

THE PERCEPTIONS OF HOTELIERS AND
GOVERNMENT OFFICERS ON THE NEEDS OF HALAL
CERTIFICATION FOR HOTEL INDUSTRY IN ACEH

BY

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degree Master of Halal Industry Management

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ABSTRACT

The increasing demand for halal products and services among local and foreign citizens have led the tourism stakeholders and other service providers, including the hoteliers in Aceh, to strategize their marketing plans to break through the halal market. In Aceh, the hoteliers responded to the increasing demand on halal products and services by providing the Shariah compliant hotel services to fulfill the Muslim tourists' needs. This study aims at investigating the perception of halal certification among tourism stakeholders in Aceh towards the implementation of Shariah compliant hotel. The tourism stakeholders had a diverse concept, understanding, non-standardized implementation, and claim of what it is called a halal hotel. These existing understandings and practices were due to the status of Aceh as the only province in Indonesia to enforce Shariah law in various official and non-official affairs, including in daily life. This study applied the diffusion of innovation theory as a guide and used the qualitative approach through an in-depth interview of tourism stakeholders. The outcome of the interviews was analyzed using the thematic analysis technique. The study found that halal tourism is an innovative concept to preserve Islamic teaching in the tourism industry, and halal certification is crucial as a benchmark for Aceh as a Shariah province. Academically, this study adds to the existing literature on service innovation and Shari'ah compliant hotel. Incorporating the diffusion of innovation, this study was able to explain the importance of hotel halal certification from the perspective of supply.

ملخص البحث

دفع الطلب المتزايد على المنتجات والخدمات الحلال بين المواطنين المحليين والأجانب أصحاب المصلحة في السياحة وأصحاب الفنادق في آتشيه إلى تطوير استراتيجياتهم التسويقية لاختراق سوق الحلال. في آتشيه، استجاب أصحاب المصلحة في السياحة للطلب المتزايد على المنتجات والخدمات الحلال بتوفير خدمات فندقية متوافقة مع الشريعة الإسلامية لتلبية احتياجات السياح المسلمين. هدفت هذه الدراسة إلى التحقيق في تصور منح شهادات الحلال بين أصحاب المصلحة في السياحة بشأن تنفيذ الفنادق للسياسة والإجراءات المتوافقة مع الشريعة الإسلامية. أصحاب المصلحة في السياحة لديهم أفكار متنوعة ومطالب لما يسمى بالفندق الحلال. ترجع القيادة والممارسات إلى مكانة آتشيه وهي المقاطعة الوحيدة في إندونيسيا التي تطبق الشريعة الإسلامية في الشؤون الرسمية وغير الرسمية. طبقت هذه الدراسة نشر نظرية الابتكار كدليل وتستخدم نهجًا نوعيًا من خلال مقابلات متعمقة مع أصحاب المصلحة في السياحة. تم تحليل نتائج المقابلات باستخدام تقنيات التحليل الموضوعي. ووجدت الدراسة أن السياحة الحلال هي مفهوم الابتكار للحفاظ على التعاليم الإسلامية في صناعة السياحة وأن شهادة الحلال مهمة للغاية كمعيار لآتشيه كمحافظة تحافظ على تطبيق الشريعة الإسلامية. ومن الناحية الأكاديمية، تضيف هذه الدراسة إلى المؤلفات الموجودة حول ابتكار الخدمة والفنادق المتوافقة مع الشريعة الإسلامية. وفقًا لانتشار الابتكار، تمكنت هذه الدراسة لتوضح أهمية شهادة الحلال للفنادق من منظور عرض الخدمات الفندقية الحلال.

APPROVAL PAGE

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DECLARATION

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter elaborates the introduction to the research setting. It consists of the discussion on the focus of the study followed by the illustration of the research background. It also underlines the problem statements regarding the relevance and importance of the research, especially the needs of halal certification for Shariah compliant hotel in the study area. Furthermore, this chapter highlights the research questions based on the issues and problems in the existing area along with the objectives to be achieved in the research findings. This chapter also explains the importance of the current study and its contribution to the body of knowledge on the chosen subject followed by the scope and limitations of the research as the barriers in conducting this study. Finally, this chapter also demonstrates the structure of this research which shows the flow of the research paper and highlights the main content of each chapter of the thesis. Ultimately, this chapter is expected to convey an overall understanding of the content of the thesis.

1.2 THE FOCUS OF THE STUDY AND LIMITATION

Tourism industry has become one of the world's largest key sectors for the economic development. The World Travel and Tourism Council (2017) reported that tourism industry has contributed US\$2.3 trillion and 109 million jobs worldwide. Taking into account its wider impact, the sector has contributed US\$7.6 trillion to the global economy and supported 292 million jobs, which is equal to 10.2% of the world's GDP

and approximately 1 in 10 of all jobs in 2016. Inevitably, the tourism industry has started to grasp up and address the distinct needs of Muslim travelers. There is a growing interest in a new tourism concept, especially among the Muslim travelers such as halal tourism. Halal tourism is clearly one of the fastest growing segments with Muslim travelers demanding the destinations that meet their requirements, particularly in terms of diet, dress, and rituals.

Undoubtedly, the global economy, including world tourism, has been negatively affected by the poor relations between Muslim and Western nations, specifically after the September 11th attack in the US (Henderson, 2003). After this historical event, Muslim travelers' choices of western nations' destination have been drastically dropped and shifted to Muslim countries. The increasing trend of the arrival of Muslim travelers becoming Muslim countries popular destinations for Muslim travelers. The increasing trend was also contributed by the number of Muslim populations globally which is expected to be increased from 1.6 billion in 2010 to 2.2 billion by 2030 or 26.4 percent of the total world population (Economist, 2011).

Based on the growth of Muslim travelers and the increasing trend of Muslim countries destinations, it is very important to develop tourism products according to the Islamic principles, which is known as Halal tourism. It is one of the important sectors that significantly affects the destinations' economy. Halal tourism is seen as a new expansion in tourism development to cater to the Muslim requirements while traveling, while Shariah compliant hotel is one of the products which may be developed to cater to this growing market. This phenomenon shows the need for reviewing the factors that influence the effectiveness of Shariah compliant hotel along with the needs of halal certification in order to cater to the demands of Muslim travelers. Thus, the focus of this study is to discuss in-depth the issues of halal certification prior to being recognized as

a Shariah compliant hotel, particularly in Aceh as the only province in Indonesia to enforce the Shariah law.

This study was conducted in Aceh. The province of Aceh was selected because it is the only province in Indonesia to enforce the Shariah law. Furthermore, Aceh (as a province) and Indonesia (as a country) have made an agreement that the former has a right to an exclusive province and has been granted the rights to make its own law (the Qanun of Aceh). This agreement allowed Aceh to be different from other provinces in Indonesia in term of its sovereignty.

The scopes of this study were formed based on the research questions followed by some limitations in conducting the study. The first scope of this study was to investigate the perceptions of tourism stakeholders towards halal tourism development in Aceh. Their perceptions were investigated based on their understanding and experiences during their involvement in the halal tourism development.

The second aspect of the study was to examine the importance of halal certification for Shariah compliant hotel in Aceh. The aim of this scope was to study the current practices of hotel management and its daily operation in accordance with the Qanun of Aceh as well as to understand the current approval of the Shariah compliant hotel towards halal certification. This study included identifying issues and problems through the perceptions of tourism stakeholders towards the implementation of halal certification for hotel in Aceh. However, there were some difficulties in getting the experts, both from the authority and practitioner, due to the halal certification concept, especially because tourism development is still considered a new innovation in Aceh. Lastly, the third aspect was to explore the influence of halal certification for hotel in Aceh which is suitable to implement in Aceh based on the results obtained.

There are two limitations of this study that need to be acknowledge. The first limitation is that the tourism stakeholders involved in this study only the government officer related to tourism industry and practitioners from hoteliers as participant in this study. Then, the process of building the recommendation which is based on the result of analyses and supported by some literature. A second limitation of the study is that the qualitative analysis format does not allow for generalization across a population. The opinions of those that participated in this study cannot be uncritically applied across the entire Acehese population, since opinions may vary substantially. Thus, the results should be approached with caution by policy makers and other researchers. The use of these opinions in policy making should be further tempered by the understanding of policy maker as something that take into account the thoughts and opinions of tourism stakeholders, not only a simple majority vote.

1.3 BACKGROUND OF STUDY

The province of Aceh is a unique region that holds significant Islamic historical and cultural values. The region is now known as Aceh which has a long history of human habitation as one of the earliest sites of Islamic culture in Asia. Aceh's Islamic origins stem from its geographic location as the first port of call for the Islamic traders to the region. As the starting point of Islam in the archipelago and the last point of departure for the hajj, Aceh was named by the Arab traders as the Verandah of Mecca. The dominant of Acehese power during this period came with the ascent of Sultan Iskandar Muda, who ruled from 1607 CE to 1636 CE. He was highly successful at fighting back the Portuguese expansion, as well as consolidating the Islamic state of Aceh. Acehese power began to decline in the seventeenth century as the great European powers fought for control (Shirley, 2011).

After the independent of Indonesia, Aceh has been sporadically embroiled in armed conflicts between the Indonesian central government and Acehese political factions that demanded Aceh should be recognized as an autonomous region, if not offered independence from Indonesia. The conflict about 30 years was abruptly halted by the 2004 Sumatra Andaman earthquake resulted in the tsunami disaster. It devastated the province which forcefully led to the signing of the Memorandum of Understanding between the Indonesian central government and the Free Aceh Movement (Gerakan Aceh Merdeka - GAM). It resulted not only in the cessation of armed conflict, but also in a renaissance of economic development in Aceh. One major development was the introduction of tourism as a potential strategy for the economic growth (Shirley, 2011).

The expansion of the tourism industry through its linkages has contributed to the growth in other related activities, particularly food and beverages, shopping, entertainment, and accommodation. The accommodation sector is one of the most important sectors that support the tourism industry. It is seen as a promising niche market by many accommodation providers which has grown rapidly in parallel with the hospitality industry. The growing demand for accommodation now moves towards the services that comply with the Shariah law. Meanwhile, the Shariah compliant hotel is a new innovative and creative service found in the hotel industry. This leads to the question, is halal certification crucial prior to being recognized as a Shariah compliant hotel?

Based on the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC, 2017), there is no current consensus on which halal tourism elements to incorporate in the hotel industry. However, the accommodation establishments make their decision based on the ease of implementations, the cost, and the impact on non-Muslim guests. According to the data

from the COMCEC report, there are 680 Muslim-friendly travel accommodation establishments with either focused or mixing offerings that have been identified within OIC countries in 2015. This estimate includes certified hotels and hotels that identify themselves as Muslim-friendly without the external verification. The countries with the largest number of Muslim-friendly accommodation establishments are Malaysia, Turkey, the United Arab Emirates, and Indonesia. Malaysia has identified 368 Muslim-friendly accommodation, followed by 140 Muslim-friendly accommodation with mixed and focused offerings identified in Turkey, 36 identified in the United Arab Emirates and 35 identified in Indonesia. However, only 58 accommodation establishments fit the focused offering criteria, which are certified halal, serving halal food only as well as providing halal products and serving targeting Muslim travelers.

For the purpose of developing Shariah compliance hotel, some standards have been developed, such as crescent rating standard in 2008. It has been voluntarily adopted by the hotels in several countries. In Malaysia, a new Malaysian standard defined as Muslim Friendly Hospitality Services (MFHS) has followed a conventional process in its development. The process started in December 2012 led by the International Institute for Halal Research and Training (INHART, part of the International Islamic University of Malaysia) and the Department of Standards Malaysia (DSM). Subsequently, the Scientific and Industrial Research Institute of Malaysia (SIRIM) was engaged to lead a Technical Committee on Management System from Islamic Perspectives. Other supporting committees were then established to develop the standard. A draft of MFHS document was released in August 2014 for a two-month public comment period. Finally, in January 2015, the standard of MS 2610:2015 was published. The Standards and Metrology Institute for Islamic Countries (SMIIC), which is an institution working under Organization of Islamic Cooperation

(OIC), was also developing this standard in response to the requests from the OIC member countries. The Tourism Related Standard was launched in 2019 (COMCEC, 2017).

Nevertheless, there is no comprehensive study found on Shariah compliant hotel practices in Aceh's hospitality industry. Despite the growing demand for the halal market in the tourism industry, there is insufficient knowledge on the concept and practice of Shariah compliant hotel in Aceh. There are two institutions that are responsible for the development of halal tourism in Aceh, which are The Council of Ulama (Majelis Permusyawaratan Ulama – henceforth MPU) and The Department of Culture and Tourism (Dinas Kebudayaan dan Pariwisata – henceforth Disbudpar). According to these institutions, although Aceh implements the Shariah law, there is still lack of regulation that purposefully standardizes the Shariah compliant hotel. For this particular reason, this study discussed the perceptions among the government and practitioners related to tourism in accordance to the implementation of Shariah compliant hotel in Aceh. Based on the findings of the research, the outcomes of this study will provide suggestions on halal certification system for Shariah compliant hotel that are suitable to implement in Aceh as a Shariah province.

1.4 PROBLEM STATEMENT

Aceh has been granted the rights to make its own law. The Government of Indonesia recognizes the exclusivity of Aceh, which is declared in Indonesian Act Number 11 Year 2006: Aceh Sovereignty (Undang-Undang Republik Indonesia Nomor 11 Tahun 2006 Tentang Pemerintahan Aceh). The implementation of Shariah law is one of Aceh's various rights recognized by the Government of Indonesia. However, the fact is Islamic

law has been implemented in Aceh since Islam first came to Aceh (Kaoy & Hakim, 2000).

The implementation of Shariah law in Aceh comprises three aspects: creed (*Aqidah*), law (*Shariah*), and ethics (*Akhlaq*). Tourism is one of the aspects regulated and stated in Aceh law which is known as the Qanun of Aceh. The system such policies regarding tourism is described in the Qanun of Aceh Number 8 Year 2013. This Qanun regulates tourism related to the principle, purpose, function, government authority, financing, community participation, and any activities allowed and prohibited for local and international tourists. However, wherein the Qanun only describes the principles of hotel development and states general terms of the concept of hotel without describing the standard of Shariah compliant hotel. In view of this position, the focus of the study then was to investigate the perceptions of the government officers and practitioners on the understanding of halal tourism based on their experiences in the implementation of Qanun Aceh Number 8 Year 2013.

The current tourism trends boost up the demand for and supply of Shariah compliant hotel and services based on the Islamic value. Detailed guidelines need to be established in constructing this concept as recent studies confirmed that currently there is no comprehensive standardization being introduced. Some experts viewed that the prospect for Shariah compliant hotel development is bright, although its development is slow (Henderson, 2009). The establishment of Shariah compliant hotel will attract Muslim travelers to visit Aceh. In order to convince the tourists that hotels are based on the Shariah principles, the hotel will need to be halal certified. However, the issue is although most hotels have applied the principles of the Qanun of Aceh in its daily operation and management system, yet there is no hotel with halal certification in Aceh. This leads to a question, is the halal certification system still need to be established in

Aceh? Another question, is it enough to promote Aceh as halal tourism destination instead of halal certification system?

Based on the above-mentioned issues, the problem statements for this research could be listed in three points, which are:

1. Although most hotels have applied the principles of the Shariah law in its daily operation and management system, yet there is no hotel with halal certification in Aceh.
2. The absence of halal certification standards can be a serious barrier to the Shariah compliant hotel development in Aceh.
3. The hostile perception on halal certification in Aceh as a Shariah province is the most challenging part in developing halal tourism in Aceh

1.5 RESEARCH QUESTIONS

Based on the background of the problem discussed earlier, the following research questions were constructed for this study:

1. What are the perceptions of the government officers and practitioners towards halal tourism development in Aceh?
2. What are the perceptions of the government officers and practitioners towards halal certification for hotel in Aceh?
3. Does halal certification system need to be established for hotel in Aceh?
4. Does the implementation of Shariah law sufficiently promote Aceh as a halal tourism destination instead of halal certification system?

1.6 RESEARCH OBJECTIVES

This study aimed to explain the phenomenon that leads to the hostile perceptions among the government officers and practitioners in the implementation of halal certification for hotel in Aceh. Hence, the objectives of the current study are:

1. To investigate the perceptions of the government officers and practitioners towards halal tourism development in Aceh.
2. To examine the perceptions of the government officers and practitioners towards halal certification for hotel in Aceh.
3. To assess the needs for halal certification system for hotel in Aceh.

1.7 SIGNIFICANCE OF THE STUDY

The current study is significant especially for the academic, government, and practitioner.

1. Academic

This study will contribute to the understanding of the advancement of the tourism industry in the accommodation sector. It will add to the existing knowledge by exploring the important of Shariah compliant hotel and the needs of halal certification as well as the implementation system that are suitable for Aceh as a Shariah province.

2. Government

This study will produce advice for the tourism industry development, especially for the government in preparing for the policies, regulations, and standards for Shariah compliant hotel toward halal certification. The results of this study may be used to support and promote Aceh as a halal destination

that complies with the Islamic principles and provide excellent services to the customers.

3. Practitioner

This study will be a contribution for practitioners in the tourism industry to have a better understanding toward halal certification for Shariah compliant hotel. The benefits of this research will create new strategies that can attract customers from different backgrounds since the demand boost up for Shariah compliant hotel.

Finally, it is hoped that the findings and recommendations of this study would lead to enhancing the concept of Shariah compliant hotel through its requirements and standard toward the halal certification implementation.

1.8 THE STRUCTURE OF THE THESIS

This research paper is arranged thematically and presented in six chapters. The present chapter has introduced the research setting and explained the background of the research regarding the tourism development. In addition, this chapter has listed the problem statements regarding the relevance and importance of the research in the study area. Furthermore, this chapter has provided the research questions based on the issues and problems in the existing area along with the objectives that must be achieved in the findings of the research. Finally, this chapter has also explained the significance of the study for the community and its contribution to the body of knowledge, followed by the scopes and limitations of the research.

Chapter two reviews relevant literature including the theoretical framework for the research. It reveals and identifies the concepts of halal tourism and Shariah complaint hotel along with the identification of a general concept for Shariah compliant