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## The Role and Strategy of Islamic Banking Management in Sustainable Financing of the Halal Tourism Industry

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### ABSTRACT

Islamic banking management is the most rapidly developing part of the Islamic financial system. The significant market share gap between the management of the Islamic banking industry and the real sector (the halal tourism industry) represents a current challenge. Islamic banking management should recognize the opportunities for developing this halal tourism industry and working together in tandem. The halal tourism industry has enormous potential for development. Innovation must be carried out by Islamic financial institutions, especially Islamic banking. In the current digital era, halal tourism industry players and tourists prioritize everything that is practical. The development and improvement of sustainable halal tourism in a country is very important, because the existence of well-maintained and organized halal tourism industry destinations and supported by a strong financial sector will increasingly attract tourists, both domestic and international. The method used in this study is a literature review approach, namely research with a series of activities related to library data collection methods, reading and recording, and processing research materials. From the results of the literature search, it can be seen that Islamic banking management needs to increase branch office access and digital networks in tourist destination areas so that they are easily accessible to tourists. Several other strategies that can be implemented include collaboration with tour and travel companies that will issue tourism products with halal labels, to financially use Islamic banking.

**Keywords:** Management Islamic Banking, Financing, Halal Tourism

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### 1. INTRODUCTION

In the last decade, many developing and developed countries have paid special attention to the halal tourism industry. This is clearly evident in the numerous tourism development programs in these countries. Each country seems to strive to outdo the others in attracting more tourists, who stay longer and spend more money (Hasan 2006). Unfortunately, many programs lack careful consideration, particularly regarding whether

the potential benefits outweigh the potential losses. When seeking recreational opportunities, there is a tendency to develop unique tourist destinations as attractions. In this way, the potential for economic development, in tourism, becomes a quick and easy way to generate foreign exchange. The government considers halal tourism development crucial, given that Indonesia is a developing country and its tourism industry is not yet prominent. For this reason, the dominant source of national growth that we have could be considered to be tourism (beauty, natural wealth, historical heritage, culture and traditional customs). From a national development perspective, tourism is an integral part of national development.

To promote economic development with balanced growth, tourism can be expected to play a decisive role and serve as a catalyst for the gradual development of other sectors. As with other sectors, government policies in the halal tourism sector have both direct and indirect impacts. Beyond this, there is the possibility of a government economic policy (Faniyah 2017). In developing halal tourism, it must be a comprehensively planned development, so that optimal benefits can be obtained for the community, both in economic, social and cultural terms. The planning must integrate tourism development into a country's economic, physical and social development program. In addition, the plan must be able to provide a government policy framework to encourage and control the development of halal tourism. The role of the government in developing halal tourism in general is to provide infrastructure (not only in physical form), expand various forms of facilities, coordinate activities between government officials and the private sector, and regulate and promote it abroad. It cannot be denied that almost all regions in Indonesia have potential for halal tourism, so what needs to be considered are transportation facilities, infrastructure conditions, and halal tourism facilities.

The development of halal tourism also encourages and accelerates economic growth (Sianipar 2008). Halal tourism activities can create demand, both for consumption and investment, which in turn will lead to the production of goods and services. During tourism, tourists shop, thus directly generating market demand for goods and services. Furthermore, tourists indirectly generate demand for capital goods and materials to produce these goods and services. Meeting tourist demand requires financial investment in transportation and communications, hotels and other accommodations, the craft and consumer products industries, the service industry, restaurants, and others.

The halal tourism sector in Indonesia is currently considered effective in increasing the country's foreign exchange earnings. This is inseparable from the growing demand for halal tourism, not only in Indonesia but also globally. The growing demand for tourism has led to the sector being considered to have significant future prospects. Tourism is able to revitalize the economy of surrounding communities and is also positioned as a vital means of promoting the culture and natural beauty of the region.

Halal tourism is a source of income that can be continuously renewed and rejuvenated. This rejuvenation of halal tourism areas can take the form of renovations and regular maintenance. Therefore, halal tourism is a significant investment in the non-oil and gas sector for Indonesia (Ismail 2012). Halal tourism, as a future economic investment, will automatically facilitate the circulation of goods and services in tourist destinations. Furthermore, halal tourism will increase national economic stability. However, success in developing halal tourism, as mentioned above, will only be felt if the supporting factors are well prepared. The halal tourism industry has enormous potential for development. The essence of halal tourism lies in eliminating anything that can harm humans and bringing

people closer to things that will bring benefits to themselves and the environment. This attracts many enthusiasts worldwide, not limited to Muslims. Interest in halal tourism must be responded to with the development of sustainable halal tourism businesses, so that it can contribute to driving the national economy. The global halal tourism industry is currently growing, with countries such as Türkiye and Malaysia as major tourism industry developers.

The tourism economy is an economic entity created by transactions between tourists (related to tourism spending) and economic sectors that provide goods and services. Tourists are a crucial component of the tourism economy. As a driving force of demand, the number of tourists and their spending power will largely determine the level of supply. Meanwhile, the desire to travel and the willingness to spend will be influenced by the prices paid and the strategic environment surrounding tourists, both internal and external, as well as direct and indirect.

Currently, Islamic banking has not yet maximized its outreach to halal tourism stakeholders. As a financial institution, Islamic banking management is required to conduct outreach to all halal tourism stakeholders, ensuring they understand and understand how Islamic banking operates. Activities to stimulate public interest in utilizing Islamic banking products and services must be ongoing (Setiawan 2006). Islamic financial institutions need to increase their independence in providing education and outreach to the public, as previously, education and outreach activities have been largely contingent on events held by financial authorities, including Bank Indonesia and the Financial Services Authority. Furthermore, understanding and rationality remain the primary choices for the public, especially halal tourism entrepreneurs, to become Islamic banking customers. Furthermore, entrepreneurs attitudes toward Islamic banking financing are influenced by a rational understanding of the products themselves. When financing can benefit their business, entrepreneurs tend to take it. However, when the costs are higher and can reduce their profits, they will abandon Islamic banking financing products.

## **2. RESEARCH METHOD**

The main objective of this study is to explore the role and management strategies of Islamic banking in financing the halal tourism industry. This study uses a qualitative approach. The method used in this study is descriptive analysis. Data sources in this study come from reference books and scientific journal articles. as well as interviews with key informants in Islamic banking management and the halal tourism industry.

## **3. RESULTS AND ANALYSIS**

### **a. Barriers to Islamic Banking Management in the Halal Tourism Industry**

The halal tourism sector is considered the most prepared to face competition at the global level because Indonesia has attractive tourism potential, but still has shortcomings such as inadequate infrastructure (roads leading to tourist locations or others). In addition, the construction of piers for cruise ships to dock is also inadequate. In terms of human resources, Indonesia needs to develop competitive skills and capabilities, such as increased productivity and foreign language proficiency. Equally important is funding for sustainable tourism, a gap in the sustainable halal tourism sector.

Furthermore, to support halal tourism, Islamic bank offices and ATM networks are still very difficult to find, especially in tourist destinations. Even Muslim tourists rarely use Islamic banks because access to Islamic bank offices and ATMs is difficult. International tourists, including Muslim tourists, rarely seek out and make payments through Islamic banks because access to Islamic bank offices is still limited and ATM services are difficult to find. This prevents tourism industry players from utilizing Islamic banking services.

The network of Islamic banking offices is not yet evenly distributed to the public. Furthermore, Islamic banking offices and ATMs are still very difficult to find in tourist destinations. The presence of offices and ATM networks is certainly one form of service that Islamic banks can provide to the public, especially tourists and those involved in the tourism industry. Location is one factor that influences people's decisions to become Islamic banking customers. Location and supporting infrastructure will facilitate customers' transactions. This convenience is achieved if Islamic banking offices and ATM networks are located in strategic locations. This will strengthen Islamic banking management services to the public (Alamsyah 2012).

Another factor is the lack of promotional efforts by Islamic banking management. The lack of attractive promotions from Islamic banking management discourages tourists and halal tourism industry players from using Islamic banking. That Islamic banking management must be more aggressive in holding promotions, both branding of Islamic banking itself and promotions through its products. This promotion is important to ensure that there is a clear difference between Islamic banking management and conventional financial institutions. Innovation in Islamic banking management products to support halal tourism is also greatly needed. Sharia banking management is an institution that has its own market segment, namely the highly religiosity market. For this reason, Islamic financial institutions can utilize emotional brand image. Emotional brand image is a way for Islamic banking management to use marketing communications that try to listen to the desires, aspirations and needs of potential tourists.

#### **b. Implementation of Islamic Banking Management Financing Strategy to the Halal Tourism Industry**

Indonesia's current economic growth relies on the financial sector. Economic growth through the real sector is currently still a big homework for the government. In fact, economic growth through the financial sector does not have a strong foundation if the real sector is neglected. The financial sector also does not produce much impact that can be directly felt by the wider community. Furthermore, if Indonesia is to achieve its targeted economic growth, the real sector must immediately become a primary focus. The main incentives for establishing viable halal tourism projects will be subsidized long-term financing, the provision of land valued below market value, *tax holidays* for a period of five to ten years, investment development, rebates or full or partial refunds of customs duties, and tax exemptions for promotional expenses (Thompson 2006). The availability of finance can come from foreign sources, banks, or private investment, regulated by various considerations. Some of these sources can be applied even to loans between government financial institutions.

Regional governments should be able to implement various policies in financing the tourism sector, especially community-based tourism, because an important aspect of tourism policy will be the quantum of incentives or actions to promote investment in tourism development. Partnerships in investing can be in the form of: (1) Providing investment facilities and (2) Public and Private Sector Partnerships. The public and private sector partnership models include partnership companies, private finance initiatives and partnership investments. Partnership companies or partnership companies are the entry of private sector ownership into BUMN/BUMD, while still guaranteeing or prioritizing public interests and public policy objectives through regulations, legislation, partnership agreements or holding special government shares (Saleh 2008). The pattern of developing

a halal tourism network requires cooperation between networks both in the public sector, namely local governments, and the private sector as tourism business actors. The development of a halal tourism area that involves various parties is a form of tourism marketing interaction with the tourism market. Applications carried out by tourism actors include tourism markets, cultural tourism markets, convention tourism markets, main tourism markets and holiday conditions. Financing strategies can be analyzed by referring to financing schemes available to Islamic financial institutions, the government, the private sector, and the community. One such financing model is *Public Private Partnerships* (PPP) between the government and the private sector, using Service Contracts, Management Contracts, Leasing, Concessions, BOTs, and Divestment models. To identify strategies and policies for accelerating the tourism sector, a SWOT analysis can be used.

Islamic banking management, as an intermediary institution, plays a crucial role in the development of the real sector, particularly halal tourism. Several strategies that can be implemented include collaborating with companies that will issue products with halal labeling to utilize Islamic banking financially. In this regard, government support is expected to be obtained through regulations, such as laws, circulars, or fatwas, mandating that every company operating in the halal tourism industry must financially collaborate with Islamic banks. For example, if Company A wants to label its products halal, it must have a small amount of funds deposited with an Islamic bank or have collaborated through financing with an Islamic bank. This will undoubtedly also boost the Islamic financial industry in Indonesia. There is a reciprocal relationship between the real halal industry and Islamic banking management. Another form of collaboration that Islamic financial institutions can undertake is discounts at halal tourist attractions that use Islamic bank debit or credit cards.

Several Indonesian provinces, such as Lombok and West Sumatra, have received global recognition as among the world's best halal destinations, increasing the potential for international tourists to choose these destinations. This will increase the country's foreign exchange earnings. Sharia banking management can play a role by providing financing to communities surrounding these halal tourism centers to further develop the halal tourism business (Ummuhan Gokovali 2006). Islamic banking can also provide outreach to local residents and support the creation of annual routine activities that can attract tourists. Islamic banking management can also make halal tourism a long-term investment by providing convenience to customers, especially in the use of Islamic debit cards and Sharia Cards to simplify transactions at halal tourism destinations. Islamic banking must also implement innovation, especially in today's digital era, where people prioritize convenience. With advanced technology, everything becomes more practical. The still-vast potential for the growth of halal tourism requires support from Islamic banking management. This is crucial because without Islamic banking support, the potential for halal tourism development will not be achieved. Support from all parties is needed to introduce Islamic banking to the public through *events that* can attract tourists (Andreani 2007). Synergy is needed between the government and Islamic banking management to be able to create national and even international events. This event is important to attract foreign tourists, so that these tourists know indirectly about Islamic banking. The public still needs further education about Islamic banking. Furthermore, events organized by Islamic banking management are crucial to prevent the perception of exclusivity. Islamic banking is a universal financial institution accessible to all groups. Islamic banking must be able to reach all levels of society. An increasingly inclusive financial system can allocate productive resources more efficiently, improve people's ability to manage finances, and reduce the growth of exploratory informal financing (credit by loan sharks). Sharia banking management is present and developed to combat the methods of loan sharks and is

implemented in line with moral values and principles according to Islamic law. The role of Islamic banking management needs to be expanded so that the public can be offered a more reassuring financial system and Islamic banking can play a greater role in community welfare by stimulating the real economic sector. Infrastructure in halal tourism is a crucial supporting element. Without adequate infrastructure, access to halal tourism destinations will be difficult, resulting in fewer tourists visiting. Targeted destinations must be accompanied by infrastructure improvements, such as the development of transportation infrastructure, public facilities, area maintenance, the provision of fuel and electricity, the preparation of halal tourist attractions, and destination development institutions. The development and enhancement of halal tourism in a country is crucial, as well-maintained and well-organized halal tourism destinations will attract more domestic and international tourists. To achieve this, regulations are needed to regulate and control the improvement of halal tourism performance.

### **c. Islamic Financial Institution Financing Products for Halal Tourism Industry Players**

The significant contribution of Islamic banking management in disbursing loans to the real sector using funds sourced from the public demonstrates the effectiveness of Islamic banking in carrying out its intermediary function. Islamic banking management has distinct characteristics from conventional financial institutions in general. Islamic banking can fill the market segment for Muslims who want to do business in accordance with Islamic law. Islam regulates all aspects of life for its followers, including business (Alsheran 2010). Therefore, Islamic banking management is required to understand and understand the needs of the community, including the need for halal tourism. As the driving force of the financial industry, Islamic banking, under Islamic principles, is required to provide specialized products to meet these needs. Sharia banking products should not simply imitate existing products issued by conventional financial institutions but must be differentiated. Innovation in product and service development from competitive Sharia banking management, based on the specific needs of the community, will be key to the success of Sharia banking. The current high demand for halal tourism, especially as halal tourism becomes a new favorite, demands that Sharia banking, as a series of business relationships based on Sharia principles, needs to create products that are friendly to tourists and halal tourism industry players (Ghani 2012). This is crucial to ensure that the business and economic activities carried out by the community are truly halal, or in other words, permitted by Islamic law.

In the future, Islamic banking management can prioritize, or at least simplify, the financing process for customers in the halal tourism sector. The lack of Islamic banking interest in providing financing to communities surrounding tourist attractions is partly due to the high risks posed by natural factors (Nengsih 2015). The risk of experiencing losses due to natural disasters is very high. In fact, from an economic perspective, this collaboration promises huge profits for Islamic banking. This is because halal tourism is not only for Muslims but non-Muslims can also experience halal tourism. Competition in the Islamic banking industry is already tight, making it impossible for Islamic banks to rely solely on standard products to attract customers. Islamic banks must be able to innovate to create products and services that prioritize the uniqueness of Islamic principles and the real needs of the community. Islamic banking can also identify specific needs in each of its

products, and specializing in specific segments can be a strategy for Islamic banks to compete with established banks.

#### **4. CONCLUSION**

Therefore, it can be concluded that the role of Islamic banking management in supporting halal tourism has not yet been effectively socialized to halal tourism industry players. Access to offices and ATM networks is still difficult to find, and there is a lack of promotion by Islamic banking. Meanwhile, the potential of Islamic banking itself can innovate products by providing special financing products for halal tourism industry players and holding interesting events to change the public mindset that Islamic banking management is an inclusive bank, not an exclusive one. Several strategic policies that can be implemented by Islamic banking management to support halal tourism include socializing to tourism actors and even tourists to understand Islamic banking more comprehensively. At the same time, Islamic banking management needs to increase access to branch offices and networks in halal tourism destination areas to make them easily accessible to tourists. The development of halal tourism products can be carried out in stages in accordance with the consideration of community capacity, the ability of local governments, and the tenacity of business actors in recognizing and managing the potential of halal tourism into useful products. This means that the development of halal tourism development products is not carried out in a mass manner and with drastic changes but rather carefully and in stages. Development priorities are supported by concrete, planned programs and activities. This way, all parties will learn from the success or failure of developing a halal tourism product. One of the principles of halal tourism product development is learning from shared experiences.

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