

CHAPTER I

INTRODUCTION

A. Background

The world of tourism is the most vital industry or sector in the global economy. With millions of people traveling annually, tourism has a significant economic impact, creates jobs, and supports the growth of a wide range of related businesses, from hotels and restaurants to transportation and tour companies (Mohammed, 2005). In economics according to McIntosh (1997) the definition of tourism has a qualitative aspect, namely tourism can be interpreted as science, art, and business that attracts and transports visitors, accommodates, and serves visitors kindly according to their needs.

People's need for bigger and more attractive and quality holidays makes the tourism industry more diverse and attractive. In the research of Pendit and Marsono (2018) stated that there are 3 types of tourism, namely Nature Tourism, Cultural Tourism, and Special Interest Tourism.

Indonesia is one of the countries that has enormous tourism potential. The natural beauty, culture, and traditions owned by Indonesia attract the attention of tourists from all over the world. The tourism industry in Indonesia is growing rapidly and has become one of the main sources of foreign exchange for the country. The country has 6 religions namely Islam, Christianity, Catholicism, Buddhism, Hinduism, and Confucianism. It also encourages the existence of religious tourism that develops in Indonesia where in this case Indonesia has several landmarks that illustrate the majesty

of a religion such as Borobudur Temple which depicts Buddhism, Prambanan Temple which depicts Hinduism, and others.

Indonesia is not only rich in religious diversity but also Indonesia has more than 17,000 islands from Sabang to Merauke from Papua Island to Aceh. From more than 300 cultures that Indonesia has with ancestral cultures and beliefs to the influence of the Hindu-Buddhist entry era. The many cultures that develop make the reason why Indonesia can live safely and peacefully with many beliefs in it with a total of 38 provinces spread.

Indonesia is known for its cultural, ethnic, and religious diversity, also ranked first for the number of Muslim populations in the world from BPS data in 2022 Indonesia has a total population of around 231 million people or almost 90% of the total population of Indonesia adheres to the belief as Muslim. Not only ranked 1st with the total Muslim population, but Indonesia also gained trust in the world with the 10 best destinations in the Lonely Planet version in 2019 and made Indonesia the only country in the ASEAN Region that was ranked in the top 10 for tourism.

According to the World Organization of Islamic Tourism (WOIT) in 2018 Muslim traveller spending was the largest in the world in the travel sector, reaching \$145 billion in 2015 in global travel which is expected to be \$1.5 trillion by 2025. With the increasing contribution of Muslims in the tourism sector continues to increase. With many destinations with Muslim-friendly destinations, Indonesia can successfully enter the top 10 in the world. Of the 38 provinces that are widely distributed in the form of islands. Indonesia has the beauty of paradise for its natural

beauty coupled with the thick folklore that develops in it adds value to the destination in the tour.

One of the provinces in Indonesia that is still thick with culture from ancestors is the Special Region of Yogyakarta (DIY). A province that has a special name in it because it is the only region in Indonesia that still maintains a monarchy or sultanate to this day. in Law No.13 of 2012 signed by the 6th president of Indonesia concerning Special Regions. These privileges are based on the history and origins of Yogyakarta (Nurmadin & Annafie, 2016) the Special authorities include:

- a. Procedures for filling the positions, positions, duties, and authorities of governors and deputy governors
- b. Government institutions of the Special Region of Yogyakarta
- c. Culture
- d. Defence
- e. Layout

So, with the regulations that have been ratified, Yogyakarta in running its government is led by the Sultan. In Yogyakarta Sultanate is one of the last two sultanates in Indonesia along with Surakarta Sultanate. The King of Yogyakarta also has the title "Sultan" which is a symbol of strong tradition and culture in the local community. Not only in his government Yogyakarta became special but also Yogyakarta was also special in the tourism sector.

Although DIY is not included in the potential of halal tourism in Indonesia, DIY has become a favorite destination for Indonesian residents, especially local

tourists from Java because Yogyakarta is ranked in the top 10 for regions with the most tourist value by destination and has increased from 2013-2017. According to data released by the Yogyakarta Special Region Tourism Office shows the number of tourist visits to DIY.

Table 1.1 Data on the Number of Tourists in the Special Region of Yogyakarta 2017-2021

Year	Number of Archipelago Tourists	Number of Foreign countries Tourists	Total Travellers
2017	4.831.347	397.951	5.229.298
2018	5.272.718	416.373	5.689.091
2019	6.116.354	433.027	6.549.381
2020	1.778.580	69.968	1.848.548
2021	4.279.985	14.740	4.294.725

Source: Yogyakarta Special Region Tourism Statistics 2021

From data obtained the Yogyakarta Special Region Tourism office which shows the number of tourist visits to the Special Region of Yogyakarta always shows a very significant increase which in 2020 decreased due to the lockdown due to Covid-19 which takes 2 years to return to normal. In 2017 the total number of tourists coming to the Special Region of Yogyakarta amounted to 5,229,298 people, in 2018 the number of foreign and domestic tourists increased to 5,689,091 people, and the peak number of tourists increased rapidly in 2019 amounting to 6,549,381 people, in 2020 it decreased the impact of the Covid-19 pandemic to 1,848,548 or about 28% of the number of visitors in 2019, in 2021 where the pandemic situation has begun to improve and the easing of the Implementation of Community Activity Restrictions (PPKM) where the Indonesian people can visit tourist attractions for visitors to the Special Region of Yogyakarta to 4,294,725 people.

Tourism according to Cooper, Fletcher, Gilbert, & Wanhill (1993) defines tourism as a series of activities in the form of temporary travel to certain destinations outside the home or workplace, temporary stay at the destination and enjoy the facilities provided to meet the needs of tourists. Tourism is the activity of someone called tourists traveling or in other words, the activities, and events of visits (Sutrisno, 2004). According to Richard Sihite in Marpaung and Bahar (2000: 46-47) Tourism is a journey that people take for a while, organized from one place to another leaving their original place, with a plan and with the intention not to try or earn a living in the place visited, but solely to enjoy recreational activities or to fulfill diverse desires.

A Muslim is very careful in consuming something, consumption in the economy is someone doing the end in physical form or value of a good or service used. As a Muslim we are strongly encouraged to consume halal products. The definition of halal products is contained in Law Number 33 of 2014 concerning Halal Product Assurance (JPH) in Article 1 paragraph (2), namely: "Halal Products are products that have been declared halal in accordance with Islamic law". The aim is to provide protection and guarantees about the halal products consumed and used by the community. Assurance regarding Halal Products should be carried out in accordance with the principles of protection, fairness, legal certainty, accountability and transparency, effectiveness and efficiency, and professionalism. Therefore, the guarantee of the implementation of Halal Products aims to provide comfort, security, safety, and certainty of the availability of Halal Products for the public in consuming and using Products, as well as increasing added value for

Business Actors to produce and sell Halal Products. As taught in surah al-Baqarah verse 168.

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ ١٦٨

"O man! Eat of the lawful and good (food) found on earth, and do not follow the steps of Satan. Truly, Satan is a real enemy to you." (Al-Baqarah [2] verse 168).

Knowledge and awareness of halal products make the growth of the halal industry more increased (Rahman et al. 2011; Hamdan et al. 2013). The increase in the halal industry has given rise to halal tourism as a new phenomenon (Samori et al. 2016). Hal This is also supported by various literature that explains that Muslim tourists care about the consumption of sharia-compliant products and services when visiting tourist attractions (Battour et al. 2010; Battour et al. 2012; Ja'fari and Scott, 2014). Interest in halal tourism has increased growth (Battour and Ismail, 2016). The increase is in line with the increase in Muslim tourists from year to year, Muslim tourists are expected to increase by USD 300 billion by 2026. To explore the great potential of halal tourism, many countries both Muslim and non-Muslim majority countries began to provide tourism products, facilities, and infrastructure to meet the needs of Muslim tourists. However, there are still many business people and parties involved in the tourism sector constrained in understanding both products, facilities and infrastructure of halal tourism (El-Gohary, 2016).

The development of halal tourism in Indonesia is the best position compared to other countries in the ASEAN Region, namely Thailand in position 12, Malaysia and the Philippines in position 13, Singapore in position 16, and Vietnam in position 21 (WTTC, 2018). Although Indonesia has strength in the world of tourism, from data released by the ministry of tourism in 2017 the tourism sector

only reached Rp. 200 trillion (Indonesian Sharia Economic Commission, 2019). Data provided by the Indonesian Sharia Economic Commission for the master plan in 2019 – 2024 has a plan to increase halal tourism in Indonesia. The Ministry of Tourism selected 10 destinations that are used for regions that focus on increasing halal tourism in Indonesia, namely:

1. Lake Toba, North Sumatra
2. Tanjung Kelayang Beach, Bangka Belitung
3. Tanjung Lesung Beach, Banten
4. Thousand Islands, DKI Jakarta
5. Borobudur Temple Park, Central Java
6. Bromo Tengger National Park, East Java
7. Mandalika Special Economic Zone, Lombok, NTB
8. Labuan Bajo, NTT
9. Morotai Island, Halmahera, North Maluku
10. Wakatobi National Park, Southeast Sulawesi

In principle, halal tourism is not much different from tourism in general which is known to the wider community. Halal tourism has a different concept with the aim of making it easier for Muslim tourists to more easily meet their needs when traveling or traveling. Like finding welfare that includes faith, there are many halal foods that are traded with halal labels, decent and clean places of worship, and the availability of public facilities that distinguish women and men. For Muslim tourists, halal tourism is one of the places to preach in the way of Allah. Not only for Muslim tourists, halal tourism is also suitable to be enjoyed by non-Muslim

tourists because halal tourism prioritizes products that are in demand by Muslim tourists that are halal and in accordance with Islamic law.

Since the concept of halal tourism, the Yogyakarta City Tourism Office has tried to implement the concept of halal tourism in Yogyakarta City. The efforts made by the Yogyakarta City government began by mapping from several aspects such as geographical, historical and sociological. Some of the areas included in the mapping are Kauman, Gondomanan, and Karangakajen. Some hotels and eating places in the Yogyakarta City area already have halal labels.

The development of halal tourism in Yogyakarta is influenced by the role of the Indonesian Ulema Council in Yogyakarta. The direction from the Indonesian Ulema Council regarding the development of the concept of halal tourism will affect the realization of the concept of halal tourism in the city of Yogyakarta. The Indonesian Ulema Council (MUI) issued Fatwa DSN-MUI Number: 108 / DSN-MUI / X / 2016 concerning guidelines for implementing Tourism based on Sharia Principles. In the fatwa explained the provisions related to the establishment of hotels, tourists, tourist destinations, and so on. Tourism aspects regulated in it are Hotels, Solus Per Aqua (SPA), Sauna, Massage, Tourism Objects and Travel Agencies based on fatwas DSN-MUI (National Sharia Council MUI, Fatwa DSN-MUI No: 108 / DSN- MUI / X / 2016). The legal basis for tourism activities is based on law No. 10 of 2009 concerning tourism (Jurnal Ulama MUI-DIY, 2018).

In this research, willingness to pay for halal tourism is defined as the amount of money that the community wants to give to obtain an improvement in conditions that are better than before. By using willingness to pay, you will find out how the

factors of age, religion, distance, income, education, utilities, and condition of facilities and services influence the willingness to pay to improve facilities and services in halal tourism in cultural tourism in Yogyakarta. In research conducted by Deristani Agung Hidayat (2022), Al-Azizah et al., (2021) showed that age has a negative effect on willingness to pay. In research conducted by Hendrawan & Muslichah (2023), Nasir et al., (2022), Parvin Hosseini et al., (2020), and Rahman et al., (2022) religion has a negative influence on willingness to pay. Willingness to pay has a negative effect on income in research conducted by de Araújo et al., (2022), Durán-Román et al., (2021), and Enriquez-Acevedo et al., (2018). Willingness to pay for education has had a positive influence on research by Diswandi et al (2018), Acevedo et al (2018), Zhang and Li (2020), Araújo, et al (2022), Sanjaya & Saptutyningasih (2019). Research conducted by Sanjaya & Saptutyningasih (2019) and Enriquez-Acevedo et al., (2018) shows that jaraj has a positive effect on willingness to pay. Research on the influence of conditions, facilities, and services on willingness to pay has a positive effect, which was researched by Bagheri et al. (2023) Nguyen Viet et al. (2020), and Prayog, 2020). Utility has a positive effect on willingness to pay in research by Demirgüneş (2015), Zeng & Li (2021).

According to tourists, public attitudes regarding halal tourism increase interest in halal tourism in the Yogyakarta region (Sari et al., 2019). Due to the explanation regarding Halal Tourism above, the author aims to conduct research entitled

“DETERMINANTS OF WILLINGNESS TO PAY FOR HALAL TOURISM SERVICE IN CULTURAL DESTINATION OF YOGYAKARTA.”

The strength of this research is that there is no research regarding Determinants of willingness to pay for halal tourism services in cultural destination Yogyakarta.

B. Problem Statement

Based on the explanation of the research topic, formulate problems for the focus of this research as follows:

1. How is the age influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
2. How is the religion influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
3. How is the income influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
4. How is the education influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
5. How is the distances influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
6. How is the conditions facilities and service influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?
7. How is the utility of halal tourism expectation influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta?

C. Research Objectives

Based on the formulation of the problem that is the focus of this study, the objectives of this study are as follows:

1. To analyse the age influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta .
2. To analyse the religion influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.
3. To analyse the income influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.
4. To analyses the education influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.
5. To analyse the distance influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.
6. To analyse the conditions facilities and service influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.
7. To analyse the utility of halal tourism expectation influenced to the willingness to pay for halal tourism service in cultural destination of Yogyakarta.

D. Research Benefits

This study has a problem formulation that focuses on the factors that affect the willingness to pay the religion effect for halal tourism services in the city of Yogyakarta. The objectives of the study have also been clearly formulated, which includes analysis of factors affecting willingness to pay, comparison of the value of these factors age, religion, distances, education, income, conditions service and facilities, and utility on willingness to pay the for halal tourism service in cultural

destination Yogyakarta. The benefits of this research can be divided into theoretical and practical benefits:

1. Theoretically:

- a. This research will contribute to the scientific literature in the field of tourism, especially in the context of halal tourism. Through the analysis of factors that influence willingness to pay, this study can provide new insights into the preferences and motivations of Muslim and non-Muslim travellers in choosing halal tourism services.
- b. This research can help develop theories related to consumer behaviour in the context of halal tourism. The results of this study could lay the groundwork for new, more comprehensive theories on how economic and non-economic factors influence tourists' decisions in paying for halal services.

2. In practical terms:

- a. The results of this study can provide guidance to relevant parties in developing tourism services that are more in line with the preferences and needs of Muslim and non-Muslim tourists. This can increase the attractiveness of the destination and expand options for tourists.
- b. Information on the factors that influence the willingness to pay of Muslim and non-Muslim travellers can help tourism industry players in designing more effective and targeted marketing

strategies. They can tailor marketing campaigns to each group's preferences.

- c. The results of this research can provide input to the government and related institutions in formulating policies related to the development of halal tourism in the city of Yogyakarta. This can help maximize the economic and social potential of this significant market segment.
- d. With a better understanding of the factors that influence willingness to pay, industry players can set more appropriate and competitive prices. This could have a positive impact on the overall tourism sector revenue.