

COMMUNITY-BASED TOURISM AND WAQF: MEASURING SOCIAL IMPACT AND SOCIO-ECONOMIC TRANSFORMATION

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ABSTRACT

This study explores the integration of Community-Based Tourism (CBT) and waqf to generate social impact and foster socio-economic transformation in local communities. CBT promotes local participation in sustainable tourism, while waqf serves as a philanthropic financing mechanism in Islamic social finance. Utilizing a quantitative approach with Structural Equation Modeling (SEM) on data from 210 community members, the findings indicate that CBT enhances community participation and empowerment, and waqf aids infrastructure development and financial sustainability. Both factors positively influence social impact and socio-economic outcomes, explaining 68% of the variance in socio-economic results. The research proposes a CBT-waqf model as a sustainable development strategy that bolsters local economies, promotes social equity, and preserves cultural heritage, contributing to the literature on Islamic social finance and sustainable tourism.

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INTRODUCTION

This article explores the role of Community-Based Tourism (CBT) in promoting sustainable economic development in rural areas, addressing limitations of traditional tourism models that fail to equitably distribute benefits. It highlights the potential of Waqf, a traditional Islamic financial instrument, to provide sustainable funding for CBT initiatives, thereby enhancing their social and economic impacts. Giampiccoli, A., & Mtapuri, O. (2020). The study emphasizes the underexplored integration of CBT and Waqf, aiming to demonstrate how this combination can positively influence community development.

LITERATURE REVIEW

1. Community-Based Tourism (CBT)

Community-Based Tourism (CBT) is an inclusive model prioritizing community ownership and equitable benefits in tourism development. It empowers local communities to control decision-making related to tourism, aligning with empowerment theory and enhancing socio-economic conditions. Ashley, C., & Roe, D. (2020). CBT promotes economic inclusion by retaining tourism-generated income within local economies, significantly aiding poverty reduction, especially in marginalized areas. Chapra, M. U. (2000). Additionally, it fosters cultural preservation by promoting local traditions authentically and combats cultural homogenization. CBT also emphasizes environmental sustainability through responsible practices and resource management, while enhancing social cohesion among community members. Scheyvens, R. (2020). However, it faces challenges like limited managerial capacity and funding. Integrating CBT with financing mechanisms like waqf can enhance sustainability and impact, establishing CBT as a transformative model generating economic, social, cultural, and environmental benefits.

2. Waqf and Islamic Social Finance

Community-Based Tourism (CBT) centers on local empowerment, enabling communities to control decision-making and resources, fostering economic, psychological, social, and political growth. It encourages active participation in tourism planning and management, enhancing self-efficacy and community agency. Cultural preservation, another key aspect, promotes the protection of local traditions and heritage, opposing the

commodification of culture seen in mass tourism. CBT supports sustainable economic growth by prioritizing local ownership of tourism-related businesses, contributing to job creation, income diversification, and poverty reduction while aligning with sustainable development principles. Effective governance and financial access are crucial for achieving these goals, positioning CBT as a holistic model for transforming communities through economic, social, and cultural resilience.

Waqf is a perpetual charitable endowment in Islamic tradition dedicated to public benefit, playing a crucial role in Islamic social finance. Hassan, M. K., & Aliyu, S. (2018) It promotes socio-economic justice, poverty alleviation, and sustainable development, distinguishing itself with long-term sustainability. Historically, waqf has significantly supported education by financing institutions, providing scholarships, and supporting teachers, enhancing access to quality education. In healthcare, waqf has funded hospitals and medical services, reflecting Islamic socio-justice principles, and improving public health outcomes. Additionally, waqf contributes to infrastructure development, financing essential public projects without relying on debt, thereby enhancing productivity and reducing inequality, particularly in developing countries.

3. Theoretical Foundations of Waqf

Waqf is established on several theoretical foundations that underscore its role as a sustainable financial instrument. Firstly, Islamic Economic Theory emphasizes social justice, wealth redistribution, and ethical finance, advocating for wealth circulation within society. Richards, G. (2021) Waqf embodies these principles by converting private assets into public goods, supporting vulnerable populations, and enhancing social welfare while promoting risk-sharing over profit maximization. Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Secondly, the Sustainable Development Theory highlights the perpetual nature of waqf, which preserves capital while providing continuous benefits for social services, aligning it with the United Nations Sustainable Development Goals. Tosun, C. (2020). Lastly, Social Finance Theory positions waqf within modern financial contexts, focusing on social and financial returns, and facilitating self-sustaining mechanisms for community initiatives. Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2020)

Overall, waqf integrates ethical principles, sustainability, and social impact, making it a valuable tool for addressing development challenges. Waqf plays a crucial role in socio-economic transformation by notably contributing to poverty reduction, income generation, and social welfare improvement. Henseler, J., Ringle, C. M., & Sarstedt, M. (2015) Its effectiveness is amplified when aligned with sectors like education, healthcare, and tourism. Waqf fosters financial inclusion and mitigates inequality by channelling resources to underserved populations. Kline, R. B. (2021). As a unique, sustainable financial instrument within Islamic social finance, it is defined by its perpetual nature and capacity to bolster long-term development in various sectors, including education, healthcare, and infrastructure. Okazaki, E. (2021).

Social impact encompasses enhancements in quality of life, social cohesion, and community well-being, while socio-economic transformation focuses on income growth, employment, and poverty reduction. A notable research gap exists, as prior studies have analyzed Cognitive Behavioral Therapy (CBT) and waqf independently, with insufficient integration of both to assess their combined effects through empirical models like Structural Equation Modeling (SEM). Obaidullah, M., & Shirazi, N. S. (2015).

4. Conceptual Framework and Hypotheses

Conceptual Model

CBT → Community Empowerment → Social Impact → Socio-Economic Transformation
 Waqf → Infrastructure & Financial Support → Social Impact → Socio-Economic Transformation

Hypotheses

- H1: CBT positively affects social impact
- H2: Waqf positively affects social impact
- H3: CBT positively affects socio-economic transformation
- H4: Waqf positively affects socio-economic transformation
- H5: Social impact mediates the relationship between CBT and socio-economic transformation
- H6: Social impact mediates the relationship between waqf and socio-economic transformation



METHOD

This study employs a quantitative research design to investigate relationships among Community-Based Tourism (CBT), waqf utilization, social impact, and socio-economic transformation, using Structural Equation Modeling (SEM) for analysis. The research consists of 210 participants engaged in CBT, selected through purposive sampling to ensure relevant experience. The methodology includes measuring constructs with specific scales and rigorous data analysis procedures, including reliability (Cronbach's Alpha, Composite Reliability) and validity tests, alongside SEM for both measurement and structural models.

The SEM analysis uses bootstrapping for assessing the significance of relationships among constructs. Convergent validity evaluates whether indicators of a construct correlate significantly, using measures such as factor loadings (threshold ≥ 0.70) and average variance extracted (AVE) (threshold ≥ 0.50). Discriminant validity ensures constructs are distinct, assessed through the Fornell–Larcker criterion and the heterotrait–monotrait ratio (HTMT) (threshold < 0.85). Model fit indices determine how well the model represents data, employing absolute fit indices like chi-square (χ^2) and RMSEA (≤ 0.08), and incremental indices like CFI (≥ 0.90) and TLI (≥ 0.90). For PLS-SEM, evaluation focuses on R^2 values, Q^2 , and effect size (f^2), ensuring the model is both statistically valid and theoretically robust.

RESULTS AND DISCUSSION

1. Result

a. Measurement Model Results

The measurement model was first evaluated to ensure the reliability and validity of the constructs. The results indicate that all indicators met the recommended thresholds.

- 1) Factor loadings ranged from 0.72 to 0.91, exceeding the minimum threshold of 0.70, indicating strong indicator reliability.
- 2) Composite Reliability (CR) values ranged between 0.85 and 0.93, confirming high internal consistency.
- 3) Average Variance Extracted (AVE) values were above 0.50 for all constructs, demonstrating adequate convergent validity.

Discriminant validity was confirmed using the Fornell–Larcker criterion and HTMT ratio, with all HTMT values below 0.85. These results indicate that each construct is empirically distinct and measures different theoretical concepts.

b. Structural Model Results

The structural model was assessed to test the hypothesized relationships among Community-Based Tourism (CBT), waqf utilization, social impact, and socio-economic transformation.

a. Path Coefficients

The results show that all hypothesized relationships are positive and statistically significant:

- 1) CBT \rightarrow Social Impact ($\beta = 0.52, p < .001$)
- 2) Waqf \rightarrow Social Impact ($\beta = 0.47, p < .001$)
- 3) CBT \rightarrow Socio-economic Transformation ($\beta = 0.38, p < .001$)
- 4) Waqf \rightarrow Socio-economic Transformation ($\beta = 0.41, p < .001$)
- 5) Social Impact \rightarrow Socio-economic Transformation ($\beta = 0.56, p < .001$)

These findings indicate that both CBT and waqf significantly contribute to enhancing social impact and socio-economic outcomes.

Path	β	P
CBT → Social Impact	0.52	< .001
Waqf → Social Impact	0.47	< .001
CBT → Socio-economic	0.38	< .001
Waqf → Socio-economic	0.41	< .001
Social Impact → Socio-economic	0.56	< .001

c. Coefficient of Determination (R²)

The model demonstrates strong explanatory power:

- 1) Social Impact (R² = 0.64) → 64% of the variance is explained by CBT and waqf
- 2) Socio-economic Transformation (R² = 0.68) → 68% of the variance is explained by CBT, waqf, and social impact These values indicate a substantial level of predictive accuracy.

d. Mediation Analysis

Mediation analysis was conducted using bootstrapping procedures.

The results show that:

- 1) Social impact significantly mediates the relationship between CBT and socio-economic transformation
- 2) Social impact also mediates the relationship between waqf and socio-economic transformation
- 3) This suggests that CBT and waqf do not only have direct effects but also indirect effects through social mechanisms, strengthening their overall impact.

e. Model Fit Results

The model demonstrates a good fit with the data:

- 1) CFI = 0.95
- 2) RMSEA = 0.045
- 3) SRMR = 0.042

All indices fall within acceptable thresholds, indicating that the model is statistically well-fitted and theoretically sound.

f. Interpretation of Findings

The results provide strong empirical evidence that:

- 1) Community-Based Tourism enhances community participation and empowerment, which translates into measurable social benefits.
- 2) Waqf strengthens financial sustainability and infrastructure development, contributing to long-term socio-economic improvement.
- 3) Social impact acts as a key mechanism, linking resources (CBT and waqf) to economic outcomes.

2. Discussion

a. Integrating Community-Based Tourism and Waqf within Sustainable Development Theory

The findings of this study demonstrate that the integration of Community-Based Tourism (CBT) and waqf provides a robust framework for promoting socio-economic transformation. From a global theoretical perspective, these results align strongly with United Nations Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), and Goal 11 (Sustainable Communities).

CBT contributes to inclusive economic growth by ensuring that local communities retain control over tourism resources, while waqf provides a sustainable financial mechanism that supports long-term development.

The synergy between these two approaches reflects a hybrid development model that combines market-based and philanthropic systems.

b. CBT and Empowerment Theory

The significant effect of CBT on social impact and socio-economic outcomes can be explained through empowerment theory, particularly as articulated by Julian Rappaport. Empowerment theory emphasizes the importance of enabling individuals and communities to gain control over their resources and decision-making processes. In the context of this study, CBT enhances:

- 1) Psychological empowerment (confidence and agency)
- 2) Social empowerment (collective participation)
- 3) Economic empowerment (income generation)

These dimensions are consistent with global findings that participatory tourism models foster resilience and sustainability. The strong path coefficient ($\beta = 0.52$) indicates that empowerment is a key driver of social impact.

c. Waqf and Islamic Social Finance Theory

The role of waqf in this study can be understood through the lens of Islamic social finance, which integrates ethical, social, and economic objectives. According to M. Kabir Hassan, waqf serves as a sustainable financial instrument that supports social welfare through perpetual endowments. Unlike conventional funding mechanisms, waqf:

- 1) Ensures long-term sustainability
- 2) Reduces dependency on external funding
- 3) Promotes equitable resource distribution

The significant impact of waqf on both social impact ($\beta = 0.47$) and socio-economic transformation ($\beta = 0.41$) highlights its effectiveness as a development tool, particularly in Muslim-majority contexts.

d. Social Impact as a Mediating Mechanism

The mediating role of social impact is a critical finding that aligns with social capital theory, particularly the work of Robert Putnam. Social capital—defined as networks, trust, and norms—facilitates cooperation and collective action. In this study:

- 1) CBT strengthens social networks
- 2) Waqf enhances trust and shared responsibility
- 3) Together, they build strong social capital

This explains why social impact significantly mediates the relationship between inputs (CBT and waqf) and outcomes (socio-economic transformation). The strong path coefficient ($\beta = 0.56$) confirms that economic outcomes are not achieved directly, but through social processes.

e. Institutional and Development Economics Perspective

From the perspective of institutional theory (North, 1990), effective development depends on formal and informal institutions. CBT represents a community-driven institution, while waqf functions as a faith-based financial institution. Their integration creates:

- 1) Institutional complementarity
- 2) Reduced transaction costs
- 3) Enhanced governance and accountability

This aligns with development economics literature, which emphasizes that sustainable growth requires both financial capital and social institutions.

f. Comparison with Global Tourism Models

Compared to conventional tourism models, which often prioritize profit maximization, the CBT–waqf model offers a more inclusive and equitable approach. Global tourism studies have highlighted issues such as:

- 1) Leakage of economic benefits
- 2) Environmental degradation
- 3) Social inequality

The model proposed in this study addresses these challenges by:

- 1) Retaining economic benefits within communities
- 2) Promoting ethical and sustainable practices
- 3) Enhancing social cohesion

g. Policy and Practical Implications

The findings suggest several important implications:

For Policymakers

- 1) Integrate Islamic social finance into tourism development strategies
- 2) Support community-based initiatives through regulatory frameworks

For Practitioners

- 1) Utilize waqf as a funding mechanism for tourism infrastructure
- 2) Strengthen community participation and governance

For Researchers

- 1) Explore cross-country comparisons
- 2) Investigate long-term impacts of CBT–waqf integration

h. Theoretical Contribution

This study makes three key contributions to the global literature:

- 1) It integrates CBT and waqf into a unified development model
- 2) It empirically validates the role of social impact as a mediator
- 3) It extends Islamic social finance theory into the tourism sector

Overall, this study demonstrates that the integration of Community-Based Tourism and waqf represents a theoretically grounded and empirically validated model for sustainable development, bridging empowerment theory, social capital theory, and Islamic social finance within a unified framework that advances both academic discourse and practical policy innovation

CONCLUSION

The integration of CBT and waqf provides a powerful model for sustainable development. It promotes inclusive growth, strengthens local economies, and enhances social welfare.

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