Reflection of Ricardo's theory of rent on the reality of the Hospitality sector in the holy city of Karbala

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Abstract

This study explored at how David Ricardos classical theory of land yield inequality applies to the hospitality sector in Karbala, Iraq. Karbala is a city that gets a lot of visitors for reasons and they all go to certain holy sites. David Ricardo said that the land that is good for growing things will make money for the people who own it. The main question this study is trying to answer is if something similar happens in the hospitality sector. The study used a group of fourteen hotels that are at different distances from the Grand Mosque in Mecca and the Prophets Mosque in Medina. The people who did the study talked to the owners of these hotels from 2022 to 2025. They found out that being close to the sites is like having good land. It helps the hotels make more money. The hotels that are close to the sites do better than the ones that are far away. They have people staying in them the land is worth more and they make more money every year. This study is important because it shows that David Ricardos theory is not for farming but it can also be used to understand why some hotels do better than others in cities where people go for religious reasons. The study found that hotels in Karbala, Iraq that are close to the sites are always going to do better than the ones that are far away no matter how big or small they are. This is an idea in the Iraqi academic context and it can help us understand how businesses do in cities that are popular for religious tourism. David Ricardos theory is useful for understanding why some hotels do better than others and it can be used to study cities, like Karbala, Iraq.

Keywords: Ricardo’s theory of rent; Differentiation rent; Religious tourism; Hospitality sector; Holy city of Karbala; Locative proximity; Pilgrimage economy

انعكاس نظرية ريكاردو في الريع على واقع القطاع الفندقي لمدينة كربلاء المقدسة

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ملخص

تبحث هذه الدراسة في مدى إمكانية تطبيق نظرية ديفيد ريكاردو الكلاسيكية حول الريع التفاضلي على قطاع الفنادق في مدينة كربلاء المقدسة بالعراق، في سياق يتميز بالسياحة الدينية الجماعية المرتبطة بالمواقع المقدسة الثابتة. يُعزى إطار ريكاردو الأصلي اختلاف عوائد الأراضي إلى تباين خصوبة التربة، حيث تُدرّ الأراضي الأكثر خصوبة فوائض أكبر تُحتسب كريع. يتمحور السؤال الرئيسي الذي يحرك هذا البحث حول ما إذا كان هناك عامل تمييز مماثل داخل قطاع الفنادق، وما إذا كان إطار ريكاردو يحتفظ بصلاحيته الهيكلية عند نقله من القطاع الزراعي إلى قطاع الضيافة التجارية. بالاستناد إلى عينة مختارة بعناية من أربعة عشر فندقًا موزعة على مسافات متفاوتة من الحرمين الشريفين، وبالاعتماد على بيانات أولية جُمعت من خلال مقابلات مباشرة مع مالكي الفنادق خلال الفترة من ٢٠٢٢ إلى ٢٠٢٥، توصلت الدراسة إلى أن القرب المكاني من الأماكن المقدسة يؤدي الدور نفسه الذي تؤديه خصوبة التربة في نموذج ريكاردو، مما يُولّد تدرجًا ثابتًا وقابلًا للقياس في الميزة التجارية التفاضلية، والتي تتجلى في معدلات الإشغال وأسعار الأراضي والإيرادات السنوية. وتتفوق الفنادق الواقعة ضمن منطقة القرب الأقرب باستمرار على الفنادق الأبعد والأعلى مكانة، بغض النظر عن تصنيفها أو حجمها. يُسهم هذا البحث في النظرية الاقتصادية من خلال إثبات، ولأول مرة في السياق الأكاديمي العراقي، أن منطق ريع ريكاردو يتجاوز الزراعة، ويُشكّل إطارًا هيكليًا متينًا لتحليل الفروقات في الأداء التجاري في أسواق السياحة الحضرية ذات الطابع الديني.

الكلمات المفتاحية: نظرية ريع ريكاردو؛ الريع التفاضلي؛ السياحة الدينية؛ قطاع الفنادق؛ مدينة كربلاء المقدسة؛ القرب المكاني اقتصاد الحج

1.Introduction

The global tourism industry is one of the most important factors that drives change in global society at all levels. However, the impact of this phenomenon on the tourism industry is undeniable, leading to an unprecedented development of this economic sector under completely new conditions. In the context of hospitality, the major players in the tourism industry need to make many changes and generate continuous technological innovation in products, processes, and knowledge to compete and maintain their competitiveness in the tourism market. Economists aim to uncover the structural logic behind room prices, occupancy rates, and seasonal income in the hospitality sector. Although Ricardo's rent theory remains pertinent in modern urban contexts, its application to the economics of hospitality, especially in emerging religious tourism destinations, has not received adequate scholarly attention (Inua and Smith, 2020: 90).

The holy city of Karbala occupies a singular position within this landscape. Located in central Iraq approximately 105 kilometers southwest of the capital Baghdad, and covering an region of about 5,034 square kilometers, Karbala has long been recognized as one of the most important pilgrimage destinations in the Islamic world. According to 2021 statistics from the Iraqi Ministry of Planning, Karbala's population is around 1,316,750, but it experiences a significant influx of visitors during major religious events, particularly the Day of Ashura. The city's historical importance predates Islam, with its holy shrines and mosques attracting millions of visitors throughout the year, putting considerable pressure on its hospitality infrastructure and making Karbala one of the most visited cities in the Middle East.

Over the past 20 years, significant amounts of both public and private capital have entered Karbala's hospitality industry in response to this demand. The investment landscape encompasses a wide range of lodging types, from smaller establishments converted from residential houses in the narrow alleyways surrounding the area of the Two Holy Mosques to internationally classified hospitality with full-service facilities (Faris & Griffin, 2020: 30). A natural experiment with significant analytical value is produced by the locative distribution of hospitality supplies towards different distances from the city's sacred core. It enables scholars to see how the commercial performance of hospitality is influenced by proximity to the main attraction, the shrines, in ways that are similar to how soil fertility functions in traditional Ricardian rent theory.

In order to explain why landowners, receive different yields from agriculturally similar pieces of land, David Ricardo, a key player in the early nineteenth-century classical English economic school, developed his theory of differential rent (Ricardo, 1992: 538). His reasoning was simple: bigger surpluses are produced by land that is closer to markets or has better natural fertility, and these surpluses are collected as rent. However, according to Ricardo, rent is a result of differentiation advantage that accrues to landowners whose resources have attributes that others do not, rather than a cost of production. The evolution of economic theory concerning land, value, and distribution was greatly influenced by this framework. But its ability to reveal trends in non-agricultural economic sectors, especially the hospitality sector in religiously

This work aims to immediately close that gap. It starts with three related goals. The first step is to thoroughly examine Ricardo's theory of rent in order to provide the conceptual framework required for the analysis that follows. Recognizing that the productive resource in question is fundamentally different in nature even though the economic logic governing it is structurally similar, the second is to determine which dimension in the hospitality sector plays the same differentiating role as soil fertility in Ricardo's agricultural model. The third is to apply Ricardo's theoretical framework to the empirical reality of Karbala's hospitality industry, analysing how locative proximity to holy shrines produces commercial advantages and differentiation among hospitality in a way that is consistent with the Ricardian model of differentiation.

Against this background, the central research problem can be stated a differentiation s follows: Ricardo's theory of rent assigns the dimension of soil fertility a decisive role in generating differentiation returns in the agricultural sector. Does a comparable dimension exist in the hospitality sector, and if so, what is its nature, and does it operate in a manner that the Ricardian framework can adequately explain? It is this question that the present research is designed to answer.

2. Theoretical Framework

2.1 Hospitality in the Holy City of Karbala

Throughout the year, the holy city experiences a large and continuous influx of tourists, the vast majority of whom are religious pilgrims, and whose reasons and customs differ significantly from those of leisure or business travelers. Since the two holy shrines are the main tourist destinations and generate concentrated population flows that characterize the city's economy, hospitality in the holy city of Karbala is widespread throughout the region or in its vicinity (Al-Masoudi et al., 2023: 12). The nature and orientation of the services offered by the city's hospitality sector, which has gradually adapted its offerings to meet the unique needs of pilgrims rather than the more diverse expectations of tourists, directly reflects this unique religious character of visitor demand.

The majority of hospitality projects in the holy city of Karbala are capital-intensive, primarily due to the high cost of buildings, construction, furnishings, and equipment, as well as the high land prices in the areas surrounding the holy shrines (Al-Masoud et al., 2024: 22). Land prices in this market range from 2 million to 50 million Iraqi dinars per square meter, with this variation determined almost entirely by proximity to the religious site. The value allocated for airspace—the right to build vertically above ground level—which is purchased through the city's municipal department, is calculated at 25 percent of the prevailing market price per square meter. The plots available for hospitality development near the holy shrines are small, having originally been residential houses occupying the narrow alleyways that historically surrounded the holy sites before the city underwent significant urbanization over the past decade (Alowaid et al., 2021: 18). This physical constraint on land size means that building large-scale, first-class hospitality facilities within the inner area surrounding the shrines is practically impossible. This explains why the entire city of Karbala has only four first-class accommodations, none of which are located in immediate proximity to the two holy mosques. Consequently, investors have primarily directed their capital toward second- and third-class hospitality projects, which are better suited to the area's limited spatial constraints. Meanwhile, Karbala's broader hospitality stock consists mostly of second-, third-, and fourth-class establishments that do not meet the physical or service standards required for first-class or premium ratings (Zamani-Farahani et al., 2018: 15).

The researcher found that the size of rooms in class and third-class hotels in the sample was similar. Single and double rooms, not including the bathroom were between nine and twelve meters. Triple rooms were between fourteen and eighteen meters. Rooms for than three people were between twenty and twenty-five square meters. The money needed to run a hotel in Karbala is quite a lot. This is because of the large monthly expenses that hotel managers have to pay. These expenses include staff wages, which're a big part of the costs. For example housekeeping, maintenance and security staff get paid between 350,000 and 900,000 dinars. Front office workers get paid between 600,000 and over one million dinars. Hotel owners also spend a lot on energy, fuel, and petroleum products to generate electricity on their own. They have costs for providing services preparing food, and keeping guest facilities in condition. The yearly fees and taxes on hotels add to the burden. This makes managing hotel rooms efficiently very important for making a profit. As noted by Al-Kanany in 2026 the working capital required is considerable. Similarly Awdaa & Hussein, in 2024 pointed out that efficient occupancy management is a necessity.

2.2 Karbala's Religious Occasions

The city of Karbala has a calendar for religious events. This calendar is based on Islamic events that bring a lot of people to the city. The city of Karbala has nineteen religious occasions that people come to visit for. These occasions are related to Imam Hussein and the Ahl al-Bayt. A lot of people hundreds of thousands or even millions come to the city of Karbala for these events. The city of Karbala uses the lunar calendar to plan these events. This means that the timing of these events changes every year when compared to the calendar. This makes it hard for hotels and other places to stay to plan. They have to be ready for a lot of people at times of the year. The calendar of the city of Karbala has events all year round. There are events every Friday night that bring people to the city. This means that the city of Karbala has people visiting all the time. It is not like places that have one busy time of year and then it is quiet. The city of Karbala has a lot of people coming and going all the time. Each event brings a lot of people to the city of Karbala. This can be hard, for hotels and other places to stay to handle.

Table (1): Karbala Religious Occasions

Hijri Calendar	Special Occasion	No.
1–10 Muharram	The tragedy of Imam Hussein (peace be upon him)	1
10 Muharram	Ashura	2
13 Muharram	Third Imam Hussein (peace be upon him)	3
17 Muharram	Seventh Imam Hussein (peace be upon him)	4
25 Muharram	Death of Imam Sajjad (peace be upon him)	5
5 Sofar	The death of Ruqayyah, daughter of Imam Hussein (peace be upon him)	6
20 Sofar	The fortieth anniversary of Imam Hussein (peace be upon him) and the regain of the captives from Syria	7
1 Rajab	Visiting Imam Hussein (peace be upon him) on the first of Rajab	8
15 Rajab	Visiting Imam Hussein (peace be upon him) in the middle of Rajab	9
3 Shaaban	Birth of Imam Hussein (peace be upon him)	10
4 Shaaban	Birth of Abbas ibn Ali ibn Abi Talib (peace be upon him)	11
5 Shaaban	Birth of Imam Sajjad (peace be upon him)	12
11 Shaaban	Birth of Ali al-Akbar (peace be upon him)	13
15 Shaaban	Birth of the awaited Imam (peace be upon him)	14
1–30 Ramadan	The holy month of Ramadan	15
1–3 Shawwal	Eid al-Fitr	16
9 Dhu al-Hijjah	Visiting Imam Hussein (peace be upon him) on the Day of Arafah	17
10–13 Dhu al-Hijjah	Eid al-Adha	18
All year round	Friday night	19
Hijri Calendar	Special Occasion	No.

Source: (Shmoto et al., 2015: 197)

2.3 Ricardo's Theory of Rent

The term rent is employed broadly within economic discourse, though its conventional meaning in everyday usage refers simply to the periodic payment made by a tenant to a landowner in exchange for the use of a property, whether that property takes the form of an apartment, a house, a commercial space, or a parking facility (Hussein, 2021: 14). The economic interpretation of rent departs significantly from this colloquial understanding. In the technical language of economics, rent designates the price paid for the productive service rendered by land as a dimension of production, that is, the payment a tenant makes to a landowner in exchange for access to the land's productive or locational capacities (Gerrard, 2020: 7). Ricardo defined land rent specifically as that portion of the land's produce which is paid by the tenant to the landowner in exchange for the use of the soil, or what Ricardo termed the indestructible power of the soil (Shmoto et al., 2023: 308). He further conceptualized rent as the difference among the regain actually earned from a given activity conducted on the land and the minimum regain that would be sufficient to retain the tenant in that activity rather than cause him to switch to an alternative use. Classical economists confined the concept of rent to land and excluded other dimensions of production from this category precisely due land's supply is fixed and therefore perfectly inelastic, whereas the supply of labor, capital, and entrepreneurship responds to price signals and can expand or contract accordingly (Inoua & Smith, 2020: 308).

Ricardo located the source of rent in the differentiation productive capacity of land itself, arguing that more fertile land generates a higher rent than less fertile land due it yields a greater surplus above the cost of production (de Sismondi, 2023: 697). In this framework, rent represents the excess regain that accrues to the user of a superior plot of land compared to what could be earned on the least productive land still in use, which Ricardo termed marginal land. The concept can be illustrated through a straightforward example: a plot of land used for agriculture generates an annual income of five thousand dollars, however when converted to use as a tourist restaurant the same land generates ten thousand dollars. The difference of five thousand dollars constitutes the rent attributable to the superior income-generating capacity of the land in its more productive application (Schneider1, 2016: 25).

Economists have further distinguished a category known as scarcity rent, which arises not from differentiation fertility towards competing plots of land however from the absolute insufficiency of a particularly advantaged resource relative to the demand placed upon it (Fullerton & Metcalf, 2001: 617). In the context of religious tourism, this concept carries considerable explanatory relevance. When pilgrimage demand surges during the major religious occasions in Karbala, the hospitality situated in closest proximity to the holy shrines cannot expand their physical capacity to meet the additional demand, due the supply of land in that innermost zone is permanently and irreversibly fixed. Investors are consequently compelled to seek accommodation at relatively more distant hospitality, and these more remote establishments capture only a portion of the locational feature enjoyed by the proximately situated hospitality. The scarcity rent that accrues to the most advantageously positioned hospitality is therefore not a surplus generated by comparison with rent-free land however a regain attributable to the fundamental and irremediable scarcity of sacred proximity itself.

Ricardo grounded his theory on six foundational assumptions that define the conditions under which differentiation rent arises and operates (Stigler, 1958: 357). He assumed first that the total region of land obtainable for exploitation is fixed and cannot be increased. Second, he assumed that land devoted to a particular productive activity has no alternative competing uses that could attract it away from its current employment. Third, he assumed that landowners will always prefer to receive any positive regain rather than leave their land idle, which in combination with the fixed supply assumption produces a perfectly inelastic supply of land. Fourth, he assumed that the law of diminishing returns governs the application of labour and capital to land, such that successive additional inputs yield progressively smaller increments of output. Fifth, he assumed that the productive quality of each plot of land is known in advance by together the tenant and the landowner, and that the most fertile land is brought into production first. Sixth, he assumed that competition among land users is perfect and that the costs of applying labour and capital are uniform towards all users (Peach, 1988: 59).

Lets look at how differentiation rent works with an example. We have five pieces of land called A through E. They are listed in order from most fertile to least fertile. The best land, Land A grows thirty tons of wheat and each ton sells for two hundred dollars. This means it makes six thousand dollars in total. It costs two thousand dollars to produce the wheat. The rent is four thousand dollars.

Land B is not as good it grows twenty tons of wheat. It makes four thousand dollars. The rent is two thousand dollars. Land C grows fifteen tons. The rent is one thousand dollars. Land D grows ten tons. It makes two thousand dollars, which is exactly what it costs to produce the wheat. This means there is no rent, for Land D. We call Land D land because it is the least productive land that people still think is worth farming. The worst land, Land E only grows five tons of wheat. It makes one thousand dollars. It costs two thousand dollars to produce the wheat. This means the rent is one thousand dollars. Because of this people will not use Land E for farming anymore.

Table (2): An Applied Example of Ricardo's Theory of Rent

Rent ($)	Cost of Production dimensions ($)	Total Production Value ($)	Price per Ton ($)	Production Volume (tons/$)	Fertility Level
4,000	2,000	6,000	200	30	A
2,000	2,000	4,000	200	20	B
1,000	2,000	3,000	200	15	C
0	2,000	2,000	200	10	D
-1,000	2,000	1,000	200	5	E

Source: (Saeed and Hussein, 2004: 361).

The table shows us how differentiation rent happens because of the levels of land fertility. Land A is very fertile. As we move to land D the fertility gets lower and lower. This means the money we get from selling things after paying for production also gets smaller. Eventually we do not get any money at all. This idea of how fertility affects the money we get is like a model that we will use to understand the hospitality market in Karbala. Of looking at how fertile the land is we will look at how close hotels and other places are to the holy shrines. This closeness is what will give some businesses an advantage over others in the hospitality market, in Karbala. The table helps us see how this works with land. Now we will apply this idea to the hospitality market.

3. Research Methodology

This research is based on two approaches, each with its own purpose. The first approach is about describing things. It looks at what other smart people have said about Ricardos theory of rent and how it applies to the hospitality sector. The researcher read a lot of books and articles to create a framework for the study. This was not a simple review of what others have said but a careful analysis and reinterpretation of their ideas. The goal was to see how these ideas could be applied to the hospitality sector in an interesting way specifically in the context of religious pilgrimage. The second approach is about analyzing data. The researcher collected information from hospitality establishments in Karbala, such as hotels and hostels. This information included things like room prices, occupancy rates and revenue. The researcher did not just use data from sources but actually went to Karbala and talked to the people who run these establishments. This gave the data a personal and authentic touch. The analytical approach then used the framework developed in the part to make sense of this data. It looked at how the ideas from Ricardos theory of rent could help explain the differences in performance among the hospitality establishments.

The researcher chose the hospitality establishments in a way based on their location relative to the Two Holy Mosques in Karbala. The idea was to see how the distance from these sites affected the performance of the establishments. The sample included establishments from distance bands ranging from 150 to 1,300 meters from the mosques. This allowed the researcher to see how the location affected the prices, occupancy rates and revenue of the establishments. Google Maps was used to verify the location of each establishment and to create an replicable basis for the analysis. The study looked at data from 2022 to 2025, which included both pilgrimage seasons and special commemorative occasions. This allowed the researcher to see how the location affected the performance of the establishments during times of the year. The study was limited to the city of Karbala, which made it easier to collect data and provided an focused context for the analysis.

One of the findings of the study was that the price of land varied significantly depending on the location. Establishments closer to the Two Holy Mosques had higher land prices than those farther away. For example the Naeem Al-Warith Hostel, which is located close to the mosques had a land price of 45,000,000 Iraqi dinars per square meter. In contrast the Basil of Karbala Hostel, which is located over 1,300 meters away had a land price of 3,000,000 dinars per square meter. This suggests that the location is a factor in determining the value of the land.

The study also found that the urban land market in Karbala has already taken into account the value of the location. The price of land reflects the premium that the market attaches to being close to the shrines. This creates a gradient of land values with the valuable land being closest to the shrines. The researcher used a model to analyze the data, which positioned the location as the variable and looked at how it affected the performance of the establishments. The results showed that the location was a factor in determining the success of the hospitality establishments in Karbala. The researcher used Ricardos theory of rent to understand the data. The theory says that the value of land is determined by its location and its fertility. In the context of Karbala the location is the factor as it determines how close the establishments are to the holy shrines. The study found that the establishments closer to the shrines had occupancy rates, revenue and land prices. This suggests that the location is a factor in determining the success of the hospitality establishments in Karbala.

The study has some implications for the hospitality sector in Karbala. It suggests that location is a factor in determining the success of establishments and that those closer to the holy shrines are likely to perform better. This could have implications for investors and developers who are looking to build establishments in the city. The study also highlights the importance of considering the location when evaluating the performance of hospitality establishments. Overall the study provides an interesting perspective on the hospitality sector in Karbala. It shows how the location of establishments affects their performance and how the urban land market in the city has already taken into account the value of the location. The study has some implications for investors, developers and policymakers and provides a framework for understanding the complex relationships, between location, land value and the performance of hospitality establishments.

4. Results and Analysis

Table 3 shows that there is an opposite relationship between land size and price per square meter for the hostels sampled. The smaller plots have the land values. Naeem Al-Warith Hostel is an example of this. It has a price per square meter of 45,000,000 Iraqi dinars even though it only covers 400 square meters. This is because it is located in the heart of the area near the Two Holy Mosques. On the hand Basil of Karbala Hostel has the largest land size at 4,000 square meters but has the lowest price per square meter at 3,000,000 dinars. This shows that being far from the site makes land value lower no matter how big the plot is. These numbers demonstrate that in Karbalas land market being close to the holy shrines is the factor in determining land value. The land prices in Karbala decrease as you move away, from the holy shrines, which matches Ricardos theory of differentiation rent.

Table (3): Region of Land of the Sample Hostel s and Their Prices during the Year 2025

Cost of Land	Price per M²	Hostel Area	Hostel Name	No.
2,134,000,000 IQD	11,000,000 IQD	194 M²	Larin	1
12,160,000,000 IQD	20,000,000 IQD	608 M²	Paradise of Hussein	2
18,000,000,000 IQD	9,000,000 IQD	2,000 M²	River of Paradise	3
15,200,000,000 IQD	8,000,000 IQD	1,900 M²	Gulf Tower	4
7,500,000,000 IQD	10,000,000 IQD	750 M²	Star of Jerash	5
4,450,000,000 IQD	10,000,000 IQD	445 M²	Karbala Plaza	6
12,000,000,000 IQD	3,000,000 IQD	4,000 M²	Basil of Karbala	7
7,200,000,000 IQD	12,000,000 IQD	600 M²	Casablanca	8
2,420,000,000 IQD	11,000,000 IQD	220 M²	The Scent of Heaven	9
18,000,000,000 IQD	45,000,000 IQD	400 M²	Naeem Al-Warith	10
7,500,000,000 IQD	25,000,000 IQD	300 M²	Youssef Tower	11
4,625,000,000 IQD	25,000,000 IQD	185 M²	Paradise of Karbala	12
7,000,000,000 IQD	20,000,000 IQD	350 M²	Al-Jood	13
3,720,000,000 IQD	20,000,000 IQD	186 M²	Coral	14

Source: Personal interviews with selected sample hotel owners.

4.1 Competitive Feature of Hospitality

Beyond the raw cost of land, the locational dimension of ho hospitality tel performance in Karbala is further illuminated by a systematic assessment of competitive feature based on measured distances from the Two Holy Mosques. Table 4 show each hot hospitality el in the sample alongside its measured distance from the holy shrines, expressed in meters, and a competitive feature score ranging from zero to four. Hospitality situated at a distance of 1,000 meters or more receive a score of zero, meaning they possess no locational competitive feature in relation to the sacred site. Hospitality within 750 meters receive a score of one, those within 500 meters receive a score of two, those within 250 meters receive a score of three, and those within 150 meters receive the maximum score of four, denoting an excellent competitive advantage.

The data in Table 4 shows a pattern. The hotels that score four on the feature index like Naeem Al-Warith, Youssef Tower, Paradise of Karbala, Al-Jood and Coral are all near the shrines. They are within 200 meters of the shrines. Basil of Karbala is the first-class hotel in the sample. It scores zero. Is 1,300 meters away. This is interesting because it goes against what we would expect. We would think that a higher classification would mean commercial performance.. In a city where people go on pilgrimage being close to the sacred place is more important than how fancy the hotel is.

The location of the hotels is important. Hotels near the Two Holy Mosques are usually buildings that used to be homes. They are on plots of land in crowded parts of the city. They do not have the fancy architecture of newer hotels on the outskirts of the city.. Even with these disadvantages they do better than the newer hotels when it comes to how full they are and how much money they make.

This shows that in a city where people go on trips being close to the sacred site is what sets one hotel apart from another. This is similar to how good soil can make one farm better than another. The hotels that are close to the site, like Naeem Al-Warith, Youssef Tower, Paradise of Karbala, Al-Jood and Coral are the ones that do well. They have something that the other hotels do not have. That is their location.

Table (4): Distance of the Sample Hotels from the Two Holy Mosques

Competitive Advantage	Score (D)	Distance from Sanctuary	Classification	Hotel Name	No.
Very good feature	3	300 M	Second	Larin	1
Excellent feature	4	240 M	Second	Paradise of Hussein	2
It has an advantage	1	800 M	Second	River of Paradise	3
Good feature	2	550 M	Second	Gulf Tower	4
It has an advantage	1	800 M	Second	Star of Jerash	5
It has an advantage	1	750 M	Second	Karbala Plaza	6
No advantage	0	1,300 M	First	Basil of Karbala	7
Good feature	2	600 M	Second	Casablanca	8
Good feature	2	600 M	Second	The Scent of Heaven	9
Excellent feature	4	150 M	Second	Naeem Al-Warith	10
Excellent feature	4	150 M	Second	Youssef Tower	11
Excellent feature	4	200 M	Third	Paradise of Karbala	12
Excellent feature	4	220 M	Third	Al-Jood	13
Excellent feature	4	190 M	Third	Coral	14

Source: Personal interviews with selected sample hotel owners and Google Maps measurements.

I looked at some hotels in an area. I talked to the people who own them. I also used Google Maps to measure how far these hotels are from the Two Holy Mosques.

Figure 1 is a bar chart that shows how full these hotels are. It has fourteen bars for the fourteen hotels I looked at. The bars are colored based on how the hotels compete with each other. The distance from the Two Holy Mosques is written above each bar. What I found out is that hotels that are close to the mosques within 200 metres are usually 75% to 85% full.. Hotels that are far away more than 750 metres are often only about 20% full. This is a sign that being close to the mosques is very important for hotels in this area. It is of like how good soil is important for farming being close to the mosques is important for hotels, in Karbala.

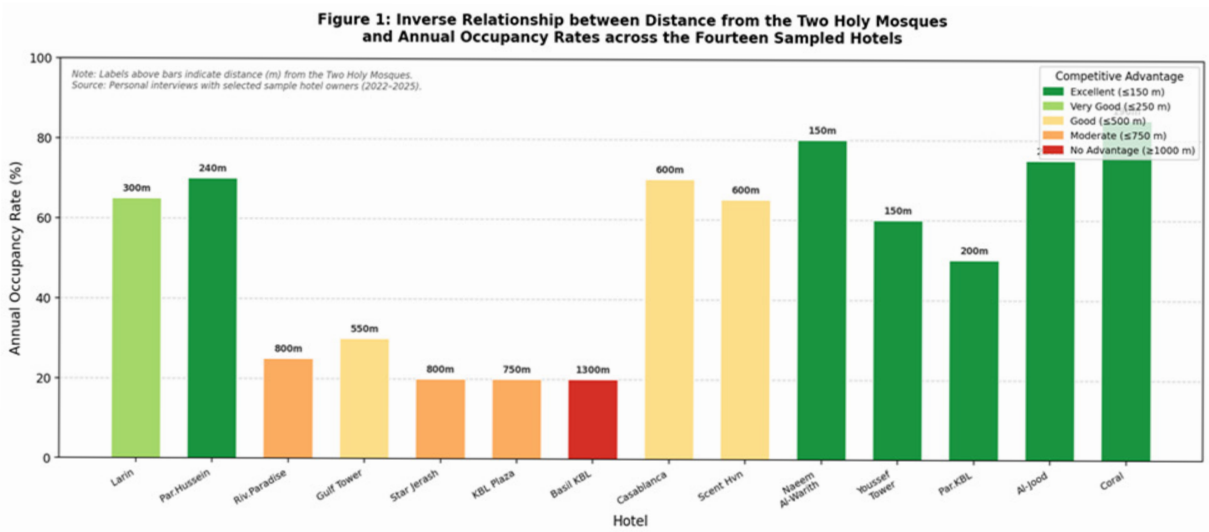

Figure 1: Inverse Relationship between Distance from the Two Holy Mosques and Annual Occupancy Rates across the Fourteen Sampled Hotels

Figure 1 shows how the distance from the Two Holy Mosques and the occupancy rates of fourteen hotels are related. This information comes from interviews with some hotel owners between 2022 and 2025.

Figure 2 is a scatter plot that shows each of the fourteen hotels as a data point. The position of each point is based on how the hotel is from the Two Holy Mosques and the land price per square metre in millions of Iraqi Dinars. The dashed line on the plot shows that there is a negative relationship between these two things. The Naeem Al-Warith Hotel is very close to the shrines, 150 metres away and has the highest land price at 45 million IQD per square metre. On the hand the Basil of Karbala Hotel is 1,300 metres away and has the lowest land price at 3 million IQD per square metre. This pattern of land prices shows that being close to the sites in Karbala increases land value. This is, like what Ricardos theory says happens when land is valued based on its usefulness creating levels of rent based on location.

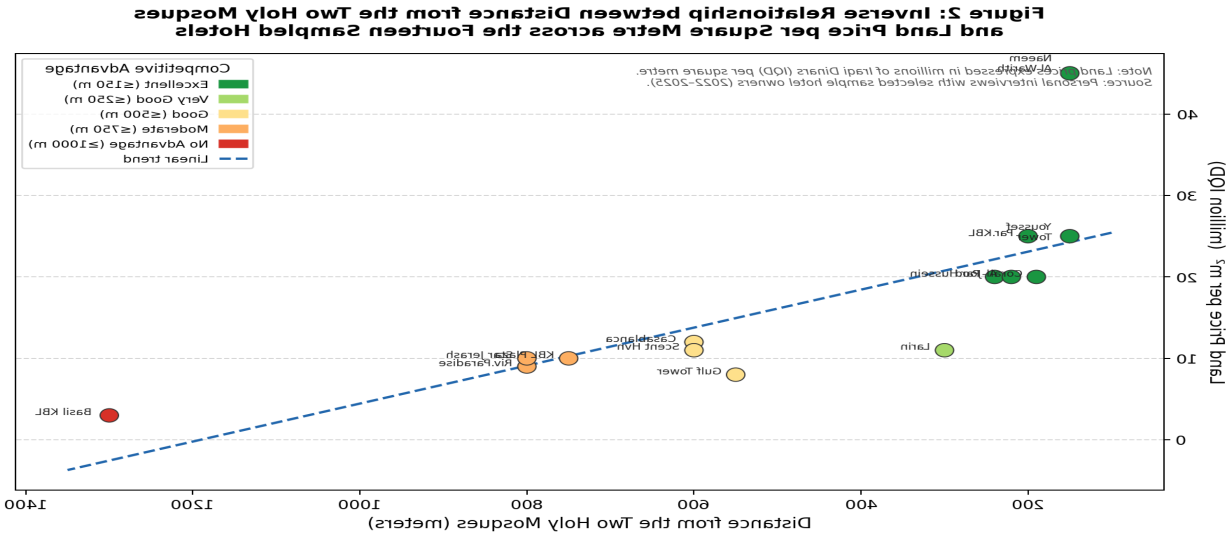

Figure 2: Opposite relation among distance from the Two Holy Mosques and Land Price per Square Metre towards the Fourteen Sampled Hotels Source: Personal interviews with selected sample hotel owners (2022–2025).

4.2 Hospitality Occupancy Rates and Revenue Analysis

The connection between how a hotel is to a certain location and how well it does business is really clear when you look at how full the hotels are and how much money they make. Table 5 shows how full each of the fourteen hotels in the study were each year how rooms they sold during the busiest and slowest times and how much money they made in total each year in Iraqi dinars. This information is from 2022 to 2025. It comes from the people who own and run the hotels, who were interviewed in person. When you look at the numbers you can see that the hotels that are closer to the Two Holy Mosques do better than the ones that're farther away. Coral Hotel is 190 meters from the mosques and it has the highest rate of being full at 85 percent even though it is not a fancy hotel. Naeem Al-Warith Hotel is 150 meters from the shrines. It is full 80 percent of the time. Al-Jood Hotel is 75 percent of the time and Casablanca and Paradise of Hussein are full 70 percent of the time. On the hand Basil of Karbala Hotel is the farthest from the shrines at 1,300 meters and it is only full 20 percent of the time which is the same as Star of Jerash and Karbala Plaza, which are also far away.

These numbers are really important because they show that how close a hotel is to the holy shrines is the important thing, even more important than how fancy the hotel is or how big it is. A simple hotel that is close to the mosques will do better than a hotel that is far away. This is not a difference the hotels that are close to the shrines are full 65 percent more often than the ones that are far away which is a really big difference. The numbers also show that the hotels that are close to the shrines make money. Naeem Al-Warith Hotel makes 2,184,000,000 dinars each year even though it is not a big hotel and it is not in a big space. Basil of Karbala Hotel makes 3,420,000,000 dinars. It is a much bigger hotel and it costs a lot more to run. When you look at how money the hotels make compared to how much it costs to run them you can see that the hotels that are close to the shrines are doing better.

The way that the hotels sell rooms during times of the year also shows how important it is to be close to the shrines. The hotels that are close to the shrines are full all the time during the slow times because people are always visiting the shrines. The hotels that are away are only full during the busiest times and they are empty during the slow times. This shows that being close to the shrines is important all year round not during the busy times. The hotels close to the shrines have a lot of visitors all the time because there are religious events throughout the year. These events bring people to Karbala. They need places to stay. The hotels that are close to the shrines are able to take advantage of this. They stay full all the time. The hotels that are away do not get as many visitors and they are not as full. This shows that being close to the shrines is the important thing for hotels, in Karbala.

Table (5): Hotel Occupancy Rate and Revenue in the Holy City of Karbala (2022–2025)

Annual Revenue (IQD)	Peak Season Revenue	Low Season Revenue	Rooms Sold (Peak)	Rooms Sold (Low)	Occupancy Rate	Hotel Name	No.
742,365,000	315,900,000	426,465,000	1,620	9,477	65%	Larin	1
1,735,815,000	727,500,000	1,008,315,000	2,910	18,333	70%	Paradise of Hussein	2
417,400,000	238,500,000	178,900,000	1,590	3,578	25%	River of Paradise	3
900,900,000	585,000,000	315,900,000	2,340	6,318	30%	Gulf Tower	4
252,840,000	147,000,000	105,840,000	1,470	2,646	20%	Star of Jerash	5
581,400,000	306,000,000	275,400,000	2,040	3,672	20%	Karbala Plaza	6
3,420,000,000	1,800,000,000	1,620,000,000	6,000	10,800	20%	Basil of Karbala	7
1,085,760,000	561,600,000	524,160,000	3,120	17,472	70%	Casablanca	8
354,960,000	183,600,000	171,360,000	1,020	5,712	65%	Scent of Heaven	9
2,184,000,000	648,000,000	1,536,000,000	2,400	19,200	80%	Naeem Al-Warith	10
535,500,000	157,500,000	378,000,000	2,100	12,600	60%	Youssef Tower	11

630,000,000	225,000,000	405,000,000	900	4,500	50%	Paradise of Karbala	12
350,550,000	136,800,000	213,750,000	1,140	8,550	75%	Al-Jood	13
261,000,000	108,000,000	153,000,000	900	7,650	85%	Coral	14

Source: Personal interviews with selected sample hotel owners.

4.3 Reflection of Ricardo's Theory of Rent on the Hotel Sector in Karbala

The hotel prices in Karbala are really interesting. Now that we have looked at the numbers we can think about what it all means. The main idea of this research is that being close to the Two Holy Mosques in Karbala is like having soil for farming according to Ricardos theory. The numbers we found support this idea.

Ricardos theory says that land with soil is more valuable because it can produce more. This is not because the farmer does anything but because the land is just better. In Karbala the equivalent of soil is being close to the holy shrines. Hotels that are close to the shrines are more popular. Make more money not because the owners do anything special but because of their location. Like the best land is the most valuable hotels that are closest to the shrines are the most popular and make the most money. We can also see that the idea of land applies to hotels in Karbala. Marginal land is land that's just barely good enough to farm and it does not make any extra money. In Karbala hotels that are far from the shrines are like marginal land. They are just barely popular enough to stay in business. They do not make any extra money. The Basil of Karbala Hotel is an example of this. It is far from the shrines and is just barely popular enough to stay in business.

The scarcity of land to the shrines is also important. There is so much land available and it cannot be expanded. This means that hotels that are close to the shrines are very valuable and their prices are very high. The holy shrines are like a resource that makes the land around them valuable and hotels that are close to them get to benefit from this. Looking at the numbers from the hotel industry in Karbala from 2022 to 2025 we can see that Ricardos theory still applies, in a different context. Being close to the holy shrines is like having soil and it makes hotels more valuable. This is not an idea but it is supported by the numbers. The connection between how a hotel is to the shrines, how popular it is and how much money it makes is very strong and it supports the theory.

The hotel industry in Karbala is an example of how Ricardos theory works in a different context. The numbers show that being close to the holy shrines is very important for hotels and it affects how money they make. This is similar to how good soil affects how money farmers can make. The theory is still useful in a different context and it helps us understand how the hotel industry in Karbala works. In conclusion the research on hotel prices in Karbala shows that Ricardos theory is still relevant today. The numbers support the idea that being close to the holy shriness like having good soil and it makes hotels more valuable. This is an idea for people who invest in hotels in Karbala because it can help them understand how to make more money. The hotel industry in Karbala is unique. It is still subject to the same economic principles, as other industries.

5. Discussion

The results of this study make us think about when classical economic theory's still useful in todays non-agricultural world. Ricardo came up with his theory of rent when people measured how well land did by how much wheat it produced per acre.. What he found out. That things that are scarce and better than others can make more money than things that are not as good. Also works for religious tourism. If we look at the hotels in Karbala we can see that the holy site is a draw for visitors and that affects how much money the hotels make. The hotels that are closer to the holy site do better than the ones that're farther away. This is not a coincidence. It happens because of the same idea that Ricardo talked about. When a business is closer to something that gives it an advantage it makes money than a business that is not as close. This is a discovery that is not just about Karbala. It means that any place that has a lot of tourists coming to see something that cannot be moved will have the kind of economic activity. This is called entrepreneurial dynamics, where being close to something special is, like having good land.

6. Conclusion

This study was done to see if Ricardos theory of differentiation returns works in the hospitality sector in Karbala. Ricardos theory was first used for land. The study found that it still works when used for hotels in Karbala. The study looked at fourteen hotels in Karbala from 2022 to 2025. What they found was that how close a hotel is to the Grand Mosque in Mecca and the Prophets Mosque in Medina affects the hotel business in Karbala. This is like how soil quality affects farms in Ricardos theory. The closer a hotel is to these sites the more it affects the hotels business. Hotels that are close to the sites do better than others. They have people staying in them and they make more money. This is not just because of how the hotelsre classified or how big they are. The study found that being close to the sites is what makes the difference. So the study says that Ricardos theory works for the hospitality sector in Karbala. It says that being close to the sites is like having good soil for farms. Ricardos theory can be used to understand why some hotels do better than others, in Karbala.

6.1 Limitations of the Study

This study is limited to the city of Karbala and its timeframe is limited to the period from 2022 to 2025. Obviously, this limits the potential of generalizing its findings to other Hajj or religious tourism contexts without further investigation. Nevertheless, while relying on personal interviews with hospitality owners as the fundamental data exporter provides rich contextual information. However, it insert the possibility for reporting bias, which could have been relieved by using standardized combined administrative data. Notably, the sample size of 14 hotels is sufficient to determine the pivotal convergence gradient of the research justification, but it limits the possibility of statistical generalization. Essentially, future studies using large samples in multiple cities in Iraq greatly enhance the external validity of these findings.

6.2 Future Research Directions

w6.3 Recommendations

The local government and municipal authorities in Karbala have to develop sustainable locative leasing plans in land use policies. Also, understand that the extraordinary value related to land near the two holy mosques creates investment opportunities and affordability pressures, requiring negotiation of organizational management. Bearing in mind, Hospitality investors considering entering the Karbala market tourism have to view proximity to the holy sites as the fundamental determinant of long-term commercial viability. In the same token, weighing the higher land-acquisition cost of nearby plots against the structural occupancy advantage they offer, rather than relying on earning or facility quality as key competitive factors. Subsequently, the government tourism authority has to also consider developing a formal classification system based on geographical proximity, which would help understand visitor expectations and support more diaphanous pricing for the city's Hospitality.

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