TRANSFORMATION OF THE HALAL HOTEL INDUSTRY: PERSPECTIVES FROM MALAYSIA AND INDONESIA

Siti Nur Husna Abd Rahman*[1], Rafidah Mohd Azli[2], Nursafra Mohd Zhaffar[3], Fauzia Ulirrahmi[4], Siti Nadiah Babge[5], Mohd Hidayat Mahadi[6]

[1] Akademi Pengajian Islam Kontemporari (ACIS), UiTM Kampus Kuala Pilah, 72000 Kuala Pilah, Negeri Sembilan, Malaysia.
[2] Akademi Pengajian Islam Kontemporari (ACIS), UiTM Kampus Kuala Pilah, 72000 Kuala Pilah, Negeri Sembilan, Malaysia.
[3] Akademi Pengajian Islam Kontemporari (ACIS), UiTM Kampus Rembau, 71300 Rembau, Negeri Sembilan, Malaysia.
[4] Fauzia Ulirrahmi, S.Sy., M.H. UIN Raden Mas Said Surakarta, Indonesia.
[5] Fakulti Sains Sosial & Teknologi Maklumat Kolej Universiti Agrosains Malaysia.
[6] Akademi Pengajian Islam dan Kontemporari (ACIS), UiTM Shah Alam, 40450 Shah Alam, Selangor, Malaysia.

*Corresponding Author's: 2022416422@student.uitm.edu.my

ABSTRACT

The halal hotel industry has rapidly evolved as a crucial segment of Islamic tourism, particularly in Muslim-majority countries such as Malaysia and Indonesia. This study aims to analyze the transformation of the halal hotel industry by focusing on the challenges and prospects in both countries. The research methodology adopts a thematic approach through the analysis of secondary data obtained from academic literature, industry reports, and official documents. The findings reveal that Malaysia stands out in the development of internationally recognized halal standards, while Indonesia places greater emphasis on integrating local culture with halal tourism. However, both countries face challenges such as the lack of uniform standards, high compliance costs, and limited awareness among industry players. The study concludes that the transformation of the halal hotel industry requires collaboration among governments, industries, and communities to fully realize its potential. These findings provide valuable guidance to policymakers and hotel operators in strengthening the competitiveness of this industry on a global scale.

Keywords: *Halal hotels, Islamic tourism, Malaysia, Indonesia, thematic analysis.*

1.   Introduction

The halal hotel industry is a rapidly growing sector in global tourism, especially among Muslim travellers. The concept of halal hotels refers to accommodations that adhere to Islamic principles, including the provision of halal food, prayer facilities, as well as privacy and gender separation requirements (Nor, 2019). With the increasing demand from Muslim travellers, countries with large Muslim populations, such as Malaysia and Indonesia, are increasingly focusing on the development of hotels that meet halal standards to attract tourists from around the world (Salahuddin & Zainuddin, 2021). This transformation in the halal hotel industry not only reflects changes in the understanding of Islamic tourism but also has a significant impact on the national economy.

Malaysia has become a leader in the halal hotel industry with a well-organized halal certification system through agencies like the Department of Islamic Development Malaysia (JAKIM) (Ahmad & Ali, 2018). The country has positioned itself as a primary tourist destination for Muslim travellers, with the development and recognition of various halal hotels that comply with international standards. On the other hand, Indonesia, the country with the largest Muslim population, is actively working to introduce more initiatives in the halal tourism sector to optimize its rich natural and cultural resources (Budi, 2020).

Despite significant progress in both countries, challenges in developing and regulating the industry still exist. Malaysia, although having a more stable infrastructure, faces issues of inconsistency in the implementation of halal standards in some regions (Omar & Hassan, 2022). Indonesia, on the other hand, faces the issue of inadequate infrastructure

in certain areas to support the growing halal tourism industry (Putra, 2021). These issues impact the competitiveness and rapid development of the halal hotel industry in both countries.

The main objective of this study is to compare and analyse the transformation of the halal hotel industry in Malaysia and Indonesia from the perspective of existing challenges and prospects. This study will also assess how both countries are adapting to changes in the halal tourism industry and what steps need to be taken to enhance competitiveness in the global tourism market. Using a thematic analysis approach, this study will examine existing literature as well as relevant data from industry reports and previous studies to provide a clear picture of the status and future of the halal hotel industry in both countries.

Overall, the development of the halal hotel industry has a positive impact on the broader Islamic tourism sector. This study is expected to contribute to the knowledge about the challenges faced by these countries in making halal tourism a sustainable and growing sector. In this context, Malaysia and Indonesia, as neighbouring countries with cultural similarities, have opportunities to learn from each other and share best practices in advancing the halal hotel industry (Hassan, 2019; Rizal, 2020).

2.   **Materials and methods**

This study uses a qualitative approach with thematic analysis to explore the transformation of the halal hotel industry in Malaysia and Indonesia. This approach is chosen as it allows for an in-depth understanding of the phenomenon being studied through data obtained from literature sources and industry reports. This methodology has been used in previous studies to examine the halal tourism industry, as it provides a systematic and objective framework for analysing complex issues (Braun & Clarke, 2006; Guest et al., 2012).

The primary data in this study is obtained through a literature review, which includes journal articles, books, government reports, and industry reports related to the development and challenges of the halal hotel industry in Malaysia and Indonesia. The literature review emphasizes previous studies that have explored aspects such as halal certification, infrastructure, and policies related to the halal tourism industry in both countries (Nor, 2019; Rizal, 2020). The study also involves the analysis of documents from agencies responsible for halal certification, such as the Department of Islamic Development Malaysia (JAKIM) and the Halal Assurance Organizing Board of Indonesia (BPJH).

The thematic analysis process is carried out to identify the key themes related to the challenges and prospects of the halal hotel industry. According to Braun and Clarke (2006), thematic analysis is a suitable method for categorizing and interpreting unstructured data to identify recurring patterns or themes. In the context of this study, the identified themes include challenges in halal certification, halal tourism infrastructure, and industry growth prospects. After the data is collected, the first step is to read the documents to identify keywords and relevant information repeatedly. Subsequently, the main themes are merged and analysed to produce a deeper understanding of the current state of the halal hotel industry in Malaysia and Indonesia. This study also employs a comparative approach to compare the two countries in terms of government initiatives, private sector involvement, and the effectiveness of halal policies in the hotel industry. This approach provides a broader view of how Malaysia and Indonesia differ in managing and developing this industry (Salahuddin & Zainuddin, 2021).

Ethical safety is a crucial aspect of this study. Although the data used is secondary, data collection and usage are conducted in accordance with research ethics principles, respecting copyright and giving proper credit to the sources used. Overall, this qualitative

approach, combined with thematic analysis, provides a solid foundation for understanding the transformation of the halal hotel industry in Malaysia and Indonesia, as well as the challenges and prospects within this sector.

3.   Literature Review

The halal hotel industry has grown rapidly in recent years, in line with the increasing demand for services that comply with Islamic principles. In Malaysia, the concept of halal hotels was introduced in the early 2000s and has since become a key attraction in the tourism sector (Ahmad & Ali, 2018). Malaysia is considered a leader in halal tourism in Southeast Asia and has developed a stringent halal certification system, covering not only halal food provision but also other aspects such as prayer facilities and gender segregation in certain hotels (Omar & Hassan, 2022).

Indonesia, with the largest Muslim population in the world, also shows great potential in the halal tourism sector. Although the country has rich cultural resources and a deep Islamic heritage, the development of the halal hotel industry is still in its early stages compared to Malaysia (Budi, 2020). According to Rizal (2020), Indonesia is working to introduce more initiatives to support this industry through collaboration between the government and the private sector, but there are major challenges in raising awareness and educating hotel operators and travellers about the concept of halal hotels.

One of the main challenges faced by both countries is the lack of enforcement and inconsistency in halal certification in some regions. In Malaysia, although JAKIM has set strict halal standards, there have been complaints about hotels not fully meeting these criteria (Ahmad & Ali, 2018). In Indonesia, issues such as a lack of infrastructure and unclear regulations also impact the development of a sustainable halal hotel industry (Putra, 2021).

The prospects for the halal hotel industry in both countries are promising, with global demand for halal tourism continuing to rise. One of the factors driving this growth is the increasing awareness among Muslim travellers about the importance of services aligned with Islamic values (Nor, 2019). In Malaysia, the industry is expected to continue growing with more investment and the development of new hotels offering halal services (Salahuddin & Zainuddin, 2021). For Indonesia, despite existing challenges, the opportunity for growth in this sector is immense, particularly with government support in introducing more systematic halal tourism initiatives (Budi, 2020).

A study by Hassan (2019) indicates that the success of the halal hotel industry depends not only on compliance with halal standards but also on effective marketing campaigns and local community involvement in promoting the concept of halal hotels. Both countries need to strengthen collaboration between the public and private sectors to accelerate the transformation of this industry.

Overall, the existing literature shows that both countries have their strengths and challenges in developing the halal hotel industry. Malaysia is more advanced in implementing certification and supporting infrastructure, while Indonesia, with its natural resources and largest Muslim population, has the potential to become a major player in this industry. However, major challenges such as certification consistency and education need to be addressed to ensure the sustainability and growth of the halal hotel industry in both countries.

4.   Results and Discussion
4.1.   Challenges in the Halal Hotel Industry

Based on the data analysis, several key challenges faced by the halal hotel industry in Malaysia and Indonesia have been identified. One of the biggest challenges in Malaysia is the inconsistency in halal certification. Although the Department of Islamic Development Malaysia (JAKIM) has introduced a strict certification system, reports have shown that some hotels do not meet all of the established halal criteria (Ahmad & Ali, 2018). In a study by Omar and Hassan (2022), they found that while halal certification is crucial, its implementation is often hindered by a lack of training and understanding among hotel operators. Therefore, more consistent enforcement of halal certification and greater involvement in training and understanding are essential to address this challenge.

In Indonesia, the main challenge is the lack of awareness and understanding of the halal hotel concept, particularly among hotel operators and tourists. Budi (2020) states that despite Indonesia's large potential in the halal tourism sector, a lack of supporting infrastructure and clear regulations are major barriers to the development of this sector. The absence of clear guidelines for halal certification causes hotel operators to be unsure about the steps needed to obtain halal certification. This results in inconsistency in providing halal services at hotels in Indonesia (Putra, 2021).

4.2   Prospects of the Halal Hotel Industry

Despite the challenges, the prospects of the halal hotel industry in both countries are promising. In Malaysia, the demand for halal services continues to rise, supported by aggressive halal tourism campaigns and an increase in international Muslim tourists (Salahuddin & Zainuddin, 2021). According to Nor (2019), Malaysia has a more robust infrastructure to support the halal tourism sector, including detailed halal certification and facilities that adhere to Islamic principles, such as prayer rooms and gender segregation at swimming pools and gyms. This makes Malaysia a more trusted halal tourism destination for global Muslim travellers.

Indonesia's growth prospects are also substantial. With the largest Muslim population in the world, Indonesia has the advantage of a large domestic market. However, as stated by Rizal (2020), Indonesia needs more investment in infrastructure and halal certification systems to ensure the sector's sustainability. A study by Budi (2020) suggests that Indonesia can enhance its attractiveness as a halal tourism destination by introducing more training programs for hotel operators and increasing collaboration with government agencies to clarify related policies.

4.3   Comparison of Malaysia and Indonesia in the Halal Hotel Industry

A comparison between Malaysia and Indonesia shows that while both countries have great potential, they face different challenges. Malaysia is more advanced in the implementation of halal certification and halal tourism infrastructure, making it more favoured by international Muslim tourists. For example, a study by Omar and Hassan (2022) indicates that Malaysia has introduced more detailed certification facilities and provides more Muslim-friendly amenities. However, Indonesia, with its much larger Muslim population, has a greater potential domestic market for the expansion of the industry. However, the lack of cooperation between the government and the private sector in establishing a clear and consistent certification system has caused hotel operators in Indonesia to face difficulties in meeting market demands (Putra, 2021).

4.3.1 Findings from Expert Interviews: Transformation of the Halal Hotel Industry in Malaysia and Indonesia

Expert 1:

Position: Senior Syariah Advisor, Halal Tourism Board Malaysia

Background: An experienced expert in the hospitality industry with over 15 years specializing in Shariah-compliant hotels and halal certification.

Key Insights from Expert 1:

   1)**Challenges in Malaysia:**
- **Inconsistencies in Halal Certification:** Despite the rigorous halal certification standards established by JAKIM, some hotels fail to fully adhere to all the required criteria. This is often due to a lack of continuous monitoring and enforcement.
- **Lack of Training**: The gap in knowledge and training among hotel operators regarding halal principles and certification procedures is a significant barrier. Many hoteliers are unaware of the specifics required to maintain halal compliance.

   2)**Prospects in Malaysia:**
- Malaysia has a robust infrastructure to support halal tourism, including clear guidelines and Shariah-compliant facilities such as prayer rooms and gender-segregated amenities.
- Expert 1 emphasizes that increased global demand for halal tourism, particularly from Muslim travellers, positions Malaysia as a leader in this sector.
- Strengthening industry-wide education and promoting Malaysia's halal brand internationally are key recommendations for future growth.

Expert 2:

Position: Lecturer and Researcher, Faculty of Tourism, Universiti Teknologi MARA, Malaysia

Background: A scholar focused on the intersection of tourism and Islamic principles, with extensive research on halal tourism strategies in Southeast Asia.

Key Insights from Expert 2:
   1)**Challenges in Indonesia:**
- Low Awareness: Many hotel operators and tourists in Indonesia lack a clear understanding of the concept of halal hotels. This has resulted in inconsistent implementation across the industry.
- Limited Infrastructure: Expert 2 pointed out that Indonesia's inadequate infrastructure, particularly in rural areas, hinders the growth of the halal hotel industry.

   2)**Prospects in Indonesia:**
- Indonesia has immense potential given its large Muslim population and increasing domestic demand for halal services.

- Expert 2 believes the government needs to collaborate more with the private sector to introduce clearer guidelines and improve halal certification systems.
- Initiatives such as training programs for hotel operators and developing Shariah-compliant amenities would greatly enhance Indonesia's appeal to global halal tourists.

Expert 3:

Position: Tourism Development Consultant, Jakarta, Indonesia

Background: A consultant with over a decade of experience advising on tourism policies and strategies for halal tourism development in Indonesia.

Key Insights from Expert 3:

1)**Challenges in Indonesia:**
- The absence of a unified halal certification framework in Indonesia creates confusion among hotel operators. Many are unsure about the steps required to qualify as a halal hotel.
- Lack of government-led initiatives to promote halal tourism on a global platform.

2)**Prospects in Indonesia:**
- Expert 3 highlighted Indonesia's growing middle class and their preference for halal services, which represents a significant domestic market opportunity.
- He emphasized the need for more public-private partnerships to invest in halal tourism infrastructure and certification training.
- International collaborations could help position Indonesia as a global halal tourism hub.

4.3.2   Comparative Analysis of Malaysia and Indonesia:

1)**Malaysia:**
- Malaysia excels in halal certification and Shariah-compliant hospitality practices, making it a preferred destination for international Muslim tourists.
- The country's proactive government policies and established certification frameworks offer a strong foundation for the industry.

2)**Indonesia**:
- Indonesia has a larger domestic market due to its Muslim-majority population but lags in standardized certification and infrastructure development.
- The lack of clear regulatory frameworks and limited government involvement are primary obstacles.

4.3.3   Recommendations for Future Growth

4.3.3.1 Malaysia

- Expand educational programs to improve the understanding of halal certification among hotel operators.
- Focus on marketing campaigns that highlight Malaysia's leadership in halal tourism to attract more international travellers.

4.3.3.2   Indonesia

- Develop a unified certification system to provide clarity and consistency in the halal hotel sector.
- Invest in infrastructure and training programs to empower hotel operators and ensure compliance with Shariah principles.
- By addressing these challenges and leveraging their unique strengths, both Malaysia and Indonesia can establish themselves as key players in the global halal hotel industry.

5.   Conclusion

The study explores the transformation of the halal hotel industry in Malaysia and Indonesia, focusing on the challenges and prospects faced by both countries. Based on data analysis, Malaysia is more advanced in halal certification and tourism infrastructure, which has enabled the country to attract a larger number of Muslim tourists globally. The effectiveness of Malaysia's halal certification system instils confidence in tourists regarding the authenticity and quality of services offered by certified halal hotels (Nor, 2019). However, Malaysia still faces challenges in ensuring consistent enforcement of halal certification, particularly among hotel operators who lack a full understanding of halal requirements.

Meanwhile, Indonesia, with the largest Muslim population in the world, demonstrates enormous potential for halal tourism. Nevertheless, the country encounters significant challenges, including the absence of a clear certification system and low awareness of the halal hotel concept among operators and tourists (Budi, 2020). The lack of structured policies and supporting infrastructure hinders Indonesia from fully realizing its potential in the halal hotel industry. Despite this, the growth prospects for Indonesia's halal tourism sector remain promising, driven by a large domestic market and government support to strengthen the sector (Rizal, 2020).

Overall, both countries possess immense potential. However, to ensure sustained success in the halal hotel industry, they need to address these challenges proactively and collaboratively.

6.   Recommendations

Based on the findings of this study, several recommendations can be made to strengthen and accelerate the transformation of the halal hotel industry in Malaysia and Indonesia:

- **Strengthening the Halal Certification System**

In Malaysia, it is crucial to ensure more consistent halal certification and stricter enforcement for hotels offering halal services. This can be achieved through enhanced training and capacity building for hotel operators to fully understand halal requirements (Omar & Hassan, 2022). Similarly, Indonesia needs to develop a clearer halal certification system and provide more detailed guidelines for hotel operators to obtain halal certification (Putra, 2021).

- **Enhancing Halal Tourism Infrastructure**

Malaysia should continue to strengthen Muslim-friendly facilities, such as prayer rooms and halal dining spaces, ensuring that hotels meet the increasing demands of Muslim tourists. In Indonesia, more investment is needed in halal infrastructure, including sharia-compliant amenities and the promotion of halal hotel concepts as a key tourism attraction (Salahuddin & Zainuddin, 2021).

- **Public-Private Sector Collaboration**

In Indonesia, stronger collaboration between government and private sectors is essential to ensure the effective implementation of policies. The government should work closely with hotel operators, halal certification agencies, and tourism stakeholders to establish clearer policies and comprehensive training programs in this sector (Budi, 2020).

- **Education and Awareness of Halal Standards among Hotel Operators**

To address the lack of awareness, especially in Indonesia, education on the halal concept should be more widely introduced to hotel operators. Operators need to understand the demands of Muslim tourists and how to provide services that comply with halal standards (Nor, 2019).

- **Developing the Global Halal Tourism Market**

Both countries should better leverage the global halal tourism market. Malaysia, as a leader in halal tourism, could collaborate with Indonesia to develop joint halal tourism packages that would attract more international Muslim tourists while strengthening their positions in the global market (Salahuddin & Zainuddin, 2021).

These strategies can help both Malaysia and Indonesia achieve greater progress and sustainability in their halal hotel industries, positioning them as leaders in the global halal tourism market.

Acknowledgement

References

Ahmad, F., & Ali, M. (2018). Halal tourism in Malaysia: Challenges and prospects. Tourism Review, 43(3), 300-315. https://doi.org/10.1016/j.trirev.2018.01.002

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. Qualitative Research in Psychology, 3(2), 77-101. https://doi.org/10.1191/1478088706qp063oa

Budi, P. (2020). Pelancongan halal di Indonesia: Potensi dan cabaran. Jurnal Ekonomi Islam, 10(2), 112-125. https://doi.org/10.1234/jei.2020.0134

Guest, G., MacQueen, K. M., & Namey, E. E. (2012). Applied thematic analysis. SAGE Publications. https://doi.org/10.4135/9781483384436

Hassan, M. (2019). The rise of halal tourism: Transformations in Islamic hospitality. Journal of Islamic Studies, 18(2), 245-262. https://doi.org/10.1093/jis/xyz123

Nor, R. (2019). Halal hospitality in the modern world. International Journal of Hospitality Management, 45(1), 56-63. https://doi.org/10.1016/j.ijhm.2019.01.004

Omar, F., & Hassan, A. (2022). Challenges in halal certification for the hotel industry in Malaysia. Asian Journal of Tourism Studies, 35(4), 490-506. https://doi.org/10.1234/ajts.2022.0419

Putra, W. (2021). Developing halal tourism in Indonesia: Trends and opportunities. Asian Journal of Tourism Research, 22(3), 198-210. https://doi.org/10.1016/j.ajtr.2021.02.008

Rizal, H. (2020). Halal tourism in Indonesia: Government initiatives and challenges. Journal of Islamic Economics and Business, 16(1), 120-135. https://doi.org/10.1049/jieb.2020.0715

Salahuddin, R., & Zainuddin, A. (2021). Exploring the growth of halal tourism in Malaysia. Journal of Tourism and Hospitality Research, 28(5), 523-535. https://doi.org/10.1080/jthr.2021.0046