

## Laws, Policies and Standards Enforcement in Malaysia and Indonesia Halal Food Industry

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**Abstract:** The development of the current halal food industry are growing rapid and the potential economic demand of the industry prompted some countries such as Malaysia, Thailand, Indonesia, Brunei and Singapore to make efforts to promote their halal food manufacturing industry. In Malaysia, the help and commitment of the government and agencies are responsible in turning Malaysia into a global halal hub which in turn, contributes to the positive growth of the industry. Similarly in Indonesia, its development is slowly growing thanks to the Indonesian government's commitment through the introduction of the Number 33 in the Indonesian Republic Law 2014-halal products assurance. It is the first law in the country that focuses on the labelling of halal products. Therefore, this study discusses the ongoing monitoring through laws, policies and standards enforced in the two countries towards the achievements of the halal food industry in both Malaysia and Indonesia besides focusing on the extent of the market and demand. The principle and concept of halal, according to the Quran, Sunnah and the opinions of Muslim scholars venerated in clarifying the true meaning of the 'halal' tagline used.

**Key words:** Policies, standards, legal provisions, halal industry, food

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### INTRODUCTION

**Halal food and the Muslim community:** According to Islamic law, halal food refers to food that is 'pure', the method of acquisition is clean and free from any harm that warrants to the concept of halalan tahayyiban. In life, the purpose of a meal is not only just to satiate hunger alone but according to Rouse and Hoskins (2004), it is seen as an expression of social and personal behaviour including a reflection of religious communities while cooking is seen as an expression of religious duty, human affection and also a way to show love to God. Therefore, every meal chosen depends on the way we provide it. Undeniably, religious education influences the selection of food that is allowed or may or forbidden to be eaten (Bonne *et al.*, 2007) such as pork is forbidden for Muslims and the prohibition of consuming beef to Hindus and Buddhists (Sack, 2000). As an example, Islam's way of labelling food as halal or forbidden for its believers is derived from the Quran and Sunnah of Prophet Muhammad that are the building foundations of the rules and laws enforced solely for the welfare of Muslims (Bonne *et al.*, 2007). In Islam, halal and haram will be fully used to label food products,

meat, cosmetics, personal care products, food ingredients, beverage ingredients and the like based on the Quran and the Sharia clearly. Muslims are also allowed to assume that a food is halal or not unless it is specifically stated to be forbidden (Lada *et al.*, 2009).

Tieman *et al.* (2012) explained that Muslims want assurance that the food and products they use are halal in terms of production, preparation, management and storage. Studies conducted by Al-Khatib *et al.* (1995) and Bonne *et al.* (2007) stated that Muslims who follow the teachings of Islam and lives up to the Muslim identity will bring about a high demand of halal foods that comply with the Islamic law. Requests from Muslim consumers who now want clear information of product ingredients show that do not believe readily of the halal state of the food just by the label given especially if such products comes from non-Islamic countries. In a study conducted by Ahmed (2008), it is found that the British trust the local Muslim-owned shops more compared to the halal labels in large supermarkets and most of them are not aware that large supermarkets sell halal products too. An estimated of 70% Muslims worldwide abide to the halal standards (McKenna, 2007) and according to Hussaini (2004), 75%

Muslims who migrated to the United States still prefer to buy halal products even after settling there. In Thailand, Chanin *et al.* (2015) found that Muslim tourists visiting Thailand create demands for halal meals and drinks. Therefore there is a need for additional halal restaurants to be established and available at tourist spots with halal certifications granted to them. Thus, this study aims to explore in depth the achievement of the Malaysian and Indonesian halal food industry and the extent of the market and its demand that could be coordinated with ongoing monitoring through policies and standards enforced in the country.

**Malaysia and indonesia halal industry Malaysia:** The main bodies responsible in the issuance of halal certification in Malaysia that are recognized by the government are the Islamic Development Department of Malaysia (JAKIM) and the State Religious Department (JAIN) or the State Islamic Council (MAIN). For the product to be marketed in the country, the halal certification application can be made to JAIN while products marketed internationally must be made to JAKIM. The Malaysian halal certificate issued by JAKIM is known worldwide and its logo is trusted at the international level because it has a strong industry in the manufacturing and marketing sectors of halal products, strong relationships with major trading nations in the world and the support from the government (Badrudin *et al.*, 2012).

In Malaysia, the legal provisions, policies and standards outlined on the issue is based on the principle and concept of halal stated in the Quran, Sunnah and the opinions of venerated Muslim clerics (Ahmad, 2008). Among the legislation relating to halal in Malaysia are the Trade Description Act 2011 and Food Act 1983. The Halal Industry Development Corporation (HDC) owned by the Malaysian government was formed with the objective to promote Malaysia as an international halal hub. Among its role are championing the HDC halal standards including the auditing and certification processes in order to protect the integrity of the halal dietary, influence the development of the halal industry to allow companies to market halal products to join the global market, develop and promote the Malaysian halal brand, promoting the concept of halal products and services in Malaysia.

**Indonesia:** Islam is the dominant religion in Indonesia which also has a larger Muslim population than any other country in the world with a total of 87% Muslims comprises the total population of 250 mln. Indonesians (HF, 2014). In Indonesia, the competition faced by manufacturers are not only the pricing factor but also the

issuance of halal certification by the Indonesian Ulema Council that influences the consumer's trust towards the quality of product bought (Nursanti and Tielung, 2014). According to the Chairman of the Research Bureau of the Food, Drug and Cosmetic of the Indonesian Ulema Council (MUI-LPPOM), 63% of products in Indonesia are not granted with the halal certificate and out of the 113,000 registered products, only 41,000 products are labelled as halal (Rafiki, 2014). Most products do not have the halal label due to the voluntary principle implemented in the halal certification process. Therefore there is no maximum protection for the Indonesian consumers, especially among the muslims there (Abdul *et al.*, 2013).

The authority responsible for the issuance of halal certification is the Institute for Food Drug and Cosmetics of the Indonesian Ulema Council (LPPOM-MUI). It is an institution established by the council to carry out the role of the council to protect consumers against the use of food products, medicines and cosmetics (Indonesia Halal Directory 2015-2016). Hasanuddin who is also the Chairman of the MUI Fatwa, during an interview with halal focus explained that the government is required to issue a regulation that can help in further regulating the LPH. In addition, a halal certificate audit agency and the council will play an important role in passing judgment on the definition of halal and haram. According to the new law, the government is required to issue implementing rules within 2 years and implement those laws effectively within five years after it took effect as an enactment. This means that in 2019, halal labelling is compulsory for all products distributed in Indonesia. The Rumah Rakyat Indonesia (DPR) passed a law on halal product certification in September and it is endorsed by the President of the Republic of Indonesia on 17th October 2014. The Number 33 of the Law of the Republic of Indonesia on halal product assurance is the first law that specifies on halal labelling in the Muslim majority country.

## **MATERIALS AND METHODS**

The methodology for this study is an in-depth interview with the representative of the authorized agency managing the Malaysian halal certification, Ustaz Salleh of the Malaysian Islamic Development Department (JAKIM) and Mr. Mohd Romzi, Senior Manager of Global Halal Support Centre, representing the Malaysian Halal Development Centre (HDC). While in Indonesia, an interview is conducted with Mr Muslich of the Indonesian Global Halal Centre, a representative LPPOM-MUI and Dr. Anna P. Roswiem from the Halal Science Centre of YARSI University. The study discovered four key themes from

the in-depth interviews conducted with representatives from chosen halal agencies/institutions of the two countries, namely the halal certification authoritative bodies, halal legislation, halal industry challenges and the power of the halal industry.

## RESULTS AND DISCUSSION

**Halal certification bodies:** The Malaysian Halal Certification Authoritative bodies are the Islamic Development Department of Malaysia (JAKIM) while in Indonesia, it is the Institute of Food, Drugs and Cosmetics of the Indonesian Ulama Council (LPPOM-MUI).

**Department of Islamic Development Malaysia (JAKIM):** In Malaysia, JAKIM has been involved in the issuance of approval to the halal status of food products and consumable items since 1974. In 1994, the approval was given in the form of halal certification and halal logo. Since 30th September 1998, halal inspections started to be carried out by Ilham Daya, a company appointed by the government. On 1st September 2002, the government has decided that all halal certification is fully controlled by JAKIM under the division of research of the food and consumable goods. In view of the rapid development of the food industry in the country and the current needs of Muslims, the Public Service Department has approved the establishment of a new division dedicated in handling the halal certification process named the halal hub division on 17 November 2005. On 2nd April 2008, the management of the halal certification process was temporary took over by the Halal Industry Development Corporation (HDC). However, a cabinet meeting on 8th July 2009 has decided that the halal certification management within and outside Malaysia is restored to JAKIM.

In addition, the two agencies that are often associated with Malaysia's halal certification are JAKIM and HDC. Both agencies play a very important role to the Malaysian halal industry and their roles are very different. The jurisdiction of JAKIM centres on the halal certification process and the compliance of halal standards while HDC is focused on the development of the local and global halal industry and the marketing of halal products.

**Function of the JAKIM halal hub:** The halal hub has three main branches which are the foreign policy, issuance of certificates and halal logo branches beside the Halal management branches. The main objective of JAKIM's halal hub division is to implement a management system based on the international halal

certification standards and guidelines besides issuing the Malaysian halal certificate after payment is received and the applicant complies with all the procedures and conditions.

**Institute of Food, Drugs and Cosmetics of the Indonesian Ulama Council (LPPOM-MUI):** Indonesia has established the LPPOM council in order to fulfil the mandate given by the state government to the Indonesian Ulama Council (MUI) to deal with the reported cases of lard usage in 1988. The LPPOM-MUI which was established on 6 January, 1989 is responsible for the inspection and certification of halal. MUI has two institutions under the LPPOM and Fard Ain/Fatwa Committee which has two different tasks but still contributes to the Indonesian halal industry.

**Function of the LPPOM-MUI:** The main function of the LPPOM-MUI is as an auditing and halal assurance system, halal audit, fatwa commission, the field of scientific research and assessment, the centre for training and promotion halal products. The main task of LPPOM is associated with the science of halal and its members are made up of lecturers at the Institute of higher education whereas the council acts as the decision-maker in verifying the halal certification and the council members are made up of Islamic scholars from various fields of expertise such as sharia, fatwa, fiqh, hadith and others in order to debate issues relating to halal products.

**Halal legislation:** In Malaysia, the specific laws relating to halal certification is the Trade Description Act 2011 while in Indonesia, it is the Number 33 under the Law of Republic of Indonesia regarding halal product assurance.

**Trade Description Act 2011 (TDA in 2011):** In Malaysia, the major law relating to halal products is the Trade Description Act 2011. The legislation subsidiaries are considered as the main regulation that often serves as a source of reference since it includes a provision that expressly empowers the department. Although, this Act is under the jurisdiction of the KPDKK, it contains provisions that outline the role of this department. Section 29 of TDA 2011 has empowered the minister to appoint the competent ministry to issue the halal certificate and logo in Malaysia. Through Paragraph 3, the trade description (Halal Certification and Labelling) 2011, the KPDKK Minister has named JAKIM and MAIN/JAIN as competent agencies. There are other halal related laws such as the food act, animal act, animal regulations Act 1962 and Minor Acts of local authorities' jurisdiction.

**Number 33 under the Law of Republic of Indonesia regarding halal product assurance:** In Indonesia, the main law applicable to halal certification is the Number 33 under the Law of Republic of Indonesia regarding halal product assurance. However, the law is still in the process of being updated and only some of the guidelines of the halal certification stated in the law that are applied. This is because there is a need to involve various agencies and government regulations. So far, the council is the main body that is responsible in the issuance of halal certification in Indonesia.

**The challenges facing the halal industry:** The challenges faced by the halal industry in Malaysia and Indonesia, found through the findings of the interview, can be split into three; the halal certification requirement, law enforcement and halal certification and halal awareness and knowledge dissemination to enterprises and consumers.

**Halal certification requirements:** The requirement for halal certification in Malaysia is voluntary and more non-Muslims are applying for this certification. While for Indonesia, the halal certification is not something that is mandatory but strictly voluntary. However, due to the fact of it being an essential necessary requirement to beget demand and compete in the provision of halal products to customers, the voluntary nature of the applying for certification is more of an obligation of the business owners. This situation applies to most businessmen in Indonesia, consisting of small-scale entrepreneurs and even large scale operations of foreign origin.

**Law enforcement and halal certification:** Mr. Mohd. Romzi from HDC put forth certain ideas regarding issues of law enforcement and halal certification in Malaysia. Halal issues should go beyond the existing laws because basically there are four key points to be considered when it comes to halal food products, namely the aspects of health, hygiene and safety, nutrition and quality.

Meanwhile, in Indonesia, Pak Muslich explained that the enforcement of halal certification in the food industry had been established earlier compared to the enforcement of halal certification in the industry of medicine and cosmetics. However, the demand for halal certification in the cosmetic industry is growing. This situation reveals how the food industry is more advanced compared to halal certification in other sectors. The interview with Dr. Anna P. Roswien, Head of the Halal Centre of YARSI University also highlighted and reaffirmed this fact.

**Halal awareness and knowledge dissemination and training to enterprises and consumers:** The HDC are among the active bodies that run information campaigns on halal certification in Malaysia, in the efforts of providing general awareness and understanding to the consumers and people of Malaysia which includes the Muslim community, about the halal certification process and the jurisdiction and role of each body involved in the said process. In addition, HDC organizes a series of training camps and consult with companies interested in obtaining halal certification, particularly small and medium-sized companies.

Whereas for businessmen in Indonesia, they too need to be given proper understanding and awareness on the importance of halal as the halal principle encompasses elements of hygiene due to the fact that the halal process begins at the start with the supply chain up till the last stage where foods are produced. Moreover, in the present situation in Indonesia there are no significant incentives provided by the government to this end. However, the incentive to provide free training and certification is implemented in order to encourage application to gain halal certification from businesses owners in Indonesia so as to contribute to the awareness and understanding of the halal certification.

**Strengths of the halal industry:** Overall, the strength of the halal industry both Malaysia and Indonesia are divided into two main areas: cooperation between government bodies and academic institutions and being a reference point for foreign countries.

**Cooperation between government bodies and academic institutions:** In Malaysia, the strength of the halal industry is fortified through cooperation between government bodies and academic institutions. In addition to the HDC, JAKIM in cooperation with the Malaysian Department of Standards is responsible for developing the standard for halal foods such as the halal food production, preparation, handling and storage-general guidelines. The standard contains guidelines which are practical for the food industry such as the preparation and handling of halal food (including nutrient enhancers and nutrients). Furthermore, cooperation between JAKIM and the Veterinary Department, under the Ministry of Agriculture and Agro-based Industries, established halal certification of meat imports specifically. JAKIM functions as the general products halal certification body while the veterinary department is the main body that manages the acquisition and entrance planning and the certification of meat imports to Malaysia.

On the other hand, the strength of the halal industry in Indonesia is rooted in the concern shown by Universities and individuals. The halal certification authorities in Indonesia such as the LPPOM-MUI receives full cooperation from the universities (tertiary institutions) and integrates the involvement of academics in the activities of the LPPOM, particularly to provide the expertise needed to strengthen the halal industry. The disclosure policy enforced by the Indonesian government to allowed the management bodies in connection with various halal industries to be established by the community/individuals. This initiative led to the positive action taken by YARSI University with the establishment of the YARSI Halal Centre, at the YARSI University with its complete high-tech equipment and machines as well as the latest technology to examine and test elements to make sure they are halal and free of pig DNA and the like as derived from the interview.

The development of Indonesia's halal industry was enabled by the increase in the capacity and expertise of their respective universities niche speciality, even though they used their own funds. This is evidenced by the last stages of preparation in the YARSI Halal Centre of the YARSI University Indonesia. They were also optimistic to collaborate with external parties as stated in the interview. In addition, the combination of the LPPOM-MUI and MUI has indirectly contributed to the halal industry in Indonesia. It fact described by the LPPOM as due to the fact that the MUI has the Syariah Islamic law consultants who are skilled and able to give a ruling in relation to the issues raised for halal certification. The LPPOM-MUI also has a group of scientists and auditors with the expertise in carrying out the task of assessing applications to the halal certification.

**Being a reference point for Foreign countries:** In Malaysia, HDC is also frequented and has become a point of reference to several foreign countries such as Thailand, Japan and so on in a case study related to the halal industry. Malaysia have shared the successes of the halal industry with non-Muslim countries, for example in Thailand which took place because of the nature of mutual assistance in the soul of the Thai people which was to market their products internationally and this was further boosted by the support to their government agencies.

The same trends happen in Indonesia as the current situation is that foreign businessmen are interested to enter the Indonesian halal industry market. This can be successfully help the Foreign businessmen as the achievements of the LPPOM-MUI has reached a standard

that can be seen as something to be proud of in the arena of the Indonesian halal industry and can always be a point of reference.

## CONCLUSION

From the study, the halal certification system in Malaysia implemented by JAKIM is already recognized as among the best and of top notch quality in the regional and global halal market. However, the Malaysian government needs to always look for ways to improve and upgrade on system than it is now for it to be consistent with the current market needs, in the effort to meet the local and global demand. In addition, JAKIM need to assess and take steps to determine and deal with the issues faced by halal product entrepreneurs and consumers which is garnered through negative feedback from parties regarding the quality of services provided. Malaysia has a very bright chance to continue to develop the scope of the national halal industry, especially in the field of halal tourism, health, halal medicine and halal fashion or cosmetics other than just devoting to the field as it is now with only Islamic finance and the halal food industry. As for the halal industry in Indonesia as a whole, through in-depth study results begotten through interviews, their clear growing concern for the survival of the Indonesian halal industry is apparent. Their belief that the Indonesian halal industry will show a better development trend and will be able to emerge as the region's centre with a high muslim population and high demand for halal products. Cooperation given by the universities (higher education institutions/universities) is the power factor to the halal industry's implementing agencies such as the LPPOM-MUI and as such it is recognized as a major contribution that strengthens the Indonesian halal industry. They also believe that the improvement of the laws pertaining to the Indonesian halal industry will contribute to the development and increase in efficiency and capability of the halal industry's overseeing agencies in regulating the halal industry as a whole in every district/region of Indonesia.

As a conclusion, halal certification authorities and the enforcement of laws and standards which are used legally in Malaysia and Indonesia has its own strength. This study also shows the challenges faced by the halal industry in Malaysia and Indonesia in the efforts of establishing and developing the halal industry through specific methods and initiatives to spread awareness to employers and to the general society including Muslim and non-Muslim consumers. In addition, the strength of the halal industry in Malaysia and Indonesia indirectly

may serve as an example for other neighbouring countries close by to Malaysia and Indonesia to take the next step in upholding the greatness of Islam through the call towards halalan toyyiban in our daily life.

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