

PalArch's Journal of Archaeology of Egypt / Egyptology

THE ECONOMICS OF RELIGIOUS TOURISM (HAJJ) AND IT'S IMPACT ON THE SAUDI ECONOMY

Reyouf Alshammari¹, Rozina Shaheen²

^{1,2}Effat College of Business Effat University, Qasr Khuzam Jeddah Saudi Arabia

E.mail: 1ralshammari@effat.edu.sa , 2roshaheen@effatuniversity.edu.sa

Reyouf Alshammari, Rozina Shaheen. The Economics Of Religious Tourism (Hajj) And It's Impact On The Saudi Economy-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(13), 1078-1083. ISSN 1567-214x

Keywords: Economy, tourism, Saudi Arabia, pilgrims, religious

ABSTRACT

Tourism has contributed to the growth and development of various regions around the globe. In addition to the benefits, there are also challenges that have prevented nations from experiencing income-based growth that contributes to the nation. Religious tourism has been considered to be the most popular form of tourism in Saudi Arabia, especially the Hajj pilgrims. Thus, this work was done to analyze the relationship between religious tourism and its impact on the economy of Saudi Arabia. In this work, the relationship was analyzed by forecasting the growth of revenue from religious tourism in the Saudi economy. In this work, the data were collected from the General Authority for Open Data Statistics and were analyzed in terms of the time series forecast in order to predict the growth of religious tourism and the income of Hajj. This study has used and compared 5 forecasting methods, which are Naïve method, linear regression method, two period moving average method, weighted moving average method, and exponential smoothing method. The findings of this work have shown that the Naive method has the least deviation. Furthermore, the results have shown that religious tourism of Hajj pilgrims has a positive impact on the economy of Saudi Arabia.

CCS Concepts

• Information systems → Database management system engines • Computing methodologies → Massively parallel and high-performance simulations.

INTRODUCTION

Saudi Arabia's economy has been heavily dependent on oil for decades [1]. Oil is a natural resource, but it is also non-renewable, because once the reserves have been exhausted, the nation would have no sources of income. The

objective of the 2030 vision is to increase the reserves of revenue from other alternative sources of income [2]. Reducing dependence on oil means that the nation will have more income from other sources and increased opportunities for employment. As a result, the Gross National Income will increase, and because it is an economic indicator of development, the nation will attract foreign investors who will pump more revenue into the economy, thus helping the nation to grow and develop [3].

With an increasing number of incoming religious visitors, the two cities of Makkah and Medina are focusing on developing investments in the coming years [4]. The development of cities will take the form of real estate, the hospitality industry, the residential segments and other infrastructure developments that will support the growing number of tourists traveling to Makkah for Hajj pilgrims [5]. The government's efforts have been focused on developing the tourism industry, with a view to reducing seasonal income fluctuations from other activities. The objective was to increase the income received, which will contribute to the development of the infrastructure necessary for the growth and development of the economy [6]. The segment contributes about 7% of Saudi Arabia's GDP [7]. The Hajj is the pillar of Islam, and the practice is compulsory for Muslims, at least once in their lifetime, as long as they have the financial capacity to attend the event. The day involves rituals that include the Kaaba Mosque circling [8].

Religious tourism has contributed enormously to the growth and development of the economy of Saudi Arabia. There are two annual pilgrimages, but this study will focus on the pilgrim of Hajj [8]. During this time, worshipers are paying a certain amount of fees. At the same time, these tourists come from different countries, which means that they will have to pay for food and housing. In exchange, they bring foreign income that helps to improve the nation's foreign reserves. They also create short-term employment opportunities that help to improve the lives of the people of Saudi Arabia [9]. The government's goal for the 2030 vision is to achieve economic growth that will help the nation to sustain its activities [2]. There is no doubt that any income that is pumped into the economy will help to advance development and contribute to the overall growth of the nation.

Studies show that foreign revenues derived from pilgrimages amount to \$12 billion in revenues [10]. As a result, Saudi Arabia expects to raise a significant amount during the Hajj period, and the amount collected has been key to helping leaders to foster economic growth and development. Tourism brings with it financial resources that support the growth and development of the economy. Studies indicate that there has been an increase in the number of people traveling to Makkah and, as a result, it plays a key role in Saudi Arabia's Vision 2030 [11]. Furthermore, the development of housing and other related infrastructure is also part of economic growth. There has been significant pressure to construct residential premises that can accommodate people during the time of worship [12]. Moreover, the challenge facing the government is to find a balance between the desire to develop projects that can strengthen the capacity of pilgrims and thus improve residential housing [12].

Likewise, there has been an increase in the growth and development of the hospitality industry as a result of an increase in the number of people traveling to Makkah and Medina [12]. International operations are looking to opportunities and thus increasing the number of religious tourism in line with the 2030 vision. Increasing religious tourism will create huge opportunities in the hotel and accommodation sector operating in Makkah. In addition, the transport sector has also been developed to meet the needs of the Hajj pilgrims [13].

Millions of Muslims from different countries visit Saudi Arabia, Mecca every year to take part in the pilgrimage of Holy Hajj during the month of Dhu al-Hijjah [13]. As a result, religious tourism still plays a key role as the economy of Saudi Arabia. Hence, this work was done to analyze the relationship between religious tourism and its impact on the economy of Saudi Arabia. The relationship was analyzed by forecasting the growth of revenue from religious tourism in the Saudi economy.

METHODOLOGY

The study included an evaluation of past data on the role of religious tourism and the impact on the economy of Saudi Arabia. The data were collected from the General Authority for Open Data Statistics. The data were analyzed in terms of the time series forecast in order to predict the growth of religious tourism and the income of Hajj. This study has used 5 forecasting methods, which are Naïve method, linear regression method, two period moving average method, weighted moving average method, and exponential smoothing method. The data were analyzed and presented in tabulated form.

Result And Discussion

Data Analysis

Table 1 shows the forecast result. Based on Table 1, the results have shown that there is less deviation when the naive forecasting approach is used. In addition, the forecast shows that the Naive method has the least deviation. If the government relies on this approach, they will be certain of the number of visitors to be expected during Hajj. As a result, the government can plan these revenues to help the nation grow.

Table 1.Forecast result

Period (t)	Demand (A)	Naïve	Moving Average	Weighted Moving Average	Exponential Smoothing Method	Linear Regression
2020	2680000					
2021	2900000	2680000				
2022	3130000	2900000	2790000	2826667		37206.1
2023	3350000	3130000	3015000	3053333		39219.8

2024	3580000	3350000	3240000	3276667	20	41233.5
2025	3800000	3580000	3465000	3503333	2864004	43247.2
2026	4030000	3800000	3690000	3726667	3612800.8	45260.9
2027	4250000	4030000	3915000	3953333	3946560.16	47274.6
2028	4480000	4250000	4140000	4176667	4189312.03	49288.3
2029	4470000	4480000	4365000	4403333	4421862.41	51302
2030	4930000					

Income forecast from 2019 to 2030

Figure 1 shows the income forecast from the year 2019 to year 2030. Based on Figure 1, the result shows that the profit from Hajj will rise from 2019 to 2027, although there will be a slight decrease in the year 2028, the volume will grow further to 2030. As a result, the Saudi economy should expand the infrastructure in support of the increasing number of income that will come from the coming pilgrimage. As the expected income is high, the amount available can be used to support the infrastructure that will help the economy grow.

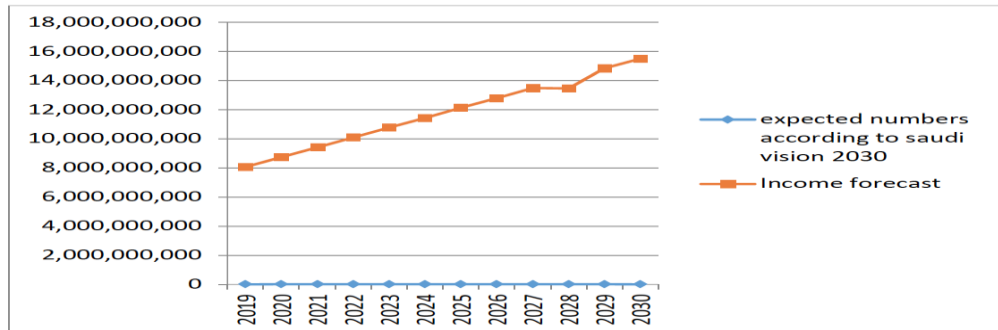


Figure 1.Income forecast

Overall Discussion

Religious tourism has a positive side, because it helps to create job opportunities that will contribute to the growth and performance of the nation. Furthermore, each nation needs resources to develop its infrastructure, and it can only come from revenues that support the growth and performance of the nation. In Saudi Arabia, the generated income from tourism helps to improve people's living standards [10]. It creates job opportunities and thus improves the country's GDP. The findings of this work have shown that by the 2030, it is forecasted that the number of visitors for Hajj pilgrims will increase. Furthermore, the income of the nation is predicted to increase as well. Hence, it is deduced that religious tourism of Hajj pilgrims has a positive impact on

the economy of Saudi Arabia and it contributes to overall economic development of Saudi Arabia.

CONCLUSION

This work has analyzed the relationship between religious tourism and its impact on the economy of Saudi Arabia. The connection between religious tourism and its impact on the economy was done by forecasting the growth of revenue from religious tourism in the Saudi economy. The key findings of this work have shown that the number of visitors and the income of the nation are forecasted to increase. Thus, it is concluded that religious tourism of Hajj pilgrims has a positive impact on the economy of Saudi Arabia.

REFERENCES

- Jawadi, F., Jawadi, N., & Cheffou, A. I. (2018). Toward a new deal for Saudi Arabia: oil or Islamic stock market investment?. *Applied Economics*, 50(59), 6355-6363.
- Alshuwaikhat, H., & Mohammed, I. (2017). Sustainability matters in national development visions—Evidence from Saudi Arabia's Vision for 2030. *Sustainability*, 9(3), 408.
- Alkhateeb, T. T. Y., Sultan, Z. A., & Mahmood, H. (2017). Oil revenue, public spending, gross domestic product and employment in Saudi Arabia. *International Journal of Energy Economics and Policy*, 7(6), 27-31.
- Fraser, C. (2018). In defense of Allah's realm: Religion and statecraft in Saudi foreign policy strategy. In *Transnational religion and fading states* (pp. 212-240). Routledge.
- Karban, A. S., Jusan, M. B., Hussein, A. H., & Al-Aboud, N. S. (2018). The Historical Development of Hospitality in Makkah. *International Journal of Engineering & Technology*, 7(3.30), 225-229.
- Algahtani, H. (2016). Strategic vision of planning the central area of Makkah City. *WIT Transactions on The Built Environment*, 159, 107-120.
- Sánchez, V. L., Fernández, M. D., & Lara, J. Á. S. (2017). Economic impact of a religious and tourist event: A Holy Week celebration. *Tourism Economics*, 23(6), 1255-1274.
- Henderson, J. C. (2017). 13 Pilgrimage and tourism development in Saudi Arabia. *International Tourism Development and the Gulf Cooperation Council States: Challenges and Opportunities*, 222.
- Bokhari, A. A. H. (2018). The Economics of Religious Tourism (Hajj and Umrah) in Saudi Arabia. In *Global Perspectives on Religious Tourism and Pilgrimage* (pp. 159-184). IGI Global.
- Kouchi, A. N., Nezhad, M. Z., & Kiani, P. (2018). A study of the relationship between the growth in the number of Hajj pilgrims and economic growth in Saudi Arabia. *Journal of Hospitality and Tourism Management*, 36, 103-107.
- Utomo, S. B., Scott, N., & Jin, C. X. (2016). Hajj outcomes: A review of the literature. *CAUTHE 2016: The Changing Landscape of Tourism and Hospitality: The Impact of Emerging Markets and Emerging Destinations*, 314.
- Jamal, A., Griffin, K., & Raj, R. (Eds.). (2018). *Islamic Tourism: Management of Travel Destinations*. CABI.

Freitag, U. (2019). The History of the Hajj as Heritage: Asset or Burden to the Saudi State?. In *Travelling Pasts: The Politics of Cultural Heritage in the Indian Ocean World* (pp. 62-79). Brill.

Columns on Last Page Should Be Made As Close As Possible to Equal Length

Authors' background

Your Name	Title*	Research Field	Personal website

This form helps us to understand your paper better, **the form itself will not be published.*

***Title can be chosen from: master student, Phd candidate, assistant professor, lecture, senior lecture, associate professor, full professor**