been certified halal, places for prayer, considerations for modesty, and moral service. These consist of, but are not restricted to, Shariah-compliant lodging and financial services, halal food alternatives, prayer spaces, amenities that are gender-segregated, and moderate entertainment options (Meirezaldi, 2020; Battour & Ismail, 2016). The fundamental goal is to enable Muslims to fulfill their religious duties while traveling without sacrificing the standard of service or the opportunity to see other cultures. With programs like the Masterplan of Indonesian Sharia Economy and the implementation of Law No. 33/2014 on Halal Product Assurance, Indonesia, the largest Muslim-majority nation, has established itself as a global leader in halal tourism.

By defining halal tourism as "any tourism object or action that is permissible according to Islamic teachings for use or engagement by Muslims in the tourism industry," Battour and Ismail (2016) emphasize the industry's worldwide significance outside of nations with a majority of Muslims. Countries like Japan, South Korea, Thailand, and the United Kingdom have adapted their services to attract Muslim tourists through initiatives like halal restaurant guides, mosque accessibility, and dedicated prayer spaces, demonstrating that the growth of halal tourism is not limited to Islamic regions (Vargas-Sánchez & Moral-Moral, 2020; Suswanta et al., 2023).

Furthermore, in addition to providing services that are in line with Islamic law, halal tourism also improves inclusive, family-friendly, and moral travel experiences that appeal to non-Muslim tourists (Jaelani, 2017). This establishes halal travel as an inclusive paradigm supported by ethical consumption, cultural authenticity, and religious sensitivity.

The economic potential of halal tourism has been recognized by Indonesia, the nation with the biggest Muslim population, with an estimated 270.2 million Muslims in 2020 and 86.9% of them identifying as Muslims (Statistics Indonesia (BPS), 2021; Zahra, 2022). Five Super Priority tourism destinations and ten Halal tourism destinations have been designated by the Indonesian government in response, with the goal of improving infrastructure and services (Indonesian Ministry of National Development and Planning (Bappenas), 2018; Mastercard & CrescentRating, 2019; Ministry of Tourism and Creative Economy, 2023). Furthermore, Indonesia ranked first in the Global Muslim Travel Index (GMTI) 2023, which assesses destinations based on criteria such as access, communications, environment, and services (CrescentRating et al., 2023). These achievements underscore Indonesia's strategic efforts in becoming a global leader in halal tourism.

Yogyakarta makes an interesting case study in this national environment. The city, which is in Central Java, is well known for its Islamic beliefs, creative manifestations, royal customs, and deeply ingrained Javanese culture (Maizida, 2021). Known for its rich history, culture, artistic

traditions, cuisine, and educational institutions, Yogyakarta is a city in Central Java, Indonesia (Agustin, 2019; Maizida, 2021; Sakeri, 2020). Yogyakarta is in a unique position to investigate the integration of halal principles within a rich cultural milieu because of the confluence of Islamic beliefs and Javanese cultural heritage. Classical arts that are ingrained in the city's historical identity, such as puppet shows, music, theater, and batik, define its landscape (Agustin, 2019; Maizida, 2021). The city's appeal as a destination that offers both religious observance and cultural depth is influenced by these cultural features as well as the predominance of Islamic customs and values.

Notable is also Yogyakarta's tourism industry's economic influence. According to Rusqiyat (2020), the tourism industry accounted for 17.46% of the region's total economic output in 2020, and in 2022, the city welcomed 7.4 million visitors (Rusqiyati, 2023). While overseas visitors spend about USD 540 per person, domestic tourists spend about IDR 2.1 million every visit (Pangaribowo, 2023). The Ministry of Tourism and Creative Economy has also designated Yogyakarta as one of the five super-priority locations for tourism development and one of the ten national halal attractions. The city's ability to balance cultural appeal with the growing demands of Muslim tourists is demonstrated by these distinctions (Ministry of Tourism and Creative Economy, 2023).

This research explores how halal values can be integrated into Yogyakarta's tourism sector in a way that maintains its cultural distinctiveness while enhancing its competitiveness in the international halal tourism market.

Yogyakarta's economy depends heavily on tourism, which brings in millions of tourists each year because of its rich cultural legacy, stunning natural surroundings, and standing as a center for education. Halal tourism has become both a need and an opportunity as the global Muslim travel market grows, with projections indicating that it will reach USD 225 billion by 2028 (Mastercard-CrescentRating, 2023).

In spite of these developments, Yogyakarta still lacks a thorough plan for halal tourism. Policies are still disjointed, SMEs have obstacles to certification, and execution varies amongst companies involved in tourism. However, Yogyakarta is a great place to expand halal tourism because of its vibrant young, rich cultural heritage, and status as a center for the creative economy. This essay explores the opportunities and problems of incorporating halal principles into Yogyakarta's tourism industry.

Materials and Methods

This study adopts a **qualitative desk-research approach**, focusing on:

Document and Literature Review

- 1) Analysis of national and regional policies, including *Law No. 33/2014 on Halal Product Assurance* and Yogyakarta's local tourism initiatives.
- 2) CrescentRating, Perkumpulan Pariwisata Halal Indonesia, & Bank Indonesia. (2023). *Indonesia Muslim Travel Index (IMTI) Extract 2023*
- 3) Indonesian Ministry of National Development and Planning (Bappenas). (2018). *Masterplan of Indonesian Sharia Economy 2019–2024*. Bappenas.
- 4) Review of scholarly literature on halal tourism, both globally and within Indonesia.

Policy Analysis

- 1) Examination of how halal principles are incorporated into tourism development frameworks.
- 2) Comparative assessment of Yogyakarta's efforts with broader national strategies and international best practices.

Data from documents and literature were synthesised thematically to identify policy gaps, business challenges, and economic opportunities.

Results and Discussion

Challenges in Integrating Halal Tourism

Even though halal travel is becoming more and more popular worldwide, Yogyakarta still has a long way to go before it can become a top halal destination. The city lacks a clear and uniform regulatory framework that successfully synchronizes halal principles with local cultural identity, while having a rich cultural heritage and a population that is well-suited for halal tourism. Since Indonesia has not yet enacted a comprehensive national policy on halal tourism, different regions are left to individually interpret and apply halal notions. Current regional regulations, including Special Region Regulation No. 1 of 2019, are still ambiguous and challenging to implement (Arrahman & Yanti, 2022; Susilawati, 2023).

In contrast, the Organization of Islamic Cooperation (OIC) has published international standards through the SMIIC Halal Tourism Services Standard (OIC/SMIIC 9:2019), while nations like Malaysia have implemented comprehensive benchmarks, such as the Malaysia Standard on Muslim-Friendly Hospitality Services (MS2610:2015). These frameworks offer precise and binding rules, allowing companies to confidently implement halal practices and match their offerings to international standards.

In Indonesia, the lack of such clarity causes misunderstandings among interested parties and prevents local companies in Yogyakarta from completely adopting halal procedures (Santoso et al., 2022). Furthermore, the city's present tourism options frequently do not satisfy the changing demands of halal tourists, who are more interested in both religious observance and genuine cultural encounters (Hanafiah et al., 2022).

If this regulatory gap is not closed, Yogyakarta's halal tourist industry could become fragmented and underdeveloped, which would reduce its ability to compete in the worldwide halal travel market. In order to ensure that the incorporation of halal principles improves both compliance and the distinctive cultural identity of Yogyakarta's tourism business, it is imperative that laws be both enforceable and culturally sensitive. These difficulties show how crucial it is to have managerial backing and implement legislative changes to increase SMEs' access to, affordability of, and operational viability of halal adoption.

Opportunities in the Halal Tourism Market

Historical, Cultural, and Religious Landscape

Situated in the center of Java, Yogyakarta is renowned for its robust Islamic customs, rich cultural legacy, and special position as a Special Region with its own king and independent government. Islamic principles and the city's long-standing Javanese traditions coexist to create a unique local identity that combines religion and tradition (Maizida, 2021). It is also known

for its historical temples, royal palaces, traditional arts, and educational institutions. Yogyakarta is positioned as one of Indonesia's most significant tourist destinations thanks to these cultural features, which draw both local and foreign visitors (Agustin, 2019; Sakeri, 2020).

Apart from its historical and cultural significance, Yogyakarta's primarily Muslim populace and religious establishments make it an ideal setting for the growth of halal tourism. Consumer expectations about hospitality, cuisine, services, and leisure are influenced by Islamic principles that permeate everyday life and communal customs. Incorporating these principles into tourism offers shows both market potential and compatibility with the local sociocultural character. Because of this, Yogyakarta provides a special environment for the fusion of cultural authenticity with halal norms.

Halal Tourism Designation and Strategic Potential

The Indonesian government recognized this potential by designating Yogyakarta as one of the five Super Priority Tourism Areas and one of the ten national halal tourism attractions. The purpose of these designations is to expedite infrastructure, investment, and institutional preparedness for the growth of tourism. The city is a strong candidate for the development of halal tourism because of its advantageous position, ease of access, and thriving local economy (Ministry of Tourism and Creative Economy, 2023).

About 7.4 million tourists visited Yogyakarta in 2022, and both domestic and foreign visitors showed significant spending trends (Pangaribowo, 2023). In terms of the region's gross domestic product, the tourist industry contributed 17.46% (Rusqiyat, 2020). These numbers demonstrate how important tourism is becoming to Yogyakarta's economy and the need for organized, inclusive, and values-based tourism frameworks that may promote sustained growth while honoring regional customs.

In addition to its infrastructure and number of tourists, the city has the potential to be a model for fusing local knowledge with halal standards. However, in order to fully realize this potential, meticulous planning, community involvement, and policy support that is in line with both local reality and national goals are needed.

It is seen that Yogyakarta has strong potential for halal tourism development:

- **Global Market Growth:** The Muslim-friendly tourism market is expanding rapidly, providing lucrative opportunities for economic growth.
- **Cultural and Religious Assets:** Mosques, pesantren, halal culinary traditions, and heritage festivals create a strong basis for halal tourism branding.
- **Youth and Digital Innovation:** A large student and youth population facilitates digital marketing and entrepreneurship, enhancing outreach to global Muslim travelers.
- **Inclusive Appeal:** Halal tourism services also signal hygiene, safety, and ethical standards attractive to non-Muslim tourists.

These advantages demonstrate that halal tourism can be positioned as both culturally authentic and economically competitive.

Strategic Policy and Management Directions

To realise Yogyakarta's potential in halal tourism, the following strategies are critical:

1. **Policy Harmonisation:** Develop a regional halal tourism framework aligned with national and international standards.

2. SME Support: Simplify certification procedures, provide financial incentives, and deliver capacity-building programs.
3. Branding and Promotion: Establish a strong halal tourism identity using digital platforms and global marketing partnerships.
4. Supply Chain Management: Integrate halal principles across the tourism supply chain to enhance service quality and consumer trust.

Managerial Implications

The study highlights actionable insights for tourism managers, entrepreneurs, and policymakers:

- Business Managers: View halal compliance as a competitive advantage that enhances reputation and customer trust. Incorporate halal certification into brand strategy and leverage digital marketing to reach Muslim travelers.
- SMEs: Collaborate in clusters to share certification costs and develop halal supply chains. Engage in innovation, such as halal culinary experiences and culturally authentic tours.
- Policymakers: Reduce certification barriers, offer financial incentives, and coordinate across agencies to create a supportive ecosystem.
- Entrepreneurs and Investors: Explore opportunities in halal logistics, digital platforms, and wellness tourism, positioning halal tourism as part of the broader ethical and sustainable tourism economy.

Conclusion

The integration of halal principles into Yogyakarta's tourism sector is at an early stage. Although awareness is growing, the absence of harmonised policies, certification challenges, and inconsistent practices hinder progress. Yet Yogyakarta's Islamic cultural heritage, youthful demographics, and creative economy provide a strong foundation for halal tourism growth.

From an economics and management perspective, halal tourism represents a dual opportunity: to enhance competitiveness in the global Muslim travel market and to strengthen local SMEs through halal branding and compliance. The findings underscore three priorities: policy harmonisation, SME empowerment, and strategic branding. For policymakers, the results point to the need for integrated regulatory frameworks and financial support mechanisms. For managers and entrepreneurs, halal compliance should be viewed as an investment in competitiveness, not merely a regulatory burden.

If these managerial and policy strategies are implemented, Yogyakarta can transition from fragmented efforts toward becoming a leading halal tourism hub in Indonesia—balancing economic growth, cultural sustainability, and inclusivity.

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