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Mapping the Potential and Challenges of Islamic Economics in Riau Province: A Comparative Study of Districts/Cities Based on the Islamic Economic Index

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ABSTRACT

Islamic economics has become one of the strategic pillars of regional economic development in Indonesia, including in Riau Province, which holds substantial potential that has not yet been systematically mapped at the district/city level. This study aims to map the potential and challenges of Islamic economic development in Riau Province through a comparative approach across regions based on Islamic Economic Index indicators. The research employs a library research design with a systematic literature review approach and descriptive-qualitative analysis. Data sources consist of official publications from authoritative institutions (BPS Riau Province, Bank Indonesia, KNEKS, OJK, and the Riau Provincial Government) as well as academic literature collected through documentary study techniques and analyzed using content analysis and descriptive-comparative analysis. The results show that Riau holds an institutional advantage as the first province to simultaneously have a Governor Regulation on Islamic Economics, a Regional Committee for Islamic Economy and Finance (KDEKS), and a fully sharia-based regional development bank. The halal industry sector has grown significantly, with halal-certified businesses increasing from 16,050 to 35,432 between 2023 and 2026, accompanied by halal export values reaching US$10.43 billion. Riau's financial literacy and inclusion indices were recorded as the highest nationally, although Islamic financial literacy specifically still lags behind. The study also found variation in potential across districts/cities, indicating the need for differentiated policy approaches to Islamic economic development. This research contributes theoretically by enriching subnational Islamic economic mapping studies and practically by serving as a reference for local governments and KDEKS in formulating more contextual and data-driven policies for Islamic economic development in Riau Province.

Keywords: Islamic economics; Islamic economic index; Riau Province; halal industry; Islamic financial literacy

INTRODUCTION

The global Islamic economy has evolved into one of the fastest-growing economic segments over the past decade, encompassing sectors ranging from halal food and Islamic finance to modest fashion, halal cosmetics and pharmaceuticals, Muslim-friendly tourism, and media and recreation. According to the State of the Global Islamic Economy (SGIE) Report 2024/2025 published by DinarStandard, the Global Islamic Economy Indicator (GIEI), which ranks 81 countries according to the strength of their enabling ecosystems, places Indonesia in third position for three consecutive reporting periods, behind Malaysia and Saudi Arabia (DinarStandard, 2025; Ikatan Ahli Ekonomi Islam Indonesia [IAEI], 2025a). Indonesia's performance is particularly strong in the modest fashion sector, where the country ranks first globally, as well as in Muslim-friendly tourism and halal cosmetics and pharmaceuticals, where it ranks second (IAEI, 2025b). Nevertheless, Indonesia's Islamic finance sector remains comparatively underdeveloped, ranking sixth globally, which points to a persistent gap between the country's demographic potential as the world's largest Muslim-majority nation and its actual competitiveness in the global Islamic economy (IAEI, 2025b).

At the national level, this global momentum is reflected in the rapid expansion of Indonesia's domestic Islamic economic ecosystem. Total Islamic financial assets reached IDR 2,756.45 trillion as of June 2024, growing by 12.48% year-on-year, while the Islamic finance market share now stands at 11.41% (KNEKS, 2024). This phenomenon demonstrates that Islamic economics is no longer merely a normative religious discourse but has become a tangible economic force contributing significantly to Indonesia's economic structure. In the regional context, strengthening Islamic economics at the local level is crucial, given that Indonesia adheres to a fiscal decentralization system that grants each province room to optimize sharia-based economic potential according to its own local characteristics.

This national achievement cannot be separated from the role of regional governments in translating national Islamic economic strategy into local implementation. Indonesia's decentralization framework grants each of its provinces considerable authority to design region-specific economic development strategies, including those oriented toward Islamic economic principles. In this context, the National Committee for Islamic Economy and Finance (KNEKS) has actively encouraged the establishment of Regional Committees for Islamic Economy and Finance (KDEKS) across provinces as a key institutional infrastructure supporting Indonesia's ambition to become a global halal hub, a vision first articulated in the Indonesia Islamic Economic Masterplan launched in 2019 (KNEKS, 2019, 2022a). By late 2024, KDEKS institutions had been established in the majority of Indonesian provinces, reflecting the growing recognition among regional governments of Islamic economics as a strategic development sector (KNEKS, 2024).

Riau Province is one of the regions in Sumatra with promising Islamic economic potential, supported by a Muslim-majority population and abundant natural resources. Recent data indicate that Riau's economic growth in the fourth quarter of 2024 was recorded at 3.52% year-on-year (BPS Riau Province, 2025). Meanwhile, the halal industry sector in Riau shows an encouraging trend, with the number of halal-certified businesses reaching 35,432, or 14.17%

of the total business actors in the province, along with halal export values that reached US$10.43 billion as of November 2025 (Potretnews, 2026; ZonaHalal.ID, 2026). The number of registered halal products in Riau has also increased significantly, reaching 81,509 products (ZonaHalal.ID, 2026). Another notable achievement is Riau's financial literacy index, recorded at 67.27%, the highest among all Indonesian provinces (Media Center Riau, 2023). This body of data confirms that Riau has a strong foundation to develop into one of the epicenters of Islamic economics in the Sumatra region.

Beyond its economic indicators, Riau Province possesses distinctive demographic and geographic characteristics that reinforce its potential as a center of Islamic economic development in Sumatra. The province is home to a Muslim-majority population and is strategically located along international trade corridors bordering Malaysia, Singapore, and Thailand (Media Center Riau, 2023). This strategic position was formally recognized when Riau became the first province in Indonesia to simultaneously possess a Governor Regulation (Pergub) on Islamic Economic Development, a KDEKS, and a fully sharia-based Regional Development Bank through the conversion of Bank Riau Kepri into BRK Syariah (KNEKS, 2022b; Riau Provincial Government, 2022). These institutional milestones have positioned Riau as a reference model that other provinces frequently look to when accelerating their own Islamic economic ecosystems.

Nevertheless, these achievements still leave a number of fundamental issues unresolved. First, the rapid growth of the national Islamic finance sector has not been fully matched by equitable public literacy; the national Islamic financial literacy index according to OJK, for instance, only increased from 9.14% in 2022 to 39.11% in 2023 (KNEKS, 2024), meaning most of the population still lacks adequate understanding of Islamic financial products and principles. Second, Islamic economic potential in Riau has thus far been mapped predominantly at the aggregate provincial level, while development disparities among districts/cities in Riau—which encompass regions with highly diverse economic characteristics, ranging from plantation and mining bases to urban service sectors have received insufficient attention in academic studies. Third, the Riau Provincial Government itself acknowledges that regional Islamic economic development still requires stronger data support and cross-sectoral collaboration to operate optimally and sustainably (Riau Provincial Government, as cited in Potretnews, 2026). This condition points to a gap between the policy momentum for regional Islamic economic development and the availability of measurement instruments capable of mapping potential and challenges spatially and quantifiably across regions.

This research gap is further reinforced by the state of academic literature on Islamic economic measurement in Indonesia. A number of studies have attempted to construct composite indices to measure the performance of the Islamic economy at the national and provincial levels, such as the Economic Islamicity Index (EI2) developed by Sholihin (2020), which measures the degree of "Islamicity" of Indonesia's economy from a maqasid syariah perspective, the Index of Syariah Financial Inclusion (ISFI) developed by Umar (2017), and the cross-province Islamic Financial Inclusion Index developed by Ali et al. (2019). While these studies provide valuable methodological foundations, they are generally conducted at the national or interprovincial level and do not extend their analysis to the district/city level within a single province. This leaves a significant gap in understanding the intraprovincial variation of Islamic economic potential, precisely the gap this study seeks to address in the context of Riau Province.

This gap becomes increasingly relevant to examine, given that most Islamic economic research in Indonesia remains focused on the national level or interprovincial comparisons, while composite index-based approaches capable of comparing Islamic economic performance across districts/cities within a single province remain relatively limited. In fact, as emphasized by regional autonomy expert Djohermansyah Djohan of the Institute for Regional Autonomy, Riau possesses strong capital for Islamic economic development ranging from halal industry potential and MSMEs to public support, yet its success heavily depends on how all this potential is managed in an integrated and sustainable manner (as cited in ZonaHalal.ID, 2026). Without systematic index-based mapping, Islamic economic development policies risk becoming overly generalized and poorly targeted, as they fail to account for the differing characteristics, capacities, and challenges faced by each district/city in Riau Province.

Based on the description above, this article aims to (1) map the institutional, financial, industrial, and literacy-related potential of Islamic economics in Riau Province; (2) identify the principal challenges hindering equitable Islamic economic development across the province; and (3) examine the extent to which potential and challenges vary across districts/cities based on the available secondary evidence. Theoretically, this research is expected to enrich the literature on regional Islamic economics, particularly in developing measurement and mapping methods for Islamic economic indices at the subnational level, which remain rarely studied in Indonesia. Practically, the findings of this research are expected to serve as a reference for the Riau Provincial Government, KDEKS, Bank Indonesia, and other relevant stakeholders in formulating Islamic economic development policies that are more targeted, contextual, and data-driven, thereby fostering inclusive and sustainable Islamic economic growth throughout Riau Province.

LITERATURE REVIEW

The Concept of Islamic Economics and Maqasid Syariah

Islamic economics is broadly defined as an economic system grounded in the values and principles of Islamic law (sharia), which seeks not merely to maximize material output but to realize socioeconomic justice, equitable distribution of wealth, and the elimination of exploitative practices such as riba (interest), gharar (excessive uncertainty), and maysir (speculation) (Chapra, 2000). A central conceptual pillar underlying Islamic economics is maqasid syariah, or the higher objectives of Islamic law, which encompass the preservation of religion, life, intellect, lineage, and wealth. Within this framework, economic development is not evaluated solely by conventional growth indicators such as gross regional domestic product, but also by the extent to which economic activity contributes to social welfare, ethical business conduct, and the equitable distribution of resources across society (Chapra, 2000). This conceptual foundation is essential for understanding why the mapping of Islamic economic potential in a region such as Riau must extend beyond narrow financial metrics to also capture dimensions such as halal industry development, social finance (zakat, infaq, sadaqah, and waqf), and public literacy.

Institutional Economics and Regional Development

The institutional economics perspective developed by North (1990) posits that formal institutions, laws, regulations, and organizational structures, together with informal institutions such as social norms, shape the incentive structure that determines a region's economic performance. Applied to Islamic economics, this perspective suggests that the presence of a supportive regulatory framework (such as a Governor Regulation on Islamic Economics) and dedicated coordinating bodies (such as KDEKS) functions as an enabling environment that reduces transaction costs and encourages private-sector participation in sharia-compliant economic activities. At the same time, the new economic geography framework developed by Krugman (1991) explains why economic activity, particularly high-value-added activities such as finance and institutional services, tends to concentrate spatially in administrative or commercial centers, creating a core-periphery pattern in which peripheral regions contribute disproportionately to primary production and micro-enterprise activity. This theoretical lens is directly relevant to understanding the spatial distribution of Islamic economic potential across Riau's districts/cities, where institutional and financial infrastructure tends to concentrate in Pekanbaru while halal-based micro-enterprises are more widely distributed across surrounding regencies.

Composite Index Approaches to Measuring Islamic Economic Performance

A growing body of Indonesian scholarship has sought to translate the normative principles of Islamic economics into measurable composite indices. Sholihin (2020) developed the Economic Islamicity Index (EI2), a composite measure derived from the core objectives of the Islamic economic system, such as welfare, economic growth, income distribution, and economic justice, which are then proxied by measurable economic indicators to produce a comparative ranking of the degree of "Islamicity" of Indonesia's provincial economies. In a related but narrower scope, Umar (2017) constructed the Index of Syariah Financial Inclusion (ISFI) covering three dimensions: accessibility, availability, and usage of Islamic banking services using province-level data for the period 2010–2015, and found that the index was generally low nationally, with considerable variation across provinces. Building on this, Ali et al. (2019) developed a more comprehensive cross-province Islamic Financial Inclusion Index for Indonesia and found that Islamic financial inclusion remains unevenly distributed, with provinces in western Indonesia, particularly those on Java, recording substantially higher levels of Islamic bank penetration than provinces in eastern Indonesia. These studies collectively demonstrate both the feasibility and the methodological complexity of constructing composite indices for Islamic economic performance, while also confirming that spatial disparity is a persistent and well-documented feature of Islamic economic development in Indonesia.

Regional Autonomy and Islamic Economic Governance in Indonesia

Indonesia's system of regional autonomy grants provincial and district/city governments substantial authority over economic development planning, which creates both opportunities and challenges for Islamic economic governance. On one hand, decentralization allows provinces such as Riau to design context-specific Islamic economic policies, as demonstrated by its pioneering Governor Regulation and KDEKS. On the other hand, decentralization can also produce fragmented and uneven implementation, particularly when institutional capacity, human resources, and data infrastructure are unevenly distributed between provincial capitals and outlying districts. KDEKS Riau itself has acknowledged this challenge by calling for more active outreach and education on Islamic economics to be extended not only to Muslim communities but to all segments of society across the province, including non-Muslim communities, as a means of building broader and more equitable support for sharia-based economic development (PPID Riau, 2023).

Conceptual Framework of This Study

Drawing on the theoretical and empirical literature reviewed above, this study adopts an integrative conceptual framework comprising five interrelated dimensions of the Islamic Economic Index: (1) institutional and regulatory infrastructure, encompassing the presence of Governor Regulations, KDEKS, and sharia-based regional financial institutions; (2) Islamic finance, encompassing the growth and market share of sharia banking; (3) halal industry and micro, small, and medium enterprises (MSMEs), encompassing halal certification, product registration, and export performance; (4) financial literacy and inclusion, encompassing both general and sharia-specific literacy and inclusion indices; and (5) Islamic social finance (ZISWAF), encompassing zakat, infaq, sadaqah, and waqf collection and utilization. This five-dimensional framework is used to organize the synthesis of secondary data collected for Riau Province and its districts/cities in the Results section, and subsequently informs the comparative and interpretive discussion of potential and challenges presented in the Discussion section.

METHOD

This article employs a library research design with a systematic literature review approach that is descriptive-qualitative in nature. This choice of research design is based on the characteristics of the topic under study, namely mapping the potential and challenges of Islamic economics in Riau Province, which requires the synthesis of various secondary data sources, including official statistics, institutional reports, and prior research findings, to construct a comprehensive and comparative picture across districts/cities. Library research was selected because it is capable of integrating various types of data and information scattered across multiple sources into a single coherent analytical framework, without requiring primary field data collection (Snyder, 2019). A systematic literature review approach was employed to ensure that the process of searching, selecting, and synthesizing sources was conducted in a structured and transparent manner, thereby minimizing researcher subjectivity bias and enhancing the replicability of the study's results (Tranfield et al., 2003).

Data sources in this study consist of two main categories: official secondary data and academic literature. The first category includes official publications from authoritative institutions such as the Central Statistics Agency (BPS) of Riau Province, Bank Indonesia's Riau Province Representative Office, the National Committee for Islamic Economy and Finance (KNEKS), the Financial Services Authority (OJK), the National Amil Zakat Agency (BAZNAS), and policy documents from the Riau Provincial Government related to regional Islamic economic development. The second category includes peer-reviewed journal articles indexed nationally and internationally, methodological and Islamic economics reference books, conference proceedings, and reports from relevant think-tank institutions such as the Global Islamic Economy Report and the Indonesia Islamic Economic Masterplan. The use of diverse and complementary sources aligns with the principle of source triangulation in qualitative research, which aims to enhance the credibility and validity of findings by comparing information from various perspectives and document types (Creswell & Creswell, 2018).

Data collection techniques were carried out through documentary study, namely the process of searching, gathering, and recording data from written and electronic documents relevant to the research topic (Sugiyono, 2019). The data collection procedure was implemented through several systematic stages: (1) identification, involving the determination of search keywords such as "Islamic economics Riau," "Islamic economic index," "regional sharia economic index," and "sharia economic development Indonesia" across academic databases (Google Scholar, Scopus, DOAJ, Garuda) and official government websites; (2) screening, involving the filtering of documents based on inclusion criteria documents published within the last five years (2020–2026), thematically and regionally relevant, and sourced from credible publishers and exclusion criteria for documents failing to meet these standards; (3) data extraction, involving the recording of key information from each selected document into a synthesis matrix covering the five Islamic Economic Index dimensions described in Section 2.5 for Riau Province and, where available, for its constituent districts/cities. These stages refer to the systematic literature review framework developed by Tranfield et al. (2003), which has been widely adapted in social science and economic studies.

Data analysis procedures were conducted through content analysis combined with descriptive-comparative analysis. Content analysis was used to identify, categorize, and interpret thematic patterns emerging from the collected documents, particularly concerning the indicators constituting the Islamic Economic Index in each district/city (Krippendorff, 2018). Subsequently, the categorized data were analyzed descriptively and comparatively to map the variation in achievements, potential, and challenges of Islamic economic development across regions in Riau Province. This analytical process was carried out through three stages as proposed by Miles et al. (2014): (1) data reduction, by filtering and focusing on information relevant to Islamic economic indicators; (2) data display, by presenting data in the form of comparison matrices and descriptive summaries across districts/cities; and (3) conclusion drawing and verification, by interpreting identified patterns to formulate findings regarding the leading potential and structural challenges of Islamic economic development in each region.

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To ensure the validity and reliability of the findings, this study applied several methodological strategies. First, source triangulation was conducted by comparing data from official institutions (BPS, BI, KNEKS, OJK) with academic literature findings to ensure information consistency. Second, an audit trail was established by documenting the entire process of searching, selecting, and extracting data so that the research procedure could be traced and replicated by other researchers, in line with the principle of transparency in systematic literature reviews (Tranfield et al., 2003). Third, this study acknowledges a methodological limitation in the form of selection bias, given that the sources used are limited to documents accessible online (open access), meaning the resulting findings are indicative in nature and require further confirmation through field research or primary surveys in subsequent research stages. Through this combination of strategies, the research method is expected to produce a systematic, valid, and reliable mapping of the potential and challenges of Islamic economics in Riau Province as a basis for policy recommendations.

RESULTS

Based on the exploration and synthesis of various secondary data sources, it was found that Riau Province demonstrates fairly prominent achievements in developing its Islamic economic ecosystem compared to other provinces in Sumatra. Riau is recorded as the first province in Indonesia to simultaneously possess a Governor Regulation (Pergub) on Islamic Economic and Financial Development, a Regional Committee for Islamic Economy and Finance (KDEKS), and a fully sharia-based Regional Development Bank (BPD) through the conversion of Bank Riau Kepri (BRK) into BRK Syariah (KNEKS, 2022b; Riau Provincial PPID, 2022). Notably, prior to its full conversion, BRK's Sharia Business Unit (UUS) market share was recorded as the highest among regional development bank UUS units in Indonesia, reaching 30% (Riau Provincial Government, 2022). This institutional achievement was further recognized nationally through the receipt of three awards simultaneously at the 2022 Adinata Syariah awards, in the categories of Green and Sustainable Economy, Islamic Finance, and Halal Industry (Riau Provincial Government, 2022). This finding indicates that strengthening institutional infrastructure is one of Riau's key advantages in Islamic economic development, beyond mere growth in the real sector.

In the dimension of the halal industry and MSME empowerment, the data synthesis results show a consistent upward trend year over year. By the end of 2023, 16,050 MSMEs in Riau Province had obtained halal certification (Riau PPID, 2023). This figure then increased significantly to 35,432 halal-certified business actors, or 14.17% of the total business actors in the province, by early 2026, with a total of 81,509 registered halal products (Potretnews, 2026; ZonaHalal.ID, 2026). The export value of Riau's halal commodities, dominated by animal and vegetable fats and oils reached US$10.43 billion as of November 2025 (ZonaHalal.ID, 2026). This data shows more than twofold growth in halal certification within approximately two years, indicating significant acceleration in the halal ecosystem at the provincial level, although its distribution across regions has not been mapped evenly in the available sources.

In terms of Islamic financial literacy and inclusion, Riau demonstrates a nationally superior position. The general financial literacy index in Riau (encompassing both conventional and Islamic finance) was recorded at 67.27%, the highest among all Indonesian provinces, having risen sharply from 43.19% in 2019, with a financial inclusion index reaching 85.19% (Media Center Riau, 2023). This achievement contrasts with the national condition, where the Islamic financial literacy index, according to OJK, specifically only reached 39.11% in 2023, despite rapid growth from 9.14% in 2022 (KNEKS, 2024). This comparison indicates that although general financial literacy in Riau is relatively high, no specific data is yet available that isolates Islamic financial literacy alone at the provincial or district/city level, meaning the actual level of Islamic economic literacy among Riau's population still requires further measurement.

At the regional level, the literature synthesis results indicate variation in the characteristics and potential of districts/cities in Riau Province, although an official composite index by administrative region is not yet openly available. Pekanbaru City was identified as the center of institutional and financial sharia activity, marked by the presence of BRK Syariah's headquarters and the KDEKS Riau Province secretariat (KNEKS, 2022b). Meanwhile, at the community-based MSME and halal industry level, regions such as Kampar Regency were identified as having a growing base of community-based sharia micro-enterprises, as exemplified by home-based business actors applying sharia principles in their business management (Bisnis.com, 2024). Districts/cities located directly along international trade routes were also assessed as holding strategic geographic advantages, given that Riau Province as a whole borders Malaysia, Singapore, and Thailand, a factor explicitly cited by the Riau Provincial Government as a key asset for export-oriented Islamic economic development (Media Center Riau, 2023).

Positioning these provincial findings within the national and global context provides additional interpretive value. Indonesia's third-place ranking in the 2024/2025 Global Islamic Economy Indicator was driven primarily by strength in the modest fashion, tourism, and cosmetics/pharmaceuticals sectors, while Islamic finance remained a comparatively weaker pillar, ranking sixth globally (IAEI, 2025b). Riau's own profile mirrors this national pattern to some extent: the halal industry and MSME dimension shows rapid, measurable growth, while the Islamic finance dimension despite BRK Syariah's strong regional market share has not yet been benchmarked against national or international standards in a way that allows direct comparison. This suggests that Riau's contribution to Indonesia's broader Islamic economic competitiveness may currently be stronger on the real-sector (halal industry) side than on the financial-sector side, a pattern that merits further empirical investigation.

The findings above can be systematized into five dimensions of the provincial-level Islamic Economic Index, as presented in Table 1, followed by a qualitative comparative summary of district/city-level potential in Table 2.

Table 1. Summary of Islamic Economic Indicator Findings for Riau Province

Dimension	Indicator	Achievement	Source
Institutional	Regulatory & institutional status	First province with Governor Regulation + KDEKS + Sharia Regional Bank	KNEKS (2022b)
Islamic Finance	BRK's UUS market share (pre-conversion)	30% (highest nationally among regional bank UUS units)	Riau Provincial Government (2022)
Halal Industry	Halal-certified businesses	35,432 businesses (14.17% of total business actors)	Potretnews (2026)
Halal Industry	Halal product export value (Nov 2025)	US$10.43 billion	ZonaHalal.ID (2026)
Literacy & Inclusion	Financial literacy index (general)	67.27% (highest nationally)	Media Center Riau (2023)
Literacy & Inclusion	Financial inclusion index	85.19%	Media Center Riau (2023)

Table 2. Indicative Qualitative Comparison of District/City-Level Islamic Economic Potential

Region	Identified Strength	Identified Challenge	Source Basis
Pekanbaru City	Institutional & financial center; BRK Syariah headquarters, KDEKS secretariat	Concentration of benefits; limited spillover to surrounding districts	KNEKS (2022b)
Kampar Regency	Community-based sharia MSMEs and home-based halal food production	Limited scale, market access, and formal financing	Bisnis.com (2024)
Border/coastal districts	Geographic proximity to Malaysia, Singapore, and Thailand; export potential	Logistics and trade-facilitation infrastructure not yet fully mapped	Media Center Riau (2023)
Province-wide (all districts)	High general financial literacy and inclusion base	Sharia-specific financial literacy not separately measured	Media Center Riau (2023); KNEKS (2024)

Note: Table 2 presents an indicative qualitative synthesis drawn from the secondary sources cited, not a calculated composite index score, in line with the library research design of this study.

These findings form the basis for the further discussion regarding the interpretation, implications, and limitations inherent in mapping the potential and challenges of Islamic economics across districts/cities in Riau Province.

DISCUSSION

The finding regarding Riau's institutional advantage as the first province to have both a Governor Regulation on Islamic Economics and KDEKS reinforces the argument in institutional economics literature that the presence of a strong regulatory and institutional framework is a fundamental prerequisite for the sustainability of value-based economic sector

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development, including Islamic economics (North, 1990). In the context of Islamic economics, robust institutions function as an enabling environment that bridges sharia principles with modern market mechanisms (Chapra, 2000). However, this top-down institutional advantage carries the potential to create implementation disparities, given that institutional capacity concentrated in the provincial capital, Pekanbaru, is not necessarily decentralized evenly to the district/city level. This pattern is consistent with the new economic geography perspective advanced by Krugman (1991), which explains why high-value-added economic functions such as finance and institutional coordination tend to agglomerate in administrative centers, leaving peripheral districts more reliant on primary production and micro-enterprise activity.

The rapid growth in halal business certification from 16,050 MSMEs in 2023 to 35,432 business actors in 2026 can be interpreted as the success of accelerated halal certification programs driven by both central and regional governments, in line with Indonesia's vision of becoming the world's halal hub as outlined in the Indonesia Islamic Economic Masterplan (KNEKS, 2019). This growth also mirrors Indonesia's broader strength in halal-adjacent sectors at the global level, where the country ranks first in modest fashion and second in Muslim-friendly tourism and halal cosmetics and pharmaceuticals (IAEI, 2025b). Nevertheless, this quantitative growth in certification must be examined critically: an increase in the number of halal-certified businesses does not automatically reflect improvements in production capacity, competitiveness, or real economic value added for business actors, particularly micro-scale MSMEs. Riau's certification growth figures therefore need to be complemented with qualitative indicators such as increased revenue, market access, and business sustainability post-certification in order to reflect real impact on welfare, rather than administrative compliance alone.

The gap between Riau's high general financial literacy index (67.27%) and the low national Islamic financial literacy index (39.11%) indicates a specific knowledge gap regarding Islamic financial products and principles, even though general financial literacy is relatively well-established. This pattern is consistent with earlier province-level evidence on Islamic financial inclusion in Indonesia: both Umar (2017) and Ali et al. (2019) found that Islamic financial inclusion and access to sharia banking services vary substantially across Indonesian provinces and remain, on average, considerably lower than conventional financial inclusion. The implication is that strategies to enhance Islamic economic inclusion in Riau cannot rely solely on high general financial literacy as a foundational asset, but require education programs specifically targeting understanding of sharia principles a point already signaled by KDEKS Riau through its recommendation to expand Islamic economic outreach to all segments of society, including non-Muslim communities (Riau PPID, 2023).

The variation in potential across districts/cities identified in this study with Pekanbaru as the institutional-financial center and Kampar as one of the community-based MSME sharia bases reflects the core-periphery pattern predicted by Krugman's (1991) new economic geography framework, in which high-value-added economic activities concentrate in administrative centers while peripheral regions contribute more to primary production and micro-enterprises. This pattern carries important policy implications: a one-size-fits-all approach to Islamic economic development risks being less effective, as MSME-based districts/cities require different interventions, such as certification assistance and access to Islamic microfinance, compared to cities with a stronger financial institutional base, which require greater emphasis on product innovation and integration with Islamic capital markets. Encouragingly, this study also found that Riau's geographic advantage as a border region with Malaysia, Singapore, and Thailand could serve as a unifying factor that can be optimized across districts/cities through the joint development of halal export and cross-border trade schemes, an approach consistent with the maqasid syariah emphasis on the preservation and equitable distribution of wealth described by Chapra (2000).

When evaluated against Sholihin's (2020) Economic Islamicity Index framework which measures Islamic economic performance not merely through growth but through welfare, income distribution, and economic justice Riau's profile appears strong on the institutional and industrial-growth dimensions but comparatively underdeveloped on the distributive and welfare dimensions, given the absence of granular data on how the benefits of halal industry and Islamic finance growth are actually distributed among different income groups and districts. This observation reinforces the argument that composite index-based approaches, of the kind pioneered by Sholihin (2020), Umar (2017), and Ali et al. (2019) at the national and interprovincial levels, need to be adapted and applied at the intraprovincial level in Riau to more accurately capture whether Islamic economic growth is translating into broad-based welfare improvement or remaining concentrated in specific institutional and geographic nodes.

Despite these findings, this study carries several limitations that must be critically acknowledged. First, as a library research study, this research heavily relies on the availability and quality of secondary data published online, while official data on a composite Islamic economic index at the district/city level in Riau Province is not yet openly and standardly available, meaning the comparative analysis across regions in this study is indicative in nature, based on qualitative synthesis rather than formal quantitative index calculation. Second, most of the data sources used originate from government press releases and public relations publications, which may carry a tendency toward positive reporting bias and insufficiently explore program challenges or shortcomings in a proportional manner. Third, limited access to paid academic databases further constrained the scope of primary scholarly literature that could be integrated into this study. To address these limitations, future research is recommended to conduct primary surveys or in-depth interviews with KDEKS, business actors, and district/city authorities to construct a genuinely measurable composite Islamic economic index that can be validly compared across regions, while also incorporating more granular official BPS district/city data to strengthen the validity of findings.

CONCLUSION

This study aimed to map the potential and challenges of Islamic economic development in Riau Province through a library research approach based on Islamic Economic Index indicators. The synthesis results show that Riau holds a significant comparative advantage in the institutional dimension, as the first province in Indonesia to simultaneously possess a

Governor Regulation on Islamic Economics, a Regional Committee for Islamic Economy and Finance (KDEKS), and a fully sharia-based regional development bank (BRK Syariah). In the halal industry dimension, the growth of halal-certified business actors from 16,050 MSMEs in 2023 to 35,432 businesses in 2026, accompanied by a halal export value reaching US$10.43 billion, confirms the acceleration of the regional halal ecosystem. Meanwhile, Riau's high financial literacy and inclusion indices (67.27% and 85.19%) the highest nationally contrast with the still-low level of Islamic financial literacy specifically at the national level, indicating a gap in public understanding of sharia principles and products despite relatively mature general financial literacy. The finding of varying potential across districts/cities with Pekanbaru as the institutional-financial center and other regions such as Kampar as community-based MSME bases further confirms that Islamic economic development in Riau has not been evenly distributed, thereby requiring differentiated policy strategies across regions.

Practically, these findings offer several policy implications that can be implemented by relevant stakeholders. First, the Riau Provincial Government and KDEKS need to promote the decentralization of Islamic economic institutional capacity down to the district/city level, rather than concentrating it solely in Pekanbaru City, to ensure equitable distribution of the sharia ecosystem's benefits across all regions. Second, given the gap between the quantity growth of halal certification and the quality of its economic impact, post-certification assistance programs are needed that focus on improving market access and MSME competitiveness, rather than merely fulfilling administrative requirements. Third, relevant authorities—Bank Indonesia, OJK, and KDEKS Riau need to design more specific and segmented Islamic financial literacy education programs, leveraging Riau's already-high general financial literacy capital as a foundation for acceleration. Fourth, Riau's geographic advantage as a border region with Malaysia, Singapore, and Thailand can be optimized through the development of collective halal cross-border trade schemes involving districts/cities jointly, so that export potential is not enjoyed solely by regions with already advanced logistics infrastructure.

This study carries several limitations that must be considered in interpreting its findings. As a library research study, the results presented are highly dependent on the availability of secondary data published online, while official data in the form of a composite Islamic economic index at the district/city level in Riau Province is not yet openly and standardly available. Consequently, the comparative analysis across regions in this study is indicative, based on qualitative synthesis rather than a verified formal quantitative index calculation. In addition, most of the sources used originate from government press releases and public relations publications, which may carry a tendency to highlight positive achievements, meaning structural challenges have not yet been deeply explored. Limited access to paid academic databases further constrained the scope of primary scholarly literature that could be integrated. Therefore, the findings of this research should be understood as an initial, indicative mapping rather than a definitive generalization of actual conditions across all districts/cities in Riau Province.

Based on these limitations, future research is strongly recommended to develop a quantitatively measurable Regional Islamic Economic Index through the collection of primary

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data directly from all districts/cities in Riau Province, covering indicators of Islamic finance, halal industry, MSMEs, literacy-inclusion, and ZISWAF (zakat, infaq, sadaqah, and waqf) in a granular manner. Future research is also advised to employ quantitative approaches with composite index construction methods such as indicator weighting or principal component analysis, following methodological precedents in related Islamic index studies (Sholihin, 2020; Umar, 2017; Ali et al., 2019) along with in-depth interviews with KDEKS, district/city authorities, and business actors to capture implementation challenges not detectable through secondary data. Thus, future research is expected to produce a more valid, reliable, and applicable measurement instrument as a basis for formulating more precisely targeted Islamic economic development policies in Riau Province.

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