

CHALLENGES AND WAYS IMPROVING MALAYSIA HALAL FOOD INDUSTRYNor 'Adha Ab Hamid^{1*}, Farah Mohd Shahwahid², Norziah Othman³, Wawarah Saidpudin⁴^{1, 2, 3}Faculty of Management and Muamalah, Kolej Universiti Islam Antarabangsa Selangor - KUIS, Selangor, Malaysia⁴Research Management Centre, KUIS, Selangor, Malaysia

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ABSTRACT: *The rapid development of the halal industry in Malaysia has successfully penetrated the global market, especially in the halal food sector that has placed Malaysia among countries that are respected and highly regarded worldwide. It also makes Malaysia a preferred destination for the expansion of businesses related to halal goods and services. Malaysia's halal certification is recognized as one of the best internationally and it is a key driver of success that contributes to the rapid development of the halal industry in Malaysia. This achievement proves that the Malaysian government's proactive efforts to realize the objective of making Malaysia a global halal hub a reality. Among the efforts made is to ensure that very government agency involved in this industry to carry out its role besides emphasizing on the inter-agency cooperation. The purposes of this article are discussing the challenges faced in developing the halal industry in Malaysia and roles taken by the government agencies involved. This study applies the method of literature review through content analysis of documents and interviews conducted with the agencies involved. The study found that the effectiveness and success of the enforcement of the halal industry in Malaysia is highly dependent on the effectiveness and cooperation between government agencies. The results showed that each agency have a specific role and cooperation of other related agencies is necessary for them to carry out their respective roles and to minimise issues and challenges facing them successfully.*

Keywords: roles of government agencies, halal enforcement, challenges, halal industry.

1. INTRODUCTION

The global halal market is currently estimated to be worth about USD2.3 trillion and is expected to continue to grow. Presently, the Malaysian Halal industry is valued at \$ 30 billion and is expected to grow further by 25% within the next 5 years. The rapid development proved that the Malaysian Halal industry received a positive response, not only locally but also globally. It offers a variety of opportunities for manufacturers of products and services as the demand for both increases with the growing global population and acceptance from the non-Muslim community of this industry.

HDC Chief Executive Officer, Dato 'Seri Jamil Bidin believed that Malaysia's halal industry is getting attention from around the world at this point due to its huge market and high demand. Industrial development can be seen in the growing number of manufacturers who start their businesses in this industry. In addition, many non-Islamic countries such as Japan, Korea, China, Australia and Brazil are found to have already begun to engage in this industry and these countries view Malaysia as the leading developer of the global Halal industry.

In line with the rapid development of the global halal industry, there is a need to widen the scope of halal industry in order to encompass many aspects of the lives of consumers. The Halal Industry Development Corporation (HDC) website listed seven key sectors that form the Halal industry and food services, consumer goods, financial, pharmaceutical, cosmetics, halal logistics and tourism. This is in line with Islamic teachings on the halal concept that should include all aspects, ranging from food and drinks to sources of income and items used.

Looking at the broad scope of the industry and realizing the growth potential of the halal industry internally and internationally, the Malaysian government is committed to continue develop this industry. This can be seen through the organization of specific programs such as the Malaysia International Halal Showcase (MIHAS) and the establishment

of the bodies such as the Halal Hub Division and HDC, which have been entrusted to undertake certain responsibilities related to the halal industry. The Government has also introduced the concept of the Halal Park in almost every state in Malaysia as a measure to encourage local manufacturers to venture into the production of Halal products. These measures clearly demonstrate the government's aspiration to turn Malaysia into "the global halal hub" [1,2]. In addition, the development of the halal industry in Malaysia is also supported by several other government agencies that cooperate and support the role played by JAKIM and HDC. Other government agencies that are cooperating in enforcing halal legislation are the Ministry of Domestic Trade, Ministry of Cooperatives and Consumerism (KPDNKK), the Department of Standards Malaysia, the Department of Veterinary Services, Ministry of Health (MOH), Royal Malaysian Customs Department (Customs) and Local Authorities (PBT) [3].

2. DEFINITION OF HALAL

Halal refers to something that is allowed, that has no binding prohibition on it, and is required from the perspective of Islamic law. The concept of Halal and Haram is something that is universal in its application which covers all aspects of a man's life, from the aspect of worship to *muamalah* and *mu'asharah* [4,5].

From the interpretation of the law, the major legislation related to halal in Malaysia, the Trade Descriptions Act 2011 does not contain any provision that provides a specific definition for Halal but the subsidiary legislation under the Act, the Trade Descriptions Order (Definition of Halal) 2011 contain provisions relating to the definition of halal which defines products as halal does not contain parts or by-products of animals that are prohibited or are not slaughtered according to Islamic law and fatwa, does not contain impurities, not intoxicating, does not contain parts or members of humans, not toxic or injurious to health, not prepared, processed or manufactured using equipment

contaminated with feces, and are not in contact, mixed or placed near anything that is not halal during preparation, processing or storage of the product. The definitions of this concept are along the lines of the slogan *halalan tayyiban* and Islamic law [6]. In fact, the definition is more comprehensive when include food, non-food products and related services [7] compared to the Trade Descriptions (Halal Debate Usage) 1975, which is limited only to food.

3. RESEARCH METHODOLOGY

The methodology used in the provision of this article is through literature review with the content analysis of documents and interviews conducted with the agencies involved. The researcher has conducted unstructured interviews with representatives from JAKIM's Halal Hub and HDC. Additional information is obtained from various documents and references to the official website of relevant agencies. The study also used the method of content analysis of the data obtained from the scholars, newspapers and related websites. The information obtained is used to see the importance and the challenges faced by entities related to enforcement of halal industry in Malaysia.

4. THE ROLE OF GOVERNMENT AGENCIES IN THE MALAYSIAN HALAL INDUSTRY

There are a number of government agencies that are involved directly and indirectly in the management of halal industry in Malaysia. The two main agencies that are often associated with the Halal certification in Malaysia are JAKIM and the Halal Industry Development Corporation (HDC). The halal certification is under the governance of the Halal Hub Division, a special department set up by JAKIM. Both of these agencies play a very important role in the Malaysian halal industry, and their roles are vastly different. JAKIM handles the matters related to halal certification and compliance to the halal standards while HDC is focused on the development of the local and global halal industry besides the marketing of halal products. Aside from the Halal Hub Division, JAKIM and HDC, other agencies that also play a role in the Halal industry in Malaysia are the Ministry of International Trade and Industry (MITI), the Department of Standards Malaysia, the Department of Veterinary Services, Ministry of Health (MOH), Malaysian Royal Customs Department (RMC) and Local Authorities (LAs). Each agency has its own role in the development of the Halal industry.

The involvement of so many different agencies in making this industry a success is due to the broad scope of the Halal industry in which a jurisdiction overlap is inevitable. In addition, the absence of a single legislation which specifically regulates this industry as a whole also becomes a factor that led to the involvement of the various government agencies in this industry. There are several laws related to inspection and enforcement of Halal in Malaysia such as the Trade Descriptions Act 2011, the Malaysian Halal Certification Procedure Manual 2011 (Second Revision) / Malaysian Halal Certification Procedure Manual 2014 (Third Revision), Food Act 1983 (Act 281), Food Regulations 1985, Food Hygiene Regulations 2009, Animal Rules 1962, the Animal Act 1953 (Revised 2006), Animal Rules 1962, the Abattoirs (Privatization) Act 1993, the National Livestock

Development Board (Dissolution) Act 1983, the Customs Act 1967 (Prohibition on Imports 1998), the Local Government Act 1976 (Act 171) and the laws of Local Authorities (PBT), State Islamic Religious Administration Enactment/ Act and the Trade Marks Act 1976. These legislations listed give the authority to the different agencies according to the scope of the task and specific jurisdictions.

The main bodies responsible in the issuance of halal certification in Malaysia that are recognized by the government are the Islamic Development Department of Malaysia (JAKIM) and the State Religious Department (JAIN) or the State Islamic Council (MAIN) [6]. For the product to be marketed in the country, the halal certification application can be made to JAIN while products marketed internationally must be made to JAKIM [8]. The Malaysian halal certificate issued by JAKIM is known worldwide and its logo is trusted at the international level [9] because it has a strong industry in the manufacturing and marketing sectors of halal products, strong relationships with major trading nations in the world and the support from the government.

In Malaysia, the legal provisions, policies and standards outlined on the issue is based on the principle and concept of halal stated in the Quran, Sunnah and the opinions of venerated Muslim clerics [9]. Among the legislation relating to halal in Malaysia are the Trade Description Act 2011 and Food Act 1983.

The Halal Industry Development Corporation (HDC) owned by the Malaysian government was formed with the objective to promote Malaysia as an international halal hub. Among its role are championing the HDC halal standards including the auditing and certification processes in order to protect the integrity of the halal dietary, influence the development of the Halal industry to allow companies to market halal products to join the global market, develop and promote the Malaysian halal brand, promoting the concept of halal products and services in Malaysia.

5. CHALLENGES FACED BY THE GOVERNMENT AGENCIES IN DEVELOPING THE MALAYSIAN HALAL INDUSTRY

1. Provide an understanding of the concepts and laws of halal to Muslim and non-Muslim entrepreneurs.

There are still many who do not understand the depth of the concept of halal legislation. This is evident when there are still entrepreneurs who openly use statements like Halal guaranteed, pork / alcohol-free, Muslim-made, *bumiputera* products and any statement to mean that those products have halal certification from competent authorities. Many manufacturers do not know it is an offense to label their product as halal if they do not receive confirmation from JAKIM. There are manufacturers who tried to describe the goods or services that they provided are halal to use by using Islamic names or by employing *Bumiputera* or Muslim who cover up themselves in business premises. For example, in food courts in most business complex, non-Muslim businessmen will put Muslim workers or cooks in front of the counter. They think that is sufficient to show that their premises are halal.

There are manufacturers and individuals in the society who opines that it is the responsibility of the authorities to ensure

that all products are certified as halal. This statement is inaccurate because in Malaysia, the halal application is voluntary. The government will not force manufacturers to apply for Halal certification but left the decision then, whether they want their products to be certified as halal or not. For example, every time there is a halal related case that becomes viral, people will simply blame JAKIM even though the halal enforcement is inter-agency and at times, the manufacturers of such products have never apply for Halal certification and have never make a statement that their product is Halal. It only becomes an offense if the manufacturers who do not apply for confirmation use fake certification.

"In Malaysia, application for halal certificate is voluntary. The decision is up to the individual, based on their understanding of the importance and benefits." [10].

2. Provide understanding to users and Malaysians in general, about the Halal certification process and the jurisdiction and role of each body involved.

The enforcement of Halal industry in Malaysia is different and more complex than in most other countries. In contrast to other countries such as Thailand, Australia and otherwise, where monitoring and enforcement is carried out by non-governmental organizations or by the country's Muslim community, enforcement in Malaysia is run by government agencies that are accredited, and each agency have their own respective jurisdictions and roles.

Although halal certification has been introduced in Malaysia since 1974, there are still many who are confused or unaware of the role of the agencies involved. Most manufacturers do not have accurate information on the application procedures for halal certification. There are cases where manufacturers fail to apply for halal certification due to inaccurate advice and information. There are many who have a negative opinion about the application process with the impression that the process is complicated and costly. In Malaysia, there are still many who are unaware of the existence of HDC and feel that all matters related to the halal industry is under the responsibility of JAKIM.

Low levels of awareness and lack of concern about the implementation of the Halal industry are the two major factors that justify the scenario of many manufacturers, especially *Bumiputera* who are still reluctant to apply for Halal certification. This could hurt the operators themselves as well as the small and medium enterprises industry (SMEs). For example, based on the information obtained from JAKIM in 2009, it is found that as many as 1,907 applications are received from entrepreneurs to obtain the halal certificate. However, only 622 out of the 1,907 applications are received from *Bumiputera* manufacturers while the rest are from the non-*Bumiputera*. Out of the 622 applications, only 301 managed to get the halal certificate. This number is very small compared to the actual number of active *Bumiputera* SME entrepreneurs in the country.

"In promoting the halal logo application among manufacturers, many non-Muslims are making an application. Among the reasons is that the application for halal certificates is expensive and they couldn't afford the

expense. In reality, it is not expensive to make an application." [10].

3. Combating offenses related to Halal certification. Among the issues that often arise are:

- i. the use of fake halal certificates;
- ii. the use of halal certificates from foreign entities that are not recognized, or the recognition has been suspended / revoked;
- iii. the misuse of the halal sign / logo / certificate (This includes the issue of using DIY Halal signage, exhibit a certificate of attendance for Halal training courses that indicate the products are certified as Halal)
- iv. the spreading false and inaccurate information and without confirmation from JAKIM.

Specific measures should be taken to solve the following problems as it negatively affects the development of the Halal industry in Malaysia. The solid cooperation between agencies involved in disseminating accurate information to the public and also in carrying out the task of monitoring and enforcement

4. Overlap in Inter-Agency's Jurisdiction

JAKIM is the main body involved in Halal certification and enforcement in Malaysia. However JAKIM's role is supported by several other agencies in which, each agency has its own role, jurisdiction and legislation [11,16]. Among the agencies involved are the Ministry of Domestic Trade, Cooperatives and Consumerism Ministry (KPDNKK), the State Islamic Religious Council (MAIN) and State Islamic Religious Department (JAIN), Ministry of Health (MOH), the Department of Veterinary Services (DVS), Royal Malaysian Customs (RMC) and Local Authorities (LAs).

"This is the law that applies in most major halal certifications; the laws are under the APD 2011. Secondly, food products are bound under the Food Act. Slaughterhouses are bound to the Animals Act 1953 (Revised 2006), Animal Regulations 1962 and for meat and dairy products, they are bound to the Customs Act. If we look at the Sharia Criminal Enactment or Act, there is mentioning of halal related offences. This is only applied to several states such as Kelantan, Terengganu, Pahang, Johor, Selangor and Kedah, besides the law of small local authorities." [13]. Hence, the point indicates there is a special law or act that can be found related to halal affairs. Existing legislation is separated from each other [14,15,11].

5. Halal Law Enforcement

Prior to the amendment of the APD 2011, law enforcement against offenses related to halal products to be less efficient and difficult to implement because it is run by two different bodies [3]. At that time, JAKIM only acts as observers, confirming offenses and plays the role of witness while the prosecution can only be done by KPDNKK [3,7]. The amendments made to the APD 2011 give the power of jurisdiction to JAKIM and MAIN in which JAKIM officers have been appointed as Assistant Controller of the Trade Descriptions and are given authorization cards to warn, suspend or revoke business licenses. The cards given are equal to the authorizing powers of a KPDNKK enforcement officer. However, in order to obtain a conviction, the investigation and prosecution carried out must be efficient

and robust [12]. The challenges faced by JAKIM is JAKIM officials involved in the prosecution must have the qualifications to work in civil courts because the prosecution authority for cases involving halal products are placed under the jurisdiction of the Civil Court [3]. They should be exposed to the procedures regarding the monitoring, investigations, raids and related laws such as the Evidence Act and the Criminal Procedure Code in addition to attending courses organized by the KPDNKK [7].

But until today there has been no prosecutions conducted by JAKIM officials on halal cases. Most of the prosecutions were conducted by KPDNKK. This means that the investigation and prosecution by JAKIM have yet to be tested [22]. For the offense regarding the misuse of halal under section 42 of the Sharia Criminal Offences (Federal Territories) Act 1997, the power to prosecute lies with the Chief Prosecutor [28,17]. The question is when will the power granted to the prosecution JAKIM officials actually be realized?

6. Improving the enforcement system, compliance control on the halal standards and integrity in business circles.

From time to time, there will be cases where the authorities JAKIM had to suspend or withdraw the Halal certification granted to manufacturers due to non-compliance to conditions. Among the example is the temporary suspension of the Halal certificate of the Secret Recipe chain restaurants and the bakery, Sweeties for hygiene-related offenses. Here, law enforcement agencies must do more in order to control the standard of compliance among manufacturers who need to be more committed and responsible in ensuring that their products comply with the set Sharia and Halal standards.

6. SUGGESTION

Overall, the suggestion to improving halal industry practice in Malaysia through the roles played by government bodies involved can be itemized into several key areas;

1) Management

Directly, the bodies responsible for the management of Halal industry are JAKIM and HDC. JAKIM's Halal Hub Division is responsible for supervising and monitoring aspects of Halal certification and enforcement while the HDC plays a role in expanding the development of Halal industry at the international level. Other agencies that are playing a supporting role are focused with their own jurisdiction. For example, in terms of Halal certification bodies that are accredited abroad, JAKIM will collaborated with the Ministry of Health and the Department of Fisheries to ensure the suitability of the agency to issue Halal certificates adopted in Malaysia. In terms of enforcement of local Halal certification, JAKIM officials are largely supported by KPDNKK, MOH and local authorities such as Kuala Lumpur Municipal Hall (DBKL), the State and Regional Municipal Councils.

2) Research

With the realization that research is important for the development of the halal industry, both JAKIM and HDC collaborate with several research centers and institutions of higher learning (IPT) in Malaysia to complete various types of research studies related to the Halal industry. This led to the establishment of several research institutions related to the Halal field such as the Halal Products Research Institute (IPPH) (UPM), Halal Research and Management Institute (IHRAM) (USIM) and the International Halal Institute of Research and Training (INHART) (UIA). The important role of research in this industry is undeniable. In addition to the findings of the research conducted, research centers such as IPPH also help provide support services to JAKIM by lending laboratories and equipment to it [13].

3) Education and Awareness Efforts

From time to time, government agencies take steps to improve the knowledge and understanding of manufacturers and consumers on the concept and importance of *Halalan-Toyibban* and Halal certification. It is important to build accountability and acceptance of the operators in emphasizing the Halal integrity while running their business. Consumers will benefit because they will be more confident to buy and use products that have been certified as Halal. Efforts to educate and promote awareness on it are done through educational programs in schools, halal exhibitions, mass media campaigns and social activities. In addition, government agencies such as JAKIM and HDC distribute pamphlets and articles relating to the halal certification and industry by disseminate information to the public and interested manufacturers. It also provides a comprehensive knowledge management center on its premises for those who are interested in obtaining any information about the Halal industry.

4) Development of labor force and expertise, Halal

The development of Halal industry is rapidly increasing and the needs for manpower in various aspects related to Halal in order to support the demand in the industry, including conducting public relations activities and marketing, promoting and developing the ability of Halal advisors or consultants, Halal slaughter supervisors, and Halal executives for the organization, is highly demanded.

"There are two aspects of Halal manpower. Firstly, manpower in agencies that is responsible for certification and enforcement. Industry-level manpower in the halal industry is needed. Secondly, lack of knowledge among the public regarding the concept of halal. Many aspects need to be developed. We still have so much to learn. That is why we are developing a halal professional council that can become a medium for us to think of ways to further develop the industry." [13].

"We need manpower from the Agriculture Ministry, the Health Ministry, the Standards council and many more. We need experts from the private sector. We have to think about the human resource needs and human capital." [13].

7. CONCLUSIONS

The development of the halal industry in Malaysia is the result of the efforts and cooperation of all parties involved. There are several noteworthy improvements such as the enhancement of mutual understanding and cooperation between agencies involved in law enforcement based on the provisions of the law under their respective agencies. From time to time, there may be challenges and issues of some aspects of halal-related developments, such as the power overlapping and confusion in information.

Among ways to overcome the problem is by setting up a special commission to monitor and regulate all Halal-related matters and also in the drafting of Halal Act in the nearer future. Each government agency involved should carry out their important roles in order to develop well further and sustaining the Malaysia halal food industry.

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