

Systematic Applications in Halal Food Industry in Malaysia: Problems and Prospects

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Abstract: Malaysia is renowned for its deep rooted Islamic cultural history, which in turn has resulted in the country being a prominent hub for the Halal food sector. The current study provides a critical review concerning the systematic application implementation and the problems faced within this sector along with the prospects that this highly competitive sector offers. This is based on a review of eighty research articles (from 2010 till 2023). As highlighted by the articles, some of the main problems being faced within the Halal sector in Malaysia are: conflicting Halal standards, confusing and discursive certification processes, etc., which are made worse by global trade barriers, fiscal issues, highly dynamic market conditions, lack of innovation, difficulties in branding, etc. With regard to these, the current study, delineates some strategies which could further facilitate the growth and maintenance of this sector. The review findings indicate that it is vital to boost the country's status as an international hub for Halal food, stressing on the latest branding approaches, capitalizing on e-business, and increasing the exports of Halal food. The recommendations made by this study could serve as a guideline for small businesses, scholars, policymakers and other stakeholders when addressing the evolution of this sector.

Keywords: Halal Food Sector, Small Businesses, Problems, Prospects, Malaysia

1 Introduction

Majority of the Malaysian population are Muslims and as an extension of this, the nation is strongly focused on the development of an internationally competitive Halal sector. The significance of the Malaysian Halal food industry is reflected by its substantial contribution to the country's GDP, which in 2022 was estimated to be around 7.5% (Harinderan, 2023).

Halal food is fundamental to Islamic principles and is held to positively shape the wellbeing, thoughts and behaviors of Muslims (Al-Bawaba, 2010). The ever rising demands for Halal food results from the consumers becoming more aware of their religious obligations. Such awareness along with other social and economic aspects have resulted in the Halal food sector becoming a standard requirement within the local contexts (Ahmad et al., 2018). The value of the country's yearly Halal food sector was reported to be close to USD 350 billion in 2023 (HDC, 2023). Globally, the Halal food market touched the USD 3 trillion mark in 2023, wherein Malaysia's market share was USD 20 billion (ibid).

Across the world, more consumers are opting for food items that are Halal-certified. This indicates that these products are increasingly being sought for their quality rather than merely due to religious compliance. Numerous businesses have begun to acknowledge the potential of the

“Halal lifestyle” as a powerful economic driver as well as marketing tactic. Also, the growing population of Muslims across the world along with rising demands for Halal food, further underscore the various opportunities that are present within this sector (Butt et al., 2021).

2 The Halal Food Sector

Put simply, Halal relates to that which is permissible and Halal food has to adhere to the stipulations laid out by Islamic law (Sorarji et al., 2020). Apart from religious considerations, the processes that are involved in Halal certification include meticulous standards which are focused on cleanliness and quality (Ziegler et al., 2022). This encompasses raw or incomplete items and all the equipment utilized within the production chain, toward ensuring a strict commitment to the laws of Syariah (Sulaiman et al., 2019).

Cultural diversity and varying interpretations have resulted in different understandings concerning the term 'Halal'. Hence, this has seen the rise of different Halal standards, whereby certifications of a particular Islamic authority may not necessarily be accepted within other jurisdictions (DIDM, 2023). The heterogeneity associated with Halal certification is quite apparent in Malaysia, whereby in 2023, the country's Islamic Development Department (JAKIM) recognized eighty-four certification bodies across forty-six countries (Al Teinaz et al., 2020). According to Wilson (2014), the Halal food sector can be split into eleven categories in accordance with commodities as well as consumption. These are broad

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categories ranging from facilities and livestock to other services like packaging, logistics, communication avenues, etc. One huge concern is the modification of the 'Halal' term for branding purposes, which is usually motivated by profits. Regrettably, this has resulted in incidents of food fraud within the country, particularly the cross-contamination of supply chains involving meat products (Sorarji et al., 2020).

3 Research Methodology

A systematic review was done toward gaining a deeper understanding of the dynamics behind Malaysia's Halal food sector. To start with, various key word were utilized to organize the research process, such as: "Halal food", "sector", "industry", "businesses", "challenges",

"prospects", and "strategies". This was done toward ensuring the relevance and significance of the search yield.

The CORE, Google Scholar, JSTOR and Scopus research databases were utilized in this study. The search was limited to papers that were published between 2010 and 2023 toward ensuring the relevance and contemporariness of the study findings. Using the keywords mentioned above, 180 articles were identified initially, which were organized, collated and stored with the EndNote20 software. Similarly, few variables from literature were identified and Discriminant Validity was analyzed. Table 1 represents this.

Table 1: Discriminant validity (Fornell Lacker Criterion)

	Behaviour	Emotion	Ergonomic	Flexibility	Time consumes	Trust	User experienced
Behaviour	0.894						
Emotion	0.66	0.772					
Ergonomic	0.068	0.116	0.78				
Flexibility	0.993	0.682	0.091	0.933			
Time consumes	0.573	0.693	0.158	0.6	0.864		
Trust	0.161	0.384	0.022	0.181	0.378	0.876	
User experienced	0.477	0.972	0.106	0.497	0.626	0.386	0.845

Subsequently, the shortlisted articles were comprehensively reviewed and evaluated against the study's inclusion criteria that had been predefined. During the careful screening process, articles which did not align with this study's core aims were omitted. This redaction process substantially reduced the research pool to eighty articles.

4 Findings and Discussion

Across the world, the Halal food industry is undergoing a rapid expansion. Nevertheless, a number of problems are preventing Halal businesses in Malaysia from properly benefiting from this lucrative sector.

4.1 Inconsistent Halal Standards and Certificates

Halal standards tend to be perceived as being ambiguous due to the involvement of multiple entities in developing these standards. For instance, different government organizations, private agencies, Halal certification bodies,

national standards agencies, regional bodies, international organizations (e.g., OIC), etc. (Giyanti et al., 2020). The introduction of a Halal system that is ineffective will automatically increase expenses (Zailani et al., 2020). It is imperative that Halal standards are universally recognized among certification bodies, and hence there is a pressing need to enhance international best practices.

In Malaysia, the validity of Halal certificates for most items does not exceed two years, but numerous businesses continue to use their certificates even after they are expired. Some scholars hold that this is a result of a drawn out and complicated renewal processes which culminate in fresh expenses for halal businesses (Majid et al., 2015). Another issue faced by JAKIM is the discovery of unauthorized Halal certificates on food packaging as well as food manufacturing sites (Rashid and Bojei, 2019). Below is the design engineering for implementing the systematic applications in Halal food industry.

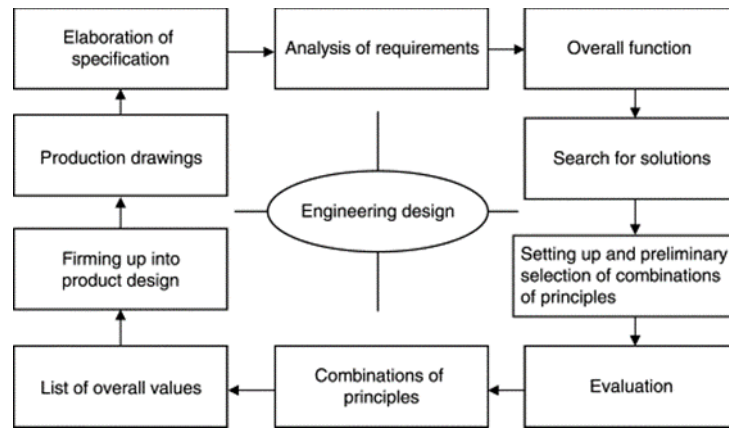


Fig 1: Factors affecting Engineering Design

Also, the differences in the standards of Halal certification among various certifying bodies become obstacles for small businesses. For example, countries like Malaysia, Indonesia or Saudi Arabia differ when it comes to certain ingredients or processing techniques that they deem as being permissible. Such inconsistencies have an adverse impact on Halal food businesses that are focused on breaking into international markets (Shahar and Hashim, 2020).

Hence, Halal certification processes need to be improved and done in a faster and more reliable manner. Additionally, JAKIM needs to streamline their renewal processes and make them more efficient. This in turn would ensure that manufacturers are not taxed with additional expenses for renewing their certificates. (Zakaria et al., 2018).

4.2 Inferior Packaging and Limited Funding

Small Halal food businesses also face major obstacles when it comes to packaging designs. Accordingly, to Razak et al. (2019), the packaging of a Halal food product is of utmost importance in arousing potential buyers' interest. They go on to add that inferior packaging renders even high-quality food items to appear unattractive for consumers.

Most of the small Halal food businesses in Malaysia are financed internally, i.e., with contributions from the proprietors, family or friends. The continued survival and growth of these businesses is usually dependent on whether they are able to secure sufficient internal funds. The failure of many of the small Halal food businesses in Malaysia are typically attributed to the lack of a proper capital structure or limited resources (Hidayah et al., 2021).

4.3 Issues With Marketing

Razak et al. (2019) highlight that Malaysian small Halal food businesses are lacking in their ability to develop marketing networks. They add that these businesses lack the knowledge concerning strategic marketing approaches, export procedures, branding strategies, consumer loyalty, and the maintenance of good relationships with domestic or international businesses. Their findings also showed that the usage of substandard raw materials, poor quality control, a lack of skills and poor after-sales services further aggravated the issue.

Although every aspect that makes up a business model is vital, only the marketing component makes a direct contribution to the business's profitability and sustainability (Kamarulzaman et al., 2019). This indicates that to make small Halal food businesses more competitive, efforts should be made to train them in the domains of entrepreneurial marketing (Sorarji et al., 2020), technology and innovation (Ismail et al., 2020); leadership (Fauzi et al., 2023); as well as production management (Suat et al., 2021).

4.4 Issues With Funding

Of the various problems encountered by Halal food businesses operating within Malaysia, financial management is a major one. These businesses tend to experience a limited accessibility to funding resources, thus struggling to grow or sustain themselves over the long run. Such businesses tend to constantly source for fiscal support from various financial institutions. This lack of accessibility to funds hinders them from investing in crucial technological innovations as well as market expansion activities (Harinderan, 2023).

food sector's main information reservoir, consisting of reliable, relevant, constantly updated, and highly accessible information (Sulaiman et al., 2023).

To survive within the highly competitive Malaysian Halal food sector, businesses have to adopt the relevant e-business frameworks to increase their reach and improve their overall performances. By embracing the direct-to-customer e-business strategy, it would be possible for businesses to form more solid relationships with their clients and obtain vital insights to continuously improve themselves (Shahar and Hashi, 2020).

5.5 Exporting More Halal Food

Globalization has allowed various different types of new businesses to easily penetrate global markets Tawil et al. (2015). Malaysia has to increase its exports and tap into major Halal markets toward addressing the increasing demand for Halal food items (Ahmad et al., 2018). In 2021, the value of the global Halal food sector was reported to be close to USD 1.2 trillion or approximately 17 % of the worldwide food and beverage industry (Giyanti et al., 2020). The demand for Halal food is also seen in Non-Muslim countries, due to healthy eating choices and the migration of Muslims to nations where they are the minority. Hence, it would be prudent for Malaysia to continuously diversify its Halal food products toward addressing the evolving needs of Muslims who reside in non-Muslim countries (Shahar and Hashim, 2020).

5.6 Stakeholders' Global Collaborations

Global firms contribute substantially to international Halal regulations, enhancing trade partnerships as well as facilitating the entry of Malaysian Halal businesses into diverse markets. Such collaborations between the main stakeholders generates a streamlined framework, which promotes the adaptability and growth of business within Malaysia's dynamic Halal Food sector.

To ensure the sustainable growth of the Halal food sector, Malaysia has to collaborate with international organizations like the World Halal Council, OIC, etc., and comply with international standards. The country's involvement in global trade fairs, partnerships and agreements further strengthens cooperation across borders. This in turn will provide Malaysian Halal food businesses with the right opportunities to promote their goods and draw in investments from abroad (Mohamad et al., 2022).

6 In Conclusion

The Malaysian Halal food sector has great prospects for growth within the local and global markets. Nevertheless, Halal food businesses face various challenges which tend to impede them from attaining their full potential. For

instance, inconsistent Halal standards, complicated certification procedures, inferior packaging, poor branding practices, etc. Also, the branding initiatives of these businesses need to be supported. Issues with funding, trading barriers, along with other marketing obstacles additionally hinder Halal food businesses. These could be addressed by providing the businesses with the relevant training as highlighted earlier. To fortify the Halal Food Hub status of Malaysia, its Halal goods portfolio needs to be expanded, more dedicated Halal industrial parks need to be designed and more strategic alliances need to be forged in the ASEAN region. In addition, the relevant branding and modern marketing practices, e-business initiatives, and exporting more Halal food is vital for the country's strong presence within global Halal markets. Policymakers ought to promote globalization initiatives to provide greater opportunities for Halal food businesses to penetrate newer markets.

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