Chapter 11

Entrepreneurship and the Halal Wave in Malaysia

Aiedah Abdul Khalek
Monash University Malaysia, Malaysia

ABSTRACT

The concept of halal was once perceived as solely a religious matter but now it has become a branding platform for entrepreneurs to expand their products worldwide. The role of halal in the development of entrepreneurship as a response to the demand of Muslim consumers in Malaysia is explored in this chapter. Furthermore, this chapter looks at exploring the role of the Malaysian government in institutionalizing halal, establishing halal certification and thus, analyzing the development of entrepreneurship towards halal certified business. In a nutshell, this chapter aims to provide an overview of the development, institutionalization, halal certification, the challenges of halal entrepreneurship and moving forwards traits for halal entrepreneurship. Keywords; Entrepreneurship, halal, certification, institutionalization.

INTRODUCTION

Halal entrepreneurship is a response to the escalation of global halal industry which has reached USD2.3 trillion and expected to increase further at USD3.7 trillion by 2019 (www.hdc.gov.my). The demand for halal products and services has unlocked another opportunity for entrepreneurs tapping into the Muslim market. Muslim market has enlarged to 1.8 billion of potential Muslim consumers. The development of halal entrepreneurship is escalating in Malaysia and other Muslim-majority populated countries as well as it is apparent in the countries where Muslims are minority such as the United States and other European Countries as well (Bonne, 2007).

According to a Thomson Reuters report published in 2015, Malaysia has been declared as the highest country in the world in inaugurating halal food indicators. This shows the potential market for halal food sectors. The food industry now is giving more attention to halal requirement to fulfill a religious requirement for Muslims consumers, and as well as to expand the potential halal market to non-Muslims consumers. Now, consumers regardless Muslims or non-Muslims have a better understanding about halal especially in the context of halal food.

In order to understand the dynamics of the halal wave in Malaysian entrepreneurship, it is important to understand first the notion of halal from the Islamic point of view. Halal is an Arabic term which means lawful and permissible by Allah SWT and there are no restrictions found from the al-Quran and al-Sunnah. This implies that halal products are not made of, or does not contain any part of the forbidden ingredients and are free from any non-halal elements in its preparation. It includes food and non-food products for example halal services, pharmaceuticals, personal care, finance and so on.

In enlightening the notion of halal, Yusuf al-Qaradāwi (1994) stresses on the basic fundamental of things and actions that are permissible. The permissibility remains unless it is prohibited by a sound and explicit evidence from the sources of Islamic rulings mainly from the al-Qur’an and al-Sunnah. This natural permissibility covers things, for example, food and drinks as well as matters of human speech and action in their daily life. In fact, a number of prohibited things are very minor and they are forbidden for the benefit of human beings. Muslims’ consumption is technically guided by the revelation, thus it is an opportunity for the entrepreneurs to create halal products and services that suit the Islamic principles and the needs of Muslim consumers. The concept of Islamic as a way of life has created a high demand for halal food and non-food products underpinning the halal entrepreneurship in Malaysia as well as worldwide.

Hence, this chapter aims to analyze the development of halal entrepreneurship, halal certification and the significance of halal certification in entrepreneurship, the challenges faced by the halal entrepreneurs and moving forward traits for halal entrepreneurship.

HALAL ENTREPRENEURSHIP IN MALAYSIA

Halal entrepreneurship is a concept of entrepreneurship where halal is regarded as “entrepreneurial process for innovatively using opportunities to obtain economic gains and society equity on an equal footing” (Bustamam, 2012). Some called halal entrepreneurship as “halal driven entrepreneurship” and “halal minded entrepreneurship”.

Halal entrepreneurship has augmented tremendously in Malaysia. The country has been named as the first country in the world for establishing halal food indicators before the United Arab Emirates and Australia which were identified as second and third respectively in 2015. The value of the Malaysian halal food trade industry is estimated at RM37.7 billion (www.hdc.gov.my). Furthermore, Malaysia has also been selected as the top country for halal travel, pharmaceuticals, and cosmetics. The halal entrepreneurship started with halal food and then extended to non-food products, for example, personal care, cosmetics, tourism, pharmaceuticals, banking, financing and other services such as hospitality and logistics.

In general, the demand of halal entrepreneurship globally is due to the growth of the Muslim population, the increase of purchasing power among Muslims and the awareness of Islamic rulings of halal in the society. In Malaysia, the matter of halal entrepreneurship has gotten more attention among Muslims due to the demand of Muslim consumers’ awareness in consuming halal food and products. Nevertheless, the halal institutionalization and eco-system that are planned and instigated by the Malaysian government have added the prominence of halal in entrepreneurship.

Fisher (2011) has regarded Malaysia as a role model in institutionalizing halal and developing the halal standard. The institutionalization of halal by establishing the halal hub in Malaysia’s Department of Islamic Development (JAKIM) and Halal Industry Development Corporation (HDC), have strengthened