ASSESSING CHALLENGES OF IMPLEMENTATION HALAL FOOD CERTIFICATE AMONG BUMIPUTERA SMALL AND MEDIUM ENTERPRISES

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Abstract

Malaysia's halal certification is important in halal food industry. It’s important to entrepreneurs ensures that every product is produced in according Islamic principal. Therefore, Malaysia needs more entrepreneurs, especially Bumiputera Small and Medium Enterprises (SMEs) to apply for Malaysia’s halal certification. However, halal certification is one of the issues in Malaysia since its compliance to fulfill halal certificate standards among Bumiputera SMEs is still low. The various factors that influence implementation have been suggested in the literature, but this issue from the halal perspective especially Bumiputera SMEs in obtaining halal food certificate is still limited. This study is extensive literature review was utilized to identify and analyze this phenomena. The significance of the study will add the knowledge about the current challenges relating with Bumiputera SMEs in Malaysia in implementation of Malaysian halal certificate.

Keywords: Halal Certificate, Challenges, Bumiputera SMEs.

1. Introduction

The increase in the demand of halal products has become a business phenomenon and has an extensive influence in the local as well as international markets in fulfilling the high demand. It is reported that currently there are approximately 1.5 billion consumers of halal products worldwide with AS$2 trillion per year worth of consumption (Mohamad, 2011). Such huge numbers can surely provide a lucrative income for any businessman and company that manufacture products with halal status.

In order to meet the demand for the halal industry, Muslim entrepreneurs have to comply with the halal standards issued by JAKIM (Siaw & Nazatul Shima, 2012). JAKIM is the only agency responsible for issuing halal certification in Malaysia and ensuring that the products released in the market coincide with the actual halal concept. Halal certification refers to the inspection of production, starting from the preparation, slaughtering method, ingredients used, cleaning, handling, processing, transportation and
distribution (Jusmaliani & Nasution, 2010). A halal product is not considered halal until it is certified so by the agencies responsible for issuing the Malaysia halal certificate (Salman & Sidiqqui, 2011).

Despite the high potential for the demand of halal products and various efforts done by the government to make the country a world halal hub, the attitude of Muslim entrepreneurs in obtaining the halal certification is still at a disappointing level. In Table 1.1 below, it is shown that there is a significant difference between the Muslim and non-Muslim entrepreneurs who hold halal certificate based on the type of business category for the year 2014. It clearly shows that the attitude of Muslim entrepreneurs in complying with halal certification for producing halal products in the market is very low compared to non-Muslim entrepreneurs.

Table 1.1

The Statistics of Malaysia Halal Certification Holders for Muslim and Non-Muslim Entrepreneurs in 2014.

<table>
<thead>
<tr>
<th>Year</th>
<th>Bumiputera</th>
<th>Non-Bumiputera</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>505</td>
<td>1378</td>
</tr>
</tbody>
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In fact, Vice President of Halal Industry Development Corporation (HDC), Ahmad Lokman Ibrahim stressed that in 2014, only 39% out of 5,412 companies that obtained halal certificate were Bumiputera's (Utusan Online, 2015). Meanwhile, other report of halal certificate application among Muslim entrepreneurs in 2009 reveals that there were 622 applications made, of which only 301 Muslim entrepreneurs obtained halal certificate (JAKIM, 2015).

This phenomenon of the low numbers in SMEs entrepreneurs having halal certificate is contributed by their perception towards halal certification outlined by JAKIM. This situation needs to be addressed by Bumiputera SMEs entrepreneurs as their involvement in obtaining the Malaysia halal certification is low.

2. Malaysia Halal Certification

Halal certification refers to the inspection of a production, starting from the preparation stage, method of slaughtering, ingredients used, cleaning, handling, processing, transportation and distribution (Jusmaliani & Nasution, 2010). In order to ease this, the Muslim community has established an institution responsible for halal certification to monitor the whole process of food production as well as the companies that provide it (Jusmaliani & Nasution, 2010). The purpose of this halal certification is to convince the consumers regarding the halal status of the marketed products.

In 1982, an agency called Jawatankuasa Penilaian Makanan, Minuman dan Barangan/ Evaluation Committee for Food, Beverage and Goods (currently known as JAKIM) was set up under Islamic Affairs Division of Prime Minister's Department that was responsible for inspection and instilling halal awareness among food manufacturers, distributors and importers (Zunairah, Suhaiza & Yusserie, 2010). Since 2008, JAKIM has been the main body that manages halal certification in this country. The rapid development of the global halal food industry requires JAKIM to enhance the quality of halal certification management so that it can fulfil the customers' needs.

Several improvements have been made from time to time to ensure the quality of JAKIM halal certificate so that it is able to compete and be recognised globally. Among its many efforts is the coordination of the procedures for halal certification in the country. This activity involves all of the procedures related to halal authentication which covers the inspection aspect, halal logo design, halal certificate application form and fee charges (Zawanah, Munir & Abdul Muhaimin, 2008).

Thereby, in order to improve the halal certification quality on the national level, JAKIM has collaborated with SIRIM through the Department of Standards Malaysia to frame and legislate the
standard that is being used in Malaysia, MS1500:2004. MS1500:2004 is a quality standard used as guidelines and reference by the industries in Malaysia. The requirements contained in this standard must be complied with before JAKIM decides on whether or not a particular halal application should be authenticated as halal, while meeting the requirements as outlined in the Manual Procedure for Malaysia Halal Certification. Both of these documents are the official reference documents used as a benchmark in the process of obtaining JAKIM halal certification. This standard has positioned Malaysia as a global hub for halal product manufacturing and has made Malaysia an Islamic country that excels in leading the world’s halal issue (Zawanah et al., 2008).

The scope of Malaysian Standard contains guidelines that are practical for the food industry with regards to the preparation and handling of halal food (including the addition of nutrients). The Malaysian Standard aims to provide the basic rules for food products and food trade or business in Malaysia. It is used by JAKIM as the basis for halal certification but other requirements shall be added to complete the halal certification process. Halal certification has gone through a process of conforming to the international standards requirements such as International Organization for Standardization, in which the system development of international standards is the fundamental agreement of all stakeholders such as the government agencies, private sector, non-governmental organizations, researchers and professional bodies (“Pelaksanaan manual,” 2013). Apart from that, the authority that is responsible and recognised by the Malaysian government regarding halal certification other than JAKIM is States Department of Religious Affairs (JAIN) or State Islamic Religious Council (MAIN) (Mohd Rizal, Suzzaini & Rushami, 2012).

3. The Challenges Of Halal Products Development Among Bumiputera SMEs Entrepreneurs

SMEs entrepreneurs face many challenges, particularly in the manufacturing sector in Malaysia. Based on Muhammad, Abu Hassan, Jamal and Ageel (2011), states that SMEs entrepreneurs face problems to sustain in terms of competitive advantages. Apart from that, the constraint that is often raised by previous researchers is financial constraint. Finance is an important issue that needs to be emphasized for the growth and development of SMEs entrepreneurs (Nkonge, 2013). Financial problem is one of the major reasons that causes SMEs entrepreneurs not being able to sustain their business (Hasnah, Saniza, Jayarman & Ishak, 2013). According to Karipidis, Athananaaadia, Aggelopoulos and Giompliaskis (2009) one of the factors in the food safety compliance among SMEs entrepreneurs involves financial expenditure which includes investment in the structuring, equipment expenses in the quality consult, registration fees and personnel training.

Previous research (Muhamad et al, 2011; Hasnah et al., 2013; Kazimoto, 2014; Mohd Mohd Zulkifli, Abdul Kamar, Mohd Rushdan, & Zakiah, 2010; Syed Shah, Rohani & Badrul, 2011) describes the many challenges faced by SMEs entrepreneurs in this era of globalisation. Muhamad et al. (2011) finds that the challenges faced by SMEs entrepreneurs are recession, obstruction of global resources, low productivity, lack of management capability, lack of funding, the difficulty to access management, technology and heavy control burden. Hasnah et al. (2013) describes that most of SMEs entrepreneurs face problems in obtaining financing, human capital and market. In another research carried out by Kazimoto (2014) concludes that SMEs entrepreneurs face challenges because they are not well-versed in penetrating international markets, lack of financial support from the government, lack of understanding in consumers’ needs and services, lack of entrepreneurial skills and weak networking structure to enter international markets. Mohd Zulkifli et al. (2010) identifies that the main problem faced by SMEs entrepreneurs is the lack of knowledge about marketing techniques, branding, customers’ loyalty and satisfaction as well as the lack of good contacts with other people at the local or international enterprises. The same situation is also concurred with Syed Shah et al. (2011) who also finds that SMEs entrepreneurs in Malaysia have a problem regarding social relationship which is the main cause for achieving a competitive advantage and as a result, many of SMEs entrepreneurs in Malaysia are lost in terms of opportunities.
These issues and challenges are also common among SMEs entrepreneurs in the food processing sector as they face either micro or macro difficulties and challenges. Challenges and constraints may occur during the production chain process of certain products up to the end users. Throughout this process, SMEs entrepreneurs may be having problems with the internal or external environment, institutions, resources, organisations or management and many more that can affect the growth of SMEs companies (Syed Shah et al., 2011). The same situation occurs in the implementation of halal products development among SMEs entrepreneurs, particularly the Bumiputera. Entrepreneurs especially those in the SMEs face various issues and challenges in implementing halal products in comprehensive. Zhari and Abdul Halim (2010) state that the requirements to meet the halal standards are related to the resources, handling, processing, manufacturing and labelling. For that purpose, the rules and standards such as the Hazard Analysis And Critical Point (HAACP) and Good Manufacturing Practices (GMP) which were established to regulate and the product registration is followed in order to equalise the procedures and generate a standard parameter and specialised expertise as well as staff training that suit the needs. This is due to the large capital requirements, marketing experiences and good strategies are needed in the business industry (Alfi Kha'iriansyah, Abdul Rahman, Jawdat & Ahmed Abdulaziz, 2011). Other than that, according to Ilyia Nur, Rosli, Suhaime and Dzulkifly (2012), there are several other factors that hinder Bumiputera SME entrepreneurs to develop halal products such as the lack of human resources, time constraints, lack of management system and facilities. Sazelin (2009) concludes that among the constraints that SMEs entrepreneurs face in implementing the halal products development are the factors of premises, technology as well as lack of experience in the aspect of business and marketing development.

In addition to that, the lack of knowledge about the halal concept among entrepreneurs was often debated by earlier researchers as one of the causes that contribute to the challenges in producing halal products as a whole. The knowledge about the concept of halal is very important to Bumiputera SME entrepreneurs. With that knowledge, entrepreneurs will be able to come up with products that are considered halalan toyyiban (allowed and permissible for consumption). This matter is also stated by Jamal dan Nur Shahira (2010) that the main thing in the selection of raw materials is knowledge. The knowledge about the concept of halal among entrepreneurs is crucial so that the consumers are able to get halal food and the aspect of halalan toyyiban is applied in the food preparation, which comprises of quality, safety and reliability of the food products (Ilyia Nur, Rosli, Suhaime & Dzulkifly, 2011). Every aspect of the halal status and halalan toyyiban needs to be considered in every aspect of the production. Knowledge is one of the main factors that contribute to the high compliance among Bumiputera SME entrepreneurs in implementing the Malaysia halal certification. In fact, the lack of knowledge about the halal concept in business can negatively affect the halal industry in the long run (Hasan, Ahmad, Abdul Jalil, Husna & Munira, 2013). Ilya Nur et al., (2011) too, finds that the lack of knowledge about the halal concept is one of the reasons that contribute to the non-compliance of halal practice.

4. Conclusion

Based on the literature review, Malaysia halal certification plays a crucial role in making sure that the product manufacturing process practised by Bumiputera SME entrepreneurs coincides with the halal as required by Islamic law. In brief, this study is to give an overview on the challenges faced by Bumiputera SME entrepreneurs in implementing JAKIM halal certification. Even though this study did not provide further empirical evidences, it could at least contribute to the addition of literature studies and knowledge about Bumiputera SME entrepreneurs in Malaysia. For that matter, empirical studies need to be carried out in the future.

5. Acknowledgements

The authors would like to thank the University Utara Malaysia and team members for this support. We would like to thank the anonymous reviewers for their valuable comments.
6. Bibliografi


