



A Research Overview of Challenges in The Global Halal Market

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Abstract

Due to the boom in global trade, the halal industry is developing and becoming an important market locally and internationally. With the increasing population of Muslims, the demand for halal products is increasing all over the world. Halal is becoming a global mark increasing quality assurance. Despite the development of the halal industry, some issues and challenges of halal are significantly affecting the national and international markets like lack of government support, the abundance of halal standards, operational inefficiency, certification expenditure, lack of competence of halal auditors, supply chain management, market competitiveness, the uncertainty of the substances used in halal products, and others. The role of the government of any country in the halal industry is very important. In some countries, the government does not support halal, while in some countries with Muslim in majority, halal certification is not obligatory, it is generally believed that all products will be halal. Halal awareness campaigns can reduce these problems. Different standards of halal are followed in various countries, and a unified halal standard could not be agreed upon, which is the biggest challenge in the halal industry for imports and exports. Easy process of accreditation and certification, support for small industries and globally uniform halal standards are need of the day.

Key Words

International Market, Halal Industry, Halal Standard, Halal Certification

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Introduction

The use of Halal and Tayyab is not only a Sharia ruling for Muslims, but it ensures food quality and safety that is best for human health. This is one of the main reasons for the rise of the Halal market among non-Muslim communities. Halal-certified products have also gained popularity in non-Muslim countries and their demand is increasing. It is also a sign of quality assurance, despite all this, the international halal industry is facing problems and challenges. What are the problems and challenges? These will be discussed in this paper.

There are various challenges in the global Halal market. (Zulfakar et al., 2014) found that adequate awareness is necessary for the protection of the halal in the products.

(Samsi et al., 2011) have pointed out that the role of the government in ensuring the integrity of the halal food supply chain is very important. Government responsibilities include development, enforcement, regulation, and education for consumers and halal industry players.

(Evans, 2011) stated that due to diverse Islamic sects and multiple authorities it is hard for halal industry players to have a global halal standard to be followed around the world.

(Tieman, 2011) concluded that trust in the food supply chain is grounded on the halal logo or certification in a society where non-Muslims are involved in buying and selling food.

But these are about particular countries, while this paper is written about the problems and challenges facing the halal market globally.

A study of research papers in different journals, halal food market observations, and interviews with halal industry key players have been conducted for this paper.

Challenges of the International Halal Market

The challenges of the international halal market have been divided into three categories.

- Challenges at the government level
- The issues and challenges related to halal certification bodies
- The issues and challenges related to manufacturers.

1. Issues and Challenges related to Government

1.1 Provisional Halal Governance

In some countries, the provisional government has no authority in making decisions related to Halal to force the states to follow whatever decisions are made at the national level related to Islamic matters. This situation can lead to difficulty in the implementation of decision-making in halal matters. On the other hand, lack of enforcement and no comprehensive halal act also play an important role in this problem.(Noordin et al., 2009)

1.2 Role of Government

The role of the government in the development of the halal industry is very important. In some countries, halal is promoted at the government level, while in some countries, private organizations work for the integrity of halal, but this does not meet the needs of the halal market and consumers, so it is a big challenge to promote halal at the government level.

To protect consumers from unsafe and contaminated food, Halal food traceability should be managed under specific government guidelines. Some examples of government roles include planning, development, regulation, promotion, and education for operators and consumers of the halal industry. Additionally, the government's role covers the establishment of agencies and monitoring bodies to authorize and regulate any aspect related to halal certification, auditing, and guidelines. The government is also responsible for creating awareness among industry players and consumers about the importance of halal guidelines and certification as well as identification of halal food products through education, awareness campaigns, and transmitting information related to the need for halal in the nation.(Golan et al., 2004)

1.3 Lack of Government Support

For the development of the halal industry, it is necessary to get the support of the government. In various countries government does not make efforts or provide facilities for the development of the halal industry, rather the Halal authorities are taking the industry forward as much as they can on their own in the same way in some countries efforts are made for the halal industry by the government. (Y. Abdul Razzaq Khan, personal communication, June 13, 2020)

1.4 The abundance of Halal Standards

The halal industry still lacks a unified halal standard; thus, the pace of industrial development is slowing down. Most countries have developed their halal standards like THAI halal standards, Bruni halal standards, and others, which are followed by the halal industry players. There are also halal authorities in some Muslim and non-Muslim countries that have created multiple standards like SMIIC/OIC, MUIS, MUI, GSO, and others, that lead to questionable halal certification. Due to the several authorities and various Islamic sects, it is hard to have a global standard for the halal industry. Which can be practiced all over the world, so it is difficult to recognize a common halal standard.(Zulfakar et al., 2014)

1.5 Absence of Single Unified Halal Standard

Different standards of halal have been established in different countries. In some countries, more than one halal standard is used due to the presence of multiple organizations and authorities. Consequently, there is currently no consensus on a single halal standard.

This creates uncertainty for producers, making it difficult for them to know which authority to consult to certify their products for a selected market. In addition, the multiplicity of halal standards also results in the need for producers to obtain additional halal certification, either from non-Muslim countries, or from Muslim countries where different standards are recognized, and where they wish to export or import.(Evans & Syed, 2015)

People from various halal certification bodies in the interview stated that the main challenge is that a halal standard for all Muslim countries has not yet been created globally.

2. Challenges Related to Halal Certification Bodies

2.1 Certification Procedure

Generally, the Halal certification process is divided into five stages. 1. Approval of application/documents, 2. Inspection of Premises, 3. Panel Committee, 4. Issuance of Halal certification and 5. Monitoring and enforcement.

This procedure is not the problem, but a small lapse in each step stops the entire process. For example, if the payment of the certification fee is not received, the process will be delayed, and the basic inspection will not be done.

On the other hand, the result of the application and the verification of the supporting documents by the Application Processing Officer may not be sufficient from the auditors' point of view. Premises inspections may require further clarification and expedite the Halal certification process depending on this information.

A Manufacturers Self-Evaluation Support System (MAHSESS) has been proposed in Malaysia to speed up the Halal certification process. Which can potentially improve the Halal certification process. MAHSESS is a web-based information system that is expected to help manufacturers self-assess the halal status of their products before applying. The system also expects certified manufacturers to provide suggestions on alternative halal ingredients.(Noordin et al., 2009)

2.2 Operational Inefficiency

There are two key causes of problems and failures in Halal certification:

1. Applicants
2. Those working internally in the organization.

The reasons for disqualification by the applicant are as follows:

- Lack of understanding of Halal procedures
- Delay in the submission of supporting documents
- Delay in payment of certification fee
- Being unaware of the information sent to them by e-mail or e-halal information system.

Reasons for disqualification by persons working internally in the organization are as follows:

- Lack of expertise and lack of experience of new staff leads to slowness in the process and lack of good coordination reduces the number of halal certification approvals.
- A disorganized filing system also plays a major role in thwarting the successful process of halal certification.
- Taking a long time to complete basic inspections, especially for multinational industries and hotels.
- Delays in receiving lab test results.(Yusuf et al., 2015)

2.3 Trust Issues

Halal consumers buy halal food from halal suppliers, or any mart founded on the belief that Muslims have a religious compulsion to use halal products in their daily life. Not long ago, the Halal logo and Halal certificate were not obligatory in some countries, this is still the case.

When the halal industry was adopted as a business, trust in the supply chain was based on the halal logo or halal certificate. In a multicultural society where Muslims, as well as non-Muslims, are involved in selling and p food products, where most raw materials or ingredients are sourced from around the world, it is important to inform consumers that certain food products are according to halal guidelines and Shariah-compliant. Display the Halal logo or certification on the product's packaging or premises, manufactured following the provisions of the law.

However, consumers are in doubt whether the displayed halal certificate and logo are genuine. There have been several incidents in Malaysia where food traders have been caught displaying fake certificates and self-made logos. These unethical practices undermined consumer confidence.(Tieman, 2011)

Therefore, establishing trust between all parties involved in the management of transportation and movement of halal food products is a major challenge, which is an essential factor to enhance the integrity status of the halal food supply chain.

2.4 High Cost of Certification

The cost of halal certification is a major challenge faced by food business operators due to which manufacturers and companies do not apply for halal certification, The cost is so heavy, especially for start-ups or small-scale local-level business segments. The company's costs are further increased when separate equipment and transportation are used to differentiate between halal and non-halal products after the certification of some products. Laboratory tests required for testing food samples also incur costs, which become difficult for business organizations to meet. Due to that reason, the halal certification has to be ignored.(Mohd Shariff & Lah, 2014)

2.5 Lack of Competence Among Halal Auditors

The lack of competence among Halal auditors can be seen in their inability to deal with the challenges faced in the Halal review process. Identification of new raw materials is a major challenge that Halal auditors find difficult to deal with. When halal executives make inquiries about the use of new raw materials, they expect answers from halal auditors. However, on many occasions, the industry representative defines the raw material status, rather than the halal auditors.

The concern is that industry representatives may manipulate their explanations and auditors may be unable to determine the truth. This lack of competence can destroy the credibility of the halal authority.(Muhammad et al., 2020)

2.6 Understanding of Language

If the audit is in another country, for example, China, then the auditors have difficulty conducting the audit there. Because the auditors and the people where the audit is conducted are unable to understand each other's language. Nor can they understand the ingredients used in the products as most of the products are labeled in the national language.

3. Challenges related to manufacturers

3.1 Supply Chain Management

The halal food supply chain involves the process of managing Halal food products from different points of suppliers to different points of buyers/consumers, including different parties with different places of work/residence at the same time. May also involve managing non-halal products that aim to meet the needs of both halal and non-halal consumers at the same time. In a halal food supply chain, the main objective is not only to ensure that the consumer is satisfied but also to ensure that the halal status of the food product is maintained throughout the supply chain process.(Zulfakar et al., 2014)

It is a major challenge for all parties concerned to ensure that the integrity of halal products is maintained throughout the supply chain.

3.2 Fake Halal Certificates

The main purpose of Halal certification is to ensure that the product meets Halal requirements. Halal requirements mean that a product complies with Islamic principles of hygiene, humane treatment of animals, and other rules related to the production process. Now Muslims are making their presence felt socially and politically and are demanding Halal-labeled products.(Abdul et al., 2009)

There are many fake halal certificate providers in the market, only give importance to business instead of halal integrity. Therefore, it is important to obtain Halal certification from a reputable and licensed agency. which shows that the products meet Islamic dietary norms. In addition, Halal certification is also available for eateries, cafes and various restaurants as Muslims look for certified places to eat. This shows that Halal certification applies not only to buying groceries and meat but also to food service providers.

3.3 Transportation

For the integrity of halal, halal should be prevented from non-halal products during transportation and distribution. Appropriate means of transportation for storing and transporting Halal food products that support the Halal integrity of the product as the Halal food product is separated from other possible non-Halal products that may contaminate it.

If halal food producers have their transportation system and deliver to buyers themselves, the mixing of halal and non-halal can be minimized or almost eliminated.

3.4 Market Competitiveness

In various countries, there are SMEs (Small and Medium Enterprises) associated with Halal food products. However, since they operate on a small scale. Therefore, competition among their business rivals is very challenging due to constraints of capital, technology, weak business networks, and lack of experience in marketing their products. Due to these constraints, the products of SMEs are considered to be of lower quality than the products of multinational companies.(Omar, 2013)

3.5 Lack of Understanding

Not fully understanding halal is a major problem for the halal industry. All Halal requirements that manufacturers, service providers, and consumers need to understand the most common misunderstanding of Halal by consumers and non-Muslim manufacturers are that they see Halal as a religious requirement for Muslims only. and it is assumed that the product is considered halal as long as there is no pork or alcohol present. For example, fruits and vegetables are halal, but if alcohol or any other harmful

substance is added to them to preserve them for a long time or to make further products, the final product will not be considered halal.(Abd Kadir et al., 2016)

3.6 Uncertainty of the Substances Used in Halal Products

The increasing development of the food industry has introduced a variety of food substances derived from plants and animals. The challenge for the user here is how to get familiar with these substances. By reading the label on the product packaging, the consumer spends most of the time determining whether the ingredients present in it are halal or not. For certain substances, producers use special terms that are incomprehensible to the average consumer. Therefore, consumers remain in doubt about these products. These substances can only be identified after the product is tested by specific institutions. (Damit et al., 2017)

3.7 Cleanliness

It has often been seen that manufacturers and producers do not take care of cleanliness, on one hand, products are made or packaged, and on the other hand, waste material or waste is thrown, and this material remains read for several days, due to which Most of the halal certification bodies do not certify them. Therefore, Halal certification should be mandatory for every food manufacturer. Producers and sellers of all types of food must undergo mandatory halal certification from regulatory food authorities. (M. A. Munir, personal communication, June 13, 2020)

3.8 Hygiene Issues

It is often observed that food items are found in retries or small shops, where insects can easily reach them, such as a butcher's shop where flies are buzzing. It is quite harmful to human health. If low-level manufacturers are forced to adhere to hygiene norms, it will increase the cost of the product and increase prices.

3.9 Lack of Awareness

Most of the time Islamic countries where the majority are Muslims and prefer halal, it is generally believed that any food product that will be made will be halal, so people pay less attention to halal certification. Most of the manufacturers do not pay attention to Halal certification and consider it as extra and the reason is that people do not ask for it due to a lack of knowledge and awareness. (J. A. Awan, personal communication, June 13, 2022)

Conclusion

- The role of the government is very important to meet the needs of the halal industry

- In some countries, halal is not promoted at the government level, due to which the halal industry does not develop.
- Many countries are playing their role in the halal industry but work under different standards. A unified halal standard has not yet been formed till the present time.
- Maintaining trust between all parties involved in halal food products is essential to enhance the integrity of the halal food supply chain.
- Most manufacturers do not get their products certified and this is due to the cost of certification, which is not affordable for them.
- In most Muslim countries, halal certification is generally not given importance, and this is because due to the majority of Muslims there, it is believed that all products will be halal.

Recommendations

- Halal food manufacturers should develop their transportation systems to self-deliver to customers to minimize the mixing of halal and non-halal products.
- The halal industry must have the support of the government, so all the institutions that work privately should perform their responsibilities under the supervision of the government.
- Those working in the field of halal standards should work for the development of a uniform halal standard.
- Halal awareness programs should be organized at all levels so that awareness about halal can be created among the people.
- Those working in the halal industry should strictly adhere to halal from raw material to end product so that they can be trusted.
- The cost of certification should be reduced so that manufacturers can easily certify their halal products.
- Halal certification should be made mandatory for food manufacturers. Producers and sellers of all types of food should get halal certification from regulatory food authorities.

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