

Halal Certification among the Small and Medium Entrepreneurs

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Abstract : Food is an essential part of human life. For Muslims, the food consumed must comply with the requirements of Islamic law, namely *toyib* (free from illegal and harmful things). *Toyib* means the food is halal, clean and safe to eat. Halal is a matter which is required which has fallen off from the unlawful bondage and the *shariah* allows its actions. *Toyib* is the highest quality aspect of the halal concept. Elections and *toyib* describe the symbol of hygiene, safety and quality in nutrition. In line with this, the demand for halal products has been high, also due to the rising population of Muslims worldwide. In Malaysia, halal certification for products is very important and producers must have halal certification to convince the general public that their products are reliable. SME entrepreneurs (SMEs) also do not miss out on this phenomenon. Therefore, this study aims to ascertain the extent of the understanding of SMEs on the halal concept and the concept of halal certification. The study was conducted in three states in the north of Malaysia, namely Kedah, Penang and Perlis. The findings showed that their understanding of the halal concept and the concept of halal certification is good where the mean score was above 4.0. This study used the quantitative approach with questionnaires fielded.

Keywords: Halal, Halal Certification, SME

1.0 Introduction

The global halal market has recorded a very encouraging growth in tandem with the increasing population of Muslims throughout the world today. The awareness of the halal concept contributes to the increase in the demand for halal products, which is the benchmark for safety in food products and applied products in the Muslim world. The demand for halal food especially in Malaysia is increasing, where 60 percent of the populations are Muslims, as well as the increase in the number of Muslims worldwide reaching 2 billion people [12]. In total, the halal food

industry is estimated at USD547 billion a year [12]. Awareness and interest in halal products have also grown significantly among non-Muslims.

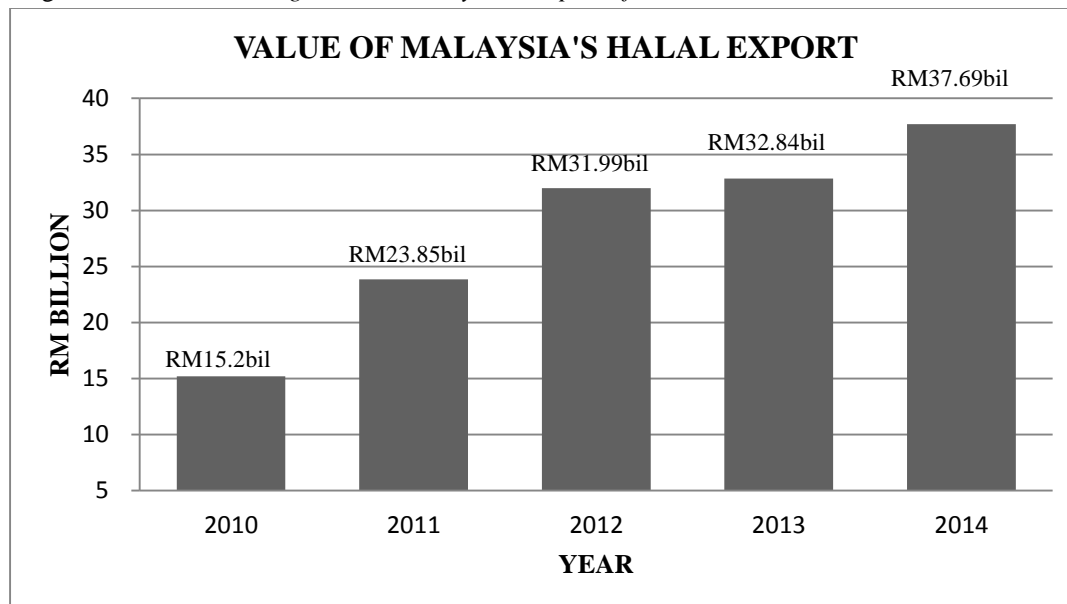
The world Muslim communities represented 23.2 percent of the global population in 2015. In 2013, according to the New Straits Times report, Muslims consumer spending in the food and lifestyle sector globally increased 9.5 percent from the previous year's estimate to USD2 trillion (RM8.3 trillion). Looking at the development of the halal food industry, Malaysia is part of a country committed to the production of halal products, services and is also aiming to become a global halal hub for the production and trading of halal products and services. The halal food industry in Malaysia provides a great opportunity for local entrepreneurs. The Malaysian government has planned through economic development by establishing agencies to promote the country as a halal food center to meet Islamic nutritional needs and to establish the approved way to slaughter animals according to Islamic law [4]. In addition, [2] stated that strategies and measures taken by the government to support the development of the halal industry as stated in the Second Industrial Master Plan, 1996-2005; National Agriculture Policy, 1998-2010; Ninth Malaysia Plan (9MP), 2006-2010; and the Third Industrial Master Plan, 2006-2020. The government had taken steps to establish a positive outlook on the competitive advantage in the halal food industry in Malaysia. Among them was the concept of Halal Master Plan, dealing with certification issues, development sector, halal integrity, implementation, duration and responsibility.

In addition, Malaysia is also actively promoting and exporting halal products and food globally. Figure 1 shows the increase in Malaysia's export of halal products. The export value of the halal products recorded an increase from RM32.84 billion in 2013 to RM37.69 billion in 2014 [7]. The halal industry in Malaysia has provided a great opportunity for local producers. This is because the world halal market is

estimated at between USD600 billion and USD2.1 trillion [1]. The number of halal certified companies has grown from 1,399 in 2009 to 1,679 in 2010. Of

these, a total of 65 percent of the halal industry comprised of the food industry.

Figure 1: *The Rising Trend in Malaysia's Export of Halal Products*



Source: [7]

2.0 Objectives

The main objective of this study is to obtain an in-depth explanation and description of the behavior of SME entrepreneurs on the compliance with the Halal certification in Malaysia. The research objectives are as follows:

1. The level of understanding of SME entrepreneurs on the concept of halal.
2. The level of understanding of SME entrepreneurs on the concept of halal certification.
3. The level of understanding of SME entrepreneurs on the importance of halal certification.

3.0 Literature Review

Halal Certification in Malaysia

Halal certification refers to the inspection of production from the stage of preparation, abattoir, materials used, cleaning, handling, processing, transportation and distribution [9]. This halal certification is to convince the Islamic consumers of

products marketed as halal. In 1982, the Food, Beverage and Goods Assessment Committee (now known as JAKIM) agency is responsible for examining and instilling halal awareness among food producers, distributors and importers [15]. The rapid development of the halal food industry requires JAKIM to improve the quality of halal certification management so that it can meet the needs of customers.

Some improvements have been made from time to time to ensure that JAKIM halal certificates are of high quality and are capable of competing and recognized globally. Among them is the coordination of halal certification procedures throughout the country which involves all procedures relating to halal certification covering aspects of inspection, halal logo, halal certificate application form and fees charged [15]. In order to improve the quality of halal certification at the national level, JAKIM has partnered with SIRIM through the Department of Standards Malaysia to draft and formulate standards adopted in Malaysia namely MS1500: 2004. MS1500: 2004 is a quality standard that serves as a guideline and reference by industries in Malaysia. The requirements contained in this

standard must be complied with before JAKIM makes halal certification on a halal certification application as well as meeting the requirements outlined in the Malaysian Halal Certification Manual. Both documents are official reference documents used as benchmarks in the process of obtaining JAKIM halal certification. This standard has succeeded in positioning Malaysia as the world's halal producer hub and making Malaysia an Islamic state in leading the world halal issue [14].

Halal certification is important for Muslim consumers in identifying halal food products in the marketplace that are halal and adhere to halal standards set out in Islam. Demand and improvement of food products with halal certification is growing rapidly both locally and globally. SME entrepreneurs are among the industries that play an important role in the production of food and food products. This is because the industry is the largest industry compared to other industries in Malaysia. About 97 percent of the business companies in the country are SMEs (Small and Medium Industry). In fact, the government has given many opportunities to local SME entrepreneurs especially to Bumiputera SME entrepreneurs in expanding their business empires. The government urged local entrepreneurs to apply for Malaysia's halal certification to seize the opportunities offered in the halal industry. Nevertheless, the majority of Bumiputera SME entrepreneurs still fail to do so.

4.0 Issues and Problems of SME Halal Certification

There are various issues and problems of halal certification that have been highlighted by past researchers in various fields including halal field [8]; [6]. However, the issue of halal certification and the conduct of halal practice compliance involving Bumiputera SME entrepreneurs are still lacking in detail and no specific study has been conducted. More so when SMEs are contributing 32 percent in National Gross Domestic Product (GDP) (SME Master Plan 2012-2020).

Based on the data obtained, the behavior of Bumiputera SME entrepreneurs on halal certification is at a very low level. According to statistics from the Economic Planning Unit and JAKIM, less than 1 percent of Bumiputera SME have halal certificates. At the same time, the number of Bumiputera SME entrepreneurs with halal certificates is also very small compared to non-Bumiputera SME entrepreneurs. Entrepreneurs from non-Bumiputeras took the opportunity to acquire JAKIM halal certificates to

expand their product market to Muslim consumers. The question is why this phenomenon occurs? What are the factors affecting the behavior of Bumiputera SME entrepreneurs in compliance with the JAKIM halal standards?

5.0 Methodology

The research is a descriptive analysis. The population of the study involved SME entrepreneurs in three states namely Kedah, Perlis and Penang in Malaysia. This study was quantitative and two methods of collecting data, namely library method and survey method, were conducted simultaneously with respondents were interviewed. The data obtained from the library method includes scientific studies such as journals, theses, academic books, past statistics and so on. This data is also used to support the findings of interviews conducted in the three states.

6.0 Findings

Knowledge of Halal Concepts

Table 1: Mean Score for Knowledge of Halal Concepts

No.	Statement	Mean Score
1	Halal is a very important thing for Muslims	4.08
2	The law of using halal products is mandatory	4.18
3	We understand the concept of 'Toyyiban Election'	4.10
4	Halal products should be made of clean, pure and quality materials	4.08
5	Products with halal certification are believed to be mainly Muslim consumers	4.11
6	There are various halal products in the market	4.13
7	Products issued by Muslim entrepreneurs are believed to be halal products	4.15
8	There are various halal logos that can confuse the user	4.14
Average		4.12

Table 1 aims to see how far the level of understanding of the respondents towards the concept of halal. Eight statements have been given in this section and the findings show the overall average mean value is 4.12. Respondents' understanding of the halal concept is at a high level as all mean values are 4.0 and above. The highest mean value is 4.18 for the statement 'The law

of using halal products is mandatory', while the lowest mean score is 4.08 recorded by two statements, namely 'Halal is a very important thing for Muslims' and 'Halal products should be made of clean, pure and of good quality'.

Halal Practice Awareness

Table 2: Mean Score on Halal Practice Awareness

No.	Statement	Mean Score
1	The market for halal products has grown rapidly	4.15
2	Demand will increase if the product has halal certification	4.05
3	Halal practice is very important in the development of halal products	4.15
4	We use halal materials for the products produced	4.22
5	We buy raw materials from suppliers who have halal certification	4.10
6	We produce halal products according to <i>Shariah</i> guidelines	4.12
7	We are very concerned about halal issues (eg. Cleanliness, safety, process)	4.17
8	We take great care in the management and transportation of halal products	4.03
Average		4.12

Table 2 shows the overall average mean score of awareness of halal practice is 4.12. The lowest mean score is 4.03 for the statement 'We take great care in the management and transportation of halal products' while the highest mean score is 4.22 for the statement

'We use halal materials for the products produced'. Overall respondents have a high awareness of halal practices. Their awareness of halal practices is very important as most of them are involved in the manufacturing sector.

Implementation Costs

Table 3: Mean Score for Implementation Costs

No.	Statement	Mean Score
1	Cost calculation is an important element in product pricing	4.12
2	Every process in product and business development will cost	4.12
3	Cost will increase if it meets the demands of the halal process	4.12
4	The cost of the application for halal certification is a burden	4.04
5	High cost to produce halal products	4.05
6	We are ready to issue capital for halal certification	4.04
7	The implementation of halal products will change all processes in product development	3.96
8	The implementation of halal products will increase the price of the product	4.11
Average		4.07

Table 3 shows the findings of the study for the cost of implementation. There are three statements that get the highest mean score of 4.12 namely 'Cost calculation is an important element in product pricing', 'Every process in product and business development will cost' and 'Cost will increase if it meets the demands

of the halal process'. While the 'The implementation of halal products will change all processes in product development' gets the lowest mean score of 3.96. However, the overall average mean score is 4.07, is still at a good level.

Social Impact

Table 4: Mean Score for Social Influence

No.	Statement	Mean Score
1	Public awareness of the halal concept is increasing	4.13
2	Demand for halal products is increasing	4.17
3	Products with halal logo get high demand	4.13
4	Products with halal certification have high demand	4.12
5	Products that do not have halal logo will be boycotted by customers	4.14
6	There is doubt in the community if the product does not have Halal certification	4.11
7	Social media play an important role in promoting halal	4.12
8	Halal products become one of the marketing strategies as one of the added value to the product	4.12
Average		4.13

Table 4 uses eight items to measure the dimension of social influence with the average mean score of 4.13. The table also shows a very low difference between the items measured, where only 0.06 is the difference between items with the highest mean score and items with the lowest mean score. Item 'Demand for halal products is increasing' gets the highest mean score of

4.17 and item 'There is doubt in the community if the product does not have Halal certification' gets the lowest mean score of 4.11. The table also shows that there are two (2) items, namely 'Awareness of the people on increasing the concept of halal' and 'Products with halal logo get high demand' equal the average mean score of 4.13.

Halal Certification

Table 5: Mean Score for Halal Certification

No.	Statement	Mean Score
1	Valid halal logos are only issued by JAKIM only	4.12
2	Halal products without the use of halal logo from JAKIM are illegal	4.13
3	Halal certification is a requirement for entrepreneurs	4.11
4	The process for obtaining halal certification is strict	4.10
5	JAKIM provides a clear guideline for halal certification applications	4.10
6	Halal certification and logo by JAKIM will increase product recognition	4.09
7	Halal certification and logo by JAKIM will give confidence to the product	4.08
8	Halal certification is solely for product marketing only	4.09
Average		4.10

In this section on halal certification, there are eight statements given and the highest mean score is 4.13 for the statement 'Halal products without the use of halal logo from JAKIM are illegal'. The lowest mean score of 4.08 for the statement 'Halal certification and logo by JAKIM will give confidence to the product'. However, if the mean value of 4.10 is still high, it shows that the respondents are well aware of the concept of halal certification. This is a positive outlook because if the respondents do not understand what the halal certification concept is, it can slow down any effort to ensure SME entrepreneurs in the future of halal certification.

7.0 Conclusion

Halal certification is one of the important elements in ensuring quality, safety and hygiene in producing products in the SME sector. Failure to handle halal certification issues can negatively affect the country's economic development and the SME industry market. Therefore, parties involved either from amongst the party's authority such as JAKIM should play a more proactive, efficient and competent role in addressing halal certification issues. Similarly, with SME entrepreneurs, they need to pay attention to the importance of halal certification in regulating their companies in line with market and customer needs.

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