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FOREWORD BY DEPUTY RECTOR OF RESEARCH, INDUSTRIAL LINKAGES & ALUMNI



Since 2018, the INSIGHT JOURNAL (IJ) from Universiti Teknologi MARA Cawangan Johor has come up with several biennial publications. Volume 1 and 2 debuted in 2018, followed by Volume 3 this year as well as Volume 4 with 19 published papers due to the great response from authors both in and out of UiTM. Through Insight Journal, lecturers have the ability to publish their research articles and opportunity to share their academic findings. Insight Journal is indexed in MyJurnal MCC and is now an international refereed journal with many international reviewers from prestigious universities appointed as its editorial review board members.

This volume 5 as well as volume 6 (which will be published in 2020) are special issues for the 6th International Accounting and Business Conference (IABC) 2019 held at Indonesia Banking School, Jakarta. The conference was jointly organized by the Universiti Teknologi MARA Cawangan Johor and the Indonesia Banking School Jakarta. Hence, the volumes focus mainly on the accounting and business research papers compiled from this conference, which was considered a huge success as over 66 full papers were presented.

Lastly, I would like to thank the Rector of UiTM Johor, Associate Professor Dr. Ahmad Naqiyuddin Bakar for his distinctive support, IJ Managing Editor for this issue Dr. Noriah Ismail, IJ Assistant Managing Editor, Fazdillah Md Kassim well as all the reviewers and editors who have contributed in the publication of this special issue.

Thank you.

ASSOCIATE PROF. DR. SAUNAH ZAINON
Deputy Rector of Research, Industrial Linkages & Alumni
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Assessment of Halal Governance Issues in Malaysia

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Abstract

This paper aims to assess the nature of Halal governance and the relevant issues revolving around it. The specific objectives are to provide an overview of Halal certification process within the framework of value chain and to highlight issues on the Halal governance scheme. Qualitative approach was adopted utilizing semi-structured interviews to understand in detail the stakeholders' perception and experiences about governance framework on Halal certification. Findings revealed that the current issues are pertaining to Political and Institutional Governance for Halal Certification; Regulatory and Operational Efficiency for Halal Related Agencies; and, Functional Ambiguity of Halal-Related Agencies. The study contributes significantly in the body of knowledge in terms of understanding and developing Halal governance ecosystem as it unveils the stakeholder's perspective in area that has been predominantly confined within academic experts' point of view only.

Keywords: Halal Governance, Toyiyb, Governance, Trading, Muslim Consumers.

1. Introduction

Globally, there are almost 2 billion of Muslims from the 7.6 billion people in the world. Due to religious reasons, this enormous market of Muslims consciously seeks trusted, Halal certified sources for their food, cosmetics, home care, pharmaceuticals, daily products and *Shari'ah* complied products to invest in. According to statistics, the global Halal market value that is recorded at approximately 1.4 trillion USD in 2017 is expected to reach 2.6 trillion USD in 2023 (GBHIF, 2019). In Malaysia, where Halal industry coexists together

with conventional markets, an important criterion that differentiates the former from the latter is its adherence with the Islamic rules or its Shari'ah compliance. In the current framework and practice of Halal certification, many issues have emerged regarding the adherence of the existing conventional industry practices with Shari'ah or Islamic law. This does not augur well with establishment and development of Malaysia as a global Halal hub. Hence, the study was conducted to provide an overview of Halal certification process within the framework of value chain; and to highlight issues on the Halal governance scheme.

2. Literature Review

The basic principles of Halal certification are Halal (permissible) and Thoyyibban (wholesome) taken from Al-Quran, verse 168 Surah Al-Baqarah. Muslims' consumption behaviour is governed by the Quranic philosophy of what is permissible (Halal) and what is not permissible (Haram) for a believer (Berry, 2000; Eliasi and Dwyer, 2002). These include adultery, gambling, liquor, pork, interest on money, blood of animals and the meat of animal sacrificed in the name of other than Allah (Al-Bukhari, 1976; Al-Qardawi, 1999; De Run et al., 2010).

Some main issues on the governance issues identified are: 1) Standardisation of Halal matters in Malaysia (across States) as religious matters are under the Rulers (Sultans) of each State; 2) incoherence implementation and enforcement across the States; 3) absence of comprehensive Halal Act to govern the whole agencies or mechanisms of Halal at the macro level. Conversely, at the micro level, operational issues are 1) Halal certification process; 2) Halal information and data management and handling; 3) weak enforcement and certification capacity; 4) abusing of Halal logo and Halal certification (see Ahmad Hishamuddin, 2007; Shahidan & Md Nor Othman, 2006; Noordin, et al., 2009).

Starting 1 August 2009, the agency responsible for Halal logo and certification has been reinstated to Department of Islamic Development Malaysia (JAKIM) – from previously Halal Industry Development Corporation (HDC) – a body to handle local and international Halal certification process (JAKIM, 2019). On 3 December 2018, the Government has expanded the Halal Hub Division into two main Sections – Council Secretariat Halal Malaysia (MHM) and Division of Halal Management (BPH). Operationally, BPH will be the main division that handles every aspects pertaining to Halal certification and enforcement; product and premise certification application, product and premise audit, issuance of Halal certificates, validation of foreign slaughter houses, monitoring and enforcement and centre for Halal analysis.

3. Research Methodology

De Ruyter (1996), Sekaran & Bougie (2009), 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). Purposive sampling is used to select the participants composed of well-educated and articulate individuals, with the ability to understand and respond to detailed questions concerning specific issues of Halal governance as they are

practicing today. The sample frame drawn consists of Halal governance agencies and the participants or users.

The participants in this focus groups consists of six experts in formulation and implementation for Halal governance, following Cooper and Schindler (1998). Table 1 summarizes the respondents' details about the roles, position and year of service. The conversation between the participants is recorded using voice recorder devices with the consent from the respondents.

Table 1 Summary of Focus Group Respondents

Company	No. of Participants	Role of Agency	Position	Years in Industry
Agency W, X	3	Formulation of policies	Assistant Director	>7
			Councillor	>8
			Head Ass. Director	> 15
Agency Y, Z, K	3	Implementation of policies	Assistant Manager	> 9
			Head Assistant Manager	> 10
			Assistant Director	> 20

The discussion for the focus group is related to the critical issues, current problems, and challenges in Halal supply chain Industry especially the importance of Halal Governance and related agencies. The questions are designed for the respondents ranging 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 analysed.

During the discussion, the issues were listed and highlighted for further actions. Table 2 shows the listing of issues and current challenges in Halal supply chain industry and Halal governance. The issues are categorized as below: The first category labelled ISSUE 1 consists of number 1, 2, 3 and 4, and is about political and institutional governance for Halal certification. ISSUE 2 consists of number 5, 6, 7, 8, 9 and 10 and they are on regulatory and operational efficiency for Halal related agencies. Last but not the least, ISSUE 3 consists of number 11, 12, 13, 14 and 15 and is about functional ambiguity of halal-related agencies.

Table 2 Issues in Halal Governance

No.	Topic encountered
1	No mother of law for Halal industry
2	Different practices for states and federal
3	Law scattered
4	Lack of expertise and knowledge
5	Lack of effectiveness and comprehensiveness for Halal laws
6	Lack of cooperation between agencies in implementing Halal activities
7	Differences in standards of practice among agencies
8	Abundance of work for certain agencies

9	Miscommunication among agencies
10	Conflicting roles: Y, Z and K in terms of implementation
11	Poor job performance
12	Misaligned goals of the Halal industry: W and X
13	Ambiguity of authority
14	Overlapping of functions: W and
15	Unclear functions and roles of agencies

ISSUE 1: Political and Institutional Governance for Halal Certification

Several issues have been highlighted in the institutional and governance group. The first issue indicates that governance for Halal bodies needs to be in a unified system. Currently, Halal governance has to go through many processes, the difference of the states and federal government and differences on decision making. Every decision that relates to halal, which is religious, takes a long time because the process is different for every state, and is not unified. Each of the states is different in terms of culture, practice, thought and leadership. Moreover, the certification body has no authority in Halal enforcement matters. Apparently, there are more than 20 different ministries and agencies that continue to have input in Halal regulations (Syed & Nazura, 2011). Thus, governance of Halal is unsystematic. Also, the confidence in Halal reassurance is mainly based on personal conviction, rather than on institutional confidence. Respondents of the focus group quipped that the best practice for shari`ah finance is Bank Negara Malaysia (BNM). Each activity and decision is made collectively by the state and federal government and under one entity leads by the BNM. They opined that the governance and structure of Halal industry should be placed under Economic Planning Unit – a Central Agency under the Prime Minister’s Department (Economic). Some policy actions obviously are required as governance of Halal is disorderly in Malaysia (Syed & Nazura, 2011).

ISSUE 2: Regulatory and Operational Efficiency for Halal Related Agencies

From an extensive literature review, there were at least six Acts and eleven agencies that were relevant to the Halal food control (Noordin et al., 2009). Nonetheless, the non-existence of comprehensive Halal Act also contributed to the issue (ibid, 2009). Halal regulation is difficult to implement and it mainly covers imports, exports, inspection and enforcement (Mustafa Afifi, 2012). At state level, there is no body vested with authority to lead the Halal industry. JAKIM and Jabatan Agama Islam Negeri (JAIN) function in the Halal certification and administer the Halal certification operations by using the Halal standard, which refers to the Standard Malaysia (MS) and Malaysia Halal Certification for enforcement purposes. JAKIM and JAIN are dependent on the laws, which differ from other agencies. This causes the activities of enforcement to be less effective. The other agency such as MDTCC is under Trade Description Act (TDA) 2011 act that clearly stated roles and functions of the agencies. Ministry of Health (MOH) together with the Food Act 1983 and Food Regulations 1985 is responsible for aspects of labelling, hygienic practice and food safety; The Department of Veterinary Services (DVS) under the Animals Act is accountable for animals rearing and diseases control; while the Royal Malaysian Customs together with the Customs Act supervises the import of Halal meat, while The Halal Development Corporation (HDC) focuses on promoting Halal industry to the global market.

The interviews provide evidence that all respondents are aware that due to this scenario, it posed a constraint with regard to smooth cooperation among agencies especially in terms of implementation and enforcement of the Halal policy. The current conflicting outcomes among different agencies especially in carrying out enforcement matters was 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. At the same time, MDTCC needs to work together with JAKIM, as the enforcement power rests with the MDTCC to implement these activities. Many problems will occur if one of the agencies is not represented in matters of enforcement. Furthermore, on the issue of operational efficiency, the participants highlighted the lack of knowledge in Halal and Shari`ah principles also contribute to weak compliance. The related agency did not perform well due to insufficient expertise that is not only lacking in terms of training, but also resulting in poor job performance. Therefore, the needs for a body to ensure checks and balances in terms of practice and activities are strongly required. 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. The participants also emphasized on SWOT analysis as a part of yearly activities to look into the weaknesses of each agency in ensuring the objectives, mission and vision of Halal industry will be smoothly achieved. It is advisable for all Halal related agencies to sit together and find solution to these issues.

ISSUE 3: Functional Ambiguity of Halal-Related Agencies

Past research shows that an organizational factor plays an important role to secure success and sustain the performance of Halal industry. In this regard, Halal integrity is the most influential factor in determining the adoption of Halal standard, thereby has positive effects on Halal orientation strategy (Zailani et al., 2015). Additionally, participants stated that Halal integrity should be driven primarily by a leading agency because of the rising needs for a strict shari`ah conformance and better monitoring process or standards. In Malaysia, even though Halal standards are specifically designed to ensure the Halal integrity of supply chains and logistics (Dube et al., 2016), the interviews found that the Halal integrity has yet to be effectively or strategically driven by any single regulatory body in the industry and its logistic practices. Until now, Malaysia's leading authoritative agency in the Halal industry that supposed to be a leader for the whole Halal industry in country still unresolved. As a matter of fact, Agency X was bogged down with a lots of task in terms of checking the Halal certification. Meantime, abundance of work such as monitoring and many other religious matters were also referred to this agency. It remains unclear whether the processing of foods and products care is based on the monitoring elements. For example, slaughter of meat and poultry to be conducted at abattoirs that adhere to the Islamic law (Riaz, 2018). The actual role of X agencies in the Halal industry is questionable and unclear. Sometimes, these agencies seem to performing the de facto roles as a leader to the Halal industry, however the recent re-organisation of the Halal Hub Division is still too early to see the impact. The ambiguity of the role of the agency has eventually lead to poor implementation in monitoring and the abuse of certified Halal logo. This raised public concern on the integrity of the products that bear Halal logo. According to Shahidan, Shafie & Md Nor Othman (2006), JAKIM itself lack of "enforcement" in the Halal industry. With recent spates of cases involving the abuse of Halal certification

reported widely in the media, the integrity of Halal supply chain itself is at stake as to leading to subsequent of issues pertaining to proper monitoring after being Halal certified.

4. Discussion and Conclusions

This study can be concluded based on the four issues encountered in Halal governance. The first issue is regarding the Political and Institutional Governance for Halal Certification. This governance of Halal is still being plagued by ambiguity and conflicts particularly at the operational level, hence making disarray among states. The agencies are constrained by the function since the states and federal are not able to work in tandem. The state has its own authority and no decision could be implemented if there is no agreement by the state itself. Secondly, is the issue of Regulatory and Operational Efficiency for Halal Related Agencies. Halal logo of products indicates that the products are Halal and *toyyib*, and act as guidance to the consumers in buying. However, the agency should monitor even after the Halal logo is given to the manufacturer. This issue also concerns the manufacturers or key players that do not have adequate understanding of *shari`ah* law. Accordingly, they fail to meet requirements by certification bodies as stipulated by the *shari`ah* law as they use Halal logo to market their products and only focus on profit and not the Halal *per se*. As the demand for Halal food products is expected to grow, there is need for Halal integrity and to ensure that the needs for process and ingredients of the Halal food consumers can be met and well protected. Thirdly, the issue of Functional Ambiguity of Halal-Related Agencies for Halal industry, link to the professionalism of Halal training community is needed where this community will educate and train regulators of the industry. Although this study managed to encounter issues related to Halal governance for Halal integrity in Malaysia, however there are more categories and sectors in the Halal industry to be included. This study covered Halal supply chain processes in categories that may be limited to certain sector; beef and the processes of giving Halal governance which involve Halal agencies from the government. Therefore, future studies should include more sectors in the Halal industry in Malaysia and also more views from government agencies.

To conclude, the study enlightens the fact that Malaysia's aspiration to become the hub for Halal industry is not without challenge. A number of themes regarding the Halal governance framework were transpired during the interview sessions. In conclusion, the dichotomy between federal government and state government within the unique political system characterized by parliamentary democracy and constitutional monarchy complicates the Halal governance in Malaysia. The government, regulators and the entire Halal agencies must be collectively involved in Halal related matters in this country to enhance compliance. Thus, in order to compete in current dual markets, it is imperative that the policymakers, regulators and industry stakeholders, to keep aligned with *shari`ah* requirements that represent the very essence of the basic tenets of Islam.

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