



# The Role of Good Corporate Governance and Islamic Business Ethics in Improving The Halal Industry in The Islamic Tourism Sector in Indonesia

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**Abstract.** *This study discusses the role of Good Corporate Governance (GCG) and Islamic business ethics in strengthening the halal industry in the Islamic tourism sector in Indonesia. Through a qualitative approach based on literature review, the results of the study show that the application of GCG principles such as transparency, accountability, and responsibility, which is synergized with Islamic ethical values such as trust, honesty, and justice, is able to increase the trust of Muslim tourists, strengthen sharia compliance, and encourage the sustainability of halal destinations. The integration of good governance and Islamic business ethics not only increases the competitiveness of the halal industry, but also supports the achievement of sharia maqashid and equitable economic growth in Indonesia.*

**Keywords:** Good Corporate Governance, Halal Tourism, Halal Industry, Islamic Business Ethics

## 1. Introduction

Indonesia as a country with the largest Muslim population in the world has the strategic potential to become a global halal tourism hub. The demand for the global Muslim market is estimated to reach billions of people, opening up huge economic opportunities for destinations that meet halal needs (e.g., worship facilities, halal food, Muslim-friendly accommodation, and ethical services). The estimated global Muslim population relevant to the halal tourism market is around 1.8 billion people, while Indonesia is recorded to have a very large Muslim population, a factor that puts Indonesia in a strategic position in the development of halal tourism. (Rahmawati, 2023)

Despite its great potential, the development of halal tourism in Indonesia faces significant challenges: the lack of consistent operational standards among stakeholders, the diverse perceptions and interpretations of the concept of "halal tourism", as well as challenges on the supply and demand sides. Academic studies show that there are differences in interpretation and contestation of the meaning of halal tourism among stakeholders (government, tourism actors, local communities), which affects branding efforts and policy implementation in the field. This requires a more systematic approach to governance and ethics so that service management truly meets the expectations of Muslim tourists. (Slamet, Irwan Abdullah, 2022)

In this context, the implementation of Good Corporate Governance (GCG) is important for building professional governance: transparency, accountability, fairness, independence, and corporate social responsibility can increase the trust of tourists and stakeholders. In addition, Islamic business ethics (prioritizing trust, honesty, justice, and welfare) provide a

moral foundation that complements GCG so that tourism services not only meet technical standards but also sharia values that are essential for Muslim tourists. Bibliometric studies and literature reviews on the topic of GCG and Islamic social reporting emphasize the relevance and increasing academic attention to the relationship between governance and business practices with Islamic nuances. (Krismaya, 2024)

Research has identified examples of implementation and obstacles to the implementation of halal tourism in various Indonesian destinations (e.g. Lombok, Yogyakarta, Mandalika). These findings demonstrate the need for policy synergy between governments, industry players (hotels, restaurants, travel operators), halal certification authorities, and local communities to develop clear standards, indicators, and oversight mechanisms. This synergy also needs to be supported by strong GCG practices and the internalization of Islamic business ethics so that halal products and services have credibility and economic sustainability. (Malay SP Hasibuan, 2024)

Based on the above potential and challenging conditions, research on the role of GCG and Islamic business ethics in improving the halal industry in the Islamic tourism sector in Indonesia is very relevant. This research is expected not only to add to the academic treasure but also to provide practical recommendations for policymakers and business actors to strengthen governance, standardize halal practices, and encourage inclusive, ethical, and sustainable tourism growth. (Jafar, 2023)

## 2. Methods

This study uses a qualitative method with a literature review approach. This approach was chosen because it is able to provide a deep and comprehensive understanding of the role of Good Corporate Governance (GCG) in improving the halal industry in the Islamic tourism sector in Indonesia. The type of research used is qualitative descriptive, with the aim of describing, analyzing, and synthesizing various views, theories, and results of previous research that are relevant to the research topic.

The data sources used in this study are entirely derived from secondary data, which include national and international scientific journals, academic books, reports of government agencies, and publications of international institutions related to the halal industry and Islamic tourism. The data that has been collected is then analyzed using content analysis techniques, with the aim of identifying the most influential GCG principles in the halal industry, the form of their implementation in the Islamic tourism sector, and their impact on tourist trust and the competitiveness of halal destinations in Indonesia.

To maintain the validity of the data, source triangulation is carried out, namely by comparing findings from various literature and official reports so that the interpretation and conclusions produced are accurate and accountable. The final results of this research method are expected to be able to make a conceptual and practical contribution in understanding how the application of GCG principles can strengthen the governance of the halal industry, increase public trust, and encourage the sustainability of Islamic tourism in Indonesia based on sharia values.

## 3. Results and Discussion

### *3.1 Application of Good Corporate Governance Principles in Improving Governance and Competitiveness of the Islamic Tourism Halal Industry in Indonesia*

Indonesia as a country with a majority Muslim population has great potential in the development of the halal industry, including Islamic tourism. However, to make optimal use

of this potential, good corporate governance (GCG) needs to be implemented comprehensively and synergistically with sharia principles. Literature review from reputable journals (Sinta, national, and international) shows that GCG plays an important role in strengthening the trust, service quality, and competitiveness of halal tourism destinations in Indonesia.

### *3.1.1 GCG Principles As The Foundation Of Transparency And Accountability*

The study Effect of Maqashid Syariah Application on Corporate Governance in Sharia Hotels by Yuliafitri, Nurhayati, and Amrania found that the implementation of maqāshid syariah (sharia goals) which includes protection, justice, welfare, and intellectual development, has a positive relationship with the quality of governance of sharia hotels. In this study, transparency and accountability are two elements that are very influential in building the trust of Muslim tourists that the services they use are truly in accordance with sharia standards. (Yuliafitri, Nurhayati and Amrania, 2020)

In addition, articles such as Halal Supply Chain Management of the Tourism Industry by Nursantri Yanti also emphasize that the entire supply chain in the halal tourism industry, including hotels, restaurants, travel agents—must be able to guarantee that every operational step is within the sharia corridor. Process clarity, auditing, certification and communication to consumers all depend on the application of the principles of transparency and accountability. (Yanti, 2023)

### *3.1.2. Influence On Service Quality And Reputation*

When GCG is implemented with principles such as fairness, management independence, supervision (audit), and supervisory board, it increases the professionalism of service providers. Research Good Corporate Governance and Maqashid Sharia Performance in Southeast Asian Sharia Banking observing the influence of variables such as the board of commissioners (BOC), audit committee, sharia supervisory board (SSB) on performance based on sharia maqāshid. Although the context is banking, the results show that these GCG elements strengthen stakeholders' perceptions of justice and moral compliance, one of the implications of which is that the reputation of the institution increases significantly. (Yulianto, Darwanto and Syifaussakinah, 2023)

In the halal tourism sector, the reputation of the destination is very important because Muslim tourists in addition to looking for halal physical facilities (e.g. food, places of worship, privacy) also pay attention to the integrity and sharia compliance of the destination manager. With good GCG, destinations can show transparent proof-certifications and audits, so that the reputation and trust of tourists increases.

### *3.1.3 Increasing competitiveness through regulation and certification*

The relationship between GCG and halal regulation and certification also appears in the literature. The article on Halal Assurance Sector in the Tourism Industry illustrates that halal assurance is an important element supported by regulations, industry players, and certification bodies. When regulations are clear and certification bodies work independently and transparently, halal tourism actors can benefit in the form of increasing the attractiveness of destinations and the ability to compete in the global market of halal pilgrimage. (Malahayatie, 2024) Regional regulations that regulate Islamic tourism services (e.g. worship facilities, service ethics) create a framework that allows destination actors to implement GCG more consistently. With regulatory guidelines and recognized halal-tourism guidelines, destinations that comply with GCG principles in the local context will be better prepared to compete.

### 3.1.4 Obstacles and need for strengthening in the implementation of GCG

Despite the many benefits, the literature also finds various obstacles in the implementation of GCG in the halal tourism sector. Some of them are: The capacity of human resources is still limited, especially in understanding GCG and sharia principles as a whole. Halal tourism studies show that sharia hotel managers often struggle to standardize consistent halal services. (Ayatina, Astuti and Makfi, 2021) The cost of halal certification and audits is still relatively high, especially for small and medium-scale service providers. This slows down the adoption of halal standards across the board. Coordination between institutions and local governments is still not optimal, local regulations sometimes overlap or are not fully supportive. (Mukhlis, Murhaini and Kristanto, 2025) Infrastructure and supporting facilities (worship facilities, transportation access, communication technology aspects) are not even or have not met halal tourism standards in several destinations.

### 3.1.5 Implications for halal tourism development strategies

From the combination of the application of GCG principles with sharia regulations and service ethics, several strategic implications can be formulated: Islamic tourist destinations that systematically adopt GCG will be better able to maintain the trust of Muslim tourists, thereby increasing tourist visits and length of stay, which has a direct impact on regional income. The implementation of GCG also allows access to financing or investors, as clear reporting and managed risks will make halal destinations more attractive as investment projects. The central and regional governments need to strengthen regulations on halal tourism management and provide incentives (regulatory or financial) for business actors who meet GCG standards and halal certification. The development of training and human resource capacity in GCG and sharia aspects for small/medium tourism business actors will greatly accelerate the adoption of GCG practices.

## 3.2 GCG Synergy in Strengthening Trust, Sharia Compliance, and Sustainability of Halal Tourism in Indonesia

The halal tourism industry in Indonesia has great potential due to its strong demographic and cultural support. However, for this industry to develop sustainably, it is not enough to just provide halal facilities; Non-physical aspects such as tourist trust, real sharia compliance, and governance that maintains environmental and social sustainability are needed. The synergy between Good Corporate Governance (GCG) and Islamic business ethics can be an important foundation in building trust, strengthening sharia compliance, and ensuring the sustainability of this halal industry.

### 3.2.1 Trust through Transparency, Accountability, and Ethics

Trust is one of the main components for Muslim tourists in choosing halal destinations. Many studies show that when tourism business actors (hotels, restaurants, tour service providers) apply GCG principles especially transparency in halal operational processes and audits, accountability to halal service standards, and independence in oversight public trust increases. For example, in research "*Tourist satisfaction toward halal tourism: the role of tourism governance and branding*" by Haryanto, Anwar, Harisah, and Fadllan (2024) published in *Journal of Islamic Marketing* (international), it was found that good governance of halal destinations is significantly correlated with the satisfaction of Muslim tourists, which is an important element of trust. (Rudy Haryanto, 2024)

Islamic business ethics add a moral and spiritual layer: values such as trust (trust), honesty, justice, and concern for the welfare of the community help build the perception that halal destinations are not just labels, but actually implement sharia principles in every aspect of operations. For example, in the study *"Islamic Business Ethics in Efforts to Develop the Economic Development of the Halal Industry Sector"* by Wulandari & Djakfar (2022) which uses a literature review, it is explained that Islamic business ethics involve the ethics of production, marketing, use of capital, and the use of Human Resources, all of which if carried out consistently will increase the trust of Muslim consumers.

### 3.2.2 Realized Shariah Compliance

Sharia compliance means that halal standards are not just a formality (certification), but are internalized in the organization's culture. In the study *"Developing halal tourism in a rural context: The role of Islamic spiritual capital"* by Kurniasari & Zakik (Trunojoyo University of Madura, 2023), it was found that Islamic spiritual capital including GCG-principles and Islamic work ethics such as siddiq (honesty), amanah (trust), tabligh (delivery), and fathonah (policy/wisdom)—provides a strong foundation for sharia compliance in the village tourism community.

Normative research such as *"Halal Tourism Fatwa and the Development of Halal Tourism Regulations in Indonesia"* by Rahmawati, Isman, and Lukmanul Hakim revealed that the DSN-MUI fatwa No.108/DSN-MUI/X/2016 regulates special norms such as the necessity of tour guides who understand Islamic jurisprudence and noble ethics. This fatwa strengthens formal regulations that support sharia compliance in the halal tourism sector. (Wulandari and Djakfar, 2022)

### 3.2.3 Sustainability: Environmental, Social, and Economic

Sustainability in the halal industry is not only an economic issue but also includes social and environmental dimensions. The synergy of GCG and Islamic business ethics helps to ensure that halal tourist destinations pay attention to environmental aspects (e.g. waste management, responsible use of resources) and social justice (economic benefits for local communities, not just large parties). The study *"Community-Based Halal Tourism and Information Digitalization: Sustainable Tourism Analysis"* by Nurhayati et al. (2025) underlines that community-based halal tourism with the support of transparent and participatory digital technology improves the sustainability of destinations.

On the regulatory and policy side, studies such as *"A Systematic Review: Halal Tourism Development in Indonesia"* from Iqtishodiah (2024) stated that to ensure sustainability, things such as the standardization of halal services, stakeholder coordination, and the readiness of human resources are crucial. Without clear regulations and effective oversight, sharia compliance and sustainability can become superficial or just a formality. (Ocean, 2024)

### 3.2.4 Obstacles and Reinforcement Needs

While this synergy is promising, the literature also notes several obstacles: uneven regulations between regions, human resources that lack a clear understanding of sharia ethics and governance, certification and audit costs that may be a burden for small businesses, and infrastructure that still does not support overall halal tourism standards. For example, from *A Systematic Review...* He explained that the main challenge is the standardization of halal services and coordination between stakeholders.

### 3.3 Opportunities to Strengthen GCG and Islamic Business Ethics

#### 3.3.1 Support for government regulations and policies

The Government of Indonesia through the *National Sharia Economic Masterplan 2019–2024* places the halal industry and sharia tourism as priority sectors. The existence of a free halal certification policy for MSMEs and the "Halal Tourism Village" program opens up great opportunities for the implementation of sharia-based GCG at the local level.

#### 3.3.2 Increasing awareness of global Muslim tourists

The demand for halal tourism is increasing rapidly. *CrescentRating data (2024)* shows that the number of Muslim tourists in the world reaches more than 168 million people, and is predicted to increase to 230 million by 2030. This opens up a great opportunity for halal destinations in Indonesia to strengthen their image and trust by applying GCG principles and Islamic business ethics.

#### 3.3.3 Digitization of halal governance and certification

Digital transformation is a great opportunity in the implementation of GCG. Study by Nurhayati *et al.* (2025) in *Sustainability* found that the digitization of halal audit and reporting systems increases transparency and accelerates the supervision of sharia compliance in tourist destinations.

#### 3.3.4 Collaboration between the public and private sectors

Partnerships between Islamic financial institutions, tourism actors, academics, and local communities can strengthen the implementation of GCG. This collaboration model has proven successful in Lombok and Aceh, where community-based halal tourism governance is in line with sharia principles and social responsibility (*Iqtishodia Journal, 2024*)

#### 3.3.5 The potential for human resource development based on Islamic values

Higher education institutions and Islamic boarding schools are now starting to include *the Islamic corporate governance* curriculum and halal tourism management. This educational innovation is a long-term opportunity in building a generation of professionals who understand Islamic business governance and ethics.

### 3.4 The Impact of GCG on Economic Growth and Stability of the Halal Industry

The integration of GCG and Islamic business ethics has a positive impact on regional economic growth. Data from the Ministry of Tourism and Creative Economy shows that leading halal tourism destinations such as Lombok, West Sumatra, and Aceh recorded an average growth in tourism GDP of 4.5% in 2023, higher than the national growth of the Halal Value Chain sector of 3.93%. The increase in international Muslim tourist visits is also reflected in the Global Muslim Travel Index (GMTI) 2024 report, which ranks Indonesia first along with Malaysia as the world's best halal tourism destination.

From a sharia perspective, the economic contribution of halal tourism is not only measured by GDP growth, but also by the extent to which business practices meet the goals of sharia maqashid, which are to protect religion (hifz al-din), soul (hifz al-nafs), intellect (hifz al-'aql), offspring (hifz al-nasl), and property (hifz al-mal). The transparent implementation of GCG protects assets and prevents fraud, while the application of Islamic business ethics protects the religion and morality of tourists. Thus, the halal tourism sector is not only a driver of economic growth but also an instrument of da'wah and a guardian of Islamic values in the public space.

In addition, the stability of the halal industry is strengthened through the collaboration of the government, DPS, and tourism associations in maintaining halal standards. Regulations such as the Halal Product Assurance Law and the establishment of Halal Centers in various universities are important mechanisms to ensure the sustainability of the industry and investor confidence. The application of the principle of hisbah (market supervision) by halal certification bodies also acts as a social control mechanism that ensures that business practices remain within the sharia corridor.

#### 4. Conclusions

Overall, this study concludes that the implementation of Good Corporate Governance (GCG) that is in line with Islamic business ethical values is an important key in strengthening economic growth and maintaining the stability of the halal industry in the Islamic tourism sector in Indonesia. The application of the principles of transparency, accountability, responsibility, independence, and fairness is not only in line with national regulations such as *Law No. 33 of 2014 concerning Halal Product Assurance* and *Law No. 10 of 2009 concerning Tourism*, but also supports the achievement of sharia goals (*sharia maqashid*) in protecting religion, property, soul, posterity, and reason. The integration of good corporate governance with Islamic business ethics has been proven to increase public trust, attract investment, strengthen the competitiveness of halal destinations, and encourage the creation of sustainable and equitable tourism. Although there are still challenges in the form of low sharia-based GCG literacy and spiritual awareness of business actors, strengthening regulations, supervision by *the Sharia Supervisory Board*, and sustainable halal management education can ensure that the halal tourism sector becomes the driving force of the national economy as well as a means of da'wah and the preservation of Islamic values.

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