

Modeling Halal Tourism Sustainability: Balancing Consumer Attitudes, Risk Perceptions, And Ecosystem Support in Strategic Product Design Through a Youth-Centric Lens

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This study examines how attitudes, perceived risk, and external support influence halal tourism product design and business sustainability in Indonesia. A quantitative approach was employed using purposive sampling involving 186 young consumers who actively used e-commerce platforms and resided outside Java. Data were analyzed using Structural Equation Modeling with Partial Least Squares (PLS-SEM). The results demonstrate that attitude has a significant positive effect on product design and business sustainability, whereas perceived risk significantly and negatively affects both outcomes. However, external support does not strengthen the relationship between attitude toward halal tourism and product design. This unexpected finding may reflect critical-exclusivity and over-expectation effects, whereby young consumers with strong positive attitudes toward halal tourism demand higher standards of quality and authenticity, reducing the effectiveness of external support. These findings highlight the importance of firms' internal dynamic capabilities and suggest further mixed-method research to develop more comprehensive and competitive halal business sustainability models globally.

Keywords: Attitude; Business Sustainability; External Support; Halal Tourism; Perceived Risk; Product Design

INTRODUCTION

As the country with the largest Muslim population in the world, Indonesia holds a strategic position and serves as a key benchmark in the development of the global halal tourism industry. Through various strategic policies and mandatory certification programs, the Indonesian government has aggressively pursued its ambition of becoming one of the world's leading Muslim-friendly tourism destinations. Amid increasingly intense global competition, maintaining long-term business sustainability within this sector has become a critical priority for both policymakers and industry stakeholders (Ministry of Tourism and Creative Economy, 2025).

Interestingly, the halal tourism market landscape in Indonesia is currently undergoing a significant demographic and paradigmatic transformation. The primary drivers of domestic tourism are now dominated by younger generations, particularly Millennials and Generation Z. Approximately 54% of Indonesia's population belongs to these demographic cohorts, with Generation Z (aged 8–23 years) and Millennials (aged 24–39 years) constituting the majority of the national population structure (BPS, 2025). For these younger consumers, halal tourism is no longer perceived merely as the fulfillment of rigid religious obligations or ritualistic practices. Instead, they have redefined halal tourism as an integral component of a modern halal lifestyle that must be aligned with aesthetics, digitalization, and experiential quality (Vargas-Sánchez & Moral-Moral, 2024). This transformation requires the Indonesian tourism industry to revolutionize its approach through strategic product design that is adaptive, innovative, and responsive to the characteristics and preferences of younger generations.

However, integrating halal tourism values into the expectations of Indonesian youth presents complex psychological and market-related challenges. On the one hand, younger generations exhibit highly positive attitudes, strong pride, and considerable openness toward Sharia-compliant hospitality products that are packaged in a contemporary and appealing manner (Suhartanto et al., 2024). On the other hand, as critical, well-educated consumers who are extensively exposed to digital information flows, they also demonstrate high levels of skepticism. Consequently, they are more likely to scrutinize the authenticity, credibility, and overall quality of halal tourism offerings before making consumption decisions. This duality creates a unique challenge for tourism providers in designing products that not only comply with Islamic principles but also meet the increasingly sophisticated expectations of modern young consumers. Indonesian youth are particularly vulnerable to risk perceptions, including concerns over superficial halal practices or halal-washing, uncertainty regarding hygiene standards, and social apprehensions that halal tourism may be perceived as outdated, exclusive, or lacking in excitement (Al-Ansi et al., 2025). Consequently, a psychological conflict emerges in which their positive attitudes toward halal tourism are often attenuated by these perceived risks. When the product design architecture of halal tourism fails to reconcile modern lifestyle aspirations with the authenticity of Islamic values, the industry risks losing its appeal among future generations. Such a failure to adapt represents a substantial threat that may undermine the long-term sustainability of Indonesia's halal tourism industry.

Although the body of literature on halal tourism in Indonesia has expanded considerably, several fundamental theoretical and practical gaps remain unresolved. First, most existing studies continue to adopt a generalized perspective by focusing primarily on mature tourists or family-oriented travelers, resulting in a scarcity of empirical models that examine the internal psychological dynamics of younger consumers, particularly the tension between positive attitudes and perceived risks within the context of Islamic tourism. Second, the current literature has largely failed to integrate these internal

psychological factors with broader macro-level determinants, such as external ecosystem support, including digital regulatory initiatives from the Halal Product Assurance Organizing Agency (BPJPH), government readiness in providing smart tourism infrastructure, and support from local communities (Abror et al., 2024). More importantly, the dynamic interaction between consumers' internal psychological factors and the external ecosystem, and how this interaction is translated into a youth-oriented strategic product design architecture capable of enhancing business sustainability, has yet to be comprehensively modeled.

To address these gaps, this study offers a novel theoretical contribution by developing an integrated structural model through a youth-centric lens. The primary novelty of this research lies in its conceptualization of product design as a strategic instrument that not only transforms young consumers' perceived risks into a sense of trust and security but also optimizes their positive attitudes while simultaneously leveraging Indonesia's broader ecosystem support. Through this integrated approach, the proposed model seeks to secure the long-term sustainability and competitiveness of halal tourism businesses in an increasingly dynamic and demanding market environment.

Based on the foregoing discussion, this study seeks to address the following research questions:

1. How do consumer attitudes and risk perceptions among younger generations influence the development of strategic product design in Indonesia's halal tourism sector, and how do these factors contribute to the achievement of long-term business sustainability?
2. How do consumer attitudes and perceived risk among younger generations directly affect the long-term sustainability of halal tourism businesses in Indonesia?
3. Does ecosystem support strengthen the effectiveness of strategic product design in capturing market opportunities among younger consumers and enhancing business sustainability?

In line with these research questions, the primary objective of this study is to model and empirically examine how business sustainability in Indonesia's halal tourism industry can be achieved through the lens of young consumers' preferences and evaluations. More specifically, this study aims to analyze the role of strategic product design in aligning the psychological dynamics of younger generations, particularly the interplay between consumer attitudes and perceived risk. Furthermore, it seeks to demonstrate how the integration of external ecosystem support can foster a resilient, competitive, and sustainable halal tourism landscape in Indonesia. By developing and testing an integrated structural model, this research contributes to a deeper understanding of how youth-oriented tourism strategies can enhance the long-term viability and competitiveness of halal tourism businesses in an increasingly dynamic market environment.

LITERATURE REVIEW

The Paradigm Shift Among Young Indonesian Tourists

A closer examination of Millennials and Generation Z in Indonesia reveals that they represent a segment of "sovereign consumers", individuals who are highly autonomous, possess substantial decision-making authority, and rely heavily on digital validation in shaping their consumption choices (Vargas-Sánchez & Moral-Moral, 2024). Within the Indonesian context, the Islamic identity of younger generations has undergone a transformation commonly associated with Islamic Modernism, often manifested through the phenomena of Hijrah Pop and the Halal Lifestyle movement. For these consumers, adherence to Islamic principles is no longer confined to the private sphere but is increasingly expressed through public consumption practices, including tourism destination choices.

However, these preferences do not exist in isolation. Young consumers increasingly expect the halal label to be accompanied by high experiential quality, where tourism products are expected to be shareable, visually appealing (Instagrammable), and supported by digital innovations associated with smart tourism. When halal tourism destinations in Indonesia focus solely on conventional attributes, such as the provision of prayer facilities and pork-free food, without incorporating contemporary aesthetic and functional dimensions, a significant disconnection emerges between industry offerings and the evolving demands of future tourism markets (Suhartanto et al., 2024).

The Psychological Paradox: Consumer Attitudes versus Perceived Risk

From a theoretical perspective, this phenomenon reflects a behavioral anomaly frequently observed within the framework of the Theory of Planned Behavior (TPB), particularly among younger consumers. Their attitudes toward halal tourism in Indonesia tend to be highly favorable, driven by both intrinsic religiosity and social norms within predominantly religious communities. Nevertheless, these positive attitudes do not automatically translate into consistent visitation intentions or behavioral commitments due to the increasing influence of perceived risk in the digital era (Al-Ansi et al., 2025). Indonesian youth constitute one of the most transparency-sensitive consumer groups. Through extensive engagement with social media and digital platforms, they are highly capable of identifying inconsistencies in service delivery and brand promises. For instance, when a tourism destination claims to be Muslim-friendly while allowing alcohol sales in concealed areas, or when worship facilities exhibit poor sanitation standards, young consumers immediately perceive a risk of halal integrity failure. Such risk perceptions generate substantial cognitive dissonance. Spiritual risks, such as concerns about inadvertently consuming non-halal products, and social risks, including fears of being associated with low-quality destinations, simultaneously undermine their positive attitudes toward halal tourism. Consequently, these psychological barriers may hinder the growth and sustainability of the halal tourism industry unless effectively addressed during the product design and development stage.

Macro-Level Dynamics: Why Is Indonesia's Ecosystem Support Unique?

The selection of Indonesia as the context for this study is justified by the distinctive characteristics of its regulatory environment and institutional ecosystem, which differ substantially from those of other countries. Following the gradual implementation of mandatory halal certification by the Halal Product Assurance Organizing Agency (BPJPH), the Indonesian business landscape has undergone significant structural transformation. Ecosystem support in Indonesia encompasses extensive government intervention, the integration of Sharia-compliant financial technology (Islamic fintech), and active participation from local communities and digital influencers in shaping public perceptions and consumer behavior.

However, these top-down regulatory initiatives often generate implementation gaps at the operational level. Small and medium-sized tourism enterprises (SMEs) in destination areas frequently perceive halal certification and product adaptation requirements as compliance costs rather than strategic investments capable of generating long-term competitive advantages. Consequently, this study argues that ecosystem support does not directly enhance business sustainability. Instead, its effectiveness depends on the ability of tourism operators to absorb, internalize, and translate external support mechanisms into meaningful product innovation and value creation strategies (Abror et al., 2024). This perspective highlights the critical role of strategic product design as an intermediary mechanism through which ecosystem support can ultimately contribute to sustainable business performance in Indonesia's halal tourism industry.

The Strategic Importance of Product Design as a Reconciliation Mechanism

This study argues that the primary significance of Strategic Product Design lies in its role as a reconciliation mechanism capable of bridging the gap between the evolving expectations of young consumers and the operational realities of the halal tourism industry. Within the tourism management literature, product design has frequently been reduced to tangible tourism packages or physical facilities. However, the present study extends this perspective by conceptualizing strategic product design as a holistic solution architecture that is responsive to a youth-centric lens.

Strategic product design functions as a critical mechanism for resolving the psychological paradox experienced by young consumers through two primary operational pathways. First, it accommodates consumer attitudes by providing highly aesthetic tourism facilities, eco-Sharia accommodation concepts, and tourism experiences that integrate adventure-based and local cultural activities while remaining consistent with Islamic values. Second, it mitigates perceived risks by reducing consumer concerns regarding halal-washing practices and service quality uncertainties. This can be achieved through the implementation of QR-code-based technologies to verify the authenticity of halal certifications within food supply chains, transparent hygiene management systems, and standardized digital service quality that delivers a seamless customer experience.

Through these integrative mechanisms, strategic product design transcends its traditional role as a complementary business function and becomes a fundamental prerequisite a core driver for achieving halal tourism sustainability. In this study, business sustainability is conceptualized comprehensively, encompassing not only short-term financial profitability but also reputational sustainability and intergenerational customer loyalty among future generations of Indonesian consumers.

Consumer attitudes within the halal tourism ecosystem are no longer characterized by static or dogmatic orientations. Rather, they have become fluid and integrative, combining spiritual values with modern forms of self-expression (Vargas-Sánchez & Moral-Moral, 2024). Drawing upon Consumer Behavior Theory, these positive attitudes generate market expectations that must be addressed through strategic product design initiatives. When young consumers demonstrate heightened sensitivity toward halal authenticity, tourism providers are compelled to adopt technological transparency mechanisms. Likewise, when consumers seek social recognition and identity expression, the industry must offer aesthetically appealing experiences that remain fully compliant with Islamic principles, commonly referred to as Shariah-compliant aesthetics (Battour et al., 2024).

Accordingly, consumer attitude serves as a directional anchor that guides the orientation, development, and innovation of strategic product design within halal tourism businesses (Suhartanto et al., 2024). Based on this theoretical argument, the following hypothesis is proposed:

H1: Attitude toward halal tourism positively influences the outcomes of halal tourism product design (Strategic Product Design).

Consumer Attitude and Business Sustainability

From an axiological perspective, consumer attitude exerts a direct and critical influence on business sustainability within the halal tourism industry (Abror et al., 2024). In the context of Indonesia's young Muslim market, positive attitudes rooted in the alignment between spiritual values and modern lifestyle aspirations function as a form of long-term economic capital. Such attitudes foster affective loyalty, which strengthens generational customer equity and, consequently, contributes to the stabilization of firms' long-term profitability (Suhartanto et al., 2024).

Furthermore, in the digital era, positive consumer attitudes transform young consumers into organic brand advocates who voluntarily promote tourism products and destinations through their social networks and digital platforms. This process not only reduces customer acquisition costs but also enhances reputational resilience by providing a protective shield against potential market crises and negative publicity (El-Gohary, 2023). As a result, consumer attitude should no longer be viewed merely as a psychological indicator of consumer preference; rather, it constitutes a strategic asset that supports the multidimensional sustainability of halal tourism enterprises.

From this perspective, favorable attitudes toward halal tourism generate long-term behavioral outcomes that extend beyond immediate purchase or visitation decisions. They contribute to customer retention, positive word-of-mouth communication, brand legitimacy, and sustained market competitiveness, all of which are essential dimensions of business sustainability in the contemporary tourism industry.

Based on the foregoing arguments, the following hypothesis is proposed:
H2: Attitude toward halal tourism positively influences business sustainability.
Perceived Risk and Strategic Product Design

In the strategic management perspective, perceived risk functions as a psychological constraint variable that dictates the parameters of product design (Battour et al., 2024). Young Muslim travelers in Indonesia face epistemic risks such as halal-washing and social risks in the form of stigmatization of products as backward (Vargas-Sánchez & Moral-Moral, 2024). The accumulation of these risks compels industry actors to intervene through strategic product design. To attenuate epistemic risk, design elements must incorporate technological transparency, while to mitigate social risk the product architecture is shifted toward inclusive and modern shariah-compliant aesthetics (Suhartanto et al., 2024). Thus, perceived risk is not merely an impediment but a driving factor that necessitates the redesign of halal tourism products to be more accountable, adaptive, and youth-friendly. Based on this argument, the hypothesis proposed is:
H3: Perceived risk has a positive effect on the outcome of halal tourism product (strategic product design).

Perceived Risk and Business Sustainability

From an axiological perspective, perceived risk functions as a destructive factor that threatens the stability and long-term sustainability of halal tourism businesses (Abror et al., 2024). When young Muslim tourists perceive functional risks or social image risks associated with a tourism destination, cognitive barriers emerge that diminish their intention to revisit and engage with the destination in the future (Suhartanto et al., 2024). Such perceptions create uncertainty regarding the reliability, authenticity, and overall value of halal tourism offerings, thereby undermining consumer confidence and commitment.

In the digital era, elevated levels of perceived risk can also generate significant reputational vulnerability. Young consumers' skepticism toward potential halal-washing practices may rapidly evolve into negative electronic word-of-mouth and digital anti-advocacy movements that damage brand image and organizational credibility (El-Gohary, 2023). Given the extensive influence of social media and online communities, reputational damage can spread rapidly and produce long-lasting consequences for tourism businesses.

As a result, tourism enterprises may not only experience short-term financial losses due to declining visitation and customer engagement, but also suffer from the erosion of generational customer equity, which threatens their long-term viability and competitive

position. Consequently, minimizing consumers' perceived risk is a critical prerequisite for achieving a resilient and sustainable halal tourism business model.

Based on the foregoing arguments, the following hypothesis is proposed:

H4: Perceived risk negatively influences business sustainability.

The Mediating Role of External Support

From a theoretical perspective, the influence of consumer attitude on strategic product design is not always direct or linear; rather, it may be mediated by the presence of external support (Vargas-Sánchez & Moral-Moral, 2024). The accumulation of critical attitudes and heightened aesthetic expectations among young Indonesian Muslim consumers creates substantial market pressure that requires responses from macro-level stakeholders (Abror et al., 2024). Such institutional responses are manifested through regulatory frameworks, financial incentives, and digital infrastructure facilitation provided by governments and industry associations.

External support functions as a capability bridge that helps overcome resource constraints faced by tourism operators, thereby enabling them to implement product design transformations that are both technologically transparent and visually appealing (Battour et al., 2024). Through this mechanism, businesses are better positioned to translate favorable consumer attitudes into innovative halal tourism products that align with the expectations of younger generations. In particular, external support enhances firms' ability to adopt digital technologies, improve service quality, and strengthen the authenticity and credibility of halal tourism offerings.

Consequently, external support is expected to play a significant mediating role in the relationship between consumer attitude and strategic product design. By facilitating the conversion of market expectations into organizational capabilities and product innovations, external support serves as an important mechanism through which positive consumer attitudes can effectively influence the direction and quality of halal tourism product development.

Based on the foregoing arguments, the following hypothesis is proposed:

H5: External support mediates the relationship between consumer attitude and strategic product design.

The Moderating Effect of External Support on the Relationship Between Consumer Attitude and Business Sustainability

From a methodological and theoretical perspective, external support is also conceptualized as a moderating variable that influences the strength of the relationship between consumer attitude and business sustainability (Abror et al., 2024). Drawing upon Contingency Theory, positive consumer sentiment among young Muslim tourists does not automatically guarantee the long-term sustainability of tourism enterprises in the absence of a supportive institutional environment (El-Gohary, 2023).

When external support is strong manifested through accelerated halal regulatory frameworks, financial incentives, government-sponsored development programs, and digital infrastructure provision the positive impact of consumer attitudes on business sustainability is expected to become stronger (Suhartanto et al., 2024). Such support enhances firms' capacity to convert favorable market perceptions into sustainable competitive advantages, long-term profitability, and organizational resilience.

In contrast, inadequate external support may create operational bottlenecks that weaken the ability of firms to transform positive consumer attitudes into sustainable business outcomes. Under these circumstances, resource constraints, regulatory uncertainty, and

infrastructure limitations may reduce the effectiveness of market-driven growth strategies.

Therefore, the interaction between internal psychological factors, represented by consumer attitude, and external macro-environmental factors, represented by ecosystem support, constitutes a critical determinant of the multidimensional sustainability of the halal tourism industry. The effectiveness of positive consumer attitudes in generating sustainable business outcomes ultimately depends on the broader institutional and ecosystem conditions within which tourism firms operate. Based on the foregoing arguments, the following hypothesis is proposed:
 H6: External support moderates the relationship between attitude toward halal tourism and business sustainability.

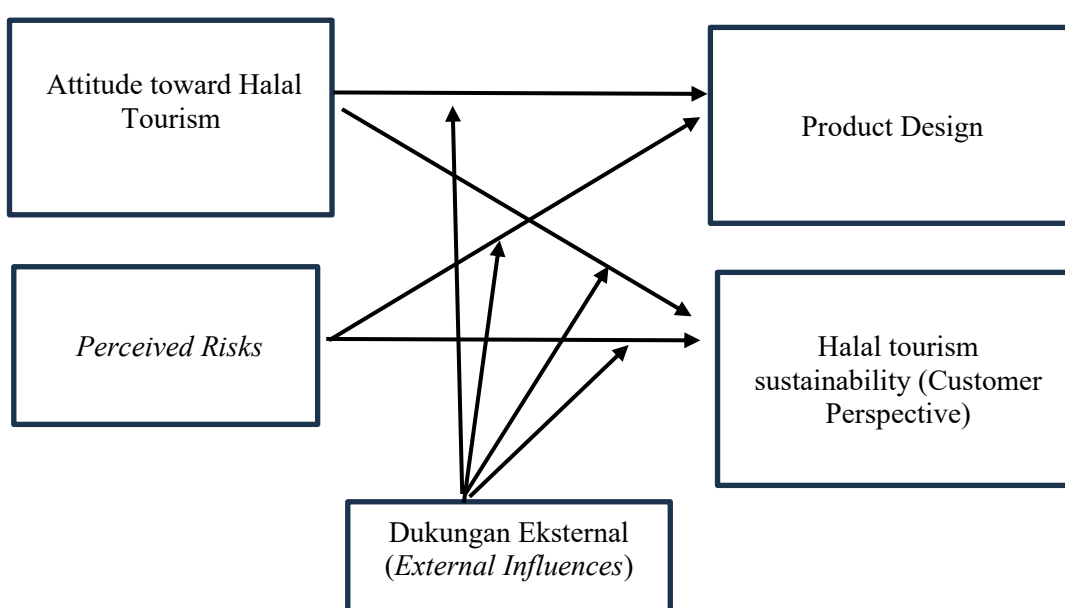


Figure1: The Conceptual Framework

The conceptual framework presented in Figure 1 illustrates the interrelationships among the key factors influencing business sustainability within the halal tourism industry. Specifically, the model integrates consumer attitudes, perceived risk, strategic product design, and external support to explain the mechanisms through which sustainable business outcomes can be achieved.

Attitude toward halal tourism represents tourists' overall evaluations, perceptions, and acceptance of halal tourism offerings. Favorable attitudes are expected to shape the development of strategic halal tourism products, including travel packages, halal-certified accommodations, food and beverage services, recreational activities, and prayer facilities that align with both Islamic principles and contemporary consumer expectations. As such, consumer attitudes serve as an important market signal that guides innovation and product development within the halal tourism sector.

Perceived risk, encompassing concerns related to halal integrity, service quality, safety, hygiene, and overall travel experience, also plays a significant role in shaping strategic product design. Higher levels of perceived risk may encourage tourism providers to strengthen product attributes, improve service standards, and implement greater transparency in order to enhance consumer trust and confidence. Consequently,

perceived risk functions not only as a potential barrier to consumption but also as a catalyst for product innovation and quality improvement.

The framework further incorporates external support as both an enabling and conditioning factor within the halal tourism ecosystem. External support may take the form of government policies, halal certification systems, financial incentives, digital infrastructure, training programs, industry associations, and community partnerships. These support mechanisms can facilitate product development, reduce operational and market-entry barriers, enhance organizational capabilities, and strengthen the overall competitiveness of halal tourism enterprises. Furthermore, external support may influence the strength of the relationships among consumer attitudes, perceived risk, strategic product design, and business sustainability.

Ultimately, strategic product design serves as a critical mechanism through which consumer attitudes, perceived risk, and external support are translated into sustainable business outcomes. Business sustainability in this study is conceptualized as a multidimensional construct encompassing financial performance, customer loyalty, reputational sustainability, competitive resilience, and long-term organizational viability. Accordingly, the framework highlights the interconnected roles of consumer attitudes, risk perceptions, strategic product design, and external support in fostering a resilient, competitive, and sustainable halal tourism industry.

RESEARCH METHOD

This study employed a quantitative research method. The research population consisted of young people located in various regions outside Java Island: Medan, Batam, Pangkal Pinang, Gorontalo, and Tarakan. Sampling outside Java Island was conducted to ensure that assessments of halal tourism by young people in these areas are comparable to those in Java. Samples were selected using a non-random purposive sampling method. The survey was administered via Google Forms from April to May 2026. A total of 223 valid responses were collected, which is considered an adequate sample size for structural modeling. According to Hair et al. (2019, a,b,c, 2020) and Sekaran (2006), the minimum sample size in quantitative research ranges from 30 to 100.

The measurement instruments were adapted from well-established theoretical and empirical studies. Attitude toward Halal Tourism was measured using constructs derived from the Theory of Planned Behavior and related behavioral frameworks (Ajzen, 1991; Fishbein & Ajzen, 1975; Lee et al., 2018). Perceived Risk was operationalized using validated scales developed by Featherman and Pavlou (2003), Jacoby and Kaplan (1972), and Roselius (1971), encompassing financial, performance, social, and regulatory dimensions of risk.

Strategic Product Design in Halal Tourism was measured using indicators adapted from the product development and marketing literature (Kotler & Keller, 2016; Ulrich & Eppinger, 2016). Business Sustainability was assessed using constructs adapted from Baldwin and Gellatly (2003), Watson and Everett (1996), and Zimmerer et al. (2008), reflecting long-term economic continuity, organizational resilience, and operational viability. External Support was measured using indicators adapted from Chaston (2000), capturing governmental, institutional, and community-based support mechanisms that facilitate business development and innovation.

All constructs were measured using a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree"). Descriptive statistical analysis was conducted to examine the mean scores and standard deviations of respondents' perceptions.

Subsequently, hypothesis testing was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM), an analytical technique well suited for examining complex causal relationships among latent variables and predictive research models (Chin, 1998; Hair et al., 2019,2020).

The analysis was conducted using SmartPLS 4.0 software to evaluate both the measurement model and the structural model. The measurement model assessment included tests of reliability and validity, while the structural model assessment was used to examine the proposed relationships among constructs and test the research hypotheses

RESULTS

Respondent Profile

A total of 223 valid responses were included in the analysis. The respondents consisted of members of Generation Z and Millennials from various regions outside Java Island. The sample exhibited considerable demographic diversity in terms of age, gender, educational attainment, and socioeconomic background (see Table 1). Although a purposive non-probability sampling technique was employed, the heterogeneity of the respondent profile suggests that the sample adequately captures variations in perceptions and evaluations among young consumers across different geographical areas. Such diversity enhances the robustness of the analysis and provides a richer understanding of halal tourism perceptions among Indonesia's younger generations.

Table 1. *Respondent Profile*

Characteristics	Frequency (n=223)	Percentage (%)
Education		
Junior High School	153	68.61
Diploma	5	2.24
Bachelor	65	29.15
Gender		
Male	60	26.91
Female	163	73.09
Ages		
25-35 Years	201	90.13
36-45 Years	11	4.93
46-55 Years	6	2.69
>55 Years	5	2.24
Religion		
Buddhism	1	0.45
Hinduism	1	0.45
Islam	198	88.79
Catholic	4	1.79
Protestant	19	8.52
Total	223	100.00

Based on the data presented in Table 1, the respondent profile demonstrates a strong predominance of individuals within the productive age group and specific educational backgrounds. A total of 90.13% of respondents were between 25 and 35 years old, indicating that the perspectives on halal tourism development captured in this study were largely influenced by young adults and Millennials. In terms of educational attainment, the majority of respondents held a senior high school diploma (68.61%), followed by

those with a bachelor's degree (29.15%). This suggests that the study primarily drew upon individuals with basic to intermediate levels of formal education. Moreover, younger generations are generally considered more adaptive to emerging tourism trends, including the growing concept of Muslim-friendly tourism.

With regard to gender and religious affiliation, female respondents substantially outnumbered male respondents, accounting for 73.09% and 26.91% of the sample, respectively. This imbalance may indicate that women exhibited a greater level of interest or engagement in issues related to halal tourism development. Consistent with the focus of the study on Muslim-friendly tourism, the majority of respondents identified as Muslims, representing 88.79% of the total sample. Nevertheless, the survey also captured perspectives from respondents of other religious backgrounds, including Protestants (8.52%), Catholics (1.79%), and Hindus and Buddhists (0.45% each). The inclusion of non-Muslim respondents is particularly important, as it provides a broader and more inclusive understanding of how halal tourism development is perceived across diverse stakeholder groups and religious communities.

Measurement Model

The measurement model was evaluated to ensure the construct validity of the proposed research model. The measurement model explains how the observed variables (manifest variables) represent the latent constructs being measured. Convergent validity was assessed using outer loadings and the Average Variance Extracted (AVE). Individual reflective indicators are considered to have adequate convergent validity when their loading values exceed the recommended threshold of 0.70 on their respective constructs.

The results presented in Table 2 indicate that all indicators used in this study demonstrated excellent psychometric properties. Specifically, each measurement item exhibited factor loadings substantially above the minimum recommended threshold of 0.70. The highest loading values were observed for indicator ATT3 (0.924) within the *Attitude toward Halal Tourism* construct and indicator R3 (0.933) within the *Perceived Risk* construct, suggesting that these items provide the strongest representation of their respective latent variables.

In addition to the factor loadings, the statistical significance of all indicators was found to be exceptionally strong. This is evidenced by T-statistics values exceeding the critical value of 1.96 and P-values of 0.000 for all measurement items. These findings provide robust methodological evidence that the measurement instruments accurately capture the underlying dimensions of Muslim-friendly tourism development as conceptualized in this study. Consequently, all indicators satisfy the requirements of convergent validity and are considered reliable representations of their respective constructs.

Tabel 2. Validity Test Result

	Original sample (O)	T statistics (O/STDEV)	P values
ATT1 <- Attitude Halal Tourism	0.849	39.254	0.000
ATT2 <- Attitude Halal Tourism	0.906	64.672	0.000
ATT3 <- Attitude Halal Tourism	0.924	91.928	0.000
ATT4 <- Attitude Halal Tourism	0.868	47.716	0.000

ATT5 <- Attitude Halal Tourism	0.844	44.004	0.000
BS1 <- Business Survival	0.851	37.777	0.000
BS2 <- Business Survival	0.895	41.193	0.000
BS3 <- Business Survival	0.842	23.073	0.000
BS4 <- Business Survival	0.910	78.343	0.000
EX1 <- External Influences	0.893	71.467	0.000
EX2 <- External Influences	0.884	49.870	0.000
EX3 <- External Influences	0.872	40.515	0.000
EX4 <- External Influences	0.851	36.663	0.000
PR1 <- Halal Tourism Product	0.850	36.586	0.000
PR2 <- Halal Tourism Product	0.859	35.723	0.000
PR3 <- Halal Tourism Product	0.868	46.288	0.000
PR4 <- Halal Tourism Product	0.837	32.191	0.000
PR5 <- Halal Tourism Product	0.864	42.750	0.000
R1 <- Risk	0.852	46.631	0.000
R2 <- Risk	0.889	55.032	0.000
R3 <- Risk	0.933	94.984	0.000
R4 <- Risk	0.852	31.466	0.000

The reliability assessment results presented in Table 3 further reinforce the previous findings by demonstrating a high level of internal consistency across all research constructs. The *Attitude toward Halal Tourism* construct recorded the highest reliability values, with a Cronbach's Alpha of 0.926 and a Composite Reliability of 0.944. These results indicate that the measurement instrument possesses excellent reliability in consistently capturing respondents' perceptions regarding halal tourism.

Similarly, all remaining constructs, including *Business Sustainability*, *External Support*, *Strategic Product Design*, and *Perceived Risk*, exhibited reliability coefficients exceeding 0.80, thereby surpassing the conservative thresholds commonly recommended in academic research. Such findings provide strong evidence of the stability and consistency of the measurement scales employed in this study.

Furthermore, the Average Variance Extracted (AVE) values for all constructs exceeded 0.70, substantially higher than the minimum recommended threshold of 0.50. These high AVE values indicate that more than 70% of the variance in the respective indicators is explained by their underlying latent constructs. This finding confirms the strong convergent validity of the measurement model and demonstrates that the indicators adequately capture the conceptual dimensions they are intended to measure.

Therefore, based on the consistently high values of Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE), it can be concluded that the measurement instruments used in this study are both valid and reliable. Consequently, the collected data are sufficiently robust and consistent to support subsequent structural model evaluation and hypothesis testing procedures.

Tabel 3. Reliability Test Result

	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Attitude Halal Tourism	0,926	0,944	0,773
Business Survival	0,897	0,929	0,765
External Influences	0,898	0,929	0,766
Halal Tourism Product	0,908	0,932	0,732
Risk	0,905	0,933	0,778

The results of the discriminant validity assessment using the Fornell–Larcker criterion, presented in Table 4, indicate that the measurement model satisfies the requirements for discriminant validity. This is evidenced by the fact that the square root of the Average Variance Extracted ($\sqrt{\text{AVE}}$), represented by the diagonal values in the matrix, is consistently greater than the corresponding inter-construct correlations (off-diagonal values) within the same row and column. For example, the $\sqrt{\text{AVE}}$ value for *Perceived Risk* (0.882) exceeds its correlations with the other constructs (0.014, 0.378, 0.058, and 0.474). A similar pattern is observed across all remaining constructs. These findings demonstrate that each latent construct shares more variance with its own indicators than with other constructs included in the model.

Accordingly, the results confirm that the latent variables examined in this study are empirically distinct and conceptually unique from one another. This provides strong evidence that the indicators are measuring their intended constructs without substantial overlap with other variables. Therefore, the measurement model can be considered to possess satisfactory discriminant validity, supporting the suitability of the constructs for subsequent structural model evaluation and hypothesis testing.

Tabel 4. *Discriminant Validity Fornell Larcker Criterion*

	Attitude Halal Tourism	Business Survival	External Influences	Halal Tourism Product	Risk
Attitude Halal Tourism	0.879				
Business Survival	0.758	0.875			
External Influences	0.553	0.697	0.875		
Halal Tourism Product	0.750	0.873	0.653	0.855	
Risk	0.014	0.378	0.058	0.474	0.882

The results of the discriminant validity assessment using the cross-loading criterion, as presented in Table 5, provide further confirmation of the measurement instrument's ability to distinguish effectively among the constructs examined in this study. The findings clearly indicate that each indicator exhibits its highest loading on the construct it is intended to measure, compared with its loadings on all other constructs. For instance, indicator ATT3 demonstrates a loading value of 0.924 on the *Attitude toward Halal Tourism* construct, while its loadings on other constructs, such as *Business Sustainability* (0.714) and *Perceived Risk* (0.009), are substantially lower. A similar pattern is observed for indicator BS4, which records a loading of 0.910 on its corresponding construct,

exceeding all cross-loadings with other variables in the model. These results provide strong empirical evidence that the indicators employed in this study are uniquely associated with their intended latent constructs and do not exhibit substantial conceptual overlap with other variables within the halal tourism development model.

Furthermore, these findings reinforce the results obtained from the Fornell–Larcker criterion, confirming that each indicator measures its respective latent construct both significantly and uniquely, rather than reflecting other constructs within the model. Consequently, the measurement instrument demonstrates satisfactory discriminant validity and strong psychometric properties, indicating that the quality of the measurement model has been rigorously established and is suitable for subsequent structural model evaluation and hypothesis testing.

Tabel 5. *Discriminant Validity Cross Loading*

	Attitude Halal Tourism	Business Survival	External Influences	Halal Tourism Products	Risk
ATT1	0.849	0.605	0.485	0.626	-0.079
ATT2	0.906	0.653	0.485	0.625	-0.067
ATT3	0.924	0.714	0.509	0.690	0.009
ATT4	0.868	0.649	0.438	0.661	0.041
ATT5	0.844	0.702	0.511	0.686	0.141
BS1	0.683	0.851	0.616	0.755	0.303
BS2	0.663	0.895	0.605	0.769	0.343
BS3	0.647	0.842	0.584	0.735	0.290
BS4	0.660	0.910	0.634	0.793	0.382
EX1	0.567	0.682	0.893	0.619	0.027
EX2	0.469	0.614	0.884	0.561	0.035
EX3	0.489	0.609	0.872	0.568	0.083
EX4	0.396	0.523	0.851	0.532	0.062
PR1	0.657	0.749	0.573	0.850	0.427
PR2	0.635	0.763	0.523	0.859	0.433
PR3	0.659	0.755	0.583	0.868	0.373
PR4	0.596	0.724	0.563	0.837	0.419
PR5	0.659	0.742	0.551	0.864	0.376
R1	0.096	0.377	0.088	0.468	0.852
R2	-0.029	0.315	0.051	0.395	0.889
R3	-0.005	0.356	0.069	0.435	0.933
R4	-0.033	0.266	-0.019	0.357	0.852

Structural Model

Following the assessment of the measurement model, the next step involved evaluating the structural model using Partial Least Squares Structural Equation Modeling (PLS-SEM). The evaluation of the structural, or inner, model aims to examine the relationships among the latent constructs proposed in the research framework. Structural model assessment includes the examination of the coefficient of determination (R^2) for the endogenous latent variables. The R^2 value indicates the extent to which the exogenous latent variables explain the variance in the endogenous constructs (Hair et al., 2014). In other words, the coefficient of determination reflects the predictive power of the proposed

model and provides insight into how well the independent variables account for variations in the dependent variables (see Table 6).

According to Hair et al. (2014), higher R^2 values indicate greater explanatory power of the model, suggesting that the exogenous constructs substantially contribute to explaining the behavior of the endogenous variables. Therefore, the assessment of R^2 serves as an important indicator for evaluating the overall effectiveness and predictive capability of the structural model.

Tabel 6. R-Square and Q-Square Test

	R-square	Q-square (Q^2)
Business Survival	0.820	0.619
Halal Tourism Products	0.853	0.617

Based on the results presented in Table 6, the R-square (R^2) value for the *Business Sustainability* construct is 0.820, indicating that 82.0% of the variance in business sustainability can be explained by the independent variables included in the research model. Meanwhile, the *Strategic Product Design* construct exhibits an R-square value of 0.853, suggesting that 85.3% of the variance in halal tourism product design is explained by the model's explanatory constructs.

These findings indicate that the proposed model possesses substantial explanatory power and strong predictive capability. Specifically, factors such as consumer attitudes and perceived risk make significant contributions to explaining both the sustainability of halal tourism businesses and the development of Muslim-friendly tourism products. According to commonly accepted PLS-SEM guidelines, R-square values of this magnitude reflect a moderate-to-high level of predictive accuracy, demonstrating that the model effectively captures the key determinants of business sustainability and product innovation within the halal tourism sector.

The assessment of predictive relevance using the Q-square (Q^2) statistic produced values of 0.619 for *Business Sustainability* and 0.617 for *Strategic Product Design*. Since both Q^2 values are substantially greater than zero, the results provide strong evidence of the model's predictive relevance.

These findings indicate that the structural model is not only statistically well-fitted to the observed data but also possesses meaningful predictive capability. In other words, the model can reliably predict future variations and tendencies related to business sustainability and product innovation within the Muslim-friendly tourism ecosystem. Therefore, the Q-square results confirm the robustness and practical applicability of the proposed framework in explaining and forecasting the dynamics of halal tourism development.

Hypothesis Testing

In the PLS-SEM approach, decisions regarding the acceptance or rejection of research hypotheses are based on statistical significance, as indicated by the *t-statistic* and *p-value*. In SmartPLS, the significance of the proposed relationships can be assessed by examining the path coefficients, *t-statistics*, and corresponding *p-values* obtained through the bootstrapping procedure. The criteria for hypothesis testing are as follows: a hypothesis is considered supported when the *t-statistic* exceeds 1.96 and/or the *p-value* is equal to or less than 0.05 at the 5% significance level ($\alpha = 0.05$). Under these conditions, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is supported.

Conversely, when the *t-statistic* is less than 1.96 and/or the *p-value* exceeds 0.05 at the 5% significance level ($\alpha = 0.05$), the null hypothesis (H_0) cannot be rejected, indicating

that the proposed relationship is not statistically significant and the alternative hypothesis (H_a) is not supported. Accordingly, the statistical significance of each structural path in the model was evaluated based on these criteria to determine whether the proposed hypotheses were empirically supported.

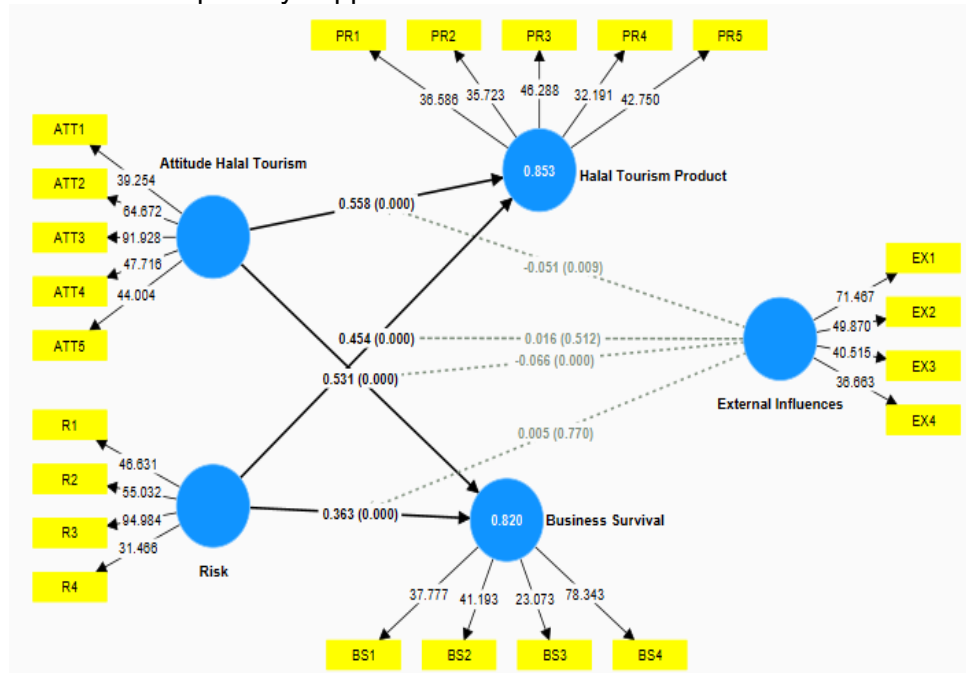


Figure 2: Th Structural Model

Tabel 7. Hypotesis Testing Direct

Hipotesis	Hubungan Variabel	Path Coefficient	T-Stat	P values
H1	Attitude Toward Halal Tourism → Outcome of Halal Tourism Product	0,558	21,120	0,000
H2	Attitude Toward Halal Tourism → Outcome of Business Survival	0,531	15,210	0,000
H3	Perceived Risk → Outcome of Halal Tourism Product	0,454	15,362	0,000
H4	Perceived Risk → Outcome of Business Survival	0,363	11,518	0,000
H5	Attitude Toward Halal Tourism X Dukungan Eksternal → Outcome of Halal Tourism Product	-0,051	2,616	0,009
H6	Attitude Toward Halal Tourism X Dukungan Eksternal → Outcome of Business Survival	-0,066	5,019	0,000
H7	Perceived Risk X Dukungan Eksternal → Outcome of Halal Tourism Product	0,016	0,656	0,512
H8	Attitude Toward Halal Tourism X Dukungan Eksternal → Outcome of Business Survival	0,005	0,293	0,770

DISCUSSION

The Effect of Attitude toward Halal Tourism on Strategic Product Design

The results of the hypothesis testing indicate that the first hypothesis (H1), which proposed a positive relationship between *Attitude toward Halal Tourism* and *Strategic Product Design*, is supported. The relationship exhibits a path coefficient of 0.558, indicating a substantial positive effect. The statistical significance of this relationship is confirmed by a *t-statistic* of 21.120, which exceeds the critical threshold of 1.96, and a *p-value* of 0.000, which is well below the significance level of 0.05. These findings suggest that positive attitudes toward halal tourism among consumers and tourism stakeholders directly encourage the development and innovation of tourism products that comply with Islamic principles. As perceptions and acceptance of Muslim-friendly tourism increase, tourism providers, particularly small and medium-sized enterprises (SMEs), become more proactive in developing and offering competitive halal tourism products and services.

A fundamental theoretical basis for interpreting this finding is provided by the Theory of Planned Behavior (TPB). According to Ajzen (2019), attitude toward a behavior serves as a primary predictor of an individual's intentions and subsequent actions. In the context of halal tourism, the attitudes of young Muslim consumers toward environmental sustainability, religious identity, and lifestyle preferences shape their expectations regarding tourism destinations and experiences. Consequently, tourism product designers cannot develop products arbitrarily; rather, they must align product attributes, such as Muslim-friendly facilities, environmentally sustainable accommodations, and certified halal food services, with the positive attitudes held by consumers. For example, when younger generations demonstrate strong support for sustainability initiatives, halal tourism products must be designed to incorporate eco-tourism principles and environmentally responsible practices.

A second theoretical explanation relates to the increasingly critical attitudes of younger consumers toward issues such as greenwashing and halal-washing, where environmental or halal claims are perceived as superficial or misleading. Under these circumstances, strategic product design becomes essential. Product design is no longer limited to the provision of halal labels or certifications but encompasses the development of an integrated tourism ecosystem. This includes transparent and hygienic food supply chains, environmentally responsible hotel operations, sustainable waste management practices, and financial transactions that comply with Islamic principles. The critical attitudes of younger consumers therefore compel tourism operators to adopt more comprehensive and strategically oriented product design approaches.

Furthermore, the findings highlight the importance of balancing consumer attitudes, perceived risks, and ecosystem support. Consumer attitudes do not operate in isolation; rather, they interact with risk perceptions, such as concerns regarding the availability of prayer facilities, hygiene standards, and service quality, as well as broader ecosystem support mechanisms. Successful tourism product design functions as a bridge that accommodates consumers' positive attitudes while simultaneously reducing perceived risks through strong institutional, technological, and community support systems. In this regard, strategic product design serves as a mechanism for reconciling consumers' expectations with the operational realities of halal tourism development.

The findings of H1 are consistent with previous empirical studies. Suhartanto et al. (2020), in their research on halal tourist loyalty, found that religious attitudes and attitudes toward halal tourism experiences directly influence how tourism product attributes, including halal food and halal amenities, are perceived and evaluated by

consumers. Their study suggests that successful tourism destinations are those that design their products in accordance with tourists' attitudinal orientations. Similarly, Battour et al. (2019) argued that halal tourism product design must evolve beyond merely providing halal food toward creating holistic tourism experiences. The attitudes of contemporary Muslim tourists, who seek both spiritual fulfillment and modern recreational experiences, serve as a blueprint for designing tourism facilities and services. Furthermore, Wardi et al. (2023) emphasized the importance of sustainability, demonstrating that younger generations possess strong environmental attitudes. When these environmental concerns are integrated with Islamic values, tourism businesses are increasingly required to redesign their offerings around the concept of Green Halal Tourism in order to remain competitive and sustainable in the long term.

The Effect of Attitude toward Halal Tourism on Business Sustainability

The results of the second hypothesis (H2) indicate that *Attitude toward Halal Tourism* has a positive and significant effect on *Business Sustainability*, with a path coefficient of 0.531. This relationship is strongly supported by a *t-statistic* of 15.210 and a *p-value* of 0.000, making it one of the most influential relationships identified in the proposed model. These findings suggest that a favorable attitude toward halal tourism development is not merely an ideological orientation but also a critical strategic asset for ensuring long-term business sustainability. Businesses that embrace and support halal tourism principles are better positioned to enhance their competitiveness, attract high-quality tourists, and cultivate customer loyalty, all of which contribute to long-term organizational survival and growth.

The findings further demonstrate that consumer attitude constitutes one of the most important drivers of business sustainability across economic, social, and environmental dimensions, commonly referred to as the Triple Bottom Line. When consumers develop positive attitudes toward the values promoted by a business, such as ethical conduct, environmental responsibility, and compliance with Islamic principles, these attitudes are translated into customer loyalty, positive word-of-mouth advocacy, and a willingness to pay premium prices. Collectively, these outcomes provide the foundation for long-term business viability and sustainable competitive advantage.

Several theoretical mechanisms help explain how consumer attitudes contribute to business sustainability. First, consumer attitudes influence *repurchase intentions*. In business practice, retaining existing customers is considerably less costly than acquiring new ones. According to the Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975), individuals' attitudes toward a product or brand directly influence their behavioral intentions. When consumers hold favorable attitudes toward a company's sustainability commitments, they are more likely to engage in repeat purchases, thereby generating stable revenue streams and enhancing long-term financial performance.

Second, contemporary consumers, particularly Millennials and Generation Z, have demonstrated a significant shift toward *ethical consumption*. These consumer groups increasingly evaluate not only the functional attributes of products but also the social and environmental behavior of the firms behind them. Their strong attitudes toward sustainability-related issues make them more willing to boycott businesses perceived as environmentally irresponsible and to support organizations that demonstrate genuine commitments to sustainability. Consequently, aligning business practices with consumer values has become an essential prerequisite for maintaining market relevance and long-term competitiveness.

Third, positive consumer attitudes contribute to the development of strong *brand equity* and organizational resilience. Favorable attitudes accumulated over time strengthen trust, credibility, and emotional attachment toward a brand. During periods of economic uncertainty or market disruption, businesses supported by consumers with strong favorable attitudes tend to exhibit greater resilience and recover more quickly than firms with weaker consumer relationships. Thus, consumer attitude serves as an intangible strategic asset that enhances organizational adaptability and long-term sustainability.

The findings of this study are consistent with several previous studies. Kumar, Manrai, and Manrai (2017), in their study entitled *Purchasing Behavior for Environmentally Sustainable Products: A Conceptual Framework and Empirical Study*, demonstrated that consumers' environmental attitudes significantly influence their intentions to purchase environmentally sustainable products. Businesses that fail to respond to these attitudes by offering sustainable products risk losing market share and jeopardizing their long-term survival.

Similarly, Paul, Modi, and Patel (2016), in their study *Predicting Green Product Consumption Using Theory of Planned Behavior and Values*, found that attitude is the strongest predictor of sustainable product consumption. Their findings suggest that aligning business values with consumer attitudes is fundamental to achieving corporate sustainability.

Within the context of halal tourism, Han, Al-Ansi, Olya, and Kim (2019), in their study *Exploring Halal Tourism in Muslim-Majority Countries: The Role of Halal Product Satisfaction, Image, and Trust*, reported that consumer attitudes rooted in religious beliefs and perceptions of halal product quality directly influence customer retention. The sustainability of hospitality businesses therefore depends heavily on their ability to maintain and reinforce these positive consumer attitudes through consistent service quality and product integrity.

Furthermore, Laroche, Bergeron, and Barbaro-Forleo (2001), in their seminal work *Targeting Consumers Who Are Willing to Pay More for Environmentally Friendly Products*, found that consumers with positive attitudes toward sustainability are willing to pay premium prices ranging from 10% to 20% higher than standard market prices. From a financial perspective, this willingness to pay enhances profit margins and strengthens the economic sustainability of firms.

Taken together, these findings highlight that consumer attitudes are far from passive psychological constructs. Sustainable businesses can no longer rely solely on conventional transactional approaches. Instead, organizations must engage in *attitude management* by actively communicating their sustainability values, transparency initiatives, ethical commitments, and corporate social responsibility (CSR) practices in ways that resonate with consumer beliefs and expectations. When such alignment between organizational values and consumer attitudes is achieved, business sustainability is reinforced through stronger customer loyalty, enhanced trust, and enduring market support.

The Effect of Perceived Risk on Strategic Product Design

The results of the third hypothesis (H3) indicate that Perceived *Risk* has a positive and significant effect on *Strategic Product Design*, with a path coefficient of 0.454. The statistical significance of this relationship is confirmed by a *t-statistic* of 11.518 and a *p-value* of 0.000. These findings suggest that risk perceptions play an important role in shaping the design and development of halal tourism products. From a managerial perspective, concerns regarding market uncertainty, potential limitations in product

innovation, and the perceived narrowing of market segments associated with halal concepts may encourage tourism providers to adopt a more careful and comprehensive approach to product design. In this regard, perceived risk acts as a stimulus that motivates businesses to better understand consumer preferences and market expectations, thereby ensuring that halal tourism products remain relevant and attractive to a broader range of tourists.

From the perspective of consumer behavior and operations management theories, products are not designed in isolation. Rather, product design represents a strategic response to reduce uncertainty and mitigate consumer concerns. Within halal industries, including food, cosmetics, pharmaceuticals, and tourism, perceived risk is particularly complex because it encompasses not only functional and financial risks but also spiritual or religious risks. Consumers may fear unintentionally consuming or using products that do not comply with Islamic principles, making risk reduction a central objective in halal product development.

Several theoretical explanations help clarify why perceived risk significantly influences halal product design. First, *extrinsic product attributes* serve as important mechanisms for reducing risk perceptions. Consumers frequently face information asymmetry, particularly regarding product ingredients, sourcing, and compliance with halal requirements. To address this issue, firms are required to strategically redesign packaging and communication elements. Effective product design should emphasize visible halal certification logos, QR-code-based traceability systems, and transparent labeling of critical ingredients, such as gelatin or collagen used in cosmetic products. Informative and transparent visual designs function as psychological reassurance mechanisms that reduce consumer anxiety and uncertainty.

Second, perceived health and physical risks influence *intrinsic product design*. Modern halal consumers increasingly associate halal products with the broader concept of *Halalan Tayyiban*, which emphasizes both permissibility and wholesomeness. Consequently, halal food and cosmetic products are expected to avoid harmful chemicals, eliminate alcohol-based ingredients, and utilize natural or plant-based materials whenever possible. Furthermore, concerns regarding cross-contamination require manufacturers to implement production systems that are physically separated from non-halal production lines. Thus, perceived risk directly influences decisions related to product formulation, ingredient selection, and manufacturing processes.

Third, perceived risk drives the development of effective *service and ecosystem design*. Within service industries such as halal tourism and halal food delivery systems, social and functional risks remain particularly salient. For example, consumers may worry that halal food could become contaminated during transportation or that tourism facilities may fail to comply with Islamic requirements. As a result, service design must incorporate mechanisms that address these concerns, including dedicated logistics systems, aesthetically designed and hygienic prayer facilities, and gender-segregated recreational facilities such as swimming pools and spa services. These design elements help reduce perceptions of Sharia non-compliance and enhance consumer confidence in halal tourism experiences.

The findings of this study are consistent with several previous studies. Sa'diah et al. (2022), in their study entitled *Product Attributes, Price, and Promotion on Purchase Decisions of Halal Cosmetics*, demonstrated that cosmetic ingredients are often hidden from direct consumer observation. Consequently, external design attributes, particularly halal labeling, function as critical trust indicators that visually reduce perceived risk and consumer uncertainty, thereby facilitating purchase decisions.

Similarly, Osman, Omar, Ratnasari, Furqon, and Sultan (2024), in their study *Perceived Service Quality and Risks Towards Satisfaction of Online Halal Food Delivery System*, found that health, psychological, and financial risks exert strong negative effects on consumer trust within online halal food ecosystems. The authors recommended that service providers redesign system architecture, traceability mechanisms, and service delivery processes to reduce these perceived risks through both functional and visual improvements.

Furthermore, Al-Ansi, Olya, and Han (2018), in their study *Effect of General Risk on Trust, Satisfaction, and Recommendation Intention for Halal Food*, reported that concerns regarding the authenticity of halal products directly undermine consumer trust. As a result, hospitality businesses are compelled to engage in strategic product design initiatives, such as obtaining halal-certified kitchen facilities and providing clearly visible prayer-direction indicators, to eliminate perceived risks and support long-term business sustainability.

Likewise, Mukhtar and Butt (2021), whose findings were later reinforced by Nugroho (2025) in *Building Trust in the Digital Halal Market*, highlighted that information asymmetry in digital environments significantly increases consumers' perceived risk. Product communication strategies and digital platform designs that emphasize Sharia compliance serve as effective trust signals capable of reducing uncertainty and strengthening consumer confidence. These findings further support the argument that halal verification mechanisms should be integrated into product design from the earliest stages of development.

Overall, the findings suggest that the higher the level of perceived risk associated with potential non-halal elements, health concerns, or service uncertainty, the greater the demand for product designers and tourism operators to incorporate risk-reduction features into their offerings. These features may include authentication systems, transparent packaging, clear labeling, traceability technologies, and the separation of facilities and services. Consequently, perceived risk should not be viewed solely as a barrier to consumption; rather, it functions as a strategic driver that stimulates innovation and encourages the development of more transparent, accountable, and consumer-oriented halal tourism products.

The Effect of Perceived Risk on Business Sustainability

Based on the results presented in Table 7, the fourth hypothesis (H4), which examines the relationship between *Perceived Risk* and *Business Sustainability*, is supported. The relationship exhibits a path coefficient of 0.353 (although Figure 1 reports a coefficient of 0.363), indicating a significant positive effect. The statistical significance of this relationship is strongly supported by a *t-statistic* of 11.518, which substantially exceeds the critical threshold of 1.96, and a *p-value* of 0.000, which is well below the significance level of 0.05.

This finding presents an interesting perspective, suggesting that perceived risk does not necessarily function solely as a barrier to business performance. Instead, it may act as a strategic driver that encourages firms to strengthen their long-term sustainability efforts. In this study, perceived risk demonstrates a significant influence on business sustainability through two complementary perspectives: the consumer perspective, which focuses on risks perceived by customers when purchasing products or services, and the internal managerial perspective, which concerns risks perceived by entrepreneurs and managers in relation to operational, environmental, and social uncertainties. From a scientific standpoint, business sustainability may be threatened

when firms fail to reduce consumers' perceived risks or inaccurately assess and manage internal business risks.

Several arguments help explain this finding. **First**, from the consumer perspective, perceived risk is generally associated with lower levels of long-term loyalty. Financial, functional, psychological, and environmental risks act as barriers to repeat purchase intentions. Because sustainable business performance depends heavily on customer retention and loyalty, high levels of perceived risk can disrupt revenue continuity and weaken long-term financial sustainability. Furthermore, within the context of sustainable and environmentally responsible businesses, modern consumers often exhibit skepticism toward corporate environmental claims, commonly referred to as *greenwashing*. When consumers perceive a high level of *green perceived risk*, their trust in the firm declines, potentially undermining long-term business viability.

This argument is consistent with previous studies. Chen and Chang (2013), published in *Management Decision*, demonstrated that green perceived risk has a significant negative effect on both green trust and green repurchase intentions. Their findings suggest that companies must reduce consumer risk perceptions through transparency and credible certification mechanisms in order to sustain long-term business performance. Similarly, Kumar et al. (2017) argued that managing consumers' perceived risks regarding the functionality and value of sustainable products is a critical determinant of whether such products can survive and remain competitive in the marketplace over time.

Second, from the internal managerial perspective, perceived risk may function as a catalyst for strategic decision-making. In this context, the relationship between perceived risk and business sustainability becomes reflexively positive. The more sensitive entrepreneurs and managers are to potential risks and uncertainties, the more likely they are to adopt sustainability-oriented strategies aimed at safeguarding their businesses. Business leaders who perceive high levels of risk associated with crises such as pandemics, climate change, economic instability, or inflation are more inclined to implement preventive measures and redesign their business models to become more adaptive, resilient, and environmentally sustainable.

The findings of this study are also supported by previous research from the entrepreneurship and management literature. A study published in *JEMA: Jurnal Ilmiah Bidang Akuntansi dan Manajemen* (2021) found that entrepreneurs' perceptions of business and product-related risks during periods of crisis encouraged strategic risk-taking behavior and the adoption of sustainable business strategies to maintain organizational survival and prevent business failure. Similarly, Bouguerra et al. (2022) examined the role of perceived risk and barriers in sustainable entrepreneurship and found that perceived risk significantly motivates entrepreneurs to seek ecosystem support, including government assistance, in order to strengthen business performance and sustainability, particularly during the early stages of business development. Furthermore, Fitriana and Wardhani (2020) reported that the integration of enterprise risk management with external social and environmental risk governance positively influences long-term profitability and organizational performance. Their findings demonstrate that effective mitigation of external risks is a critical determinant of sustainable business success.

Overall, the results suggest that the relationship between perceived risk and business sustainability can be understood as a double-edged phenomenon. From the consumer perspective, perceived risk should be minimized as much as possible because lower risk perceptions lead to higher trust, stronger customer loyalty, and improved financial sustainability. In contrast, from the managerial perspective, risk should be consciously

recognized and continuously monitored as an early warning system. A heightened awareness of operational, environmental, social, and governance-related risks encourages firms to innovate, adapt, and transform into more resilient and sustainable organizations capable of responding effectively to future challenges. Therefore, the strategic management of perceived risk constitutes a critical foundation for achieving long-term business sustainability in the halal tourism industry.

The Moderating Effect of External Support on the Relationship Between Attitude toward Halal Tourism and Strategic Product Design

The results of the hypothesis testing indicate that Hypothesis 5 (H5) is supported. The interaction between *Attitude toward Halal Tourism* and *External Support* exhibits a negative and statistically significant effect on *Strategic Product Design*, with a path coefficient of -0.051. The significance of this relationship is confirmed by a *t-statistic* of 2.616 (> 1.96) and a *p-value* of 0.009 (< 0.05). The negative coefficient suggests the presence of a dampening effect, indicating that when external support, such as government regulations, institutional interventions, or ecosystem assistance, is perceived as overly rigid or excessively dominant, the positive influence of internal attitudes toward halal tourism on product design tends to weaken.

This finding implies that innovation and independent creativity among tourism operators remain the primary drivers of halal tourism product development. While external support is important, it should function as a flexible enabling mechanism rather than an overly restrictive regulatory framework. Excessive intervention may unintentionally constrain firms' ability to respond creatively to evolving consumer preferences and market demands.

The negative and significant interaction effect identified in this study represents an intriguing anomaly within the halal tourism literature. Conventionally, the relationship between positive consumer attitudes, external support, and product development is expected to be positive. However, from the perspectives of consumer behavior and strategic management, the observed negative relationship can be explained through several psychological and operational mechanisms.

One possible explanation is the emergence of a critical-exclusivity effect and over-expectation phenomenon. When consumers, particularly younger generations, possess highly favorable and deeply internalized attitudes toward ideal halal tourism values, they often become increasingly critical and demand exceptionally high standards of compliance and authenticity. These elevated expectations may exceed what tourism providers can realistically deliver within existing operational and market constraints. Such conditions may create a product design paradox. Tourists with strong halal orientations may demand fully Sharia-compliant tourism experiences, including completely gender-segregated recreational facilities, the total elimination of alcohol-related services within hospitality establishments, and comprehensive halal certification across all elements of the tourism supply chain. While these expectations reflect strong support for halal tourism principles, they may simultaneously restrict designers' flexibility and creative freedom. Product developers may be compelled to reduce or narrow the scope of universally appealing features in order to satisfy increasingly stringent halal requirements. Consequently, highly positive consumer attitudes may become negatively associated with the acceptance of innovative product designs that seek to integrate contemporary, modern, or experiential tourism elements.

This interpretation is consistent with previous studies. Hughner et al. (2007) and Hassan (2021) highlighted the existence of an attitude–product reality gap within ethical and halal consumption contexts. Their findings suggest that excessively idealistic consumer

attitudes may impose unrealistic pressures on product development processes, resulting in products that become rigid and less adaptive to heterogeneous market needs. Similarly, Battour et al. (2011), through the lens of cultural contamination theory, argued that highly religious consumers may perceive certain modern innovations or modifications in tourism products as threats to the authenticity of Islamic values. As a result, stronger positive attitudes toward halal tourism may inadvertently limit the flexibility of businesses to introduce innovative tourism offerings.

A second explanation relates to the negative influence of external support on product design through the mechanisms of bureaucratic rigidity, organizational dependency, and institutional inertia. Although government support, industry assistance programs, and certification systems are generally intended to strengthen halal tourism development, excessive external intervention may generate unintended consequences for product innovation.

When external support is manifested through rigid certification requirements, highly standardized regulations, or extensive bureaucratic procedures, product designers may become increasingly focused on regulatory compliance rather than innovation. Under such circumstances, substantial organizational resources are devoted to satisfying administrative requirements and meeting minimum regulatory standards, leaving less capacity for experimentation, creativity, and differentiation. Consequently, firms may struggle to develop unique, aesthetically appealing, and sustainable tourism products. Furthermore, organizations that become highly dependent on external support mechanisms may exhibit lower levels of innovation. Rather than designing products based on dynamic market intelligence and changing consumer preferences, firms may simply follow templates, guidelines, or directives provided by external institutions. Such dependency may reduce organizational agility and weaken firms' ability to respond proactively to emerging market opportunities.

This argument is supported by Resource Dependence Theory (Pfeffer & Salancik, 1978), which posits that excessive dependence on external resources can diminish organizational autonomy. Within the context of product design, reliance on government subsidies, institutional support, or regulatory guidance may generate strategic rigidity that constrains adaptive and market-oriented innovation processes.

The findings are also consistent with the study conducted by Suhartanto et al. (2021) within the creative and hospitality industries. Their research demonstrated that overly stringent external interventions, including complex certification procedures and regulatory requirements, often impose additional operational burdens on firms. Rather than enhancing service quality, excessive external pressure may limit organizations' ability to customize service designs and develop customer-oriented innovations capable of meeting the expectations of increasingly diverse global markets.

Taken together, these findings suggest that external support should not be viewed as universally beneficial. While institutional assistance remains essential for halal tourism development, its effectiveness depends on the degree of flexibility and autonomy afforded to tourism operators. Excessively rigid support systems may unintentionally weaken the positive influence of favorable attitudes toward halal tourism on strategic product design by constraining innovation, creativity, and market responsiveness.

The Moderating Effect of External Support on the Relationship Between Attitude toward Halal Tourism and Business Sustainability

The results of Hypothesis 6 (H6) reveal a negative and significant interaction effect between *Attitude toward Halal Tourism* and *External Support on Business Sustainability*.

This finding is particularly intriguing and offers important theoretical and managerial implications. Conventionally, both favorable attitudes toward halal tourism and strong external support are expected to contribute positively to business sustainability. However, the negative interaction effect observed in this study reflects a phenomenon that may be described as the Expectation Paradox and the Dependence Curse, both of which have been widely discussed in strategic management and entrepreneurship literature.

One explanation for the negative influence of *Attitude toward Halal Tourism* on business sustainability relates to the issues of market fragmentation and compliance costs. Excessively strong and idealistic attitudes toward halal tourism may unintentionally trap businesses within an overly narrow niche market. While focusing on a specific market segment may strengthen brand identity, excessive specialization can reduce market flexibility and limit opportunities for broader customer acquisition.

This phenomenon may result in a loss of inclusivity. For example, when tourism businesses excessively adapt their operations to satisfy highly stringent halal expectations such as imposing strict gender segregation policies or significantly limiting services for non-Muslim visitors they may unintentionally exclude broader consumer segments, including moderate Muslim travelers and non-Muslim tourists. Within the hospitality industry, such exclusion may reduce occupancy rates, visitor diversity, and revenue generation opportunities, thereby threatening long-term financial viability.

Furthermore, highly demanding halal standards often require substantial investments in certification processes, recurring audits, supply-chain segregation, and compliance monitoring systems. While these measures may enhance legitimacy among certain consumer groups, they also increase operational and administrative costs. If the revenue generated from halal tourism markets is insufficient to offset these compliance costs, firms may experience declining profitability and weakened business sustainability.

These arguments are supported by several previous studies. The Niche Market Paradox, discussed by Kotler and Keller (2016) and Battour et al. (2011), suggests that excessive reliance on narrowly defined ideological or religious market segments may limit economies of scale and reduce organizational resilience. When niche markets experience fluctuations or demand shocks, businesses lack the diversification necessary to maintain stable performance. Similarly, Carboni et al. (2020) found that excessive tourism market segmentation, including overly rigid implementation of halal-oriented regulations, may reduce the international competitiveness of tourism destinations and threaten the survival of local tourism operators that depend on heterogeneous global tourist flows.

A second explanation concerns the negative influence of *External Support* on business sustainability through mechanisms associated with subsidy traps, managerial dependency, and bureaucratic intervention. Although government grants, financial incentives, training programs, and regulatory protections are generally intended to support business development, excessive reliance on such support may generate unintended negative consequences over time.

When tourism businesses become overly dependent on government assistance or ecosystem support programs, they may develop a sense of complacency. Under these circumstances, firms may invest less effort in strengthening internal capabilities, improving operational efficiency, pursuing innovation, or developing independent marketing strategies. As a result, when external support programs are reduced or

discontinued, businesses may struggle to survive due to the absence of strong internal competitive capabilities.

Moreover, external support frequently comes with regulatory obligations and bureaucratic requirements. While such mechanisms are designed to ensure accountability, they may also reduce strategic flexibility. During periods of market uncertainty or crisis, firms often need to rapidly adjust their business models, service offerings, or market positioning. However, organizations that are heavily constrained by externally imposed regulations may face difficulties in implementing strategic pivots, thereby reducing their ability to adapt to changing market conditions.

These findings are consistent with Resource Dependence Theory (Pfeffer & Salancik, 1978), which argues that organizations that rely heavily on external resources gradually lose strategic autonomy and become increasingly vulnerable to changes in external policies and institutional environments. Such dependency may expose firms to significant operational and financial risks when external support systems are modified or withdrawn.

Similarly, the concept of the Crowding-Out Effect in entrepreneurship literature (Shane, 2003; Audretsch et al., 2020) suggests that excessive external intervention may suppress entrepreneurial initiative, innovation, and resilience. Businesses that are established or sustained primarily through subsidies and external assistance often exhibit higher mortality rates in competitive market environments than firms that develop their capabilities independently and adapt organically to market pressures.

Overall, the findings of this study provide a critical perspective on existing halal tourism management theories. The negative interaction effect between *Attitude toward Halal Tourism* and *Business Sustainability* suggests that excessively rigid implementation of halal principles may unintentionally reduce market inclusiveness and increase compliance costs, thereby threatening long-term profitability and organizational sustainability. At the same time, the negative influence of *External Support* confirms the existence of a dependency paradox, whereby extensive external assistance may weaken firms' internal resilience, entrepreneurial capabilities, and innovation capacity. Consequently, while halal tourism development and ecosystem support remain important, their effectiveness depends on maintaining a balance between regulatory guidance, market inclusiveness, organizational autonomy, and adaptive innovation. Excessive rigidity or dependency may ultimately undermine the long-term sustainability of halal tourism businesses rather than strengthen it.

The Moderating Effect of External Support on the Relationship Between Perceived Risk and Strategic Product Design

The seventh hypothesis (H7) examined whether *External Support* moderates the relationship between *Perceived Risk* and *Strategic Product Design*. The empirical results indicate that the moderating effect is not statistically significant. Specifically, the interaction term produced a very small path coefficient of 0.016, with a *t-statistic* of only 0.656, which is substantially below the critical threshold of 1.96, and a *p-value* of 0.512, which exceeds the significance level of 0.05. Therefore, Hypothesis 7 is not supported. These findings demonstrate that external support, including government interventions, financial assistance programs, regulatory frameworks, and ecosystem initiatives, does not significantly strengthen or weaken the influence of perceived risk on halal tourism product development. In other words, the impact of perceived risk on strategic product design remains relatively constant regardless of the level of external support available within the tourism ecosystem.

The failure of external support to moderate this relationship can be explained through several theoretical perspectives. First, *perceived risk is fundamentally a subjective and internally driven psychological construct*. Risks associated with halal tourism, particularly spiritual concerns, hygiene issues, and fears regarding non-compliance with Islamic principles, are deeply embedded in consumers' cognitive evaluations. By contrast, external support mechanisms, such as government campaigns, financial incentives, and regulatory policies, are extrinsic in nature and operate at a greater distance from consumers' direct experiences. Consequently, external interventions do not automatically alter consumers' beliefs, concerns, or anxieties when evaluating halal tourism products.

For example, when consumers detect indications of halal-washing or perceive inconsistencies in halal compliance, even strong governmental assurances or institutional endorsements may be insufficient to alleviate their concerns. Under such circumstances, perceived risk continues to exert a direct influence on product evaluations, regardless of the level of ecosystem support available.

A second explanation relates to the existence of a trust deficit toward external institutions. External support is often manifested through certification systems, regulatory policies, and official endorsements provided by governmental or institutional authorities. However, when consumers exhibit low levels of trust in these institutions, external support loses its effectiveness as a credibility-enhancing mechanism. In such situations, consumers may perceive certifications and regulatory assurances as merely bureaucratic formalities rather than meaningful indicators of product authenticity and quality. As a result, external support fails to weaken the negative consequences of perceived risk because consumers rely more heavily on their own judgments, direct observations, and personal experiences than on institutional claims.

Several previous studies support this interpretation. Al-Ansi, Olya, and Han (2019) found that when consumers perceive risks related to fraud, deception, or the authenticity of halal products, the negative consequences for satisfaction and behavioral outcomes are particularly strong. Their findings suggest that external guarantees and destination reputations are often insufficient to mitigate consumers' fears unless they are accompanied by visible and transparent evidence at the product level.

This phenomenon can also be explained through Cue Utilization Theory. According to Suhartanto et al. (2020), consumers rely primarily on direct product-related cues, such as service honesty, food quality, cleanliness, and visible halal attributes, when assessing risk. In contrast, macro-level government policies and ecosystem support mechanisms operate outside the range of cues that consumers typically use during purchase and consumption decisions. Consequently, variations in the level of external support do not substantially alter how consumers associate perceived risk with the quality and credibility of halal tourism products.

Furthermore, Suhud and Willson (2019) demonstrated that institutional support frequently fails to interact effectively with consumers' perceived risks when communication gaps exist between institutions and consumers. Halal tourism consumers often place greater trust in word-of-mouth recommendations, peer experiences, and personal observations than in formal institutional messages. As a result, the direct relationship between perceived risk and product outcomes remains largely unaffected by institutional interventions, particularly when such interventions are perceived as rigid, bureaucratic, or disconnected from consumers' everyday experiences.

Overall, the findings indicate that external support is unable to moderate the relationship between perceived risk and strategic product design because perceived risk functions as a highly dominant internal psychological factor. Government regulations, ecosystem support programs, and macro-level promotional campaigns are extrinsic mechanisms that fail to operate as effective buffers against consumers' risk perceptions. Consequently, the negative influence of perceived risk on halal tourism product outcomes remains relatively stable regardless of the level of external support provided. These findings carry important managerial implications. Rather than relying primarily on external assistance, tourism operators should focus on directly mitigating perceived risks through improvements in internal product attributes and service characteristics. Strategies such as enhancing transparency, strengthening halal certification visibility, improving hygiene standards, implementing traceability systems, and providing clear information regarding halal compliance are likely to be more effective in reducing consumers' perceived risks and improving the success of halal tourism products. Therefore, the management of perceived risk should be addressed primarily at the product and service level rather than through dependence on external ecosystem interventions.

The Moderating Effect of External Support on the Relationship Between Perceived Risk and Business Sustainability

The final hypothesis (H8) examined the interaction effect between *Perceived Risk* and *External Support* on *Business Sustainability*. The empirical results presented in Table 7 indicate that the interaction effect is statistically insignificant, with a path coefficient of only 0.005. This lack of significance is further confirmed by a very low *t-statistic* of 0.293, which falls substantially below the critical threshold of 1.96, and a *p-value* of 0.770, which is considerably higher than the 0.05 significance level. Therefore, Hypothesis 8 is not supported.

These findings suggest that external support is unable to moderate the relationship between perceived risk and business sustainability. In other words, regardless of the magnitude of assistance, regulatory support, subsidies, or facilities provided by external stakeholders such as governments, industry associations, or financial institutions, such support does not significantly strengthen or weaken the impact of perceived risk on long-term business sustainability. The influence of perceived risk on business sustainability appears to remain relatively constant regardless of the level of external intervention available.

One possible explanation for this finding is the existence of a systemic internal problem–external cosmetic solution mismatch. The risks that threaten business sustainability are often deeply embedded within the internal operations of firms, including liquidity constraints, unstable supply chains, operational inefficiencies, and financial management challenges. In contrast, many forms of external support, such as entrepreneurship seminars, training programs, administrative assistance, or simplified registration procedures, do not directly address these fundamental operational issues. Consequently, externally provided assistance may be insufficient to function as an effective buffer when businesses face substantial financial or market-related risks.

A second explanation relates to the phenomenon of resource misalignment. In many cases, a gap exists between the type of support provided by external institutions and the actual needs of businesses attempting to mitigate risk. Governments and supporting organizations may focus on providing physical infrastructure, collective marketing initiatives, or broad policy incentives. However, the most pressing risks perceived by business operators often involve rising input costs, inflation, capital shortages, cash flow instability, and fears of business failure. Because the nature of external assistance does

not align with the specific risks experienced by firms, external support fails to generate a meaningful moderating effect on the relationship between perceived risk and business sustainability.

A third explanation concerns the limited absorption capacity and practical effectiveness of external support mechanisms. Although support programs may appear extensive on paper, their implementation is often constrained by bureaucratic complexity, burdensome administrative requirements, unequal distribution, and limited accessibility. As a result, the existence of external support may have little practical impact on how businesses perceive and respond to risk. Consequently, external support becomes statistically ineffective in altering the relationship between perceived risk and business sustainability.

This interpretation is further reinforced by observations from real-world business dynamics. Numerous studies examining business resilience, particularly in the aftermath of economic crises and the COVID-19 pandemic, indicate that a substantial proportion of business failures originate from internal managerial weaknesses. Evidence consistently suggests that more than 60–70% of small and medium-sized enterprise (SME) failures are associated with internal financial management problems, including cash flow disruptions, inadequate risk management practices, and limited adaptive capabilities. Even when governments provide external stimulus measures, such as loan restructuring programs, financial subsidies, or interest-rate support, firms that lack effective internal management systems frequently continue to experience financial distress and eventual business failure. These observations provide empirical support for the argument that external assistance alone is insufficient to offset the detrimental effects of internal business risks.

From a theoretical perspective, these findings align with the Resource-Based View (RBV), which emphasizes that sustainable competitive advantage and long-term organizational survival primarily depend on the effective utilization of internal resources and capabilities. According to this perspective, business sustainability is fundamentally determined by internal governance quality, managerial competence, organizational learning, and risk management capabilities rather than by external interventions alone. While external support may facilitate business development under certain conditions, it cannot substitute for strong internal capabilities when firms face significant financial, operational, or market-related risks.

Overall, the results indicate that external support is unable to moderate the influence of perceived risk on business sustainability because the primary determinants of business resilience are rooted within the organization itself. The findings reveal a significant misalignment between externally provided support programs and the actual risk-mitigation needs of businesses. Consequently, government guarantees, regulatory frameworks, financial incentives, and ecosystem support mechanisms do not function as effective statistical buffers against the destructive consequences of perceived risk. Therefore, maintaining long-term business sustainability requires firms to prioritize the development of robust internal risk management systems, strengthen organizational capabilities, and enhance strategic adaptability rather than relying excessively on external interventions. These findings underscore the importance of building self-sustaining organizational resilience as the foundation for sustainable business performance in the halal tourism industry.

CONCLUSION

Based on the comprehensive hypothesis testing results, a highly significant and critical pattern emerges from the proposed model. The findings reveal a paradoxical reality within the halal tourism ecosystem, whereby internal psychological and managerial factors exert a dominant and decisive influence on both product development and business sustainability, while external interventions often fail to perform their expected role and, in some cases, produce effects that contradict conventional theoretical assumptions.

Three major conclusions can be drawn from this study.

First, the findings demonstrate the dominant role of internal risk-related factors. Perceived Risk emerged as the most influential and consistent determinant of both Strategic Product Design and Business Sustainability. This suggests that consumer concerns regarding halal authenticity, service quality, and trust, as well as entrepreneurs' concerns regarding business continuity and financial uncertainty, function as primary drivers of organizational adaptation and strategic decision-making. Consequently, the success of halal tourism products and the sustainability of tourism businesses depend largely on how effectively these risks are identified, managed, and mitigated at the organizational level.

Second, the study reveals the existence of an attitude–sustainability paradox. Although positive attitudes toward halal tourism are generally expected to stimulate innovation and strengthen business performance, the results indicate that excessively idealistic attitudes may generate unintended consequences. Particularly among younger consumers, highly demanding expectations regarding halal compliance may constrain product innovation, reduce design flexibility, and increase compliance costs. When these expectations are not managed strategically, they may narrow market opportunities and create financial pressures that threaten long-term business sustainability. This finding highlights the importance of balancing religious authenticity with market inclusiveness and innovation flexibility within halal tourism development.

Third, the study provides evidence regarding the ineffectiveness and potential negative consequences of external support mechanisms. External support consistently failed to moderate the influence of perceived risk on either strategic product design or business sustainability. Moreover, the results suggest that certain forms of external support may exert negative effects on product development and business survival. These findings support the notion of a Dependence Curse, whereby excessive reliance on external assistance, rigid regulatory frameworks, bureaucratic certification procedures, and subsidy-driven programs may weaken organizational resilience, reduce strategic autonomy, and inhibit entrepreneurial creativity. Rather than strengthening competitiveness, overly interventionist support systems may unintentionally discourage innovation and adaptive capability among tourism operators.

Overall, the findings suggest that the long-term sustainability of halal tourism businesses cannot be achieved solely through external interventions or regulatory support. Instead, sustainable success depends primarily on the development of strong internal capabilities, effective risk management systems, adaptive product innovation, and organizational resilience. Therefore, policymakers and industry stakeholders should shift their focus from dependency-oriented support mechanisms toward strategies that empower businesses to build internal competencies, enhance flexibility, and respond proactively to evolving market challenges within the halal tourism sector.

Recommendations

Based on the findings of this study, several practical and academic recommendations can be proposed to enhance the sustainability and competitiveness of the halal tourism industry.

Recommendations for Business Practitioners and Halal Tourism Product Designers

First, tourism operators should adopt an Inclusivity-Driven Halal Design approach. Businesses should avoid developing overly rigid and exclusive products solely to satisfy highly conservative market segments. Instead, halal tourism products should be designed to remain Muslim-friendly while simultaneously appealing to broader and more diverse tourist groups. Such an inclusive approach can help preserve economies of scale, expand market reach, and enhance long-term business sustainability.

Second, firms should prioritize self-resilience and independent risk management. Business sustainability should not rely excessively on government subsidies, promotional programs, or external assistance. Instead, tourism operators should strengthen internal cash flow management, improve operational efficiency, and develop independent supply-chain transparency systems. The adoption of digital traceability technologies, for example, can directly reduce consumers' perceived risks regarding halal authenticity and service quality while simultaneously strengthening organizational resilience.

Recommendations for Governments and Policymakers

The findings suggest that policymakers should reconsider the design and implementation of external support mechanisms. Given the negative consequences associated with excessive bureaucratic intervention, governments should simplify halal certification procedures and create a more flexible regulatory environment, particularly for small and medium-sized enterprises (SMEs) and youth-led businesses. Reducing compliance costs and administrative burdens may encourage innovation rather than constrain it.

Furthermore, policymakers should shift from a subsidy-oriented approach toward a capability-building approach. Rather than focusing primarily on short-term grants, promotional campaigns, or administrative training programs, support initiatives should be directed toward strengthening firms' internal capabilities. Examples include facilitating access to digital technologies, improving risk management competencies, supporting efficient quality standardization systems, and enhancing supply-chain transparency. Such initiatives are more likely to generate sustainable competitive advantages and long-term business resilience.

Recommendations for Future Research

The findings of this study open several promising avenues for future research. Given the negative relationship identified between idealized halal attitudes and business sustainability outcomes, future studies should consider incorporating constructs such as Halal Inclusivity, Market Orientation, or Adaptive Innovation Capability as moderating or mediating variables. These variables may help explain how businesses can reconcile strict Sharia compliance with commercial viability and broader market acceptance.

In addition, future research should further investigate the paradoxical relationships identified in this study, particularly the negative effects of consumer attitudes and external support on product design and business sustainability. The rejection of conventional theoretical assumptions represents an important scientific contribution

because it captures the gap between regulatory intentions and operational realities that is often overlooked in previous studies.

One possible explanation for the negative relationship between Attitude toward Halal Tourism and both Strategic Product Design and Business Sustainability lies in the phenomenon of hyper-specialization fatigue. From a youth-centric perspective, younger consumers exhibit a unique form of attitudinal ambivalence. On one hand, they possess strong religious values and support halal principles; on the other hand, they are deeply influenced by global popular culture and seek modern aesthetics, flexibility, and experiential consumption. Consequently, when businesses design products solely to satisfy highly rigid halal expectations, they may unintentionally sacrifice universal appeal, creativity, and contemporary design elements. Such products risk becoming overly doctrinal, thereby reducing their attractiveness to moderate Muslim consumers and non-Muslim tourists alike.

Another important anomaly concerns the negative influence and moderating failure of external support. This phenomenon may be interpreted through the lens of Institutional Decoupling and the Crowding-Out Effect. In many developing countries, external support is often manifested through certification-centered regulatory systems. As regulatory pressures increase, firms may shift their focus away from product innovation and toward administrative compliance. Entrepreneurial energy and organizational resources become concentrated on fulfilling bureaucratic requirements rather than improving product quality, customer experience, and service innovation. Consequently, external support may inadvertently reduce the effectiveness of product design and weaken business adaptability.

The failure of external support to moderate perceived risk can also be explained by differences between experiential cues and informational cues. Consumers evaluate halal tourism products primarily through direct experiences, including cleanliness, service quality, hospitality, transparency, and authenticity. In contrast, government certifications, official endorsements, and institutional awards function as informational signals that are more distant from consumers' daily experiences. When a trust deficit emerges between consumers and regulatory authorities, even substantial increases in external support become ineffective in reducing consumers' perceived risks. As a result, perceived risk continues to exert a strong influence on product evaluations and business outcomes regardless of external intervention.

Overall, the findings suggest that halal tourism businesses should pursue a strategy of de-exclusivization. Product development should embrace the principle of "Halal by Default, Inclusivity by Design." Under this approach, tourism products should fully comply with halal standards by emphasizing cleanliness, health, ethical practices, and Sharia compliance, while simultaneously adopting universal aesthetics, contemporary branding, and inclusive service designs. Businesses should avoid overly rigid religious symbolism when it compromises attractiveness, accessibility, and consumer comfort within heterogeneous tourism markets. Achieving this balance is likely to be essential for ensuring both commercial success and long-term business sustainability in the evolving halal tourism industry.

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