

CHAPTER 1

INTRODUCTION

1.0 Introduction

The development of the halal industry today has boosted the country's economy. This development is not only happening in the country but also abroad. For example, Malaysia has exported halal food overseas an increase of 10.4 per cent (RM42 billion) compared to previous years (Lim Ban Hong, 2020). The development of the halal industry has created many job opportunities for locals. This situation has enabled the locals to have a source of income to cover their daily living costs.

The development of the halal industry also attracts foreign investors to invest in Malaysia. The Malaysian halal industry has accumulated a total investment of RM 16.1 billion since 2011. Of the total, RM 9.5 billion or 59 per cent is direct investment (FDI) while RM 6.6 billion or 41 per cent is domestic direct investment (DDI). According to Halal Development Corporation Berhad (HDC), domestic direct investment in the local halal industry saw a jump of RM 0.2 billion or 1.25 per cent even though at that time the country was facing the covid-19 virus.

According to the Chief Executive Officer of the Malaysian Halal Industry Development Corporation (HDC), halal food and beverages remain a major contributor to the halal economy with a contribution of RM 12.64 billion, cosmetics and personal care of RM 2.95 billion, palm oil derivatives of RM 1.26 billion, ingredients chemicals of

RM 917.2 million and pharmaceuticals of RM 400.9 million (Sinar Harian, 2020). An analysis conducted by HDC shows that the economic potential of the halal industry is largely responsible for encouraging foreign and domestic investment, especially in palm oil production (Sinar Harian, 2020).

The above data clearly shows that the halal food and beverage industry provide lucrative returns to the country as it has the full support of the government with the provision of various marketing infrastructure, policy improvements, support services and recognition (Norlaila et al, 2007). A state which uphold Islam as official religion and a country for the vast majority of Muslims is an advantage to lead the halal food industry. This is supported by awareness of the importance of halal and safe food, increasing Muslim purchasing power, consumption of halal products by non-Muslim consumers, government commitment and efforts to make Malaysia a halal product processing center are among the factors that can drive this industry.

This chapter, therefore, begins with the background of research that introduces the overall picture of halal industries worldwide. Next, the problem statement discusses the issues and obstacles which become the purpose of this study. Besides that, research questions and research objectives are developed according to the problem statements. The significance of the study and its limitation also are covered in this chapter.

1.1 Background of Research

According to the 12th Malaysia Plan (RMK-12) document issued by the Economic Planning Unit (EPU), the halal industry is expected to contribute 8.1 percent of Gross Domestic Product (GDP) and generate export revenue of RM 56 billion in 2025 (Berita

Harian Online, 2021). Therefore, the development of the halal industry needs to be strengthened to produce local halal industry players who are competitive in seizing greater global halal market opportunities.

To achieve the targets set out in the 12th Malaysia Plan, all parties involved need to play their respective roles, especially in the halal food industry. Halal food is growing rapidly in Malaysia because the majority of people there are Muslims. This is because Muslims are required to eat halal food to maintain a healthy body and mind as explained in verse 168 of surah al-Baqarah:

”يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ ۚ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ

Meaning: O you people! Eat of what is on earth, lawful and good: and do not follow the footsteps of the Evil One, for he is to you an avowed enemy.

Halal food is not only a physical guardian but it can also form good morals, allow every prayer to be easily granted, stay away from the punishment of the hereafter and most importantly get the pleasure of Allah.

For the production of halal food, everyone involved in the production process of halal food products must hold responsibility or trust to the best of their ability. This trust or responsibility is closely related to integrity. This process includes the preparation of raw materials, manufacturing process, storage, manufacturing, packaging and even transportation. So, to ensure that a product is halal, each party involved in the processing must perform the duties of responsibility properly.

1.2 Problem Statement

By 2030, the global Muslim population is expected to exceed 2.2 billion people (Fairul Asmaini Mohd Pilus, 2018). In order to keep up with population expansion and global demand for halal products, Muslims must strengthen the halal business. The key source of interest for halal product operators is the value of the halal market, which is predicted to grow by RM2 trillion each year.

Food, beverages, food additives, cosmetics, medications, vaccines, pet food, logistics, and Islamic finance are just a few of the halal products and services available to Muslim and non-Muslim customers. Various questions about a product's or service's halal status occur nowadays. Quality, safety, and purity are not always guaranteed with halal items (toyyib). Halal is a term that refers to a wide range of things, not just raw ingredients (Omar, et al, 2022).

Halal begins with the distribution of raw materials to producers and continues until the finished product is processed for consumption or usage. When there is no physical distinction between halal and illegal items, especially during transit, storage, and handling along the food supply chain, the problem of halal status arises frequently (Suhailiza Zailani, 2009).

Even while producers, carriers, operators, and consumers are supported by technological sophistication and public concern about what is eaten or used, halal integrity is sometimes disregarded as the production process gets more sophisticated to suit the increasing demand of customers. The bulk of Muslim customers is now well-informed and concerned about halal certification. Muslim customers place a premium on a product's cleanliness, safety, and purity (toyyib). However, a variety of concerns that have arisen in

recent years have left the community confused about the halal designation (Suhailiza Zailani, 2009).

Various reports have been released expressing issues about a product's halal certification, and consumers are becoming increasingly exposed to products that are suspected of containing unlawful ingredients in Islam (Noordin et al, 2009). The use of halal logos on food, health items, and even in restaurants that may be wary of customers has also angered the country's Muslim community. This is not an issue to be taken lightly or dismissed. Consumers will be more cautious while purchasing food and other things used on a regular basis.

The most recent issue concerning this integrity is the subject of cartel meat. The breakup of meat cartels imported from numerous foreign countries startled Malaysia last year (Nizam Ab Rahman, Ariff Azly Muhammed, 2021). There are problems in the food supply chain process, as evidenced by this issue. This is demonstrated by revelations concerning top officials' involvement in the import approval process.

The meat cartel issue has impacted and generated issues about the worth of national authorities' honesty, as well as ruining the national system's reputation (Zainudin Elias, 2009). Although only a few officers are affected by the issue of integrity principles, the entire organization is affected.

Other than these issues, several cases happen in the halal industry that are related to integrity such as many businesses have been found to use confusing statements and halal logos regarding their products and services (Kamisah et al, 2018). Besides that, detection of pig-DNA and non-compliance with halal requirements have shaken the confidence of Muslim consumers (Kamisah, 2016). Because of that, this research is being conducted with

the purpose, which analysing the level of integrity among halal executives in the food industries. Furthermore, it is important to ensure all the halal executives able to meet the demand of the industry and makes both parties get to benefit from the contract.

This study also covers the understanding of Islam toward halal executives in Malaysia. The issue of halal and haram products is an important issue to be addressed by Muslims. From the Islamic perspective, the use of the product needs to be based on the concept of good and halal products. Islam has laid out the guidelines and the rules of Halal and haram in the Quran and Sunnah. This means that it is closely related to the faith of the Muslims.

Not only that, but Islam also emphasizes their followers to be integrity people in their working life. The appreciation of integrity is also in line with the demands of Islam that teach its followers to appreciate the virtues as fought by the prophet in a hadith:

إِنَّمَا بُعِثْتُ لِأَتَمِّمَ صَالِحَ الْأَخْلَاقِ

Meaning: "Indeed, I was sent to uphold and complement ethical values."

The hadith above is about moral being important in Islam. An employee must adhere to the principles of integrity, and always be trustworthy, honest, and transparent in the sense of responsibility while highlighting other simple qualities such as diligence, diligence, discipline and prioritization of quality and perfection in every task.

An employee is considered insecure and disobeys his promise of committing any form of fraud, fraud, manipulation, or corruption and it may have an illicit effect on his income as a result of illegal sources. Indeed, this act invites the wrath of Allah.

1.3 Research Question

1. What is the level of Islamic understanding among halal executives in halal food industries in Malaysia?
2. What is the religiosity level among halal executive in halal food industries in Malaysia?
3. What is the level of integrity among halal executives in halal food industries in Malaysia?
4. Is there any correlation between halal executive Islamic integrity towards halal food industries in Malaysia?

1.4 Research Objectives

1. To identify the level of Islamic understanding among Halal executives in halal food industries in Malaysia;
2. To recognize the level of religiosity among halal executives in halal food industries in Malaysia;
3. To examine the level of integrity among halal executives in halal food industries in Malaysia; and
4. To analyze the correlation between understanding of Islam, religiosity, and halal executive integrity in halal food industries in Malaysia.

1.5 Significance of Study

This study is closely related to the society and Muslim community in Malaysia. Specifically, this study may benefit many parties. The results of this study are useful not only for a Muslim individual but for all Muslims to understand the importance of halal food for their spirituality, well-being and personal development. This study also opened the Muslim mind to know how to make each meal taken to ensure that the food goes through a clean process and is in accordance with Islamic principles. Muslims need to protect their stomachs to ensure that their worship is acceptable to Allah Almighty. Therefore, it is hoped that this study may provide a better understanding for Muslim consumers in choosing halal food products. This study also aims to show the greatness of halal food in the eyes of non-Muslims. As a result, it may attract non-Muslims to learn more about halal foods and indirectly study Islam.

This study wishes to identify perceptions of the integrity and Islamic religiosity among those who are involved in the halal industry. The results of this study provide the framework of Islamic religiosity and its correlation with integrity practices in the working environment specifically in halal industries. The promotion of halal food can be broadened in line with the impact of awareness of halal food in psychology. The various halal food products on the market can be used to promote their products. This study also predicts the ability to predict the use of halal foods (attitudes, norms, perceived behaviours, and religious beliefs). This analysis provides a general overview of the industry community in the selection of the best factors that use halal food consumers. Therefore, they can use this method to enhance their halal food marketing strategies.

1.6 Key Word Definitions

1.6.1 Islamic Worldview

The Islamic worldview constructs describe Islam as the paradigm of monotheism (divine doctrine union/union of God) and measured or evaluated especially through Islamic beliefs (aqidah), which details what a Muslim should know, believe and deeply understand about God and religion as prescribed by the Qur'an and the sunnah of the Prophet Muhammad, represents two main sources Islamic religious law, beliefs and practices in Islam (Abdul Lateef, et al 2005).

1.6.2 Religiosity

The words practices and religiosity are always interchangeably used by scholars. The understanding of the concept is, however, similar. On that note, this study uses the word religiosity throughout the study, which refers to the five pillars of Islam: the declaration of faith (shahadah), daily prayers (salah), fasting during the month of Ramadan (sawm), almsgiving (zakat), and the pilgrimage to Mecca (hajj) at least once in a lifetime.

1.6.3 Halal Integrity

Halal integrity is described as a framework that ensures the halal quality is protected throughout the production chain (Halal Industry Development Corporation, 2015). It is the process that ensures the integrity of halal standards remains of the most quality and provides solutions that will meet the demands of Islamic shariah principles.

1.6.4 Halal Executive

According to MS 1500 clause 4.1.2, a halal executive refers to the individual who is responsible for ensuring the implementation of the halal internal control system. In addition, the Manual Procedure for Malaysia Halal Certification (MPPHM) Third Review (2014) states that halal executives are Malaysian Muslims with a background in Islamic education or have a halal executive certificate and are responsible for ensuring halal compliance in the company.

1.6.5 Halal Food Industries

The Malaysian State Islamic Development Department (JAKIM) and the State Islamic Religious Department (JAIN) (Puziah Hashim, 2009) or the State Islamic Religious Council (Major) (Harlida Abdul Wahab & Alias Azhar, 2014) are the main single bodies that offer halal certification that is recognised by the government. Applications for products to be marketed in the country can be submitted to JAIN, whereas applications for products to be marketed internationally or nationally must be submitted to JAKIM (JAKIM, 2005). For having a strong industry, producing and marketing halal products, strong linkages with major world commerce, and solid government support, the Malaysian halal certificate is given by JAKIM is renowned worldwide and is an internationally trusted halal logo (Ahmad Hidayat Buang & Zulzaidi Mahmud, 2012).

In Malaysia, halal legal laws, rules, and standards are founded on the ideas and concepts of halal found in the Qur'an and Sunnah, as well as the opinions of

famous Islamic scholars (Ahmad Hidayat Buang & Zulzaidi Mahmud, 2012). The Trade Descriptions Act 2011 and the Food Act 1983 (Harlida Abdul Wahab & Alias Azhar, 2014) are two pieces of legislation in Malaysia that deal with halal issues.

The Halal Industry Development Corporation (HDC), which is controlled by the Malaysian government, was founded to promote Malaysia as a global halal hub. HDC's functions include championing halal standards, such as halal audit and certification processes, to protect halal integrity, influencing the development of the Halal industry to enable companies marketing halal products to enter the global market, developing and promoting the Malaysian halal brand, and promoting halal product concept and service across Malaysia.

1.7 Conclusion

In conclusion, this research identifies the objectives of this research which is to examine the Islamic religiosity among halal executives in Malaysia. Besides, this study also wants to identify the perception of integrity among halal executives in Malaysia and to examine a correlation between the understanding of Islamic religiosity and halal integrity practices among halal executives in Malaysia. In this chapter, the problem statement has discussed and pointed out the problem regarding the integrity issue in the halal industry.