Chronology of Malaysia Halal Industry Development

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To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v14-i6/21709 DOI:10.6007/IJARBSS/v14-i6/21709

Published Date: 22 June 2024

Abstract
The high demand for products with halal certification by Muslim consumers helps them to make wise decisions about the products that they should purchase and cast away their feelings of uncertainty. To meet the needs of consumers for halal products, the process of halal industry development in Malaysia started 60 years ago with strategies and planning. This timeline covers developments and historical occurrences that have relevance to Malaysia's halal sector development from 1957 to 2020. The halal business continued to grow and prosper annually. The Malaysian government and businesspeople worked very hard in the halal sector. The Second Industry Master Plan (1996-2005), the Third Industrial Master Plan (2006-2020), the Ninth Malaysia Plan (1998-2010), and the National Agriculture Policy (1998-2010) all mention the halal industry. It has given Malaysia numerous benefits today, helping the country become a leader in this field. In addition to satisfying Muslim consumers' needs, this sector is crucial for raising governmental revenue.

Keywords: Halal Development, Halal Industry, Government Programs.

Introduction
Islam was first started in the region of the Arabian Peninsula which later spread across Asia, Central Asia, the Indian Subcontinent, the Far East, the Malay Archipelago, Indochina, Africa, Europe, and other parts of the world. Islam is one of the fastest-growing religions, a faith, practiced by Islamic followers, known as Muslim that continue to grow in absolute numbers. The global Muslim population is expected to increase even further by the year 2050. Based on the best data gathered from the National Association of Securities Dealers Automated Quotations (NASDAQ), a market trading system that looks 38 years into the future showed measurable trends since 2012 providing a rich demographic portrait of the Muslims around
In 2012, the number of the Muslim population was 1.8 billion. The numbers are expected to increase from 2.2 billion to 2.6 billion in 2030 and 2050. The increasing numbers among the Muslim population around the world trigger a system of morals that is based on the sharia to guide their actions and behavior which originates from the rules set out in the Qur’an and the Hadith. Guarded by religious obligations, most observant Muslims rather choose products with halal prescriptions that they believe meet the requirements and are safe for consumption.

Islamic practices have been followed by Muslims throughout generations, and their awareness and concern for the importance of halal products apart from satisfying their preferences, balances their harmonious and peaceful living. Halal does not necessarily pertain to food, it can also be referred to any aspect of life like wearing acceptable clothing made from fabric that is permissible, certified individual products of which the production process and ingredients are halal following the Islamic teachings. If the current trends continue with more Muslim inhabitants in 2050 (see for example Figure 1.1) hence more of these Muslim consumers want to know more about how their product was produced, where it originates from, and resulting in higher demand for halal products.

The high demand for products with halal certification by Muslim consumers helps them to make wise decisions about the products that they should purchase and cast away their feelings of uncertainty. To meet the needs of consumers for halal products, the process of halal industry development in Malaysia started 60 years ago with strategies and planning. This chronology is a series of historical events and innovations applicable to the developing Halal industry in Malaysia from 1957 until 2020. The halal industry showed a positive development year after year. A lot of efforts were made by the Malaysian government and entrepreneurs in the Halal industry. The Halal Industry identified in the Second Industry Master Plan (1996-2005), the National Agriculture Policy (1998-2010), the Ninth Malaysia Plan (2006-2010), and the Third Industrial Master Plan (2006-2020). Today it has contributed various advantages to Malaysia achieving greatness in this industry. This industry not just only meets the needs of Muslim consumers but is also important to increase state revenues.

Malaysia Halal Industry Development from 1957 until 1969
After Malaysia's independence on 31 August 1957, the Malaysian people practice subsistence economy for daily life. Most of the citizens from the groups farming community, animal hunters, and fishermen find the food source. After Malaysia gained independence, the situation is slowly changing. Our country has been given more attention in the industry. The industrial sector is seen as the heart of a major contributor to the development of the national economy. Malaysian society is regarded today as an industrial society. Factors of production such as labor, land, capital, and entrepreneurs are used in the production process.

The halal industry was discovered starting from 1959 when Malaysia was focusing on the implementation of Islamic values in the financial sector. Malaysia has taken steps that have been regarded as a pioneer in the research and development of instruments and halal products as standard through the field of financial services and takaful in the state through the establishment of sharia advisory council by Bank Negara Malaysia (BNM). Efforts were also undertaken by the Malaysian Islamic Capital Market from the Malaysian government through the Securities Commission (SC). Arising from here began the Malaysian Halal industry.
era of 1960, this industry did not show any sign of development because at that time Malaysia facing racial integration problems until the tragedy of May 13, 1969.

Malaysia Halal Industry Development from 1970 until 1989

In the era of 1970 started showing Halal food products marketed to the needs of Muslims. However, the processing of these products is suspected because no confirmation showing that the product is in Halal condition. To overcome the problems, JAKIM involved in the Halal certification of food products and Islam goods in Malaysia started in 1974 when Pusat Penyelidikan, Bahagian Hal Ehwal Islam (BAHEIS), Prime Minister gives Halal certification to the main food products produced by local food producers by letter recognition. With this letter of recognition, the Muslims consumers feel confident to buy halal food products in market.

In the 1980’s, people have unlimited needs, but the sources of Halal food are limited. One of the factors because at the time our society started to move on to modern lifestyle standards. They start to pay more attention to their daily food. The demand for food is increasing but food production can’t meet all the demands of our society. This situation has impacted especially the Muslim community with difficulties to find the Halal food in the market. This situation began to change the Dr. Mahathir Mohamad became Malaysian Prime Minister. He realized the potential of this industry which would bring a bright future for the country. At this time, the government was serious about developing Islamic values as a strategy to develop the Halal food Industry. Under the administration of Tun Dr Mahathir Mohamad, the government began to pay attention to the importance of the Halal food industry. This led to the development of the food industry and in turn, affected the growth of the Halal food industry. This also helps to overcome the shortage of Halal food in Malaysia and to meet the demands of society, especially for Muslim people.

In 1982, to secure and monitor the consistency and compliance of halal food in the domestic market, the Halal Haram Committee under the Prime Minister was established. Committee members are drawn from the Ministry of Domestic Trade and Consumer Affairs (MDTCA), Ministry of Health (MOH), and the Department of Veterinary Services (DVS) and members of the local scientists from the local university. Issues related to the validity and quality of Halal food as well as the entire production process to be taken seriously because they involve religious sentiments (Din Sen, 2006:7). The First Industrial Master Plan from 1986 to 1995, has provided the basis of growth in the manufacturing sector, which outlines changes in economic structure from agriculture-based activities and basic goods to an economy focused on manufacturing activity. Through this plan, the halal industry began to grow through the creation of factories processing halal food.

In this era, Bumiputera’s opportunities in livestock and agriculture are bright. However, the source of funding is the main problem. To address the lack of capital among Bumiputera entrepreneurs, financial agencies such as the Development Bank, Agricultural Bank, MIDF, Mara and Majlis Amanah Rakyat (MARA) are established. While commercial banks by direction from Bank Negara gave preferential loans to Bumiputera entrepreneurs. Implementation of this program is through an integrated approach in which the government would provide facilities including financial loans and technical assistance, management, training, and advisory services channeled through agencies such as Bank Pertanian Malaysia, MARA, and Small and Medium Industries Development Corporation (SMIDEC).
Impact of the efforts done by the government and entrepreneurs; the production of Halal food started to increase. For example, based on studies on the production of halal chicken in Malaysia, poultry meat production has increased rapidly from 21,300 tonnes in 1960 to 203,200 thousand metric tons in 1985, representing an increase of 9.5 times in the period of 25 years. In 1983. And next year, peninsular Malaysia is a net exporter of poultry meat. Total net exports in 1983 amounted to 3760 tonnes and increased to 17,000 tonnes in 1985, an increase of 4.5kali doubled in the last three years. Consumption of poultry meat has also increased with the increase in local production. Total consumption in 1985 was 186,200 tonnes, compared to 23700 tonnes in 1960.

The totality of this era viewed that the development of the Halal industries is through the impact of the construction of the plant in the production of food products. This development shows a positive development in which the government began to see the importance of the Halal food industry to meet the demands of the Muslim community. This era also saw the development of the birth of entrepreneurs in small and medium industries that contributed to the production of these products. Efforts by the government to formulate and develop strategies for the Halal food industry started to bear fruit.

**Malaysia Halal Industry Development from 1990 until 1999**

In this era, starting from 1994, Halal confirmation is given in the type of certification and Halal logo. On 30 September 1998, for inspection tasks carried out by the Company Ilham Daya Sdn. Bhd. This company was appointed by the government (Siti Shafawati, 2010:19). While other aspects such as the issuance of certificates and surveillance tasks still operating under JAKIM. Malaysia's efforts in the halal industry are seen through the Second Industry Master plan starting from the year 1996 until 2005. The plan was to enhance the growth of the manufacturing sector through related services. The plan is also to design further development for the agricultural industry of the commercial agriculture sector. The activities undertaken are for profit-motivated businesses. The agriculture sector not only meets the demands of Malaysia but also from overseas. In commercial agriculture, focusing on field-oriented food products is higher than the demand for other goods. Hence the importance of the halal food industry is indispensable for the Muslim community.

Even impact from the government efforts increased the number of halal food production, but the country had to import food RM10.5 billion compared with RM4.6 billion in 1990. The impact of the increased demand for food causes the price of food to start increasing. Thus, Malaysia is facing a deficit in the food trade. This means that the outflow of money is greater than the inflow of money into the country. This situation makes the government more aware of the weaknesses in the management of market food. So, the government has planned a new strategy through the Seven Malaysia Plan (7MP) starting from 1996 to 2000. According to Nasir (2004), the government has outlined an approach to increase agricultural productivity through the full utilization of agricultural resources more efficiently. The government encourages private sector participation in agriculture on a large scale, particularly in the production of food commodities and high-value products.

The development of the halal food product industry was highlighted under Malaysia's Third National Agricultural Policy (NAP3) 1998-2010 as one of the important strategies in the plan. Malaysia is keen to develop its potential as an international Halal food hub because of the
following reasons: (a) the country is recognized as a truly Islamic country; (b) the country possesses raw materials, supporting infrastructure, and processing technologies to produce and market halal products; (c) there is worldwide recognition of its halal certification due to its stringent criteria and is also sought after by other countries; and (d) there is strong commitment from the government.

This era also shows that the Government has identified many sectors to be given priority in the food processing industry namely the food business process, including the processing of meat products, particularly other Halal poultry products. This effort is shown by the Malaysian Agricultural Research Institute (MARDI). MARDI has focused on the production of fast food from meat, chicken, and fish. A few cans of food, frozen, and dried food were developed. Fast food such as pepperoni, spicy sausage of beef, and chicken has also been produced.

The 1990s era saw the demand for halal food rising, particularly from agriculture and livestock. Research and development of food products also began to further diversify food products.

**Malaysia Halal Industry Development from 2000 until 2020**

In this era of seen positive development of the Halal industry-based initiatives and the approach already taken. On 1 September 2002, the government decided that all the halal management was handled by JAKIM under the Division of Applied Research of Food and Goods Islam with 28 posts. This division is responsible for managing activities related to halal food and Muslim products. With the rapid development of the food industry in Malaysia and the current needs of the Muslims, then on 17 November 2005, the Public Service Department of Malaysia approved a total of 165 posts of various schemes and red with a new name Halal Hub Division. Subsequently, on 2 April 2008, the management of halal certification was acquired by the Halal Industry Development Corporation Development Malaysia or Halal Industry Development Corporation (HDC). However, the Cabinet meeting on July 8, 2009, has resolved the management of Halal Certification Malaysia and abroad returned to the JAKIM.

In 2006, the Government outlined 11 strategic thrusts under the Third Industrial Master Plan (IMP3:2005-2020) to develop and promote Malaysia's site as the global halal hub. Moreover, its strategy is conducted to ensure that Malaysia can be a center of production and distribution of Halal products, the provision of Halal, and Halal standards, and a reference center for research and development (R & D). The thrust of the strategy outlined some of which include a global effort to raise awareness on the role played by Malaysia as a center for halal products and services and our ability to address the growing competition from other regional countries. This strategy has made Malaysia's competitiveness and encouraged us in the halal products industry. Greater cooperation among regional countries will be made, including the use of the regional growth triangle of Indonesia -Malaysia- Thailand Growth Triangle (IMT -GT ) and the growth of East Asia Brunei -Indonesia- Malaysia -Philippines ( BIMP- EAG ).

The IMP3 further envisaged the national vision of Malaysia to be an International Halal Hub, where the focus was expanded from Halal food products to non-food products (pharmaceuticals, health products, medical devices, and cosmetics and toiletries) and Halal-related services (logistics, packaging, branding, and marketing, print and electronic media, and travel and tourism). Although the scope of the national vision in IMP3 has been enlarged, this article will only cover the Halal food market, as food products have the largest awareness level
as Halal products compared to non-food products due to the issue of polarisation in the interpretation of Halal, as well as ethnicity and customary understanding on what is Halal.

In 2006, the government through the Ninth Malaysia Plan (9MP), established the Halal Industry Development Corporation (HDC). The establishment sets its primary mission to increase the production of Halal to prepare Malaysia to become the leading global Halal hub. It is placed under the National Implementation Taskforce (NIFT). It will become an institution that will focus on efforts to develop the Malaysia Halal industry. Former Prime Minister of Malaysia, Datuk Seri Abdullah Ahmad Badawi at that time also described the seven roles and responsibilities of the HDC must take the lead in the establishment of standards of halal including the audit process, the production of halal certificates to protect the integrity of halal, directing and coordinating the development of industry in the country among all parties, between government and private sectors. Another role is to manage the development of the manufacture of halal products related to suppliers in the services, support the Malaysia halal industry investment, ensure the growth of the participation of Malaysian companies in the global halal market, ensure that efforts to develop, promote and market the brand of Malaysia and lastly is to promote the concept of halal products and services in Malaysia to a wider market (Din Sen, 2006:6).

The Halal Industry Development Corporation (HDC) was established in 2006 and continued to undertake initiatives towards achieving the country’s objective to be the ‘Global Halal Hub’. In 2008, HDC launched its Halal Industry Development Master Plan to further complement the Third Industrial Master Plan (IMP3) 2006 - 2020 to transform Malaysia into the hub for production and trade in halal goods and services (MITI, 2008). The Halal industry master plan has listed several targeted industries to contribute towards achieving the country’s vision as the world’s leading halal hub (MITI, 2008). To achieve the policy outcomes, the halal industries in Malaysia must take the initiative to strengthen their marketing strategies to create a sustainable economic impact not only focusing on food but also on other industries like cosmetic and personal care, ingredients, pharmaceuticals, and services: logistics, tourism, and healthcare. The key enablers to strengthen all these halal industries through government support are Internationalization Strategy, Tax and Non-Tax Incentives, Human Capital Development, and Sectoral Governance Reform.

The halal industries are expected to improve faster through the halal master plan with a gross domestic product (GDP) increase to 8.7 percent, Halal exports increased to RM50 billion, Halal exporters increased to 1,600 companies, and 330,000 employment opportunities in the halal industry (HDC, 2016b). The implementation of the Halal Industry Master Plan (2008-2020) has entered its final phase where the emphasis is on broadening the geographic footprint of home-grown companies and the internationalization of the halal industry (MITI, 2016). Based on the said facts, it can be assumed that Halal products and services have a high potential as a future source of economic growth in the relationship between the Government and Private Business enterprises in developing the halal industry in Malaysia.

In 2009, as a coordinating body in Halal certification Malaysia, JAKIM introduced a new logo as a new halal standard in Malaysia. Logo is the standard answer to all the questions and confusion that often arise among the public. The new logo contains only the word halal in
Arabic script, Jawi and Rumi Malaysian words and Arabic. According to Lokman Ab. Rahman (2010), the difference between halal logos which can be removed only by a code number known as code identification number in the states that apply in Malaysia. As a guide to the user, the new logo was officially released to the applicant premises are colored black. To facilitate the manufacturer, they may use other colors as long as the products are manufactured in no way alter the original logo (Siti Shafawati, 2010:22). The main purpose of the introduction of the logo is to use the halal logo coordination across the country as well as eliminating the use of the fake halal logo.

In 2012, the Malaysian Government realized the enforcement of the Trade Descriptions (Definition of Halal) Order 2011 to replace the 'Trade Description Order 1975 came into force on January 1, 2012. The purpose is to introduce the Halal Act to protect the interests of Muslims which has often been confused with halal issues particularly relating to logo Halal and Halal food preparation. Through this act, manufacturers of Halal products in violation of the act will be dealt with according to the provisions specified. This is also a move to address abuse issues of the Halal logo and certification.

The formulation strategies by the Malaysian government in implementing programs in developing halal development have led the halal industry to develop rapidly. As outlined in the Halal Industry Masterplan in 2008 by the Ministry of International Trade and Industry (MITI). Halal Industry Masterplan is an agenda to make Malaysia the Global Hub by 2020. The objective of this policy is to make Malaysia the Global Halal Hub for the production and trade of Halal products and services. The implementation of the Halal Industry Masterplan is to develop halal cosmetic and personal care products as one of the potential economic growths of the halal industry from the other six strategic industries (Halal Industry Masterplan, 2008). The programs that are executed by the Malaysian government can be categorized as legislation and regulation framework, funding and incentives, industry standards and certification, and human capital (Halal Industry Masterplan, 2008). These programs are key enablers to strengthen the industry growth to support the development of opportunity-driven organizations in producing halal cosmetic and personal care industry. This era also saw the production of Halal products not only limited to food products alone but also widened in the manufacture of cosmetics, pharmaceuticals, and services such as tourism and hospitality. The efforts have been played by the government in developing the Halal industry is indeed a positive impression. Malaysia is also trying to attract more foreign investors to invest inclusion on the Malaysian Halal industry.

Malaysia's government taking wise action by allocating the budget to develop the halal industry as shown in Table 1.1. Based on the description of the budget made by the government of Malaysia, it is clear that there are several years in which special provisions are laid down for the implementation of support programs that can assist the development of the halal industry. The government has allocated a budget of millions to billions of Ringgit in Malaysia to increase production and exports of halal products to the world market. Budget 2019 shows the highest allocation of RM1 billion ever made by the Malaysian government through financial programs to encourage halal product exporters.
Table 1.1
List of Allocation Budget for the Development of Halal Industry in Malaysia

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget for the development of the halal industry</th>
<th>Amount (RM)</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>“Developing the halal products anti-smuggling system at 3 entry points and 3 main ports to facilitate agencies, such as Royal Customs Malaysia, Department of Veterinary Services, and JAKIM to prevent smuggling activities as well as reduce risk of pandemic diseases. An amount of RM24 million will be provided” (p.14)</td>
<td>24 million</td>
<td>CBM (2009)</td>
</tr>
<tr>
<td>2013</td>
<td>“To further promote the halal industry, the government is committed to developing high-impact halal products for exports. In this regard, the SME Bank with the cooperation of the Islamic Development Bank (IDB) will provide RM200 million to the Halal Industry Fund to finance the working capital of participating SMEs” (p.8)</td>
<td>200 million</td>
<td>MOF (2012)</td>
</tr>
<tr>
<td>2017</td>
<td>“A sum of RM120 million to MARA for various entrepreneurship programs, among others halal industry enterprises, youth entrepreneur development and integrated entrepreneurship training program” (P.43)</td>
<td>120 million</td>
<td>MOF (2016)</td>
</tr>
<tr>
<td>2018</td>
<td>“About RM82 million is allocated under various agencies for the development of halal industries and products” (p.10)</td>
<td>82 million</td>
<td>MOF (2017)</td>
</tr>
<tr>
<td>2019</td>
<td>“The Government will be allocating RM100 million to upgrade the capability of the SMEs in the halal industry through various programs in order to increase exports and to make Malaysia a global halal hub by 2020” (p.35)</td>
<td>100 million</td>
<td>MOF (2018)</td>
</tr>
<tr>
<td></td>
<td>“There will also be a RM1 billion SME Syariah Compliant Financing Scheme made available via Islamic financial institutions to finance exporters of halal products, where the Government will provide a profit rate subsidy of 2%” (p.35)</td>
<td>1 billion</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>“A RM300 million fund to support Bumiputera SMEs with the potential to become regional champions, with priority given to producers of halal products and manufacturers with high local content” (p.19)</td>
<td>300 million</td>
<td>MOF (2019)</td>
</tr>
<tr>
<td></td>
<td>“The government will allocate RM10 million to the Ministry of Entrepreneur Development to focus on advocacy and awareness for halal certification, halal product development and providing platforms for local players to tap on the USD3 trillion global halal market.”</td>
<td>10 million</td>
<td></td>
</tr>
</tbody>
</table>

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Thus halal products and services can be presumed to have a strong potential as a future source of economic growth with the government support programmes in developing the halal industry in Malaysia.

**Conclusion**

Based on the discussion above, to meet the needs of consumers for halal products, the process of halal industry development in Malaysia started with strategies and planning. The Malaysian government has undertaken extensive reform to support the development of the halal industry through the Second Industrial Master Plan in 1996 until 2005; the National Agriculture Policy in 1998 until 2010; the Ninth Malaysia Plan (9MP) in 2006 until 2010; and the Third Industrial Master Plan (IMP3) in 2006 until 2020. Through this policy, the Government has invested heavily in various programs as well as pouring in support to help private business enterprises and promote the Halal industry, such as setting up Halal certification authority, providing incentives for Halal businesses, funding research on Halal-related studies through universities and research institutes as well as organizing Halal training for industry practitioner’s. The Government’s efforts in promoting the Halal industry are admirable, such as pumping millions into the national budget, and that large sum of the budget was allocated for halal product development, better halal certification standards, and halal promotional activities.

**Reference**


