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THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY (CSR) AND MALAYSIA HALAL INDUSTRY

Hubungan antara Tanggungjawab Sosial Korporat dan Industri Halal di Malaysia

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Abstract

The Malaysia *halal* industry is growing, and a lot of interventions have been taken by the government to grow the industry. *Halal* certified status carry a very strong obligation towards Muslim community. However, some food and products businesses were caught with unethical and irresponsible act due to multiple cases related to *halal* food and products indirectly impacted Muslim consumers at large. The study is a desk and descriptive research. It is based on secondary data. Author reviewed the existing literatures such as journals, magazines and research works related to the conceptual of Corporate Social Responsibility (CSR) and *halal* industry. The analysis has shown food manufacturer need to undertake a serious move to review company procedures in dealing with *halal* issues to engage in productive and legitimate operations. Therefore, this paper elaborates the *halal* concept from the lens of various scholars and its relationship to the Corporate Social Responsibility (CSR) and business ethics related to *halal* industry.

Keywords: Corporate Social Responsibility, *halal* industry, business ethics.

Abstrak

Sektor *halal* di Malaysia kian berkembang dan pelbagai usaha telah dijalankan oleh kerajaan untuk memajukan sektor ini. Syarikat yang memperolehi status *halal* mempunyai tanggungjawab yang tinggi terhadap komuniti Islam. Walaubagaimanapun, masih terdapat sesetengah syarikat pengeluar makanan dan produk yang terlibat dengan pelbagai tindakan yang tidak beretika seterusnya memberi impak yang besar kepada para pengguna Islam. Kajian ini merupakan kajian secara deskriptif yang banyak menggunakan data sekunder. Penulis merujuk dengan

pelbagai jurnal, kalam ilmiah dan kajian-kajian lain yang berkaitan dengan konsep tanggungjawab sosial korporat. Berdasarkan kepada analisis pihak pengeluar makanan seharusnya mengambil langkah serius untuk melihat semula prosedur-prosedur syarikat dalam menangani isu halal dalam memastikan produktiviti dan kesahan syarikat dalam mengeluarkan produk halal. Selain itu, kajian ini juga menerangkan konsep halal dari sudut pandangan ahli akademik dan hubungkait tanggungjawab sosial korporat dan etika perniagaan di dalam industri halal.

Kata kunci: Tanggungjawab Sosial Korporat, Industri halal, etika perniagaan.

INTRODUCTION

The Malaysia *halal* industry has developed and growth locally and internationally. Muslimpopulation.com (2019) informed there are 2.18 billions of Muslim around the world and it has generated trillions of sales within *halal* industry. Even non-Muslim countries take part in *halal* business to catch up halal market (Aidi & Ooi, 2014).

Malaysia was the pioneer in implementing the *halal* regulations and remains a global power in *halal* certification (MIFB, 2019). The United Nations (UN) recognised Malaysia *halal* standard due to the efficiency of *halal* standardisation that practised within country. The majority of Malaysia population are Muslims and receiving *halal* products and food is not an alternative as it is essential for Muslim (Norah, 2017). As a result, *halal* industry has grown further due to the escalation in requesting halal products from Malaysia as well as the foreign markets. The *halal* regulations were advanced to assist Muslim consumers to identify any products that fulfilled the Islamic *halal* standard in every phase producing food and products (Mahiah, Faridah, Rosidah & Naziman, 2014). However, there are businesses and individuals that are simply and unethically falsify the *halal* certification and logo establish by Malaysian Islamic Development Department (JAKIM) with motive to dictate Muslim market and gain profit.

Albeit, expanding gains is not the company's main aims when the stakeholder's well-being is at stake within the stages of producing food and products. The financial success is not the only parameter to measure the company achievement, but *halal* awareness also takes into account. Company should see the importance of being responsible to the stakeholders and failure to act responsible could deteriorate their business and reputation.

In order to secure halal certificate company needs to pursue the regulations determined by Malaysian Islamic Development Department (JAKIM) and this signify companies are not taking *halal* matters for granted. Projecting their awareness and concern toward *halal*, it represents that their business is responsible and responsive.

Corporate Social Responsibility (CSR) topic extensively discussed and examined including the extent and quality of disclosures. Companies are expected to be responsible for their act and behaviour; companies' mismanagement and negligence could affect the stakeholders at large. Companies should practise transparency, be clear in their activities, action and decision. Companies were preferring to disclose CSR activities related to the community and environment and less information related to food processes being informed. The stakeholders have right to know the entire processes involve producing a product; this is a concept of *Halalan* and *Toyyiban*. Disclosure of these processes heighten the consumers trust and make sure consumers have used and opted product that reach the JAKIM standard. However, studies on halal disclosures are still insufficient. Thus, motivated by the gap identified, this paper intends to oversee the implementation of CSR in *halal* industry.

UNDERSTANDING THE CONCEPT OF HALAL

Halal refers to any object or an action which is allowed to consume as referring to Islamic regulations. *Halal* term is commonly used to define the quality of specific substances including food and meat products, cosmetics, personal care, pharmaceuticals and food materials (Islamic Council of Victoria, 2019). Although *halal* requirements can be implemented in all sectors, *halal* knowledge and compliance were the greatest level of compliance within the food and beverage sector (MIFB, 2019). It has been stated that food make up about 60% of the *halal* industry which includes primary meat, processed goods, bakery food, and confectionary. In order to claim the food and products are *halal* it requires to comply with *Shariah* law and *halal* is not just limited to the foods and drinks only, it also link to safety, welfare, social justice and sustainable environment issues (Kasmarini et al, 2015). Therefore, the concept of consuming *halal* is not only bound to the food itself but include their production (Nik Zam et al, 2014). *Halal* also related to the idea of *Halal* and *Toyyiban* which uplifts the elements of hygiene, safety, quality of foods and premises. WimVerbeke (2006) outlined consumers are concerned to food safety, health, naturalness, pleasure, convenience, information, ethical issues in the foods taken by consumers. *Halal* has multiple functions and it is not solely about religion motive; consuming *halal* objects encourage Muslim well-being as every *halal* product has passed through the strict checking process and guaranteed health, hygiene, friendliness to environment and animal welfare before it reached the mass market (Wim Verbeke, 2006).

Halal emphasises the aspect of cleanliness and food security, these traits have made *halal* concept acceptable to the mass market which prioritises safety and healthy lifestyle. Based on Norah (2017) in his study, there are six aims of the *halal* principles in Islam: (1) preserving the purity of Islam (2) preserving the Islamic personality (3)

preserving life (4) preserving property (5) preserving future generations and (6) cultivating respect and honesty.

According to *Halal* Malaysia Official Portal dated September 2019, *halal* term uses to describe the processes that involve in trading and doing food business and it also label in multiple ways as *halal*, its guaranteed Muslim food as to indicate the food is permissible to be consumed by Muslim. Therefore, *halal* food has it owns characters for instance:

- 1) Does not contain any part or matter of an animal that a Muslim is prohibited by *Shariah* law to consume or that has not been slaughtered in accordance with *Shariah* law.
- 2) Does not contain anything which is unclean according to *Shariah* law.
- 3) Has not prepared, processed or manufactured using any instrument that was not free from anything unclean according to *Shariah* law and
- 4) Has not during preparation, processing or storage been in contact with or proximity to any food that fails to satisfy paragraph a, b or c or anything that is unclean referring to *Shariah* law.

Obtaining the *halal* status required food manufacturers to comply with Malaysian Accreditation procedures to ensure the food safety and quality assurance (Kasmarini et al, 2015). Halal requirements emphasize the aspect of ISO 9000, Good Hygienic Practise (GHP), Good Manufacturing Practises (GMP) and veterinary inspection. These procedures are meant to guarantee the quality of products standards (Talib & Ali, 2009).

THE PERSPECTIVE OF INDUSTRY TOWARDS HALAL

Based on industry, *halal* business idea has opened business opportunities to Muslim and non-Muslim entrepreneurs. This sector has shown great potential as *halal* market is rising and demanding from Muslim consumers worldwide due to the awareness on *halal* products and services.

Definition of *halal* business has tremendously expanded from food and beverages to non-food industries. Currently, the *halal* business has penetrated the banking and finance sector, insurance, travel and tours, education and training certification, consultancy and healthcare (Othman et al, 2010). Referring to Johnson (2019), the global *halal* industry worth USD 9.7 trillion (RM 40.63 trillion) within 2018 until 2025 constituting 2.18 billion Muslim population. The industries that include are food, beverages, pharmaceutical, cosmetics and personal care. However, to invest in *halal* sector, entrepreneurs need to comprehend and appreciate the religious and scientific basis of *halal* requirements (Kasmarini et al, 2015).

According to Aliff, Hafifi, Adilin and Chemah (2015) *halal* products should reach the international standard in order to penetrate the international market in terms of products quality and value for money. Therefore, in obtaining international standard of *halal* certification, specific body should be able to take charge and monitor the procedures to ensure the quality and authenticity of certification.

Agency responsible for *halal* certification must be reliable, competent, efficient and trusted to operate internationally. World recognition on *halal* status is important so that *halal* products could be universally accepted. Malaysia aims to become Regional Hub for *halal* Products so that Department of Islamic Development Malaysia (JAKIM) is working to ensure our *halal* certification is recognised and accepted by other countries. Thus, Malaysia is currently paving a modern and progressive Islamic country which produce and process quality *halal* products for the global acceptance.

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN HALAL INDUSTRY

Modern companies have responsibilities towards society, according to the Corporate Social Responsibility (CSR) idea, which extend beyond their obligations towards the company's stakeholders (Carroll, 1999). The CSR dimension generally includes environmental security, staff and worker support, community support, equal opportunities, goods, corporate philanthropy, social disclosure, women's and minority representation (Sen & Bhattacharya, 2001).

Corporate Social Responsibility (CSR) is about building confidence in the community acting responsibly towards consumers, staff and others in society would assist businesses to improve their position and value (Murphy, 2019). A greater understanding of Corporate Social Responsibility (CSR) by stakeholders; direct participation by stakeholders; and a greater sense of social responsibility by individuals are some of the main drivers that significantly impact on raising the focus of company on CSR (Hohnen, 2007). There are numerous issues involving food and products companies that raise consumers concern; food, products safety, alcoholic use and packaging handling in this industry (Cuganesan et al, 2019).

In Malaysia, study conducted by Nik Zam et al (2014) showcased 67.4 % of consumers heighten the importance of *halal* logo on their products especially food because it is religion obligation. On top of that, Malaysia's 'Halal Certified' stamp on a label is seen as a sign of trustworthiness indicating genuineness by authorised body. Thus, manufacturers are responsible to ensure their products receive *halal* status as to fulfil the needs of consumers and community.

Meanwhile, Malaysia consumers are worried about safety and ingredients of products especially food. Muslims consumers must guarantee that not only the final products are *halal*, but also the components and the manufacturing procedures must be *halal* (Suhana et al, 2016). The complete method of manufacture of *halal* products requires the food industry to comply with comprehensive JAKIM regulations. In selecting food, *halal*-related issues should always be high priority. There are variety of social media, like Facebook, Twitter, WhatsApp and others, should be made useful to inform consumers on the unethical operations of business for the benefit of Muslims. Any confusion regarding the ingredients with businesses should be clearly explained.

As for Islam, the CSR places humanity first in achieving *al-falah* and *barakah* in life to guarantee enduring achievement and a blessing on God (Muhammad, 2007). According to the concept of an Islamic CSR organization, staff, clients, vendors, the government, the state and financial institutions are socially accountable for the stakeholders (Muhammad, 2007). Therefore, in developing and claiming *halal* goods as truly *halal* it must be certified by authorized *halal* organizations and *halal* companies must be transparent.

ISLAMIC ETHICS IN HALAL FOOD INDUSTRY

Ethics is a philosophy which addresses moral conduct. Morality refers to the right, wrong, good or bad, something. While morality is a complex concept, it can be defined as a means and ends. Means are the process, whilst the ends are about the impact (Cherrington & Cherrington, 1995). Ethics is also defined as the code of moral principles, which establishes good or bad, good or bad behaviour standards (Schemerhorn 2008). Ethical behaviour is acceptable in the context of the governing moral code, as good and right as opposed to bad (Ahmad, 2009).

Islamic business ethics shall be defined as the moral codes of the *Al-Quran* and the *Sunnah* (Mansoureh & Kamaruzaman, 2017). Ethics thus apply to every aspect of the life of Muslims, including business and administration. Muslim experience and sometimes do not know how to deal with ethical issues at work. Unethical issues include corruption, nepotism, robbery, lying, fraud, misrepresentation, conflicts of interest, quality control issues, discrimination, information falsification, abuse of public funds, and environmental pollution (Samir, 2009). A Muslim must follow the Islamic ethical code in Islam, and it's driven by belief or *iman*, which implies the law of *Shariah*, and taking part in what is *halal*, avoiding *haram* and prohibited (Hussein, 2016).

Islamic ethics emphasize the concept of public good (*Maslahah*). The concept is designed to encourage the common good and human interest, to prevent it from being detrimental and dangerous for public advantage and well-being (Schatzschneide,

2012). Islamic teachings provide guidelines on specific food codes; it is crucial to establish a broad understanding of the matter in a professional-scientific knowledge of nutrition and food (Schatzschneide, 2012). These two components are essential to issue a legitimate legislation (fatwa) and therefore it is essential for Islamic scholars to work closely with food scientists and experts. However, the sources of *Al-Quran* and *Sunnah* should not be contradicted by worldly matters concerning food production.

In the discussion about the *halal* industry, food sustainability plays an important role. This term is broad and covers a number of food topics. World Business Council for Sustainable Development (WBCSD, 2019) defines sustainability as to meet current needs without jeopardizing the capacity of future generations to respond to their needs. Food safety is an important component of food sustainability; it seeks at maintaining the conditions and quality of food against food-borne contamination and diseases. Food safety focuses on techniques of manufacturing such as crop manufacturing, harvesting and processing, but also transportation, preparation, distribution and storage of foodstuffs (WHO, 2015). Most food-related illnesses are the cause of bacteria, viruses and parasites as well as the result of the toxicity and the transfer of chemicals from food into the body (WHO, 2019). Thus, practising appropriate and guided business ethics in producing food and beverages could guarantee food safety and its sustainability.

Some may overlook adding the Islamic adjective to business ethics. But one has to realize that Islam is not only a religion, but also a way of life, in the spiritual sense of the word. In Islam, the secular and the spiritual are not separated. There is no distinction between worship and business. Business has to do good to secure harmony community and environment.

DISCUSSION

Halal business owners need to place CSR as an important element in their activities in reference to business ethics and CSR concepts. As the business ethics emphasizes the confidence in God's creation, justice, sincerity and *akhlaq*. *Halal's* businessmen should operate their work based on this ethics to achieve the blessings of God. *Halal* business owners must strive to create as much profit as possible in order to contribute to the entire Muslim economy. The profitable market offered by the *halal* sector allows companies to maximize profit, but it also has a social responsibility towards customers. As mentioned in Islamic business ethics, it is a duty for company to be ethical in conducting their business and fulfil the CSR pyramid's ethical obligations. In *halal* company, the philanthropic duties can be enforced when a company fulfil its social obligation to society. In Islam, for instance, paying *zakat*, *sadaqah* (donation) and *wakaf* is part of the duty of company to help the poor and those in need.

CSR is an imperative exercise for the *halal* company. The concept of *halal* and CSR are originated from Islamic teaching. The ideas of *Al-Falah* and *Barakah* should be the greatest objective for any *halal* company. Islamic company must guarantee that environmental and social concerns are addressed, including shareholders, clients, vendors, government, employees, public authorities and debtors.

CONCLUSION

Therefore, it is the duty of all food manufacturers to be ethical and accountable to the society that they serve. To review its company procedures and remove improper businesses from its organisation and to engage in productive and legitimate operations that benefit consumers and other stakeholders. It is the duty of everyone to look seriously at their organisation and enforce conducive policies and processes. For Muslims, *halal* and *haram* issues are serious, however it also offering everybody a good business chance. Properly processed and *halal*-certified consumer products are useful to seize the lucrative worldwide *halal* sector. As a general guide to Muslims and non-Muslims in *halal* food industry, the following key principles should be adopted; love God and His orders more than your trade or company, be frank and truthful, maintain your word, be humble in how we live our lives, do not cope with fraud, do not bribe and deal fairly. Further researches are required to ensure the issues of *halal* and CSR are addressed extensively. Study can be expanded by exploring the philosophy of Malaysia food manufacturers dealing with *halal* and CSR conception.

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