

THE IMPORTANCE OF MICRO-ENTREPRENEURS OF
FELCRA BERHAD TOWARDS APPLICATION OF
MALAYSIAN HALAL CERTIFICATION: CHALLENGES
AND OPPORTUNITIES

BY

NUR SYAMMIMI BINTI MAT PUAT

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

2025

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A thesis submitted in fulfillment of the requirement for the
degree of Master of Art in Halal Industry Management

International Institute for Halal Research and Training
International Islamic University Malaysia

FEBRUARY 2025

ABSTRACT

The Federal Land Consolidation and Rehabilitation Authority (FELCRA) Berhad is responsible for rural economic development through various economic activities. FELCRA micro-entrepreneurs mainly engage in the food and beverage sector, which has a high demand for halal products. However, many of them lack halal certification for their products, which is important for business growth and consumer trust. FELCRA Berhad does not provide clear guidelines for micro-entrepreneurs to apply for halal certification. There has been no previous research on the importance of halal certification among FELCRA micro-entrepreneurs to expand their businesses. This study aims to examine the challenges faced by FELCRA micro-entrepreneurs in applying for Malaysian Halal Certification, assess opportunities for business growth with halal certification, and propose a structured support guideline for micro-entrepreneurs to apply for halal certification. This study employs a qualitative approach with descriptive research, collecting primary data through semi-structured interviews and participant observation, complemented by secondary data from the literature review. The analysis of data is inductive thematic analysis. The findings show that FELCRA micro-entrepreneurs face challenges to apply for halal certification due to lack of awareness of the importance of halal certification, lack of halal certification competency training, and no clear guideline for halal certification. However, they have opportunities for business growth with halal certification, as they possess a fundamental knowledge of halal food products and receive financial assistance and support systems from FELCRA Berhad Entrepreneurship Development Unit and other government agencies to manage business operations. This study proposes a structured support guideline of halal certification for FELCRA Berhad to assist micro-entrepreneurs in applying for halal certification. This study contributes to the growth of FELCRA micro-entrepreneurs by empowering them with knowledge and skills to obtain halal certification successfully.

ملخص البحث

تكون السلطة الاتحادية لدمج واستصلاح الأراضي (FELCRA Berhad) مسؤولة على التنمية الاقتصادية الريفية من خلال الأنشطة الاقتصادية المختلفة. و ينصرف أصحاب المشاريع الصغيرة في FELCRA إلى صناعة الأغذية والمشروبات التي لها الطلب العالي للمنتجات الحلال. ولكن، تفتقر إلى شهادة الحلال لديهم على الرغم أهميتها لتنمية التجارية وثقة المستهلك. وكذلك، عدم توفير الإرشادات الواضحة من FELCRA لأصحاب المشاريع الصغيرة في طلب شهادة الحلال. لا توجد الأبحاث السابقة عن أهمية شهادة الحلال على أصحاب المشاريع الصغيرة في FELCRA لتوسيع التجارية. ولهذا، تهدف هذه الدراسة إلى اكتشاف التحديات المواجهة لديهم لطلب شهادة الحلال الماليزية، وتقييم الفرص لتنمية التجارية مع شهادة الحلال، وطرح إرشادات الدعم المنظم لأصحاب المشاريع الصغيرة في طلب شهادة الحلال. ويتبنّى هذا البحث المنهج الكيفي الوصفي، ويستخدم أداتين وهما: المقابلة شبه المقتنة وملاحظات مشاركي البحث، وتكملها من الدراسة السابقة. وأما تحليل البيانات هو التحليل الموضوعي الاستقرائي. وقد أظهرت نتائج الدراسة أن التحديات لطلب شهادة الحلال هي قلة الوعي عن أهميتها، وقلة التدريب على الكفاءة للحصول على شهادة الحلال وأيضاً الإرشادات غير الواضحة. بالرغم من التحديات، فإن الفرص المتاحة لهم، ومنها المعرفة الأساسية عن المنتجات الغذائية الحلال، والحصول على المساعدة المالية، والدعم من قسم ريادة الأعمال ل FELCRA Berhad وكذلك من إدارات حكومية. واقترحت هذه الدراسة إرشادات الدعم المنظم لمساعدة أصحاب المشاريع لطلب شهادة الحلال. فإن هذه الدراسة تساهم في نمو التجارية من خلال تام الحصول على شهادة الحلال.

ABSTRAK

Lembaga Pemulihan dan Penyatuan Tanah Persekutuan (FELCRA) Berhad bertanggungjawab untuk membangunkan ekonomi luar bandar melalui pelbagai aktiviti ekonomi. Usahawan mikro FELCRA kebanyakannya terlibat dalam sektor makanan dan minuman yang mempunyai permintaan tinggi terhadap produk halal. Namun, ramai dalam kalangan mereka yang tidak memiliki pensijilan halal bagi produk mereka, sedangkan ia penting untuk pertumbuhan perniagaan dan kepercayaan pengguna. FELCRA Berhad tidak menyediakan garis panduan yang jelas kepada usahawan mikro untuk memohon pensijilan halal. Tiada kajian sebelum ini mengenai kepentingan pensijilan halal dalam kalangan usahawan mikro FELCRA untuk mengembangkan perniagaan mereka. Kajian ini bertujuan untuk meneliti cabaran yang dihadapi oleh usahawan mikro FELCRA untuk memohon Pensijilan Halal Malaysia, menilai peluang pertumbuhan perniagaan melalui pensijilan halal, serta mencadangkan garis panduan sokongan yang tersusun bagi membantu usahawan mikro memohon pensijilan halal. Kajian ini menggunakan pendekatan kualitatif dengan penyelidikan deskriptif, iaitu mengumpul data primer melalui temu ramah separa berstruktur dan pemerhatian, disokong oleh data sekunder yang diperoleh melalui tinjauan literatur. Analisis data menggunakan pendekatan analisis tematik induktif. Dapatan kajian menunjukkan bahawa usahawan mikro FELCRA menghadapi cabaran untuk memohon pensijilan halal disebabkan oleh kurangnya kesedaran terhadap kepentingan pensijilan halal, kekurangan latihan kompetensi berkaitan pensijilan halal, serta ketiadaan garis panduan yang jelas bagi pensijilan halal. Namun, mereka mempunyai peluang untuk mengembangkan perniagaan dengan pensijilan halal kerana mereka mempunyai pengetahuan asas mengenai produk makanan halal serta menerima bantuan kewangan dan sistem sokongan daripada Unit Pembangunan Keusahawanan FELCRA Berhad serta agensi kerajaan lain untuk menguruskan operasi perniagaan. Kajian ini mencadangkan garis panduan sokongan pensijilan halal yang tersusun untuk FELCRA Berhad membantu usahawan mikro dalam permohonan pensijilan halal. Kajian ini menyumbang kepada pertumbuhan usahawan mikro FELCRA dengan memperkasakan pengetahuan dan kemahiran mereka sehingga berjaya memperoleh pensijilan halal.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Art in Halal Industry Management.

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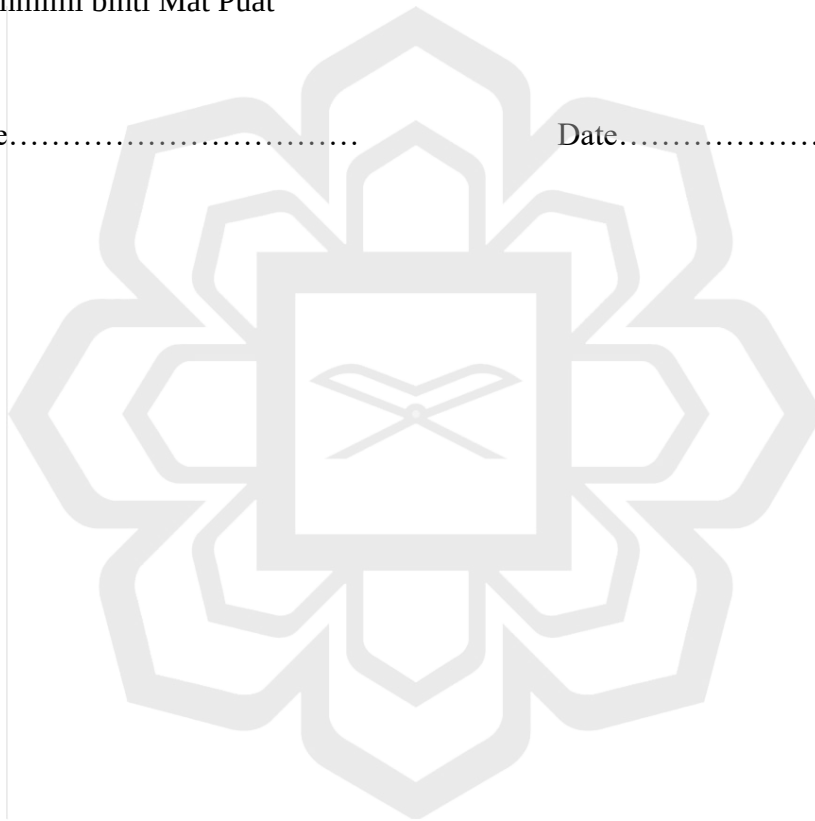
DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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Signature.....

Date.....



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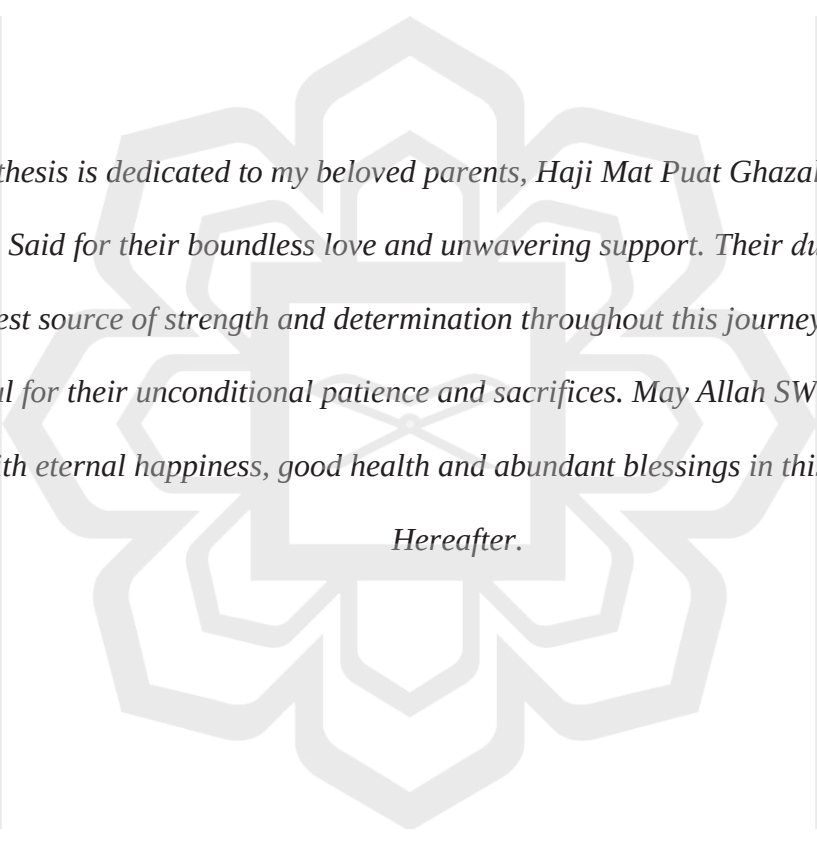
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DEDICATION



This thesis is dedicated to my beloved parents, Haji Mat Puat Ghazali and Hajjah Mahani Said for their boundless love and unwavering support. Their du'a has been my greatest source of strength and determination throughout this journey. I am deeply grateful for their unconditional patience and sacrifices. May Allah SWT always bless them with eternal happiness, good health and abundant blessings in this world and the Hereafter.

ACKNOWLEDGEMENTS

All praise is for Allah, the Almighty. His infinite Grace and Mercy have guided me throughout this journey. His boundless blessings has eased the difficulties and made the completion of this thesis possible.

I am immensely thankful to my supervisor, Assoc. Prof. Dr. Mohammad Aizat Jamaludin for his unwavering kindness, continuous support, patience, motivation and exceptional mentorship throughout my research journey. I deeply appreciate his thorough comments and insightful recommendations, which have significantly enhanced the quality of my thesis. Despite his busy schedule, he was always available to provide support and guidance whenever needed. Thank you very much for your patience in every situation and for always encouraging me to do my best. I extend my heartfelt gratitude to my co-supervisor, Assoc. Prof. Dr. Betania Kartika Muflih for her continuous support and invaluable advice, which boosted my strength and confidence to complete the thesis. I also appreciate Dr. Muhamad Shirwan Abdullah Sani for sharing invaluable tips on writing a thesis and manuscript effectively, as well as his beneficial advice on navigating the postgraduate journey.

I would like to thank Jabatan Perkhidmatan Awam (JPA) for providing financial support through the Program Khas Pelajar Cemerlang. My deepest appreciation goes to my parents, siblings and family, whose love, prayers, and encouragement have been a source of immense strength and determination to excel in my study. Lastly, I thank Dr. Siti Syahirah Saffinee and Dr. Muhammad Irhammudin Ibrahim for inspiring me in this field, the circle of INHART, and my beloved friends, Hannah, Madihah, Ilham, Kak Ain, Ayesya, Hidayah, Liana, Afaf, Afifah, Shahira and Syafiqah for their help, support, kindness and good words. May Allah always bless us, guide us, and shower His mercy upon us.

NUR SYAMMIMI MAT PUAT
INHART, IIUM
FEBRUARY 2025

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LIST OF ABBREVIATIONS

MSME	Micro, Small, Medium Enterprise
SSM	Suruhanjaya Syarikat Malaysia
PBT	Pihak Berkuasa Tempatan
GDP	Gross Domestic Product
FELCRA	Federal Land Consolidation and Rehabilitation Authority
WADIRA	Pertubuhan Wanita Dinamis FELCRA
JAKIM	Jabatan Kemajuan Islam Malaysia
JAIN	Jabatan Agama Islam Negeri
MAIN	Majlis Agama Islam Negeri
PLH	Penyedia Latihan Halal
HDC	Halal Development Corporation
MECD	Ministry of Entrepreneur and Cooperatives Development
MITI	Ministry of Investment, Trade, and Industry
KPLB	Kementerian Kemajuan Desa dan Wilayah
INSKEN	Institut Keusahawanan Negara
MARA	Majlis Amanah Rakyat Malaysia
TEKUN	Tabung Ekonomi Kumpulan Usaha Niaga
DOSM	Department of Statistics Malaysia
TDA	Trade Descriptions Act
MHMS	Malaysian Halal Management System
MPPHM	Malaysian Halal Certification Procedure Manual
MS	Malaysian standard
HAMS	Halal Assurance Management System
HAS	Halal Assurance System
IHCS	Internal Halal Control System

NCR	Non-Conformance Report
OEM	Original Equipment Manufacturers
HIMP	Halal Industry Master Plan
MeSTI	Makanan Selamat Tanggunjawab Industri
BeSS	Bersih dan Selaamt
GMP	Good Manufacturing Practices
BIK	Bahagian Infrastruktur Komersial
KIM	Kawasan Industri MARA
MPPB	Masyarakat Perdagangan dan Perindustrian Bumiputera



TRANSLITERATION OF ARABIC TERMS

ا	a	ز	z	ق	q
ب	b	س	s	ك	k
ت	t	ش	sh	ل	l
ث	th	ص	ṣ	م	m
ج	j	ض	ḍ	ن	n
ح	ḥ	ط	ṭ	و	w
خ	kh	ظ	ẓ	هـ	h
د	d	ع	‘	ء	‘
ذ	dh	غ	gh	ي	y
ر	r	ف	f	ة	h

Short Vowels

اَ	a
اِ	i
اُ	u

Diphthongs

اَيَّ	ay
اَوَّ	aw

Long Vowels

آ	ā
إِ	ī
أُ	ū

Doubles

آوَّ	ay
آيَّ	aw

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The chapter discusses the background of the study, problem statement, research questions, research objectives, research scope, significance of the research, and thesis organization.

1.2 BACKGROUND OF THE STUDY

The increasing global Muslim population has significantly contributed to the growth of the halal industry, driven by the high demand from Muslim consumers to consume halal products in fulfilling their religious obligations. The Quran emphasizes the consumption of halal and *tayyib* (pure and wholesome) products, making it a crucial aspect of Muslim culture and daily lifestyle (Abdul Mokti et al., 2024). Muslims represent over two billion individuals, accounting for 25.2% of the global population, resulting in Islam is the second-largest religion in the world and is projected to surpass Christianity by 2050 (World Population Review, 2024). As more people embrace Islam, the business opportunities for halal-certified food continue expanding. By 2028, the global halal market is forecast to reach USD 3.5 trillion, up from USD 2.3 trillion in 2022, representing a 7.5% compound annual growth rate (CAGR). The halal food industry was valued at USD 1.97 trillion in 2021 and is projected to grow to USD 3.27 trillion by 2030, reflecting a CAGR of 5.6% (Dinar Standard, 2024). Halal food is an indicator of high quality, safety, and ethical practices in the food industry, making it a significant choice from various backgrounds of

consumers (Sungnoi & Soonthonsmai, 2024). Integrating Shariah principles with ethical values in the halal industry is well-accepted by non-Muslim consumers too, as it emphasizes the concerns such as animal welfare, social responsibility, environmental sustainability, stewardship of the Earth, economic and social fairness, and ethical investment practices (Azam & Abdullah, 2020).

Malaysia has maintained its first-ranking position in the Global Islamic Economy Indicator (GIEI), comprising Islamic Finance, Halal Food, and Media and Recreation (Dinar Standard, 2024). This achievement solidifies Malaysia's status as a global leader in the halal industry, supported by the worldwide recognition of Malaysian Halal Certification. The rapid growth of the halal industry in Malaysia is propelled by the pivotal role of halal certification in stimulating the performance of halal businesses in accordance with Islamic teachings. It serves as the definitive proof of adherence to halal standards, enhances sales performance, and acts as an effective marketing tool, ultimately adding value to meeting the rising global demand for halal products (Abdullah et al., 2021; Hashim & Mohd Nor, 2022; Muda et al., 2020). According to the Halal Industry Master Plan (HIMP) 2030, the halal market in Malaysia was valued at USD 68.4 billion in 2018 and is expected to reach USD 113.2 billion by 2030 with a gross domestic product (GDP) contribution of 8.1% by 2025. Halal food and beverage is the largest core sector of consumer preference in the halal market, followed by the cosmetic and personal care products, pharmaceuticals, and other sectors, including modest fashion, medical devices, and medical tourism (refer to Figure 1.1). These findings are based on the proportional consumption of the total halal market by the Muslim community (HDC, 2020).

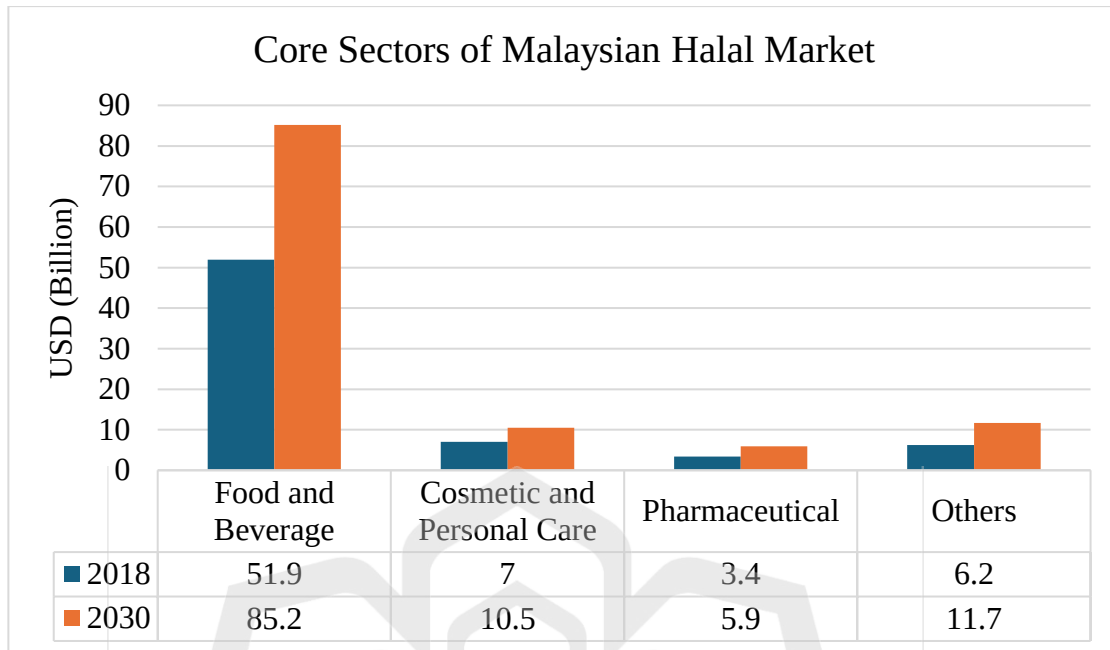


Figure 1.1 Core Sectors of Malaysian Halal Market

Adapted from The HIMP 2030

Through the Twelfth Malaysia Plan 2021-2025, the government of Malaysia is dedicated to expanding the halal industry by employing strategic measures to boost economic growth and global halal market competitiveness (Ministry of Economy, 2021). The micro, small, and medium-sized enterprises (MSMEs) play crucial roles in stimulating the economic growth of the nation by offering diverse goods and services, expanding local markets, creating employment opportunities, fostering market competitiveness, and promoting innovation among entrepreneurs (Md Husin & Haron, 2020). Malaysia's halal industry is prominently driven by MSMEs, accounting for 88.3% of the industry players. Currently, 37% of Bumiputera entrepreneurs represent MSMEs in the halal industry (MITI, 2023). Between 2016 and 2022, the number of micro-enterprises increased by 109,418, reflecting an average annual growth rate of 2.1%. According to data as updated in August 2023 and published by the Department of Statistics, Malaysia (DOSM), majority of MSMEs in Malaysia is micro-enterprises, making up 78.7% of the total MSME count,

which amounts to 923,667 firms. Small-sized enterprises represent 19.7% of the total (equivalent to 231,546 firms), while medium-sized firms constitute the remaining 1.6% (18,388 firms) (SME Corporation Malaysia, 2023a).

The National Entrepreneurship Policy (NEP) 2030 highlights the continuous commitment from the government to execute various strategies and initiatives to enhance the well-being of rural communities, Bumiputera, and low-income households (B40) by facilitating entrepreneurial participation of these targeted groups (Ministry of Entrepreneur Development and Cooperatives, 2019). This vision aligns with the core objectives of the Rural Development Policy (*Dasar Pembangunan Luar Bandar – DPLB*) which focuses on empowering rural areas through entrepreneurial development, infrastructure improvement, and capacity-building programs. These initiatives provide essential support, resources, and opportunities, enabling rural communities to thrive in business ventures to increase their income levels (Ministry of Rural and Regional Development, 2019).

To further support this policy, the Federal Land Consolidation and Rehabilitation Authority (FELCRA) Berhad is a corporate organisation under the supervision of the Ministry of Rural and Regional Development (*Kementerian Kemajuan Desa & Wilayah – KPLB*) playing a crucial role to elevate the socio-economic well-being of rural communities by entrepreneurship. Established in 1966 as a statutory body, FELCRA was instrumental in rural development, primarily focusing on creating income-generating opportunities. In 1997, FELCRA Berhad was incorporated, transitioning from a statutory body to a corporate organization owned by the Ministry of Finance (FELCRA Berhad, 2023). In 2021, the Minister of KPLB, Datuk Seri Mahdzir Khalid stated that the amount of FELCRA's profit is RM475.2 million, representing 199% increase or RM316.12 million compared to the profit of RM159.086 million in 2020. This profit shows the ability of FELCRA to develop rural communities successfully through various economic activities to enhance their standard of living (Ministry of Rural and Regional Development, 2022). Entrepreneurs of FELCRA Berhad engage in various businesses, including aquaculture, agriculture, livestock, food and beverages, services, and manufacturing (FELCRA Berhad, 2023) (see Figure 1.2).

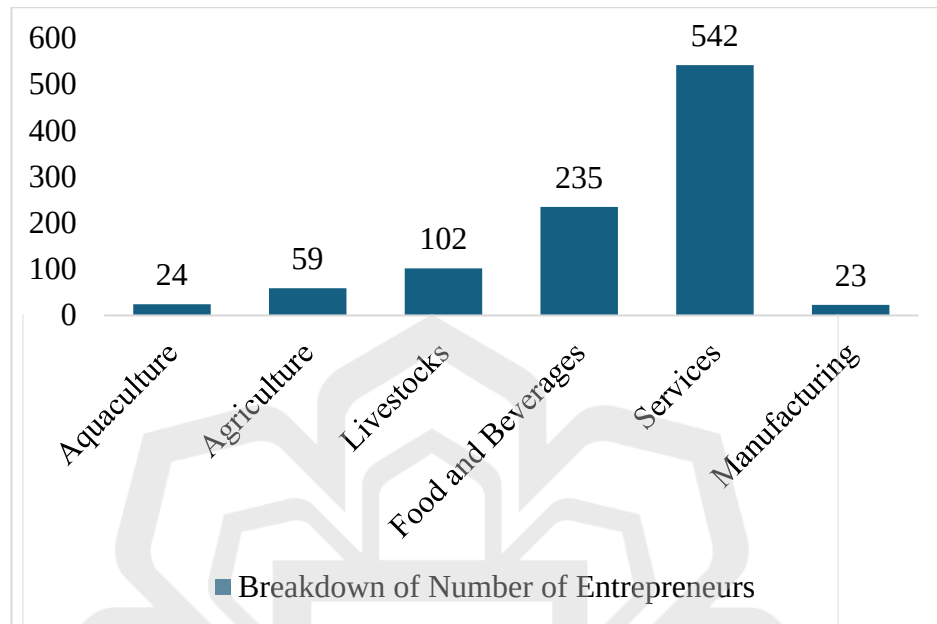


Figure 1.2 Breakdown of Number of Entrepreneurs in FELCRA Berhad

Among these businesses, the food and beverage micro-enterprises experience high demand for halal products among Muslim consumers. Active participation in the halal industry is essential for these entrepreneurs to ensure their halal food products comply with Islamic dietary law and satisfy Muslim consumers preferences. FELCRA micro-entrepreneurs could significantly contribute to the halal industry by stimulating local economies, generating employment opportunities, and enhancing societal well-being through increased household income (Abdul Basit et al., 2024; Munoz et al., 2014). This positive impact of entrepreneurs' engagement in the halal industry results in the community growth by improving their quality of life and expanding business networks (Othman et al., 2022). However, most of these micro-entrepreneurs remain hesitant to apply for halal certification because of misconception about high costs, stringent procedures, complex requirements, and lengthy processes. (Arif et al., 2021; Ismail et al., 2023). Additionally,

lack of awareness and understanding of the halal management system throughout the entire food processing activity further discourages them from obtaining halal certification, thus hindering their abilities to access to the business opportunities in the halal market (Ab Hamid et al., 2017; Abu Bakar et al., 2023).

Despite micro-enterprises constitute the largest segment of MSMEs in Malaysia, previous studies on halal certification challenges and growth opportunities for these businesses remains limited (Abdul Basir et al., 2018; Jais, 2021; Mohd Elias et al., 2019). Existing studies within FELCRA Berhad have primarily focused on aspects such as entrepreneurial skills, business management, self-efficacy towards business performance and competitiveness, and the competencies of entrepreneurs managing their businesses (Hamzah & Othman, 2020; Mansor et al., 2020; Mohd Esrakh & Abd Rahman, 2021; Othman et al., 2022; Zaman & Othman, 2018). No previous studies have focused on the importance of Malaysian Halal Certification for the business growth of FELCRA Berhad entrepreneurs. Hence, the objectives of this study are to examine the challenges faced by FELCRA micro-entrepreneurs to apply for Malaysian Halal Certification, and to assess the opportunities for business growth with halal certification. FELCRA micro-entrepreneurs can significantly enhance their business performance and growth through halal certification, gaining access to wider local and global halal markets and increased consumer trust in their halal food products.

1.3 PROBLEM STATEMENT

The rising demand for halal products has emerged as a remarkable business trend, impacting both domestic and global halal markets, thus offering substantial opportunities for entrepreneurs and companies to produce halal-certified products (Abu Bakar et al., 2017). The halal competent authorities validate the halal status of food products through the issuance of halal certification. These authorities oversee the production process,

ensuring adherence to regulated procedures and systematic monitoring (Othman et al., 2019). Numerous past studies have explored the challenges of halal certification among small and medium-sized enterprises (SMEs) in Malaysia, along with its benefits for business growth and marketability of products (Abdul Basir et al., 2018; Abu Bakar et al., 2017, 2019; Abu Bakar et al., 2023; Hasan et al., 2020; Hasan & Sulong, 2018; Hashim & Mohd Nor, 2022; Othman et al., 2019; Shohaimi, 2017). However, there are limited studies addressing the challenges encountered by micro-enterprises to apply for Malaysian Halal Certification and the opportunities they can leverage to grow the business with this certification (Abdul Basir et al., 2018; Jais, 2021; Mohd Elias et al., 2019).

Prior studies lack focus on how Malaysian Halal Certification impacts the business growth of FELCRA Berhad micro-entrepreneurs. Previous research on entrepreneurship of FELCRA Berhad has examined entrepreneurial skills, business management, self-efficacy's role in business performance and competitiveness, and entrepreneurs' competencies in managing their businesses (Hamzah & Othman, 2020; Mansor et al., 2020; Othman et al., 2022; Zaman & Othman, 2018). Due to the high consumer preferences for food and beverage products, entrepreneurs are encouraged to obtain halal certification to meet the high demand from Muslim consumers. Currently, most of them do not have halal certification and there is no clear guideline provided by FELCRA Berhad to assist its micro-entrepreneurs for the application process of Malaysian Halal Certification. Therefore, this study aims to bridge the gap concerning the importance of FELCRA micro-entrepreneurs towards the application of Malaysian Halal Certification by examining the challenges of the halal certification application and assessing the opportunities for micro-entrepreneurs to grow their businesses with halal certification.

1.4 RESEARCH QUESTIONS

The study will answer these questions:

1. What are the challenges faced by FELCRA micro-entrepreneurs to apply for Malaysian Halal Certification?
2. What are the opportunities for business growth with halal certification among FELCRA micro-entrepreneurs?
3. How to propose a structured support guideline of halal certification for FELCRA micro-entrepreneurs to apply for halal certification?

1.5 RESEARCH OBJECTIVES

The objectives of this study are as follows:

1. To examine the challenges faced by FELCRA micro-entrepreneurs to apply for Malaysian Halal Certification.
2. To assess the opportunities for business growth with halal certification among FELCRA micro-entrepreneurs.
3. To propose a structured support guideline of halal certification for FELCRA micro-entrepreneurs to apply for halal certification.

1.6 RESEARCH SCOPE

The study includes FELCRA micro-entrepreneurs engaged in food and beverage businesses in Kedah and Perak. The selection of Kedah and Perak as focal regions strategically aligns

with FELCRA Berhad's role in rural economic development, particularly in empowering micro-entrepreneurs. FELCRA Berhad is committed to uplifting rural communities through income-generating activities, including food and beverage micro-enterprises (FELCRA Berhad, 2023). By focusing on FELCRA micro-entrepreneurs in these states, this study captures the real-world challenges in obtaining halal certification. Moreover, the researcher selects these states because of the active involvement of micro-entrepreneurs in running the business and their willingness to participate in this study. The food and beverage sector plays an essential role in Malaysia's halal industry, meeting high consumer demand while ensuring compliance with Shariah principles, food safety, hygiene, and processing standards (Ismail et al., 2023). This study contributes to a more detailed description of the challenges, opportunities, and adaptive strategies employed to apply for halal certification. This research scope enhances the feasibility study and practical contribution, as the findings can be leveraged by FELCRA Berhad and other relevant agencies to develop support programs that can assist rural micro-entrepreneurs to overcome the challenges of halal certification application.

1.7 SIGNIFICANCE OF THE RESEARCH

FELCRA micro-entrepreneurs in Kedah and Perak will get the benefits from this study by preparing themselves in the process of halal certification application. This study will contribute to raise their awareness of the importance of halal certification in producing halal food products to meet the demands among Muslim consumers. This certification is a valuable branding and marketing mechanism, instilling a high level of trust among consumers because it assures them that halal-certified food products are clean, fulfilling hygiene standards, and are not harmful to health (Abdul Basir et al., 2018). The findings of this study will facilitate FELCRA micro-entrepreneurs in Kedah and Perak in obtaining halal certification and implementing the halal assurance management system to ensure compliance in food production. Therefore, they can grow their businesses and enhance

business competitiveness with the recognition of Malaysian Halal Certification which is acceptable and recognized globally.

Additionally, this study provides valuable insights for FELCRA Berhad to increase participation of micro-entrepreneurs in the halal industry. It also creates opportunities for collaboration between FELCRA Berhad and related agencies to foster entrepreneurship development. This collaboration could focus on providing halal training and mentoring, enabling micro-entrepreneurs to obtain halal certification and strengthen their competencies in developing and implementing Internal Halal Control Systems, thereby upholding the halal integrity of their products.

1.8 THESIS ORGANIZATION

The thesis comprises five chapters. Chapter one outlines the background of the study, problem statement, research questions, research objectives, research scope, and significance of the research.

Chapter two reviews the literature on halal certification for food and beverage micro-enterprises in Malaysia. It examines the concept of *halalan tayyiban* in food processing and provides an overview of Malaysian halal certification and halal assurance management system. Next, the chapter discusses the business landscape of micro, small, and medium-sized enterprises (MSMEs) in Malaysia, highlighting the challenges encountered by these businesses to obtain halal certification for their products. Furthermore, it discusses the roles of relevant ministries and agencies in fostering entrepreneurship development in Malaysia's halal industry. The chapter further discusses the entrepreneurship within FELCRA Berhad by elucidating various initiatives designed to empower its micro-entrepreneurs in the business management. Lastly, the chapter discusses halal entrepreneurship as an emerging concept in the growing halal industry.

Chapter three outlines the research methodology, detailing the research design, description of data collection procedure, data analysis procedure, and validation of the research findings.

Chapter four presents the findings and discussions related to the challenges faced by FELCRA micro-entrepreneurs to apply for halal certification. The study highlights lack of awareness of the importance of halal certification, lack of competency training to obtain halal certification and no clear guidelines for the application of halal certification among FELCRA micro-entrepreneurs. This chapter also discusses the opportunities for business growth with halal certification among FELCRA micro-entrepreneurs, as they have basic knowledge of halal food products and receiving financial assistance and support system from FELCRA as well as other government agencies to running their business smoothly. This chapter presents a structured support guideline of halal certification to assist FELCRA micro-entrepreneurs to apply for halal certification and maintain the halal integrity of the food products by implementing halal assurance management system.

Chapter five addresses the challenges of writing a thesis. Subsequently, the researcher addresses the knowledge and practical contributions of the study, outlines its limitations, and provides recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter provides a comprehensive review of relevant literature concerning the challenges and opportunities of halal certification among food and beverage micro-enterprises in Malaysia halal industry. The discussion begins with the concept of *halalan tayyiban* in food processing, which forms the foundation of halal integrity to produce the products and services for consumers. Subsequently, this chapter examines the overview of Malaysian halal certification, outlining its requirements, processes, and the halal assurance management system. Given the crucial role of MSMEs in Malaysia's economic landscape, this chapter further discusses the significance of their involvement in the halal industry, along with the challenges they face in obtaining halal certification. Additionally, the roles of various ministries and agencies responsible for supporting the development of MSMEs in the halal industry will be explained to highlight available opportunities for business growth. The chapter also discusses the overview of entrepreneurship within FELCRA Berhad, outlining various initiatives undertaken by FELCRA Berhad to empower its micro-entrepreneurs. Finally, the chapter elucidates the concept of halal entrepreneurship and its relevance to FELCRA Berhad micro-entrepreneurs, illustrating how their participation in the halal industry aligns contributes to the economic growth and community well-being.

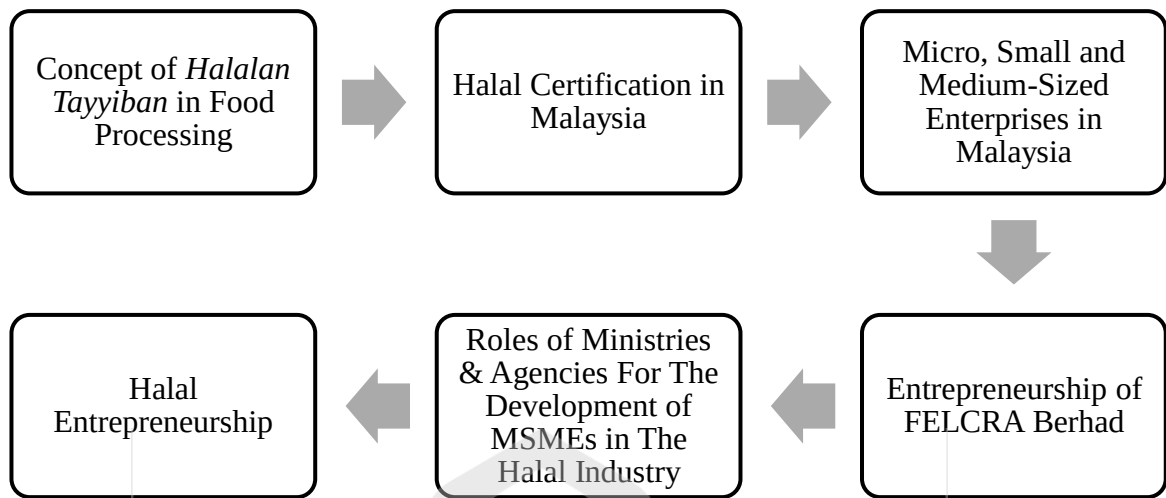


Figure 2.1 Component of Literature Review

2.2 CONCEPT OF *HALALAN TAYYIBAN* IN FOOD PROCESSING

Halal originates from the Arabic word, meaning something that is permissible, allowable, acceptable, or lawful according to Shariah law (Azam & Abdullah, 2020; Khan & Haleem, 2016). Halal is a significant foundation in Islam, and it applies to various aspects of lifestyle, including foods, pharmaceuticals, cosmetics, logistics, clothes, and so on that follow the Shariah guidelines (Roslan, 2020). The word of halal is always mentioned together with the word of *tayyib* in the Quran. The literal meaning of *tayyib* refers to purity and cleanliness (Kamali, 2013). *Tayyiban* is wholesome, which refers to safety, nutrition, and hygiene (Liow, 2016). In the Quran, the term *tayyib* is frequently used, signifying something good, pure, clean, and of high quality (Mustaffa, 2019). The consumption of *halalan tayyiban* food is a fundamental religious obligation for Muslims. This practice emphasizes purity and righteousness in all aspects of life, including dietary choices. Allah commands all mankind to eat something that is lawful and good for health. There are several Quranic verses explaining the permissibility of food consumption.

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ ۚ إِنَّهُ لَكُمْ عَدُوٌّ

مُبِينٌ

The meaning:

“O mankind! Eat what is lawful and good on the earth and do not follow Satan’s footsteps. Indded, he is your clear enemy.” (Al-Baqarah:168)

فَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا وَأَشْكُرُوا نِعْمَتَ اللَّهِ ۚ إِنَّ كُتُوبَكُمْ عَلَيْهِ تَعْبُدُونَ

The meaning:

“So, eat from the good and lawful things that Allah has provided for you, and be grateful for Allah’s blessings, if you truly worship Him alone.” (An-Nahl: 114)

وَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا ۚ وَاتَّقُوا اللَّهَ الَّذِي أَنْتُمْ بِهِ مُؤْمِنُونَ

The meaning:

“Eat from the good and lawful things provided by Allah to you. And be mindful of Allah in Whom you believe.” (Al-Ma’idah: 88)

Conversely, the opposite of halal is haram, referring to something that is unlawful or prohibited absolutely by Allah. Those who engage in such matter will incur the punishment from Allah in the Hereafter, and legal punishment of the world (Al-Qaradawi, 2007). Allah mentioned in the Quran:

وَيُحِلُّ لَهُمُ الطَّيِّبَاتِ وَيُحَرِّمُ عَلَيْهِمُ الْخَبَائِثَ

The meaning:

“And permit for them the good things and forbid for them the bad things.” (Al-A’raf: 157)

In everyday life, haram things are often associated with unclean, impure food and consumer goods. People naturally dislike and avoid things that are considered dirty, impure, or unholy, as these undesirable qualities are linked to health risks and potential harm to oneself and others. Haram substances can cause harm and damage with no benefit or goodness from its consumption. Furthermore, excessive consumption of such substances is viewed as dangerous. As noted by Ar-Razi (2000) in his *tafsir*, the prohibition of haram is often based on its harmful effects.

والأصل في المضار الحرمة

The meaning:

“The original ruling of something that is harmful is prohibited.”

The prohibition of food includes pork and its derivatives, alcohol, carrion, blood, animals not slaughtered according to Shariah principles, and other prohibited animals as outlined in the Quran and Sunnah (Al-Teinaz et al., 2019; Mohd Kashim et al., 2015). The Quranic verses related to the prohibition of certain foods are:

حُرِّمَتْ عَلَيْكُمْ أَلْمَيْتَةُ وَالْدَّمُ وَلَحْمُ الْخِنْزِيرِ وَمَا أُهْلِيَ لِعَیْرِ اللَّهِ بِهِ ۖ وَالْمُنْخَنِقَةُ وَالْمَوْقُوْدَةُ ۖ وَالْمُتَرَدِّيَةُ
وَالنَّطِيْحَةُ وَمَا أَكَلَ السَّبْعُ إِلَّا مَا ذَكَّيْتُمْ وَمَا ذُبِحَ عَلَى النُّصُبِ وَأَنْ تَسْتَقْسِمُوا بِالْأَزْلَمِ ۚ ذَٰلِكُمْ
فِسْقٌ

The meaning:

“Forbidden to you are carrion, blood, and pork; and anything is slaughtered in the name of any other than Allah; anything is killed by strangling, beating, falling, or by being gored to death; what is partly eaten by a predator unless you slaughter it; and what is sacrificed on altars. You are also forbidden to draw lots for decisions. This is all evil. (Al-Ma’idah: 3)

يَا أَيُّهَا الَّذِينَ ءَامَنُوا إِنَّمَا الْحُمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَمُ رِجْسٌ مِّنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ
لَعَلَّكُمْ تُفْلِحُونَ

The meaning:

*“O believers! Intoxicants, gambling, idols, and drawing lots for decisions are all evil from Satan’s work. So, avoid them so you may be successful.”
(Al-Ma’idah: 90)*

قُلْ لَا أَجِدُ فِي مَا أُوحِيَ إِلَيَّ مُحَرَّمًا عَلَى طَاعِمٍ يَطْعَمُهُ إِلَّا أَنْ يَكُونَ مَيْتَةً أَوْ دَمًا مَّسْفُوحًا أَوْ
لَحْمَ خِنزِيرٍ فَإِنَّهُ رِجْسٌ أَوْ فِسْقًا أُهْلًا لِّغَيْرِ اللَّهِ بِهِ

The meaning:

“Say, O Prophet, “I do not find in what has been revealed to me anything forbidden to eat except carrion, flowing blood, pork which is impure or a sinful offering in the name of any other than Allah.” (Al-An’am: 145)

إِنَّمَا حَرَّمَ عَلَيْكُمُ الْمَيْتَةَ وَالدَّمَ وَلَحْمَ الْخِنْزِيرِ وَمَا أُهِلَّ لِغَيْرِ اللَّهِ بِهِ ۖ فَمَنِ اضْطُرَّ غَيْرَ بَاغٍ وَلَا عَادٍ فَإِنَّ اللَّهَ غَفُورٌ رَحِيمٌ

The meaning:

“He has only forbidden you to eat carrion, blood, pork,¹ and anything that is slaughtered in the name of any other than Allah. However, if someone is in a situation of necessity, not driven by desire or exceeding immediate need, then surely Allah is All-Forgiving, Most Merciful.” (An-Nahl: 115)

Apart from the Quranic verses, there are some *Hadith* addressing explicitly the sources of halal and haram foods.

أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ . قَالَ : إِنَّ اللَّهَ عَزَّ وَجَلَّ كَتَبَ الْإِحْسَانَ عَلَى كُلِّ شَيْءٍ فَإِذَا قَتَلْتُمْ فَأَحْسِنُوا الْقِتْلَةَ وَإِذَا ذَبَحْتُمْ فَأَحْسِنُوا الذَّبْحَ وَلْيُحِدِّ أَحَدُكُمْ شَفْرَتَهُ وَلْيُرِحْ ذَبِيحَتَهُ

The meaning:

It was narrated from Shaddad bin Aws that the Messenger of Allah (ﷺ) said: “Allah has prescribed Al-Ihsan (proficiency) in all things. Therefore, if you kill, do it well, and if you slaughter, do it well. Let each of you sharpen his blade and minimize the suffering of the animal he slaughters.” (Sunan Ibn Majah, No Hadith 3170)

Additionally, intoxicating substances and those detrimental to human intellect and judgment are considered as haram (Mohamad & Wan Khairuldin, 2018). The prohibition of consuming the intoxicating drinks based on the *Hadith* are:

سُئِلَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ عَنِ الْبِتِّعِ، فَقَالَ: "كُلُّ شَرَابٍ أَسْكَرَ فَهُوَ حَرَامٌ"

The meaning:

Allah's Messenger S.A.W was asked about Al-Bit. He said, "All drinks that intoxicate are unlawful (to drink)." (Sahih Muslim, No Hadith 2001)

عَنْ أَبِي الدَّرْدَاءِ، قَالَ أَوْصَانِي خَلِيلِي . صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ . " لَا تَشْرَبِ الْخَمْرَ فَإِنَّهَا مِفْتَاحُ كُلِّ شَرٍّ "

The meaning:

Abu Darda' reported: My close friend (ﷺ) advised me: "Do not drink wine, for it is the gateway to all evils." (Sunan Ibn Majah, No Hadith 3371)

عَنِ ابْنِ عُمَرَ، قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ "كُلُّ مُسْكِرٍ خَمْرٌ وَكُلُّ مُسْكِرٍ حَرَامٌ وَمَنْ شَرِبَ الْخَمْرَ فِي الدُّنْيَا فَمَاتَ وَهُوَ يُدْمِنُهَا لَمْ يَتُبْ لَمْ يَشْرُهَا فِي الْآخِرَةِ "

The meaning:

Ibn 'Umar reported Allah's Messenger as saying: Every intoxicant is Khamr, and every intoxicant is forbidden. Anyone who drinks wine in this world and dies while addicted to it, without repenting,, will not be given a drink in the Hereafter." (Sahih Muslim, No Hadith 2003a)

The above verses clearly indicate that Islam provides specific guidelines on sourcing good food. All foods are considered halal unless explicitly stated as haram according to Quran and Sunnah.

Between halal and haram, there is a *shubhah*. *Shubhah* is a situation that fall into the grey area, not clearly categorized as halal or non-halal (Mustaffa, 2019). Technically, *shubhah* refers to a state of uncertainty regarding whether something is halal or haram. It involves a lack of clarity about the true meaning of halal or haram (*Wizarah al-Auqof wa as-Syu'un al-Islamiyyah*, 1992). Muslims are advised to avoid engaging in the ambiguous matters that blur the line between halal and haram. This caution stems from a *Hadith* narrated by Nu'man bin Basyir, the Prophet S.A.W said:

إِنَّ الْحَلَالَ بَيِّنٌ وَإِنَّ الْحَرَامَ بَيِّنٌ وَبَيْنَهُمَا مُشْتَبِهَاتٌ لَا يَعْلَمُهُنَّ كَثِيرٌ مِنَ النَّاسِ فَمَنْ اتَّقَى الشُّبُهَاتِ اسْتَبْرَأَ لِدِينِهِ وَعَرْضِهِ وَمَنْ وَقَعَ فِي الشُّبُهَاتِ وَقَعَ فِي الْحَرَامِ كَالرَّاعِي يَرْعَى حَوْلَ الْحِمَى يُوشِكُ أَنْ يَرْتَعَ فِيهِ أَلَا وَإِنَّ لِكُلِّ مَلِكٍ حِمًى أَلَا وَإِنَّ حِمَى اللَّهِ مَحَارِمُهُ

The meaning:

The permissible thing is clear, and the forbidden thing is clear. In between of them are doubtful matters, many are not familiar with. Thus, one who avoids these uncertain things maintains their religion and honor untarnished. Conversely, indulging in doubtful matters is akin to indulging in the forbidden, much like a shepherd who lets his flock graze near a forbidden area, eventually leading them into it. Take heed, every ruler has their territory, and the things God has prohibited are His protected domains. (Sahih Bukhari, No hadith 52 & Sahih Muslim, No hadith 20)

Islamic scholar Al-Imam Al-Qurtubi (1964) emphasizes the importance of avoiding *mutashabihat* (ambiguous actions) to prevent ourselves from engaging in prohibited activities. This precautionary measure is essential to avoid potential harm and adverse consequences. From the industry perspective, the core principles of *halalan tayyiban* are the products must be halal, align with human nature, be hygienic, nutritious, safe, and free from *shubhah* (doubtful elements). Food is considered *shubhah* when there is a risk of non-halal ingredients contaminating halal food. Being free of *shubhah* ensures the food does

not raise doubts about its halal status (Wan Harun, 2016). The elements of *shubhah* or uncertainties of halal food products are linked to ingredient composition, wholesomeness, labelling, and certification (Abdul Rahman et al., 2022). Food is halal if it provides a beneficial purpose for humans. In situations where the halal status of a food product is uncertain and there are no clear indicators of it being halal or haram, it is advisable to avoid its consumption (Mohamad & Wan Khairuldin, 2018).

The halal food industry shows a tremendous expanding and evolving to meet the increasing demand for halal products and services. The market of halal products is experiencing increasing acceptance among non-Muslim consumers who view halal as synonymous with ethical consumption. Values such as stewardship, economic and social fairness, and ethical investment are attracting attention beyond religious adherence (Billah et al., 2020). This comprehensive concept provides guidelines for the production and consumption of food in accordance with Shariah law (Zainal Arifin et al., 2021). The halal concept encompasses various aspects such as cleanliness, safety, hygiene, nutrition, ethics, production, origin, reliability, integrity, and the management of food products, along with related financial and social activities within the Islamic law framework (Billah et al., 2020). According to these principles, manufacturing plants that produce halal goods must be free from pork items, alcohol, alcohol-based products, and other synthetic substances. However, a study conducted by Jamaludin (2015) highlighted a detailed analysis, emphasizing that not all alcohol is classified as wine, but all wines contain alcohol. The permissibility of alcohol depends on its content, whether in small or large quantity, whereas intoxicating substances or wine are strictly prohibited in both small and large amounts. Ethanol and methanol are two compounds found in alcoholic beverages that have the intoxicating effect.

To guide entrepreneurs producing food and beverage products in accordance with Shariah law, MS1500:2019 for Halal Food - General Requirements (Third Revision) outlines the principles of *halalan tayyiban* at the entire stage of the supply chain; from farm to fork. This standard regulates processing halal food and *tayyib* in Malaysia. The standard addresses the procedures to guarantee the quality and safety of products. Establishing an effective process to ensure food quality and safety demands careful consideration of best practices (Abd Hamid et al., 2022).

According to the MS1500:2019, halal food consists of food and beverages, in which the raw material complies with Shariah law and fatwa, ensuring that:

1. Do not include any part of animals that are prohibited for Muslim consumption and are slaughtered according to Shariah law and fatwa.
2. Do not contain any impure substance (*najs*) as defined by Shariah law and fatwa.
3. Non-intoxicating in accordance with Shariah law and fatwa.
4. Do not contain any human part or products that are prohibited by Shariah law and fatwa.
5. Not poisonous or harmful to health.
6. Have not been prepared, processed, or manufactured using any tools contaminated with impurities (*najs*) according to Shariah law and fatwa.
7. Have not been in contact with any food during preparation, processing, or storage that does not meet conditions (1) and (2).

By the definitions and principles of *halalan tayyiban*, it is crucial that halal food products are derived from lawful ingredients as prescribed by Shariah law. Processing these products must adhere to the halal standards throughout the supply chain, from sourcing raw materials to distributing the final products to consumers. The principles of *halalan tayyiban* in food processing emphasize the importance of producing high-quality, wholesome, and safe food that does not harm human health. For Muslim consumers, consuming halal products is imperative, as it indicates the assurance of stringent compliance with halal standards according to Shariah law.

2.3 HALAL CERTIFICATION IN MALAYSIA

The halal certification system evaluates and validates products or services to ensure compliance with halal requirements and Shariah law (Mohd Sulaiman et al., 2017). This certification is essential for Muslim consumers, facilitating them to identify halal food products that meet halal standards. The demand for halal-certified food products is rapidly growing in both domestic and international markets (Abu Bakar et al., 2019). A study by Yusuf et al. (2016) addressed halal certification as a strategic innovation tool for business growth, distinguishing companies from competitors. Theoretically, halal certification could be a pivotal element in capturing the expanding halal market. The ability to supply halal products in response to the rising demand can be a determinant for the survival of the business. Therefore, small and medium-sized enterprises (SMEs) should actively pursue halal certification to gain a competitive advantage and expand their market reach.

Halal certification and logo labelling are essential for enhancing product promotion and business growth at both local and global halal market (Hasan et al., 2020). The certification serves a clear indication to assure consumers that the products have met rigorous food safety and hygiene standards, thereby instilling confidence in consumers both in Malaysia and worldwide (Arif et al., 2021). Preserving the integrity of halal products involves a systematic halal certification process and supervision of halal compliance conducted by JAKIM at the federal level, while the State Islamic Religious Department (JAIN) and State Islamic Religious Council (MAIN) at the state level (Abd Razak et al., 2022). Article 4 of the Trade Descriptions (Certification and Marking of Halal) Order 2011 stipulates that only JAKIM and JAIN/MAIN are appointed as the competent authorities to certify halal status for any food, goods, or related services as outlined in the Trade Descriptions (Definition of Halal) Order 2011. Therefore, any food, goods, or services cannot be labelled Halal unless certified by these competent authorities. No other organizations or agencies are permitted to issue halal certification (Asa, 2019; Zakaria & Abdullah, 2019).

As the central authority for Malaysian Halal Certification, JAKIM is responsible for the issuance of halal certification and halal logo, as well as the endorsement of halal products that rigorously conform to Shariah principles and halal standards. In 2020, JAKIM released two manuals of the Malaysian halal certification system, which are the Manual Procedure for Malaysia Halal Certification (MPPHM) (Domestic) 2020, replaced MPPHM 2014, and the Malaysia Halal Management System (MHMS) 2020, replaced the HAS Guidelines 2011. MPPHM (Domestic) 2020 listed nine schemes of Malaysian Halal Certification, encompassing food and beverages, cosmetics, pharmaceuticals, food premises, consumer goods, logistics, abattoirs, Original Equipment Manufacturers (OEM), and medical devices (JAKIM, 2020). Businesses associated with these schemes opt to apply for halal certification for their products or services (Saiman & Yusma, 2022). Entrepreneurs should register their businesses with the Companies Commission of Malaysia (SSM) and local authorities (PBT), as well as register the food premises from the Food Safety and Quality Division, Ministry of Health. In addition, this business should operate at least three months prior to applying for new application of halal certification. These requirements are addressed through MPPHM (Domestic) 2020 (JAKIM, 2020).

Several changes have been made to cater to halal assurance management system on a broader scale, encompassing large, medium, small, and micro companies. Recognizing the diverse sizes and complexities of these companies, the MHMS 2020 includes guidelines for micro and small-sized enterprises to develop and implement Internal Halal Control System (IHCS), while Halal Assurance System (HAS) is for medium and large-sized industries. Both IHCS and HAS must fulfil the general and specific requirements as outlined in the halal manuals (Adham et al., 2022; Muhamed et al., 2021). Halal certification holders must fulfil minimum requirements of halal assurance management system to maintain the halal integrity of products across the supply chain (Mohd Safian et al., 2020). Table 2.1 shows the general requirements of Malaysian halal management system between the IHCS and HAS based on MHMS 2020.

Table 2.1 General requirements of Malaysian halal management system

Internal Halal Control System (IHCS)	Halal Assurance System (HAS)
For micro and small enterprises	For medium and large industry
Halal Policy Raw material control/ Halal risk control Traceability	Halal Policy Internal Halal Committee Internal Halal Audit Halal risk control Raw material control Halal Training Traceability HAS Documentation Laboratory Analysis <i>Sertu</i>

Every new application and renewal for Malaysian halal certification are subjected to a fee. Renewal application can be submitted as early as six months prior to the expiration of the certification, but no later than three months before. If a renewal application is submitted after the certification has expired, it will be treated as a new application. The fee payment must be made within 14 working days or within a period specified by the halal competent authority upon receiving the fee payment notice. Once the fee payment is received, the halal competent authority will conduct an on-site audit. Table 2.2 outlines the rate of halal certification fee for products and services according to the category of the industry, as outlined in the MPPHM (Domestic) 2020.

Table 2.2 Rate of Halal Certification Fee

APPLICATION	CATEGORY		FEE
Products and Services	INDUSTRY	CHARACTERISTICS	(RM)/YEAR
(1) Food and beverage	Micro	Annual sales turnover of less than RM 300,000.00	100
(2) Food premises	Small	Annual sales turnover from RM 300,000.00 to RM 14,999,999.99	400
(3) Cosmetic			
(4) Pharmaceutical			
(5) Consumer goods	Medium	Annual sales turnover from RM 15 million to RM 50 million	700
(6) Logistic	Large	Annual sales turnover exceeds RM 50 million	1000
(7) Original Equipment Manufacturer (OEM)			
(8) Medical devices			

The halal certification process involves two stages: the pre-certification audit and the surveillance audit. The pre-certification audit assesses general and specific requirements of halal certification, including documentation, company profile, raw materials, processing, storage, utensils and equipment, packaging, labelling, advertising, transportation, distribution, premise, workers, sanitation, training, and implementation of the Malaysian Halal Management System (JAKIM, 2020a). JAKIM verifies the halal status of the product at each stage and in every process by performing official on-site inspections at the production facilities. These inspections should ensure that the halal status of raw materials is maintained and monitored (Abu Bakar et al., 2023; Hasan et al., 2020). The halal competent authority should schedule follow-up audits to verify the halal status of the products after the company implementing corrective actions. Once the company obtains halal certification, the halal auditor will conduct monitoring and surveillance to evaluate

and verify compliance with halal certification requirement throughout the supply chain. Inspection is a crucial component of halal monitoring activities, as it can identify existing and potential halal risks, determine their underlying causes, and monitor halal controls. It is important to address the concerns of workers and supervisors regarding any potential risks (Zakaria & Abdullah, 2019). The validity period of halal certification varies based on the nature of the business: one year for slaughterhouses, two years for food premises and food and beverage products, three years for cosmetics, pharmaceuticals, consumer goods, logistics, OEM, and medical device products. The validity period for overseas applicants operating the company in Malaysia is two years.(JAKIM, 2020a). Halal-certified companies with a five-year track record of consistent compliance, including hygiene, no non-conformances, no corrective actions related to halal control, and effective Malaysian Halal Management System implementation, may qualify a five-year certification validity period (JAKIM, 2020a).

2.4 MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES IN MALAYSIA

Micro-enterprises are becoming increasingly vital for economic growth, substantially contributing to the gross domestic product (GDP) and creating livelihood opportunities for thousands of Malaysians. Fostering the growth of the micro-enterprises sub-sector is crucial for promoting shared prosperity and driving the nation's transition into a high-income economy. The small and medium enterprises (SME) sector plays a key role in poverty alleviation, mainly due to the prevalence of micro-enterprises within the MSME landscape in Malaysia (Mohamed Imtiyaz et al., 2022). Two criteria are used to define micro, small, and medium-sized enterprises (MSMEs): annual sales revenue and the number of full-time employees with an 'OR' basis. 'OR' basis implies that a business needs to satisfy at least one of the two criteria outlined in the definition (SME Corp. Malaysia, 2020). Table 2.3 summarizes the classification of micro, small, and medium-sized enterprises (MSMEs) in Malaysia based on the amount of annual sales revenue and the number of full-time workers

to distinguish the type of halal assurance management system for the company to obtain the recognition of halal certificate holders.

Table 2.3 Definition of MSMEs in Malaysia

	Manufacturing	Services and Other Sectors
Micro	Sales turnover: < RM 300,000 OR Workers: < 5	Sales turnover: < RM 300,000 OR Workers: < 5
Small	Sales turnover: $\geq$ RM 300,000 < RM 15 million OR Workers: $\geq$ 5 to < 75	Sales turnover $\geq$ RM 300,000 to < RM 3 million OR Workers: $\geq$ 5 to < 30
Medium	Sales turnover $\geq$ RM 15 million to < RM 50 million OR Workers $\geq$ 75 to < 200	Sales turnover $\geq$ RM 3 million to < RM 20 million OR Workers $\geq$ 30 to < 75

For the micro-enterprises, annual sales turnover of manufacturing, services, and other sectors do not exceed RM 300,000 or less than five full-time workers. Sales turnover of manufacturing for small-sized enterprises is from RM 300,000 to not exceeding RM 15 million or starting from 5 workers to less than 75 workers. However, small enterprises in services and other sectors have a different definition, which is sales turnover between RM 300,000 to not exceeding RM 3 million or 5 workers to less than 30 workers. Lastly, medium enterprises in manufacturing are defined as having sales turnover from RM 15

million to not exceeding RM 50 million or from 75 workers to less than 200 workers. Medium enterprises in services and other sectors require sale turnover from RM 3 million to not exceed RM 20 million or consist of 30 workers to less than 75 workers (SME Corporation Malaysia, 2023).

The manufacturing category of MSMEs in Table 2.3 is equivalent to Table 2.2 in terms of the characteristics of MSMEs to determine the types of companies to establish Halal assurance management system. Annex 1 of the Guideline for SME Definition highlights the economic activities under broad sectors (based on MSIC 2008 Divisions and Descriptions). One of the economic activities listed is the classification of manufacturing of food products and beverages (SME Corp. Malaysia, 2020). Therefore, the Internal Halal Control System (IHCS) is relevant to micro and small enterprises, while the Halal Assurance System (HAS) is for medium-sized entrepreneurs to apply for halal certification and maintain the halal control system within the organization. The fundamental principles of IHCS based on Table 2.1 are only three; Halal Policy, Halal Raw Material Control/ Halal Risk Control, and Traceability due to the limited resources and operations by smaller-scale businesses (Bahari et al., 2018; Mohd Elias et al., 2019) compared to larger businesses. Thus, this system facilitates micro and small entrepreneurs to maintain the halal integrity of products and enhance consumer trust.

Accounting for 88.3% of industry players, MSMEs are important to propel the growth of the halal industry in Malaysia (MITI, 2023). These enterprises play a pivotal role in fostering economic growth, community development and well-being, and driving innovation in the halal industry. By offering a diverse range of halal products and services, MSMEs enhance industry competitiveness while strengthening Malaysia's role as a global halal hub. Several studies emphasize the role of MSMEs in generating the employment opportunities. Rahman and Yunus (2022) highlighted that MSMEs create substantial job opportunities, particularly for rural communities and marginalized groups to reduce income disparities and foster sustainable local economic development. Additionally, MSMEs contribute to Malaysia's GDP through halal exports, responding to the rising demand for halal-certified products in non-Muslim-majority countries (HDC, 2022). Innovation is a fundamental to the halal industry's development, with MSMEs at the forefront of

introducing new halal products, processes, and services. According to Omar et al. (2021), digital technology adoption among MSMEs enhances product traceability and consumer engagement. The integration of blockchain for halal supply chain management ensures transparency and traceability in the halal product verification (Ahmad & Salleh, 2023).

Beyond economic benefits, MSMEs in the halal industry foster community well-being by creating employment in rural and semi-urban areas, and encouraging entrepreneurship within the halal ecosystem, thereby mitigating urban migration (Hassan & Latif, 2022). Additionally, MSMEs facilitate the empowerment of women and youth in the halal business. A study by Sulaiman et al. (2022) indicated that participation of women in the halal MSMEs is increasing, particularly in the food processing and cosmetic industries. This situation not only contributes to gender inclusivity but also enhances household income and financial independence. In addition, MSMEs in the halal industry uphold ethical standards by ensuring compliance with halal regulations and Shariah principles. This adherence builds up consumer trust, as halal-certified products are perceived as safe, hygienic, and of high quality (Aziz & Chok, 2021). MSMEs that obtain halal certification also get the benefit from non-Muslim consumers who view halal products are associated with ethical sourcing and quality assurance. Furthermore, MSMEs address current issues by incorporating sustainable practices such as eco-friendly packaging and ethical sourcing, aligning with the global shift toward sustainable consumption and production (Ibrahim & Nordin, 2023).

MSMEs are integral to the development of the halal industry, contributing to economic growth, innovation, community well-being, and ethical business practices. Their role in job creation, halal market expansion, and halal assurance within the supply chain underscores their significance in driving demand for halal products, particularly to meet the preferences of Muslim consumers.

2.4.1 Challenges of Halal Certification Among MSMEs

Most of the SMEs aware of the vast potential of the halal business sector. However, the number of SMEs, especially among Bumiputera entrepreneurs that possess halal certifications remains low. Currently, 37% of Bumiputera entrepreneurs represent MSMEs in the halal industry (MITI, 2023). Many of them fail to grasp the advantages of halal certification, which could better prepare them to contribute to the growth of the halal industry (Hashim & Mohd Nor, 2022). Currently, non-Muslim industry players are demonstrating readiness and awareness of the tremendous growth in the halal market compared to the Muslims. They are actively competing in both domestic and global halal markets. It is important to note that the halal market is no longer limited to Muslims, but it has gained traction among non-Muslim industry players who view halal is aligned with ethical consumerism (Hasan et al., 2020). This situation highlights the challenges encountered by these businesses to obtain halal certification from the halal competent authorities. Despite JAKIM provided a comprehensive halal manual and guidelines for entrepreneurs to apply for halal certification, there are several challenges faced by them when it comes to fulfilling the requirements of halal certification for their products. The primary challenge is entrepreneurs frequently perceive that obtaining halal certification is difficult due to the complexity of halal certification requirements and procedures.

In a study conducted by Arif et al. (2021), home-based food and beverage entrepreneurs are automatically disqualified from halal certification because it requires a dedicated production area, which is separated from the residential areas. They lack the understanding of halal requirements and the process of halal certification application. Additionally, financial constraints hinder their abilities to establish the separate production facilities as stipulated through halal certification requirement. Ag. Damit et al. (2023) asserted that inadequate facilities and procedures can prolong the halal certification process or even discourage them from applying for halal certification for their products. For micro-enterprises operating with limited budgets, this issue indicates the additional expenses in establishing facilities or premises compliant with halal standards. Abu Bakar et al. (2023) highlighted the main issue of financial limitations for halal certification is not the

registration fee, but rather the expense of procuring halal-certified raw materials to complete the entire application procedure. The problem arises when suppliers disregard halal certification for raw materials, or even worse, falsify certificates to increase profits. Consequently, the companies are forced to pay higher prices for halal-certified raw materials or invest more time in finding new and reliable suppliers.

Furthermore, the process to obtain halal certification is prolonged, often taking several months or even close to a year to complete. This duration depends on factors such as the application process, the availability of halal auditors, and the volume of applications handled by the authorities. Lack of manpower from the competent authorities further delay the process, leading entrepreneurs to perceive it as time-consuming. Another significant challenge of halal certification application among micro-enterprises in Malaysia is fulfilling the prerequisite criteria and requirements prior to applying for halal certification. It is imperative for their businesses to be registered with the Companies Commission of Malaysia (SSM) and subsequently obtain an SSM license. Moreover, their enterprises must be registered with the local authorities, *Pihak Berkuasa Tempatan*, while ensuring that their premises are registered from the Food Safety and Quality Division, Ministry of Health. (JAKIM, 2020; Saiman & Yusma, 2022).

The challenges to applying for halal certification among micro-enterprises are related to the competency of entrepreneurs in understanding the requirements of halal certification and their skills to navigate the procedures towards obtaining halal certification successfully. The purpose of stringent standards for halal certification is to ensure that the products comply with the principles of *halalan tayyiban*, encompassing permissible consumption and the assurance of safety and high quality. Nik Mohd Rosli et al. (2022) in their study emphasized the need for halal professionals to have both education and experience to gain the essential knowledge and skills in halal compliance and technical requirements, enabling them to carry out their duties effectively. Therefore, halal training is essential for entrepreneurs to enhance their competencies in managing the application process of halal certification and maintaining the Internal Halal Control System at the entire stage of the food supply chain. The necessity of halal training is supported by the study conducted by Jamaludin et al. (2015) which highlighting the benefits of halal training,

particularly in ensuring the supply chain of halal food industry maintains its halal status and meets high-quality standards. There are various providers offer these training programs from governmental to private sectors, including higher education institutions such as universities, institutes, and colleges.

2.5 ENTREPRENEURSHIP OF FELCRA BERHAD

The primary establishment of FELCRA Berhad is to foster economic development in rural regions by creating avenues for local communities to engage in economic activities and earn income. Entrepreneurs are categorized into clusters such as aquaculture, agriculture, livestock, food and beverages, services, and manufacturing. Additionally, entrepreneurs in each region are further distributed among clusters, with the northern region including Perlis, Kedah, and Penang; the central region comprising Selangor, Melaka, and Negeri Sembilan; the eastern region encompassing Kelantan and Terengganu; and individual regions like Sabah, Perak, Johor, Pahang, and Sarawak (FELCRA Berhad, 2023). While the primary focus of FELCRA Berhad is agriculture and land development, its framework also includes the prospects of entrepreneurship to enhance the sources of income within the rural community (Mohd Esrakh & Abd Rahman, 2021).

FELCRA supports its entrepreneurs by providing financial assistance and guidance in securing funds and grants. Currently, FELCRA allocates resources to enhance facilities and provide machinery, enabling entrepreneurs to manage business operations efficiently. This initiative significantly benefits micro-entrepreneurs with limited financial resources, facilitating the establishment of dedicated production facilities and ensuring compliance with halal certification requirements. In addition, FELCRA Berhad provides training programs and capacity-building activities for entrepreneurs to impart valuable information and skills in various areas such as product development, labelling, packaging, and signage. FELCRA Berhad conducts training to assist entrepreneurs in applying for certifications like

Makanan Selamat Tanggunjawab Industri Certification (MeSTI), Made in Malaysia, and others. Participation in these programs enables entrepreneurs to enhance their skills and knowledge, thereby increasing their likelihood of success in business management (FELCRA Berhad, 2023).

FELCRA Berhad also provides a platform for women entrepreneurs to generate extra income through diverse economic activities like catering, sewing, and more. This platform is known as the WADIRA institution, and it is designed to foster the socio-economic development and advancement of women entrepreneurs in FELCRA. This institution emphasizes knowledge and cultivates various forms of capital, including manpower, socio-economic, spiritual, and entrepreneurial skills (Mohd Esrakh & Abd Rahman, 2021). Nevertheless, woman entrepreneurs still face various challenges in sustaining their businesses, including limited exposure to new technologies, passive recruitment strategies, cost-cutting in staff training, ineffective human resource planning (Mansor et al., 2020), inadequate financial management, difficulties in product marketing, labor-related issues, low education, and lack of motivation to succeed (Zaman & Othman, 2018). Addressing these issues requires targetted solutions, such as expanding access to funding and mentorship programs to further support business growth, while awareness campaigns and community engagement equip them with market insights, networking opportunities, and industry best practices.

FELCRA Berhad serves as a vital catalyst for rural economic growth by fostering entrepreneurship, providing financial assistance, and enhancing skills development through structured training programs. Its initiatives, particularly in capacity building and competency enhancement are crucial in empowering micro-entrepreneurs to establish sustainable businesses within the halal industry. By providing entrepreneurs with necessary resources, knowledge, and support, FELCRA not only strengthens their ability to compete in the halal market but also contributes to the broader expansion of the industry. To further maximize its impact, FELCRA should continue refining its strategies, ensuring micro-entrepreneurs are well-positioned to overcome challenges, and seize opportunities in the halal industry to achieve long-term business growth.

2.6 ROLES OF MINISTRIES AND AGENCIES FOR THE DEVELOPMENT OF MSMEs IN THE HALAL INDUSTRY

Several ministries and agencies are responsible for the development of MSMEs in the halal industry. They conduct various programmes and initiatives to assist entrepreneurs in accelerating business performance and fostering increased participation of entrepreneurs in the halal industry. The role of the government is crucial in the halal certification process, which includes both policy development and enforcement. The related ministries and agencies in Malaysia are the Ministry of Entrepreneur and Cooperatives Development (MECD), Ministry of Investment, Trade, and Industry (MITI), Ministry of Rural and Regional Development (KPLB), Halal Development Corporation (HDC), SME Corporation Malaysia, Majlis Amanah Rakyat Malaysia (MARA), TEKUN Nasional, SIRIM Berhad and National Institute of Entrepreneurship (INSKEN).

2.6.1 Ministry of Entrepreneur and Cooperative Development (MECD)

The Ministry of Entrepreneur and Cooperatives Development (MECD) aspires to create a comprehensive and conducive entrepreneurial ecosystem, supporting the nation's agenda for inclusive and sustainable entrepreneurship development driven by knowledge and innovation. The ministry has outlined various initiatives to strengthen the skills and abilities of entrepreneurs and cooperatives within the halal industry. The four main programmes introduced by the ministry are the Halal Outreach Programme for Entrepreneurs (HOPE), Product Transformation Programme (PuTRA), Halal Technology Transformation Programme (HTTP) and International comprising Product Registration Incentive – PRInce and Market Access Incentive – MASSIVE. These programs align with the National Entrepreneurship Policy 2030, in which the halal industry is recognized as a strategic sector, as well as correspond with the HIMP 2030, focusing on fostering local industry

players and entrepreneurs to become prominent halal champions in the halal sector (The Star, 2021). The four main halal programmes are in line with four strategies to advancing halal entrepreneurship in Malaysia, in which promoting halal as a prominent brand within the entrepreneurial ecosystem, enhancing the halal supply chain by fostering collaboration between agencies, adopting technology and halal innovation in product production, and exploring specific markets by optimizing available resources (Ministry of Entrepreneur and Cooperative Development, 2023). The introduction of halal-related programs by MECD is essential, indicating the importance of halal certification for the MSMEs' business operations. These initiatives aim to increase the participation of entrepreneurs in the halal industry.

2.6.2 Ministry of Investment, Trade and Industry (MITI)

The Ministry of Investment, Trade, and Industry (MITI) has a vision of being the driving force behind the execution of HIMP 2030, with robust support from its agency, the Halal Development Corporation. The primary focus of MITI is on expanding trade, wherein halal goods and services are key contributors to this endeavour. The ministry is committed to enhancing all aspects of the halal ecosystem to elevate Malaysia's status as a key player in the global halal market and leverage the significant opportunities due to the increase of the global Muslim population. To reach these goals, MITI and its related agencies have started various initiatives to make the industry looking a profitable and competitive sector, especially for SMEs (Business Today, 2023).

2.6.3 Ministry of Rural and Regional Development

The Ministry of Rural and Regional Development (*Kementerian Kemajuan Desa dan Wilayah – KPLB*) plays a vital role in the well-being of rural communities. The Rural Entrepreneurship Development Division is responsible for formulating policies, planning, coordinating, and implementing rural entrepreneurship programs to create sources of income and job opportunities to stimulate rural economic development in line with the Rural Development Policy. The ministry initiated the programme for entrepreneurs entitled “Support for The Strengthening of Rural Entrepreneurship” to provide a support and facilities for rural entrepreneurs who want to strengthen and expand their businesses. The business assistance is provided through a grant with a value of RM 3000 to RM 5000 for the purpose of Re-Start. This programme provides opportunities for entrepreneurs in terms of product and service development to broaden the marketability of products (Ministry of Rural and Regional Development, 2023). With this support, entrepreneurs can focus on developing halal products, ensuring their offerings meet the standards and certifications. They can cater to a broader consumer base, thereby contributing to the growth of the halal industry. This growth is essential for individual businesses and the overall economic development of rural areas. By expanding marketability and access to consumers, entrepreneurs can achieve sustainable growth, creating a positive impact on both their businesses and the communities they serve.

2.6.4 SME Corporation Malaysia

SME Corporation Malaysia serves as the central coordinating agency (CCA) under the purview of the Ministry of Entrepreneur & Cooperatives Development (MECD). It has been entrusted with the responsibility of executing halal development projects in collaboration with organizations like JAKIM and JAIN. Since September 2020, SME

Corporation Malaysia has guided 62 SMEs through halal programs of MECD. Additionally, the agency collaborates with HDC on specific initiatives, aiming to enhance the capabilities of SMEs. These efforts ensure that MSMEs remain competitive and resilient in today's dynamic economic landscape (SME Corp. Malaysia, 2021). Recently, SME Corp. Malaysia has been tasked with overseeing the implementation of the Reach Out To Entrepreneur Programme (ROTE), aimed at assisting MSME companies in Malaysia to obtain halal certification. This initiative extends financial support through grants, with a maximum value of RM10,000.00 per company, to cover various expenses associated with obtaining halal certification. The scope of financing provided under ROTE encompasses several key areas, including the cost of training for halal certification and the appointment of consultants specialized in halal certification, the halal certification fee, expenses related to the product analysis through laboratory tests, and the procurement of equipment for halal certification purposes. To be eligible for this assistance, companies must fulfil the specific criteria, including possessing a valid certificate of MSME status and submitting the application for halal certification. These criteria ensure that the assistance is directed towards genuinely deserving businesses actively seeking to enhance their presence and credibility within the halal industry.

2.6.5 Halal Development Corporation (HDC)

Halal Development Corporation (HDC) is an agency under the Ministry of Investment, Trade, and Industry (MITI) and is responsible for promoting participation and supporting the growth of industry players within the halal ecosystem in Malaysia. HDC has established Malaysia as a global leader in the halal industry by fostering opportunities, investments, trade, employment, information exchange, and technology transfer throughout the halal ecosystem. HDC provides SME Mentoring specifically designed for micro, small and medium enterprises (MSMEs) in Malaysia involved in food and beverage manufacturing or food services. Businesses that have not obtained halal certification are encouraged to

participate in this program. The benefits of SME Mentoring are enhancing the competency of MSMEs related to knowledge and regulation of halal certification, producing halal-certified holders among MSMEs, boosting competitiveness within their sectors, and increasing the effectiveness of halal operations (Halal Development Corporation, 2020).

2.6.6 Majlis Amanah Rakyat (MARA)

The Commercial Infrastructure Division (*Bahagian Infrastruktur Komersial* - BIK) is responsible for facilitating economic development by offering business space in well-equipped and strategically located premises. These premises are designed to provide a conducive environment with essential facilities. BIK also actively collaborates with key players in various strategic industries, including automotive, food and beverage, construction, lifestyle, and services, to identify and create business prospects. In the MARA Industrial Estate (*Kawasan Industri MARA*- KIM), BIK focuses on enhancing infrastructure to achieve MESTI, HALAL, and Good Manufacturing Product (GMP) certification, transforming KIM into a Halal Park. The primary objectives of BIK encompass the encouragement, creation, enhancement, and empowerment of entrepreneurs through training, business matching, consultancy, and strategic partnerships. These efforts aim to foster business opportunities and market access in selected industries, ultimately establishing prosperous Bumiputera Commercial and Industrial Communities (MPPB). Additionally, BIK provides strategically located business and enterprise premises nationwide to support further economic growth (Majlis Amanah Rakyat, 2023).

2.6.7 SIRIM Berhad

SIRIM Berhad, formerly known as the Standards and Industrial Research Institute of Malaysia, is an agency under the Ministry of Investment, Trade, and Industry (MITI), plays a vital role in the development of the halal industry in Malaysia. Leveraging its unique strengths in research, technology innovation, industry standards, and quality, SIRIM provides specialized solutions tailored to meet the needs of all industry sectors (Muhammed et al., 2021). Among the important roles of SIRIM Berhad in the halal industry is providing halal certification services. SIRIM Berhad provides halal training programmes and capacity-building activities to educate industry players about halal requirements. SIRIM aspires to improve the overall quality and safety of halal food through its research efforts. In terms of halal testing and analysis, SIRIM undertakes tests to ensure that items, components, and processes are halal by examining the samples for the presence of non-halal compounds or cross-contamination, assuring halal conformity (SIRIM, 2023).

2.6.8 TEKUN Nasional

TEKUN stands for "*Tabung Ekonomi Kumpulan Usaha Niaga*," (Economic Fund for Business Group), an agency under the Ministry of Entrepreneur and Cooperatives Development (MECD). Formerly known as Yayasan TEKUN Nasional, it was established on November 9, 1998, with the primary aim of offering accessible and swift financing solutions to empower bumiputeras in initiating and expanding their businesses. TEKUN plays a pivotal role in supporting the halal entrepreneurs by providing financial through loans and micro-financing. These funds are specifically designed to assist in the establishment, expansion, and advancement of halal-oriented enterprises (TEKUN Nasional, 2021). TEKUN is dedicated to facilitating micro-entrepreneurs by securing halal certification and advancing their product development such as branding, labelling, and

packaging. This support aims to enhance product quality and productivity through innovative packaging, equipment and machinery upgrades, and the integration of technology in the production process (New Straits Times, 2021).

2.6.9 National Institute of Entrepreneurship (INSKEN)

The National Institute of Entrepreneurship (*Institut Keusahawanan Negara* – INSKEN) is an agency under the Ministry of Entrepreneur and Cooperatives Development (MECD) that offers the initiative for the development of entrepreneurs' capacity through training and coaching programmes. In line with the tagline "Empowering Entrepreneurs for Tomorrow", INSKEN ensures that the conducting of programmes are based on the needs and demands of the industry in collaboration with industry practitioners, professionals, and government agencies to strengthen the nation's entrepreneurship ecosystem (INSKEN, 2023).

2.7 HALAL ENTREPRENEURSHIP

Islam encourages entrepreneurship as a means of seeking sustenance, promoting socio-economic stability, and alleviating poverty within communities. Entrepreneurship involves the ability and readiness to establish, develop, and manage a business venture while taking on potential risks with the goal of generating a profit (Deuraseh & Sufredin, 2022). Islam provides a comprehensive guideline for its followers, encompassing both spiritual and practical aspects to conduct a business. This guideline serves as a framework for entrepreneurs intending to incorporate Shariah principles into their leadership strategies and entrepreneurial activities (Mohd Elias et al., 2019). Entrepreneurship concept is not something rare in Islam as this practice has existed since the era of Prophet (PBUH) and

His Companions. With the fastest-growing halal industry, “halal entrepreneurship” or “halalpreneurship” is introduced by scholars of the Islamic economy to differentiate between entrepreneurs in the halal industry and conventional entrepreneurs (Abdullah & Azam, 2020). Khalek (2018) viewed halal entrepreneurship has emerged within the halal food industry and subsequently expanded to other products and services, including banking, cosmetics, pharmaceuticals, and tourism. Companies in the food industry are required to possess halal certification to ensure compliance with Shariah principles and consumer expectation towards halal products. The success and sustainability of halal businesses depend significantly on the vision of halal entrepreneurs to incorporate Islamic values in business activities.

Halal entrepreneurs according to Salaheldeen et al. (2023) are those who are actively innovative to gain advantages in the halal industry to obtain financial profits in accordance with Islamic teachings. Septi (2022) in her study addressed the term "halalpreneurship" previously known as halal entrepreneurship, is a comprehensive concept in Islam that incorporates entrepreneurship as an integral element inseparable from Islamic principles. Halalpreneurship refers to entrepreneurship that operates within the bounds of Shariah (*Aqidah*, *Fiqh*, and *Akhlaq*) and adheres to Islamic obligations. It recognizes humans as *Khalifah* (Caliph) in the world, entrusted with the duty of advancing and enriching this world, entrusted with the responsibility to actively contribute to the well-being and progress of society.

In line with the *Maqasid al-Shariah* principles, Islam safeguards both individual property rights and essential needs, while simultaneously upholding community well-being (*maslahah*). Muslims are obligated to pursue their rights through lawful means. In contrast, non-Muslims are not compelled to adhere to Islamic values, but they are encouraged to do so. Consequently, entrepreneurs are guided by Islamic values when making business decisions and performing organizational duties transparently (Ikhsan & Jamaludin, 2022). Muslim entrepreneur who creates products and services to achieve *Maqasid al-Shariah* is referred to as a halalpreneur. However, Islamic scholars also recognize non-Muslim entrepreneurs as halalpreneurs if they follow Shariah laws in their product and service production, adhering to the principle of *maslahah*, or 'Public Interest,' for the greater good

of the *Ummah* (Muslim community) and humanity (Abdullah & Azam, 2020). The aim of business is to secure the sustainability of the community by fulfilling their needs and desires. In the Islamic context, this fulfilment should align with *Maqasid al-Shariah*, which indicates the objectives of Islam (Rahman et al., 2017).

Halal entrepreneurship supports the principles of *Maqasid Shariah*, promoting prosperity for individuals and communities, encouraging health and ethical business practices, fostering intellectual growth and innovation, supporting economic empowerment, and ensuring fair business transactions. Halal entrepreneurs are crucial in driving economic growth, social cohesion, and spiritual fulfillment. Embracing halal entrepreneurship not only aligns with Islamic teachings but also promotes a more inclusive, equitable, and sustainable future for everyone.

In the context of FELCRA micro-entrepreneurs, halal entrepreneurship plays a significant role in fostering economic empowerment and sustainability. Many of these micro-entrepreneurs are engaged in food and beverage businesses that require halal certification to access broader markets and build up consumer trust. By aligning their business practices with Shariah principles, FELCRA micro-entrepreneurs not only fulfill religious obligations but also contribute to the economic growth of rural area and community development to enhance the standard of living.

2.8 CHAPTER SUMMARY

The chapter synthesizes literature review on halal certification for food and beverage micro-enterprises in Malaysia, covering the key topics including the concept of *halalan tayyiban* in food processing, the halal certification system in Malaysia, and the challenges encountered by MSMEs to obtain halal certification for their products. It also examines the roles of relevant ministries and agencies in supporting the development of entrepreneurship in the halal industry. Furthermore, the chapter outlines the overview of entrepreneurship

within FELCRA Berhad and its initiatives to empower micro-entrepreneurs in managing the business operations. However, there is a notable research gap concerning the limited exploration of the importance of halal certification for FELCRA micro-entrepreneurs, particularly in preparing themselves to grow their business in the halal industry.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter discusses the research methodology of this study by explaining the research design, the description of data collection, the procedures of data collection and data analysis and lastly the validity of the research findings.

3.2 RESEARCH DESIGN

A research design acts as a blueprint or plan to answer the research questions by outlining the process of data collection, measurement, and data analysis (Sekaran & Bougie, 2016). Research design involves making decisions about how the research is conceptualized, the execution of the specific research project, and the intended impact on advancing knowledge in a particular field (Given, 2008). The study employs a qualitative research design focusing on the descriptive study to examine the challenges of halal certification application among FELCRA micro-entrepreneurs and to assess the opportunities available for them to grow the business with halal certification. The qualitative approach is conducted to analyse underlying meanings and patterns of social relationships with interpretive description (words) rather than statistics (numbers) (Kendall, 2015). Qualitative research is a contextual method that situates the observer within the context of reality. It encompasses a collection of interpretive and tangible actions that make the world perceptible. These methods transform the world into various forms of representation, such as field notes,

interviews, conversations, pictures, recordings, and personal memos. Essentially, qualitative research employs an interpretive and naturalistic perspective, wherein researchers analyse phenomena in their natural settings, striving to comprehend them based on the significance individuals attribute to these phenomena (Denzin & Lincoln, 2018).

This study has three phases to answer the research questions and fulfil the research objectives. During the first phase, the researcher conducted library research to review past literature about halal certification for MSMEs in Malaysia, the overview of entrepreneurial landscape within FELCRA Berhad and other related topics that are suitable for this research. Engaging in library research assists researcher in discovering and locating sources that offer information related to the subject of another research study (George, 2008). The second phase of data collection is semi-structured interviews face-to-face with FELCRA micro-entrepreneurs, agency officers and halal auditors. At the same time, the researcher conducted observation to observe business operations of FELCRA micro-entrepreneurs in producing food and beverage products. Lastly, the third phase requires the researcher to analyse all the data collection and present the research findings. The data analysis of qualitative research is inductive thematic analysis, which is establishing patterns or themes (Creswell, 2007).

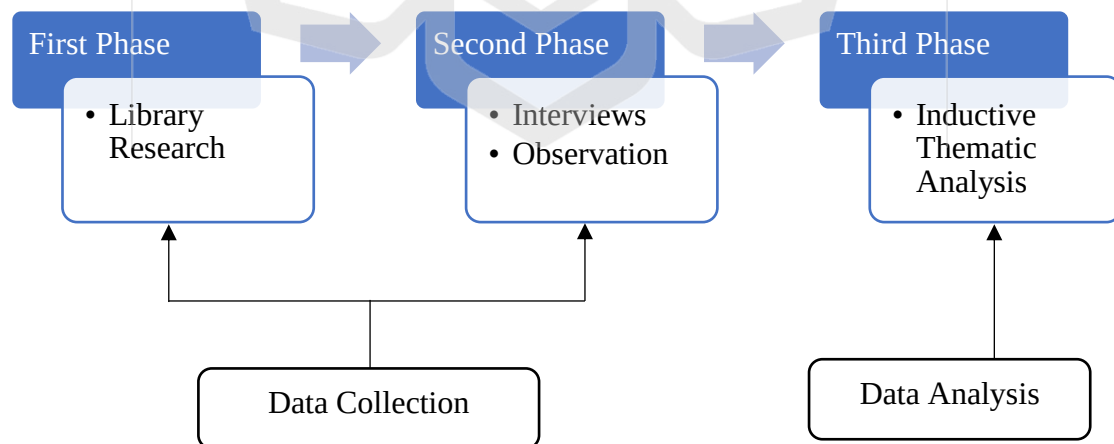


Figure 3.1 Research Design

3.3 DATA COLLECTION PROCEDURES

The purpose of data collection is to answer the research questions and to meet the research objectives. The researcher collect primary data through semi-structured interviews and observation, while secondary data from the library research.

3.3.1 Library Research

The library research is conducted in the first phase of data collection to review past literature about the halal certification for MSMEs in Malaysia, halal entrepreneurship, overview of entrepreneurship within FELCRA Berhad and other related topics of research. Library research helps researcher to identify and locate sources that provide information on the topic of another research (George, 2008). The research gap is identified through library research. International Islamic University Malaysia (IIUM) Gombak is the primary library to conduct this study.

3.3.2 Interview

The interview is any sort of conversation that focuses on a particular experience or topic. During the interview, the interviewee, who possesses relevant experience and expertise, shares their opinions. The questions are predetermined, and the entire interview session is recorded for reference (George, 2008). Semi-structured interviews are designed to gather the data from respondents. Compared to more structured interviews, semi-structured interviews maximize the potential for generating knowledge through open dialogue. The

interview provides the flexibility to explore essential aspects identified by the interviewee, enabling the interviewer to actively contribute as a knowledge participant rather than being confined to a rigid interview guide (Denzin & Lincoln, 2018). The researcher selects ten (10) FELCRA micro-entrepreneurs who are involved in the food and beverage business, three (3) agency officers and two (2) halal auditors. Table 3.1 shows the profile of respondents.

Table 3.1 Profile of Respondents

Respondents	Name	Background
FE 1	Norosliza binti Mohamad	Company: DD Trisyia Trading FELCRA Entrepreneur: FELCRA Berhad Bukit Tampo, Kedah Product: Kuih koci leleh frozen
FE 2	Noor Ashikin binti Mohd Naim	Company: NCT Tunas Enterprise FELCRA Entrepreneur: FELCRA Berhad Weng, Kedah Product: Cake and pastry
FE 3	Intan Nadirah binti Md Nasir	Company: Intan Nadirah Enterprise FELCRA Entrepreneur: FELCRA Berhad Belimbing Tolak, Kedah Product: Cake and pastry
FE 4	Khailuyah Abdul Rahman	Company: KAR Indah Enterprise FELCRA Entrepreneur: FELCRA Berhad Sg. Senam, Kedah Product: Cake and pastry

FE 5	Muhammad Fitri bin Jamil	Company: Syabab Gemilang Enterprise FELCRA Entrepreneur: FELCRA Berhad Bukit Selambau, Kedah Product: Chili sauce, Sambal
FE 6	Azizatun Binti Hamzah	Company: D'Lekir Signature FELCRA Entrepreneur: FELCRA Berhad Lekir, Perak Product: Kambing Perap, daging pekasam, ikan pekasam, sambal bilis tempe
FE 7	Nurul Thany bin Hj Rasidi	Company: Rayyan Global Food Industries FELCRA Entrepreneur: FELCRA Berhad Product: Biskut potong
FE 8	Latipah Azir	Company: Ipahjaya Enterprise FELCRA Entrepreneur: FELCRA Berhad Seberang Perak, Perak Product: Chili sauce
FE 9	Mat Dali bin Ismail	Company: Glokal JSM Enterprise FELCRA Entrepreneur: FELCRA Berhad Redang Punggor, Perak Product: Kerisik, sos cili, rempah kari, ikan pekasam dan minuman
FE 10	Intan Johari	Company: Fitah Enterprise FELCRA Entrepreneur: FELCRA Berhad Product: Sambal kacang

HA 1	Syeikh Muhammad Hafeez Bin Che	Halal Auditor, Bahagian Pengurusan Halal, Jabatan Agama Islam Negeri Kedah
HA 2	Nadhirah binti Roslee	Halal Auditor, Bahagian Pengurusan Halal, Jabatan Agama Islam Negeri Perak
AO 1	Rosni bin Saidin	Pengurus Kanan Pengurusan dan Keusahawanan, HQ FELCRA Berhad, Kuala Lumpur
AO 2	Mahani Said	Eksekutif Hal Ehwal Peserta, FELCRA Berhad Kawasan Bukit Tampoi, Wilayah Utara
AO 3	Mohd Zul Faisal bin Mohamed Zain	Timbalan Pengarah Bahagian Pembangunan Usahawan MARA, Majlis Amanah Rakyat (MARA)

The researcher has deliberately selected ten (10) FELCRA micro-entrepreneurs, currently operating within the sector of food and beverage in Kedah and Perak. These entrepreneurs have expressed their cooperation to participate in this study, and they are actively engaged in the production of halal food products. By targeting micro-entrepreneurs within this specific sector, the study aims to examine the valuable insights into the challenges of halal certification application among micro-entrepreneurs of FELCRA Berhad and to assess the opportunities for them towards business growth with halal certification. Next, the researcher has strategically involved two (2) agency officers of FELCRA Berhad to gain an overarching view of entrepreneurial activities within FELCRA Berhad and a broader context of the development of entrepreneurship within the framework of FELCRA Berhad. This study also includes an agency officer from MARA to gather viewpoints on the initiatives undertaken by the agency to promote entrepreneurial growth and capitalize on opportunities in Malaysia's halal industry. Additionally, the study

includes two (2) Halal Auditors in facilitating the researcher to understand the halal certification process and its requirements, particularly within the realm of micro and small-sized enterprises in establishing and implementing Internal Halal Control System within the organization.

Protocol of interview will be established. See the attachment. The researcher constructs a set of questions based on the research questions and objectives. Then, the supervisor will validate the relevance of questions that will be asked during the interview. The designation of questions shall enable the respondents to response the questions in a flexible way and freedom to express their opinions and thoughts on the issues. An appointment with the respondents will be made before the interviews. The researcher explains the nature of the topic and the purpose of the interview to the respondents. The researcher asks permission from the respondents to record the interview session.

The interviews are conducted between October 2023 to January 2024. The duration of the interview is approximately 30 minutes to 45 minutes. The researcher records the interview session with an audio tape and takes notes to ensure all the important information is safely documented. The researcher welcomes the respondents to express their thoughts freely without any interruption of emotion and another perspective during the interview. The researcher thanks the respondents for their cooperation in participating in this research project at the end of the interview,

3.3.2 Observation

The observational method refers to examining the behaviour of respondents without asking them directly. This data collection is suitable for research requiring non-self-report descriptive data, which is uncontaminated by self-report bias (Sekaran & Bougie, 2016). The researcher conducts participant observation to observe the operational management of

micro-enterprises of FELCRA during the production of food and beverage products. Protocol of observation will be established. See attachment.

3.4 DATA ANALYSIS PROCEDURES

Qualitative research data analysis systematically organizing and examining the interview transcripts, observation notes, or other non-textual materials gathered by the researcher to deepen the understanding of the nature of the study (Sekaran & Bougie, 2016). The researcher employs thematic analysis, a widely used method among qualitative researchers to analyze qualitative data. The researcher chooses inductive approach, indicating primarily data-driven, meaning themes are derived directly from the data without the influence of pre-existing theories. This approach facilitates the theory development by building broader themes based on the perspectives of participants (Braun & Clarke, 2006; Naeem et al., 2023). The inductive thematic analysis follows six systematic steps procedures: transcription and data familiarization; identification of keywords; selection of code; theme development, conceptualization through interpreting keywords, codes and themes; and lastly the development of a conceptual model (see Figure 3.2). These steps guide the rigour of the qualitative research process and contribute to the depth of research findings. This systematic methodology enhances the consistency and reliability of the results, ensuring clear connections between the data, interpretation, and final conclusions, while minimizing potential biases (Naeem et al., 2023).

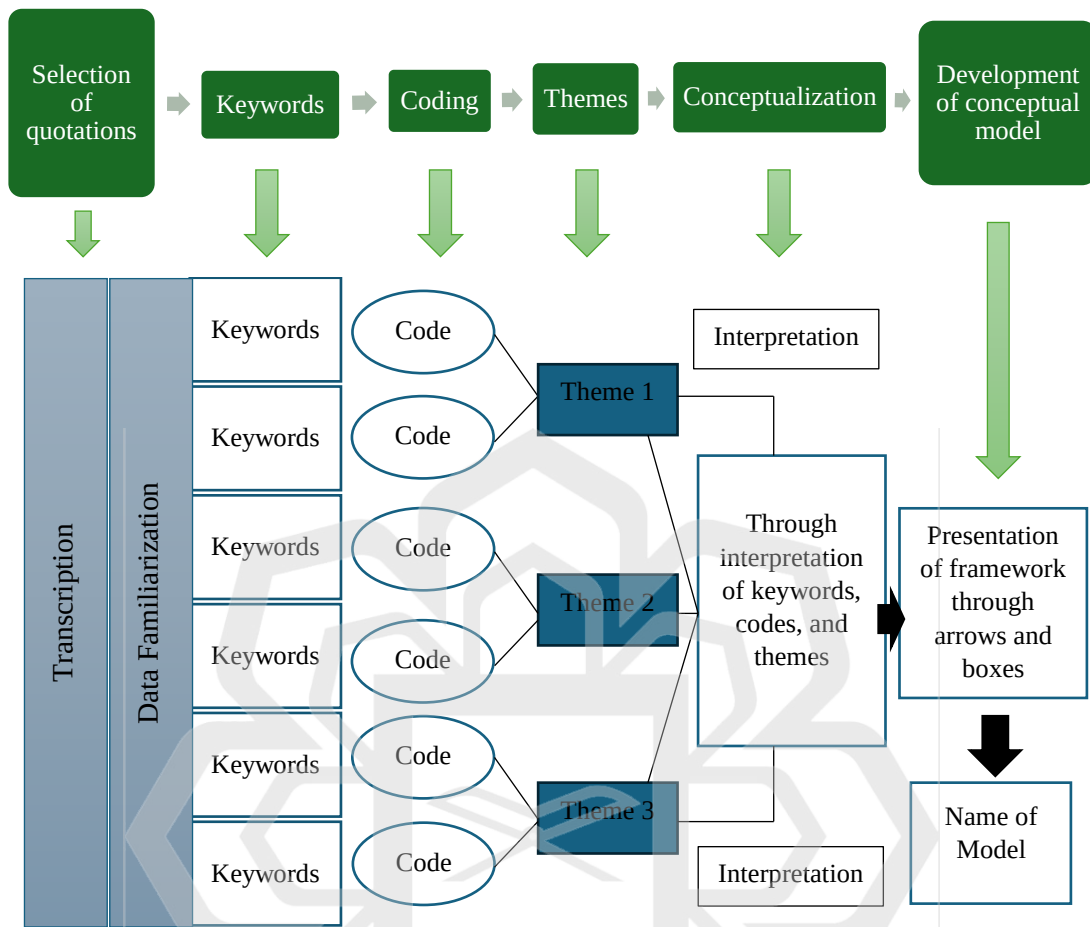


Figure 3.4 Systematic Procedures of Inductive Thematic Analysis

Adapted from (Naeem et al., 2023)

The initial phase of thematic analysis involves transcribing and familiarizing with the data, followed by selecting quotations that suitable in representing various perspectives relevant to the research objectives. Next, keywords are identified by closely examining the data for recurring patterns, terms, or visual elements reflecting participants' experiences and perceptions. These keywords are directly derived from the data. During the coding phase, short phrases or words, known as codes, are assigned to segments of data to simplify and organize complex textual information. Keywords are crucial in this process, helping

convert raw data into insightful and manageable units. Inductive coding involves generating codes directly from the data, allowing patterns and themes to emerge naturally. The development of themes then involves organizing codes into meaningful groups to identify patterns and relationships, leading to insights into the research question. The conceptualization phase includes interpreting keywords, codes and themes to develop emerging concepts, refine social patterns, and assess the clarity, accuracy, reliability and applicability of the research findings. Lastly, developing a conceptual model involves creating a unique representation of the data, guided by existing theories, to answer research questions and highlight the study's contribution to knowledge. This step consolidates all findings and insights derived from the data (Naeem et al., 2023).

3.5 VALIDITY AND RELIABILITY

To check the reliability and validity of the findings, the researcher will employ peer debriefing to enhance the accuracy of the research findings (Patton, 2002). The supervisors of this research will review and ask questions about the qualitative study. This strategy provides the interpretation beyond the researcher and requires the additional expert person to add validity for the results of the research.

3.6 CHAPTER SUMMARY

The chapter discusses how this study is conducted using several research methods. The research problem and research objectives are the guidelines for the researcher to design the research. The discussion in this chapter consists of research design, data collection

procedures, data analysis procedures, validity, and reliability. The findings will be presented in the next chapter.



CHAPTER FOUR

FINDING AND DISCUSSION

4.1 INTRODUCTION

The chapter presents the research findings to address the research questions and fulfilling the research objectives. The findings highlight the challenges faced by FELCRA micro-entrepreneurs to apply for halal certification for food products. Additionally, the findings identify opportunities for business growth with halal certification among these micro-entrepreneurs. The chapter also proposes a structured support guideline of halal certification for FELCRA micro-entrepreneurs to apply for halal certification.

4.2 CHALLENGES OF HALAL CERTIFICATION APPLICATION AMONG FELCRA MICRO-ENTREPRENEURS

Previous studies have extensively examined the challenges faced by small and medium-sized enterprises (SMEs) to obtain Malaysian Halal certification, such as understanding the process flow of halal certification, implementing the halal control system, and maintaining halal compliance of the products. However, limited research has specifically addressed the challenges faced by micro-enterprises to apply for Malaysian Halal Certification. Additionally, a significant gap exists in the literature, as no previous studies have examined the impact of Malaysian Halal Certification for business growth of FELCRA micro-entrepreneurs. Many of them do not possess halal certification even though this certification is crucial to enhance business performance and build up consumer trust. They lack halal

certification for their products because there is no clear guideline provided by FELCRA to facilitate them in obtaining halal certification. The findings identified three primary challenges to apply for halal certification among FELCRA micro-entrepreneurs, including a lack of awareness of the importance of halal certification, lack of halal certification competency training, and unclear guideline of halal certification for FELCRA micro-entrepreneurs. Figure 4.1 illustrates the challenges among FELCRA micro-entrepreneurs to obtain halal certification.

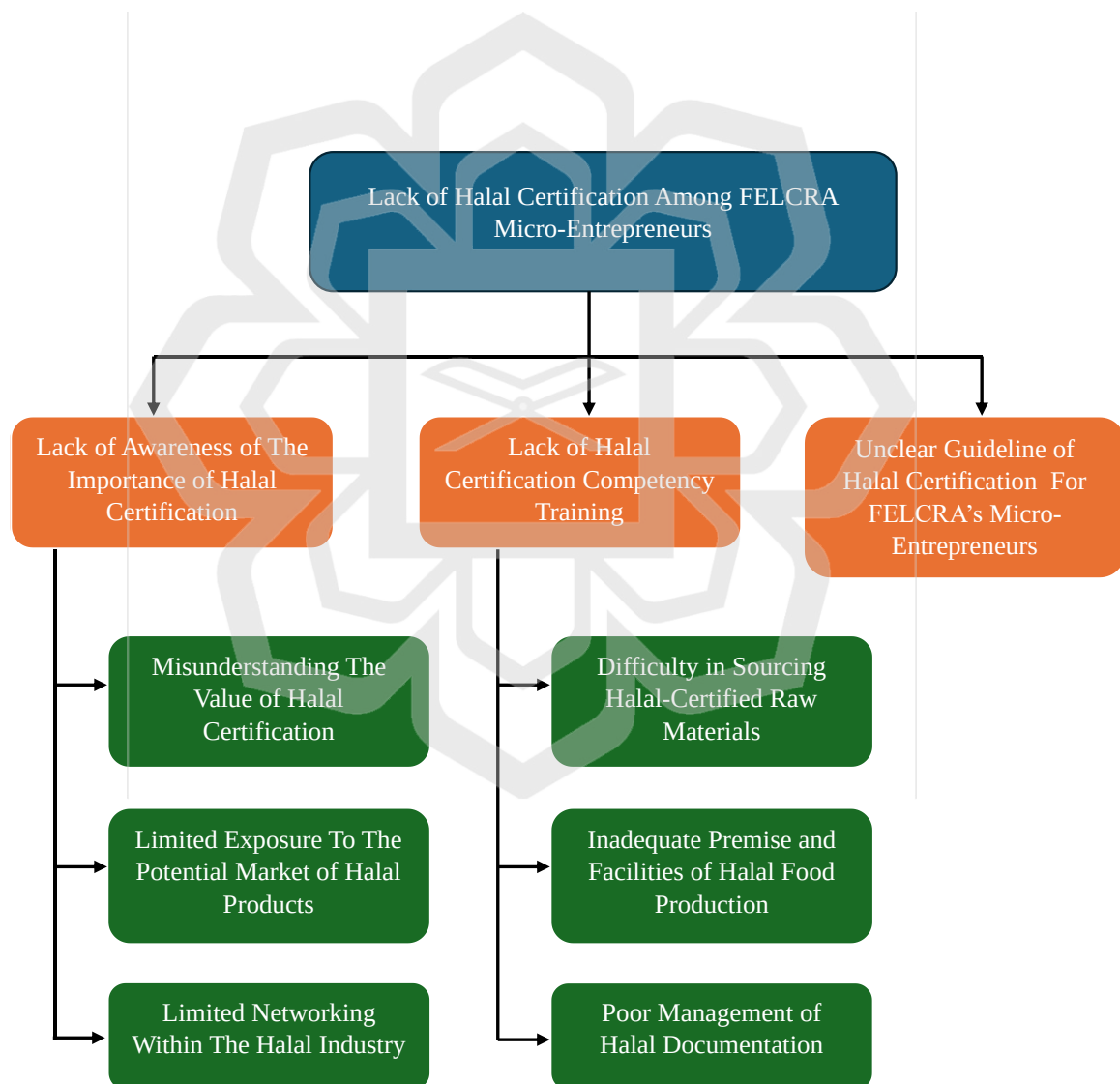


Figure 4.1 Challenges of Halal Certification Application

4.2.1 Lack of Awareness of The Importance of Halal Certification

Observations and interviews with ten FELCRA micro-entrepreneurs show that many of them lack full awareness of the importance of halal certification due to the misunderstanding about the value of halal certification, limited exposure to the potential market of halal products, and limited networking opportunities within the halal industry. Consequently, their business performances have remained stagnant for over the years with no proactive efforts to leverage the Malaysian Halal Certification for business growth. Awareness involves perceiving, feeling, and understanding events and objects, emphasizing the comprehension and perception of the importance of various events or subjects (Aziz & Chok, 2013). Understanding the importance and implications of halal certification is crucial for entrepreneurs, as it directly affects their decisions and behaviour regarding halal certification application and halal control system implementation throughout food production. However, FELCRA micro-entrepreneurs still lack awareness of producing halal-certified food products. Most of them do not pursue halal certification actively to market their products effectively to Muslim consumers.

4.2.1.1 Misunderstanding The Value of Halal Certification

Currently, FELCRA micro-entrepreneurs perceive obtaining halal certification for their products as unnecessary, primarily due to a misunderstanding of its value for business growth and consumer trust. This misunderstanding is grounded on the self-assumptions that their identity as Muslim entrepreneurs is sufficient to assure the halal status of their products and the absolute trust by Muslim consumers when purchasing their products. These self-assumptions are supported by their statements.

“Muslim entrepreneurs produce the food products for sure it is halal. Marketing the products in rural areas may not prompt questions about the

halal status of products, as people trust the production made by Muslim entrepreneurs.” (FE 7)

“If you are a Muslim, consumers will not question the food processed by you.” (FE 4)

They do not prioritize halal certification as a key business policy, believing that not using non-halal ingredients such as wine or pork suffices in producing food products for Muslim consumers. Additionally, they assume that Muslim consumers trust the halal status of food produced by Muslim entrepreneurs and do not question the availability of halal certification for their products.

Meanwhile, they perceive incorrectly that halal certification is primarily necessary for non-Muslim entrepreneurs who may be more likely to use non-halal ingredients in their food products. Non-Muslim entrepreneurs aim to market their products to Muslim consumers are required to apply for halal certification to mitigate any uncertainties regarding the halal status of their products. In contrast, they as Muslim entrepreneurs believe that they will produce the food with halal ingredients according to Shariah principles. Therefore, application for halal certification is unnecessary, as they understand the fundamental principles for producing halal food. This misunderstanding is supported by the perspective of FE 3. She stated:

“The predominant community in this locality is Malays. The consumers acknowledge that these individuals are producing halal food products. They feel confident purchasing food products produced by Malay entrepreneurs. In areas where the majority is non-Muslim, halal certification becomes crucial. Consumers may hesitate to consume the food products due to the uncertainty about the halal status of products produced by non-Muslim entrepreneurs.” (FE 3)

These self-assumptions lead to the misunderstanding of the value of halal certification in meeting the preference of Muslim consumers for halal-certified products. Halal certification serves as a tangible assurance that food products comply with halal standards, instilling confidence and trust among consumers. With the increasing demand for halal-certified products, it is imperative for FELCRA micro-entrepreneurs to seize this opportunity by

applying for halal certification to broaden their product sales in the halal markets, which are predominantly driven by Muslim consumers. Relying solely on self-assumptions in understanding the value of halal certification is insufficient, especially when targeting a consumer base that prioritizes compliance with halal principles. Muslim consumers nowadays are more aware of the importance of halal-certified products with a strong emphasis on food safety and quality assurance. Growing concerns about halal food fraud have prompted consumers to scrutinize product ingredients before making purchasing decisions. Therefore, the presence of Malaysian Halal Certification issued by JAKIM becomes a consumer preference because this certification process includes rigorous inspections, audits, and monitoring in guaranteeing the halal integrity of the products (Ibrahim et al., 2023).

There is a significant distinction between products with and without halal certification. This certification adds value by enhancing consumer confidence, making halal-certified products more appealing than uncertified ones. The added value of halal certification is supported by the statement of FE 2. She stated:

“Halal products are the products that already have halal certification. For instance, this brand of product has halal certification, but my products do not have, which one would you choose? I will choose the products with halal certification. That's what I understand.” (FE 2)

This understanding reflects the awareness of the importance of halal certification among micro-enterprises in building trust among Muslim consumers, who perceive that products certified by JAKIM adhere to halal standards. However, most of FELCRA micro-entrepreneurs still not applied for halal certification because they also realize the commitment and responsibility to maintain halal integrity throughout the food production process. Nonetheless, there is an entrepreneur addressing the need to apply for halal certification in mitigating any doubts raised by consumers as well as the authorities. He mentioned:

“When I have halal certification, customers and authorities are assured of the Halal status of my products. They cannot question the halal status as I abide by all the halal requirements.” (FE 9)

The commitment to implement halal control system within the organization underscores his awareness about the importance of halal certification in ensuring all practices of food production align with halal standards. Halal-certified food products by JAKIM or JAIN/MAIN is essential in fulfilling the growing demand of Muslim consumers.

Halal certification emerges as a vital business strategy for FELCRA micro-entrepreneurs to enhance sales performance in the current challenging and competitive business landscape. AO 3 expressed his opinion regarding the value of halal certification, emphasizing Muslim consumers increasingly prefer products with verified halal status. He stated that the halal logo attracts more consumers by providing assurance that the products have undergone rigorous evaluation by relevant authorities, ensuring safety of products, high quality, and wholesome before reaching the market.

“Most consumers prefer to choose products with halal logo. However, a significant concern arises from the misuse of the halal logo by non-Muslim entrepreneurs, who recognize the substantial impact it holds within the halal food market, particularly among Muslim consumers.” (AO 3)

Based on his statement, there is a need for greater awareness and understanding among FELCRA micro-entrepreneurs regarding their roles to produce good quality halal-certified products. This awareness is essential to prevent market dominance by non-Muslim industry players who may exploit the halal logo fraudulently, as they understand well the significant impact of halal certification on purchasing decisions of Muslim consumers. Such exploitation includes misleading halal logo in order to seize lucrative chances in the rapidly growing halal market. For FELCRA micro-entrepreneurs, this issue represents a form of *jihad* (strive with determination) to providing the *Ummah* (communities) with halal and wholesome food that complies with the stringent requirements and detailed procedures of halal certification. The growing awareness among Muslim consumers about halal products indicates the importance of educating industry players on the need to ensure compliance with Shariah principles in food production. Transparent food labeling featuring a certified halal logo, expiry date, price, brand name, ingredients, country of origin, and other pertinent

information will equip consumers with the necessary knowledge and awareness when choosing halal food products (Ruslan et al., 2018).

4.2.1.2 Limited Exposure To The Potential Market of Halal products

FELCRA micro-entrepreneurs manifest a lack of awareness of the importance of halal certification due to the limited exposure to the broader potential market for halal products. They typically prioritize short-term gains over fostering sustainable growth, reflecting the business approach of micro-enterprises. Operating a business from home further limits their access to essential resources needed to penetrate markets beyond the local markets. As a result, they tend to localize the marketing of food products, which limits opportunities for expanding into the broader halal market. Based on the interviews, they said:

“My products are homemade based.” (FE 2, FE 3, and FE 4)

“I only sell the products within the localities. I do not expand the demand of products; fearing cannot deliver the products to the customers.”(FE 4)

FE 4 explicitly articulates her reluctance to expand the demand for her products beyond local markets due to the concerns about logistical challenges in completing customer orders. The focus on homemade production and selling exclusively within local markets reflect a lack of awareness or consideration of the broader market opportunities available for halal products. FELCRA micro-entrepreneurs prefer to prioritize local sales, as this approach does not necessarily require halal certification because the demand for halal-certified products is relatively low. Additionally, FE 7 stated that the distribution of food products within rural areas does not need the availability of halal certification when the products are produced by Muslim entrepreneurs.

Micro-entrepreneurs face challenges to penetrate new potential market for halal products due to limited access to resources. They lack market reports or industry

publications that outline opportunities within the halal market. This limited exposure hinders their understanding of consumer behaviours and preferences towards halal products. Halal certification is important because it attracts not only the existing local customers, but also new customers from diverse regions in Malaysia, as well as global markets. Consumers prioritize the halal integrity of products for their daily consumption, aligning with Shariah principles that emphasize the concept of *halalan tayyiban*, ensuring products are safe and free from contamination. The expansion in customer base broadens the marketability of halal food products produced by FELCRA micro-entrepreneurs.

Nevertheless, the application of halal certification presents a challenge for FELCRA micro-entrepreneurs due to their short-term focus on local marketing strategies, which often leads them to overlook the sustainable benefits of Malaysian Halal Certification. This certification not only validates adherence to Islamic dietary laws but also offers opportunities for market expansion, enhances brand credibility, and supports sustained business growth.

4.2.1.3 Limited Networking Within The Halal Industry

Networking within the Halal industry is pivotal for FELCRA micro-entrepreneurs, as it grants them access to valuable information, resources, and opportunities. However, these entrepreneurs often lack essential networking with halal certification authorities, industry experts and fellow halal entrepreneurs. This limited networking impedes their understanding towards the importance of halal certification to grow micro-enterprises. Therefore, they are unaware of how to develop and implement the halal control system throughout the food production process.

Among the platforms to enhance networking among micro-enterprises in the halal industry is participation in the entrepreneurial events. During the interview, all FELCRA micro-entrepreneurs stated that they had participated in the Karnival Usahawan Desa

(KUD), an annual event organized by the Ministry of Rural and Regional Development in collaboration with its agencies, including FELCRA Berhad. This event provides a mechanism for entrepreneurs to showcase the products and build up networking opportunities with other entrepreneurs. Despite their involvement in the KUD, they are not really exposed to the networking opportunities with key stakeholders in the halal industry. The event primarily focuses on showcasing entrepreneurs' products without having the connections with relevant agencies in the halal industry, potential buyers and fellow entrepreneurs directly involved in the halal entrepreneurship.

FELCRA Berhad has less collaboration with the halal experts and agencies in the Halal industry. FELCRA once had a collaboration with Halal Development Corporation (HDC) to conduct the programme with entrepreneurs. While collaborations with various agencies and consultants for entrepreneurship training are common, halal certification remains a secondary focus within the entrepreneurial landscape of FELCRA Berhad. AO 2 said in clear:

“FELCRA has engaged in collaborations with various agencies and consultants to conduct entrepreneurship training, encompassing diverse areas such as product packaging, branding, and digital marketing. There is no halal training for entrepreneurs right now.” (AO 2)

Due to the less networking with agencies in the halal industry, there are no continuous programmes or training sessions on halal certification for providing micro-entrepreneurs with more exposure to the opportunities in halal entrepreneurship. They do not have the opportunity to strengthen their networks with key stakeholders in the halal industry to enhance their awareness of the value of halal certification in the current food market. This limited networking hinders their understanding and ability to effectively manage the application of halal certification. Therefore, it is essential for FELCRA micro-entrepreneurs to expand their business networks, enabling them to better position themselves within the halal industry, fostering growth, promoting collaboration, and gaining a deeper understanding of the importance of halal certification for their businesses.

4.2.2 Lack of Halal Certification Competency Training

FELCRA micro-entrepreneurs often perceive the application of halal certification is difficult and complicated process. This perception arises from their lack of competency, including knowledge, skills, and abilities to fulfil the rigorous requirements and navigate the intricate procedures in obtaining halal certification. Inadequate competency in understanding and implementing halal certification requirements and procedures can create significant challenges such as difficulty in sourcing halal-certified raw materials, inadequate premise and facilities for halal food production and poor management of halal documentation, comprising the Halal File and Internal Halal Control System (IHCS). Competency of entrepreneurs to deal with various aspects of halal certification remains limited without proper competency training to improve their knowledge and skills.

FELCRA Berhad provides diverse training programs, including packaging and labelling, branding, and digital marketing for its entrepreneurs. However, there is a notable absence of halal certification competency training within entrepreneurship of FELCRA. This gap hinders the ability of entrepreneurs to effectively manage the procedures and requirements for obtaining halal certification. Halal training is essential to enhance their understanding and skills pertaining to the successful halal certification application and implementation of Internal Halal Control System throughout the food supply chain, starting from sourcing halal ingredients to distributing finished products to consumers.

Since FELCRA has already collaborated with various agencies and consultants for the development of entrepreneurs, FELCRA can also collaborate with other halal related agencies and registered Halal Training Provider (PLH) by Halal Professional Board (HPB), Department of Islamic Development Malaysia (JAKIM) to assist and guide entrepreneurs about the application of Halal certification. Among the PLHs, the International Institute for Halal Research and Training (INHART), International Islamic University Malaysia (IIUM) is a strategic partner for Malaysia International Halal Academy (MIHA), providing Halal Competency Training designed for industry players in the Halal industry. This training aims

to enhance knowledge of participants about the fundamental of Halal, Haram and Shubhah, Malaysian Standards and the legal requirements and regulations related to the halal food business. Participants can learn about the process flow of Malaysian Halal Certification application and the halal management system stipulated by the authority for the industry players to implement within the organization. The training also provides guidance on the procedures and requirements of Malaysian Halal Certification. INHART has many experts who are knowledgeable and experienced in guiding industry players to apply for halal certification. This institution offers halal training and consultancy service to assist industry players in establishing and implementing halal management system for their businesses. Therefore, FELCRA Berhad can collaborate with INHART to empower the competency of micro-entrepreneurs in applying for halal certification and maintaining halal assurance management system throughout the food supply chain. Continuous halal training among entrepreneurs and stakeholders of halal industry contributes to the enhanced understanding of the halal ecosystem (Adham et al., 2022).

4.2.2.1 Difficulty In Sourcing Halal-Certified Raw Materials

In the realm of halal business, sourcing halal-certified raw materials is crucial to maintain compliance with stringent halal requirements, thereby guaranteeing the permissibility of all ingredients according to Shariah principles. FELCRA micro-entrepreneurs expressed their opinions about the primary challenge to establish halal food production is difficulty in sourcing the halal-certified raw materials. This requirement necessitates every raw material should be halal, safe, uncontaminated and its original supplier has been identified. Raw materials from animals should be certified as Halal by JAKIM or other halal certification bodies recognized by JAKIM. If those raw materials are not halal-certified or halal-certified by non-recognized halal certification bodies by JAKIM, entrepreneurs or manufacturers should provide supporting documents including material composition, flow chart and sources of raw materials (JAKIM, 2020a). The prerequisite of halal certification was emphasized by FE 9. He said:

“Halal prioritizes raw materials, with each raw material requires halal certification recognized by JAKIM.” (FE 9)

This requirement is based on Shariah principles, indicating the importance of ensuring the lawful and purity nature of food consumed by Muslims. The emphasis on halal-certified raw materials represents a fundamental aspect of business practice within the halal industry. Any compromise at this stage could potentially lead to non-compliance with Islamic dietary laws. Therefore, micro-entrepreneurs are required to possess the competency in terms of knowledge and skills to effectively source halal-certified raw materials, as the main requirement of obtaining halal certification is clear about the halal status of ingredients that are used to produce food products for Muslim consumers.

In the context of FELCRA micro-entrepreneurs, most of them encounter the challenge in sourcing halal-certified raw materials due to the procurement of repackaged raw materials through intermediaries rather than directly from the manufacturers. While the manufacturers of these raw materials typically hold halal certification, the intermediaries involved in repackaging often lack such certification. FE 5 stated in clear:

“Many raw materials are repackaging, most suppliers of these repackaged products lack of halal certification. This burdensome issue causes entrepreneurs not to apply for halal certification.” (FE 5)

The procurement of repackaged raw materials through intermediaries may be driven by several factors, such as cost-effectiveness, convenience, and limited access to manufacturers. Consequently, when they are facing difficulties in sourcing halal-certified raw materials, they often express their reluctance to apply for halal certification due to the complexities and arising issues encountered during the sourcing process. This challenge is further supported by the halal auditor who have observed the reluctance among entrepreneurs to fulfil this specific requirement for halal certification.

“Each entrepreneur is required to submit a list of raw materials to the halal authority. The main challenge in the halal certification application process is entrepreneurs often hesitate to submit the recipes or formulations of their products to the halal authority.” (HA 1)

It is noteworthy that the difficulty in sourcing halal-certified raw materials stems from a lack of halal certification competency training. This incompetence among FELCRA micro-entrepreneurs arises from their limited understanding to sourcing JAKIM-certified halal raw materials for maintaining the halal integrity of food ingredients. Additionally, a lack of skills in addressing raw material issues in halal food production hinder effective problem-solving. When entrepreneurs possess the necessary competencies to source halal-certified raw materials, they can navigate the process efficiently and address any concerns raised by halal authorities. Therefore, participation in halal competency training is crucial for FELCRA micro-entrepreneurs, as it equips them with in-depth knowledge, broader exposure and the skill development needed to operate halal food business successfully.

4.2.2.2 Inadequate Premise And Facilities of Halal Food Production

Fulfilling the requirements for halal certification in food production facilities is another significant challenge encountered by FELCRA micro-entrepreneurs. They lack separate premise and facilities designed for producing halal food. FE 2 said in clear:

“My constraint is the lack of space for processing. I am a small entrepreneur. If I operate at my home, it is impossible to get halal certification.” (FE 2)

Based on the findings, all FELCRA micro-entrepreneurs possess the fundamental knowledge of the requirement of halal certification, specifically stated that food products should be produced in a separate building, not within the residential areas. They understand that processing food at home would render them ineligible for halal certification application, as residential spaces do not comply with halal standards.

The absence of dedicated premise for food production can lead to cross-contamination, potentially affecting the halal integrity of their products. Halal compliance

involves adherence to the specific guidelines, particularly maintaining the cleanliness and preventing the risk of cross-contamination throughout the food production process. This requirement of halal certification obliges entrepreneurs to implement stringent hygiene procedures, segregate equipment and renovate their premises accordingly. However, they lack technical skills and knowledge to design and renovate their production facilities to meet the halal standards. This challenge is supported by the statement of FE 1 and FE 7. They explained:

"I could not apply for halal certification for my previous shop because it was old and did not meet the Halal requirements. Consequently, I had to relocate to a new premises." (FE 1)

"The renovation of the business premises led to a delay in the new application and renewal of halal certification." (FE 7)

Implementing control measures and effective monitoring is challenging without proper facilities. Lack of infrastructure can lead to inconsistencies or lapses in halal practices, ultimately undermining the integrity of the products. Entrepreneurs often lack the skills to ensure the premise and facilities meet the requirements for halal food production. The halal auditor will conduct an audit to ensure compliance with halal standards after receiving the application for halal certification. If facilities fail to meet the requirements, entrepreneurs need to rectify this issue to align with halal standards, therefore will prolong the duration process of halal certification. Participation in the halal certification competency training is crucial to enhance the understanding and skills of FELCRA micro-entrepreneurs to complete all halal certification requirements effectively.

4.2.2.3 Poor Management of Halal Documentation

Halal documentation is a comprehensive set of records, policies, and standard operating procedures (SOPs) that show a commitment of a company to adhere to halal standards in

producing halal products. It serves as essential evidence for halal competent authorities to assess whether a business complies with halal standards throughout its operation. Proper halal documentation ensures transparency, accountability, and consistency in maintaining halal integrity across the entire supply chain. For micro-enterprises, it is compulsory for them to provide documentation for both the Halal File and the Internal Halal Control System (IHCS) in accordance with the MHMS 2020 to be certified as Malaysian Halal Certification Holders by the halal authority.

The Halal File serves as the foundational record for business, comprising profile of company, list of food products, business registration licenses (SSM and local authorities/PBT licenses), and the registration of food premise with the Food Safety and Quality Division, Ministry of Health. Additionally, food entrepreneurs need to have Certification of Food Handler Training and a valid typhoid vaccination from a registered medical practitioner. These prerequisite of requirements is essential to establish a legal foundation for business operations and ensure compliance with regulatory frameworks at both national and local levels.

The Internal Halal Control System (IHCS) is a critical component at every stage of the food supply chain. Halal auditors HA1 and HA2 emphasized that micro-entrepreneurs should develop and implement a Halal Policy, Halal Raw Material Control/Halal Risk Control, and Halal Traceability to maintain the integrity of halal management system and mitigate the risk of non-compliance that could affect the halal status of the food products. Proper documentation plays a vital role in enabling entrepreneurs to monitor and control the production process effectively. By documenting these procedures, they can track and trace the origins of all raw materials used in their food products. This tracing is essential for identifying potential sources of contamination or non-compliance throughout the entire food supply chain.

However, FELCRA micro-entrepreneurs encounter significant challenges in managing halal documentation. A lack of competency in completing all the checklist of records and documents is a recurring issue. FE 1 mentioned:

“Challenges to applying for halal certification include managing the documentation of Halal File. The authorities want to see financial records and records of procurement of raw materials.” (FE 1)

The halal certification application process demands thorough documentation, including details on halal raw materials, production processes, and facility compliance. However, they struggle to gather and organize these necessary documents, hindering their application process of halal certification. Poor management of documentation of Halal File and IHCS highlights their incompetency to manage the documentation wisely, as they have not participated in the halal certification competency training to enhance their knowledge, skills, and abilities to conduct halal food business according to the Halal Manuals; MHMS 2020 and MPPHM (Domestic) 2020.

Halal documentation is a guide for micro-entrepreneurs to uphold halal practices and acts as the backbone of halal business operations, ensuring systematic management, monitoring and verification of halal compliance at every stage of production and supply. Without proper halal documentation, FELCRA micro-entrepreneurs are exposed to the risk of non-compliance that will lead to the rejection or revocation of Malaysian Halal Certification. Compliance with halal documentation standards is not merely a regulatory requirement but a strategic necessity for FELCRA micro-entrepreneurs seeking to expand their businesses in the broader halal market.

4.2.3 Unclear Guideline of Halal Certification For FELCRA Micro-Entrepreneurs

The findings highlight that FELCRA micro-entrepreneurs encounter challenges in applying for halal certification due to unclear guideline to facilitate them obtaining that certification. Currently, FELCRA does not conduct any initiatives to establish a specific support system for halal certification, as it is not a primary focus for the development of entrepreneurship in FELCRA. Unclear guideline limits micro-entrepreneurs' knowledge and understanding

of the detailed procedures and requirements for halal certification. Consequently, this challenge impedes their abilities to navigate the complexities of halal certification. FELCRA focuses on providing infrastructure support for home-based entrepreneurs, rather than prioritizing the significance of halal certification for business growth. The purpose of infrastructure development is to strengthen fundamental aspects of business operations by providing premises and facilities for micro-entrepreneurs. AO 1 said:

“Due to most entrepreneurs process their products from home, it is not suitable for FELCRA to pressure them about the halal certification. FELCRA is responsible to build infrastructure for entrepreneurs to avoid them processing the food at home.” (AO 1)

While the organization prioritizes infrastructure development to enhance business operations, the lack of emphasis on halal certification reflects the incompetency of micro-entrepreneurs in producing halal food products. This lack of focus undermines the commitment of entrepreneurs to provide good quality of products for Muslim consumers. There is an entrepreneur, FE 6 expresses her thought about the perceived need for guidance from FELCRA to assist them in the management of halal certification. She mentioned:

“There are no guidelines of halal certification provided by FELCRA for us. We perceive the process is challenging, despite we have not yet tried to do so. However, if we receive support from FELCRA and they follow up with us regarding the progress of obtaining halal certification, that matter will motivate us to proceed. FELCRA encourages us to produce products, but there is no guideline provided regarding halal certification. It is entirely up to us to apply for halal certification.” (FE 6)

FELCRA does not provide clear guidelines of halal certification for its micro-entrepreneurs. Therefore, these entrepreneurs often perceive the halal certification application process is difficult, even though they have not started it. Continuous support from FELCRA could motivate them to obtain halal certification successfully. While FELCRA encourages entrepreneurs to produce goods, the absence of structured support guideline of halal certification causes them feeling overwhelmed due to the complexity of

the procedures and requirements, thereby demotivating them from continuing their efforts to apply for halal certification. Consequently, the majority of micro-entrepreneurs in the food and beverages sector within FELCRA Berhad still lack of halal certification, even after operating over the years.

This challenge underscores the need for a robust support system to assist entrepreneurs in applying for halal certification. Such support would not only enhance their willingness to obtain halal certification, but also facilitate their business growth to penetrate halal markets beyond the local market. Moreover, it would enable the implementation of halal assurance management system, ensuring the high-quality products according to Shariah principles and halal standards. FELCRA Berhad can enhance the growth of halal entrepreneurship among its entrepreneurs by providing a clear structured support guideline of halal certification, along with continuous support. This approach encourages entrepreneurs to expand their businesses in the halal industry, thereby boosting the number of halal certificate holders within FELCRA community.

4.3 OPPORTUNITIES FOR BUSINESS GROWTH WITH HALAL CERTIFICATION

Despite FELCRA micro-entrepreneurs face challenges in applying for halal certification, there are also opportunities for them to obtain halal certification successfully and grow their businesses in the halal industry. The researcher had identified four key opportunities that can facilitate entrepreneurs in preparing themselves for Malaysian Halal Certification. Research findings indicate that most of them possess basic knowledge of halal food products. They receive support and provision of premise and facilities from the Entrepreneurship Development Unit of FELCRA Berhad. Moreover, FELCRA micro-entrepreneurs receive assistance and support from other government agencies to expand their businesses. If entrepreneurs know how to leverage all these existing opportunities,

they can occupy themselves with comprehensive knowledge, understanding, skills and capabilities towards the successful of halal certification application. Figure 4.2 shows the opportunities for them to grow the business with halal certification.

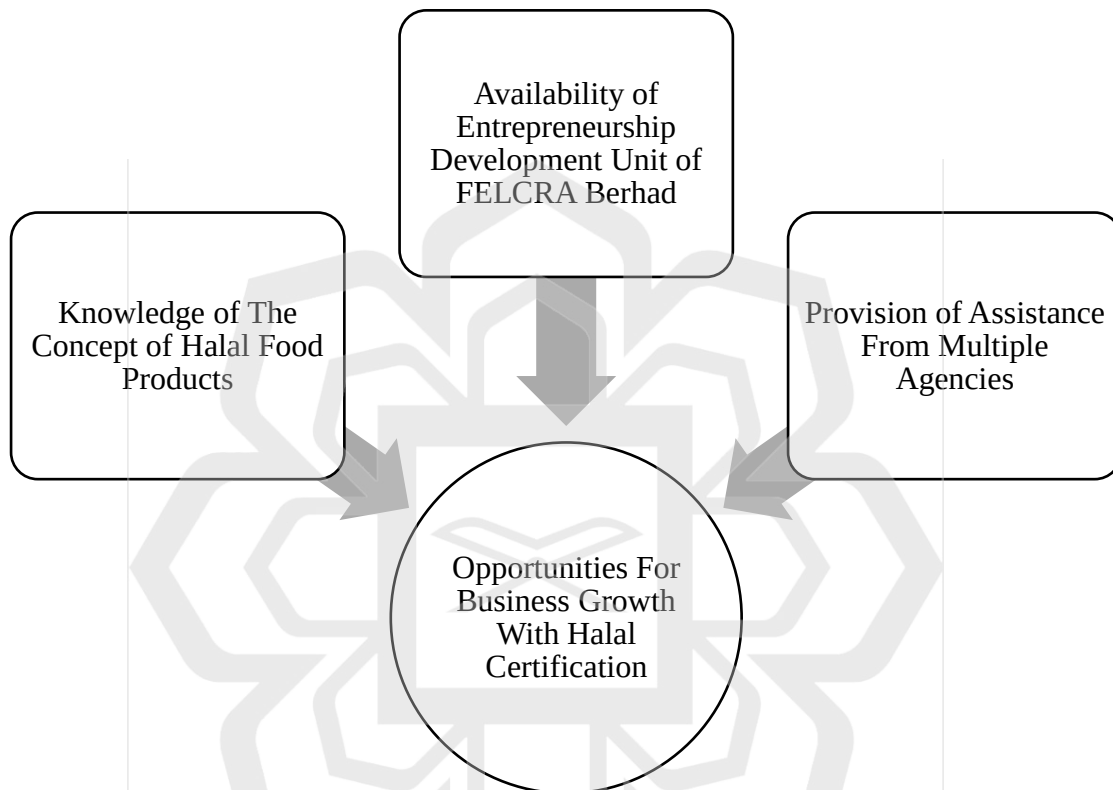


Figure 4.2 Opportunities For Business Growth With Halal Certification

4.3.1 Knowledge of The Concept of Halal Food Products

Interviews and observation indicate that most of FELCRA micro-entrepreneurs possess basic knowledge and understanding of the concept of halal food products. These entrepreneurs know the principles of halal food, particularly regarding the halal ingredients

and maintaining cleanliness in the halal food production. Here is the understanding of entrepreneurs during the interviews.

“Everyone wants halal because it signifies cleanliness. Our products must be halal.” (FE 1)

“Halal products follow guidelines regarding use of halal ingredients, cleanliness, preparation methods and storage.” (FE 3)

“Halal products in terms of ingredients, preparation method and cleanliness. The cleanliness is very important.” (FE 4)

“Halal serves as a guarantee of the cleanliness and purity of the products.” (FE 5)

“While the ingredients of the product are deemed halal for consumption, but we also need to consider the aspect of cleanliness during the production process.” (FE 9)

Basically, FELCRA micro-entrepreneurs as the Muslims understand the obligation to consume halal food according to what is permissible by Allah. They know and understand the significance of using halal ingredients for processing their food products. Additionally, they have participated in the Food Handler Training. Through this training, they have been exposed to the food safety and the importance of maintaining the cleanliness throughout the food production process. This training gives the overview for food entrepreneurs about the preparation, storage and serving the food products.

The fundamental principles in guiding food consumption for Muslim are halal and *tayyib*, ensuring that food is permissible according to Shariah, while *tayyib* emphasizes the importance of wholesomeness, encompassing health, safety, nutrition and good quality (Al-Teinaz et al., 2019). Halal and *tayyib* principles forbid Muslims from consuming food that can harm the body or health, as well as anything impure or filthy that detracts from its goodness and wholesomeness (Mohamad & Backhouse, 2014). Food is halal when it brings benefits to humans. Halal signifies purity, while Haram denotes substances that can cause harm, damage and no benefit and goodness (Mohamad & Wan Khairuldin, 2018).

Since FELCRA micro-entrepreneurs understand the concept of halal food, this knowledge contributes to the opportunity for them to develop and implement halal

management system. The basic knowledge of the concept of halal food drives them to uphold the Islamic dietary principles to serve the good quality of food products for Muslim consumers. They just have to enhance their understanding towards the overview of halal certification and its importance to fulfil the demand of consumers for halal products. Additionally, they should enhance their skills and abilities to fulfil the requirements of halal certification, comprising halal-certified raw materials, processing, storage, facilities and equipment, premise, packaging and labelling, cleanliness, and distribution of products. Through this opportunity, FELCRA can encourage and provide full support for micro-entrepreneurs to upgrade their businesses to the alal Certificate Holders in building up consumers trust and broaden the marketability of products.

4.3.2 Availability of Entrepreneurship Development Unit of FELCRA Berhad

The commitment of FELCRA to foster the entrepreneurial activities can be reflected through the establishment of Entrepreneurship Development Unit. This unit provides continuous support for entrepreneurs to operate their businesses by providing grants for them, in terms of well-equipped facilities or resources that tailored to entrepreneurs' needs. FE 1 and FE 4 mentioned:

“When I applied for assistance from FELCRA, they provided the necessary assistance, and we get the benefits. FELCRA provides the machines to me.”
(FE 1 and FE 4)

“I have received the funds from FELCRA for labelling of bestselling products.” (FE 4)

By providing financial assistance for its entrepreneurs, FELCRA alleviates the financial burden for facilities and resources, enabling entrepreneurs to focus on establishing and operating the business effectively. If there are entrepreneurs want to apply for halal certification and need financial support from FELCRA in terms of premise and facilities,

FELCRA will help entrepreneurs to fulfil that halal requirements. The provision of premise and facilities are in the form of grants. Entrepreneurs need to manifest their commitment to expand the business and utilize the grants wisely to increase the business performance in producing halal products. This assistance aligns with aspiration of FELCRA in strengthening infrastructure support for entrepreneurs, primarily encouraging them to make a transition for their businesses from home-based operations to possessing a dedicated premise for food production process. This initiative indicates the commitment of FELCRA to enhance the fundamental aspect of business operations among micro-entrepreneurs. By providing dedicated premises for food production, this opportunity facilitates micro-entrepreneurs to comply with halal certification requirements, which mandate the separation of food production areas from residential spaces. FELCRA micro-entrepreneurs do not encounter crucial financial constraints, as FELCRA can provide various of assistance in terms of premise, facilities, machinery, and resources to facilitate them in managing the business operations.

Besides that, the Entrepreneurship Development Unit of FELCRA Berhad also plays the significant role in providing a mechanism for entrepreneurs to showcase and market their products. This initiative can be seen through the participation of micro-entrepreneurs in the entrepreneurship events organized by the Ministry of Rural and Regional Development. This platform serves the valuable exposure for micro-entrepreneurs to reach a broader consumer base and creates networking opportunities in expanding the business. Interviews with micro-entrepreneurs revealed their active participation in these events, in which highlighting the tangible benefits derived from such engagements.

To assist micro-entrepreneurs gain exposure to the halal industry, this unit can seize the opportunity by collaborating with ministries and agencies that organize halal events for entrepreneurs. Networking enables FELCRA and its micro-entrepreneurs to access a wide range of resources, including information, expertise, and potential partnerships. By connecting with stakeholders in the halal industry, entrepreneurs can obtain necessary resources such as guidance on the halal certification process, sourcing halal ingredients, and expanding their distribution networks.

4.3.3 Provision of Assistance From Multiple Agencies

The Malaysian government acknowledges the significant potential of the halal industry in driving economic growth and enhancing the well-being of Muslim consumers in choosing the halal products for their daily consumption. To encourage MSMEs to obtain halal certification, various ministries and agencies have implemented numerous assistance and support mechanisms to help them manage their business operations. This provision of assistance aims to facilitate the halal certification process and provide financial support for entrepreneurs to enhance their business performance in producing good quality of halal products.

Based on the interviews, the researcher discovered that FELCRA micro-entrepreneurs have the opportunity to access and receive support from several government agencies such as RISDA, MARA, MARDI and Department of Agriculture. These agencies offer financial aid, equipment grants, and loans to facilitate entrepreneurs producing the products and expanding the business within the halal industry. They mentioned:

“Recently, I have received equipment worth RM 20,000 from RISDA during a visit by the Director of RISDA to my premise.” (FE 1)

“I have secured a loan of RM 10,000 from MARA to initiate a business venture, along with a machinery grant worth RM 10,000 from MARDI.” (FE 5)

“I have received a grant from Department of Agriculture and RISDA respectively, including equipment for sauce production, such as grinders and cooking machines.” (FE 8)

The provision of assistance from multiple agencies has significantly contributed to the enhancement of their business performance in producing food products. By alleviating financial burdens and providing access to necessary resources, these assistances have facilitated the management of halal food business. The availability of grants and loans assist micro-entrepreneurs to cover the cost of the operational management of business.

The government agencies foster the participation of entrepreneurs within the halal industry through the provision of grants, loans, equipment, and other relevant assistance, thereby accelerating business performance and broadening the prospects of product marketing. These initiatives do not only alleviate financial constraints but also demonstrate the commitment of the government to nurturing entrepreneurship as a primary job and fostering economic growth in Malaysia.

4.4 PROPOSING A STRUCTURED SUPPORT GUIDELINE OF HALAL CERTIFICATION FOR FELCRA MICRO-ENTREPRENEURS

Halal certification is crucial for business in the food industry, as the demand for halal-certified products continues to rise with the growing global Muslim population. The halal-certified logo on food and beverage products enhances consumer confidence and influences purchasing decisions by providing assurance of the halal status of the products. In the competitive halal food market, halal certification is a crucial branding and marketing element for food producers, guaranteeing product compliance with Islamic dietary laws and enhancing market differentiation (Madun et al., 2022). However, FELCRA micro-entrepreneurs face challenges in applying for halal certification due to limited understanding and exposure to the guideline of halal certification. This lack of familiarity with the certification requirements hinders their ability to navigate the process effectively, leading to the perception that obtaining halal certification is a difficult and complex process. The process involves a series of intricate steps, including the fulfillment of rigorous standards related to source of raw materials, production, and documentation. Consequently, micro-entrepreneurs were reluctant to initiate or complete the application of halal certification.

This study aims to propose a structured and user-friendly support guideline to assist FELCRA micro-entrepreneurs in the halal certification application. The proposed guideline

consists of these key components: Halal Manuals, stakeholders of halal entrepreneurship within FELCRA Berhad, the requirements of halal certification, the process flow of halal application, halal terms of references, non-conformance of halal certification, monitoring and surveillance of halal certification and benefits of Malaysian Halal Certification. These components are designed to streamline the halal certification application process among FELCRA micro-entrepreneurs. The proposed guideline provides a structured approach to ensure compliance with halal standards throughout the certification process (see Figure 4.3).

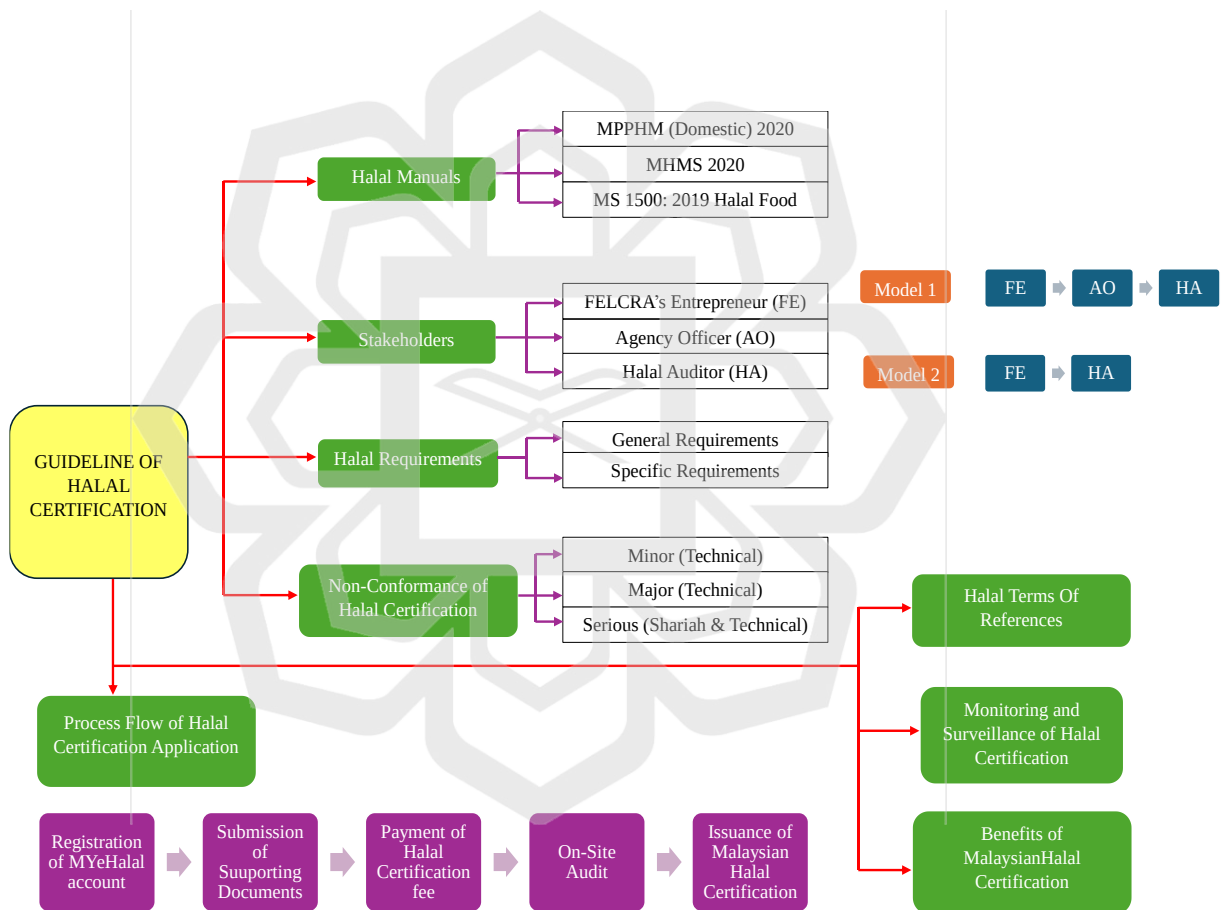


Figure 4.3 A Structured Support Guideline of Halal certification

4.4.1 Halal Manuals

Halal Manuals are essential documents to provide guidance and instructions for FELCRA micro-entrepreneurs in the application of halal certification. The Halal Manuals comprise MPPHM (Domestic) 2020, MHMS 2020, and MS 1500:2019. These manuals are invaluable resources for entrepreneurs in the halal food and beverage sectors, providing clear guidance and best practices to ensure that their products meet the halal standards and requirements for certification. By adhering to these guidelines, FELCRA micro-entrepreneurs can maintain and control the halal integrity of their businesses, starting from sourcing halal ingredients to distributing finished products to consumers.

4.4.1.1 MPPHM (Domestic) 2020

The Manual Procedure For Malaysia Halal Certification MPPHM (Domestic) 2020 is a comprehensive guide for companies and applicants of Malaysian Halal Certification, particularly for the Halal File documentation. This manual outlines nine halal certification schemes, which food and beverage products are eligible for halal certification. This manual sets the prerequisites and criteria for company registration before FELCRA micro-entrepreneurs can proceed with the application of halal certification through the MYeHALAL system. The processing fee for the application of halal certification (Domestic) is RM 20, and the rate of halal certification fee for products or services of micro-enterprise is RM 100 annually. The manual provides detailed instruction on the payment method. This manual guides entrepreneurs in producing the food products, covering aspects of raw materials, processing, storage, equipment and utensils, packaging, labeling and advertising, transportation and distribution, premises, sanitation, documentation and records, and the Malaysian Halal Management System. Entrepreneurs need to develop and implement Standard Operating Procedures (SOP) for Internal Halal

Control System to fulfil the general and specific requirements of halal certification. The manual also explains the procedures for halal certification application, auditing, non-conformance, and post-halal certification which is monitoring and surveillance of the halal assurance management system.

4.4.1.2 MHMS 2020

The Malaysian Halal Management System (MHMS) 2020 is a reference document used by halal certification bodies, companies, and applicants of Malaysian Halal Certification. This document provides detailed guidelines on developing, implementing, and maintaining the halal assurance management system to ensure the products and services comply with the procedures of Malaysian Halal Certification. FELCRA micro-entrepreneurs need to understand the requirements for developing the Internal Halal Control System (IHCS) within their organization and business operations. The minimum requirements of the IHCS are Halal Policy, Halal raw material control/ Halal control risk and Halal traceability. The MHMS 2020 should be read with the Malaysian Standards (MS), MPPHM (Domestic) 2020, *fatwas*, laws and regulations used in Malaysian Halal Certification.

4.4.1.3 MS 1500: 2019 Halal Food General Requirements

MS 1500:2019 serves as a reference document outlining the basic requirements for producing and managing the halal food products. This standard encompasses both Shariah and technical aspects related to halal food production. For Shariah aspects, the standard provides detailed explanation of the fundamental concept of halal and haram food, sources of halal food, halal slaughtering practices, the concept of *najs* according to Shariah law,

and method of *sertu*. On the technical side, it covers the management responsibilities, guidelines for designing or renovating premises and facilities to meet the halal standards, requirements for equipment and utensils used in processing halal food, hygiene, sanitation, and food safety protocols, as well as procedures for preparation, processing, handling, packaging, labeling, storing, and distribution of halal food products. These technical aspects emphasize the implementation of *tayyiban* concept, ensuring that the food is safe, clean, and free from *najs* and cross-contamination.

4.4.2 Stakeholders of Halal Entrepreneurship in FELCRA Berhad

The stakeholders in the realm of halal entrepreneurship within FELCRA Berhad comprise FELCRA micro-entrepreneurs, agency officers, and halal auditors. These stakeholders are integral to the halal certification application process, ensuring that the production of halal products aligns with Shariah principles and halal standards, thereby fulfilling the high demand from Muslim consumers.

FELCRA micro-entrepreneurs are responsible to ensure that their food products comply with halal principles and standards. This commitment requires a comprehensive understanding for the implementation of halal certification requirements and procedures across all stages of business operations, from sourcing halal-certified raw materials to distributing finished products to consumers. Additionally, they need to be able to navigate the process flow of halal certification, including the submission of halal certification application through the MYeHALAL system, fee payment, submission of supporting documents, audits and maintaining the Internal Halal Control System. Mastery of these requirements and procedures will streamline the process flow of halal certification and prevent a prolonged period in obtaining halal certification.

Agency officers play a pivotal role as intermediaries between FELCRA micro-entrepreneurs and Halal Auditors to obtain halal certification. They can provide continuous

support system to assist micro-entrepreneurs in expanding their businesses with halal certification by facilitating them to access to the additional resources, such as halal certification experts, industry best practices, and relevant regulatory updates. Furthermore, they can organize halal training sessions and workshops by collaborating with registered Halal Training Provider (PLH) to enhance the understanding of halal principles and halal management system among FELCRA micro-entrepreneurs. This support is essential for building the competency and capacity of micro-entrepreneurs, enabling them to independently manage the halal certification process in the future.

Halal auditors are integral to the halal certification process, providing thorough evaluations, identifying and rectifying non-conformances, and ensuring continuous compliance with halal standards. The audits cover various aspects of halal certification, including samples of raw materials, packaging, labelling, product and others to ensure the production meet the halal standards and other regulatory requirements stipulated by relevant authorities. Halal auditors formally request entrepreneurs to address and rectify any identified non-conformances with corrective actions. Every corrective action must be documented and recorded. The comprehensive role of halal auditors is essential to ensure FELCRA micro-entrepreneurs and other similar entities can maintain the integrity and quality of their halal-certified products, thereby fostering consumer trust and supporting the sustainable growth of halal entrepreneurship.

There are two types of models for stakeholders of halal entrepreneurship within FELCRA Berhad. Model 1 illustrates the direct application process of halal certification between FELCRA micro-entrepreneurs and halal auditors (see Figure 4.4). Entrepreneurs need to familiarize thoroughly the prerequisites and criteria outlined in the relevant halal certification manuals and guidelines, specifically the MPPHM (Domestic) 2020 and the MHMS 2020. This model requires FELCRA micro-entrepreneurs to take proactive steps in understanding and fulfilling the requirements of halal certification, independently managing all aspects of the application process, and continuously improving their halal management systems to maintain compliance and integrity of halal products. This model demands substantial effort in self-education and capacity building, as they need to be well-

equipped with in-depth understanding of halal standards and demonstrate competency in managing the halal management system independently.



Figure 4.4 Direct Application Process of Malaysian Halal Certification

Meanwhile, Model 2 represents the role of agency officers as intermediaries in facilitating the halal certification application process between FELCRA micro-entrepreneurs and halal auditors (see Figure 4.5). Micro-entrepreneurs often require assistance and support due to their limited knowledge and experience in managing the halal certification procedures. To address this issue, agency officers provide a support system and assistance for entrepreneurs to manage halal certification application. Besides, agency officer can provide more resources of halal certification to enhance the understanding of halal food principles and the halal management system among FELCRA micro-entrepreneurs. The guidance, halal training, and resources provided by the agency officers are essential to enhance the competency of micro-entrepreneurs in managing the process flow, procedures and requirements of halal certification. Through collaborative efforts and continuous support system, stakeholders of halal entrepreneurship within FELCRA Berhad can work synergistically to promote halal compliance, integrity, and business growth among FELCRA micro-entrepreneurs.

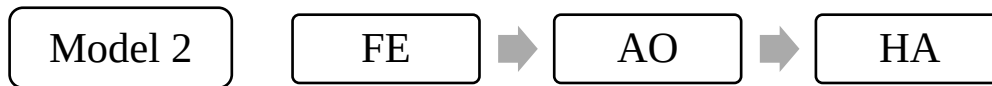


Figure 4.5 Intermediary Application Process of Malaysian Halal Certification

In a nutshell, managing all aspects of the halal certification process, from sourcing halal-certified raw materials and maintaining production cleanliness to documentation and compliance audits can be challenging, especially for micro-entrepreneurs with limited manpower and financial resources. Without agency support, micro-entrepreneurs may struggle to understand and navigate the complex requirements and procedures of halal certification. However, micro-entrepreneurs who are confident in their competency to manage all aspects of the halal certification process can still apply independently and directly to halal authorities, which is JAKIM or JAIN/MAIN.

4.4.3 Halal Terms of Reference

Halal Terms of Reference typically refers to the set of guidelines and criteria used to determine whether a product or service complies with Shariah law or not. These terms of reference are essential for businesses to ensure their products or services meet the requirements to be certified as halal, meaning permissible or lawful in Islam.

1. Halal policy refers to the commitment, assurance, and direction of a company, and it is documented for guiding all parties to comply with the requirements of Malaysian Halal Certification
2. Halal raw materials refers to the ingredients that are certified as halal by recognized halal certification bodies, which is used to produce a product.

3. Halal Control Point is a point or determination of halal control which needs to be identified, implemented and monitored. Contamination can be prevented or eliminated at these points, ensuring adherence to halal compliance throughout the activities of halal supply chain.
4. Halal risk control is a method of determining Halal Control Points and developing and implementing halal risk management to effectively control and prevent halal risks throughout the halal supply chain.
5. Halal risk management plan refers to a set of procedures, steps, and planning documents to manage and control halal risks. This plan includes elements such as Halal Control Points, Halal Risks, control mechanisms (methods, frequency, who), corrective actions, and records.
6. Traceability refers to identifying and tracing raw materials and products at every stage comprehensively, including receiving, procurement, processing, storage, distribution, and others along the halal supply chain.
7. Halal auditor refers to a competent individual appointed by the relevant authority to conduct auditing or monitoring of Malaysian Halal Certification.
8. *Najs* refers to the impurities which are unclean substances such as blood, urine, and feces. From a religious perspective, it means any impurities that invalidate prayers. Impurities are also described as contaminants that endanger human health and the environment. The classification of *najs* are *Mughallazah*, *Mukhaffafah* and *Mutawassitah*.
9. *Mughallazah* is classified as severe *najs*, including dogs, pigs and any liquid and object discharged from their orifices and their derivatives.
10. *Mukhaffafah* is a light *najs*, specifically the urine of a male infant aged 2 years and below who has not consumed any other food except his mother's breast milk.
11. *Mutawassitah* is a medium *najs*, which includes substances not classified as severe or light *najs* such as vomit, pus, blood, alcoholic drinks (*khamr*), carrion, liquid and objects discharged from orifices. The cleansing method involves removing the *najs* and washing it with pure water (*Mutlak* water) until there is no sign of odour and colour.

12. *Sertu* means cleansing body parts, clothing, places, utensils, and equipment contaminated by severe impurities (*najs mughallazah*) such as dogs, pigs, and their derivatives. The cleansing method is washing the contaminated items seven times, with the first wash using water mixed with soil, followed by six washes with clean or pure water.
13. *Mutlak* water is a pure water that can purify other objects, used for ablution, obligatory bathing, and cleansing impurities. This water remains uncontaminated by any impure substances that would alter its smell, color, or taste. Examples of *Mutlak* water are well water, rainwater, seawater, and river water.

4.4.4 Requirements of Halal Certification

FELCRA micro-entrepreneurs need to understand the general and specific requirements of halal certification, so they can implement the halal management system systematically within the organization to comply with halal standards. The companies (micro and small enterprises) need to fulfill the minimum general requirements of halal certification by developing the Internal Halal Control System (IHCS) Manual comprising a halal policy, procedures for controlling halal raw materials and halal control risks, and procedures for halal traceability (JAKIM, 2020b). The company must develop a clear halal policy that outlines its commitment to providing halal products and services and meeting the compliance with the comprehensive requirements of the Malaysian Halal Certification. This halal policy should be displayed, communicated, and widely disseminated to the organization and stakeholders.

Next, the company must establish written procedures for controlling halal raw materials, covering procurement, receiving and storage and keeping records that can be reviewed. The procedures of halal raw materials control are:

1. No use or storage of raw materials with questionable halal status.
2. The use and changes in raw materials should be declared to the halal certification body (JAKIM or JAIN/MAIN).
3. The use of raw materials must comply with relevant law and regulation.

The master list of raw material should be established, which can be referred to and reviewed during the audit of Malaysian Halal Certification. The masterlist should contain at least the following information:

1. Name of raw material
2. Scientific name/coding/trade name
3. Source of raw material
4. Name and address of the raw material manufacturer
5. Declaration status information of raw materials to the JAKIM or JAIN/MAIN
6. Halal certification information of raw materials; Halal certification body and expiration date of the halal certificate
7. Supporting documents (for raw materials without halal certificates, source information and proof documents should be stated)
8. Notes

The master list should cover all raw materials, including processing aids, and be updated whenever there are changes in raw material information. The digital form of the Raw Material Masterlist should be easily accessible and reviewable. Records related to raw material control should be easily referenced during the Malaysian Halal Certification audit.

The company should establish written procedures to implement halal control risk. The procedures should cover research and development, products, processing, premises and equipment, employees, packaging, storage distribution and transportation. Halal risk control should be specifically developed to determine halal-related risks and be separated from other certification systems like MeSTI and BeSS. Records related to halal risk control should be easily referenced during the Malaysian Halal Certification audit. The determination of Halal Control Points (HCP) should be based on the processing flow and floor plan. The development of processing flow charts should clearly explain the HCPs of

product production. The Halal Risk Management Plan should be developed based on the identified HCPs and contain the following information:

1. Halal Control Points of raw material
2. Halal risk
3. Control mechanism (method, frequency, person responsible)
4. Corrective actions
5. Records

Lastly, the company should establish written procedures of halal traceability to ensure product withdrawal or product recall can be carried out if there is non-compliance with halal standards or contamination of the products. The traceability system can be integrated with other tracking systems. Records related to traceability and product withdrawal/recall should be easily referenced during the Malaysian Halal Certification audit.

In addition, the specific requirements of the food and beverage scheme of halal certification should be fulfilled by the company. These requirements include the food premise being registered with the Food Safety and Quality Division, Ministry of Health (MOH), obtaining a Food Handling Training Certificate from the institution certified by the MOH and obtaining valid anti-typhoid vaccination from certified medical practitioners. Each product containing food-drug interphase is required to submit a product classification letter from the National Pharmaceutical Regulatory Agency (NPRA) (if relevant). All food production activities must comply with MS1500:2019 Halal Food General Requirements (Third Revision), Food Act 1983 (Act 281), Food Regulations 1985, and Food Hygiene Regulations 2009. Micro-enterprises should also have minimum a Muslim worker who is a Malaysian citizen with permanent position, and on duty in the processing area throughout the operation period. The Internal Halal Control System should be developed and implemented based on the Halal Manual which is MHMS 2020. Adherence to these requirements indicates that micro-entrepreneurs are well-prepared for the halal certification process and can demonstrate their commitment to producing halal products.

4.4.5 Process Flow of Halal Certification Application

FELCRA micro-entrepreneurs need to follow several steps to apply for Malaysian Halal Certification for their food and beverage products. These steps include the registration of MYeHALAL system user account, submission of supporting documents, payment of halal certification fee, on-site audit, and the issuance of Malaysian Halal Certification (see Figure 4.6). The application process is managed directly between the halal authority and the applicants without the involvement of third-party consultants. It is crucial for these micro-entrepreneurs to thoroughly understand the process flow of halal certification application, as they are accountable for establishing and implementing the Internal Halal Control System to become certified Halal Certification Holders. The procedure of Malaysian Halal Certification is explained in the MPPHM (Domestic) 2020.



Figure 4.6 Process Flow of Halal Certification Application

To apply for Malaysian Halal Certification, FELCRA micro-entrepreneurs need to register online through the MYeHALAL system at www.halal.gov.my. A valid number of Companies Commission of Malaysia (SSM) registration is required for account registration. The halal authority will verify the registration within 24 working hours. Once verified, applicants should fill in the MYeHALAL application form, ensuring compliance with the following requirements:

- a. Select the correct scheme for food and beverage and category of application (micro, small & medium enterprises).
- b. Provide accurate, comprehensive, and detailed information about the company profile, raw materials, manufacturers, products, menus, services, and other related details.
- c. Each application must not exceed 100 products.
- d. The names of registered products should match with packaging labels.
- e. Translate foreign languages of product names into Malay and/or English.

A complete application form and supporting documents should be submitted to the halal competent authority (JAKIM/JAIN/MAIN) within five working days. The review process of application commences once all necessary documents are received with the duration depends on the number of products being applied for.

Once the application form and supporting documents are complete and clear, JAKIM will issue a fee payment letter to the applicant for further action (Zainuddin et al., 2023). Applicants should pay the halal certification fee within 14 working days upon receiving the payment letter or a period specified by the authority. However, late payment will result in the rejection of the application, and they need to submit a new application. Any addition of products and changes to the company registration are not allowed after the fee payment letter is issued. Applicants need to register the MYeHALAL user account and submit a new application if there are any changes to the company registration.

After payment has been made, JAKIM will schedule an on-site audit, notifying the applicant on the audit date via email, mail, phone calls, or other means. The audit date cannot be changed by the applicant unless a reasonable request is made immediately upon

receiving the notification. The authority will consider and decide on the finalized audit date. The audit will cover all the following aspects, including company profile, documentation and records, raw materials or ingredients, products, processing, storage, equipment and utensils, packaging, labeling and advertising, transportation and distribution, premises, sanitation, and the Malaysian Halal management system. At least two halal auditors consisting of an Islamic affairs officer and a food technology/ technical staff will conduct the on-site audit in the company's plant or premise using the MPPHM (Domestic) 2020, MHMS 2020, MS1500:2019, and other relevant guidelines. This audit ensures compliance with Shariah principles and halal standards to determine whether the halal certification application is approved or rejected.(JAKIM, 2020a; Mohd Sulaiman et al., 2017). Therefore, FELCRA micro-entrepreneurs need to get ready for the audit process conducted by the halal competent authority. After the audit is completed, the applicant will receive a copy of the audit report from the halal auditor for record-keeping and further action. If any non-conformances are identified during the audit, a non-conformance report (NCR) will be issued. The applicant is required to respond to the NCR by documenting corrective actions. The halal competent authority will schedule a follow-up audit to verify the corrective actions implemented by the company.

The application of halal certification and the audit findings will be presented to the Panels of Halal Certification. The Malaysian Halal Certification will be issued to the successful companies within five working days or specified period after the final decision of the panels. The halal certification is valid for two years for food and beverage scheme, and all successful applicants must agree to sign and abide by the Malaysian Halal Certification Agreement. The business operations of Malaysian Halal Certification Holders should comply with the Halal Manuals, which are MPPHM 2020, MHMS 2020, Malaysian Standard, *fatwas* and current rules and regulations enforced in Malaysia.

4.4.6 Non-Conformance of Halal Certification

Non-conformance of Malaysian Halal certification refers to any offence and failure to meet the standards and requirements stipulated by the JAKIM. FELCRA micro-entrepreneurs need to be aware of three types of non-conformances when implementing and maintaining Halal assurance within the food supply chain: minor, major, and serious non-conformances. While minor and major non-conformances are related to the technical offences, serious non-conformances encompass both Shariah and technical offences. Understanding and addressing these non-conformances is crucial for maintaining the integrity and reliability of halal certification, ensuring that all products and processes adhere to the halal standards.

A significant aspect of minor non-conformances is managing the changes or additions related to the producers, manufacturers, or suppliers of raw materials. Specifically, companies are required to notify the halal competent authority in writing when they change or add producers, manufacturers, or suppliers who already possess valid halal certification. Failure to submit such notifications is considered a minor non-conformance. Additionally, adding new raw materials for existing products that differ from those registered in the MYeHALAL system without proper notification also falls under this category. These requirements are essential to ensure transparency in raw materials changes and to maintain the halal status of ingredients used for food production.

Documentation and record-keeping are other aspects of minor non-conformances. Companies are required to maintain comprehensive records, including purchase receipts for raw materials and detailed production logs. Failing to present these documents upon request is a minor offence, as proper documentation is crucial for tracing and verifying the halal status of products. Non-conformance related to Good Manufacturing Practices (GMP) encompasses various issues that pose a low risk to product safety, such as placing raw materials or finished products directly on the floor without protective pallets and using non-hands-free trash bins. Compliance with GMP standards ensures a systematic, clean, and safe production process, which is vital for maintaining the halal integrity of the products. Worker and visitor health and hygiene are also significant concerns. Non-conformance in

this context includes failing to obtain anti-typhoid vaccinations for workers, and a lack of records of food handling courses. Additionally, improper practices such as storing personal belongings in processing areas and smoking in prohibited zones are considered minor offences. While these issues may not pose immediate severe consequences, they can cause minimal risk to hygiene and safety of the food production environment.

Among major non-conformances is the addition of raw materials suppliers whose halal status is doubtful and not recognized by a halal certification body accredited by JAKIM. This non-conformance is particularly concerning as it directly impacts the halal integrity of the final product. Suppliers must be verified and certified to ensure that all raw materials used are halal-compliant. Failure to do so not only violates halal certification standards but also risks contaminating the entire production process with non-halal elements. This offence also includes misleading the Malaysian Halal Certification or Malaysian Halal logo, in which displaying an expired halal certificate. Major non-conformances in GMP include issues related to the premises, environment, sanitation, and equipment that pose a high risk to product safety. For instance, contamination of raw materials or products due to the lack of pest control management can directly threaten the hygiene and safety of the food products. Similarly, use of equipment and utensils that could impact halal certification negatively, such as drinking glasses branded with alcohol labels represents a significant breach of halal standards. Legal and regulatory compliance is another aspect of concern. Operating without a valid license from the local authority (PBT) is a major non-conformance, as it not only violates halal certification standards but also breaches local laws and regulations.

Besides, use of company names, products, menus, brands, or labels associated with non-halal products or are synonymous with non-halal items such as names like “bak kut teh” or “holy water” can mislead consumers and create confusion regarding the halal status of products. Repeated minor non-conformances more than twice during inspections, and failure to comply with the corrective action for minor non-conformances as instructed by halal auditors will cause major non-conformance. This failure demonstrates a lack of commitment in maintaining the halal standards and can lead to severe consequences for the company certification status. Lastly, cooperation of the company during halal certification

audits or monitoring is crucial. Non-conformance in the context of the audit includes preventing halal auditors from assessing processing area, which undermines the auditing process and prevents verification of compliance with halal standards. Such actions represent a significant breach of trust and transparency in the halal certification process.

Serious non-conformances are critical because these offences not only undermine the halal integrity of the products, but also violate fundamental Shariah principles and regulatory standards. Use of ingredients that have been verified as non-halal is fundamentally breaching the core requirement of halal certification. Using, handling, storing, and mixing non-halal materials, including raw materials, finished products, premises, equipment, and utensils can result in cross-contamination, rendering the entire product becomes non-halal. Bringing non-halal food and beverages, including raw materials and products, into halal-certified premises is another serious non-conformance. Additionally, processing animals that have not been properly slaughtered according to Islamic law, but labeling them as halal-certified products is a significant Shariah non-conformance. Meanwhile, technical non-conformances include management change or company name without notifying the halal authorities. The falsification or alteration of information on the Malaysian Halal Certification or the Malaysian Halal Logo is a serious technical offence. Using prohibited materials or violating any existing laws and regulations is another serious technical non-conformance. Lastly, failure to comply with the instruction of corrective action for major non-conformances constitutes a serious technical offence. Addressing these serious non-conformances are vital in maintaining the integrity of halal certification, ensuring that all certified products genuinely comply with both religious and regulatory standards.

4.4.7 Consequences of Non-Conformance

The halal competent authority has the power to enforce actions against Malaysian Halal Certification Holders who fail to comply with the requirements and procedures of Malaysian Halal Certification. The immediate actions are issuing a Notice of Halal Certification Non-Conformance, suspending the Malaysian Halal Certification, revoking the Malaysian Halal Certification, freezing the MYeHALAL account, and informing the public about the company status. Companies with suspended or revoked halal certification are prohibited from using the Malaysian Halal Logo and any related halal labels or expressions.

Companies that commit minor non-conformances will face the series of consequences and actions. Initially, these companies will receive a Halal Certification Monitoring Notice and a Halal Certification Non-Conformance Notice. Next, the company will be given a warning by halal auditors to conduct immediate corrective actions within 14 days or any other period deemed appropriate. After the specific period ended, follow-up monitoring will be conducted to ensure that the necessary corrective actions have been undertaken. This follow-up is crucial to verifying compliance and addressing any persistent issues. If the company fails to undertake the corrective actions within that period, a Halal Certification Suspension/Revocation Notice will be issued. Another consequence is the Malaysian Halal Certification will be suspended immediately. The final status of halal certification is determined by the decision of Halal Certification Panel.

Companies that are found committing major non-conformances will be subjected to the issuance of Halal Certification Monitoring Notice, Halal Certification Non-Conformance Notice, and Halal Certification Suspension/Revocation Notice. Upon issuance of these notices, the Malaysian Halal Certification will be immediately suspended. The company will be given a warning to conduct immediate corrective actions within 14 days or any other period deemed appropriate. The Halal Certification Suspension Report will be submitted to the Halal Certification Panel for final decision whether further monitoring is necessary and Malaysian Halal Certification should be reinstated or revoked.

The serious non-conformance by a company will lead to the issuance of a Monitoring Notice and a Notice of Halal Certification Revocation. Upon issuance of these notices, the Malaysian Halal Certification will be immediately revoked. Following the revocation, a detailed report of the halal certification withdrawal will be submitted to the Halal Certification Panel for final decision. For minor, major and serious non-conformance of halal certification, the halal competent authority may list companies with suspended or revoked halal certifications on the official Halal Malaysia portal. Additionally, the company's account may be frozen for at least three months at the MYeHALAL system. These actions reflect the importance of maintaining the halal integrity and high trust associated with the Malaysian Halal Certification.

4.4.8 Monitoring of Malaysian Halal Certification

Halal auditors will perform monitoring audits to ensure the companies maintain continuous compliance with halal standards after successfully obtaining halal certification. These audits encompass both general and specific halal certification requirements to verify the effectiveness of halal procedures at every stage of production (Muhammed et al., 2021). There are two types of monitoring; periodic monitoring and follow-up monitoring. The periodic monitoring involves systematic and continuous inspections to evaluate compliance with the procedures of Malaysian Halal Certification, as well as related legislation and regulations. Follow-up monitoring is conducted for halal certification holders who have previously failed to comply with the certification procedures. Based on prior audit findings, this type of monitoring aims to reassess and ensure rectification of non-compliance issues. It serves as a corrective mechanism to reinforce adherence to halal standards.

Monitoring will be carried out by at least two qualified halal auditors. The halal authority may involve third parties, such as accreditation bodies and other relevant

authorities to assist the monitoring process of halal certification. Halal auditors conduct the audits based on the procedures and requirements stated in the MPPHM (Domestic) 2020 and MHMS 2020. However, monitoring is not restricted only to these procedures; it includes all necessary aspects to ensure full compliance with halal certification standards. Halal auditors have the right to conduct these inspections without prior notice. This approach is to ensure that businesses maintain continuous compliance rather than merely appearing compliant during scheduled inspections. During the inspection, halal auditors must be granted full access to the premises and all relevant documents. They are also entitled to interview any staff members involved in the production process to verify adherence to halal requirements. Halal auditors may take photographs, make copies of documents, and collect samples as supporting evidence. Entrepreneurs need to be fully prepared to cooperate with halal auditors during these monitoring activities.

The auditors will provide any relevant notices, such as the Malaysian Halal Certification Monitoring Notice, Non-Compliance Notice, or Halal Certification Suspension/Revocation Notice for record-keeping and further action. Halal auditors will prepare a detailed report of the monitoring activities, which will be submitted at the MYeHALAL system. If the company fails to respond to a Non-Compliance Report (NCR) within the given time frame, or if the response does not meet the necessary standards, or if the company is found to have committed serious Shariah non-compliances, Halal auditors have the authority to recommend to the Malaysian Halal Certification Panel of JAKIM or JAIN/MAIN to revoke the halal certification.

In conclusion, the structured and rigorous monitoring framework is designed to maintain the integrity of the Malaysian Halal Certification. Its purpose is to ensure that all halal certification holders consistently comply with Halal standards. This monitoring framework fosters transparency, facilitates the auditing process, and upholds the integrity of the halal certification system.

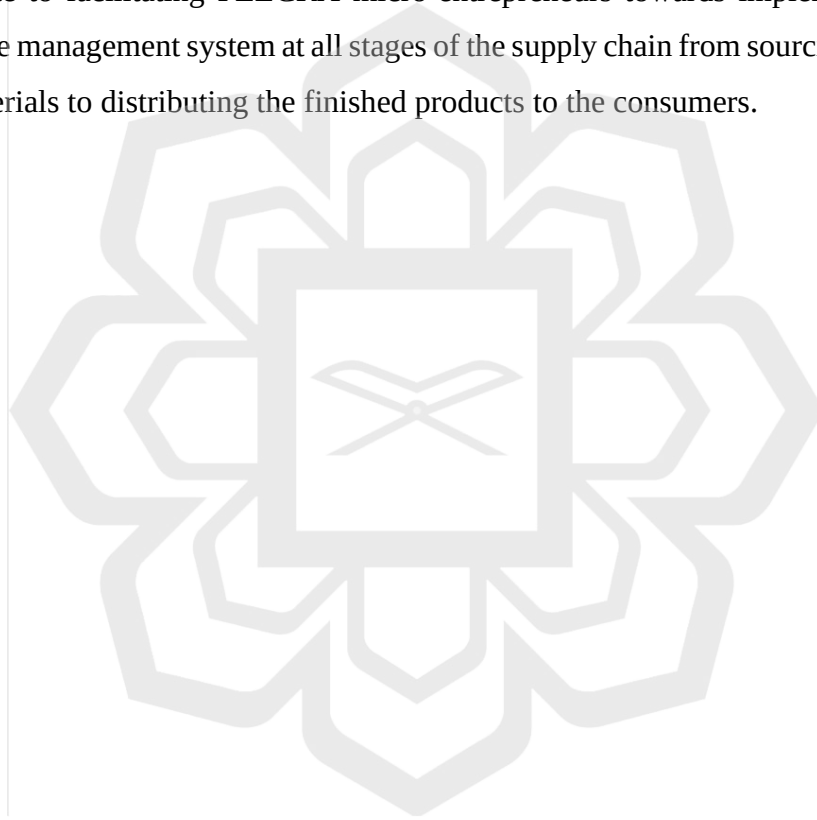
4.4.9 Benefits of Malaysian Halal Certification

Malaysian Halal Certification provides a comprehensive and detailed halal assurance management system, encompassing halal standards, requirements, and procedures to control and maintain the halal integrity of the products from farm to fork. The certification process involves rigorous inspections and adherence to Shariah principles, as well as high-quality and safety standards. Businesses that achieve halal certification often find their products meeting quality assurance and safety benchmarks, which can be a significant competitive advantage. Food entrepreneurs will produce good quality of products and safe for consumption, free from any contamination that can be harmful to consumers' health and well-being. Moreover, halal certification encourages businesses to employ ethical practices, not only in the production but also in sourcing halal raw materials and ensuring humane treatment of animals. Halal certification significantly boosts business performance, particularly in terms of customer satisfaction, financial gains, and job creation, offering a competitive edge in the market. The stringent standards and comprehensive guidelines are vital to ensure the products meeting the Islamic dietary laws, thereby instilling confidence in Muslim consumers. In Malaysia, the government actively supports the halal industry growth through various initiatives and incentives. Businesses pursuing halal certification can get the benefits from governmental grants, training programs, and participation in the international trade fairs, further enhancing their growth and visibility in the halal global market.

In summary, Malaysian Halal Certification is recognized globally and has its own value to influence the purchasing power of consumers. This certification drives business growth, builds a strong and reputable brand, and ensures the production of high-quality, safe, and ethically-produced products in maintaining consumer confidence and expanding market opportunities for halal products.

4.5 CHAPTER SUMMARY

The chapter addresses the research findings and discussion by highlighting the challenges of halal certification application among FELCRA micro-entrepreneurs, and the opportunities available for them to grow their business with halal certification. The structured support and user-friendly guideline of halal certification is proposed to provide a clear roadmap of halal certification process for micro-entrepreneurs. The findings contribute to facilitating FELCRA micro-entrepreneurs towards implementing the halal assurance management system at all stages of the supply chain from sourcing halal-certified raw materials to distributing the finished products to the consumers.



CHAPTER FIVE

CONCLUSION

5.1 INTRODUCTION

The chapter outlines the challenges of writing a thesis and addresses research limitations. Subsequently, the chapter highlights the contributions of research for FELCRA Berhad micro-entrepreneurs, as well as for FELCRA itself in supporting and facilitating the entrepreneurs to obtain halal certification for business growth. This chapter also provides several recommendations for future research.

5.2 CHALLENGES OF WRITING A THESIS

A significant challenge of writing this thesis is the cooperation needed from FELCRA micro-enterprises to be the respondents for this study. They are hesitant to participate in this study, despite fulfilling the criteria of the respondents for the interviews. This study has only been conducted among food micro-entrepreneurs of FELCRA Berhad in Kedah and Perak. This study has time constraints, which is it has the timeframe to be completed. It is not possible to collect the data from FELCRA micro-enterprises across all the states of Malaysia. Additionally, this study only focuses on food and beverage micro-entrepreneurs who have limited resources and competencies to apply for halal certification. The study only employs qualitative data, comprising interviews and observations to examine the challenges of halal certification application among food micro-entrepreneurs of FELCRA

Berhad, and assess the opportunities available for them to grow the business with halal certification.

5.3 RESEARCH CONTRIBUTIONS

This study significantly contributes to the growth of FELCRA micro-entrepreneurs, empowering them to thrive in the tremendous halal industry. Obtaining halal certification is paramount for business nowadays because the halal products have experienced the rising demand especially from Muslim consumers. This study contributes to empowering the competency of FELCRA micro-entrepreneurs by providing them with the necessary knowledge and skills to navigate the intricate requirements and procedures in applying for halal certification. By cultivating a comprehensive understanding of the importance of halal certification for business growth in catering to the consumer demand, these micro-entrepreneurs become more adept at adhering to halal standards when producing halal food products. These competencies not only build up consumer confidence, but also strengthen the capabilities of micro-entrepreneurs to broaden the marketability of halal food products. Halal certification provides a vital assurance of adherence to Shariah law and underscores the safety of products for consumption, especially considering the potential uncertainties surrounding the halal status of food products.

FELCRA micro-entrepreneurs have high potential to become Halal Certification Holders due to the numerous opportunities available for them, in which they can leverage to fulfil the requirements and procedures of Halal certification. These opportunities include the provision of premises and adequate equipment and facilities that are aligned with the halal management system. However, it is imperative for FELCRA Berhad to enhance the support system for entrepreneurship development, particularly for facilitating micro-entrepreneurs in the halal certification application process.

Moreover, this research contributes to valuable insights to the Entrepreneurship Development Unit of FELCRA Berhad to execute effective initiatives in encouraging and assisting micro-entrepreneurs through the process of halal certification application. Recognizing the limited resources and networking capabilities among these micro-entrepreneurs, FELCRA Berhad should establish continuous guidance and a robust system for halal entrepreneurship. This effort not only assists micro-entrepreneurs to successfully obtaining halal certification, but also enables them to expand their business, thereby seizing the opportunities available in the halal food industry.

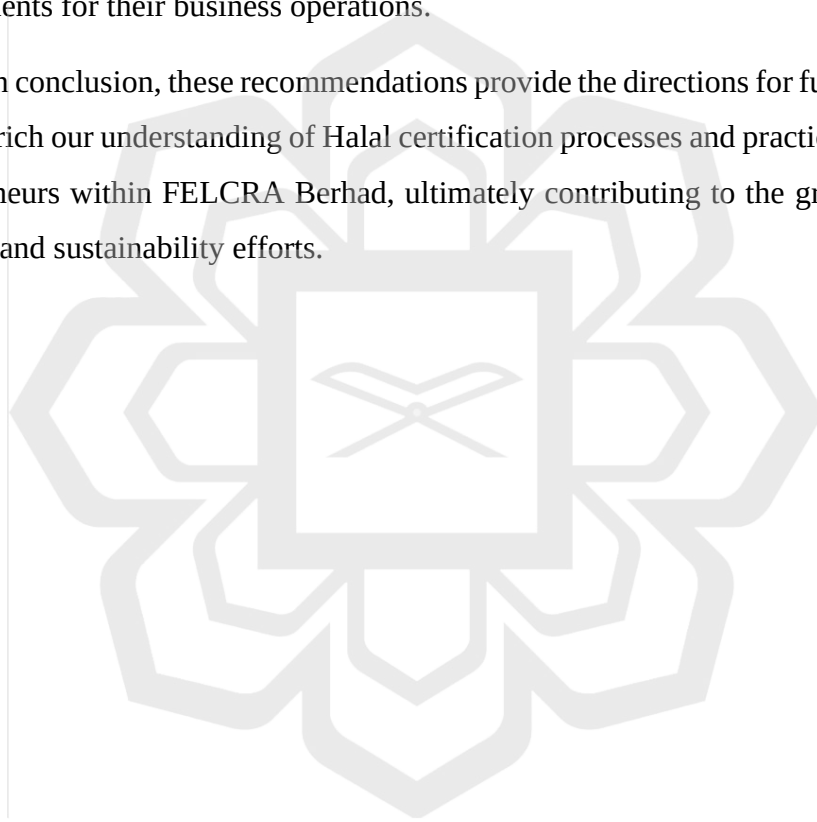
5.4 RECOMMENDATIONS FOR FUTURE RESEARCH

The study suggests several recommendations for future research to further explore the realm of halal certification among FELCRA micro-entrepreneurs. By extending the scope of the study to include FELCRA micro-entrepreneurs from all the states of Malaysia, future research can capture a more diverse range of challenges encountered by them in navigating the process of halal certification application. While the current study focuses primarily on food and beverage products, future research can broaden its scope to include other sectors within FELCRA Berhad, such as food premises, pharmaceuticals, consumer goods, and OEM. Examining the challenges and opportunities associated with obtaining halal certification in these diverse sectors would provide a more holistic view of the halal certification landscape within FELCRA Berhad.

Incorporating survey and questionnaire methods into future research enable the assessment of their current level of readiness towards halal certification and their preparedness to develop and implement halal assurance within their organizations. Any areas for improvement will be highlighted to give the practical solutions for entrepreneurs managing their business according to Shariah principles and halal standards.

Conducting a comprehensive evaluation of the structured support guideline of halal certification specifically tailored for micro-entrepreneurs within FELCRA Berhad is crucial. This evaluation assesses the effectiveness of current halal certification support guideline in measuring the competency of micro-entrepreneurs to apply for halal certification, and effectively implement and maintain the Internal Halal Control System from farm to fork. By identifying strengths, weaknesses, and areas for improvement in the support guideline of halal certification, future research can propose more effective guidelines to support FELCRA micro-entrepreneurs in managing the halal certification requirements for their business operations.

In conclusion, these recommendations provide the directions for future research that could enrich our understanding of Halal certification processes and practices among micro-entrepreneurs within FELCRA Berhad, ultimately contributing to the growth of the halal industry and sustainability efforts.



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APPENDIX I: INTERVIEW QUESTIONS

Micro-entrepreneurs of FELCRA Berhad

1. Please describe your experience being an entrepreneur. (i.e year of experience, products, niche of business)
2. How did you manage the operation of the business?
3. Have you ever received assistance/grant/training? How well does the assistance/grant/training help you and your business?
4. Do you have the ambition to market your products beyond the district level? If yes, why did you decide to do so?
5. What do you think about halal-certified products?
6. Do you aware of the importance of halal certification for business growth?
7. In your opinion, what are the challenges faced by you, as entrepreneurs to apply for halal certification?

Staff of FELCRA Berhad

1. Can you explain the overview of entrepreneurship in FELCRA Berhad.
2. What are the initiatives and supports conducted by FELCRA Berhad to assist entrepreneurs to grow their businesses?
3. Are there halal certificate holders among micro-entrepreneurs of FELCRA Berhad who run food and beverage enterprises?
4. What do you think about halal-certified products?
5. Do you aware of the importance of halal certification for business growth particularly in food and beverage enterprises?
6. What is the level of readiness among micro and small enterprises to apply for halal certification? (Low, medium, high). Why do they have that level of readiness towards halal certification applications?
7. In your opinion, what are the challenges of entrepreneurs in applying for halal certification?

JAIN

1. Can you explain the overview of halal certification applications among micro and small enterprises in Perlis/ Kedah/ Penang/ Selangor/ Melaka/ Negeri Sembilan?
2. What are the efforts and initiatives from JAIN/MAIN to facilitate the application of halal certification among micro and small enterprises?

3. How do you think the establishment of an Internal Halal Control System (IHCS) can maintain and control the halal integrity of the products or services?
4. Is JAIN/MAIN conducting the audit for the implementation of the Internal Halal Control System (IHCS)? How did JAIN/MAIN conduct the audit of IHCS?
5. What is the level of readiness among micro and small enterprises to apply for halal certification? (Low, medium, high). Why do they have that level of readiness towards halal certification applications?
6. In your opinion, what are the challenges for micro and small entrepreneurs to apply for halal certification?
7. In your opinion, what are the opportunities obtained by micro and small enterprises if they apply for halal certification?

MARA

1. Can you explain the overview of micro and small enterprises in Malaysia?
2. What are the programmes and initiatives conducted by MARA to assist micro and small enterprises to apply for halal certification, as well as help them growing the business?
3. How well do the programmes and initiatives help entrepreneurs to apply for halal certification and grow their businesses in the halal industry?
4. Based on your experience, do entrepreneurs aware of or alert to the any of assistance or support programmes for business development?
5. In your opinion, what are the challenges encountered by micro and small entrepreneurs to apply for halal certification and implement halal management system in the business operations?
6. In your opinion, what are the opportunities obtained by micro and small enterprises if they apply for halal certification?

APPENDIX II: PERMISSION LETTER FOR DATA COLLECTION



Puan Latipah Azir
No 253, Jalan Cempaka 11, FELCRA Changkat Lada,
36800 Kampong Gajah, Seberang Perak, Perak

Puan

MEMOHON KEBENARAN MENEMU BUAL MENGENAI PENSIJILAN HALAL MALAYSIA DALAM KALANGAN PERUSAHAAN MIKRO DAN KECIL

Merujuk kepada pekara di atas, pelajar yang bernama Nur Syammimi binti Mat Puat No Matrik G2120898 ialah calon Ijazah Sarjana dari International Institute for Halal Research and Training (INHART), Universiti Islam Antarabangsa Malaysia (UIAM). Pelajar berkenaan dalam proses mendapatkan maklumat untuk kajian yang sedang dilaksanakan.

2. Oleh itu, pihak universiti ingin memohon daripada pihak Puan membenarkan pelajar menemu bual bagi tujuan mendapatkan maklumat untuk digunakan dalam tesis yang bertajuk "The Importance of Micro-Entrepreneurs of FELCRA Berhad Towards Application of Malaysian Halal Certification: Challenges and Opportunities"/ "Kepentingan Usahawan FELCRA Berhad Terhadap Permohonan Pensijilan Halal Malaysia: Cabaran Dan Peluang". Kajian ini diperlukan untuk mengenal pasti cabaran yang dihadapi oleh usahawan mikro dan kecil untuk memohon Pensijilan Halal Malaysia serta peluang-peluang yang usahawan akan peroleh apabila mereka memohon sijil halal.

3. Pihak Universiti memohon persetujuan dan kerjasama daripada pihak Puan untuk pelajar berkenaan menyiapkan tugas tersebut dengan jayanya. Segala maklumat yang diberikan hanya akan digunakan untuk tujuan kajian sahaja.

4. Sekiranya Puan mempunyai sebarang pertanyaan lanjut mengenai permohonan ini, pihak Puan boleh menghubungi pelajar berkenaan di talian berikut, 019-720 9748 atau Penyelia Kajian, Prof. Madya Dr. Mohammad Aizat Jamaludin di talian berikut, 019-289 6545.

Sekian, Terima kasih.

Prof. Madya Dr. Mohammad Aizat Jamaludin
International Institute for Halal Research and Training (INHART)
Universiti Islam Antarabangsa Malaysia (UIAM)

APPENDIX III: PHOTOS DURING OBSERVATION





APPENDIX IV: PUBLICATION

Mat Puat, N.S., Jamaludin, M. A., & Kartika, B. (2024). An Overview of Malaysian Halal Certification Among Micro-Enterprises. *Journal Of Islamic, Social, Economic and Development (JISED)*, 9(63), 491-500.



GLOSSARY

Entrepreneurship. A dynamic process to identify, create, evaluate and exploit opportunities available in the business (Ministry of Entrepreneur Development and Cooperatives, 2019).

Entrepreneur. A person that is responsible for starting and developing business or enterprise and willingly to take risks by utilizing resources for generating wealth and/or contributing to the well-being of nation (Ministry of Entrepreneur Development and Cooperatives, 2019).

Enterprise. An entity established by an individual or a group of individuals to conduct business activities wholeheartedly with profit or non-profit orientation (Ministry of Entrepreneur Development and Cooperatives, 2019).

Micro-Enterprise. A business that has annual sales turnover of less than RM300,000 or fewer than five workers (SME Corp. Malaysia, 2020).

Bumiputera. Bumiputera translates to ‘son of the soil’ and refers specifically to the Malay community in Peninsula Malaysia. In contrast, in Sabah and Sarawak, this term includes all indigenous populations, regardless of their religions, Muslim and non-Muslim. These groups encompass various native ethnic groups such as the Malays, Melanau, Dayak (which includes non-Muslim such as the Iban, Bidayuh, and Orang Ulu), Kadazandusun, Bajau, and others, as defined in Article 161A of the Federal Constitution (Mason & Omar, 2003).

Halal. Anything that is allowed and lawful according to the guidelines in the Quran and Sunnah.

Non-halal. Also known as haram, which is anything that is forbidden and unlawful according to Shariah law.

Halal Products. Any product that is known is the status of halal, regardless of whether it has been certified halal or not.

Halal Assurance Management System. A systematic process designed to function as an internal mechanism for monitoring, controlling, improving, and preventing any non-compliance to preserve the halal status of the products (Mohd Safian et al., 2020).

Malaysian Halal Management System. The organizations or companies develop, implement and maintain a comprehensive management system to ensure products or services comply with halal assurance through the Internal Halal Control System or Halal Assurance System (JAKIM, 2020b).

Halal Assurance System. The medium and large organizations or companies develop and implement a set of procedures to maintain and control halal assurance throughout the supply chain (JAKIM, 2020b).

Internal Halal Control System. A set of internal procedures for halal control comprising Halal policy, procedures for controlling Halal raw materials and Halal risk, as well as traceability. These procedures represent the minimum requirements for micro and small-sized enterprises to maintain halal assurance (JAKIM, 2020b).

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