THE ROLE OF GOVERNMENT SUPPORT IN HALAL FOOD MANUFACTURING DEVELOPMENT IN MELAKA.



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

SUPERVISOR'S APPROVAL

"I hereby acknowledge that I have read this work and, in my opinion, this work is sufficient in terms of scope and quality for the submission and award of a Bachelor Degree of Technology Management (Innovation Technology) with Honors."



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THE ROLE OF GOVERNMENT SUPPORT IN HALAL FOOD MANUFACTURING DEVELOPMENT IN MELAKA.

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DECLARATION

"I hereby declare that the thesis entitles "The Role of Government Support In Halal Food Manufacturing Development in Melaka" is the results of my own work except for the citation that have been duly acknowledged in references. "



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DEDICATION

I would like to dedicate this research to my beloved parents for their unconditional love to support me along the way. Not to forget, to my supervisor who is helpful and patient in guiding me towards the right path throughout this research. Lastly, this research is also dedicated to my friends who are always there to provide assistance and motivation in my research journey



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ABSTRACT

The government of Malaysia has been instrumental in the development of the halal food manufacturing industry in the region at Melaka. The government has implemented various initiatives and provided support in different forms to encourage the growth of this industry. There will be five respondents, the majority of whom will be managers with plenty of experience. The study's methodology is qualitative. The findings indicated that the elements and goals that were employed are related to one another and are successful in enhancing halal food manufacturing in Melaka. This approach offers a better platform to facilitate the government's support of the development of halal food manufacturing in Melaka. The government has been actively working towards the goal of establishing Melaka as a global halal hub, by promoting the region as a hub for halal food manufacturing and providing the necessary support to businesses operating in the industry. Research plays a crucial role in the development of the halal food manufacturing industry, as it helps businesses and organizations to improve their products and processes, meet regulatory requirements, and create new market opportunities. However, conducting research in this industry faces several limitations such as time and cost, availability and quality of data, external factors, limited generalizability, and bias. To overcome these limitations, research in the halal industry should be conducted with a comprehensive approach that involves multiple stakeholders and considers all aspects of the industry. Some of the recommendations for further research in the halal industry include investigating consumer preferences and trends, examining the impact of external factors, researching the halal supply chain, and examining the regulatory environment and the impact of technology. By conducting research and considering these recommendations, the government and other stakeholders in the halal industry can work towards improving the quality of products, enhancing the competitiveness of the industry, and establishing Melaka as a global halal hub.

KEYWORDS: Halal Food Manufacturing: Global Halal hub: Role of Government Agencies

ABSTRAK

Kerajaan Malaysia telah memainkan peranan penting dalam pembangunan industri pembuatan makanan halal di rantau ini di Melaka. Kerajaan telah melaksanakan pelbagai inisiatif dan memberikan sokongan dalam bentuk yang berbeza untuk menggalakkan pertumbuhan industri ini. Terdapat lima orang responden, yang majoritinya adalah pengurus yang mempunyai banyak pengalaman. Metodologi kajian adalah kualitatif. Penemuan menunjukkan bahawa elemen dan matlamat yang digunakan adalah berkaitan antara satu sama lain dan berjaya dalam meningkatkan pemprosesan makanan halal di Melaka. Pendekatan ini menawarkan platform yang lebih baik untuk memudahkan sokongan kerajaan terhadap pembangunan pembuatan makanan halal di Melaka. Kerajaan telah giat berusaha ke arah matlamat untuk mewujudkan Melaka sebagai hab halal global, dengan mempromosikan rantau ini sebagai hab untuk pembuatan makanan halal dan menyediakan sokongan yang diperlukan kepada perniagaan yang beroperasi dalam industri itu. Penyelidikan memainkan peranan penting dalam pembangunan industri pembuatan makanan halal, kerana ia membantu perniagaan dan organisasi untuk menambah baik produk dan proses mereka, memenuhi keperluan kawal selia, dan mencipta peluang pasaran baharu. Walau bagaimanapun, menjalankan penyelidikan dalam industri ini menghadapi beberapa batasan seperti masa dan kos, ketersediaan dan kualiti data, faktor luaran, kebolehgeneralisasian terhad dan berat sebelah. Untuk mengatasi batasan ini, penyelidikan dalam industri halal perlu dijalankan dengan pendekatan menyeluruh yang melibatkan pelbagai pihak berkepentingan dan mengambil kira semua aspek industri. Beberapa cadangan untuk penyelidikan lanjut dalam industri halal termasuk menyiasat keutamaan dan trend pengguna, mengkaji kesan faktor luaran, menyelidik rantaian bekalan halal, dan mengkaji persekitaran kawal selia dan kesan teknologi. Dengan menjalankan penyelidikan dan mempertimbangkan cadangan ini, kerajaan dan pihak berkepentingan lain dalam industri halal boleh berusaha ke arah meningkatkan kualiti produk, meningkatkan daya saing industri, dan menjadikan Melaka sebagai hab halal global.

KATA KUNCI: Pengilangan Makanan Halal: Hab Halal Global: Peranan Agensi Kerajaan

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter reflects the study's research topic about the role of government support in halal food manufacturing development in Melaka. The background of the study, problem statement, research questions, research objectives, the scope of the study and importance of the study will be discussed in this chapter. In the current era of globalization, halal industry is the latest trend in the world market. With Muslim population reaching 3 billion people, Halal industry becomes one of the fastest growing businesses in the global market. It covers sector such as finance, tourism, service, transportations, and food. Food is the essential thing in human life and the market potential for Halal food is very promising with Islam as the fastest growing religion in the world (Ismail, 2015).

1.2 Research Background

According to Fischer (2015), a fascination with the morally correct Islamic way of life in Malaysia is both a product of Islam and a component of Islam itself. This trend promotes the use of halal products, which have positive effects on the family, the community, and the nation. In the case of Darul Arqam, this might include a preference for locally made and certified halal foods. Darul Arqam, which evolved amid the greater revival of Islam in Malaysia beginning in the 1970s with its own economic foundation manufacturing a range of agricultural and small commodity items, has its origins in the Darul Arqam community (Saravanamuttu, 2010; Fischer, 2015). Darul Arqam's development and promotion of an Islamic vision of Malay independence and wealth via the creation of a vast array of halal items was of the utmost importance to Muslims, particularly Malay Muslims (Fischer, 2015). Since then, halal products in Malaysia have acquired significant popularity.

The rapid development of Malaysia's halal industry, which has successfully penetrated the global market, especially in the halal food sector, has boosted Malaysia's name, making it one of the most respected and highly regarded countries. It also makes

Malaysia a preferred destination for expanding businesses related to halal goods and services. The global halal market is now estimated to be worth USD2.3 trillion and is expected to continue to grow. Currently, the Malaysian Halal industry is valued at USD30 billion and is expected to grow further by 25% in the next 5 years (HDC, 2017). This rapid development shows that the Halal industry in Malaysia is receiving a positive response in the country and also globally. It offers various opportunities for manufacturers of products and services as the demand for both increases in line with the increase in world population and also the acceptance of non -Muslim consumers towards this industry.

The Chief Executive Officer of HDC, Dato 'Seri Jamil Bidin thinks that the Malaysian halal industry is getting attention from around the world at this time due to its large market potential and high demand. The development of the industry can be seen where more and more entrepreneurs are venturing into business in the Halal industry. Apart from that, at the global level, it is found that many non-Muslim countries such as Japan, Korea, People's Republic of China, Australia and Brazil have begun to get involved in this industry and these countries see Malaysia as a leader in the development of the global Halal industry.

According to Alserhan (2019), in line with the rapid development of the world halal industry, there is a need to expand the scope of the halal industry to cover various aspects of consumer life. The Halal Industry Development Corporation (HDC) website lists seven major sectors that make up the Halal industry, namely food services and ingredients, consumer goods, finance, pharmaceuticals, cosmetics, logistics and halal tourism. This is in line with Islamic teachings that the concept of halal should cover all aspects of life from food and drink, to sources of income and also the goods used.

Considering the vast scope of this industry and the potential growth of the halal industry at the domestic and international levels, the Malaysian government is highly dedicated to the industry's continued success. This is evidenced by the development of events such as the Malaysia International Halal Showcase (MIHAS) and the establishment of bodies such as the Halal Hub Division of JAKIM and HDC, which have been entrusted with certain halal industry-related activities. As a step to encourage local entrepreneurs to go into the production of Halal items, the government has also developed the concept of Taman Halal (Halal Park) in nearly every state in Malaysia.

These steps clearly reflect the government's desire to transform Malaysia into the "global halal hub" (HDC, 2016). In addition, the development of the halal industry in Malaysia is supported by a number of additional government entities that collaborate with JAKIM and HDC and support their role. -other government entities that cooperate in the enforcement of halal regulations, such as the Ministry of Domestic Trade, Cooperatives, and Consumerism (KPDNHEP), Department of Standards Malaysia, Department of Veterinary Services, Ministry of Health Malaysia (KKM), and Local Authorities (PBT) (Zulkifli, 2007) This type of proactive and innovative government action is what distinguishes Malaysia from other nations and enables Malaysia to become a key participant in the halal market global.

1.3 Problem Statement

Now, the halal food manufactures industry is a lucrative sector of international trade. The demand for halal goods and services has been the subject of a great deal of research and writing, but all of these studies have focused on the consumer's perspective. Very little research has been conducted on the producers of halal goods and services. There is little study that examines the role of government support in development of halal food manufactures sectors in Melaka

Even though research can support the assumption that the information- and equity-gap has been closed, it does not ensure that government support is an effective support on its own. This is because successful support requires multiple components working together (Seo, 2017). The studies that have been conducted in this area have uncovered evidence that leads in that general direction. Independent venture capital funds (IVC) are compared to government venture capital funds (GVC) in a study that was conducted by Bertoni and Tykvová (2016). The researchers observed that young biotech companies that were sponsored by IVCs had a higher growth in patent stock. They continue by asserting, with the backing of their data, that the influence of GVCs on an organization's innovation and invention within this particular industry is essentially nonexistent. However, they have one really intriguing discovery, which is that businesses that are supported by both IVCs and GVCs exhibit the biggest growth in patents (Bertoni Tykvová, 2018). This is the most interesting finding that they have.

These findings are consistent with those of Wiklund et al. (2016), who found that an entrepreneurial orientation within a company is required to get the full effect out of its resources, i.e., enterprise growth was only indirectly affected by resources. Those findings fit very well with the findings that were presented here. In turn, this is congruent with the strategic resource-based view that was presented earlier. According to these findings, there is evidence to suggest that money from the government has indirect consequences; but, in order for these effects to be realized, additional internal or external support is also required. This is the situation for Manufactures that are backed by IVC. They are not simply given equity because the IVC has faith in the firm and takes great satisfaction in providing mentoring and other forms of support to businesses (Harding, 2017). Something that is doable due to the fact that they typically have expertise inside the industry in which they invest and do not have an excessive number of investments to keep track of.

According to Cressy's research (2016), an undercapitalized business has approximately twice the likelihood of failing within the first couple of years of operation. However, the business would be able to expand more quickly and at a lower cost to equity if it had adequate management human capital, often known as more experienced managers. This would result in a decreased risk of the business failing. Accordingly, it is possible for some businesses to do well with only capital as support because they already possess the necessary knowledge within the organization. On the other hand, other businesses lack the crucial processes that are necessary to deploy resources effectively (Wiklund et al.2016,).

The Malaysia government provides a variety of forms of assistance to small and medium-sized businesses that have their roots in Malaysia. It includes everything from business advising to financing, and it has an overall composition that is in line with what research says is the best possible combination. However, the various forms of assistance are not linked to one another in any way, which means that a business that wants any of them must submit a separate application for each. There are several options available to anyone in need of financial assistance in Malaysia. Some are exclusive for certain industries, while others are exclusive for particular projects or activities. The business development check that is offered to small and medium-sized businesses (Manufactures) is a fantastic illustration of a type of financial help. It is a form of support that small and medium-sized businesses (Manufactures) can apply for

in order to receive money for fifty percent of the cost of a project that would improve both their competitiveness and the firm as a whole. The small and medium-sized business sector can benefit from these checks because they are intended to encourage digitalization and internationalization of operations. These are the two distinct paths that the check can be run in according to its current configuration. The Malaysia government hopes to stimulate the general competitiveness and development of the Malaysia business scene by directing small and medium-sized enterprises (Manufactures) towards one of two directions. The hope is that this will, in turn, boost economic values and lead to the creation of additional employment opportunities. As a result, this will make Malaysia a more competitive nation.

According to Higher Education Halal Studies Center, the Halal Product Guarantee Management Agency (BPJPH) (2017), the question of whether or not these sorts of government financial support fulfil their objective of assisting small and medium-sized enterprises (Manufactures) to boost their development and become more competitive remains open. The impacts of financial support from the government are not immediately apparent. Have small and medium-sized businesses (Manufactures) in Malaysia, for instance, improved as a result of the business development checks, or is it due to something else? There is also uncertainty on whether or whether small and medium-sized enterprises (Manufactures) who have received support from the government have demonstrated better improvements than the typical privately funded Manufactures.

To obtain these results, in-depth research on the subject would be required, but it would be essential to do so in order to determine whether or not it is beneficial for small and medium-sized enterprises (Manufactures) and society as a whole. What can be learned from looking at any one of the available options among the several strategies that the Malaysia government has selected. Are internationalization and digitization effective tactics, or would it be preferable to encourage small and medium-sized enterprises (Manufactures) to engage in some other activity that would lead to increased competitiveness and growth? To begin, it would be beneficial to find out whether or not the checks have resulted in the internationalization or digitization of the businesses that have been supported, as well as the impact that this has had on the competitiveness of those businesses. In addition, it would be a valuable contribution to learn what the small and medium-sized enterprises (Manufactures) themselves think of the business

development check and the way it is configured. To determine whether or not governments should give this kind of check, a good place to start would be to determine whether or not the first initial portion of the approach has been successful.

1.4 Research Question

- 1. What are the issues halal food manufacture in Melaka when they want to get certificate?
- 2. What are the roles of government agencies in halal food manufacture in Melaka perspective?
- 3. what is the problem facing by halal food manufacture when dealing with the government agencies?

1.5 Research Objective

- 1. Find the issues halal food manufacture in Melaka when they want to get certificate.
- 2. Figure out what are the roles of government agencies halal food manufacture perspective.
- 3. Explore what the problem facing by halal food manufacture when dealing with the government agencies.

1.6 Scope of the Research NIKAL MALAYSIA MELAKA

The scope of this research revolves around three main parts: stage, place, and time. This research focuses on the role of government support in halal food manufacturing development in Melaka. Further, this research is proposed to do in the city of Melaka and this research will be conducted over a period of two semesters before being sent to the supervisor.

1.7 Research Significance

The present study attempts to address multiple gaps and in doing so makes important contributions. First, the study extends the limited research on the understanding of performance expectancy and its impact in halal food manufacturing development. Our study is one of the first to consider performance expectancy as an important antecedent of acceptance in halal food manufacturing

development. Second, assess the mediating role of government support organizing the development halal food manufacturing. Thus, explaining the mechanism through which performance expectancy can influence the acceptance in halal food manufacturing development.

1.8 Conclusion

In conclusion, the background of the study has been formulated in this chapter related to the existence in halal food manufacturing development. The question of why the study was conducted has already been discussed in this chapter. A total of three questions and objectives of the study are presented in this chapter. The scope and importance of this research which are will be discussed in the role of government support in halal food manufacturing development in Melaka through



CHAPTER 2

LITERATURE REVIEW

THE ROLE OF GOVERNMENT SUPPORT IN HALAL FOOD MANUFACTURING DEVELOPMENT IN MELAKA

2.1 Introduction

Several government entities are involved in the management of the halal industry in Malaysia, both directly and indirectly. JAKIM and the Halal Industry Development Center are the two key agencies in Malaysia that are frequently linked with Halal Certification (HDC). The Halal Hub Division, a unique department established by JAKIM, is in charge of halal certification in particular. These two organizations serve critical roles in the Malaysian halal business, yet their duties are extremely different. JAKIM is responsible for halal certification and adherence to halal standards, whereas HDC is responsible for the growth of the local and global halal industry as well as the marketing of halal products. Apart from the Halal Hub Division, JAKIM, and HDC, the Ministry of International Trade and Industry (MITI), Malaysian Standards Department, Veterinary Services Department, Ministry of Health Malaysia (MOH), Royal Customs Department Malaysia (KDRM), and Local Authorities all play a role in the Malaysian Halal industry (PBT). Each of these organizations has a unique role in the development of the Halal industry.

Due to the expansive nature of the halal business, jurisdictional overlap is unavoidable and necessitates the participation of so many different agencies in the industry's success. In addition, the absence of a single law that controls the business as a whole also contributes to the engagement of numerous government entities. In Malaysia, there are numerous laws pertaining to Halal inspection and enforcement, including the Trade Descriptions Act 2011, Malaysian Halal Certification Procedure Manual 2017 (Second Revision)/Malaysian Halal Certification Procedure Manual 2014 (Third Revision), Food Act 1983 (Act 281), Regulations Food 1985, and Food Hygiene Regulations 2009, Animal Rules 1962, Animals Act 1953 (Revised 2006), Animals Regulations 1962, Abattoirs (Privatization) Act 1993, These stated laws delegate jurisdiction to several agencies based on the extent of the assignment and the specific cause area.

2.2 Halal Certification

2.2.1 The Role of The Department of Islamic Development Malaysia (JAKIM)

The Trade Descriptions Act 2011 and its subsidiary legislation are considered to be the main legislation governing the Malaysian halal industry. Although this Act is under the jurisdiction of KPDHEP, it contains provisions that outline the important role of JAKIM. Section 29 APD 2011 has empowered the Minister of KPDNHEP to appoint a competent party to issue halal certificates and logos in Malaysia. Through Paragraph 3, Trade Descriptions (Certification and Halal Marking) Order 2011, the Minister of KPDNHEP has named JAKIM and MAIN/JAIN as the authoritative agencies.

2.2.2 Halal Hub Division (JAKIM)

As the official body with power in the administration of halal certification matters in Malaysia, the Halal Hub Division of JAKIM plays a crucial role in the growth of the halal industry and its consumption in Malaysia. Prior research has demonstrated that consumers have a high level of faith and trust in the JAKIM Halal certification. Consumers will be more willing to purchase and utilize Halal-certified products from JAKIM than from other organizations (Nurza, 2015). (Khaizie et al, 2015). In addition, JAKIM takes numerous measures to raise public education and awareness of concerns relating to a product's halal status. Among the efforts made is the provision of a user-friendly, continuously updated website. JAKIM welcomes questions and opinions from the general public, who can contact JAKIM via phone, email, and social media.

The Halal Hub Division of JAKIM is comprised of three principal branches: the policy and overseas branches, the Halal certificate and logo issuing branch, and the Halal management branch. This division's purpose is to verify that all items with a halal certification or that use the term halal are pure and halal in accordance with sharia law. The primary objective of establishing