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Halal Governance in Malaysia

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Abstract

Malaysia is a strategic location in the South East Asia for the Halal Industry, with a predominant Muslim population. The Halal certificate by the Department of Islamic Development (JAKIM) is recognized globally. The halal hub is confined within the parameters of governance support and cooperative, such as political will to improve in terms of public service, governance structure, policy and all related to a systematic governance. This study discusses the halal governance issue in Malaysia. This study is exploratory in nature and data are collected through series of focus group interviews. This study applies purposive sampling, as information is conveniently available from specific target groups. The paper is part of the literature review of a doctoral study and its significance shall serve a reference for the government halal authority, higher institutions and researcher toward development of halal industry in Malaysia.

Keywords: Halal governance, halal industry, systematic governance, governance structure

1. INTRODUCTION OF HALAL

Halal is derived from the Arabic word, which means lawful. From the perspective of English language, the word 'Halal' is interpreted as "allowed" or "permissible (Muhammad et al., 2009). The word 'haram' is the opposite of halal, which means prohibited or unlawful. In other words, products that contain pork and related to it are forbidden or 'haram'. Food ingredients such as animal origin, alcohol and products that do not consider cleanliness during its preparation are also forbidden (Ramezani, M.R. and K.H. Hanzae, 2011). The consumption of halal food is stated in the Quran. Similarly, the consumption of halal products and abstaining from haram products are essential according to Shariah in protecting Islamic life (IHI alliance, 2009).

Nowadays, the halal trade is becoming important and has become one of the most influential and leading markets in the world (Muhammad et al., 2009). Halal awareness among Muslim consumer is growing, as they are very particular to the ingredients in food and products. The word "awareness" in the context of halal means having something and being well informed of what is happening at present on halal foods, drinks and products (Raufu and Bakar, 2014).

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The term halal encompasses cleanliness and hygiene in food preparation because Allah only permits hygiene, safe and halal foods or products for consumption of Muslims. This is clearly highlighted from 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).

The Holy Quran clearly states what is permissible for Muslims to consume. The prohibition is to protect from any harmful elements into our body. For example, carrion and dead animals are forbidden because of the decaying process that leads to the formation of chemicals, which are harmful to our body. Human production will effect because blood that is drained from an animal contains bacteria and toxins. This may be harmful to human metabolism and development.

1.1 Halal industry in Malaysia

In Malaysia, a halal concept is applied through certification for food and products. Halal certificate is a document issued by an Islamic organization, and the role of halal agency in Halal certificate is Malaysia's Department Islamic Development (JAKIM). Halal certificate is normally issued after the applicant follows all the procedures and fulfils the requirements stipulated in the guidelines.

The certification is valid for two years only. Malaysia is the only country whereby the halal certification is issued by the government compared to other countries where halal certifications are endorsed by respective Islamic associations (Nasaruddin, R.R et al., 2009). In 2004, Malaysian Halal Standard introduced MS1500: 2004, which fostered the commitment of the Malaysian government to the foundation for definite and concrete procedures for halal compliance. This new standard strengthened the Halal industry in Malaysia through the halal certification that creates confidence to the world (Muhammad et al., 2009).

In Malaysia, much effort has been invested to achieve the aspiration to become the halal hub and role model in halal industry to other Islamic countries. Furthermore, Malaysia is also a member of the Organization of Islamic Conference (OIC) and the halal logo in Malaysia is the only logo in the world supported by its government, as an international standardized logo to be used by all the Muslim nations (Rahman, R.A et al., 2014).

The Halal logo by JAKIM is globally recognized as halal compliance (Salam, S.S.A. and M. Othman, 2014). The advantage of halal certification from Malaysia increase the demand manufacturers, whereby results positive impact to the Malaysian economy. The halal logo provides assurance of the product, as it is meaningful and important than other similar certifications (Shafie, S. and M.N. Othman, 2006).

Nowadays, Muslim consumers are more aware in their daily food consumption purchasing (Zulfakar, Jie, & Chan, 2012). They are concerned with food ingredients and all the activities involved along the supply chain that must be truly halal and tayyib. Manufacturers who do not reveal true ingredients from various sources, entails serious problem for Muslim consumers (Riaz & Chaudry, 2003). Thus, it is important managing halal food supply chain process with the purpose of satisfying the needs and requirements of both halal and tayyib (Ab Talib et al., 2015).

According to the Shariah law, Halal food must fulfils the following conditions:

- a. The food must not contain any non- halal parts or products of haram animals, products, or animals that is not slaughtered in the name of Allah and Shariah principle;
- b. The food must not contain any ingredients that are considered unclean;
- c. The food is safe and not harmful to the consumers;
- d. In terms of preparing the food, must ensure that there is no contamination or used together with non-Halal ingredients in preparing, processing or manufacturing and the use of tools or equipment ;
- e. To ensure that the ingredients or products does not contain any human parts; and
- f. To ensure during the process of manufacturing, preparation, packaging, storage or distribution, must be physically separated between halal and haram products.
- g. To ensure the condition, packaging of food products in halal certified in order to have a

wholesome halal product. This is because a halal product does not only matters during point of consumption but it must entail the whole aspect of supply chain from the source of materials right until the end of process to the consumers.

The whole process of supply chain should be monitored at each stages until end of consumption. According to Jaafar et al., (2011) the halal integrity of products is intact as long as the product is in producer custody. The product moves along the supply chain, should have similar understanding of operational practice of handling halal products to avoid contamination.

2. HALAL INTEGRITY

As mentioned earlier, food and products including halal food involve different parties and each of the stages is travelled from one place to other. It involves a lot of handling before the products reaches to the final point of consumption. According to Zulfakar, M. H et al. (2014), it is challenging for all parties to be involved in the halal process of supply chain in order to ensure integrity of the halal product is intact throughout the whole supply chain. Consumers are really concern on the integrity of halal status and curious about all the activities involved along the supply chain process.

Tieman (2011) agrees that halal integrity is the key factor in developing a trusted halal food supply chain of consumers. Manufacturers are required to understand the halal food supply chain process that has fulfilled the concept of Shariah principle. All the parties involved must undertake responsibilities and able to use every possible action to protect the integrity in the halal supply chain.

This is further supported by Talib (2010), who pointed that an adequate and appropriate equipment for handling halal food products will help in protecting the integrity of the food products as the food are segregated from other potential of non-halal elements that might cross contaminated. In the halal supply chain activities, it is also important to understand the product characteristics, the customer requirements, and the market itself.

2.1 Halal Governance

In Malaysia, there are three main roles for Halal Industry in terms of formulate, implement and regulate. Initially, the Department of Islamic Development of Malaysia (JAKIM) is one of the current leader institute in halal matters (Ismaeel and Blaim, 2012). JAKIM, a department under the Prime Minister Office responsible on Halal certification from the establishment of the Halal logo, monitoring and enforcement of Halal guidelines and shariah principle. Rezai, Mohamed and Shamsudin (2012a) reported that the consumers are more confident with the Halal logo provided by JAKIM. The process of certification by JAKIM are included on the supervision of the halal chain, especially in adhering to halal standards on acquiring ingredients before a company is given a Halal certification.

The government's role in ensuring Halal food supply chain integrity is very significant. A research by Melatu Samsi, Tasnim and Ibrahim (2011) identified that the government roles are to ensure that Halal supply chain integrity includes planning, developing, implementing, regulating, promoting and educating the halal industrial players and Halal consumers. Furthermore, the government's part covers setting up agencies and monitoring bodies to authorize and regulate any aspects that relate to halal certification, auditing and guidelines. In Malaysia, there are more than 20 different ministries and agencies that contribute to have input in Halal regulation for halal industry (Syed & Nazura, 2011).

3. RESEARCH METHODOLOGY

De Ruyter (1996), Sekaran (2007), and Walden (2006) highlight that focus groups are an effective instrument for qualitative study in order to obtain inclusiveness of understanding especially for new phenomenon and issues, such as halal supply chain Industry. In qualitative study, the data are collected through a series of interview and focus group (Sekaran and Bougie, 2009).

Qualitative research is the primary basis for organizing and reporting after obtaining the results. Focus group can be used as the preliminary of a study (Kreuger 1988); in this study which is to evaluate a particular programme (Race et al 1994); the study is to assess its impact and generate further avenues of research. Purposive sampling is used to select the participants from a population of the stakeholders. The sample frame consists of halal

governance agencies and the participants or users. The researcher adopted purposive sampling technique in selection of informants for the study (Ary, Jacobs, Razavieh, 1996). There are three processes of discussion blended throughout the study, which consists of collection, coding, and analysis. This approach encourages flexibility as more information and a better understanding of relevant data is acquired (Blumer, 1999). Table 1 indicates the representation of different group as listed below:

Table 1: Total participants of different group in HSC stakeholders' engagement program

Category of group	Total
Logistics and Operation	6
Information and Technology (ICT)	7
Retail	8
Syariah	7
Institutional & Governance	12
Interorganizational Relationships and Awareness	12
Human Capital	8
Food Science	16
Total	76

Table 2: Respondents in halal governance during HSC Stakeholders' Engagement Program

Government Agencies	Description Role
Agency W,X, Agency Y,Z,K	Formulation Implementation

In this study, the data is collected and obtained from primary source through interview of focus group. The moderator in the focus group is the researcher. Sekaran and Bougie (2009) highlighted that the moderator plays a crucial role for introducing the topic to the participants. During the discussion, the researcher will need to promote debate, perhaps by asking open questions, observe, taking notes and record all the discussion. Table 2 summarizes Halal governance agencies and its role. Agency W and X are formulated for halal policy in achieving national objective for the halal industry. Whereas, agency Y, Z, and K implement all mission and vision related to the halal objectives.

According to Ezy (2002), to build theory and interpretations from the perspective of the people studied, simultaneous data collection and data analysis are the key elements to strengthen the methods. Before analyzing the data, each transcript was read a few times and the tapes were played back as well. This was done so that researcher could recall and reflect the interview session with the participants. The data was recorded and the researcher transcribed the conversations. Although there are scarcities of studies on Halal governance, the interview questions are designed from the combination of significant information from related Halal literatures.

The participants in this focus groups consists of six experts in formulation and implementation for halal governance, as Cooper and Schindler (1998) states that focus group should consists of six to ten respondents. Table 3 summarizes the respondents' details on the roles, position and year of service. The conversation between the participants was recorded using voice recorder devices with the consent from the respondents.

Table 3: Summary of focus group respondents

Company	No. of Participants	Role of Agency	Position	Years in Industry
Agency W, X	3	Formulate of Halal Policies	Assistant Director	> 7 Years
			Councilor	>8 Years
Agency Y, Z, K	3	Implement of Halal Objective	Head Ass. Director	> 15 Years
			Assistant Manager	> 9 Years
			Head Assistant Manager	> 10 Years
			Assistant Director	> 20 Years

The discussion for the focus group focuses on critical issues, current problems, and challenges in Halal supply chain industry especially the importance of Halal Governance and related agencies. The questions range from general to specific of the topic discussion to invite openness and avoid bias (Grudens-Schuck et al., 2004). Referring to Miles and Huberman (1994), the discussion will be concluded and drawn after the data has been analyzed.

4. PRELIMINARY FINDINGS AND DISCUSSION

During the discussion, the issues were listed and highlighted for further actions. Table 4 shows the listing of issues and current challenges in Halal supply chain industry and halal governance. The issues are categorized as per below: The first category is labelled ISSUE 1 consists of number 1, 2, and 3, indicating about law for halal industry. ISSUE 2 consists of number 4, 5, 6 and 7 indicating on the check and balance for all related halal agency. ISSUE 3 consists of number 8, 9, 10 and 11 indicating about agencies and implementation. Lastly, ISSUE 4 consists of number 12, 13, 14 and 15 indicating Authority and agencies.

Table 4: Issue in halal governance

No.	Topic encountered
1	No mother of law for halal industry
2	Different practicing for state and federal
3	Law scattered
4	Lack of expertise and knowledge
5	Lack of effectiveness and comprehensiveness for the halal legal
6	Lack of cooperation between agencies in implementing halal activities
7	Different of standards practicing among agencies
8	Abundance of work for certain agencies
9	Miscommunication among agencies
10	Conflicting of roles: Y, Z and K in terms of implementation
11	Poor of job performance
12	Misaligned goals of the halal industry: W and X
13	Ambiguous authority
14	Overlapping of the functions: W and X
15	Unclear about functions and roles of agencies

ISSUE 1: Law for Halal Industry

Several issue have been highlighted in the institutional and governance group. The first issue indicates that governance for Halal bodies needs to be in unified system. Currently, halal governance has to go through many process, the difference of the state and federal government and differences on achieving final decision. Every decisions related to halal were take a long queue because of the process, which are not unified. Each of the state is different in terms of culture, practice, thought and leaders, which is the Sultan. Respondents of the group gave an example of best practicing for Shariah finance, which is Bank Negara Malaysia. Each activity and decision were made collectively by the state and federal government and under one entity body lead by the Bank Negara Malaysia (BNM). The discussion was stressed about the governance and structure of halal industry that should be placed under PM Department (Economic) as suggested. In Malaysia, as there are more than 20 different ministries and agencies that continue to have input in halal regulation (Syed & Nazura, 2011), governance of halal is unsystematic. The trust in halal reassurance is mainly based on a well thought personal conviction, rather than on

institutional confidence, some policy actions are to established as governance of halal is disorderly by the government in Malaysia (Syed & Nazura, 2011).

ISSUE 2: Check and balance for all related halal agencies

The issue of check and balance, the participants of the discussion highlighted the lack of knowledge in halal and Shariah principles leading to weak compliance. The agency related did not perform well due to insufficient expertise that is not only lacking in terms of training, but also results to poor of job performance. Therefore, the needs for entity body to check and balance in terms of practice and activities are strongly required. The participants also emphasized on SWOT analysis as a part of yearly activities to look into the weaknesses of each agency in ensuring the objective mission and vision of halal industry will be smoothly achieved. Furthermore, to increase cooperation among agencies especially in terms of implementation and enforcement of the halal policy by looking at the scenario of implementation issues in Malaysia. The current conflicting outcome among different agencies especially in carrying out enforcement matters should be highlighted. JAKIM and Ministry of Trade, Co-Operatives and Consumerism (MDTCC) should collectively conduct enforcement activities; as JAKIM is not authorised to carry out prosecution of halal matters by itself. MDTCC needs to attend together with JAKIM, which is absolutely power under MDTCC to implement this activities. Many problems will occur if one of the agency is not presented itself to a matter of enforcement. It is advisable for all halal related agencies to sit together and find a solution to these issues.

ISSUE 3: Agencies and Implementation

Next issues were discussed pertaining to the agencies and implementation that was weak. Agency X was given a lot of work in terms of checking the halal certification. Moreover, abundance of work such as monitoring and about religious matter was refer to this agency. It remains unclear whether the process of foods and products care based on the monitoring elements. For example, slaughter of meat and poultry to be conducted at abattoirs that adhere to the Islamic law (Mian, 2010). The actual role of X agencies to the halal industry is questionable and unclear. Sometimes, these agencies 'assume' that as a leader to the halal industry, however there is no black and white. The lack of implementation in monitoring and the usage of certified halal logo has caused the public to question the integrity of the products that was claiming a halal among the government ministries. According to (Shahidan Shafie and Md Nor Othman, 2006) JAKIM itself lack "enforcement" to the halal industry. As we know halal certified was the symbol to the consumer to buy, if the integrity of halal supply chain itself is confusing what about the rest, which is no proper of monitoring and to be halal certified. Halal regulation is difficult to be implemented and it mainly covers imports, exports, inspection and enforcement (Mustafa Afifi, 2012).

ISSUE 4: Authority and Agencies

Next issue is pertaining the authority. There is no authority body to lead the halal industry. Department of Islamic Development (JAKIM) and Jabatan Agama Islam Negeri (JAIN) function in the halal certification and administer the halal certification operations by using the halal standard, which is referred to the Standard Malaysia (MS) and Malaysia Halal Certification for enforcement purposes. JAKIM and JAIN are dependent to the laws, which differ with other agencies. This causes the activities of enforcement less effective. The other agency such as KPDNKK is under Trade Description Act (TDA) 2011 act that clearly stated the roles and function of the agencies. Ministry of Health (MOH) with the Food Act 1983 and Food Regulations 1985 regarding labelling, hygienic practice and food safety; The Animals Act regarding animals rearing and diseases control by the Department of Veterinary Services (DVS); The Customs Act, regarding the import of halal meat enforce by the Royal Malaysian Customs. The Halal Development Corporation (HDC) focuses to promote halal industry to the global market. Until now, Malaysia is is unsure on halal leader to the halal industry. The body that supposed to be a leader as a whole for the halal industry in Malaysia still unanswered yet. Courses relevant to investigation and prosecution must be conducted often to further enhance and create dedicated law enforcement officers. Relevant knowledge and exposure pertaining raids, prosecutions, inspections and knowledge of acts such as the Evidence Act, the Criminal Procedure Code and others (Roslan, 2012) must be enhanced.

5. CONCLUSION

The focus group for halal supply chain programmed was allocated significant time where the discussion was pertaining several topics. The authors focused on halal institutional and governance and the issues was elaborated in different category. The first issue is pertaining the law for halal industry. This issue is all about power and limitation. The agencies are about limit to the function since the state and federal are different. The state has its own authority and no decision could be proceed if there is no agreement of the state itself. Second issue was about halal and implementation, halal logo of the products shows about halal and tayyib, and as guidance to the consumer to buy. However, there is an issue on the product itself, where the tayyib was questioned and which agency should

monitor after the halal logo is given to the manufacturer. This issue also concerns the manufacturer, on the issue of use of halal logo to market the products and only focus about profit not the halal per se. As the demand for halal food products is expected to grow, the needs of halal integrity is to ensure that the needs and well-being of the halal food consumers can be fulfilled and well protected. Third issue is about check and balance for halal industry, the professional of halal training community is needed where this community will educate and well trained to the industry. To conclude, the halal industry plays a bigger role as it increases the economy of the country. Thus, the integrity of halal products would then obviously influence on consumer purchasing behaviour. As a conclusion, the growth of halal economy can be a stepping stone and speedy momentum to the government, regulators and the entire halal agency to involve within the halal related matters in this country to agree upon the concept of strategic management system of halal legal regime.

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