



## The Effects of Competition Market on The Implementation of Halal Food Standards

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### Abstract

*Halal* Products as a subset of the whole Islamic teaching are immutably attached to a certain *Halal* Standards. The growing number of Muslim population that is more sensitive and concerned about the food that they consumed has generated strong economic opportunities for business communities over the world. Meanwhile, the acceptances of *Halal* label by Muslim consumers is due to the believe that the products is *Shariah* (Islamic laws) compliant. However, in competitive markets the profit motive play major role including others motives. Therefore, in the free market different key players must compete with each other under the market rules. Competitiveness in the markets will form under certain conditions, the most important is the price which can be controled by the rule of minimize the cost to maximize the profit. It is clear that the *Halal* standards engage additional costs, which are regarded by some players as not necessary cost . The objectives of this study are to provide greater understanding of the importance of implementation of *Halal* standards in increasing consumer demands in one hand, and from other hand to explain that some market players they are targeting higher profit from *Halal* market and they dont care if the products are *Shariah* compliant or not. Findings showed that The strict requirement of *Halal* standard makes the entry to this potential market often challenging for many players. Meanwhile, in which concern certefication, the study show that some market players prefer to use vicious ways to be certefied such as; falsfing *Halal* certeficate or get certefication from unqualified organisation, or even through shoping legal *Halal* label, than to follow *Halal* snadards. The study show also, that the lack of institutional and human resources capacity, and the competition markets are the mean stone factors to contribute to the less strict implementation of *Halal* standards buy various agencies .

**Key Words:** Halal Standards, Halal Certification, Competition Market, Shariah Compliant

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## INTRODUCTION

Religious commitment plays an important role in people's lives through shaping their beliefs, knowledge, and attitudes (Ateeq-ur-Rehman & Shabbir, 2010). The *Halal* concept is regarded as one of the most important factors which influence the attitude of Muslim consumers. The Muslim population stands as the second-largest worldwide population which comprised 1.7 billion people in 2014 and is expected to rise to 2.2 billion by 2030 (Iranmanesh & others, 2015). The total Muslim population continues to grow at 1.5% annually, which is approximately twice the growth rate of non-Muslim populations (Thomson Reuters, 2014). *Halal* industry has gained interest all over the world, not only from Muslim countries, but other countries as well (Norman & Others, 2008). The global *Halal* industry includes food products, non-food products such as pharmaceuticals, health products, medical devices, cosmetics and toiletries and services, among others are logistics, travel, finance and marketing (Rizyani, 2014). In Addition to the international standards such as Good Manufacturing Products (GMP) and Good Hygiene Products (GHP), *Halal* food industry requires *Halal* standards to ascertain that products are *Shariah* compliant. Generally a competitive advantage exists, when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. However, in *Halal* industry market a competitive advantage got another factor, which is the preserving of halalness of the products. Evidence indicates that some *Halal* market players are focusing in the capitation of size market than focusing on implementation of *Halal* Standards. This study is designed to investigate the effects of competition market in the implementation of *Halal* standards.

## LITTERATEUR REVIEW

### Basic Concept Of Halal

*Halal* is an Arabic term which refers to anything that is lawful or permissible under the Islamic laws. Opposite to *Halal* is *Haram*, which means not permissible or forbidden. Allah has repeatedly mentioned these two words in Quran, and the prophet peace be upon him (PBUH) confirmed the importance of *Halal* and *Haram* in Muslim life by many *Hadiths*. In general, everything is permitted for human use and benefit. Nothing is forbidden except what is prohibited either by a verse of the Quran or an authentic and explicit *Sunnah* of Muhammad (Riaz & Chaudry, 2004). Therefore, the Muslim life revolves around the concept of *Halal* and *Haram*. The *Shariah* rules are quite comprehensive, because they are applicable not only to eating and drinking, but also to earning one's living, dress code, and dealing with others. In general eleven accepted principles pertaining to *Halal* and *Haram* in Islam provide guidance to Muslim in their customary practice (Qaradawi, 1984):

- The basic principle is that all things created by God are permitted, with a few exceptions that are specifically prohibited.
- To make lawful and unlawful is the right of God alone. No human being, no matter how pious or powerful, may take this right into his own hands.
- Prohibiting what is permitted and permitting what is prohibited is similar to ascribing partners to God.
- The basic reasons for the prohibition of things are impurity and harmfulness. A Muslim is not required to know exactly why or how something is unclean or harmful in what God has prohibited.
- What is permitted is sufficient, and what is prohibited is then superfluous.

- Whatever is conducive to the “prohibited” is in itself prohibited.
- Falsely representing unlawful as lawful is prohibited.
- Good intentions do not make the unlawful acceptable. Whenever any permissible action of the believer is accompanied by a good intention, his action becomes an act of worship. In the case of *Haram*, it remains *Haram* no matter how good the intention, how honorable the purpose, or how lofty the goal.
- Doubtful things should be avoided.
- Unlawful things are prohibited to everyone alike.
- Necessity dictates exceptions.

However, based on the general regulations above and in addition to different acts and regulation from concerned agencies, many countries have developed different standards for *Halal* industry.

### **Halal Standards And Certification**

The growing size of Muslim populations around the world has generated strong economic opportunities for the business communities. The *Halal* market is becoming so huge that it is being coveted by everybody in the industry Muslim and non Muslim producers alike. Meanwhile, there is no manual standards law guided *Halal* industries over the world despite the general common ruling execrated from Quran and *Sunnah*. Acts and regulations used for Halal certifications varied from country to country, but in general *Halal* industries used multiples law related to food industries, trade descriptions, consumer protections, penal code and other enactment that enacted by governments. In general any country have the right to allows anyone to use sign of descriptions of *Halal* and also cannot restrict certification body to the locals only, as the discretion to choose is in the hand of customers. For example, Malaysia in August 2004 has launched the first official Islamic standard for *Halal* food. These standards were regarded as the modern version of the concepts of *Halal* and *Haram*. In addition, the Malaysian *Halal* standards comply with international standards, such as Good Manufacturing Practice (GMP) and Good Hygiene Practice (GHP) it is expanded to cover the whole value chain and marketed effectively. To note that many Muslim countries have developed smilar standards for Halal industry, beside some Muslim countries still without official *Halal* certification bodies and other part of the world in in Europe, Australia, Asia and North America & Latin Countries are dealing in Halal Issue with some organization and Islamic centers to champion the *Halal* certification.

## **HALAL MARKET COMPETITIVENESS**

### **Halal Market Size and Development.**

Information and statistics on the status of the *Halal* industry are not been viewed as a market in its own right (Halal Research Council, 2003). This has placed a limitation on determining the extent of the global and regional markets for *Halal products* and services. The *Halal* industry covers: food; non-food products, including pharmaceuticals, health products, medical devices, cosmetics and toiletries; services, including logistics, packaging, branding and marketing, printed and electronic media, and travel and tourism. Estimates have been made on the size of the global market for *halal* products and services is estimated at US\$2.1 trillion annually (Halal Research Council, 2003) Countries over the world are undertaking initiatives to capitalise upon

the growth potential of the global market for *Halal* products and services. However, many steps have been taken to consolidate and strengthen the institutional mechanisms for the development and promotion of *Halal* industry in these countries.

### **Concept of Market Competitiveness.**

By definition the concept of market competitiveness is about large numbers of producers compete with each other to satisfy the wants and needs of a large number of consumers. Competitive markets will form under certain conditions including :(Economic online,2016)

- The profit motive. Free markets form when the profit motive can be satisfied.
- The principle of diminishability. Stocks of pure private goods will diminish as the good is purchased.
- The principle of rivalry. Consumers must compete with each other to get the benefit provided by the good or service.
- The principle of excludability. For markets to form it is essential that consumers can be excluded from gaining the benefit that comes from consumption.
- The principle of rejectability. It is also necessary that consumers can reject goods if they do not want or need them.

In the *Halal* market competitiveness all previous elements are considered in addition to a very important factor, namely *Shariah* compliant which be certified through *Halal* standards. For that any entanglement between the *Halal* standards and the others market competitive conditions, will weight the *Halal* standards comparing to the previous conditions.

### **The Effects of Market Competition in Implementing Halal Standards.**

The strict requirement of *Halal* standard makes the entry to this potential market often challenging. In addition, the supply chain of *Halal* products involves many business entities such as suppliers, manufacturers, distributors and retailers. All these entities will work together to acquire raw materials and transform them into final products under *Halal* standards. There are few concerns regarding the implementation of *Halal standards* among market players. First, there is concern whether these players follow all guidelines and standards for *Halal Food*. Second, there is concern whether the different *Halal* certification bodies are capable to ensure the *Halal* process of the products from farm to table. Third, there is concern whether some market players under the high level of procedures and additional cost they endorse the easy ways to be certified such as; fake certification or documents certification which usually issued under demand by some organizations and institutions.

## **CONCLUSION**

In this study, I illustrated the conflict arise between market competitiveness and the implementation of *Halal* standards. Different players are attracted by the *Halal* market, but many of them are market motivated, which means the real target is how to minimize the cost. Therefore, *Halal* standards are seen as additional cost, for that some market players are not supportive for the these standards to be implemented and they prefer the

less costing way which is using either, fake certifications or endorse *Halal* certification issued by less qualified organizations. The significance of this study has a number of implications that could contribute theoretically and practically to academicians, practitioners and government bodies. The *Halal* orientation must be stick to *Halal* standards whatever the competitiveness in the market is. Further research must be undertaken to support the evolution of *Halal* standards, which can be accepted internationally.

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