

# Beyond Compliance: Factors Influencing Halal Certification Success for Small- Medium Food Enterprises in Penang, Malaysia

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## ABSTRACT

Championed by both Multi-National Companies (MNCs) and Small-Medium Enterprises (SMEs), Malaysia's Halal industry is thriving and have contributed billions (RM) to Malaysia's economy, justifying its worth to be further developed. Alas, unlike MNCs, most of the Small-Medium Food Enterprises (SMFEs) faced various quandaries in the pursuit for Halal certification. Consequently, this research attempted to explore the predicaments encountered by SMFEs who successfully attained their Halal certification. Adopting qualitative approach, in-depth, face-to-face interview was conducted, using semi-structured questionnaire and audio recorders as primary instruments. Focusing on Penang state, the population of Halal-accredited SMFEs was obtained from, and screened by Jabatan Agama Islam Pulau Pinang (JAIPP), producing a vetted list of 25 potential respondents. Only 12 respondents were interviewed before the responses reached the point of saturation. The recorded audio data were transcribed, and the transcripts were entered into ATLAS.ti software for qualitative analysis. Frequency analyses were conducted for the demographics, and thematic analysis was conducted for transcribed data. A collection of 5 codes emerged, and together with the supporting quotations, they were represented by a theme and a network of the same name, "Factors Encouraging Halal Certification". In the end, this research proved to be a worthy vantage point in effort to; (i) comprehend domestic issues hindering the progress of Malaysia's Halal industry, and (ii) understand the success factors of Halal accredited firms, for the lesson and inspiration by other aspiring SMFEs.

**Keywords**— halal food, halal certification, halal accreditation, halal success factors, small-medium enterprises

## INTRODUCTION AND BACKGROUND

In Islam, the consumption of Halal foods, products and services is compulsory to all Muslims. It is every Muslim nation's obligation to ensure the sources, production, processes, transformation, cooking, serving, packaging, selling and buying of Halal foods are right to the appropriate standard. These activities catalyzed the rise and expansion of Halal food industry, globally and locally. Consequently, on a worldwide scale, the greatly demanding Halal food industry is growing each year. These in turn stimulate improvements in every aspect of this massive industry to meet the market expectations. Halal products is in great demand globally, both in Muslim and non-Muslim nations. As reported by [5], although there is no official consensus regarding the value size of Halal market in Europe, several associations and certification bodies do provide different estimations, varying between €40 and €100 billion. It is, in any case, indisputable that the Halal food market is a multibillion contributor to the European economy as well as the world. This situation proved to be true especially in Malaysia, where Halal industry's contribution is becoming more prominent towards national Gross Domestic Product (GDP).

Knowing the huge market potential of Halal foods, Malaysia as one of the modern Islamic countries should be one of the leaders in the production of Halal commodities. In fact, the overall worth of the global Halal industry

in 2012 was already estimated to be USD2.3 trillion per annum, according to Malaysia’s Third Industrial Master Plan 2006-2020, which was presented during World Halal Week 2012.

The monetary size alone already could justify why Malaysia should increase its input in this industry. To better clarify Malaysia’s position in global Halal market, the nation’s; (i) Halal foods sector input, (ii) domestic circumstances, (iii) industry players and their milieu, as well as their contributions, must be understood firsthand.

## LITERATURE REVIEW

Before digging deeper into the Halal sector, there is a need to define the existing food industry as it is. Generally, the food industry is an intricate, varied business that has existed for hundreds of years. Starting off as complementary services to roadside motels along trade trails, the business of foods has evolved to restaurants with proper seating and services. Through courses of history and series of modernization, this industry eventually developed into complex chains of foodservice establishments as we know today. As technology merges in, foods have been mass- produced in factories and can be made available far from its origin into foreign horizons, surpassing demographic, geographical, political, logistical, cultural as well as religious boundaries.

### Malaysia’s Halal Industry Value

[7] further broke it down; of all Halal products and services being exported from Malaysia in 2022, food and beverage products as well as Halal ingredients constituted the largest portion, approximately 46.8%, valued at RM27.84 billion. Following that was the Halal ingredients (39.27%, 23.35 billion), trailed by cosmetics and personal care (5.87%, 3.49 billion). Other main sectors were listed as palm oil derivatives (4.69%, 2.79 billion), industrial chemicals (2.14%, 1.27 billion) and pharmaceuticals (1.21%, 0.72 billion). Figure 1 illustrates the RM value and sector percentage of Halal exports by product clusters for the year 2019. In a nutshell, it is imperative that any pillar sectors running and supporting the Halal industry must be further improved to achieve international standards and to be competitive. Malaysia as among the universal leader in Halal standards must continuously enhancing and strengthening every constituent and aspect of the Halal industry.

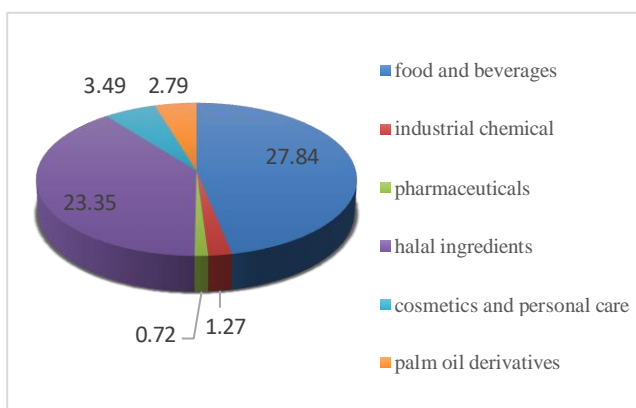


Fig. 1: Halal Export Value 2022 (RM billions) by Product Clusters [7]

TABLE I Definitions of SMEs Based on Size of Operation [10]

| Category | Manufacturing                                                              | Services and Other Sectors                                                 | Percentage |
|----------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|------------|
|          | Sales turnover less than RM300,000 OR full-time employees from less than 5 | Sales turnover less than RM300,000 OR full-time employees from less than 5 |            |

|        |                                                                                                                    |                                                                                                                  |     |
|--------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----|
| Micro  |                                                                                                                    |                                                                                                                  | 77% |
| Small  | Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75              | Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30             | 20% |
| Medium | Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200 | Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75 | 3%  |

Since 2005, there have been many economic developments influencing the very definition of SMEs, such as price inflation, structural changes and changes in business trends [10]. Accordingly, the new definition of SMEs was endorsed at the 14<sup>th</sup> National SME Development Council (NSDC) Meeting in July 2013. The definitions, and their percentages of micro, small and medium industry against the total number of SMEs in Malaysia for the year 2013, are simplified in Table 1. In relation to that, the industrial era catalyzed the mass production of foods, aided by the advancement in food production equipment and packaging technology. Innovation and discoveries in microbe sciences modernize the preservation techniques of foods, prolonging its shelf life. These fundamental breakthroughs occurred over a century ago and has been revolutionary in the food industry. Today, the food industry is one of the prime economic contributors to most of the world’s countries, implementing some of the most state-of-the-art, avant-garde equipment, biochemistry science practices, ingredients and procedures available. As a result, apart from pull factor of market demands, the food industry in Malaysia (MNCs, SMEs, and SMFEs) is mushrooming, parallel to the progression and stability of its support system.

Additionally, as revealed by Economic Census 2016, SMEs account for 98.5% of total business establishments in 2016. A total of 89.2% or 809,102 establishments are within the service sector, including the food and beverage sector. Regardless of all the positive influence brought by the flourishing of SMEs, its 36.6% economic input to Malaysia’s GDP is still considered trivial once compared to the impact of their counterparts in advanced countries, especially in European nations. On a divergent note, in accord to Pelan Strategik Perniagaan SME Corp. Malaysia 2022-2030, SMEs will play a pivotal role in driving Malaysia’s economic development into a new era. Strategic framework had been formulated to align SME Corp.’s vision and mission towards a more global, dynamic, sustainable, and future-proof SMEs in Malaysia. Table 2 depicted the high impact industries identified as the leaders in this initiative, with Halal Industry as the most lucrative sector.

TABLE II High-Impact Industries Identified for the Holistic Development of Perusahaan Mikro, Kecil, dan Sederhana (PMKS) [11]

| Industry          | Key Metrics                                |
|-------------------|--------------------------------------------|
| Smart Agriculture | RM60,300 - worker’s productivity by 2025   |
|                   | RM25.06 billion - GOS contribution by 2030 |
|                   | 32,000 - high-income jobs created          |
| Aerospace         | RM55.2 billion - industry revenue by 2030  |
|                   | 11,156 - employment opportunities          |

|                                  |                                            |
|----------------------------------|--------------------------------------------|
| <b>Halal Industry</b>            | RM475.4 billion - KDNK projection by 2025  |
|                                  | RM11.75 billion - GOS contribution by 2030 |
|                                  | 8,367 - jobs created                       |
| <b>Tourism</b>                   | RM36.45 billion - GOS contribution by 2030 |
|                                  | 10,924 - jobs created                      |
| <b>Electric and Electronic</b>   | RM120 billion – KDNK by 2025               |
|                                  | RM495 billion - export value by 2025       |
| <b>Medical Device</b>            | RM15.4 billion - export value in 2021      |
|                                  | RM10.4 billion - KDNK value by 2025        |
| <b>Oil and Gas</b>               | RM40 billion - KDNK contribution by 2025   |
|                                  | 60,000 - skilled and semi-skilled jobs     |
| <b>Biomass and Biotechnology</b> | RM377 million – GOS contribution by 2030   |
|                                  | 1,631 - jobs created                       |

### Halal Issues Worldwide

As most research works most indefinitely rely on the emerging issues and trends, spawning problems and opportunities that in turn will become the epitome of their research, therefore majority of research on quality assurance usually began with real world problems. Having said that, [2] presented several issues and challenges of Halal food implementation in Malaysia, especially on the validity and traceability of Halal certification. Using qualitative approach, the researchers targeted food processing industry, food premises (cooked foods), and small and medium food enterprises as their respondents, embodied on the Table 3 below.

TABLE III Summary of Halal Issues and Challenges [2]

| Halal Issues                           | Halal Challenges                                 |
|----------------------------------------|--------------------------------------------------|
| Non-Halal additives                    | Establishing Malaysia as Halal hub               |
| Genetically modified foods             | Establishing comprehensive Halal supply chain    |
| Livestock slaughtering                 | Food producers’ effort to meet Halal standards   |
| Fake Halal logo                        | Lack of supply for Halal raw materials           |
| Lack of Halal knowledge and awareness  | Monitoring Halal logo and certification          |
| Operational efficiency and governance  | Lack of regulatory manpower                      |
| Authenticity of Halal food ingredients | Non-existence of a finite global Halal standards |

In another research, by addressing the issues and challenges in going global, [1] manipulated Market Orientation Theory (MOT) and Export Market Orientation (EMO) to explain ways to cultivate EMO behavior in Halal marketing. It was explained that the three most notable barriers for exporters were the standards themselves, information scarcity and the challenges of industrial innovation. Consequently, challenges exist to create a Halal economy through industrial innovation via Proactive EMO and Responsive EMO. It was also recommended that continuous literature and reports on the industry, especially empirical study, must be conducted. This is done so that all stakeholders could increase their understanding of ‘why’ and ‘how’ market growth is achieved or constrained, and what can be done to rectify it.

In positioning Malaysia as Halal hub, there is a need to integrate the roles of supply chain strategy and Halal assurance system, as suggested by [9]. In their research, a framework was presented; towards a more holistic and theory-based approach to understand the link between supply chain, Halal assurance system and Halal hub. Taking qualitative approach, the researchers combined the use of Strategy–Structure Performance (SSP), Supply Chain Orientation (SCO), Halal Assurance System (HAS), as well as Resource–Based View (RBV) to conduct the analysis on Malaysian Halal firms. The fact is, Halal has been accepted as the new benchmark for safety and quality assurance, and Halal foods especially have been highly sought after. That is why Malaysia as the future Halal hub needs to strengthen its foundation, stressing the importance of investing in HAS relative to the firm’s supply chain and relationship strategies.

Apart from institutional pressures, other factors such as internal capabilities and external environment also affect the SMFEs’ international performance, as explained by [8]. These researchers make use of Competing Theories, Stage Theory and Resource-Based View Theory to conduct their research, which aimed to enhance the understanding on the moderating effect of geographical scope to their performance. 174 Halal food-manufacturing firms across Malaysia took part, and it was found that determining the extent of international diversification is an important strategic decision that has performance consequences as the firms operates in a wider market area. The strongest explanatory variables were ‘foreign experimental knowledge’ and ‘the globalization phenomenon’, confirming that the Stage Theory could be used alongside other complementary theories. Thus, SMFEs are recommended to examine their level of internal capabilities before making the decision to go global.

Even before venturing into the Halal food business, potential Malaysian entrepreneurs must firsthand understand and comprehend the Halal concept and general information on the industry. [3] stated that their research on the topic, involving potential Malaysian entrepreneurs in an entrepreneurship courses, produced some important results; (i) respondents understand the basic concept of Halal and Shariah Law, and they understand as well as applying the knowledge in their daily life, (ii) respondents treat all information needed to setup Halal business as equally important, (iii) a consensus view from respondents that the governing body in Malaysia should provide more information on Halal industry to potential entrepreneurs, and make it easily accessible, and (iv) hence, apart from providing basic Halal course which concentrates on the technical part on how to achieve Halal certification, JAKIM or JAIN should also provide an even more fundamental course which focuses on the comprehension of Halal concepts.

TABLE IV Halal Development Statuses in 7 Halal Producing Nations [4]

| Subject<br>Nation | Certification                         | Industrial<br>Development         | Halal Exports                  | Government Support                                             | Ecosystem  |
|-------------------|---------------------------------------|-----------------------------------|--------------------------------|----------------------------------------------------------------|------------|
| Singapore         | Majlis Agama Islam Singapura (MUIS)   | SPRING – enterprise development   | No information                 | No specific support                                            | Limited    |
| Thailand          | Central Islamic Committee of Thailand | Chulalongkorn University (RandD), | RM23 billion exports to Muslim | Halal Development and Promotional Committee under Deputy Prime | Incomplete |



|           |                                                                                                            |                                 |                                        |                                                              |                 |
|-----------|------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------------|--------------------------------------------------------------|-----------------|
|           | (CICOT)                                                                                                    | CICOT (standards development)   | countries                              | Minter, USD337 million budget for 5 years period (2016-2020) |                 |
| UAE       | Emirates Authority for Standardization and Metrology (ESMA)                                                | DIEDC (Halal economy promotion) | No information                         | “Centre of Islamic and Halal Economy”                        | Limited         |
| Turkey    | Turkish Standards Institution (TSE), Association for The Inspection and certification of Food and Supplies | GIMDES (promotion)              | No information                         | “Gateway to Mina”                                            | Barely started  |
| Japan     | Japan Halal Association (JHA), Japan Muslim Association (JMA)                                              | No information                  | No information                         | Halal development to support Olympic Games 2020              | Very limited    |
| Australia | 8 Halal certification bodies approved by JAKIM                                                             | No information                  | No information                         | Focuses on the production of high- quality beef              | Limited         |
| Malaysia  | Jabatan Kemajuan Islam Malaysia (JAKIM)                                                                    | HDC (industrial development)    | RM42 billion exports of Halal products | “Malaysia as World Halal Hub”                                | Almost complete |

Although the potential is tempting, the execution is rather inadequate. The huge universal Halal market demand was not balanced by ample supply forces. Frankly, Malaysia is the pioneer, and the only country in the world that possess the most comprehensive Halal ecosystem. According to the Ministry of International Trade and Industry Malaysia (MITI), Halal ecosystems in other countries are barely started, limited, or incomplete, which is summarized in Table 4 above.

## METHODOLOGY

For the in-depth interview, the unit of analysis are the SMFE, represented by the owner/manager/Halal executives; somebody who can answer questions on Halal certification of their firm's products, as well as their policy and viewpoint on current Halal certification practices. The selection of respondents was again confirmed and verified by the Head of Halal Division of Jabatan Agama Islam Pulau Pinang (JAIPP). SMFEs in the vicinity of Pulau Pinang were chosen to be the population pool, due to; (i) the reputation of Penang's Halal

industry and ecosystem as one of the best in the country, (ii) the existence of JAIPP, PIHH, JAKIM, HDC as well as regularly conducted Halal exhibitions and conferences provide supportive and conducive environment for Halal research. The unit of analysis are the SMFEs, represented by the owner/manager. The sampling frame for interview would be the SMFEs whom successfully attained Halal certification for their products. Selected SMFEs were chosen from a ready list named 'Senarai Pemegang Sijil Halal Produk Makanan 2017' provided by Jabatan Agama Islam Pulau Pinang (JAIPP), updated April 2017. The list contained approximately 413 firms (SMFEs) which then must be screened for inclusive criteria. 33 firms were shortlisted and referred to JAIPP, where only 25 of them were approved by JAIPP officials for undisclosed reasons.

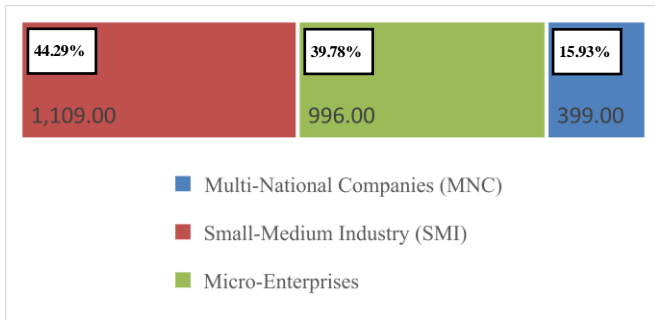


Fig. 2: Halal Certified Companies by Category of Industry [6]

Since the unit of analysis for in-depth interview are the managers/owners of the SMFEs, the population must be the SMFEs which successfully attained Halal certification for their products. Figure 2 display Halal certified company by category of industry [6], last updated by February 2016. From this figure, the total number of successful applications is 2,504, covering all three categories of industries. As this research only engages small and medium industries, therefore only product applications from SMI (1,109 firms, 44.29%) and Micro Enterprises (996 firms, 39.78%) are taken into count, which will have totaled to 2,105. From this lot, the number of firms which resided in Penang is approximately 413, as confirmed by the list produced by JAIPP. This numeral (413) was used as the total number of population (N). Apart from all that, the chosen SMFEs must also fulfill these inclusion criteria; (i) must be of SMFEs (Small-Medium Food Industries), (ii) already successful in acquiring Halal certification from JAKIM, and (iii) produced their own food product, not just plain OEM (Original Equipment Manufacturer), ODM (original design manufacturer), VAR (Value-Added Reseller) or just simply importer/distributor/wholesaler.

Interviews were done with the instruments of; (i) interview questions, and (ii) interview protocols, which have been verified for their reliability and validity by subject matter experts. Audio from the interviews were recorded at the place and time of choice of the respondents. Following the interview, all recordings were then transcribed, and undergoes data checking and cleaning, before being entered into ATLAS.ti for thematic analysis. Further coding and grouping revealed findings which are supported by quotations by the respondents.

## FINDINGS AND DISCUSSIONS

### Respondents' Demographic

In total, a sum of 12 respondents were interviewed, who are the owner/manager of their own establishment, with only one respondent (quality assurance officer) acting as the representative and spokesperson for her company. In terms of gender, male business owners (6 respondents) are proportional to female business owners (6 respondents). The age of respondents ranged between 38 to 60 years old. All the SMEs are specified in the food sector, with some variations in terms of core products, main customers, and nature of operations. These variations can be observed in Table 6.

### Acquired Theme and Codes

From the table, it can be concluded that not one operation is similar. Some SMFEs might have slightly similar

product lines, but the way they chose how to sell, market and impose visibility to their products depends heavily on the nature of the product, who is their clients, as well as their capacity in terms of production capability and marketing capitals. Medium sized enterprises who are much more capable financially can utilize their monetary resources to market their product line to hypermarkets inside and outside the country, while small enterprises will have to independently rely on their limited networks of marketing channels. Subsequently, the acquired theme was derived from thematic analysis of the transcripts. Overall, 5 codes were extracted to answer the main question, “What are the factors encouraging Halal Certification acquisition by the SMFEs?”, as simplified by Table 5.

TABLE V Acquired Theme and Codes

| Theme / Network                         | Codes                              | Grounded |
|-----------------------------------------|------------------------------------|----------|
| Factors Encouraging Halal Certification | Fulfilling Muslim’s Responsibility | 19       |
|                                         | Market Demand                      | 4        |
|                                         | Market Expansion                   | 8        |
|                                         | Marketing Advantage                | 14       |
|                                         | Product Acceptance                 | 9        |

**Code 1: Fulfilling Muslim’s Responsibility**

Some respondents accepted that their endeavor as Muslim entrepreneurs satisfy their internal desire as a responsible Muslim. They take it that their job is a personal quest for blessings from the creator Allah s.w.t. Some of their statement proved their point faithfully:

“Apart from the purpose of product marketing, I feel responsible for obtaining Halal certification for my products, as a Muslim entrepreneur supplying food to other Muslims. I also want blessed sustenance for my family from the sale of Halal products.” (R10)

“From an Islamic perspective, I feel it is obligatory for Muslims to seek and use Halal products, because ultimately, food becomes part of the body, and the body is used to earn a living, worship, and so on. Therefore, the purity of food must be maintained.” (R1)

TABLE VI Variations between SMFEs’ Core Products and Operational Attributes

| No. | Core Product                               | Direct Client                                                     | Nature of Operation                                                |
|-----|--------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------|
| 1   | Homemade ice cream, assorted flavors       | Events, local retail stores, private functions, exhibitions       | Direct retail, ice-cream booth, event catering                     |
| 2   | Bottled sauce mix for noodles              | Local retail stores, local and regional hypermarkets, exhibitions | Direct retail, supplier to retailers (inside and outside Malaysia) |
| 3   | Sambal bilis garing, crunchy garlic flakes | No direct client                                                  | Agent-based supplier                                               |
| 4   | Assortments of oven-baked healthy snacks   | No direct client                                                  | Retail outlets inside and outside Malaysia                         |
| 5   | Assortments of pastilles                   | No direct client                                                  | OEM (original equipment manufacturer) or VAR (value-               |



|    |                                          |                                                                   |                                                                     |
|----|------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------|
|    | herbal candy                             |                                                                   | added reseller)                                                     |
| 6  | Assortments of tepung goreng serbaguna   | Own fried chicken stall, local and regional retail stores         | Direct retail, supplier to retailers                                |
| 7  | Kopi ‘O’                                 | No direct client                                                  | OEM (original equipment manufacturer) or VAR (value-added reseller) |
| 8  | Assorted curry pastes                    | Local retail stores, local and regional supermarkets, exhibitions | Direct retail, supplier to retailers (inside and outside Malaysia)  |
| 9  | Assorted kuah rojak                      | Direct retail, hotels and restaurants, local retail stores        | Direct retail, supplier to retailers, contract supplier             |
| 10 | Cili giling, pre-cooked curry pastes     | Direct retail, restaurants, local retail stores                   | Direct retail, supplier to retailers                                |
| 11 | Belacan, assortments of sizes and forms  | No direct client                                                  | Retail outlets inside and outside Malaysia, OEM or VAR              |
| 12 | Chocolate chip cookies, assorted flavors | Own shop (outlet), direct retail, local retail, exhibitions       | Direct retail, supplier to retailers (inside and outside Malaysia)  |

A few of the respondents specified that their main motivation for applying for Halal certification was to contribute to Islamic economy in general. Realizing that much of local household products were not made by Muslim manufacturers, they took up the responsibility to provide for the community and therefore directly backing up food business owned by Muslim owners. Additionally, the establishment of local business also created job opportunities, Halal income to support Muslim families, as well as giving Muslim consumers more choices.

“...many consumers out there have decided that they do not want any doubt (50/50) when buying products; they need to be 100% certain. Therefore, they will choose products with JAKIM Halal certification without hesitation. This also motivates SME entrepreneurs to ensure their products have the Halal logo...” (R2)

“In urban areas, we have large supermarkets with many products. Hence, educated consumers can compare the Halal status and ingredient labels among products. In rural areas, there may only be small grocery stores, so comparisons are limited. Furthermore, it often happens that village products placed in grocery stores do not have Halal certification. This doesn’t mean the products are Haram to consume, but how can we ensure that the production process is clean and pure, and the ingredients are guaranteed to be Halal? Halal certification provides an answer by giving basic guidelines to ensure these aspects are taken care of, and it is also audited by JAKIM.” (R4)

“We are planning to produce shrimp paste, a product that has previously been largely monopolized by Chinese entrepreneurs. So, if there are Muslims producing it, we can provide an option for Muslim consumers.” (R9)

Apart from contributing to Islamic economy, some respondents also felt the satisfaction to be able to produce high quality products for the consumption of Muslim communities as their major motivation. This notion can be translated by their reactions as below:

“In the future, we plan to produce ‘Sumi’, candies, and marshmallows, which have mostly been produced by non-Muslims, causing many Muslims to be hesitant to buy them. Now, we are producing them as a responsibility towards the Muslim community in Malaysia, for the use of both Muslims and non-Muslims, with ingredients that are 100% Halal.” (R5)

“When I applied before, I did not expect to gain any advantage from this Halal certification, just fulfilling my

responsibility as an Islamic food entrepreneur.” (R7)

“There are two; one will be the duty of the suppliers to ensure that the materials they supply to us are Halal, and the other will be our responsibility to ensure that the materials are Halal.” (R8)

“Yes. And actually, I was inspired to make ground chili as a result of an incident. One day, my mother and

I went to visit a sick relative in a PPRT flat area. Then I parked the car right in front of a shop processing ground chili owned by a Chinese entrepreneur. So my mother just watched the Chinese entrepreneur processing the ground chili in a dirty manner... only wearing shorts and a singlet, while blowing his nose to the left and right. My mother and I were shocked by what we saw. That incident had a great impact on my mother. Not long after that, I decided to process ground chili myself for family use and then sell it to other Muslims.” (R10)

“I am motivated to make this shrimp paste, which can be considered a communal obligation (fardhu kifayah). As a shrimp paste maker representing the Muslim community, I make products for the use of both Muslims and non-Muslims.” (R11)

### **Code 2: Market Demand**

One of the important factors encouraging entrepreneurs to get Halal certified is to cater for rising market demand. These market demands cover both domestic and international market, as Malaysia is already dubbed as having one of the best Halal standards in the world. Capitalizing on this fact, many entrepreneurs are focusing their attempts on increasing their production capacity and standards to meet international requirements. Their intention can be perceptibly defined by these statements:

“If we look at the expositions that are frequently held... we can see that Halal products have high potential to be highlighted because it has become a culture in society now (including non-Muslims) to consider Halal and MeSTI as a benchmark for safe, clean, and quality products. The organization of such expositions, implicitly, indicates that these Halal products are highly sought after, not only in Malaysia, but I have also received invitations from Korea, China, Dubai, and many more to promote Halal products from Malaysia. So, the Halal industry is indeed growing rapidly and has high potential.” (R2)

“What I am proud of about our Halal industry is that the demand for Halal products from Malaysia is indeed high because they know our Halal standards are the best. Due to Malaysia’s good Halal reputation, it becomes easier for our products to enter foreign markets. Therefore, Halal is a valuable national asset and has the potential to become even bigger in the future.” (R3)

“My main customers are caterers, housewives, and working women who are busy but still want to cook for their families. So my products make their cooking tasks easier.” (R8)

“From abroad, the demand is indeed high. Even when we participate in local expos, direct sales are quite high. This indicates that consumer awareness of getting healthier and Halal snacks has increased, and the demand is encouraging...” (R4)

### **Code 3: Market Expansion**

By taking advantage of rising market demand, the entrepreneurs have the golden opportunities to expand their market, especially to abroad. Some of their products were already penetrating neighboring ASEAN countries (such as Singapore, Thailand, Vietnam, and Indonesia), but in smaller scale. Thus, by exploiting the good reputation of Malaysia’s Halal reputation, these entrepreneurs were hoping to increase their capacity of supplying to bigger markets, such as to China and India. The quotations below display their interest on this matter:

“Halal can help increase public confidence in our products, and Halal can also open up various other business opportunities for our company.” (R1)

“For SMEs, to boost product sales and further expand the market to neighboring countries, Halal has become like a prerequisite...” (R2)

“As we discussed earlier, for market expansion, company growth, and better product acceptance. My product has been marketed in Singapore, thanks to guidance from FAMA. My product is also available in Brunei, and next, I am trying to market it in China.” (R3)

“SMEs are indeed the backbone of the Halal industry in Malaysia. Most Halal products are produced by us SMEs, and we are often called upon to represent Halal Malaysia at exhibitions both domestically and internationally. The potential and market are very large, and if Malaysia has clear direction and strategy, we Halal entrepreneurs are ready to take steps forward...” (R5)

“Halal also opens opportunities for my company to export my products abroad by offering opportunities to participate in expos and trade visits overseas...” (R8)

“Many of the food products we use daily are actually made by SMEs, such as soy sauce, noodles, shrimp paste, tofu, chili sauce, coffee, and so on. Moreover, local specialty products like rojak sauce, sambal belacan, frozen cakes, ready-to-eat products like sambal belacan, chips, and so on, are indeed made by SMEs. We do not see large companies making such products. So while we support the national economy, we also act as ambassadors to introduce local Halal products to the world.” (R11)

“Alhamdulillah, since obtaining Halal certification, my products have successfully been marketed to southern Malaysia, Singapore, and China, with the help of FAMA. The Ministry of Agriculture (MOA) has also helped a lot by organizing promotions in supermarkets, where we SME entrepreneurs are given the opportunity to promote our products. So Halal has paved the way for my company to go further...” (R12)

#### **Code 4: Marketing Advantage**

Some respondents had firsthand experience that Halal certification really boost their product sales, because of marketing prowess of Malaysia’s Halal certification and the image they posed locally and internationally. Halal certification either allows them to join various marketing activities (e.g., events, exhibitions, overseas trips), or directly provide them with potential or existing networks. Knowing this, many of the entrepreneurs decided to acquire Halal certification for the good of their business. The series of declarations below proved their point:

“Once we have obtained Halal certification, our products will easily be able to participate in events organized by FAMA, JAIPP, and so on. It’s not that we can’t participate without Halal certification, but I notice that public acceptance becomes much better once we have obtained Halal certification...” (R1)

“Previously, our company did not have any certification. After obtaining Halal certification, we now have a standard to follow. Coincidentally, importing countries like Saudi Arabia, Brunei, and Singapore require Halal certification for every product. Although China does not mandate Halal certification, having it gives our products an advantage. Even non-Muslim companies want to obtain Halal certification to sell their products not only to non-Muslims but also to the majority Muslim population in Malaysia. Indeed, for food producers in Malaysia, Halal certification is the first standard they want to achieve...” (R4)

“To attract buyers or for marketing advantages. Halal is indeed important because it is the presence of Halal certification that makes them decide to buy from us.” (R5)

“The most important thing is for marketing purposes, to enable our products to be marketed domestically and internationally.” (R6)

“The first reason is definitely for product marketing, as we discussed earlier...” (R9)

“The most important thing, I think, is for product marketing purposes.” (R11)

“There are several factors... the first is definitely for marketing. With Halal certification, our products can go further, be sold in more places, and even be sold abroad.” (R12)

### **Code 5: Product Acceptance**

Product acceptance was proven to be one of the main factors encouraging Halal certification. Based on peer experience and their own observations, majority of their customers appreciate if the entrepreneurs manage to place JAKIM’s Halal logo on their products, because it signifies cleanliness, compliance and the existence of a good standard, as shown by their testimonials below:

“From my experience, yes, the acceptance will be very good. I already knew the importance of Halal certification, so I didn’t waste time and waited, I immediately handled the application, and Alhamdulillah, my company has gained many benefits.” (R5)

“As we discussed earlier, for market expansion, company growth, and better product acceptance.” (R3)

“Most of the products in supermarkets are actually SME products, but I hope these SMEs... ‘regardless of race and religion’... must have Halal certification, except for products that are indeed not Halal. So that many can use their products, and this will benefit them in terms of product acceptance and sales...” (R4)

“If there was no Halal certification, I think my company would only succeed in marketing products around this area. How can we move forward when all places now require Halal as a mandatory condition for product acceptance in their area?” (R12)

To some respondents, among the most important factor encouraging Halal certification is to gain trust among Muslim consumers. They claimed that there is a significant improvement in basic trust and confidence in their product by Muslim consumers in general, upheld by the increase in sales and product image. The entrepreneurs also compared consumers’ trust in their product before and after getting Halal certification, and the result is promising:

“After obtaining Halal certification, consumer confidence in my company’s products increased. Previously, they often asked about the ingredients and methods used, but with Halal certification, they buy without hesitation. For me, that is a success and an important achievement for my company.” (R7)

“For me, Halal is necessary to further develop the product. Halal can help increase public confidence in our products, and Halal can also open up various other business opportunities for our company.” (R1)

“Since my product is marketed locally, the JAKIM Halal and MeSTI certifications have greatly helped strengthen customer confidence in my product...” (R2)

Some respondents also viewed the matter from a bigger picture, where product acceptance by the the community is more important. They argued that community’s acceptance will indirectly bestow much more returns than just an increase in sales, for instance, the ability to pay more Zakat, creating more job opportunities, and projecting good reputation for Muslim’s products. For example, they quoted that:

“Let’s look at it this way, the contribution of Halal to SMEs is indeed important. If SMEs want to progress and move forward... it is good for them to obtain Halal certification. With Halal certification, public acceptance of the products will be much better, which can then be translated into sales. When sales increase, the company grows well, we can contribute to the industry by paying taxes, creating business opportunities, creating job opportunities, giving a positive image to the country, and so on.” (R3)

“...they also need to think that they want to market their products in a country with diverse races and religions, so Halal certification is necessary to ensure their products are widely accepted, especially by Muslims...” (R4)

## Acquired Theme and Codes

Although numerous responds were recorded through SMFEs interview, the researcher was able to decipher them into 5 different, solid codes. These codes formed the theme of Factors Encouraging Halal Certification, which provided adequate information for the formation of the Network of Factors Encouraging Halal Certification, presented as Figure 3 below.

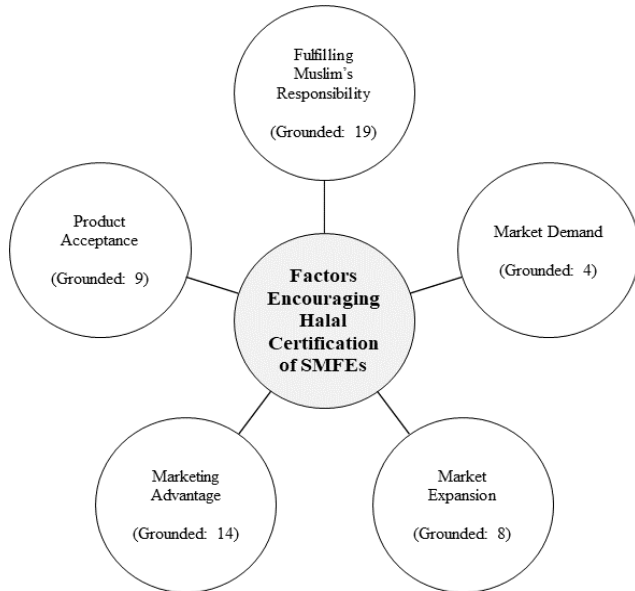


Fig. 3: Network of Factors Encouraging Halal Certification

## SUMMARY AND CONCLUSION

Like majority of empirical researches, this research was not without its own limitations. First and foremost, the research context itself was limiting, focusing on the phenomenon surrounding Malaysia's SMFEs, specifically in Penang area. This would simply mean that the result of the research would only be applicable to the SMFEs in Penang, therefore cannot be generalized. Additionally, only 12 of the respondents were interviewed, thus the findings cannot represent the thoughts and perspectives of majority of SMFEs operators in Penang, let alone in other states in Malaysia.

In relation to research limitations, several recommendations were identified to determine directions for future research endeavors within the same area. Firstly, it is deemed sensible to include more respondents in the sample pool, especially two groups; (i) SMFEs owners / managers whom do not yet gain Halal certification, and (ii) representatives from MNCs. This approach could produce more rounded findings, and as a result, a more comprehensive understanding of the issue at hand.

Halal had become a global phenomenon in the past 2 decades ago, and became an economy sector in its own right. Halal had stimulated economy in both Islamic and non- Islamic nations, generated vast income to Halal-producing industries, and had evolved from just focusing on foods and beverages, to Halal hotels, Halal tourism, Halal cosmetics and personal cares, Halal pharmaceuticals, and many other profitable sub-sectors over the years. On spite of the industrial growth, Halal sector must be reinforced by solid academic framework, such as continuous research and development, to ensure the relevancy and validity of many industrial practices.

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