

CHAPTER 1

INTRODUCTION

1.1 Introduction

This research objective to classify the drivers as evidence that related with a tendency for halal entrepreneurship among small and medium enterprise (SME) entrepreneurs .In detailed, it will ascertain the factors of SME entrepreneur to become halal entrepreneurship. This chapter encloses the review on the background of research, problem statement, research objectives, research inquiry, significant and area of study.

1.2 Research Background

Nowadays halal is a universal conception. Halal is a concepts exclusively used in Islam which means allowable or legal. There is nobody can admit the food is Halal without implement Islamic Law. Halal and non-Halal occupied overall of Muslim life, not only to foods and drinks, but also for animal welfare, social justice and environment. Halal and Toyyiban which describe clean and wholesome depict the symbol of intolerance to hygiene, safety and quality of food that Muslims eat.

Entrepreneurship has grown into insecure movement for industrial surge due to its ability to develop new jobs and numerous economic profits. After all, innovation, technology, and entrepreneurial skills are presently sweeping the industry back to glory. Halal at the current time is not only complementary to religion in terms of halal certification, but is also observed as the “best value” to industrial growth (Zailani et al., 2015). The halal trade will boost the earnings and nature of people’s life through trade, investment, service provision, and employment opportunities. Hence, the involvement of the community’s halal industry, halal business, and human central evolution are point out. The halal international trade is awfully huge due to not only foodstuff, but also non-food merchandise, like cosmetic, additive, and medicine. The Muslim community in the world is expected to grow twice faster than the non-Muslim population over the next 20 years when Muslims are expected to account for 30 percent of the total global population (HDC, 2010).

The market for halal products must be enlarge by entrepreneurs such as sharing knowledge and the success of halal entrepreneurs in various business fields and also they must be exposed to wider business opportunity to create more Halal entrepreneur. Halal entrepreneurs are known as individuals who are attracted in innovating and exploiting chances produced by halal business development. Halal entrepreneurship has become an important constituent of global halal sales and halal business world as the government had capitalized billions of dollars to fulfill the promptly rising of Halal business interest. In spite of the growing number of halal business opportunities, knowledge about whether entrepreneurs of small and medium enterprises (SMEs) do realize the prospects of such a phenomenon is scant.

1.2.1 Malaysia and SME Development

Food innovation remains a growth stage of a company. The innovation generates and offers opportunities for the company to endure relevant to persist in an atmosphere of strong business competition. SMEs in Malaysia had a high opportunity to explore into the international markets as Malaysian Halal logo had got the world recognition whereby may provide product differentiation advantages to them. Among the various incentives that had been provided, the companies that have customary themselves in the business for a long time only used it. Thus, the SMEs also should not let themselves left behind. Additionally, the government has given a lot of struggle to make Malaysia as a halal food hub of the world, so the SMEs need to utilize this opportunity to upgrade their business (Arif, 2009). According to Zulkifli Hasan (2008), the growing population of Muslim over 57 countries had increasing the demand for the Halal products. By 2010 the Muslim populations were estimated to enlarge to three billion people by 2025 whereas the number rises to 30 percent of the total world population. As a result, many countries such as Thailand, Singapore, and Philippines who are alert of the development of halal products were attracted to Halal hub.

Halal Statistics in Malaysia

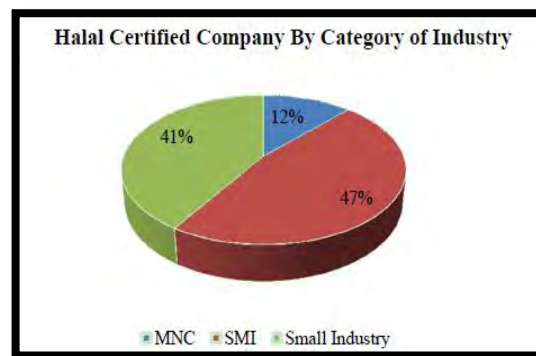


Figure 1.1: Halal Certified Company by Category of Industry

Figure 1.1 above show that there are 47% of Small Medium Industry (SMI) companies that has been certified which contribute to the largest percentage in the pie chart. Small Industry is the second with 41% and followed by Multinational corporations (MNC) with only 12%.

1.2.1.1 Halal Policy

Malaysia is moving toward the second phase of regulation progress on Halal policies which is also in line with the 10th Malaysia Plan. In line with this, the government enhances the effort in making Malaysia as an international halal hub by allocated RM 100 million (Adam, 2006). The Halal Industry Master plan (IMP) which consists of a three-phase roadmap for the growth of halal industry has been divided into three phases.

The first phase was from 2006-2010 which to develop Malaysia as a global centre for Halal integrity and prepare the industry for growth. In the second phase from 2011-2015, Malaysia is to develop strong market capabilities and capacity through enhancing innovation capabilities. The final phase is from 2016-2020 with the arrangement to widen the access of halal export-ready companies worldwide. It can be summarised as depicted by Table 1.1

Table 1.1: Malaysia Halal Industry Master Pelan

PHASE	ACTIVITY
1 (2006-2010)	to develop Malaysia as a global centre for Halal integrity and prepare the industry for growth
2 (2011-2015)	to establish Malaysia as one of the preferred locations for halal-related business
3 (2016-2020)	to broaden the access of halal export-ready companies worldwide

Adopted from: (Mazita, M.*, A. Noor Azlinna, 2014)

One of the objectives in IMP 3 was Malaysia becoming the global halal hub for the production and trade in halal goods and services. This is because Malaysia had a great potential in promoting and spreading the halal products and services for the international market. In addition, with the growing number of Muslim population, halal products and services which gaining adequacy among non-Muslims and also the global market value were estimated to be US\$2.1 trillion annually had increase the interest in Malaysian government (Industry, 2006).

There are many sectors in Halal Industry such as food additives, drugs and vaccines, food, leather products, pharmaceutical, toiletries and cosmetics, food supplements, Islamic finance, and insurance. The involvement of halal industry to Malaysia GDP was RM28 billion which accounts for 5.8% in 2005 (HDC, 2009). It is imprudent if the entrepreneurs do not grab this opportunity to compete either domestically or globally.

Into the bargain to this, growing demand for halal products encourage more research and development, income development which increase the purchasing power among Muslim consumers and the growth of Muslim population which leads to bigger demand were some of the driving issues for global halal industry (Bahli, 2011).

1.2.1.2 Halal Food Industry

The method of manufacturing goods and services in the process approved by Islamic law or syariah explained the concept of Halal. This also includes pharmaceutical products and financial practices other than food products and food preparation. The halal food industry was a tremendous growth industry. This industry was vital for Muslims all over the world as it assists to ensure them that the food items they consume daily are syariah compliant. The market for halal food is estimated at US\$547 billion a year with a global Muslim population of 1.8 billion (Dierks, 2011). This trend is predictable to rise

to USD2.1 trillion in tandem with the fivefold dynamics driving the global halal food market which are increasing demand for greater halal food diversity in primary markets, increasing demand for safe, high quality food in primary markets, growth in the Muslim population, the primary market for halal food, increasing incomes in primary markets for halal food, and incidents of food marketed as halal but failing to meet halal requirements which has spurred demand for genuine halal products (Dagang Asia Net, 2011).

Therefore, policyholders in Malaysia would be able to magnificently promote halal entrepreneurship in this country through identification of the motivational factors to be recognized as Halal entrepreneur. This study intended to assist as an initial step in considerate the cognitive process of SME managers in embarking on halal business.

1.3 Problem Statement

Nowadays, organizations are bounded by competitors in worldwide market also regard with industry. Roughly food producers from worldwide had global interest with the global population of Muslim which has reached about 1.8 billion (Abdul Manaf, Cheng, & Nurwahida, 2013). Food businesses consist of 172,252 food services entities and 5,565 food manufacturers in Malaysia (Hayati, Khairul Anuar, and Khairur Rijal, 2008) where Muslims lead the country's population. Thus, the Muslims will have an increasing demand for the halal food and thus increase the buying power of the Muslims consumer.

Currently, most companies put a high commitment in putting the halal mark on their products and premises. Despite the fact that some of them do not know the actual concept of halal as if they are doing it just for the sake of attainment confidence from the Muslim consumers (Zakaria, 2008). Corresponding to the study, there are some issues regarding on the abusing of halal logo by the producer. Muslim consumers will inculcated the doubtless and hesitation when they are planning to purchase food

products when this issues is rises in Halal industry. The problems ascend due to the local food manufacturer cannot prove any documents representing that their product can be labeled and they did not fulfill with the Malaysian Halal Standards (Aliff et al., 2015). For example, the issue of products that use fake halal logo on noodle products made in Malaysia (Daily, 2014) . This correlated issue could generate chaotic significances among consumers, especially Malaysian Muslims. In Islam, searching for halal is compulsory. As the chain reaction, the process of making Malaysia as one of the important halal hub across the globe may be halt due to this issue.

Primarily, Muslim consumers may ensure their products choice by looking at the halal logo on the products. The halal logo with the word Malaysia is the one that is permitted by JAKIM. JAKIM has announced the halal logo to evade misperception amongst international community, to better organize and to increase the productivity of halal certification process. Halal Industry Development Corporation (HDC) had discovered that there is rising credence towards halal products among both Muslims and non-Muslims. According to (Zakaria, 2008) , Muslims are concern with foods and products with halal logo as they assume it is permissible to be used or consumed in accordant with Islamic law. Therefore, the sensitivity of Muslims regarding the halal issues was very hit by the abuse of halal logo and certificate by the irresponsible producer. This issue had affected their food and product selection and thus created suspicion amongst them.

As suggested by Wahab, A.R., (2004) and Talib, M.S.A., & Hamid, A.B.A (2013), a lot of Muslim businessmen or potentially to be the entrepreneur is required to be aware, knowledgeable and understanding on the halalan toyyiban concepts in order to produce halal products. They also claimed that the missing of Muslim entrepreneurs in the halal industry makes consumers less appreciated for halalness concept which tentatively must be produced by Muslim society for Muslim consumers. According to Robin (2004), lack of awareness, understanding and knowledge of the Halal concept among Muslims and the manufacturers of Halal products may root the loss of obligation to Halal.

The participation of small entrepreneurs in the Halal food industry is still deficient due to lack of experience from the marketing aspect of their business expansion, a diversity of capital limitations, competition, and technology as well as weak business networks (Arif, 2009). In addition, most of entrepreneurs in small Halal food business are deficient of knowledge about the registration necessities for intellectual property ownership. They must ensure their products were being registered to evade infringement of their intellectual property. The entrepreneurs who registered intellectual property protection may able to grow profitable returns, able to get the opportunity into the global market and also upsurge the market value of their products.

According to Berry (2008), there is a number of non-Muslim countries which has a robust demand for Halal products for both Muslim and non-Muslim consumers. In the meantime, the demand from the consumer was rising due to Halal products has positive insight which are more healthy, safer and humane animal treatment. As a minority, Muslim entrepreneurs in Malaysia have difficulties in competing with non-Muslim which dominated the halal markets for quite a long time.

A report produced by HDC (2015) shows that halal market in Malaysia is dominated by non-Muslim entrepreneurs (mostly are Chinese) as compared to Muslim entrepreneurs. Response to the circumstance, Muslim entrepreneurs should be more vigorous in generating ideas to produce halal products that can be competitive with the existing. Due to that, Muslim entrepreneurs should have a greater awareness towards the high demand, halal knowledge and as well as understanding the halal concept of a halal supply chain, including the manufacture process of halal products (Tieman, M., van der Vorst, J.G., & Ghazali, M.C., 2012).

In addition, prior research by Abdul, Ismail, Hashim, & Johari (2009) stated that among entrepreneurs who have had obtained the Halal certificate, they agreed that the process of getting Halal certification was tiresome and strict. This is because the process is not used friendly, and claimed that they will certainly not get the certification if they

do not operate in an appropriate business premise. Additionally, if the entrepreneur retails several products, he or she needs to acquire certification for every product; hence it will be very costly. Some of the entrepreneurs only accomplished to get the MS ISO 1500:2004 for their food quality and did not ensue for the Halal certification because the process is considered tiresome. Thus, they feel it is enough for them to only encounter with the quality standard as the process of getting the Halal certification was too strict.

1.4 Research Objective

This current study is to identify the empirical evidence for Halal entrepreneurship among SME in food industry. There are several research objectives that this study attempts to achieve, which are to:

- To assess the level of attitude, subjective norm and perceived behavioural control towards Halal entrepreneurship propensity in SME food industry.
- To determine the relationship between attitude, subjective norm and perceived behavioural control factors with Halal entrepreneurship propensity among SME entrepreneurs of food industry.
- To examine the most influential factors that affects the growth of Halal entrepreneurship among SME entrepreneur of food industry.

1.5 Research Question

This study is attempting to emphasize the empirical evidence for Halal entrepreneurship among SME in food industry. In achieving the above objectives, this research addresses the following questions:

- What are the level of attitude, subjective norm and perceived behavioural control towards Halal entrepreneurship propensity in SME food industry?
- What are the relationship between attitude, subjective norm and perceived behavioural control factors with Halal entrepreneurship propensity among SME entrepreneurs of food industry?
- What are the most influential factors that affect the growth of Halal entrepreneurship among SME entrepreneur of food industry?

1.6 Scope of Study

This study is focusing on Halal food business among SME, the theory of Planned Behaviour (TPB), the factors that motivate SME entrepreneur of food industry in to become Halal entrepreneur and entrepreneur's knowledge on Halal and that could potentially explain the impetus of Halal entrepreneurship among SME entrepreneur.

This study seeks to determine the influences of attitude (perceived desirability), subjective norm (peer supports) and perceived behavioural control (perceived government support) factors for Halal entrepreneurship propensity among SME entrepreneurs of food industry. This study purposes to assist as an early step in considerate the cognitive process of SME owner and managers in embarking on halal business.

1.7 Significance of Study

The whole concept of Halal is not covers only the Shariah requirement, but also the sanitation and safety aspect, sustainability concept of hygiene, healthy life style, and makes Halal food readily adequate by consumers who are anxious about food safety. According to that, small entrepreneurs should take advantage to gain benefits of growing profits in the Halal industry by looking for business opportunities in Halal food areas that have boundless potential to produce income.

Muslim consumers also non- Muslims consumers were very appreciated with the Halal authorization as it is measured as the benchmark for food safety, quality assurance and many beneficial characteristics . The industry which gears the Halal requirements will yield healthier quality food products compared to those who applied the conventional standards (Talib & Ali, 2009). In realise to the situation, the entrepreneur should grab this golden opportunity to become a halal entrepreneur.

In particular, this paper serves as a foundation for future research regarding motivations of SME entrepreneur to become Halal entrepreneur. This study also strongly supports the government policy of Halal and thus serves as a foundation for the SME entrepreneur to have more knowledge regarding Halal food business. This paper also helps governments to identify dedicated programs that need to be providing to entrepreneur to encourage Halal entrepreneurship among SME entrepreneurs. In addition, Founder-director of the World Halal Forum (WHF) Jumaatun Azmi said there is still a significant gap in the implementation of halal standards by the local SMEs. Thus, this paper will also serves as a foundation for the SME entrepreneur to implement the Halal certification. By emerging into Halal entrepreneurship, it helps the entrepreneur to upsurge the organizational development. It is very important to have a good organizational management in order to sustain the business in the market. Thus, organizational innovativeness is one of the drivers in improving business among SME's.

The SME entrepreneur will be able to sustain their business in the market if they practise the organization innovation in their business.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews and synthesises literature focusing on Halal food based business, Halal entrepreneurship and the factors that could potentially explain the impetus of Halal entrepreneurship among SME. The chapter also reviews the related literature extensively. A deep understanding regarding the motivations factor of SME entrepreneur to become Halal entrepreneur is very important as it provide a wider insight to the researchers, food companies, and other stakeholders in an effort to inspire wider opportunity for entrepreneur to become a Halal entrepreneur. In addition, as Halal food products has a rise in demand based on recent view, this study offers business firms a comprehensive understanding of the major factors that motivates SME entrepreneur to become Halal entrepreneur.

2.2 Halal Certification in Malaysia

2.2.1 Definition of Halal

Halal is a Quranic term that means allowable, permissible, lawful or legal. The contrasting for Halal is haram which means prohibited, unlawful or illegal. Al-Jurani in the book of at- Ta'rifat states that halal is the propensity to use something that is compulsory to meet the physical needs, comprising in the food, beverages and medicines (Samori, Ishak, & Kassan, 2014). On the whole, based on Islamic law and principles, Halal is the acceptability to eat, drink and does somewhat. The word Halal is not only used in the context of consumables or products used by Muslims but it also comprises aspects of quality, safety, hygiene and sanitation subsequent in the term 'Halaalan Thayibban' which means permissible and good. Usually, the Muslims consumers will find a Halal logo on the products that they want to purchase as they are very aware of the Halal issues especially in food. From the manufacturer's perspective, the logos and certification are used to indicate that their products are align with the syariah compliant and met the Islamic dietary guidelines. The logos and certificate also is a sign so that the consumer will not have to worry and have a doubt regarding the Halal status of the product.

2.2.2 Concept of Halal in the Quran and Sunnah

The Quran has pressures heavily on the ingesting of halal foods through many verses. Allah (S.W.T) has created all that is in the earth for the purpose of human endurance and nourishment in life. Consequently, nothing is prohibited except what is forbidden either by a verse of the Quran or an authentic and explicit Sunnah of the Prophet Muhammad (SAW).

Only Allah has the right to make Halal or Haram. We as a normal human being have no right to change it, no matter how pious or powerful. Impurity and destructiveness are the main reasons for the prohibiting of things. We are not supposed to question exactly why or how something is impure or unsafe in what Allah has prohibited. Somewhat as a Muslim, we should condense our gratefulness and gratitude to Allah. An in-depth understanding of human beings about what Allah has prohibited demand our appreciations because the prohibitions of those things are for our own protection.

Intrinsically, Allah only permits hygiene, safe and halal foods or products for Muslims' consumptions. The term halal incorporates cleanliness and hygiene in food preparation because cleanliness is also a part of religion. This is clearly highlighted in the following ayah of the holy Quran where He says: "He hath forbidden you only carrion, and blood, and swine flesh, and that which hath been immolated to (the name of) any other than Allah. But he who is driven by necessity, neither craving nor transgressing, it is no sin for him. Lo! Allah is Forgiving, Merciful" (Qur'an 2:173). In the above stated ayah of the Holy Quran, we have been obviously informed on what kind of food Muslims should eat and not to eat.

The whys and wherefores for prohibitions are even authenticated with explanations through Quranic exegeses by Ulama. For instance, the reasons for forbidden carrion and dead animals are due to unhealthy for human consumption where their decaying process leads to the creation of chemicals which are harmful to humans. Blood that is exhausted from an animal contains harmful bacteria and toxins, which are harmful to human products of metabolism and development.

2.2.3 Halal Standard

The Department of Standards Malaysia has established a halal standard for foods, the MS1500:2004. It listed seven necessities on the groundwork and management of halal food. These are:

- Bases of halal food and drink which include animals (land and aquatic), plants, mushrooms and
- Microorganism, natural minerals and chemicals, drinks and genetically modified food (GMF).
- Slaughtering necessities and process guidelines
- Product dispensation, management and delivery
- Product packing, presentation and servings
- Hygiene, cleanliness and food safety
- Packaging and labeling
- Legal requirements

The MS 1500:2004 added acquiescence with Good Manufacturing Practices (GMP) and Good Hygiene Practices (GHP). This standard is suggested to be united with MS 1480 and MS1514 to reinforce its application. MS 1514 is the overall principles of food hygiene while the MS1480 is the standard in food safety according to hazard analysis and critical control point (HACCP) system. Both standards cover issues of sanitation, hygiene and food safety aspects in the food processing and preparation chain. Other from that, this standard also deliberates the permissible sources of halal food,

which include plants, natural minerals, chemicals, animals (either land or aquatic), mushrooms, drinks, and microorganisms.

2.2.3.1 Halal Certification

Nowadays, Muslim consumers purchased Halal food products for daily consumption are the main reasons for the Halal certified product. For Muslims consumers, they believe that a Halal certifies product is trusted and comply with the Syariah law. They also did not have to face the uncertainty when they want to buy the products. Furthermore, according to Abdul (2008) and Riaz (2004), Halal certification such as Halal logo or certificate of compliance shows that the product have adequately met Islamic dietary.

Moreover, Muslims consumer will look for Halal certified places for them to eat. Thus, Halal certification is also important for service provider such as at restaurant and cafes. Halal certification is vital for many reasons rather than buying the food groceries. When the Halal logo or certificates is labelled on a product or displayed at any eating premises, the Muslims will promptly be pleased without any doubt that food product have been equipped in line with Sharia law. On the other hand, Riaz (2004) mentioned that in order to avoid from any deception, fake and misleading logo or certificates, Halal logo or certificates must be approved and issued by a trustworthy Islamic organization.

2.2.3.2 Criteria for Halal Food Certificate Application

For a Halal business entrepreneur who wants to apply for the Halal certification, the first step that they must attempt is to apply the Halal license through JAKIM. The applicants may choose to do the application for halal license at JAKIM's office in

Putrajaya or applicants may attain information about the application process from JAKIM from their website. The following are general requirements from JAKIM when companies applying for halal license.

1. Every food premise or abattoir or food manufacturer must only produce or manufacture or sell halal products. To certify the halal requirements are fulfilled, JAKIM will make visits to local and overseas food premises and abattoirs before give out halal certification to the respective organizations. If there is a local Islamic organization recognized by JAKIM, JAKIM will rely on that organization to execute the inquiry and issuing of the halal certificate to the respective overseas applicants.
2. Every food manufacturer must certify that sources of ingredients are halal and deal with suppliers which supply halal materials or the suppliers are halal certificate holders. JAKIM requires a list of ingredients to be given in to to JAKIM before JAKIM issues the halal certificate to the food manufacturer or provider.
3. Every company must stand by the procedures in all aspects as spelt out in the procedures manual.
4. Those companies which are off the record under multinational and Small and Medium industry must form an internal Halal Audit Committee and appoint one Islamic Affairs executive (Islamic studies) to handle and certify the compliance of halal certification procedures.
5. There must be two full time Muslim, Malaysian citizen workers working in the kitchen handling or processing of food.
6. During the preparation, handling, processing, packaging or transporting of the product, the product must be hygienic and free from any non halal ingredient. JAKIM will implement inspections in any reasonable time

without giving notice to the halal food operators to check on the operating premises.

7. Facilities and apparatus on the premises must be hygienic and free from being contaminated by substances considered as najis (filthy) or harmful to health. JAKIM will ensure that there are no dogs or pigs inside and outside of the premises.
8. The company must strain the cleanliness of tools, transportation, production area and surrounding area in line with Good Manufacturing Practice. In addition, all workers are required to practice the code of ethics and good hygiene.

2.2.3.3 Importance of Halal Certification

One of the ways to enlarge the market for halal products is by expanding the importance of obtaining the Halal certification whereby it may help consumers to get the halal, safe and quality products. To enter the local Halal market, a firm must first apply for the Halal certification. The process of getting the Halal certificate was tedious. Thus, it is a big challenge for a small business entrepreneur to get the Halal certification and enter the Halal market.

Providentially, Ambali A. R. & Bakar A. N. (2012) designate that it is significance for the Muslim to consume the products and engage in the services that follow Islamic guidelines and principles. When JAKIM had introduced the Halal logo, the Muslim consumer become more aware with the product and service that they engage with. Before any halal product being awarded with Halal Certificate, JAKIM will ensure all requirements were postulated under the MS 1500:2004 halal standards be fulfilled (Quantaniah et al., 2013). When a product had been awarded with Halal Certification,

they are permitted to use the Halal Logo in their label. Figure 2.1 show the Halal Logo which authorized by JAKIM.



Figure 2.1: Malaysia Halal Logo

As far as Malaysia Halal certification is concerned, the Muslim consumer had a high interest in the usage of halal logo and certification system in this country. The consumer may select goods without hesitation in the halal status when it has the Halal certification. On top of that, the non-Muslim trading companies are now starting to be aware of the importance of halal certification. Hence, the government had established the Malaysian Islamic Development Department Malaysia (JAKIM) as a coordinating body of halal certification in Malaysia acquaint with a standard halal Malaysia logo which is envisioned to solve the misperception and misconception in halal certification.

2.2.4 Malaysia and the Halal Food Industry

There are augmented demand for new and differentiated Halal food with the global upsurge in the Muslim population and the increasing awareness of consuming Halal food. Halal food industry has become an economic force domestically and globally and also complies with religious requirements.

2.2.4.1 Halal Market

Malaysia has become one of the world's prodigious food producing nations. Malaysia had exports a variety of Halal food to more than 70 countries in each year. Most products exported to these countries are Halal products as they have significant number of Muslim populations. In different word, the rising number of Muslim populations around the world has generated a strong economic opportunities for the business communities in Malaysia. The Halal food market has become one of the most predominant opportunities. Muslims worldwide are expected for about 1.8 billion which signifies that this is a significant market for Malaysia Halal food products.

Furthermore, the market value of global Halal food is expected at around USD 550 billion per year (Talib, Zailani, and Zainuddin, 2010). This instilled the demand for the establishment of Halal food from global business communities by the Muslims consumer. Thus, with a total of 1.6 billion of Muslim population and a growing demand for Halal food by the non-Muslims, the market is becoming so enormous that it is being coveted by everybody in the food industry Muslim and non-Muslim producers alike.

2.2.4.2 Malaysia as Halal Hub

Numerous industry players in pharmaceuticals, cosmetics, food, packaging and logistics as well as services from all over the world established a Halal hub as an intensive effort to expand the Halal industry. A halal hub would allow the groups that are directly involved in the halal industry, including halal buyers, halal manufacturers, halal traders, halal suppliers, halal certification bodies, and halal logistics service provider to trade and work together more effectively. As such, there is no specific place that has been designed to aid as the world halal hub. A country must certify that it can provide a suitable place for connecting the global halal supply chain and the certification bodies for halal assurance in order for them to be recognized as the world halal hub

(Abdul Rahman et al., 2013). Indeed, the Malaysian government has setting a goal to institute Malaysia as a global halal hub.

From the phenomenon, it portrays Halal concept has covered the whole process in production and services rather than limited to the slaughtering of animals or merely free from alcohol and swine. The need for designing a specific place to serve as the world halal hub is increasingly felt with the growing extent of the halal industry and its supply chain around the world. On top of that, Malaysia has a mission to be a platform of International Halal Food Hub and a global halal certification centre. To achieve the mission, Malaysia has developed several dedicated areas for halal industries such as 22 halal parks (110 SMEs and 18 MNCs), halal ports (Penang Port and North Port) and the Port Klang Free Zone (PKFZ) National Halal Park.

2.2.5 Malaysian Standard of Halal Food

In August 2004, MS 1500:2004 (Malaysian Standard: Halal Food-Production, Preparation and Storage-General Guidelines) was launched representing clearly the government's commitment to articulate a precise and clear guideline for halal food. According to (Samori et al., 2014), among the agencies that involved in the formulation of this standard are Malaysia Quality Institute, Department of Standards Malaysia, Federation of Manufacturers Malaysia, Agricultural Research and Development Institute of Malaysia, Department of Science and Technology, the Department of Veterinary Services, Ministry of Health Malaysia, International Islamic University (IIUM), University Teknologi MARA (UiTM) , University Putra Malaysia (UPM) and National Body of Standardization and Quality (SIRIM).

This standard has been widely known and globally accepted by halal certification bodies in other countries as this standard is established in accordance with ISO methodologies. The standard proposes practical guidelines for the food industry on the

whole process preparation and handling of halal food, starting from the selection of raw materials until the distribution and marketing activities. In Malaysia, it is the basic necessity for food production process.

2.2.5.1 Role of JAKIM

Malaysian Department of Islamic Development (JAKIM) was established in 1982 conferred the Islamic Affairs Division of the Prime Minister's Department. The duties assigned to JAKIM were to check and instil Halal awareness among food producers, importers, and distributors including food premises, hotels and restaurants. In addition to that, another responsibility of JAKIM was to make the implementation of halal regulations.

The government has appointed JAKIM to issue halal certificates to new applicants or applicants who wish to renew their halal licenses. Other than that, JAKIM has been appointed to inspect products and manufacturing premises to ensure the halal quality is in line with JAKIM requirements and study the documents submitted by the applicants. JAKIM has also accredited and recognized some overseas Islamic organisations that are actively involved in the certification of halal products exported to Malaysia. In addition, JAKIM will conduct public seminars every month to educate the public on halal practices.

JAKIM further elucidates that halal encircles all aspects of cleanliness, preparation, storage, safety, and purification expanding from the idea according to Islamic law that food must be clean and safe to consumers. This give rise to MS: 1500: 2004. JAKIM is given the authority to issue halal certificates. Thus, before any halal product is awarded a halal certificate, JAKIM would certify all requirements specified under the MS 1500:2004 halal standards to be fulfilled. Manufacturers may use the halal label on their products once halal certificates are awarded to them. The halal label issued

by JAKIM is a registered trade mark under Trade Mark Act 1975. Products with halal certification must imitate fully to halal standards.

JAKIM carries out halal conventionality inspections through consistent monitoring either through verbal communication or inspections or spot checks with the companies involved. Any changes revealed during the post certification period without prior approval from JAKIM will result in the certificate being suspended or revoked. These changes may be classified as minor, major or serious offences:

1. Minor – including hygiene and cleanliness
2. Major – comprising the change of ingredients, manufacturers and suppliers, machinery and relocation of the plant. The above offences (minor and major) will condense the certificate to be suspended and subjected to remedial and corrective actions by the manufacturer and require resubmission of application.
3. Serious – involving the use of non-halal ingredients e.g. non-halal slaughtered animals, pork or its derivatives in the production. This will cause the certificate to be revoked and the company to be prosecuted in court.

The valid period for a halal certificate is for two years. The renewal of the certificate is not automatic. Before renewal is granted, the products will undertake a thorough inspection process, parallel to the one when the first application was made.