

Issues and Challenges in Operating Halal Parks: A Conceptual Paper

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Abstract

This paper aims to explain what halal is about in general scope until it narrows down to concept of Halal parks and it continues with issues and challenges in operating Halal parks in Malaysia. The method used for this paper was based on literature reviews from journals, articles, conferences and online news which were related with the keywords and research area. Halal parks become successful hubs in Malaysia as they attract foreign companies' and multinational companies to invest in Halal parks located throughout the country. At present, there are 21 Halal parks in Malaysia, 14 of them have received HALMAS status and there are still 8 out of 21 Halal parks did not receive HALMAS status because of several issues and challenges in operating Halal parks. One of the issues arose was lack of facilities in operating Halal parks. The purpose of this study is to find out issues and challenges of Halal parks in order to ensure more Halal parks in Malaysia, which need proper management to attract international companies and to reach big market. This study can help future researchers to cover and analyze in depth regarding the issues and challenges in operating Halal parks in Malaysia. For future research, the topic of this research area used qualitative method in which the researcher conducted interviews and site visit.

Keywords: Halal, Halal logistics, Logistics park, Halal Parks

Introduction

Halal Hub is a concerted effort among the Islamic organizations such as Halal manufacturers, Halal traders, buyers, and consumers from all over the world (Nik Muhammad, 2009). Global halal market is increasing and has caused many countries to be concerned with the halal requirements toward their products or services. Regardless, Malaysia has considered to execute new technique for Halal Industry goals (Nifa et.al; 2017). The halal industry is expanding rapidly, and new categories have been created, moving halal closer towards connected halal value systems (Wilson, 2014). This is due to the fact that the demand for halal food and

halal product consumption are increasing annually as a result of the rising number of Muslim populations globally, which is approximately 1.8 billion (Omar & Jaafar, 2011). Not only that, to remain competitive, companies have to ensure that parts of the value chain are located in countries where they can take advantage of lower costs due to location factors or economic scale (Fernandes & Rodrigues, 2009). Therefore, this is a very good point in terms of Islamic practices and faith. Malaysia's government enlightens to establish Malaysia as a global Halal hub in terms of promotion, distribution and production of Halal products and also services to the Muslim countries all over the world (Halal Industry Development Corporation, 2017).

There are several authors doing researches on topic of Halal logistics and Halal hub such as (Tieman & Ghazali, 2014; Tieman et al., 2012; Ab Talib et al., 2015). Despite the significant market size of halal, there is an evident gap in serving the increasing demand for high-quality products that is credibly halal. As dedicated halal food companies are highly fragmented, they are struggling to scale up and operate efficiently (Thomson Reuters, 2013). There is a limited study in the topic of issues and challenges in operating Halal Park in Malaysia.

Background of the study

Nowadays, halal industry has gained interest all over the world, not only from Muslim countries, but other countries as well. It also indicates that the impact of halal products does not only affect Muslim countries, but also other countries with non-Muslim populations. Muslims around the world must consume Halal food as part of their diet. In Arabic, the word halal refers to 'what is allowed or permissible', Halal refers to Islamic perspective that is part of Shariah and is mentioned in the Holy Quran. Due to the expansion of halal worldwide market, numerous nations are worried about the halal prerequisites towards their items and administrations. Muslim consumers have given an increased attention to their food concerning their halalness. This is a very good practice in terms of Islamic practices and faith (N. Muhammad et.al; 2009). According to Nik Muhammad; et

al, 2009, it has long been stated that the goal of the Malaysia's government is to establish Malaysia as a global Halal hub for the promotion, distribution and production of Halal products and services to the Muslim countries all over the world. Malaysia's government has mentioned previously that they plan to turn Malaysia into a Halal hub, but it does not mean that the operations to produce Halal food must be based only in the country. Malaysian investors could invest in other countries where research and development facilities and expertise are available to produce and export Halal food (Bernama, 2005).

Halal Park Concept

Halal park is a community of manufacturing and service businesses located on a common property with the aim of preserving the integrity of halal products (HDC, 2016). Components of this approach include a green design of park infrastructure, cleaner production, pollution prevention, availability and accessibility of raw materials and ingredients, energy efficiency, intercompany linkages, consolidated services from public agencies and linkages for marketing. In essence, it is a central of infrastructure excellence, and has been regarded as one of the building blocks of the halal industry (HDC, 2016). HDC is helping to make Halal parks become effective in Malaysia by interesting foreign companies, particularly multi-national corporations, to invest in the Halal parks located across the country (HDC, 2017). JAKIM is responsible for the Halal certification which is used to oversee the halal issues and industry in Malaysia and acts as the central of the Malaysian Halal Hub. Meanwhile, it has also given the authority to certain relevant bodies to regulate halal issues in each state of Malaysia, for example Jabatan Agama Islam Melaka (JAIM). In addition, unlike industrial parks, halal parks are different where it has to follow the mandatory compliance of standards in several aspects such as safety, hygiene and cross-contamination risks that has governed by Sharia, not only possess the characteristics of industrial parks alone (Nifa et al., 2017).

According to Halal Development Corporation 2017, there are 21 Halal parks in Malaysia. Out of these 21 Halal parks in Malaysia, 14 have received the HALMAS status. Basically, Halal park operators who have successfully complied with guidelines and requirements specified under the HDC designated Halal Park Development eligible to receive an accreditation of HALMAS status. For parks that have top-notch qualities in Halal products production with integrity and safety, HALMAS is likely to be a mark of excellence. HALMAS status helps industry players, operators and logistics service providers to enjoy a bunch of incentives which could help existing halal parks as well as be performers in the Halal industry (HDC, 2017). Table 1 shows list of halal parks with HALMAS and NON-HALMAS.

Table 1: List of halal parks with HALMAS and NON-HALMAS status
Sources: Halal Industry Development Corporation (2016)

HALMAS Status	NON-HALMAS Status
PERDA Halal Park	Perlis Halal Park
Penang International Halal Park	MARA Halal Park Kuala Perlis
Selangor Halal Hub	MARA Halal Park Tambun
PKFZ Halal Flagship Zone	Pengkalan Chepa Halal Park
Techpark @ Enstek	Terengganu Halal Park
Pedas Halal Park	MARA Halal Park Kuching
Melaka Halal Park	Labuan Halal Distributive Hub
Sedenak Industrial Park	
ECER Pasir Mas Halal Park	
ECER Gambang Halal Park	
POIC Tanjung Langsat	

Issues and Challenges in operating Halal Parks

Malaysia is forecasted to be one of the nations in the future that have capabilities in building a new set of competitive advantages that could sustain great economic performances (F.A.A. Nifa et. Al; 2017). This is part of the nation's aspirations that have to realize in a way to be a sustain halal economy nation (Nifa et al., 2017). The seeding ground is expected to be supplied by halal parks with large amount of investment from the government and likely to serve as the platform for halal related foreign investment while assisting local halal related industry.

Through report in August 2016, Malaysia's government invited local companies to get into the halal industry. MIHAS in April 2018 was introduced by the Ministry of International Trade and Industry (MITI), Malaysia, and was planned by the Malaysia External Trade Development Corporation (MATRADE). According to MIHAS in April year 2018, the total number of companies in the exhibition was 778 companies, which enlarged 34% from the last exhibition. From 778 companies 495 were Halal companies from Malaysia and they included all halal products which were food, pharmaceuticals and cosmetics (MATRADE, 2018). Furthermore, the establishment of the park will fulfill the demands of extending population and boost halal economy in the country. In operating halal parks in Malaysia, variety of issues have been detected at present time. Figure 1 envisages the proposed conceptual framework issues of Halal parks that have been found in literature reviews and site visits:

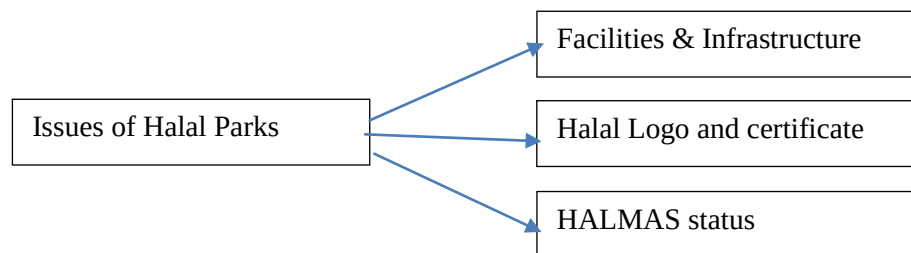


Figure 1: Proposed Conceptual Framework Issues of Halal Park

Lack of facilities

There are several issues in operating Halal parks in Malaysia, according to the halal park's condition in Malaysia, in structuring the business, MARA Halal park in Tambun requires proper management practices, for instance (Nifa et al., 2017). In order to reach its desired target market, MARA Halal park in Tambun needs proper market in a way to promote its services. In addition, action has to be taken by the related government agencies in order to ensure the halal parks to be succeed by finding for any initiatives to support in variety of aspects. Furthermore,

in term of their facilities surrounding the halal parks itself such as hospital, banking facilities or connections marketing, they need to plan constantly in order to make the Halal park a accomplishment. Apart from that, the growth of halal parks should not only focus on building the environment aspects of the facilities, but also involving the park operations with the overarching Halal requirements while maintaining a compliance to be environmentally responsible (Nifa et. al; 2017).

Halal park is formed to encourage the halal economy and to serve the demands of hiking population in the nation. There are several issues derived in the halal park for the time being. It refers to the sinking and unstable performance of the park within a period. This occurs due to the new condition of the park. In order to sustain throughout many years, plenty of achievements have to be recognized. It shows that with the lack of facilities and infrastructure in operating halal park, it will take time to ensure the halal park to become successful and expand to the big market.

Halal logo and certificate

Malaysia is positioned to become the global halal hub for the production and trade in halal goods and services (MITI, 2006), where Malaysia can be one of the leading suppliers of halal products and services. From the ninth Malaysian Plan (RMK9), the Halal Industry Development Corporation (HDC) was formed on 18th September 2006 to coordinate overall development (Tieman, 2015).

In addition, a research done by Shafie and Othman (2006) mentioned that the issues with Halal certification are the various series of Halal definition, issuance of Halal logo by private or individual authorities, the use of Quran verses or Arabic characters on food products and premises and the weak enforcement by responsible authorities in tackling fraud Halal logos. When it is related to the halal park, the developer of the halal park assumes that when the lands are sold, they think that the halal park is successful, but the fact is, when the researcher went for a site visit and did a research in depth to see the report whether every company

who bought the land of halal park has certificate or Halal logo with standard requirements or not, they could not prove that. This is an issue that most researches still could not solve or has no solution on that yet.

HALMAS status

In Malaysia, there are 21 halal parks have been located across the country for now. This is part of Malaysia's aspiration to be a powerful halal economy country in line to be recognized as the best halal hub globally. Assisted by huge injection from the government, halal parks are forecasted to provide the aid for halal related industries in domestic while catering for foreign investment that is related to the halal industry.

Most of this halal parks offer complete to open building that necessitate strict observance to the halal standards of Malaysia. However, despite the big investment which amounted to more than 8 billion in 2014 and it grows to RM 13.3 billion in the year of 2016, the parks are underutilized, thus not performing as expected. In all 21 halal parks in 2014, they remain the same in 2016 and they hosted around 18 multinational companies in the year 2014 and slightly increases to 44 in the year of 2016. In 2014, Halal park had 113 SMEs and it bigger to 184 SMEs. These digits recommended that these parks are obviously not effective as the accelerator for the Malaysian halal industry. Not only that, from the statistics that have been found in HDC (2016), it shows that Halal parks that received HALMAS status do not increase from the year of 2014 to 2017. It proves that, there is an issue regarding the HALMAS status. It is easy to declare that certain park is a Halal Park, but how is it operating, whether they follow the standard requirements that have been set or not. That is for the future researchers to conduct a research in depth and to come out with models that shows proper management and following the standard requirements, so that they will receive HALMAS status.

Infrastructure

In operating Halal Parks, it is not only the issues, the developer also faces with the challenges to ensure the Halal Park is successful. One of the challenges mentioned by the Selangor Halal Hub, they faced challenges in terms of infrastructure (could be the water), because sometimes while applying for water supply, it takes time for the industrial park. This happens in about 15 years. Water needs time to reach Selangor Halal Hub even though they as a developer needs it as quickly as possible. The water supplier said that the size and the pipes are not suitable to supply water at Selangor Halal Hub. In addition, the water supplier said that the water supply takes time because of the involvement of the KESAS highway route. They should put in bigger pipes for water to flow smoothly. Water disruption will cause operation disruption. For them, they always communicate with the Selangor water department and they always speak up. Finally, it goes smooth after years.

Methods

For this research the technique utilized for this paper depended on writing audits from journals, articles, meetings, conferences and online news which were connected with the keywords and the examination area in Halal park. Other than that, the creators proposed to utilize the subjective strategy, with inside and out eye to eye meetings and site visit. As halal has its own arrangements of necessities, the office that facilitated halal related business must go along to every one of these prerequisites. Consequently, in this research, facility manager, facility operators were interviewed. Aside from that, interviews were directed with HDC (Halal Industry Development Corporation), which was one the partners of the 21 halal parks in Malaysia. Alternate points of view of the respondents furnished the specialists with a reasonable pictures of the gap between current administration of halal parks and the desires for the partners, and how the eco-industrial necessities can shape the eventual future of halal parks in Malaysia.

Table 2: Number of literatures reviewed in the context of Halal, Halal parks, Halal Hub

Literature Area	Number of Papers
Halal	18
Halal Park	4
TOTAL	22

Analysis of issues in operating Halal Parks

The researchers in this study have gone for site visits at 3 institutions which were Selangor Halal Hub which can be called as Pulau Indah Halal Park, Jabatan Kemajuan Islam Malaysia (JAKIM) and Halal Industry Development Corporation. Issues regarding the operation of Halal Park have been questioned to them and some of the questions in the research area scope have been asked. All of these institutions were related with the research area especially in term of Halal Park. In order to create Malaysia as a Global Halal Hub in the big market, these institutions also need to play their roles in making this Halal Park to become successful. In order to be successful, several issues were found out from the interviews with them.

Those issues have been mentioned by all of the industries during the site visits. In addition, one of the issues was found from literature review, which was the lack of facilities and infrastructure, but at the same time Selangor Halal Hub and HDC also mentioned the same issue which has been found in the literature review. This proved that most of the halal park faces this issue since it was found in literature and it also has been mentioned by the companies that related were with this research area. From Table 3, Selangor Halal Hub mentioned two issues in operating Halal parks which were lack of facilities and infrastructure and also about the HALMAS status. Meanwhile, JAKIM also mentioned two issues in operating complete halal parks which were, some of the companies who declared them as Halal parks did not follow the standard requirements in order to get the Halal Logo and certificate for the company. Besides, JAKIM also mentioned about the HALMAS Status. Last but not least, while doing the site visit at HDC, they

also mentioned about these issues. Table 3 shows the issues that were frequently mentioned by each institution regarding the issues of Halal Parks during the site visits:

Table 3: Frequently mentioned issues by each institution regarding the issues of Halal Parks during the site visits

Issue/Institution	Selangor Halal Hub	JAKIM	HDC
Lack of Facilities & Infrastructure	Yes	No	Yes
Halal Logo and certificate	No	Yes	Yes
HALMAS status	Yes	Yes	Yes

Conclusion

To operate potential Halal parks in Malaysia, several issues should be considered. To implement Halal parks, one needs to follow the requirements of halal standard in Malaysia. The future research should cover in depth the issues in operation or challenges in operating complete Halal parks in Malaysia. In addition to that, is the halal standard in Malaysia so that, it can contribute to operate more halal parks in the world especially in Malaysia. Nevertheless, the completion of a potential halal industry in the future requires an important guideline which is based on the design elements . There is a quote in the Holy Quran that “the Halal is clear, and the Haram is clear. Between the two are doubted matters concerning which people do not know whether there are Halal or non-Halal. The one who avoids them in order to safeguard his religion and his honor is safe” (al-Qaradawi, 2007). Not only that, Halal is something which is stated in the Holy Quran, which is why it is important.

Furthermore, “the Prophet cursed not only the one who drinks intoxicating drinks but also the one who produced them, the one who serves them, the one to whom they served, the one to whom the price of them is paid”. This shows the degree of importance of halal products, as well as halal services. Not only halal in terms of the products itself, it must be halal from the production, the concept, the processing until it is done. There is a great number of publications and studies

which focus on halal food products and halal certification. This study can help the future researcher to cover and analyze in depth regarding the issues and challenges in operating Halal parks in Malaysia. However, the concept of halal park or halal distribution should not be neglected. In order to realize the Malaysia's inspiration to lead the halal hub globally, an established model in developing a successful halal parks should be developed by getting cooperation from the states government and private corporations.

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