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INTELLECTUAL CAPITAL MODEL FOR MUSLIM- FRIENDLY TOURISM AND HOSPITALITY SERVICES: QUALITATIVE PERSPECTIVE

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Abstract:

The current study focuses on Muslim Friendly Tourism and Hospitality (MFTH) services, as these rising services offer new and exciting opportunities for recovering and enhancing economic growth in the tourism industry. Intellectual capital is a firm's resource that has been proven to assist in creating a competitive advantage. Thus, strategically managing intangible assets, such as intellectual capital, is vital to gain a competitive edge. The study's main objective is to explore the indicators of intellectual capital that the MFTH service providers should possess to ensure the firm's sustainability. In addition, a new intellectual capital model, which comprises human capital, structural capital, relational capital, and innovation capital, suitable for MFTH service providers is proposed. A qualitative approach was applied through face-to-face interviews to obtain an in-depth perspective of intellectual capital in MFTH services with the tourism authorities and the academics.

Keywords:

Halal Tourism, Intellectual Capital, Muslim Friendly Tourism, Muslim Friendly Tourism and Hospitality Services

Introduction

Southeast Asia, currently home to 260 million Muslims, can easily attract Muslim tourists to explore and visit the locality. Malaysia was among the pioneers in shaping the development of Islamic Tourism (IT) or Muslim Friendly Tourism and Hospitality (MFTH) products and services. Malaysia has all the necessary ingredients for an ideal Islamic tourism destination. A variety of halal products, services, and attractions can be found in Malaysia, from halal food to Islamic banking, which perfectly cater to the needs of Muslim travellers. Malaysia's rich Islamic history and heritage also form fascinating experiences to explore. According to Ariff Irshad et al. (2022), Muslim-friendly tourism (MFT) is known for its services and facilities in compliance with Shariah. Malaysia has developed impressive tourism, but there is still a lack of awareness among industry players, and some of them still do not show interest in implementing MFT.

The negative sentiments portrayed by media regarding words such as Muslim, Halal, Shariah, and Islam lead to resistance from some travel stakeholders to develop MFT. The main concern comes from a misunderstanding of MFT and the perception that MFT will destroy traditional tourism in the destination. Thus, better education and awareness of MFT should be offered by the respective authorities to these stakeholders to alleviate their fears and enhance their appreciation of MFT (COMCEC, 2016).

Muslim Friendly or Halal Tourism is a new product in the tourism industry, especially for Malaysia. Having the same religion and culture gives Malaysia a better opportunity to grow in this industry (Yusoff & Abdullah, 2011). In 2022, Malaysia has managed to attract 2.12 million Muslim tourists to the country. Thus, local entrepreneurs and industry players are encouraged to offer Muslim-friendly hospitality services as an added value in expanding the Islamic tourism industry in the country (The Star, 2023).

This new tourism concept is to offer permissible hospitality and accommodation compliance with Shariah. Implementing this MFT concept in Malaysia makes the tourists feel safer regarding shopping, food, security, and religious obligations. The significant difference in MFT is that it eliminates gambling, drinking, and party activities, but those are replaced with visiting mosques, Islamic architecture, and historical places (Zailani et al., 2011).

IT and MFTH products and services provide opportunities for business expansion and strengthen the economy across the tourism value chain. They create new career opportunities and bring up positive social values and standards on the environment and cultural protection (Islamic Tourism Center, 2023). As the tourism industry has been heavily impacted by the recent pandemic, Covid-19, and other diseases, the players in this industry must possess unique characteristics that are knowledge assets (intellectual capital) to sustain in the challenging and catastrophic business environment. The current study gauges how intellectual capital enhances the sustainability of tourism. An intellectual capital model for Muslim Friendly Tourism and Hospitality is proposed.

Intellectual Capital (IC) is a collection and synergy of knowledge, experience, invention, innovation, market share, and community, which can impact the performance of a company (Clarke et al. (2011). The IC consists of knowledge that increases the value of a company, such as management, technology, consumer and supplier skills, patents, and processes.

Literature Review

Halal tourism, often termed Islamic tourism or Muslim Friendly Tourism, is a concept in the tourism industry that opens new and exciting opportunities for enhancing economic growth. The halal industry addresses a few of the seventeen sustainable development goals (SDGs) and can significantly contribute to sustainability (Md Siddique et al., 2019). Md Siddique et al. (2019) claimed that four SDGs, which were found to be significantly related to Halal tourism, are Good Health and Well-being of Society (SDG 3), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), and Responsible Consumption and Production (SDG 12).

Malaysia is committed to developing and promoting the IT and MFTH niche segments, domestically and abroad. In the National Tourism Policy (NTP) 2020-2030, the Islamic Tourism Centre (ITC), under the Ministry of Tourism, Arts and Culture Malaysia, has been given a mandate as the lead agency in Muslim-friendly tourism and is responsible for expanding the development in this segment of tourism (Tourism Malaysia, 2021). Based on the Global Muslim Travel Index (GMTI) report published in 2018 shows that Malaysia is the first ranking for OIC (Organisation of Islamic Cooperation) Countries Destinations. The GMTI report (2018) also shows that Indonesia, as the neighboring country of Malaysia in the same region, ranked 2nd for OIC Countries Destinations. Indonesia's position as the leading country in Islamic tourism alongside Malaysia is also shown by several halal tourism industries in Indonesia receiving awards at the 2016 World Halal Tourism Awards. Of the 16 categories competed in, Indonesia won 12 of them. The facts mentioned show that if this program is prioritized, both countries may become a leading Islamic tourism industry that can increase economic growth.

Definitions

The Islamic economic sector has been overgrown in Malaysia, and Islamic businesses can be found in a wide range of sectors, including culinary, Islamic finance, Islamic takaful (insurance and mortgage), fashion, cosmetics, pharmaceuticals, entertainment, and tourism industries (Amir Abdullah, 2020). Research on tourism relevant to Islam has applied various terms such as *Halal Tourism*, *Islamic Tourism (IT)*, *Muslim Friendly Tourism (MFT)*, and the most recent is *Muslim Friendly Tourism and Hospitality (MFTH) services*.

According to Amir Abdullah (2020), Islamic tourism offers a new means of developing Malaysia's tourism industry while maintaining Islam's ethics, culture, and values. The definition of Islamic tourism is still unclear and encompasses various terms such as Halal Tourism, Halal Friendly Travel Destinations, Halal Travel, Islamic Travel Destinations, and Halal Lifestyle. To develop Malaysian own Islamic tourism, Islamic culture, and values should be upheld without eliminating the uniqueness and authenticity of Malaysian culture. Islamic tourism is related to religious values and comprehending every walk of life that does not contradict Islam (Amir Abdullah, 2020).

Tourism has various social and cultural impacts. Halal tourism is a product of Muslim and non-Muslim markets. The halal market is classified into three categories, i.e., food, lifestyle (cosmetics, textiles, etc.), and services (tour packages, finance, transportation). Therefore, Islamic tourism can be defined as tourism and hospitality created by consumers and producers by the teachings of Islam. Many countries in the Islamic world are taking advantage of the increased demand for Muslim-friendly tourist services. Islamic tourism is a new concept of tourism. It is not religious tourism per se, like performing 'Umrah or Hajj. Islamic tourism is a tourism activity that caters for holidays with customized holiday styles according to customer

needs and demand. In this case, the hotel that carries the principles of Shariah does not serve alcoholic drinks and has a separate swimming pool and spa facilities for men and women (Amir Abdullah, 2020).

According to Battour and Nazari Ismail (2015) in Md Siddique et al. (2019), Halal tourism often termed Islamic tourism or Muslim-friendly tourism, is a new concept in the tourism industry that opens new and exciting opportunities for enhancing economic growth. The meaning of halal is that it is permissibility or Lawful. For tourism to be referred to as 'Halal tourism', the content must align with Shariah law. To understand the contribution of Halal tourism towards sustainability, it is essential to understand the aim of Islamic law, Maqasid-al-Shariah. Maqasid-al-Shariah, which originated from the Quran and Sunnah, laid out five principal objectives, which encompass preserving faith (religion), preserving life, preserving mind/intellect, preserving wealth (resources), and preserving lineage (next generation) Md Siddique et al. (2019).

MFT focuses on providing services in the tourism and hospitality sector aligned with shariah-based objectives. The services focus on accommodation, food, beverages, and travel activities. Religion and beliefs may have influenced traveling activities (Aziz, 2018). Cetin and Zeki Dinçer (2016) assert that MFT encompasses Islamic Tourism, Shariah-compliant tourism, and Halal tourism. Islamic tourism refers to visiting places for religious intentions, such as visiting Mecca for pilgrimage. Shariah-compliant tourism would be considered the most stringent; for example, the selected hotel should be financed based on Islamic rules. Halal tourism refers to tours with less strict rules and various customizations in the global product, e.g., optional food without pork) that would satisfy the needs of most Muslims.

ITC in Malaysia, the Islamic hospitality and tourism expert, acts as a center of reference for stakeholders and industry players about this matter (Aziz, 2018). The Muslim Friendly Hospitality Services (MFHS) – MS2610 standard is Malaysia's first standard dedicated to the tourism industry that caters to Muslim travelers. The International Institute for Halal Research & Training (INHART) of International Islamic University Malaysia (IIUM) initiated the standard. This standard guides organizations in managing tourism facilities, products, and services.

In our recent discussion with ITC's managers in March 2023, the term Muslim Friendly Tourism and Hospitality (MFTH) services is applied or more preferred to reflect the Islamic Tourism agenda in Malaysia.

Intellectual Capital

The knowledge-management approach highlights that the close interaction and a well-balanced combination of the three intellectual capital components enable value creation from business activities and anticipation of business growth (Hermans and Kauranen, 2005; Amrizah and Rahman, 2013). This statement is supported by Bontis (1998) that a constant interplay among human, structural, and customer capital must be present for an organisation to leverage its knowledge base. IC factors' existence is crucial for modern organizations' advancement. For profit organizations, the existence of IC can maximize organizational performance through the achievement of corporate profit targets. However, for non-profit organizations such as government agencies, indicators of organizational performance achievement are not assessed by company profits but by productivity, effectiveness, service quality, and accountability.

The development of Islamic tourism in Malaysia and Indonesia cannot be separated from the importance of the role of human resource factor and other intellectual capital components that work in tourism offices throughout the country as an organizational resource. The tourism service in the region/province under the command of the Ministry of Tourism is responsible for developing and implementing tourism in the relevant regions. The issuance of pro-tourist regulations and tourism stakeholders, as well as the formulation of appropriate targeted promotional strategies, is a huge responsibility to be undertaken by the tourism office. Without the support of qualified intellectual capital, it is difficult for Shariah tourism in the region/province to grow (Ariyanto and Chalil, 2017).

Bratianu et al. (2011) found that people's cultural and business knowledge levels in the touristic service are relatively low compared to the expected values. The human capital is entrepreneurs without university business education and only attended short training programs. Most of them know very little about this tourist destination's geography, history, culture, traditions, music, and cuisine. The non-stimulating economic legislation and the lack of tourism industry in the region lead to a low level of intelligence used by people and institutions to process cultural and business knowledge. However, the traditional hospitality of people is relatively high.

Globalization and the evolution of information systems expose competition between organizations. We currently live in a society based on knowledge, where the need for differentiation and innovation is a priority. Intellectual capital is a firm resource that can make a difference. Given the challenge of market globalization, companies have intensified their concern for new advantages combined with knowledge-based resources, which is intellectual capital represented through know-how, innovation, the experience of employees, the quality of products and services, partnerships; the brands, and the creativity (Vânia et al., 2020). Vânia et al. (2020) support the concept that intellectual capital has the potential to become the new source of wealth in the Portuguese hospitality and tourism sector and support that intellectual capital has a direct and positive effect on business performance.

The Conceptual Framework of Mft

According to Crescent Rating (2015), the Conceptual Framework of MFT consists of three main elements: firstly, 'Key faith-based needs' theme (Faith-based needs of Muslim travellers); secondly, 'Demand side' key themes (Reasons and motivation for travel by Muslims) and thirdly 'Supply side' key themes (Travel and hospitality services and facilities).

The enhanced adherence to faith-based is seen through the fast growth of influence on the purchasing decisions of Muslims on Islamic products such as Islamic Banking, Halal Food, Islamic Fashion, Halal cosmetics, and other related Muslim products. The increased devotion to faith-based needs is attributed to three main motives. The first is that Muslims see Islam as a "way of life" in which Islam's guidance and values influence all aspects of Muslim lives, including consumption behaviors. The consumer motivation for the Muslim lifestyle is focused on "halal" food, religious practices, "halal" accommodation, gender relation distinctions, modest clothing, education, Islamic finances, and other areas. The second motivation is that the Muslim-majority countries Bangladesh, Indonesia, Saudi Arabia, the UAE, Malaysia, Nigeria, and Turkey are encouraging growing economies, which lead to the growth of middle-class and high-income earners. This growing income level is driving Muslim consumers to establish their consumption needs, which are centred on Muslim products and industries. The third motivation is that the growing trade among Muslim countries enhances Muslim market

preferences, especially among Muslim communities (Crescent Rating, 2015; COMCEC, 2016).

The second element is the Demand Side Key Themes (Reasons and Motivation for Travel). The four broad travel themes identified among Muslim travelers are religious, leisure, business, and healthcare. Religious travel for Muslims has always been an integral part of the Islamic faith, with a significant demand due to Hajj and Umrah. The Hajj and Umrah are Islamic pilgrimages to Makkah and other Islamic sites. In 2015, religious travel constituted around 10 percent of Muslim visitors. Leisure travel among Muslim travelers includes sightseeing, shopping, dining, and visiting friends and relatives. In 2015, Leisure travel accounted for around 75 percent of the travel. Business travel comprises 9 to 10 percent, whereas travel for medical or healthcare reasons is less than 1 percent of the Muslim travel market. (Crescent Rating, 2015; COMCEC, 2016).

The third element is the 'Supply side' key themes (Travel and hospitality services and facilities). The key themes from the supply side are to be looked at from the perspective of the traveler's journey from home to the activity at the destination. The objective is to enable the destination to understand better its current positioning in terms of the Muslim-friendliness of its offerings of hotels, restaurants, shopping malls, transport, tourist attractions, and the hospitality industry. (Crescent Rating, 2015; COMCEC, 2016).

Methodology

The study adopts a qualitative method where the data are collected via interviews with the relevant tourism authorities and the academics attached to the tourism and hospitality faculty. The interviews were conducted in the states of Selangor, Kelantan, and Sabah in Malaysia, where the tourism authorities are located. The locality of the study is precise, as Malaysia was announced as the 'Best Muslim-friendly destination' by the Organisation of Islamic Cooperation (OIC) in June 2023 (The Star, 2023). The study applied purposive sampling in identifying the interviewees. An interview protocol also guided the structured interview. Before the interviews, the agreement to be interviewed was obtained from the targeted interviewees. The selected officers were provided with structured interview questions.

Seven (7) personnel from four (4) tourism authorities/agencies, namely The Ministry of Tourism, Arts, and Culture (MOTAC) at the state level, the State Tourism Center, and the Islamic Tourism Center (ITC) were interviewed. In addition, five (5) academics from the local universities, Universiti Malaysia Sabah (UMS), Universiti Malaysia Kelantan, and Universiti Teknologi MARA, Malaysia also participated in the interview sessions. The academics are from the Tourism and Hospitality Department or Faculty.

All interviews were conducted voluntarily, tape-recorded, and transcribed verbatim for easy analysis. The intellectual capital indicators were identified from the transcriptions and translations of the interviews. Word search using Microsoft Word was applied to identify the relevant information. Four themes were identified before conducting the word search: human capital, relational capital, structural capital, and innovation capital. The interviews were conducted in both English and native language, i.e., Malay, from January 2023 till June 2023.

The interview question was adapted from intellectual capital indicators and modified to suit halal tourism and hospitality services. The interviewees were asked the following questions.

1. What knowledge relevant to "Muslim Friendly Tourism and Hospitality" services should be possessed by the human resources, i.e., hoteliers or tour operators, to run the operation?
2. What are the relationship criteria in the context of "Muslim Friendly Tourism and Hospitality" services that the above individuals need to have to ensure the sustainability of this industry?
3. What is the appropriate knowledge relevant to the support system in the context of "Muslim Friendly Tourism and Hospitality" services that the above individuals need to have to ensure the sustainability of this industry?
4. Do you think a person should be pious/religious to carry out activities or the agenda of "Muslim Friendly Tourism and Hospitality" services?
5. Is innovation/creativity a vital element to ensure the success of "Muslim Friendly Tourism and Hospitality" services?

Findings

Intellectual capital offers measurement from four constructs: human capital, relational capital, structural capital, and innovation capital. From the interview transcription, thirteen (13) indicators were identified to represent the measurement of human capital, ten (10) for relational capital, eight (8) for structural capital, and 9 (nine) to represent innovation capital. The first construct, human capital, emphasizes the readiness of the relevant parties, primarily the MFTH services providers, travel agencies, and hoteliers, to offer services tailored to the Islamic concept and way of life. This dimension also focuses on understanding the needs of Muslim travelers, in addition to understanding the concept of halal and Shariah requirements. The other element that indicates human capital is knowing Islamic morality and mannerism, which is also an essential event for the Islamic religion. Based on the above findings, human capital can be defined as knowledge of the people involved in the process, which can be measured through readiness, enriching knowledge of the relevant areas and continuous training.

Based on the interview's findings, the tourism area experts believe relational capital can be represented by knowledge embedded in relationships with relevant agencies and destination management organizations. In Malaysia, the relevant agencies refer to the Ministry of Trade, Art and Culture (MOTAC), Islamic Tourism Center, Majlis Agama Islam, NGOs, and Islamic committees at the local authorities. In addition, knowledge gathered through relationships with local tourism agencies on promotion, such as the state tourism center, the mosque committee members/authority, spa or wellness center owners, and collaborations with the media, is a bonus.

For the third construct of intellectual capital, structural capital, the interviewees opined that knowledge of the facilities for MFTH services, the requirement of halal certification (halal food/halal restaurant/halal kitchen), and general knowledge of Shariah Compliance procedures are priorities. Apart from these primary concerns, knowledge of Standard Operating Procedures (guidelines for MFTH recognition and accreditation by the Islamic Tourism Centre, publication on the Muslim market or Muslim tourism, and MOTAC rating being the Malaysian Tourism Quality Assurance (MYTQA) are additional values.

Based on the interview findings, the fourth construct, Innovation capital, can be defined as creativity and innovativeness in the MFTH services. This construct can be measured through the invention of Halal Apps that can identify halal restaurants, musollah (prayer hall), spa, and wellness centers, including accommodation. The MFTH service providers are considered

creative if they invent an Islamic Tourism destination App that offers information on places of Islamic heritage, culture, and tourist attractions. Besides this, inspiration from unique tourism concepts, e.g., Rumah Bonda Spa and Wellness, Glamping (Glamour and camping), Treetops accommodation, caravan camping, and women/girls' tourism venture, is a value-added indicator.

Tables 1.0 to 4.0 represent the indicators developed to represent the four constructs: human capital, relational capital, structural capital, and innovation capital from the perspective of MFTH services.

Table 1.0: Human Capital for MFTH Services

No	Indicators
1	Readiness of the service providers to accept the concept of Islam
2	Readiness to adopt and adapt MFTH services
3	Readiness to enrich the knowledge of MFTH services
4	Understanding the uniqueness of Islam
5	Continuous training on MFTH services
6	Understand the requirements/needs of Muslim travellers (food/solat time/mushollah)
7	Understanding the Islamic heritage/civilization/culture/ way of life
8	Understanding the concept of halal and Shariah requirement
9	Readiness of accommodation providers (hoteliers) on MFTH services
10	Understanding of Shariah's compliance with hospitality (spa/gym wellness)
11	Knowledge of the spiritual value
12	Knowledge of Islamic morality and mannerisms
13	Knowledge of significant events for Muslims e.g., fasting month/ Ramadan

Source: The Authors

Table 2.0: Relational Capital for MFTH Services

No	Indicators
1	Relationships with the federal and state authorities, eg, Jakim (halal requirement), Islamic Tourism Centre (ITC) , MOTAC (the Ministry), Majlis Agama Islam, Non-Government Organizations, Islamic committee at the local authorities.
2	Relationship with local tourism agencies on promotion (destination management organization) – e.g., Sabah Tourism, Kelantan Tourism Centre
3	Relationships with Mosque, Pondok authorities – e.g., MOSVI (mosque visit guide)
4	Relationships with spa/convention centre/healthcare/wellness centres' operators
5	Relationships with other product owners
6	Relationships with media (article writers/journalists)
7	Understanding the multicultural (various cultures and ethnicities) way of life in the country
8	Knowledge of the state culture/domestic tourism (also includes gastronomy)
9	Awareness and exposure on Islam to the non -Muslim
10	Awareness and exposure to the expectation/culture of non-Muslim

Source: The Authors

Table 3.0: Structural Capital for MFTH Services.

No	Indicators
1	Knowledge of facilities for MFTH services
2	Knowledge of the requirement of halal certification (halal food/halal restaurant/halal kitchen)
3	Knowledge of Shariah Compliance procedures
4	Knowledge of the recognition /ratings (silver/platinum) awarded by the Islamic Tourism Centre
5	Knowledge of the Standard Operating Procedures (guidelines for MFTH recognition and accreditation by the Islamic Tourism Centre)
6	Availability of articles/publications on Muslim market/ Muslim tourism
7	Website on Islamic tourism
8	Knowledge of MOTAC rating (Malaysian Tourism Quality Assurance) - MYTQA

Source: The authors

Table 4.0: Innovation Capital for MFTH Services.

No	Indicators
1	Halal Apps that can identify halal restaurants, musollah (prayer hall), spa and wellness centre, accommodation
2	Islamic Tourism Destination Apps
3	Promoting unique tourism concepts, e.g., Rumah Bonda Spa and Wellness, Glamping (Glamour and camping), Treetops accommodation, caravan camping, women/ girls' tourism venture
4	Innovate and collaborate with industry partners – e.g., village in the city
5	Promotion and marketing of MFTH services
6	New Segmentation – e.g., target customers (women Muslim travellers)
7	Sharing success stories of service providers – e.g., women entrepreneurs/women in Islamic tourism
8	New attraction place – E.g., heritage tourism archaeology sites and museums
9	New Islamic product – e.g., Pondok Experience, new performance Islamic approach – Pak Yong (Shariah compliance)

Source: The Authors

Conclusion

The current study is inspired by the expectations and aspirations of sustainable development goals (SDGs). The study enhances the literature on knowledge assets and sustainability in the halal industry context. It offers guidelines to the industry, especially the tourist agencies and authorities, on the role of intellectual capital as a value creator to sustain in the competitive business environment. Among the indicators identified for the human capital is the readiness of front liners or non-Muslim travel operators to accept Islam, enriching knowledge on Muslim-friendly tourism, and continuous training. The relationships with federal government agencies and destination management organizations promoted by local authorities are significant indicators of relational capital. Knowledge embeds on facilities to adopt Muslim Friendly Tourism and Hospitality; Shariah compliance and Halal Certification represent the indicators for Structural Capital. For the Innovation Capital, the knowledge of Halal Application that identifies halal restaurant, musollah, and Islamic Tourism destination is a priority indicator.

The findings identify four constructs of intellectual capital (human, relational, structural, and innovation capital) with specific MFTH indicators relevant to each. The identification of these indicators from interviews aligns well with the objective. The detailed descriptions of each construct and the relevance to MFTH services suggest that the study has successfully met its primary goal. Additionally, the proposal of a new intellectual capital model suitable for MFTH is evident through the breakdown of these indicators.

According to Aziz (2018), among the challenges facing MFT in Malaysia are technological advancement, economic development, and people and organization. Technological advancement in the Industrial Revolution 4.0 contributed to the more significant challenges in developing MFT. Social media, online and transparent information, and technology are needed to modernize the services in MFT.

Thus, from the intellectual capital perspective, knowledge of technological innovations is crucial to improving the services provided by the tourism industry. In addition, knowledge of relational capital is essential to disseminate the promotion and awareness of MFTH services to all travelers. To keep abreast with the fast-changing industry, knowledge of structural capital is crucial to ensure that interactive mediums such as online applications are being developed to ensure the smoothness of the traveling process and preparation. Above all, human capital readiness, such as adequate knowledge and training to embark on MFTH services, is a priority to ensure the success of the tourism agenda.

Future research should take the initiative to obtain the industry players' perception of the effectiveness of the intellectual capital indicators developed above in ensuring the sustainability of the service providers.

Contribution/Practical Implications

The findings of the study provide insights to the relevant government agencies such as the Tourism Center, Ministry of Trade, Art, and Culture (MOTAC) in Malaysia, to the industry, especially the halal tourist agencies, on the significant role of intellectual capital as a value creator to sustain in the uncertain business environment.

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