

# Diverse Halal Standards in Malaysia, Indonesia, and Brunei: Their Effect on Regional Halal Food Trade Industry Development

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To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v14-i7/22141>

DOI:10.6007/IJARBS/v14-i7/22141

*Published Date:* 29 July 2024

## Abstract

The increase in the global Muslim community and the rising international concern towards halal product quality has brought limelight both the economic and cultural aspect of the halal food sector. With 1.9 billion Muslims worldwide and increasing health consciousness among non-Muslim consumers, the industry is experiencing significant growth. Malaysia, Indonesia and Brunei with their accreditation agencies such as BPJPH, JAKIM, and MUIB provide set high standards of food safety thus encouraging customer confidence and credibility within the market. Hence, this qualitative study examines to examine the impact of the various Halal Standards in Malaysia, Indonesia and Brunei on the growth of the Halal food trade in the region. Documentary survey and semi structured interviews were conducted with the following target groups; halal authority bodies, policymakers, industry players, academicians, and consumers. Findings imply that multiple and inconsistent halal standards act as trade barriers, inflate costs, and complicate compliance, resulting in economic disadvantages and inefficiencies. This lack of a cohesive standard requires extra audits, paperwork, and inspections which, in turn, increases costs and hinders entry into the market. In essence, the study implies that integration of the halal standards across these countries may remove operational inefficiencies, economies of scale and open market frontiers to boost the region's competitiveness within the global halal economy market. Future research should investigate different strategies regarding to ensure halal standard harmonization and determine its potential consequences for the global economy.

**Keywords:** Halal Standards, Regional Trade, Malaysia, Indonesia, Brunei, Halal Food Industry, Trade Barriers, Economic Impact, Regulatory Harmonization, Southeast Asia, Halal Certification

**Introduction**

This globalization of the Muslim population and increasing global consciousness of consumers on the availability and quality of halal products have therefore placed the halal food industry in the limelight both economically and culturally on the international and regional stage. The industry is backed by the large Muslim population across the globe standing at 1.9 billion people as well as the growing trend of health awareness among the non-Muslim population who consume halal food products as they are considered safer and cleaner (Abdul Hamid et al., 2022). In addition, Indonesia, Malaysia, and Brunei play a very significant role in the regional environment. These countries have such organisations like BPJPH in Indonesia, JAKIM in Malaysia and MUIB in Brunei that ensure the Halal products are of good quality and standard, create confidence to the consumers and provide credible certification.

Furthermore, the growth of the halal industry is also underlined by technological advancement, which is evident through the HalalChain platform. This platform is developed to ensure that the products are safe and conform to the halal standards at each link of the supply chain through the use of Blockchain and IoT (Al-Zaghbi, 2023). Additionally, halal certification and halal standard, which ensure compliance with Islamic standards for consumption of food products and enhance the market's efficiency. The strategic development of the halal food sector can be based on improving the technical efficiency, marketing, management, and cooperation with the regulators which are very vital for operational effectiveness and market entry (Abdullah & Slamet Rusydiana, 2023).

However, some challenges that need to be solved in the halal food industry even with a positive perspective. These challenges include a lack of awareness of what is Halal, uncertainty about components used and misleading information on products. In order to fight against these problems and avoid halal food scandals, it is necessary to work together to inform the consumers (Abdul Hamid et al., 2022). The halal food sector has a positive effect on the economy and society, enriches the existing literature and provides solid ground for future researches and advancements.

In addition, the effectiveness of halal standards is significant in several aspects of the food sector since they assure the Halal products' quality, safety, and acceptability in the market. The application of Halal standards has a positive effect on the operating, profitability and marketing outcomes of the Halal certified firms (Amer, 2024).

However, there is a challenge the global recognition of halal standards which affects the regulators, customers and food manufacturers in the halal food industry. This leads to different approaches to stunning, slaughtering, and the manner of labeling the products due to the differences in the Islamic and national schools of thought (Akbar et al., 2023). According to (Azam et al., 2021), the lack of a unified halal standard is a great difficulty for SMEs in their attempt to expand and venture into new markets for their international business.

The problem is compounded by the fact that there are hundreds of Halal Certification Bodies (HCBs) operating across the globe and each of them follows different standards. This would create much confusion as to what is actually considered as genuine halal (Fuseini et al., 2020). Also, it is observed that Singapore, Indonesia, Brunei, and Malaysia have disparate levels of permissible ethanol content in food products which can be ascribed to material selection,

detection methods, and Islamic concerns (Alzeer & Abou Hadeed, 2016). Hence, there is a need to have a unified halal standard to address the differences in the requirements and to expand the market for the increasing demand for halal products

Thus, the objective of this paper is to examine the impact of the various Halal Standards in Malaysia, Indonesia and Brunei on the growth of the Halal food trade in the region. The findings will produce a list of impacts that the regulators, consumers, and food producers in the region will experience with regards to the different halal certifications from Malaysia, Indonesia, and Brunei respectively. This will be useful in the growth of the regional halal food trade industry in Malaysia, Indonesia and Brunei for researchers, policy-makers and standard-setting organizations to know how to respond or contain the effects of numerous standards.

## **Literature Review**

### **Halal Standard**

Halal standard is a set of rules that defines what is allowed and what is forbidden for Muslims, mainly when it comes to food. The basic guidelines of Halal standards are well embedded in the principles of Sharia law, so that every process of the food chain from the farm to the table is in accordance with the Islamic laws (Baharuddin et al., 2023). Azam et al. (2021) have stated that the global halal industry stands today at US\$2. Reaching \$2 trillion in 2018, is faced with challenges in view of the lack of a general halal certification. This is because different countries have adopted different meanings and applications of halal standards.

For instance, the Malaysian, Indonesian, Brunei Singaporean, and SMIIC standards are similar but at the same time are different due to the differences in the Islamic schools of thought, especially on issues of labeling, stunning and slaughtering (Akbar et al., 2023). Foreign trade faces the problem of an increasing number of halal standards, which can be illustrated by the cases when 3D/4D printed food products have to meet a number of national halal requirements in order to find their consumers on the global market (Baharuddin et al., 2023). On the whole, the global halal industry has to set up one standard of halal to address the faith-based needs of Muslim consumers.

### **Halal Food Standard in Malaysia, Indonesia and Brunei**

The standards of Malaysia, Indonesia and Brunei are similar and different at the same time, which the presence of different legal systems and cultural specifics can explain. The Third and Second Revisions of Malaysia's MS 1500:2019 and MS 1500:2009 provide a comprehensive guideline on the production, handling, storage and preparation of halal food, and the Second Revision of MS 1500:2009 includes further elaborative measures on the procedure of slaughtering (Sariyah et al., 2023). On the other hand, Indonesia's HAS 23201 and HAS 23103 focus on the requirements of halal materials and the guidelines for halal assurance systems in slaughterhouses, respectively. The standards are regulated by laws including UU No. 33/2014 and Peraturan Pemerintah Nomor 39 Tahun 2021, that require halal certification for every food product to be marketed in Indonesia (Citra & Widyanti, 2023). Brunei Standard for halal food has been laid down in PBD 24:2007, which emphasizes on the adherence to the Islamic law during the manufacture and certification of food (Akbar et al., 2023).

However, the lack of a unified halal standard remains a problem for global trade and market entry. These difficulties are compounded by the fact that different standards have different specifications that pertain to participation the slaughter process and the acceptance of stunning, which can influence consumer perception and industry compliance (Azam et al., 2021). Thus, it is crucial for the policy makers and Islamic scholars to acknowledge these

differences and try to bring more coherence to the practice of halal certification and standards. In essence, the halal food standards in these countries are meant to ensure the halal authenticity of such products with emphasis on the consumers' information, supply chain and certification

### **The Development of Halal Food Trade Industry in Malaysia, Indonesia and Brunei**

The Halal food industry in Malaysia, Indonesia and Brunei has been growing tremendously with the support of public and private sectors. Malaysia is one of the leading countries in the halal industry, and it has adequate measures to control halal food. It consists of the different actors who are involved in the process and function on their own. Nevertheless, there is a need for a central control system to prevent fraud and to enhance customers' confidence. (Sidek, 2024). Thus, the focus on the safety and reliability of the supply chain, as well as the attempts to obtain halal certification, have made Malaysia one of the leaders in the global halal market. This has created new sectors, such as halal cosmetics that are marketed using Islamic strategies in order to create a market for the products (Fadhlina & Nor, 2024).

The Indonesian market has grown significantly in halal food trade mainly because of the large Muslim population in the country and the possibility of the country being a key player in the international halal food trade. The halal industry has rapidly evolved especially after the establishment of MUI Food, Drug, and Cosmetics Assessment Institute (LLPOM) in 1989. This institute was the pioneer organization in the inspection and certification of halal products in the country. In this regard, the Halal Product Assurance Organizing Body (BPJPH) has played a significant role in improving the quality of products, enhancing consumers' confidence, and providing credible halal certification services, albeit with challenges of infrastructure development, human resource, and collaboration with other stakeholders (Bahrudin et al., 2024). Specifically, the Indonesian halal food trade business has seen positive development because of strategic measures, supportive laws, and technological advancements.

Brunei has the same tendency to focus on halal certification and industry standards for the domestic and international markets. The halal food trade industry of Brunei has also expanded in a systematic and advanced manner, with strategic initiatives, sustainability and adaptation to global circumstances. The business of Halal in Brunei is not only confined with food and beverages. It also encompasses industries such as pharmaceuticals, cosmetics, finance, tour and travel, media and entertainment. According to Deuraseh et al. (2022), the Halalan Thayyiban Research Centre is very useful in promoting awareness of halal and offering academic programmes that will help develop this sector. Seven major strategies that have been outlined for the development of the industry namely; technological strategy, marketing strategy, management strategy, Halal certification strategy, manufacturing strategy, regulatory strategy and behavioral strategy. These strategies are important to increase the effectiveness of the operations and to extend the halal business in the market (Abdullah & Slamet Rusydiana, 2023). All the efforts and strategies that Brunei have depicted show that it has geared up to form the Halal food trade business. This aims to develop a robust, viable and significantly contributing industry to the nation's economic development and diversification.

### **Methodology**

This research uses the qualitative research method to examine the halal standards of Malaysia, Indonesia, and Brunei and their impact on the development of the regional halal food trade business. In order to understand the impact of these standards on various players in the halal business, a case study method is used. Thus, this design allows for the

comprehensive analysis of the complex and situational factors that shape the concept of halal standards and their impact on commerce.

The study uses two main data gathering tools, a documentary survey and interviews with selected stakeholders. In this study, the following techniques were employed to analyze the documents and review regulation documents and Halal standards. This approach clearly analyzes the particular needs and procedures for halal standard in every nation. The documents covered in the study are Malaysia's, Indonesia's, and Brunei's halal standards and guidelines. On the other hand, semi-structured interviews are conducted with the stakeholders to get a practical understanding of the halal standards and their effects on trade and industry. The questions used in the interview are open-ended to enable the participants to give voluminous answers while at the same time ensuring that certain issues are discussed. The interviews were conducted with the following groups: Halal authority bodies, policymakers, Halal industry players, academicians, and consumers.

The target population for this study is comprised of stakeholders from Malaysia, Indonesia and Brunei. Hence, the study uses purposive sampling to get participants who have a good understanding of halal standards. This way, the data collected is relevant and adequate to the research objectives in the case of the study.

This research uses qualitative research methods and case studies to analyze the different halal standards practised in Malaysia, Indonesia and Brunei and their effect on regional halal food trade. Applying both document analysis and semi-structured interviews with the main stakeholders, this research approach guarantees a systemic and credible study of the subject under consideration while adhering to ethical principles.

### **Findings**

Based on the semi-structured interviews, this paper reveals the effects of various halal standards in Malaysia, Indonesia, and Brunei on the regional halal food trade. Key industry sectors are particularly affected which results, in the following.

As for the first impact, the informants H3 and P1 stated that due to the need to meet the various halal standards in different countries, businesses are faced with trade barriers, which leads to complications in compliance and losses. Such complexity always results in late market introduction and high business costs.

*"So, for Malaysian industry to export to foreign countries, Brunei has no problem. Brunei is indeed a close sister to us, Indonesia will indeed have issues because Indonesia sets a barrier for every product that wants to enter the country, it must have an MUI certificate, unlike Malaysia." (H3, 2019)*

*"An example of the kind of products that are able to penetrate the Indonesian market when they are different from halal, right? So he cannot penetrate the market in Indonesia. So, it means a loss for suppliers in Malaysia who cannot enter Indonesia." (P1, 2019)*

As for the second impact, the F1, H4, and P4 reveal that due to the differences in the halal standards between Malaysia, Indonesia and Brunei the costs were increased and the manpower was employed. The companies incur the certification costs for each country's specific halal standards, and this leads to what is known as "lost fees". Furthermore, due to the fact that there are various standards that organizations have to follow, more workers and money must be provided. This includes identifying of professional staff and putting in place elaborate training to enable the identification and fulfillment of different needs.

*“Let's say the countries you want to export to need a halal certificate. That is cost. As we know, if we have a production set, it's not in the country, it's the people. The fees will be international.” (F1, 2019)*

*“There will be a double certificate when for retail products. It is also necessary to apply for Indonesian halal. There will be a double cost”.*  
*(H4, 2019)*

*“Double costs will also happen but in terms of multinational companies.” (P4, 2019)*

The third consequence of the halal standard disparities between Malaysia, Indonesia, and Brunei was the degree of procedures. Based on H1 and H2, the differences in halal standards mean that other measures are required, such carrying out more than one audit, documentation, and inspection. It can reduce the willingness of firms to grow into new markets, and it adds to the business costs because of the red tape.

*Certain halal certifier bodies' halal certificates are not enough to have some products authorised. Therefore, the corporation must give additional adequate documents to substantiate its halal product. (H1, 2019)*

*It means that if he wants to apply to Malaysia, he has to look at the Malaysian halal standard, if he wants to apply to Indonesia, he has to digest Indonesia's halal standard, the MUI guidelines. Among the real differences, he was caused by the industry, as I said earlier, not the standard itself. (H2, 2019)*

The findings showed that variations of the halal standards in Malaysia, Indonesia and Brunei have had an impact on the regional halal food trade. These effects include trade barriers and economic losses that result from the increased costs and resources, as well as the complexities of the procedures. Solving these problems through the improvement of harmonization and cooperation might help to increase trade and development of the industry in the area.

## **Discussion**

This study shows that the variations in the halal standards in Malaysia, Indonesia, and Brunei are major hindrance to the entrance of new products into the market. The compliance requirements are rather extensive and lead to high operational costs and time delays, which positively affects the smooth supply of halal products and cause financial losses. Firms have to spend more time and money to meet each country's rules and regulations; this affects the company's profitability and competitiveness in the market.

Such costs are also supplemented with the need for special personnel and other charges thus raising the total cost of operations. This is because every country has its certification process which causes costs to rise. Also, companies have to hire personnel and/or train their staff and themselves to understand and adhere to the various forms of halal standards, which is a disadvantage to small businesses due to limited funds and personnel.

The differences in the Halal standards also result in more complex measures that companies have to follow. It is also necessary to meet the requirements of several audits, documentation, and inspections in each country. This increases the administrative requirements, which not only enhance the company's operational costs but also prolongs the time taken to certification products and market access, which might discourage firms from venturing into new markets.

The various halal standards seen to have these numerous impacts call for further integration and collaboration within the region. Adopting the same halal standards in Malaysia, Indonesia, and Brunei could reduce the complexities of the requirements, lessen expenses, and decrease bureaucracy. Regional initiatives like mutual recognition agreements would help reduce duplicative certification and inspection requirements, which is a blow to the business and the further development of the market. Harmonization of compliance through joint training and sharing of resources for the implementation of joint training programs would enhance the capability of the businesses to meet harmonized standards, hence improving the efficiency and competitiveness of the halal food industry within the region and beyond.

### **Conclusion**

The different halal standards that are present in Malaysia, Indonesia, and Brunei significantly affect the regional halal food trade. These differences significantly hinder trade by increasing the costs of doing business and time and incurring losses. As a result, companies have to pay more due to the need for professional staff, charges, and cumbersome procedures that limit firms' growth and make it difficult to enter the market. The findings therefore show that these are some of the challenges which call for more co-ordination and integration within the region. The harmonisation of halal standards across the various countries could help to lessen costs and complication of compliance and facilitate trade thereby boosting the growth of the industry and the region's competitiveness in the global halal market. Solving these problems through mutual recognition of each other's standards, joint training, and the use of the same facilities would contribute to the creation of a more harmonized and effective Halal food sector in Southeast Asia.

### **Acknowledgement**

The research is funded by Universiti Putra Malaysia's PUTRA grant (IPS)-Project Code GPIPS/2018/9661900.

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