PRODUCTION OF HALAL PRODUCTS: FARDHU KIFAYAH AMONG MUSLIM SMES, CONTRIBUTION TO MUSLIM COMMUNITIES

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Abstract: The Halal industry is one of the most important national agendas in Malaysia and the government has taken many initiatives to promote the industry. This concept paper discusses the engagement of Muslim SMEs in the Halal industry as Fardhu Kifayah for the community. For this purpose, the concept of Halal, Fardhu Kifayah and SMEs is explained based on various articles and documents. The discussion in this paper concluded that religious knowledge, government support, human capital development and nurturing young Halal entrepreneurs (Halalpreneur) are among the important issues that need to be considered and supported by the respective authorities to attract Muslim SMEs for a better future of Halal industry. It is expected that the discussion in this paper will be useful to SMEs, authorities involved in Halal development and academics concerned with the concept of Halal and Fardhu Kifayah.

Keywords: Fardhu Kifayah, Halal, Halalpreneur, Small, Medium and Enterprises
Introduction

The aim of this article is to provide an insight into the commitment of Muslim-owned small and medium enterprises (SMEs) to Halal in order to meet the requirements of Fardhu Kifayah. For us, developing Halal is a community commitment (Fardhu Kifayah) for SMEs and consuming Halal products is a personal commitment (Fardhu Ain) for Muslim consumers (Wahab, 2021). This paper believes that knowledge of Fardhu Kifayah also needs to be studied and researched for the welfare and preservation of harmony of all Muslims. As a Muslim-owned SME, the production of halal goods is a must because it is part of Islamic principles. If not, who else should do it? To justify this, we should ensure that Muslim SMEs are aware of the importance of adhering to Halal standards and Halal certification (Mohamad and Backhouse, 2014; Othman et al., 2019; Rahman et al., 2022).

SMEs play a role in providing services to improve Halal integrity along the supply chain, which promotes the growth of the Halal ecosystem as a whole. According to The Malaysian Reserve (2021), of the 987,000 SMEs in Malaysia in 2021, 7,000 SMEs are Halal certified and only 1,900 SMEs export. If more SMEs are Halal certified, they can further expand the export market and succeed in the industry. Halal certification adds value to existing products and will help companies expand their market in the long run (Deuraseh et al., 2021).

As mentioned in Ab. Talib and Wahab (2021), the governments of Muslim-majority countries such as Malaysia, Indonesia, Brunei and some other countries have already recognised the importance of SMEs and have introduced various policies and action plans as well as Halal-related programmes to support them. Although Halal requirements vary from country to country due to factors such as different Halal standards, politics, culture and public interest in each country (Man and Pauzi, 2017; Mamat et al., 2017), standardisation is very important and is considered a milestone, followed by an appropriate certification, inspection and monitoring process, as well as support systems for policy makers in regulating Halal (Demirci et al., 2016). As suggested by Yahaya and Ruzulan (2020), the relevant authorities or agencies should ensure timely enforcement and monitoring that premises or halal operators with halal certification consistently comply with Halal tayyiban procedures and Shariah standards in the continuous provision of halal food and beverages to Muslim customers.

According to Mohd Yunus et al. (20210), the words Halal and Tayyib are mentioned repeatedly in the Holy Quran, always in connection with the acceptance of a certain action and as a quality standard for goods or products. Halalan Thayyiban is something that Muslim-owned SMEs must have a firm grip on. The principle is a must under Islamic law, apart from the requirements of the Maqasid Shariah. which ensures, among other things, that the entire food chain must be ethical, responsible and resilient, and it is not limited to the slaughter process, but also includes other processes such as transport, processing and logistics to ensure the integrity of the supply chain holistically (Ashraf and Abd Rahman, 2018; Mustaffa, 2019; Saed, 2019). As suggested by Sungit et al., (2020) The Guidelines for Islamic Manufacturing Practises (IMP) can potentially become a Muslim-friendly best practise standard for manufacturing. Some changes are suggested, which should take into account the maqasid-based framework consisting of the application of shariah and Islamic jurisprudence as the basis of the standard.
Literature Review

Halal Industry

The word Halal is an Arabic word which literally means permissible, usually used as lawful or allowed. The Halal industry has now expanded far beyond the food sector and the economic potential of Halal has spread to other sectors such as clothing, animal foods, health and wellness products, Halal tourism, finance and trade and Halal logistics. The Halal concept has evolved from a niche market to a lifestyle concept (Elasrag, 2016; Azam and Abdullah, 2020). Halal Malaysia is not only a valuable tool for consumers, but also allows companies to market their products to a whole new segment of the population. The prestigious Halal certification has also made Malaysia an ideal location for companies from other countries to access the international Halal market. Therefore, the government has urged local companies to take advantage of the country's position in the global Halal industry. It is estimated that the global Halal market will reach US$5.0 trillion (RM20.92 trillion) by 2030, while the domestic market is expected to reach US$113.2 billion (RM473.57 billion) (The Star, 2021). By looking at the figures, this industry is indeed a promising and very demanding globally.

Halal is no longer seen only as a religious obligation or observance for Muslims, but also as a new driver for the economy (Ruzulan et al., 2021). As mentioned by Rahman et al. (2018) and supported by Rashid and Bojei (2019), Malaysia has a complete Halal ecosystem. The government supports Halal development programmes, has put in place policies and procedures such as tax incentives, and has established a robust framework to guide Halal industry players. Halal development in Malaysia is well regulated, with JAKIM and HDC at the forefront of Halal regulation and industry development. Efforts to promote and improve the Halal industry include collaboration between ministries and government agencies. For example, the Halal development programmes organised by MITI Malaysia, HDC and Malaysia Standards: Halal Food - Production, Preparation, Handling and Storage - Department of Standards Malaysia General Guidelines. As supported by Nurrachmi (2017), the strong platform for the development of the Halal food industry in Malaysia is the conduct of workshops and trainings to produce compatible human resources (HR) and Halal standardisation through JAKIM (Malaysian Halal Board), which is becoming the reference for Halal food certificates in Japan Thailand, Australia, the United Kingdoms, Saudi Arabia, UAE, Europe (Othman and Sungkar, 2009).

As a multi-ethnic nation with diverse religious backgrounds, it is an asset for food manufacturers and producers in Malaysia to apply Halal principles to their products. In terms of Halal marketing, JAKIM-certified Halal Malaysia also boosts customer confidence. However, the non-Muslim players seem to be ready and aware of the huge development of the Halal market compared to the Muslim SMEs. They are actively competing in the Halal market domestically and globally because they recognise the importance of Halal and see it as a competitive advantage for their business (Nooh et al., 2016). Given this trend, the study believes that Muslim SMEs should also take the opportunity to be a halal-certified company, from a business perspective as a competitive advantage, but from an Islamic perspective it is part of their responsibility towards Muslim consumers (Ibrahim et al., 2010).

Fardhu Kifayah

Fardhu kifayah fosters a sense of shared responsibility among community members, regardless of the identity of the performer, to realise religious and secular public interests. As is common knowledge among Muslims, shared responsibility means that all members of the community
are exempt from the religious responsibility of that obligation when the obligation is fulfilled - regardless of the number of moral agents (mukallafīn) required to do so. If no one fulfils the obligations, all members of the respective community are held accountable. According to Musa et al., (2021), entrepreneurs seem to fulfil the requirements of Fardhu Kifayah with their businesses when they provide services to the Muslim community.

As referred to Shafie and Othman (2006); Nik Muhammad et al., (2009); Yusuf et al., (2016) Halal industry is actually creating a supportive system. The Muslims demand for Halal products is part of Fardhu Ain, while the industry players supply or provide the products according to the certain guidelines established by the authorities is the Fardhu Kifayah. In line with Shauqi et al., (2019) and Abbas et al., (2020), they believed that Islamic marketing is a process and strategy (hikmah) of satisfying needs through Halal and tayyiban products and services with the mutual consent and well-being (falah) of buyers and sellers to achieve material and spiritual well-being in this world and hereafter.

Trade is an act of ibadah which is part of fardhu kifayah as mentioned in the Quran:

"And Allah has permitted trade and forbidden usury".  
(al - Baqarah: 275).

As mentioned by Mohamad et al., (2018), the moderation effect of Islamic value would prove the importance of adopting transparency, fidelity, effective communication and good decision-making by entrepreneurs as the factors that influence the positive development of business success. The role of Muslim entrepreneurs in the context of the Muslim market and Halal cosmetics and personal care products is motivated by the needs of the Ummah (society) and fulfils the Fardhu Kifayah. The participation of more Muslim entrepreneurs in the Halal industry will ensure the Halality of the products and guarantee the implementation of Maqasid al Shariah. According to Saaed (2019), the knowledge of the Maqasid al Shariah is important for mujtahids not only to understand or interpret the texts of the Shariah, but also to derive solutions to contemporary problems faced by Muslims. The concept of Maqasid al Shariah also provides clear guidance and a framework for the process of ijtihad to solve problems in accordance with human interests and the will of Allah.

As stated by Ibrahim et al., (2010), Halal and Haram issues are serious matters for Muslims; they added, it is the responsibility of every Muslim to be ethical in their daily business practices and to act responsibly towards the community in which it serves. As referred to the part of Al Baqarah, ayah 275:

“Allah has permitted trade and forbidden interest.”

and in Surah Al-Munaafiqoon: 9:

“O, you who believe! Do not let your wealth or your children divert you from the Remembrance of Allah. And whoever does that, then such are the losers.”

According to Abdul Rahim (2020), the profitable market offered by the Halal sector not only maximises corporate profit but also contributes to social responsibility towards customers. This is in line with Idris et al., (2022) who suggested that sustainable development goals are driven and rooted in the Halal ecosystem as a functioning and effective Halal food supply chain will
serve as a core element for sustainable Halal food security. Indirectly, both studies found that Halal is part of Fardhu Kifayah for Muslim business people. Halal offers good business opportunities for all. Therefore, those involved in the Halal industry, especially Muslim traders, should take the following principles to heart: Love God and His commandments more than your trade or business, be honest and truthful, keep your word, be modest in your lifestyle, do not trade in deceit, do not bribe and act justly. It is important for Muslim SMEs to engage in Halal business properly and act ethically to capture the lucrative Halal market and follow the Islamic principles mentioned above.

Small Medium and Enterprises

Small and medium-sized enterprises (SMEs) are enterprises whose revenues, assets or number of employees are below a certain threshold. Each country has its own definition of what constitutes a small and medium-sized enterprise. Certain size criteria must be met and sometimes the industry in which the company operates is also taken into account. As there have been many developments in the economy since 2005, such as price inflation, structural changes and changing business trends, a review of the definition was undertaken in 2013 and a new SME definition was adopted at the 14th meeting. The definition was simplified as follows: (SME Corp. 2022).
- Services and other sectors: turnover of not more than RM20 million OR Full-time employees of not more than 75 workers
- Manufacturing: Turnover of not more than RM50 million OR Full-time employees of not more than 200 workers
- Micro enterprises in all sectors: turnover of less than RM300,000 OR less than 5 full-time employees.

If an enterprise meets either of the two criteria for the different enterprise sizes, then the smaller size applies. For example, if the turnover of an enterprise falls under the micro enterprise criterion but the number of employees falls under the small enterprise criterion, the enterprise is classified as a micro enterprise.

As mentioned, in 2020, there are 200,000 SMEs involved in the domestic Halal industry, however less than 10,000 are Halal certified (HDC, 2020), and in 2021, of the 987,000 SMEs only 7,000 SMEs are Halal certified (The Malaysian Reserve, 2021). 75 per cent of SMEs failed in their first application for Halal certification because they were not sufficiently sensitised and prepared. The most common problem is that they do not fully understand the requirements of the certification. The rejection then led them to abandon their desire to reapply for Halal certification. Some of them claimed that the process or procedure was too complicated and required high expenses.

According to Pauzi and Man (2019), Bumiputera SMEs were having problem in obtaining Halal certification due to lack of capital, low awareness and readiness for Halal certification. In addition, as mentioned by Safian (2020) some of the Muslim owned businesses that Halal certified only focus on the certification process, they are lacking in terms of auditing, monitoring and understanding the commitment to implement the Halal governance system as part of the Fardhu Kifayah. As supported by Nadzri and Abd. Rahman (2020), the Muslim entrepreneurs or SMEs must pursue the concept of Halal and Tayyiban as a whole and not only focusing on producing goods. As the world becomes more concerned with environmental impact, responsible business practises, quality assurance and health safety, Halal products have become more important to both Muslim and non-Muslim consumers.
Another interesting issue related to Halal and SMEs is the involvement of young entrepreneurs in Halal food products. According to Nursalwani et al., (2021), young entrepreneurs' engagement in Halal food products was high and social norms and perceived behavioural control significantly influenced young entrepreneurs' engagement in Halal food products. Therefore, they suggested that the government can help young entrepreneurs financially and enable the continued success of Muslim SMEs.

Discussion
Religious knowledge has a significant impact on food producers' awareness of undertaking Halal certification and also on their motivation to make profits from Halal certification. As Arif et al., (2021) stated, there are five (5) barriers that contribute to the difficulty for entrepreneurs or SMEs to obtain Halal certification for their products, such as lack of capital, lack of understanding of Halal requirements, strict procedures, lack of support and guidance, and misconceptions about the Halal certification process. In most cases, because they are Muslims, they can automatically claim that they serve or produce Halal. Due to the lack of awareness and willingness to become a Halal certified company, 75% of SMEs failed in their first application for Halal certification. They claimed that the process or procedures are too complicated and require high expenses.

Arif et al., (2021) also suggested that the government and all other government affiliates must be much more willing to provide help, guidance, support and attention to entrepreneurs so that they are able to obtain a Halal certificate and the certification can help them market their products. Problems with marketing and the market have always been an obstacle to the growth of the small industry. The support from the government should be able to help the small Halal food industry to overcome all business challenges to achieve greater excellence. In addition, it is also our responsibility as Muslim consumers to ensure that Muslim entrepreneurs are aware of their responsibility to apply for Halal certification and become a Halal-certified business. As Abdullah and Azam (2020) mention, any Muslim person who is engaged in business in the global Halal industry with the aim of producing only Halal products and services and conducting their business in a Shari'ah-compliant manner is called a Halalpreneur. They also proposed to identify and solve the problems and challenges faced by Halalpreneurs in the Halal industry.

Another important point is the need to develop human capital and manpower in the Halal industry through various programmes related to the Halal industry such as biotechnology, food technology and biomedicine. The expertise of the industry is needed as they play an important role in providing services to improve Halal integrity along the supply chain. At the same time contributes to the growth of the Halal ecosystem as a whole and provides them with good employment opportunities and the chance to serve Halal businesses locally and globally.

Another point that should be highlighted is the encouragement of young Muslim entrepreneurs to actively support the Halal industry. The relevant authorities should encourage and financially support them and encourage them to participate in the Halal programmes. The participation of the younger generation is very important for the current Halal programmes initiated by the government to ensure that the Halal programmes are sustainable and benefit the future generations. Halal industry must always be an important issue for our country because it is not only a Fardhu Kifayah for Muslim SMEs, but more importantly Halal is a must for Muslim consumers. Moreover, Halal certification is important for businesses as it can be a marketing tool to gain customer trust a larger target market, additional safety standards, enhanced global
reputation, brand image and competitive advantage (Shafie and Othman, 2006; Abdullah and Azam, 2020) and also an act of Fardu Kifayah. (Hasan and Tanakinjal, 2020; The Star, 2021).

Muslim SMEs must act responsibly and ethically, because Halal is not just about certification or the logo, but above all about preparation, food safety and hygienic and clean procedures. They need to be aware that a certified Halal business also brings with it a high level of responsibility, not only towards the company, but also towards Muslim consumers (the Ummah). Religious knowledge is also important. As stated by Hasan and Tanakinjal (2020) p. 112, according to Abdullah and Azam (2020), ‘Halal entrepreneurs are the "Khalifah" and have the responsibility to develop wealth and see business as part of the "Ibadah" or good deed by fulfilling the Fardhu Kifayah (community duty) by serving the Ummah and humanity and paying special attention to all the details of the supply chain from manufacturing to the final products with Ihsan’. As Mustaffa et al. (2019) point out, the issue of Halal should be related to the fiqih of consumption, and all components of consumers, entrepreneurs and commodities are based on Islamic laws and are closely related to the concepts of Halal and Haram

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Al-Quran


