# Making Halal Products And Services Available: Issues And Challenges Of Industry Players In Malaysia

## By

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## Abstract

The demand for *halal* products has progressed tremendously from all around the world. Accordingly, the worldwide food producers and exporters have undertaken great initiatives to capitalise on the growth potential of the global market for halal products and services. Despite the importance of halal market segment and the growing revenues, off late, there is a rising concern among the industry players with regards to the halal market. This paper aims to deliberate on the issues encountered by the industry players in Malaysia regarding halal product and service production. At the end of this paper, a proper strategy and recommendations are presented in order to deal with these issues.

## 1.0 Introduction

Generally, halal is known as something that is permissible according to the Islamic law, which governs the Muslim lives not only in the matter of food consumption but also the entire conduct of behaviour (Zakiah, Amal, & Nurul, 2014). Halal represents a universal concept that is widely applied to many aspects of life (Fatema, 2016). Moreover, halal offers a substantive consideration of stringent standard and processes where it is about safety, hygiene, reliability, and quality assurance (Phuah, Wan Jamaliah, Siong, & Mesbahi, 2013). Accordingly, the halal concept has become an appealing concept in the market, particularly in the food production as it validates the credibility of the product and the manufacturers' capacity. Furthermore, the international trade of halal food market potential is enormous and fast growing and encompassing both the Muslims and non-Muslim consumers (Shah Alam & Sayuti, 2011). This is a strong indication that the halal concept is no longer restricted to religion only. The halal concept has reached beyond the Muslim market where the non-Muslim responded positively towards the halal product.

Driven by the growing demand for halal food products, the halal market continues to build its momentum across the global food chain. The Malaysian halal industries have successfully upgraded their level of catering not only to the domestic market but also participating in international ventures (Che Mohd Zulkifli, 2013). In fact, the advancement of halal product in Malaysia has continued making waves and grabbing the attention of investors, suppliers, and producers (Ahmad, 2009). The halal sector has grown further from the food segment to service-oriented segment (Burgmann, 2007). In tapping the development of the halal market in Malaysia and the global market, a serious consideration must be given to the issues and challenges concerning the aspect of delivering halal products and services (Mohamad Idham et al., 2015). Therefore, this paper aims to understand the issues and

challenges that are hampering the halal concept and impeding the industry players' effort to provide halal food and services for the market.

## 2.0   An Overview Of Malaysian Halal Industry

The demand for halal products have increased significantly not only in the form of food products, but also for non-food products, including cosmetics, hygiene products, pharmaceuticals, services covering restaurants and hotels, banking and financing, tourism, and logistics (Mansor et al., 2014; Mohamad et al., 2015). The global halal industry has been growing rapidly in many parts of the world (Ali and Ali, 2013). The importance of halal or *Shariah* compliant products and services are now growing and expanding to other concepts of businesses (Mathew, Abdullah, & Ismail, 2014). Moreover, many businesses today emphasised on the concept of *Halalan-Toyyiban* in product manufacturing (Husain et al., 2012). The Muslim consumers' awareness of their religious obligation is creating a greater demand for halal foods and other consumer goods (Ahmad, Abaidah, & Abu Yahya, 2013). According to the Halal Industry Development Corporation (HIDC) in 2013, based on the statistics by Pew Research Centre, the Muslim population has been growing progressively and substantially. In the year 2010, the Muslim population was approximately 1.8 billion worldwide. In the context of global halal market and business, Malaysia has ranked the fourth highest purchasing power of a Muslim population nation (Halal Industry Development Corporation, 2013).

Euromonitor (2015) reported that Malaysia greatly emphasised the development of region-wide halal certification among the South-east Asian in alliance with other ASEAN countries to promote the halal industry. Interestingly, the current values of the halal market were reported to be approximately USD 632 billion annually, representing 17% of the entire global food industry (Norlila, Siti Norezam, & Adam, 2016). Following the surging demand for global halal products and services, the halal food industry has been growing rapidly and providing great opportunities for the business extension in exporting halal products throughout the globe (Erdem et al., 2015). Thus, Malaysia has eventually become the leader in the world of halal industry as a result of the proactive effort prompted by the Department of Islamic Development Malaysia (JAKIM), particularly in highlighting the importance of halal certification in Malaysia (Yuhaniz & Nyen, 2013). Interestingly, JAKIM has become the world's first halal certification body monitoring the halal industry (Halal Industry Development Corporation, 2016).

Moreover, in the attempt to unleash the potential of the halal industry locally and globally, Malaysia has taken a good strategic alliance with the developmental agency of the Halal Industry Development Corporation (HDC). Today, Malaysia's halal portfolio has expanded beyond food and beverage, venturing into various other sectors, such as cosmetics, logistics, pharmaceutical, and most recently, tourism. Overall, the government has placed much effort in raising the growth of halal industry in Malaysia. Most of the attentions are zooming towards the product manufacturers and other industry players classified as the small medium enterprises (SMEs) (Mohamed Syazwan, 2013). However, in the effort to maintain the development of halal industry in Malaysia, sometimes the industry players encountered some issues and challenges that could dampen their interest on the halal status in the business context. Accordingly, the following section serves as a preliminary deliberation on the issues and challenges faced by the halal industry players in Malaysia.

# 3.0   Reviewing The Issues And Challenges Of Halal

## 3.1   *The lack of halal knowledge and awareness among the business entities*

Driven by the growing demand, the halal food market continues to build its momentum across the global food supply chain. In Malaysia current situation, the majority of the halal products range in the local markets are produced by non-Muslim manufacturers. According to Mohamad (2013), 80% of the domestic market shares of the halal food products were dominated by non-Muslim entrepreneurs. Some of the halal food firms are lacking in knowledge pertaining to legal, social, and the cultural environment with regards to the importing countries (Bohari, Cheng, & Fuad, 2013). Surprisingly, the non-Muslim manufacturers, as well as some of the Muslim entrepreneurs, were found to have little awareness and knowledge about the halal concept in production (Rahimah, Che Faridah, & Nor, 2014; Robin, 2004). In addition, there are diverse interpretations of halal due to the different schools of thought and customs of countries that have modified the actual meaning of halal (Jan, Mahmood, & Joe, 2017). Consequently, the companies have no clear guidance in the halal production and most likely this will hamper the efficiency and effectiveness of the companies in providing halal product and services. Bohari, Hin, and Fuad (2013) highlighted that the lack of awareness and knowledge on halal status among the local food entrepreneurs are due to the minimal exposure on a proper halal guideline within the business operation. This includes lack of training on the matter of product development. As mentioned earlier, it is because of the inability of the business entity to understand the true meaning of the halal concept (Shaizatulaqma et al., 2016).

## 3.2   *Hindrance in obtaining halal certification*

Apart from having insufficient knowledge of the halal concept, most of the halal food small business entrepreneurs are not familiar with the registration requirements for intellectual property ownership (Kasmarini et al. 2015). To sell a halal product in Malaysia, one needs to have a proper halal certification endorsed by a relevant authority such as JAKIM (Department of Islamic Development Malaysia) and JAIN (Islamic State Department) (Rahimah et al., 2014). It is important to caution the industry players about the time frame required in obtaining the halal certification. While attempting to get the relevant halal certification, most of the business entities have to wait for an extended time for their application to be processed completely. This dreadful lengthy waiting time for the certification to be finalised is affecting other companies who already have halal certification but wanted to renew their halal license as every endorsement is valid only for 2 years. Furthermore, the businesses, especially the food operator needs to reinstate the certificate once expired (Mohd Aliff et al., 2015). The lack of technical capacity in JAKIM research and development is restraining and slowing down the process of halal application. The process of granting a halal certification to the businesses in Malaysia requires JAKIM to engage with a series of extensive investigation in order to verify the businesses actual status. Moreover, JAKIM has to liaise with other experts, such as the chemist, food technologists, and other relevant parties to conduct a comprehensive lab testing and product analysis prior to the certification approval. If this problem is not taken into consideration, it will discourage the businesses effort to obtain a genuine halal certification; in fact, the tedious process may prompt them to use a fake halal certification.

## 3.3   *Discrepancy of procedure in validating the halal status*

Another major problem that has been badgering the halal market is the matter of multiple certifications and halal standard. Different halal authorities follow different Islamic rulings and subject to the origin of the product itself. Notably, the manufacturers in Malaysia are required to comply with Good Manufacturing Practice (GMP) and Good Hygiene Practice

(GHP) to safeguard the consumers' safety. Furthermore, they have to abide by the quality control procedures to ensure the food or product is manufactured according to the specifications and the halal prescriptions as determine by the halal certification agencies (Abdul & Ahmad, 2013). In many cases, the agencies will certify the products using different standards for different countries (Jan, Mahmood, & Joe, 2017). At times, the manufacturers are confused as to whom they have to liaise with and which authority to consult in order to get their product certified for the mass market (Wan Melissa, 2007). The halal industry growth is hindered due to the lack of a halal standard acceptable to Muslim worldwide since each country has its own standard (Mohd Aliff et al. 2015). This challenge not only raises concern among the Malaysian producers but also to other countries handling the halal product and services (Imran & Hakiye, 2016).

### 3.4    Lack of proper facility

The restraints in making the halal product and services available to the market may also denote the company lack of internal capacity in ensuring a proper halal governance is practised throughout the operations (Mohd Aliff et al., 2015). Many small entrepreneurs are discouraged from participating in the halal industry due to insufficient capital and technology, weak business networks, and the lack of experience in the marketing aspect for business expansion (Sazelin, 2008). It is important for the businesses to handle the halal product with care starting from the initial stage of processing to the end of product transportation (Jan, Mahmood, & Joe, 2017). In addition, the company needs proper tool and equipment to assist the halal food productions and logistics as the products should be segregated at this stage so as to avoid contamination from a non-permissive substance that may compromise the product halal status (Iberahim, Kamaruddin, & Shabudin, 2012). Small entrepreneurs might feel inferior and less competitive due to the aforesaid inadequacies and it could discourage them from complying and applying the halal concept in their businesses. In other words, the improper facility and procedure will delay the process of obtaining halal certification or even discourage them from getting the accreditation for their businesses.

### 3.5    Issue in halal logistic

Another persistent challenge in the halal industry is concerning the logistical matter. The halal concept is not confined to food products and matters about the consumers' purchases or consumption. The concept includes, among others, the supply chain network from the products' point of origin until they reach the consumers (Mohamed Syazwan, 2013). Notably, it was revealed that most of the logistic companies in Malaysia practised dishonesty in managing the halal products as most of them did not have a halal certification (Tieman, 2011). In fact, some of the logistic companies do not have a proper segregation system for the halal products and non-halal product during transportation process (Mohamed Syazwan, 2013). A proper segregation system is crucial to avoid any form of contamination on the products (Riaz & Chaudry, 2004). It is critical for the products to be prepared and delivered through a supply chain that is in compliance with the Shariah guideline as it will affect the integrity of the product (Batu & Regenstein, 2014). Failure to observe this matter will lead to controversy in the market; to a certain extent, it may jeopardise the reputation of the industry players' that carried the halal products. Thus, a drastic measure needs to be taken when dealing with the issue of the logistic companies who failed to conform to the halal requirement of product deliverance as this can affect the integrity of the halal product.

### 4.0    Possible strategy and implication

In view of the aforementioned issues and challenges, the most important thing that we need to consider is to increase the entrepreneur's knowledge on the principle of halal.

Kasmarini et al. (2015) asserted that all parties should take note that the halal food preparation must be conducted in the most hygienic manner. Additionally, it should meet the international food safety standards and the practice should not be viewed as offensive to other religious beliefs. There is a call to put a greater attention to the importance of food education through diverse mediums of marketing communication, for instance, advertisement or educational programme through public relation (Imam, 2010). It is a good initiative for Malaysia to actively host and participate in any relevant public events related to halal industry, for example, halal exhibition and forums. Consequently, it could promote Malaysia further as a hub for halal-related knowledge and information (Mohd Aliff et al., 2015). Only through education the consumers will learn the true meaning of halal and be aware of what is happening in the market.

The consumers' growing concern over the food safety issues (Nuradli et al., 2007) and demanding information have to be addressed accordingly to ensure that the consumers are updated on the current issue of halal in Malaysia. The authorised bodies such as JAKIM who are put in charge of validating the issues and matters about halal need to consider an efficient way to communicate with the consumer besides having their own directory. We proposed the development of a proper website where consumers can check the halal status and the website may also serve as a platform for communication between the consumer and the certification body. To date, JAKIM has set up their own website – http://www.halal.gov.my – which has successfully served as a platform for providing relevant information to the consumer regarding the halal products and the company that produces the product. Nevertheless, the authorised body on the halal matter needs to ensure the website's content is up-to-date. Consumers are entitled to accurate information about the product and the product manufacturer (Batu & Regenstein, 2014). Effective and efficient ways to disseminate the information is vital in order to evade the possibility of the consumer relying on an unreliable source of information. Relying on the so-called information that is viral through the social network is inapt as the reliability of the information from this medium is questionable and controversial leading to social chaos. In addition, efforts from various parties, such as the food supply chains, policy makers, halal certification, and accreditation bodies as well as research institutions are obligatory in order to improve the level of halal integrity and transparency in the international trade (Jan, Mahmood, & Joe, 2017). Norngainy et al. (2015) suggested more engaging campaigns to promote the halal concept to the public and to disseminate plentiful of information on how to obtain halal certifications to the SMEs in Malaysia. These initiatives will increase the number of SME with a proper halal identification in the market.

It is also a good point for the halal certification bodies all around the world to collaborate and set a proper standard of halal status that is compliable and applicable, locally and internationally, to ensure a standardised halal monitoring. A universal standard of the halal product handling and services could ease the confusion among the industry players. Likewise, it might encourage other entrepreneurs to adopt the halal concept into their respective business. Furthermore, a standardised halal standard would benefit the country significantly by increasing the cost efficiency and food trade (Jan, Mahmood, & Joe, 2017).

The businesses play a major role in providing halal products to the market. However, the halal logistics is a crucial task within the business chain and should not be disregarded as the integrity of the halal products are also determined by the delivery, storage, distribution, and handling process. It also served a good point for the government to provide a proper facility and support all matters related to the halal logistics (Mohamed Syazwan, 2013). Therefore, the support towards the halal logistics, especially for the logistic companies in Malaysia is very much needed in order to preserve the consumer's confidence in the logistic companies'

capacity in handling halal product appropriately. Moreover, the relevant authorities, for example, JAKIM and JAIN are urged to outline a proper and up-to-date logistical halal system, which should be applicable to all logistic companies in Malaysia. Accordingly, it should also apply to the international companies who intend to distribute halal products in Malaysia.

# 5.0   Conclusion

Despite the aforementioned issues and challenges, it is important to note that making the halal industry excellent, locally and internationally, is a joint effort of all relevant parties. The proper procedures and proactive action in handling the highlighted issues would encourage more industry players to adopt the halal concept in their businesses. Hence, Malaysia vision to become the global halal hub would be realised. Moreover, it is important for all parties to be cognisant of the current issues concerning halal matters in the market as it is of a national interest. It is recommended for the future researchers to work closely with the industry players in the halal industry and to find more constructive endorsement for a stronger halal industry. Therefore, the involvement and contribution of the academicians are essential, especially in providing relevant halal knowledge and current information to increase the consumer awareness of the halal products.

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