

Tourism and Hotels as Asset Class for Investment and Financing from Shariah Perspective

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Abstract

The objective of this paper is to initiate a debate on the issue of investment in and financing of the hotel business. The motive behind the discussion is the fact that the hotel business, as a stand-alone activity, is considered a Sharī'ah non-compliant asset and is listed in the negative list in Malaysia. Hence, as a general Sharī'ah rule, it is not allowed to invest in the hotel business or provide financing to it as a stand-alone entity. The case might be different if a hotel is subsidiary to a holding company, in case the holding company has a Sharī'ah-compliant status. The revised Sharī'ah screening methodology (2013) by the Shariah Advisory Council (SAC) of Securities Commission (SC) Malaysia provides for a 20% benchmark being applicable to companies that generate part of their revenue or profit before tax from hotel and resort operations. Other screening methodologies like MSCI Global Islamic Indices do not allow investment in companies which are involved in or derive more than 5% of their revenue from such activities like hotels and cinemas. The same benchmark of 5% is applicable to hotels by the Russell-Jadwa Shariah Indexes. However, the present paper discusses the hotel business as a stand-alone entity and looks into its assessment and screening in the context of Malaysia which may have implication in other jurisdiction.

Key words: Hotels, Shariah compliant, investment, Shariah screening, Index

1. Introduction

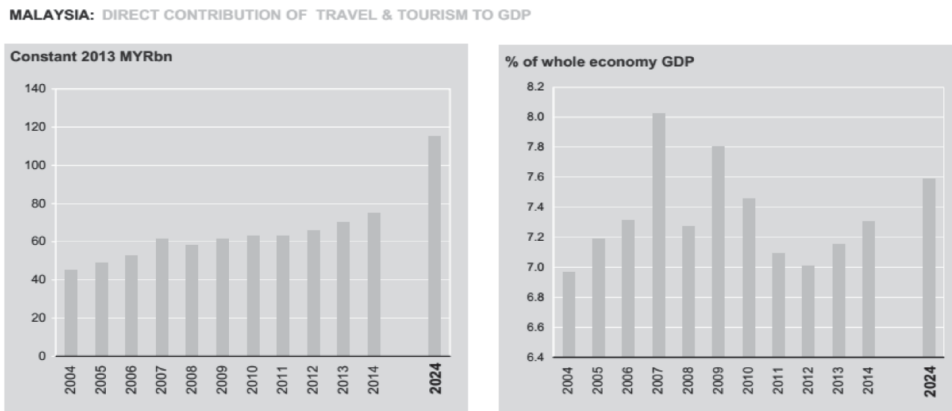
The present paper is divided into three parts: part one is an overview of the tourism industry and its importance, part two is a Shariah discussion on hotel as a business entity and part three is conclusion and finding.

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1.1. The importance of Malaysian Tourism Industry

According to the World Travel Tourism Council (W TTC), the direct contribution of Travel & Tourism to GDP in the year 2013 was RM70.4bn (7.2% of GDP). This was forecasted to rise by 7.0% to RM75.3bn in 2014. The data is primarily reflected by the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services. Besides these, the data also includes the activities of the restaurant and leisure industries directly supported by tourists. The W TTC also forecasted growth of 4.4% p.a. for the contribution of tourism to the GDP to RM115.4bn.

Figure 1



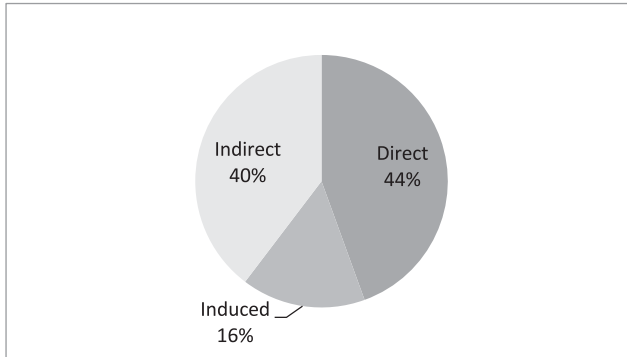
Source: World Travel Tourism Council

The W TTC also recorded that nearly half of the contribution by tourism sector is contributed directly. The direct contribution refers to GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists.

1.2 Contribution of Tourism to the Malaysian GDP

Leisure travel contributed an estimate of 48.5% of direct Travel & Tourism GDP in 2013 which is roughly equivalent to RM60.6bn. The remaining 51.5% is contributed by business travel spending estimated at about RM64.4bn. According to W TTC, it has been forecasted that the business travel spending is expected to grow by 11.6% in 2014 to RM71.9bn, and to keep a steady growth pace of 5.6% p.a.

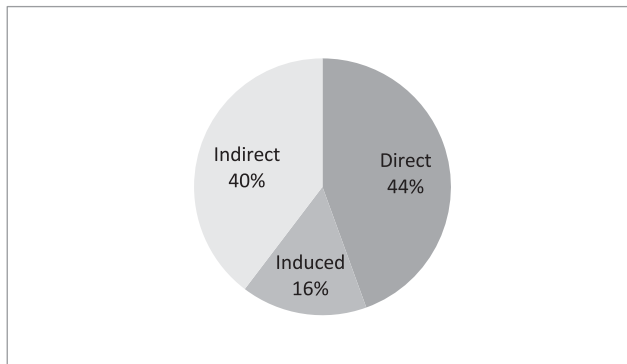
Figure 2: Tourism Contribution to Malaysian GDP



Source: World Travel Tourism Council

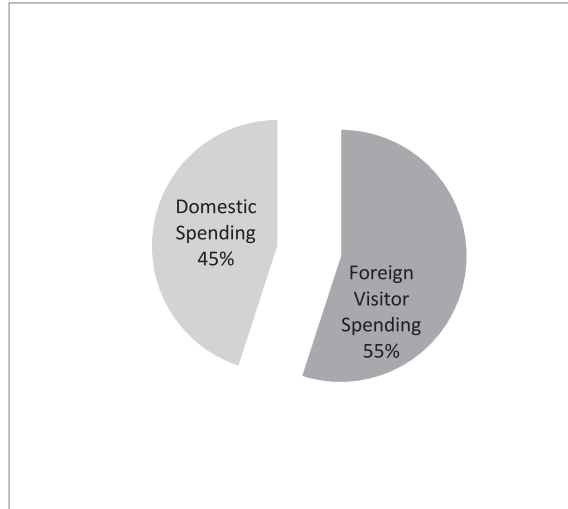
to RM124.2bn in 2024. Leisure travel spending is expected to grow by 2.1% in 2014 to RM61.9bn and at a growth rate of 2.7% p.a. to RM81.0bn in 2024.

Figure 3: Tourism Contribution: Business vs Leisure



Source: World Travel Tourism Council

Based on a report by WWTC, domestic travel spending contributed 45% in 2013 while the remaining 55% had been contributed by visitor exports. The report also forecasted that domestic travel spending to grow by 4.1% in 2014 to RM58.5bn and to grow at steady pace of 4.7% p.a. to RM92.4bn in 2024. Visitor exports were expected to grow by 9.5% in 2014 to RM75.2bn and rise by 4.1% pa to RM112.8bn in 2024.

Figure 4: Tourism Contribution: Foreign vs Domestic Spending

1.3 Malaysian Tourism Sector

The Department of Statistics Malaysia (DOSM), divides the tourism sector into 6 types: Inbound Tourism, Domestic Tourism, Outbound Tourism, Internal Tourism, National Tourism and the International Tourism. This report will focus on the consumption and the contribution of the internal tourism which comprises the domestic tourism and inbound tourism (the activities of resident and non-resident visitors within the country as part of domestic or international trips).

Figure 5:

Source: Department of Statistics, Malaysia

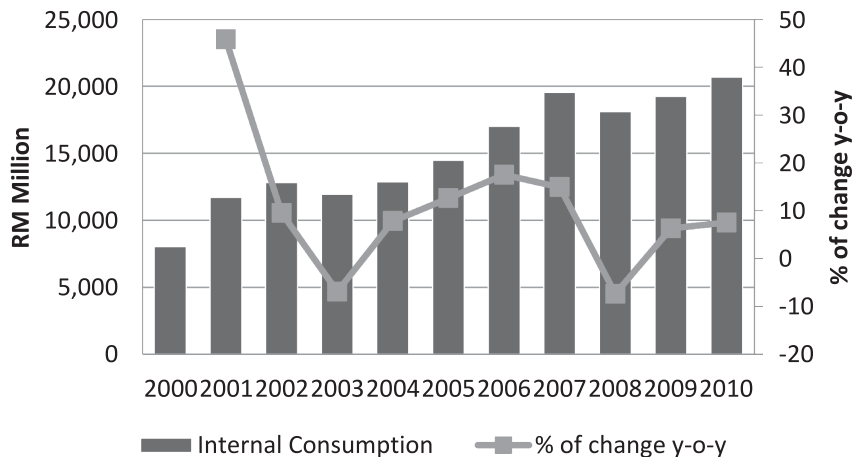
According to the DOSM, the internal tourism consumption for accommodation for the period of 10 years (2000-2010) has shown volatile changes. As depicted,

the internal tourism consumption experienced deterioration as the consumption sunk to a low rate of 4.4% in 2002 and continue to drop lower in 2003 recorded at -8.9%. The drastic drop is due to the contagion of Severe Acute Respiratory Syndrome (SARS), which had discouraged overseas travelling. The economic boom during the years of 2004-2007 has contributed to a steady growth in tourism industry; however, the figure sank again at a rate of -8.9% in 2008 when the global financial sector was shaken by the hit of global financial crisis 2008-2009.

Figure 6 depicts the consumption of internal tourism over the 10-year period against the changes in percentages of the consumption. From the plotted percentage, it can be concluded that the changes in internal consumption are experiencing a slow decreasing trend over the mentioned period.

1.4 Accommodation services

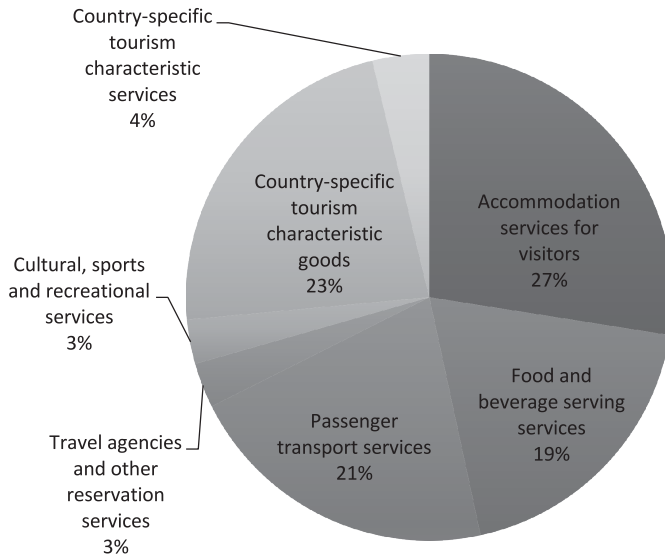
Figure 6: Internal Tourism Consumption for Accommodation



Source: Department of Statistics, Malaysia

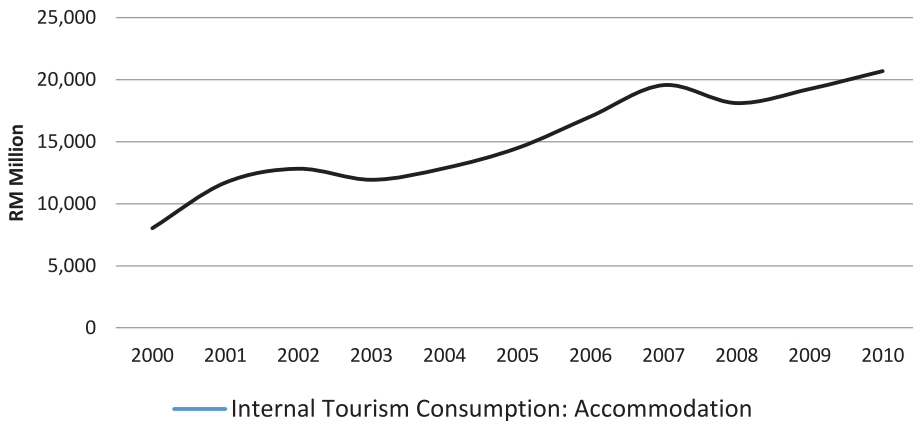
Over the 10-year period (2000-2010), accommodation services contributed the largest proportion to the tourism sector in Malaysia, accumulated at 27% share from 6 other contributors. (Figure 7)

Figure 7: Internal Tourism Consumption: Accommodation



Source: Department of Statistics, Malaysia

Figure 8: Internal Tourism Consumption: Accommodation



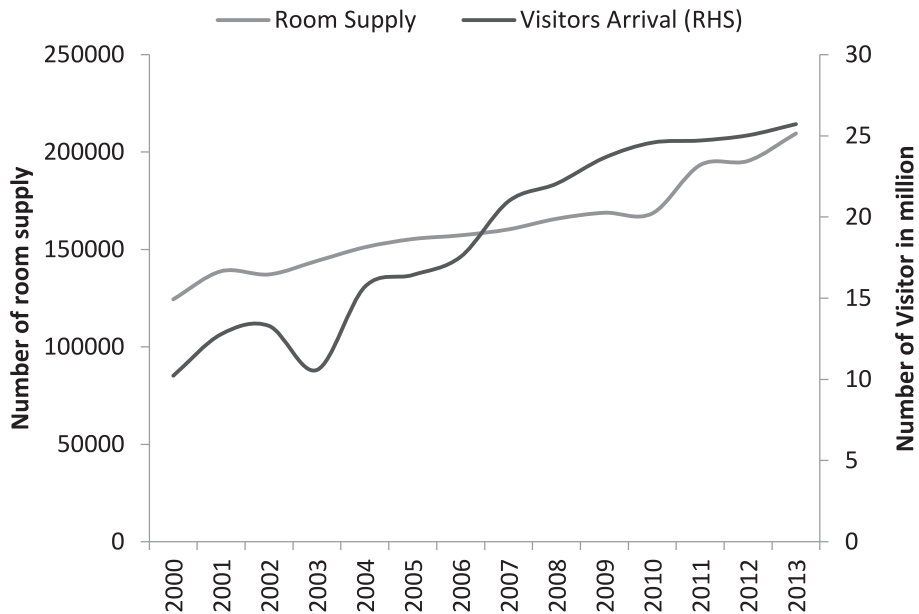
Source: Department of Statistics, Malaysia

For the ten year period, Internal Tourism consumption for accommodation alone has seen steady growth as portrayed in figure 8. The contribution of accommodation consumption towards tourism is over RM20, 000 in 2010.

1.5 Visitors' arrival in Malaysia

Figure 8 was extracted from Tourism Malaysia & NAPIC which plots the number of visitors' arrival and the supply of hotel rooms. As the initiative to cater the continuously rising number of visitors to Malaysia, Malaysian hotels have played the important role in providing the necessary accommodation for the visitors. (Figure 8)

Figure 8: Internal Tourism Accommodation Consumption: Arrivals vs Room Supply



Source: Tourism Malaysia & NAPIC

The upward trend in the visitors' number is contributed by the endless efforts of the Malaysian government in promoting the Malaysian Tourism sector in the global eye. Besides participating in international tourism fairs in European and U.S. markets as the steps to enhance tourism promotion, Malaysia is targeting its promotional efforts at its regional neighbours. The focus on neighbouring

countries has resulted in higher tourist arrivals from Asia, particularly from South Korea and Vietnam, for the first seven months of this year.

1.6 Visit Malaysia 2014

Visit Malaysia Year 2014 (VMY 2014) is the biggest and grandest tourism celebration for Malaysia. This year, Malaysia celebrated its fourth Visit Malaysia Year with the theme “Celebrating 1Malaysia Truly Asia” to reflect the diversity in unity of all Malaysians. The promotional campaign started in 2013 with a series of year-long special events and activities leading to VMY 2014. VMY 2014 was deemed as the biggest ever tourism celebration with hundreds of events and festivals all lined up to welcome the world.

Despite major promotional events in ensuring the successfulness of the country’s biggest celebration of the year, the country experienced two major aviation disasters; the missing of Boeing 777 flight MH370 in March 2014 and flight MH17 which had been shot down in Ukraine. The former is predicted to hit the booming tourism sector, which is increasingly dependent on Chinese tourists as the missing flight carried a majority of Chinese tourists. The release of statistics by DOSM however, contradicted with the ‘heavy blow’ prediction as Malaysia welcomed 16.1 million tourists for the first 7 months of 2014. Although Chinese tourist arrivals recorded to have declined, the world’s second-largest economy remained Malaysia’s third-largest tourist market after Singapore and Indonesia. Despite these reports, the impact of the aviation disasters needs to be addressed accordingly by the relevant authorities and ministries in ensuring the continuous development of the Malaysian tourism industry.

2. Impact of the Current Methodology of Assessment and Screening Stand on the Tourism Industry

The current stand of the SAC of SC Malaysia, which considers the hotel industry as a Shari’ah non-compliant asset for investment and financing, may impact negatively on the tourism industry as Muslim investors are unable to invest in the hotel business. The travel agents and the service providers to the hotel industry—like airlines, other passenger transportation services, restaurants and food suppliers—will also be adversely affected as a result of their link to the hotel industry. Consequently, any business activities linked directly or indirectly to hotel businesses will be classified as *shubhah* (doubtful or of questionable permissibility) and this may lead to the Travel & Tourism sector being excluded from the portfolio of the Islamic finance industry.

2.1 The sharī'ah Perspective on Hotel Investment and Financing

As a general Sharī'ah rule, it is not allowed to invest in Sharī'ah non-compliant assets or to finance a Sharī'ah non-compliant entity, especially where the financing is directed towards Sharī'ah non-compliant business activities. Based on this, the following discussion initiates a debate that further explores the Sharī'ah status of hotels as stand-alone entities. The question is whether they can be regarded as Sharī'ah-compliant assets for investment and financing.

a. Nature of the Hotel Entity and Its Mixed Portfolio

The primary objective of the hotel sector is to provide accommodation which represents the core business activity. From the Sharī'ah standpoint, the hotel business is based on the *ijārah* (lease) contract; hence, the income generated from the leasing of accommodation services is legitimate as the main objective of hotel establishments is to provide a Sharī'ah-compliant service. However, in some hotels, some Sharī'ah non-compliant services are provided—such as spa services and night entertainment (involving a mix of the genders), the sale of alcoholic drinks, and non-*ḥalāl* food. Still, such services are not offered in all hotels but in some of them; so the inconsistency in treating the hotel sector in general as Sharī'ah non-compliant is clear and obvious. Overall, the hotel entity is a form of mixed business portfolio driven by both permissible and non-permissible income: the permissible income comes from the *ijārah* contract as the core business activity, while the non-permissible income arises from the auxiliary services such as the sale of non-*ḥalāl* food and other Sharī'ah non-compliant services.

Scholars have discussed the mixed portfolio entity and have different views about it. However, according to the majority view, it is allowed to do transactions with a person who owns mixed property without looking into the portion of *ḥalāl* (permissible) or *ḥarām* (non-permissible). This is based on the practice of the Prophet (SAW) and his Companions, who did business and exchanged commodities with non-Muslims despite the fact that non-Muslims did not observe Sharī'ah rules in wealth accumulation by distinguishing between permissible and non-permissible means. For instance, it is a well-known part of *ḥadīth* literature that the Prophet (SAW) transacted with Jews of his time. A *ḥadīth* reported by Imam Bukhari tells of a situation when the Prophet (SAW) passed away and his shield was still with a Jew for a debt that the Prophet (SAW) had incurred in purchasing wheat from him on credit. At the same time, we find that the Jews have been referred to in the Qur'ān as people who indulge in *ribā* (interest). Still, this fact mentioned in the Qur'ān did not make the Prophet (SAW) or his Companions to absolutely reject trading and dealing with the Jews. Therefore, the issue of dealing with someone who indulges in Sharī'ah non-compliant activities,

resulting in his wealth being a mix of *ḥalāl* and *ḥarām*, needs some elaboration and clarification.

Indeed, the issue of the commingling of *ḥalāl* and *ḥarām* has been discussed by the Muslim jurists in detail. This issue has gained importance in the context of Islamic finance today, and the reason is obvious: the boundaries of trade and business have expanded a great deal and there is greater interdependence of institutions in general. Consequently, it is nearly impossible that an institution today would be able to function and survive on its own. It has to link up with other institutions for its survival and for competing in the market.

If we summarise the important points of this debate as conducted by the Muslim jurists in the past, we arrive at the following conclusions:

- First, there is no doubt that if 100% of earnings/income/business is *ḥalāl*, it is the best possible situation for a devout Muslim and a sign of one's *taqwā* (piety).
- Second, it is also unanimous that wealth earned from purely non-permissible transactions of items like alcohol, pork, prostitution, theft, and gambling is absolutely impermissible.
- Third, the issue arises in case there is a commingling of two items, one of which is *ḥalāl* while the other is *ḥarām*, or wealth that comes from two sources, i.e., *ḥalāl* and *ḥarām*. In this case, the nature of the two items being commingled should be examined.

Regarding the third issue when there is a commingling of pure and impure income or wealth, if *ḥalāl* and *ḥarām* are mixed in such a way that they cannot be separated—for instance both are in liquid form—consideration will be given to the one that is dominant over the other. For example, if urine is mixed with water, the water will be considered impure if any one of its three characteristics, i.e., colour, taste, or smell is changed. However, if the water is so substantial that none of these three attributes have been changed, it is still considered pure.

However, when money is commingled, the issue is more complicated. It is this complication that leads to two contrasting legal maxims being applicable at the same time:

إذا اجتمع الحلال والحرام غلب الحرام

“When prohibition and permissibility coincide, prohibition will prevail,”

and

الحرام لا يحرم الحلال

“Something unlawful does not make a lawful thing unlawful.”

Money in any form is different from the above example of urine. Money is by itself pure. It becomes ‘impure’ only in the legal sense when it is earned through impermissible means. Hence, the mixing of *ḥalāl* money with *ḥarām* money does not make the whole sum unlawful. This is derived from the Qur’ānic discussion regarding *ribā*. After asking the believers to forego outstanding interest, it has been stated, “*But if you repent, you may have your principal without suffering loss or causing others to suffer loss*” (Qur’ān, 2: 279). This verse clarifies the fact, which is also endorsed by the Muslim jurists, that only the interest amount of an interest-based transaction is invalid. The principal amount will not be affected or be rendered impure due to the interest portion. Therefore, if it is possible to distinguish between the two constituents, only the illegal or prohibited portion will carry the provision of impermissibility.

This provision, i.e., each portion carrying its respective provision, has been further strengthened by another legal maxim to support the claim that the hotel industry should not be absolutely disqualified from Sharī’ah compliance status. This maxim is as follows:

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“Anything subordinate follows (the ruling of) the original.”

Under this legal maxim, it is allowed in Islamic law that something which is not permissible individually may be deemed permissible when it becomes subordinate to or is a part of something that is permissible. Jurists have cited some examples for this case. For instance, it is not permissible, in the view of some jurists, to make *waqf* (endowment) of moveable property. In their view, it is an only immovable property that can be made *waqf*. However, the same jurists opine that, for example, if a moveable asset is a subordinate part of the immovable property, it can be part of the *waqf* in the status of a subordinate. They elaborate this issue with the help of many examples. For instance, making a *waqf* of furniture is not allowed individually because it is movable property. However, if a building is given as *waqf* and it contains some furniture, this furniture will become part of the *waqf* and it will be valid. The reason is that furniture here is subordinate to the actual *waqf*, which is the building. Since the actual building is allowed to be made *waqf*, the subordinate is also allowed.

On this basis, one might argue that since the actual business of the hotels, i.e., providing accommodation is *ḥalāl* and permissible, the subordinate part should not make it invalid. It should not be objected that the subordinate portion here in our present case is non-permissible (due to its generation of income from Sharī’ah non-compliant activities); whereas, it is permissible in the case of *waqf*

(i.e. in the case of furniture). This is because we do not propose that the income from these non-*ḥalāl* activities should be allowed. Our concern is that the basic business should not be made impermissible due to the small portion of non-*ḥalāl* income which is subordinate. The non-*ḥalāl* income can be treated under the guidelines of Sharī'ah screening. In other words, the argument here is that the ruling of the original business should not be made subservient to the subordinate part and based on the provision of the minor part. Thus, a tiny part of the business being non-*ḥalāl* should not render the rest of the permissible business impermissible.

In this connection, Laldin et al. (2013: 202) explain the application of the above legal maxim in Islamic finance as follows, *“If the core business of a company is Sharī'ah-compliant, but it has some Sharī'ah non-compliant activities below the threshold stipulated by the standard-setting body of that jurisdiction, it is permissible to trade its shares because the impermissible activities follow the ruling of the core activities which are lawful.”*

The writers also refer to other cases where this principle is applied. For instance, a *takāful* operator is allowed to underwrite the risk of a company that borrows from conventional banks on interest while its core business is Sharī'ah-compliant. In addition, the trading of *ṣukūk* and shares is permissible in case some percentage of them, as identified by the respective jurisdiction's regulator, represents receivables. This is because receivables, in this case, are considered subordinate to the assets and the provision of assets, i.e., permissibility of trade, is given to them.

The Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) has addressed this issue and concluded that it is not mandatory to look into the source of funding of the clients and check whether these are Sharī'ah compliant or otherwise. It is stated in its *Shariah Resolutions* (2010: 197), *“The SAC, in its 58th meeting dated 27 April 2006, has resolved that Islamic financial institutions are allowed to accept application to open deposit account or investment account from a customer without conducting investigation to ascertain whether the sources of the customer's fund are permissible (halal), forbidden (haram) or a mixture of the two.”* It seems from the above discussion that the current position on absolutely excluding the hotel industry from the list of potential Sharī'ah-compliant firms is a contradictory stance to the generally accepted rules of contemporary Islamic finance. The instances stated above show that it is the “core business” of the company that is the foundation for making a company eligible for being Sharī'ah-

compliant. The subordinate aspects, like a small portion of Sharī'ah non-compliant income, are not deemed an obstacle in this regard. However, in the case of the hotel industry, which is the backbone of the tourism industry as a whole, it is treated differently from other businesses and industries. This position, in our opinion, should be revisited and made in line with other situations treated similarly in Islamic finance.

3. The proposal

The hotel business should be considered a Sharī'ah-compliant asset for investment and financing subject to some conditions and it should be listed in the positive list of investment, as it represents a significant portfolio in the business sector of the market.

i. Method of Assessment and Screening

Hotel operations as an asset should be listed as a Sharī'ah-compliant asset for investment and financing, provided that the revenue from the non-permissible income does not exceed the Sharī'ah screening benchmark of the Securities Commission's SAC regarding mixed portfolio companies. In other words, when calculating the total revenue of the non-permissible source of income of the hotel against the total income of the hotel operations, if the non-permissible income exceeds the Sharī'ah screening benchmark, it will disqualify the hotel business as a Sharī'ah-compliant asset.

ii. Negative List of Hotel Operations

The appropriate approach is to have a negative list of hotel operations. The negative list in the hotel operations includes spa services, bars, and nightclubs, whose revenue should not exceed the Sharī'ah screening benchmark. The calculation of the total revenue generated from these activities against the total revenue of the hotel generated from other sources should not exceed the Sharī'ah screening benchmark.

iii. Image and Branding of Hotel Operations vs. Benefits of Investment and Financing

Hotel operations, as an asset or business portfolio, do not have a bad image from the perception of the public and the market. On the contrary, everyone wants to go to a hotel during his/her traveling, especially if it is a five-star hotel. In some countries, one may pay a fee not necessarily to stay in the hotel but just for the pleasure of entering and visiting its premises. As a matter of fact, Islamic forums, gatherings, Islamic finance conferences, meetings, and other such activities are very often held in hotels. Accommodation provisions for such Muslim activities

are mostly in hotels as there are no other places to stay for Sharī'ah scholars or other individuals who attend such events.

It should be noted that a hotel is different from a spa and a nightclub, which have a negative image in public perception. Hence, dealing with hotels for investment or financing does not create a debate in the market or doubtful inquiries from the public or the investors; it does not lead to a controversial Sharī'ah debate and argumentation. On the other hand, including the hotel industry in the portfolio of Islamic financing and investment will widen the scope of the business portfolio of Islamic finance and its assets size. Therefore, a Sharī'ah-compliant status priority should be given to the core business of the hotel not to the minor services which are found in some hotels.

iv. Analogy between Hotels' Services and Airlines Business

If we look at the airline business we find that the services offered are based on *ijārah*. It is similar to the services of hotels as both run their business portfolio based on the *ijārah* contract. The resulting income from the *ijārah* contract represents the main source of income for both the hotel and airline businesses. The image and branding are not affected in either type of business. Furthermore, the profit generated is legitimate as *ijārah* is a Sharī'ah-compliant contract. However, within both businesses, there are Sharī'ah non-compliant services offered such as alcoholic beverages in the case of airlines, and spas and nightclubs in the case of hotels. In both cases, the bulk of the profit is generated by a Sharī'ah-compliant business based on *ijārah*. The Sharī'ah non-compliant business content represents a small portion of the total business portfolio.

v. Dispute about Image and Branding as Screening Criteria

No doubt, *ḥarām* activities should not be permissible and should be removed. However, regarding the phenomenon of '*umūm al-balwā*' (common plight that is difficult to avoid), scholars discuss similar issues where *ḥarām* and *ḥalāl* co-exist together. In the case at hand, removing the hotel industry from Sharī'ah-compliant portfolios on the basis of image and branding criteria may not stand as a strong evidence as the image and branding concept is very subjective in the case of hotel or airline businesses due to the following arguments:

- Hotels have a clean image in the view of the public.
- People use hotels for accommodation as part of their needs in their social or business activities.
- Sharī'ah scholars use hotels for accommodation without any reservation about the permissibility of doing so.

- Religious events and functions, including Islamic finance forums and conferences, make use of hotels as their first choice for hosting such events—even if they have alternative venues for organizing these functions—without any reservation about the permissibility of doing so.

vi. Inconsistency in the Features of Hotels

The arguments against hotels are based on the prevalence of spas, nightclubs and bars that serve alcoholic beverages. These features are not consistent throughout the hotel industry. Some hotels have these services while others do not. In fact, there are hotels in Middle Eastern countries and other countries as well which claim to be Sharī'ah-compliant, thus fulfilling the needs of Muslim customers. Hence, to generalize the ruling on the entire hotel industry without specific conditions or requirements may include hotels which do not have these services and would make the ruling inconsistent. One of the requirements to generalize the ruling is the consistency of the underlying cause of the ruling, known as the '*illah*' or *manāṭ al-ḥukm*'. If the '*illah*' is not consistent, the ruling may not accommodate the generalization. In addition to that, we already discussed the Sharī'ah perspective on this issue and explained the Sharī'ah maxim that hold that the minor part should be subordinate to the major part in terms of Sharī'ah provisions.

4. Findings and conclusion

The following summarises the key discussion areas developed in this paper:

- The tourism industry represents an important sector in the Malaysian economy.
- The tourism industry makes a significant contribution to the GDP of the country.
- Hotel accommodation is regarded as one of the core driving elements of the tourism industry in Malaysia with a significant contribution.
- The hotel business as a stand-alone entity is debated as to whether it can be regarded and included as a Sharī'ah-compliant asset for investment and financing.
- The core business of the hotel industry is accommodation.
- The primary Sharī'ah contract for the hotel business is *ijārah*, which is regarded as solid and resilient among other types of Sharī'ah contracts.
- While the main objective of the hotel business is to provide accommodation, there are other services and activities offered which are not Sharī'ah-compliant such as spa services and the sales of alcohol which make the hotel that offers them a mixed portfolio entity.

- The main objective of the people going to hotels is to have accommodation and not the other services offered. In the case where the hotel has no other services provided, people will still go to the hotel for accommodation. The Sharī'ah non-compliant services and activities offered by hotels are also offered by other service providers besides hotels. These services by the hotels are typically of higher cost, especially in the case of five-star hotels, as compared to the same services offered outside. Hence, even though the attraction is there, it is a part of the hotel's auxiliary services and is not significant enough to warrant the exclusion of the hotel industry from the Sharī'ah-compliant investment class.
- The mixed portfolio entity should not be listed automatically in the negative list but it should be subject to further screening.
- Many other mixed portfolios that are similar to hotel structures and portfolios and are lesser important than the hotel business are listed as Sharī'ah-compliant stocks and enjoy investment and financing. On the other hand, the hotel industry, which has significant economic value and contribution to the GDP, is deprived of this privilege.
- By way of analogy, the hotel industry should be listed on the positive list of investment.
- Adding the tourism industry, including the hotel industry, to the Islamic finance asset class will widen the size of Islamic finance assets and expand the business portfolio for investors and Islamic financial institutions by attracting more financing and developing more partnership arrangements.
- It is understood that listing the hotel business in the negative list is a subjective decision based on specific justifications and argumentation. However, due consideration can be given and the degree of subjectivity may change and evolve depending on new facts that evolve from '*urf*' (customary practices), *maṣlahah* (benefit), and *mafsadah* (evil).
- If we compare and contrast the negative impacts of the impermissible activities in the hotel and the positive benefits generated to the Islamic finance portfolio, we can see that the benefits generated prevail because these are more significant.
- The above discussion proposes a Sharī'ah screening benchmark for mixed companies to be adopted for the hotel sector. However, scholars can propose other relevant and appropriate thresholds based on empirical study and collective *ijtihād* in case the Sharī'ah screening benchmark is found to be inadequate.

To conclude, it is proposed that the hotel industry should not be regarded as a Shari'ah non-compliant asset for investment and financing. It should be removed from the negative list subject to the specific screening on the revenue generated from the non-permissible activities and services offered by hotels.

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