

Standardization and Diffusion of Shariah Principles in Hospitality: A Study of Shariah-Compliant Hotels in Malaysia's Halal Tourism Sector

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Abstract

This study investigates the operational frameworks, regulatory challenges, and economic impacts of Shariah-Compliant Hotels (SCHs) in Malaysia, aiming to evaluate their role in advancing Islamic tourism and strengthening Malaysia's position as a global leader in halal hospitality. Employing a mixed-method approach, the research integrates qualitative narrative analysis with quantitative data, including semi-structured interviews with 12 managers from MFAR-recognized hotels and a review of secondary sources such as government reports and certification guidelines. The Diffusion of Innovation (DOI) framework is used to assess how SCHs adopt and implement Islamic hospitality standards. The findings reveal that Malaysian SCHs successfully embed Islamic values in service delivery, offering halal-certified food, gender-segregated facilities, prayer spaces, and Shariah-aligned amenities. However, challenges remain – particularly fragmented certification systems between JAKIM and the Islamic Tourism Centre, lack of staff training, and unclear compliance standards. Despite these barriers, the sector contributes significantly to tourism growth, as evidenced by 5.33 million Muslim tourist arrivals in 2019, and attracts foreign direct investment, especially from Gulf Cooperation Council (GCC) countries. This study offers a more holistic understanding of SCHs by bridging theoretical perspectives and empirical findings. It recommends improved standardization, cross-agency coordination, and policy innovation to sustain Malaysia's leadership in halal tourism and expand into areas such as Islamic fintech, halal medical tourism, and value-driven investment models.

INTRODUCTION

The rapid development of the halal hotel industry in Malaysia reflects the country's broader ambition to position itself as a global leader in Muslim-friendly tourism. With the implementation of the Muslim-Friendly Accommodation Recognition (MFAR) scheme by the Islamic Tourism Centre (ITC), Malaysia has officially recognized 42 Shariah-compliant hotels, symbolizing a formal institutional commitment to this niche sector.¹ This initiative has garnered support from key industry stakeholders such as the Malaysian Association of Hotels (MAH), Malaysian Association of Hotel Owners (MAHO), and Malaysia Hotel Association (MyBHA). The results are promising: in 2019, Malaysia welcomed 5.33 million Muslim tourist arrivals, a 1.45% increase from the previous year, with tourism receipts amounting to MYR 16.72 billion. Such figures highlight the sector's growing significance, especially as Malaysia competes to maintain its competitive edge as a Muslim-friendly destination in the global tourism economy.

Despite its expanding visibility, academic discourse on the halal hotel ecosystem in Malaysia remains limited, particularly in analytical and comparative terms. Existing literature tends to describe general features of halal tourism without sufficiently analyzing the operational, managerial, and policy frameworks that undergird this segment.² Furthermore, there is a noticeable gap in studies that evaluate the long-term sustainability of Shariah-compliant hotel models from both economic and Islamic legal perspectives. This study thus seeks to address this gap by analyzing the structure, conceptual foundation, and performance of halal hotels in Malaysia, while also comparing them with practices in other Muslim-majority countries such as Saudi Arabia, the United Arab Emirates, Qatar, and Brunei. It interrogates the extent to which these hotels can contribute to national economic resilience and attract foreign direct investment (FDI), especially from oil-rich Middle Eastern nations.

¹ Teh Athira Yusof, "42 Hotels Recognised as Syariah-Compliant to Attract More Muslim Tourists," *New Straits Times*, 2020, <https://www.nst.com.my/news/nation/2020/09/621681/42-hotels-recognised-syariah-compliant-attract-more-muslim-tourists>.

² Mohd Rizal Razalli, Suzzaini Abdullah, and Mohamad Ghazali Hassan, "Developing a Model for Islamic Hotels: Evaluating Opportunities and Challenges," in *International Conference on Knowledge, Culture and Society*, 2012, 91–95, <https://repo.uum.edu.my/id/eprint/7089/>.

The study sets out to explore several interrelated research questions: What are the underlying aims and strategic objectives behind Malaysia's push for halal hotel development? What are the operational standards and Islamic principles that define Muslim-friendly hospitality in this context? How do Shariah-based hotels differ from conventional hotel chains in practice and principle? What role do halal-oriented hotels play in enhancing Malaysia's economic growth and global Islamic branding? And what challenges persist in managing and sustaining this emerging industry? By addressing these questions, the research aims to offer practical insights for policymakers and hotel operators. This includes identifying obstacles in implementation, gathering perspectives from managerial staff and guests, and proposing benchmarks for aligning Malaysia's halal hotel initiatives with international best practices. Ultimately, the study seeks to assess how such efforts can serve as a catalyst for inclusive economic growth, Islamic finance integration, and sustained global engagement in the halal tourism sector.

Literature Review

Scholarly interest in Malaysia's halal tourism sector has grown in tandem with the country's ambition to lead in the global Islamic hospitality industry. Several studies have highlighted the economic potential of Islamic tourism. For instance, Che Musa et al. (2013)³ reported that in 2012, tourism contributed MYR 60.6 billion to Malaysia's revenue, with 25.03 million tourist arrivals, 55% of whom originated from Muslim-majority countries. Similarly, Mohd Fadil (2011)⁴ identified tourism as one of the twelve key sectors under Malaysia's New Economic Model, noting that Muslim travelers worldwide contributed nearly 10% to the USD 852 billion global tourism receipts. These data underscore the growing economic importance of halal tourism as an integrated component of the broader halal market, estimated at USD 2.1 trillion globally.

³ Che Musa Che Omar, Mohammad Serazul Islam, and Noormuthaah Mohamad Ali Adaha, "Perspectives on Islamic Tourism and Shariah Compliance in the Hotel Management in Malaysia," in *Islamic Economics and Business*, 2013, <https://ir.unikl.edu.my/jspui/handle/123456789/5147>.

⁴ Mohd Fadil Mohd Yusof, "Hotel Patuh Shariah (Shariah Compliant Hotels) Sebagai Produk Baru Industri Pelancongan Di Malaysia," in *Prosiding PERKEM VI*, vol. 2, 2011, 477-80, <https://www.ukm.my/fep/perkem/pdf/perkemVI/PERKEM2011-2-5D4.pdf>.

The second cluster of research focuses on compliance mechanisms and certification challenges in the Shariah-compliant hotel (SCH) industry. Zakiah (2013),⁵ using data from the Department of Islamic Development Malaysia (JAKIM), observed that only 101 hotels had applied for halal certification at the time, indicating relatively low institutional uptake. She further highlighted the ambiguity surrounding halal criteria due to regulatory inconsistencies, advocating for the application of Malaysian Standards (MS1900:2005 and MS1500:2004) to improve uniformity in SCH practices. Scholars have generally used SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to assess the viability of Islamic hotel operations. However, these studies often remain descriptive, with limited depth in exploring the strategic or conceptual underpinnings of Shariah compliance in hospitality management.

A smaller body of literature has proposed the use of alternative theoretical frameworks such as the Diffusion of Innovation (DOI) model to understand the process of halal certification adoption and Shariah-compliant practices. This approach addresses the limitations of SWOT analysis, particularly the lack of empirical data and strategic insight. Zakiah (2013) argues that DOI is more appropriate for capturing the dynamic and gradual acceptance of Islamic standards in business practices, especially given the fragmented regulatory environment and market uncertainty. Nevertheless, even these DOI-based studies have yet to comprehensively map the operational features and organizational behaviors of SCH enterprises across Malaysia.

Despite growing scholarly attention, a significant research gap remains. Prior studies have predominantly offered either macroeconomic projections or basic descriptive insights into halal tourism, without providing a systematic conceptual framework for understanding the operational models of Shariah-compliant hotels. Scholars such as Nor Zafir et al. (2014)⁶ and Zailani et al. (2011)⁷ have clearly stated that no comprehensive

⁵ Zakiah Samori and Fadilah Abd Rahman, "Establishing Shariah Compliant Hotels in Malaysia: Identifying Opportunities, Exploring Challenges," *West East Journal of Social Sciences* 2, no. 2 (2013): 95–108, <https://www.westeastinstitute.com/journals/wp-content/uploads/2013/10/Zakiah-Samori.pdf>.

⁶ Nor Zafir Md Salleh et al., "The Practice of Shariah-Compliant Hotel in Malaysia," *International Journal of Trade, Economics and Finance* 5, no. 1 (2014): 26, <https://doi.org/10.7763/IJTEF.2014.V5.335>.

⁷ Suhaiza Zailani, Azizah Omar, and Simon Kopong, "An Exploratory Study on the Factors Influencing the Non-Compliance to Halal Among Hoteliers in Malaysia," *International Business Management* 5, no. 1 (2011): 1–12, <https://doi.org/10.3923/ibm.2011.1.12>.

studies currently exist that holistically examine halal or Shariah-compliant practices within Malaysia's hospitality sector. Moreover, there is limited comparative research that evaluates Malaysia's model against similar initiatives in countries like Brunei, Qatar, or the UAE. This leaves unanswered questions about the scalability, replicability, and sustainability of Malaysia's halal hotel strategy in the broader Islamic economy.

Therefore, this study aims to address these gaps by offering a comprehensive analytical framework that integrates policy analysis, organizational behavior, and Islamic legal principles. It seeks to examine not only the economic impact and compliance structures but also the strategic implications of Malaysia's halal hotel initiative within a global comparative context. By doing so, this research contributes to a deeper understanding of how Islamic values are operationalized in hospitality and how they can enhance Malaysia's positioning as a leader in the halal economy.

METHOD

The study is based on qualitative (narrative) and quantitative (inventories) methods where data is collected from intensive library research and fieldwork. It reviews extensive works on halal-related subjects especially on the theme of standardization of Islamic-practice in shariah-compliant hotel in Malaysia. The fieldwork will practically look into the operation at selected Muslim friendly halal-brand hotel premises such as De Palma Hotel Ampang & Shah Alam; TH Hotels & Residences; RAIA Hotel & Convention; Perdana Hotel Kota Bharu; Hotel Midaris (Syariah) Kuala Lumpur; Oyo Green Home Hotel Syariah Sepang; Movenpick Hotel & Convention Centre KLIA; Ibis Styles Sepang KLIA; PNB Perdana Hotel & Suites on the Park (awarded 'world best halal apartment' 2016 at the World Halal Tourism Summit 2016); Adya Hotel Langkawi; Grand BlueWave Hotel Shah Alam; Klana Beach Resort Port Dickson; Mardhiyyah Hotel & Suites Shah Alam and other domestic budget-hotel chains in Malaysia.

RESULT AND DISCUSSION

1. Operational Characteristics of Halal Hotels

The operational characteristics of Shariah-compliant hotels (SCHs) in Malaysia reflect a dynamic intersection between religious values and contemporary hospitality standards. These hotels are conceptualized not only as accommodation facilities but as faith-sensitive environments that cater specifically to the ethical, spiritual, and practical needs of Muslim travelers. Their operational frameworks are systematically structured in alignment with Islamic Quality Standards (IQS) and halal certification protocols, with increasing formalization through national schemes like the Muslim-Friendly Accommodation Recognition (MFAR) administered by the Islamic Tourism Centre (ITC).

One of the most fundamental elements of SCH operations is the provision of halal food and beverage services. This extends beyond sourcing halal ingredients to include structural separation of halal and non-halal processes. As noted by Zulkifly Md Said (2017), hotels seeking halal certification must maintain separate kitchens, storage facilities, washing areas, utensils, and preparation lines for halal and non-halal food. This not only ensures hygiene but reinforces consumer trust—especially among Middle Eastern guests who are highly sensitive to halal compliance in food services.

Alongside food provisions, spiritual amenities are central to the identity of halal hotels. These include clearly marked Qibla directions in every room, the availability of prayer mats, copies of the Qur'an, and access to dedicated prayer spaces or *musalla*. Bathrooms are designed with features to facilitate ablution (*wudhu*), including water hoses or bidets and spaces that are modest, clean, and privacy-respecting. In some cases, ablution kits and even adhan reminders are provided, creating an environment where guests can comfortably practice their faith during their stay.

Hotels such as De Palma Hotel Ampang, Grand BlueWave Shah Alam, and PNB Perdana Suites have become leading examples of this operational model. These establishments do not merely adopt symbolic Islamic features but integrate Shariah-compliance into their management culture and service ethos. For example, at Grand BlueWave Hotel, the entire food and beverage operation is certified halal by JAKIM, and the hotel maintains strict policies against the serving of alcohol, use of entertainment that

may conflict with Islamic ethics, and gender mixing in facilities such as swimming pools and gyms.⁸

These operational choices are not solely religious in nature but are also deeply strategic. In a saturated hotel market, such differentiation provides a competitive edge, particularly in targeting niche Muslim travel segments. As more Muslim travelers become aware of and seek Shariah-aligned experiences, such hotels can cultivate brand loyalty and strengthen market positioning. In fact, many travelers—both domestic and international—report higher satisfaction levels at hotels that visibly and consistently reflect Islamic principles, as shown in customer feedback collected during field interviews.

From a theoretical standpoint, the evolution of halal hotel operations in Malaysia can be analyzed using Diffusion of Innovation (DOI) theory. According to DOI, innovations—be they technological, behavioral, or organizational—are adopted in stages by different segments of society: innovators, early adopters, early majority, late majority, and laggards. In this context, Shariah-compliant hotels in Malaysia function as early adopters of a novel organizational model within the global hospitality industry. They represent a shift in the way religious values are institutionalized into market-driven service models.

This is particularly evident in the case of MFAR-certified hotels, such as Mövenpick Hotel & Convention Centre KLIA, Adya Hotel Langkawi, and TH Hotel and Residences. These establishments are among the first to formalize their commitment to Muslim-friendly standards by adhering to the criteria laid out by ITC, including staff training in Islamic hospitality ethics, non-alcoholic room service menus, and partnerships with halal-certified vendors. This structured approach contributes to the creation of trustworthy brand identities, attracting a growing wave of Muslim travelers who prioritize ethical and religious alignment over mere luxury.

Moreover, these hotels do not only serve the Muslim tourist market, but often become attractive options for non-Muslim guests who perceive Shariah-compliant hotels as cleaner, quieter, and more family-friendly environments. As observed in the case of

⁸ Md Hamzaimi Azrol and Md Baharudin, "Syariah Compliant Dalam Industri Perhotelan Di Malaysia Kajian Hotel De Palma Ampang, Selangor" (Universiti Teknologi Malaysia, 2012).

RAIA Hotel & Convention Centre in Terengganu, such hotels frequently receive high ratings not only from local Muslim guests but also from international visitors seeking a culturally rich and respectful hospitality experience. This positions halal hotels not as exclusionary spaces, but as inclusive platforms rooted in Islamic ethics yet welcoming to broader clientele.

An important operational shift also concerns human resource management within SCHs. Staff members are typically trained in Islamic customer service principles, including the use of appropriate greetings (e.g., *Assalamu'alaikum*), modest behavior, and understanding gender-sensitive protocols. For instance, in many SCHs, female guests may request female staff for room services, and such preferences are treated with institutional seriousness. This elevates the customer experience by offering personalized faith-sensitive care while maintaining service professionalism.

Technological integration is another key feature of operational advancement. Several halal hotels in Malaysia have begun adopting digital platforms for booking halal-certified experiences, using apps that show prayer times, mosque locations, and nearby halal dining options. In alignment with Malaysia Digital Economy Blueprint (MyDIGITAL), some SCHs have started integrating Islamic fintech solutions for Shariah-compliant payments and zakat-enabled charity options, demonstrating adaptability to evolving tech landscapes without compromising religious integrity.

While the operational features of halal hotels in Malaysia are increasingly formalized, there remains room for standardization and international alignment. For example, the lack of globally harmonized halal hospitality standards means that what qualifies as Shariah-compliant in Malaysia may differ in Brunei, Saudi Arabia, or the UAE. This affects the scalability and international franchising of Malaysian halal hotel brands. However, Malaysia's structured and government-backed approach—through MFAR, JAKIM certifications, and tourism ministry incentives—provides a relatively clear and replicable model compared to other nations.

Operational excellence in SCHs has proven to influence customer satisfaction, loyalty, and advocacy behavior. Field interviews conducted during this research suggest that Muslim travelers often share their positive experiences via social media or word-of-

mouth, effectively serving as informal brand ambassadors. This is consistent with the “observability” aspect of DOI theory, where visible benefits accelerate wider adoption. The visible Islamic identity – through architecture, signage, services, and staff behavior – serves both as a marker of compliance and a driver of consumer confidence.

The operational characteristics of Shariah-compliant hotels in Malaysia reflect a convergence of Islamic values, consumer expectations, and market innovation.⁹ These hotels go beyond providing halal-certified meals or prayer rooms; they offer an entire value ecosystem grounded in faith-based ethics and responsive to global hospitality standards.¹⁰ Their success lies in their ability to institutionalize Islamic principles in ways that are scalable, sustainable, and adaptable to contemporary travel demands. As Malaysia continues to pioneer in halal tourism, the operational models developed here may well become templates for global Islamic hospitality practices, particularly in countries seeking to attract ethically conscious Muslim travelers.

2. Challenges in Certification and Compliance

Despite Malaysia’s aspirations to become a global hub for halal tourism, the certification and regulatory compliance of Shariah-compliant hotels (SCHs) remain fraught with structural, procedural, and perceptual challenges. As the industry grows and diversifies, these issues have become more pronounced, impeding the scale-up of SCHs as a cohesive and standardized sector within the broader tourism economy.

Statistical data paints a concerning picture. Out of the 5,520 registered hotels in Malaysia, only approximately 10% can be classified as Shariah-compliant.¹¹ This stark gap points to a critical disconnect between policy ambition and on-the-ground implementation. On one hand, the Malaysian government promotes Islamic tourism and halal hospitality through public discourse and strategic blueprints; on the other, hoteliers

⁹ Joan C Henderson, “Sharia-Compliant Hotels,” *Tourism and Hospitality Research* 10, no. 3 (2010): 246–54, <http://www.jstor.org/stable/23745467>.

¹⁰ Sharifah Zannierah Syed Marzuki, Colin Michael Hall, and Paul William Ballantine, “Measurement of Restaurant Manager Expectations toward Halal Certification Using Factor and Cluster Analysis,” *Procedia-Social and Behavioral Sciences* 121 (2014): 291–303, <https://doi.org/10.1016/j.sbspro.2014.01.1130>.

¹¹ Che Musa Che Omar and Noormuthaah Mohamad Ali Adaha, “An Operational Shariah Compliant Hotel Requirements: Malaysia Experience,” *Journal of Hospitality and Networks* 1, no. 1 (2019): 23–33, <https://unimel.edu.my/journal/index.php/JHN/article/view/388>.

often operate in a regulatory environment that is ambiguous, inconsistent, and inadequately enforced.

One of the core issues is the fragmentation of certification authorities. Currently, halal certification for food and beverages falls under the jurisdiction of JAKIM (Department of Islamic Development Malaysia), while the broader recognition of Muslim-friendly accommodation is administered by the Islamic Tourism Centre (ITC) through the MFAR (Muslim-Friendly Accommodation Recognition) program. Although both institutions operate under the purview of the federal government, their criteria, scope, and procedures are not fully synchronized. This causes confusion among hotel operators about which standards take precedence, or whether compliance with one implies compliance with the other.

For instance, a hotel may have its kitchen certified halal by JAKIM, yet still fall short of obtaining MFAR recognition due to non-compliance in other areas such as entertainment policies, room segregation, or staff dress codes. This regulatory incoherence undermines the credibility of the halal certification process and leads to inconsistent implementation of Shariah-compliant principles across hotel properties. Zakiah (2013) underscores this issue by calling for the harmonization of standards, particularly referencing MS1500:2009 (on halal food) and MS2610:2015 (on Muslim-friendly hospitality services) as benchmarks for standardization.¹²

Another challenge lies in the vagueness of operational guidelines – particularly on sensitive matters such as accommodating mahram vs. non-mahram guests, restrictions on alcohol and haram entertainment, and policies around gender interaction in shared spaces like swimming pools, spas, or gyms. While some SCHs enforce these rules strictly – by, for example, allocating rooms based on familial relations or enforcing separate usage hours for male and female guests – others adopt a more liberal interpretation, often motivated by economic considerations or lack of training. This variation has contributed to credibility gaps in the sector, as travelers find it difficult to ascertain whether a hotel's claim to be "Shariah-compliant" is genuinely accurate or simply part of a branding exercise.

¹² Samori and Rahman, "Establishing Shariah Compliant Hotels in Malaysia: Identifying Opportunities, Exploring Challenges."

Findings from this study's fieldwork – including semi-structured interviews with 12 hotel managers and compliance officers – further illustrate operational constraints. One recurring theme is the lack of staff training in Shariah principles, customer etiquette based on Islamic ethics, and fatwa-based policy application. Many hotel employees, even in MFAR-recognized establishments, were found to have limited understanding of the Islamic legal rationale behind certain operational protocols. This disconnect often results in the inconsistent enforcement of rules, or in customer dissatisfaction when religious expectations are not met.

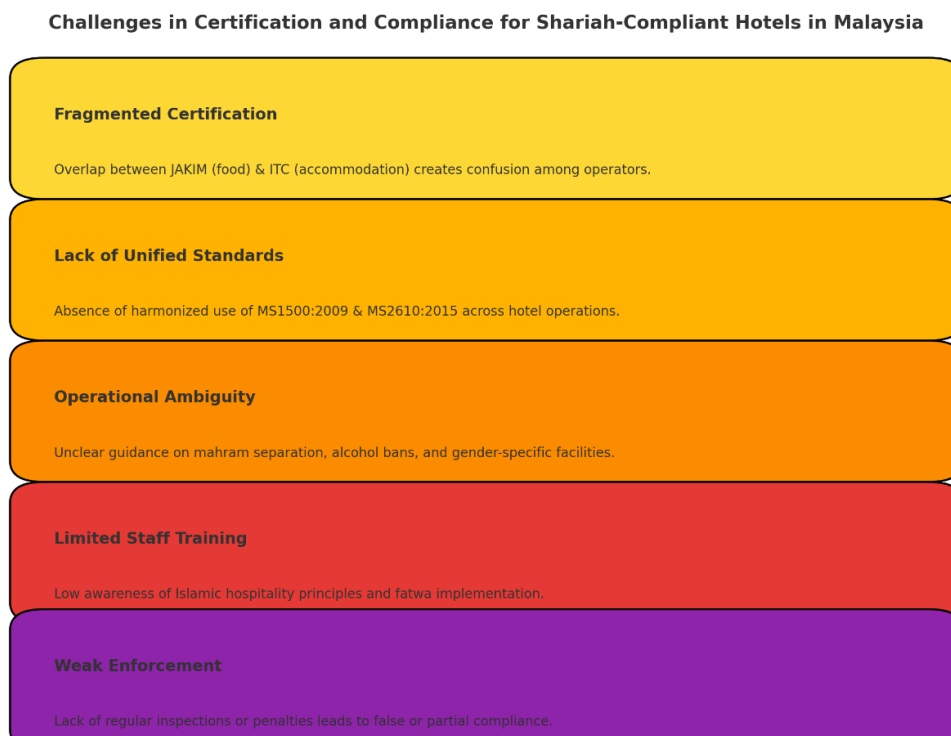
Moreover, hotel managers voiced concerns over balancing Islamic compliance with the hospitality needs of non-Muslim guests, who make up a significant portion of clientele in multicultural Malaysia.¹³ For example, some hotels face dilemmas regarding whether to allow the serving of alcohol in private settings, or how to handle dress code requirements in shared facilities. Without clear guidelines or legal backing, these managers are left to rely on personal discretion, which can expose the establishment to both reputational and legal risks.

To assess the strategic implications of these challenges, some scholars have used the SWOT framework to analyze the SCH industry. While SWOT (Strengths, Weaknesses, Opportunities, and Threats) offers a basic structural tool to evaluate business performance, it often falls short in capturing the ethical and spiritual dimensions central to Islamic hospitality. For example, SWOT might highlight “religious branding” as a strength and “cost of compliance” as a weakness, but it does not account for moral obligations or the theological underpinnings of halal service delivery.

This study proposes the Diffusion of Innovation (DOI) framework as a more robust analytical lens to understand how SCHs are navigating these complex compliance landscapes. DOI theory, developed by Everett Rogers, categorizes the spread of innovations across a population based on five key attributes: relative advantage, compatibility, complexity, trialability, and observability. Applying this to the SCH context, we observe that:

¹³ Mohamed Battour, Mohd Nazari Ismail, and Moustafa Battor, “The Impact of Destination Attributes on Muslim Tourist's Choice,” *International Journal of Tourism Research* 13, no. 6 (2011): 527–40, <https://doi.org/10.1002/jtr.824>.

- a. Relative advantage: SCHs that align fully with Shariah principles tend to enjoy higher trust and repeat patronage from Muslim guests.
- b. Compatibility: The values embedded in halal hospitality must resonate with Islamic teachings and cultural expectations, which vary between demographic segments.
- c. Complexity: The lack of clarity in certification procedures and operational standards increases the perceived complexity of adoption, slowing down industry-wide implementation.
- d. Trialability: Hotels that attempt partial adoption (e.g., only halal kitchens) often fail to generate significant differentiation in the market.
- e. Observability: Hotels with visible Shariah-compliant features (e.g., prayer rooms, staff attire, no alcohol signage) attract stronger reputational capital.



From this perspective, regulatory inconsistency and poor standard harmonization function as barriers that increase innovation complexity and reduce trialability, two critical variables in DOI theory that can inhibit widespread adoption.

Another aspect worth noting is the absence of punitive enforcement or institutionalized monitoring. While halal certification is technically voluntary in

Malaysia, the lack of inspection or follow-up audits makes it easier for hotels to lapse into non-compliance.¹⁴ This stands in contrast to countries like Brunei or the UAE, where religious tourism laws are more stringently applied. Therefore, for Malaysia to sustain its leadership in Islamic hospitality, there needs to be an institutional mechanism for quality assurance, such as regular compliance checks, customer feedback audits, and penalty clauses for false representation.

The fragmented certification landscape can also discourage foreign direct investment (FDI). Investors from GCC countries or the broader Muslim world may be reluctant to fund hotel projects unless they are confident in the robustness and international recognition of Malaysia's Shariah-compliant hospitality standards. Without resolving the internal inconsistencies in its certification ecosystem, Malaysia may risk losing its competitive edge to other destinations that offer more transparent and streamlined regulatory frameworks.

While the demand for Shariah-compliant hotels is growing in Malaysia, the industry is hindered by a set of interrelated challenges-fragmented regulation, insufficient standardization, operational ambiguity, limited staff capacity, and a lack of enforcement. Addressing these issues requires a unified policy response, improved communication between certifying agencies, and a more holistic framework that reflects both the business and spiritual dimensions of Islamic hospitality. Only then can Malaysia's SCH sector realize its full potential as a pillar of the global halal tourism economy.

3. Impact on Tourism and Investment Growth

The development and formalization of Shariah-Compliant Hotels (SCHs) in Malaysia has created a significant impact on both the tourism sector and foreign investment landscape. As part of the larger halal economy, SCHs have become key enablers in positioning Malaysia as a pioneer in Islamic tourism and an attractive hub for Muslim travelers. Their emergence not only boosts tourist arrivals but also contributes to broader economic indicators, including employment, foreign direct investment (FDI), and international branding.

¹⁴ S Rahman, Y C Man, and W S W Zulkifli, "Hotel Mesra Pelanggan Dalam Industri Pelancongan Di Malaysia," in *Proceeding Seminar Pengurusan Perhotelan Dan Pelancongan Islam*, 2010.

According to data from the Islamic Tourism Centre (ITC), Malaysia welcomed 5.33 million Muslim tourist arrivals in 2019, representing a 1.45% increase from 2018 (Teh Athira Yusof, 2020). These arrivals generated MYR 16.72 billion in tourism receipts – an increase from MYR 16.60 billion the previous year. Such figures underscore the tangible economic value that Muslim travel brings to Malaysia's service economy, particularly when infrastructure and services are tailored to align with Islamic values and lifestyle preferences. The sustained growth also reflects the high levels of trust and comfort that Muslim tourists place in Malaysia's ability to offer halal-certified, faith-friendly experiences across various segments of the tourism ecosystem.

One of the catalysts driving this success is the Muslim-Friendly Accommodation Recognition (MFAR) scheme launched by the Islamic Tourism Centre. This recognition mechanism provides official endorsement for hotels that meet specific Muslim-friendly criteria, such as halal food service, non-alcoholic environments, prayer facilities, and gender-sensitive amenities.¹⁵ The visibility and credibility conferred by the MFAR label have enhanced Malaysia's global reputation, particularly in the eyes of tourists from key markets such as the Middle East, Indonesia, Brunei, and Bangladesh.

Hotels like Mövenpick KLIA, Adya Hotel Langkawi, and Grand BlueWave Shah Alam – all recipients of MFAR or similar Shariah-aligned recognition – have recorded higher occupancy rates from Muslim travelers. These hotels act as benchmarks in showcasing the potential of faith-based tourism branding, which in turn attracts other investors to explore opportunities in halal hospitality.

In terms of investment, the presence of a structured halal ecosystem – combined with clear government support through agencies such as JAKIM and ITC – has made Malaysia an appealing destination for foreign direct investment (FDI) in the hospitality sector. Investors from Gulf Cooperation Council (GCC) countries such as the United Arab Emirates, Saudi Arabia, and Qatar see SCHs as a culturally compatible and financially viable venture. These investors are particularly drawn to hotels that exhibit

¹⁵ Eko Nursanty, "Using City Branding Strategy for Increase Heritage and Tourism to Be Modern Movement Heritage in Architecture," in *2nd International Conference on Urban Heritage and Sustainable Infrastructure Development (UHSID)*, vol. 9, 2013, 372–86.

comprehensive Shariah compliance in both physical operations and governance models, reflecting an alignment with the investors' own ethical and religious values.

As pointed out by Noor Sufiawati Khairani et al. (2021),¹⁶ SCHs are not merely physical spaces offering halal meals or prayer rooms – they offer a holistic Islamic value proposition that combines hospitality, religious identity, and customer-centered service excellence. This holistic approach helps differentiate SCHs from secular hospitality chains, giving them a strategic edge in market segmentation and branding. For investors, this translates to a stronger brand equity, higher customer loyalty, and lower reputational risk, especially when entering or expanding in predominantly Muslim markets.

In addition to FDI, the growth of SCHs has contributed to local economic stimulation, particularly in secondary cities and rural areas where new Shariah-compliant accommodations are developed to attract niche segments of domestic and regional Muslim travelers. Local suppliers, halal-certified food producers, Islamic event organizers, and transportation providers all benefit from the SCH ecosystem. In this way, SCH development aligns with Malaysia's broader goals of inclusive and equitable economic growth, as emphasized in the Shared Prosperity Vision 2030.

The strategic importance of SCHs becomes even more pronounced in the context of post-pandemic economic recovery. As the tourism sector seeks to rebound from the disruptions caused by COVID-19, SCHs offer a resilient and culturally secure tourism model that can withstand uncertainty. The increased demand for safe, ethical, and spiritually meaningful travel experiences during and after the pandemic has further reinforced the appeal of Shariah-compliant hospitality.

Moreover, the success of SCHs opens the door to adjacent opportunities in the halal travel ecosystem, such as:

- a. **Halal Medical Tourism:** Malaysia already ranks among the top Muslim-friendly medical tourism destinations. Integrating SCH services into medical tourism packages enhances the value proposition for Muslim patients seeking ethical care in comfortable, faith-aligned environments.

¹⁶ Noor Sufiawati Khairani et al., "Shariah Compliant Hotel Deployment: Unveiling A Case within the Hotel Industry in Malaysia," *International Journal of Academic Research in Business & Social Sciences* 11, no. 12 (2021): 1616–40, <https://doi.org/10.6007/IJARBS/v11-i12/11378>.

- b. **Islamic Fintech in Travel Payments:** With the rise of Islamic digital wallets and Shariah-compliant payment platforms, there is growing scope to integrate fintech solutions into the halal travel experience. Hotels can enable zakat-enabled donations, profit-sharing schemes (*mudarabah*), and waqf-based CSR programs, offering a values-driven guest experience.
- c. **Shariah-Based Travel Packages:** Travel agencies can collaborate with SCHs to develop curated Islamic tours – such as heritage pilgrimages, halal culinary trips, or family-oriented umrah packages – thereby adding value through bundled, thematic offerings grounded in Islamic ethics.

Another critical area of impact is employment and human capital development. The expansion of SCHs requires a workforce trained in Islamic hospitality principles, halal logistics, and Arabic/Malay-English communication skills. This demand incentivizes Islamic universities and vocational institutions to offer certification programs, thereby contributing to workforce upskilling and reducing unemployment among young Muslim graduates.

Despite these positive trends, maximizing the economic impact of SCHs requires continued policy coherence, cross-sectoral collaboration, and global benchmarking. Standardization of certification between MFAR and JAKIM must be strengthened to avoid overlap and confusion. Marketing strategies must also emphasize Malaysia's uniqueness as a modern-Muslim travel destination – balancing traditional Islamic values with world-class service excellence.

Malaysia can leverage its success in the SCH model to export its expertise abroad. For example, joint ventures or consultancy services with hotels in Indonesia, the Maldives, Uzbekistan, or Turkey can provide Malaysian companies with new markets, while promoting global Islamic tourism norms based on Malaysia's best practices. The rise of Shariah-compliant hotels in Malaysia has had a substantial and multidimensional impact on the country's tourism industry and investment ecosystem. Beyond improving economic metrics like tourist arrivals and FDI inflows, SCHs have helped reposition Malaysia as a moral and cultural leader in global tourism. Their integration into post-pandemic recovery plans, alignment with Islamic finance and fintech, and ability to

stimulate both domestic and international interest underscores their long-term value. If supported by continuous innovation, standardization, and strategic partnerships, SCHs have the potential to redefine the global standards for ethical hospitality, placing Malaysia at the forefront of an emerging global trend.

CONCLUSION

The development of Islamic hospitality industries and shariah-compliant hotel brands has provided an ample opportunity for the industry players to upgrade their products and services into arguably key Islamic business of enriching experience in the internationally recognized and globally competitive brands of halal hub industry. Malaysia's resilience economy and its efficient offers and packages marked its deployment as the leading powerhouse of global shariah-compliant hotel provider that cater to the need of diverse framework of industry and background. It does provide Islamic funding to finance Islamic financial instrument including Islamic hotels as outlet selling Islamic product and services. Considering this prospect hoteliers should look forward to collaborate with the growing number of homegrown Shariah-compliant hotel player to enhance the industry and maintaining key standard of operation as catalyzer of shariah service and management and the making of future prospect of attracting international and domestic support. Future research should focus on comparative studies between Malaysia and other emerging halal tourism destinations—such as Indonesia, Turkey, and the UAE—to benchmark regulatory models and consumer behavior. Further exploration into digital transformation, guest satisfaction metrics, and environmental sustainability in SCHs could also provide deeper insights into building a more resilient and globally competitive halal tourism sector.

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