

The Challenges of Halal Food and Beverage Production by Bursa Malaysia-Listed Halal Companies During The COVID-19 Pandemic

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Abstract

Halal businesses in goods and services are expanding rapidly. The halal industry has become a profitable industry, offering huge economic opportunities to the players and entrepreneurs in the sector. Despite its immense potential, especially its large market that encompasses both local and global markets, the performance of the local industry in serving the halal market has been hampered by a number of issues, including the COVID-19 pandemic. Due to this constraint, halal exports, especially of halal food and beverages, had a major impact on Malaysian trade during the COVID-19 pandemic. Although the production of halal food and beverages by halal companies at Bursa Malaysia continues to be in high demand by customers, the percentage of production declined during the COVID-19 pandemic. The objective of this study is therefore to examine halal production and government policies to support halal companies.

Keywords: Challenges of Halal Market, Halal Export, Halal Food and Beverages, COVID-19, Halal Listed Companies

Introduction

The halal industry in the world economy is expanding rapidly and becoming a major industry both locally and globally. The growing Muslim population worldwide has led to a

massive demand for halal products. Projections suggest that the Muslim population will grow by about 22.5 percent globally over the next 45 years, from 24.1 percent to 31.1 percent. The projected growth of the Muslim population in the world will create a larger market for halal products. The population is expected to increase from 1.753 billion in 2015 to 2.987 billion in 2060 (Pew Research Centre, 2017). This growth has attracted the interest of companies and investors and contributed to the expansion of the industry. Halal products have found a global market outside of traditionally Muslim countries. Non-Muslim consumers, especially those concerned about food safety and ethics, are increasingly interested in halal products. This has led to better export prospects for countries with thriving halal businesses. According to Bohari et al (2019), the global halal market was estimated at USD2.2 trillion in 2018 and is expected to grow to USD3.2 trillion by 2024. Companies and investors are interested in this expansion, which has fuelled the growth of the sector. Essentially, halal refers to food and beverages, but it is more than that: the halal business also includes cosmetics, pharmaceuticals, fashion and tourism. This diversification has increased the business segment and opened up new business opportunities.

The halal concept is an absolute concern for Muslim consumption that adheres to the value system of Islamic syariah laws and includes permitted and prohibited foods (Abdul, 2014). The term halal, according to al-Qaradawi (1989), means legal and approved by the Syariah. Halal is an Arabic word meaning "permitted". A "halal market" is one that follows Islamic ideals and is able to influence customers' decisions to adhere to Islamic rules, principles and regulations (Islam & Candaresakaran, 2013). Muslims around the world are compelled to incorporate halal into their activities. While the halal industry offers significant economic opportunities, it also faces problems such as ensuring product authenticity, dealing with different standards in different countries and negotiating regulatory systems (Damit et al. 2017). Companies that can successfully manage these issues will thrive in this sector.

COVID-19 is an infectious disease caused by a newly identified virus ('CO' stands for Corona, 'VI' for virus and 'D' for disease). It is estimated that about 31 million people will contract COVID-19 by September 2020 and about 954,417 people will die from it (World Health Organisation, 2020). The first outbreak of the pandemic occurred in China in late December 2019. SARS-CoV-2 is a new coronavirus that has been classified as a global pandemic and is spreading worldwide, according to the World Health Organisation (WHO) (Ahmad et al., 2022). The COVID-19 epidemic had a devastating impact on Malaysia's economy, particularly the export market for halal food and beverages (HDC Knowledge Centre, 2023). Long-term impacts of the epidemic include changing consumer behaviour, disrupted supply chains and changing government policies (Abdul & Ramli, 2022). At the same time, the Movement Control Ordinance (MCO) has the greatest impact on the small business sector (Transparency International Malaysia, 2021). One issue impacting this sector is the closure of supporting sectors such as retail and transport, leaving smaller traders unable to operate, resulting in loss of income. In contrast, the impact of the COVID-19 pandemic on halal food and beverages has not been as severe as in other sectors such as tourism (Karim et al., 2020). Travel restrictions and lower global demand may lead to a decline in halal food and beverages, exports and revenue from halal tourists (Wong et al., 2022). It is important to emphasise that the long-term impact of the epidemic on halal tourism is yet to be seen. As the world adjusts to the ongoing problems of the epidemic, consumer behaviour and travel decisions in this sector are likely to continue to change. When the first MCO was declared in Malaysia, all Malaysians were not allowed to leave their homes except for vital matters such

as obtaining basic needs like food and medical care. As a result of the introduction of the MCO, the majority of Malaysians are in severe financial hardship (Jamaluddin et al., 2021)

The local halal food and beverage manufacturing sector is composed of various types of enterprises, including multinational corporations (MNCs), medium enterprises and small and medium enterprises (SMEs). The majority of halal food and beverage companies listed on Bursa Malaysia are conglomerates. A conglomerate, often referred to as a multi-divisional company, is a company that is active in several areas. In other words, most of the companies listed on Bursa Malaysia not only produce halal food and beverages but also non-food products and beverages, according to the annual reports of each company published on Bursa Malaysia. However, an economic downturn can pose a significant problem for halal food and beverage manufacturers, especially small and medium enterprises (SMEs) (Transparency International Malaysia, 2021). Financial constraints can result from lower consumer spending, weaker sales and liquidity problems. The availability of credit and finance may become more difficult, limiting the ability of businesses to invest in expansion or modernisation.

The rest of the paper is structured as follows: First, the impact of COVID-19 on Malaysian halal food and beverage companies is discussed. It then examines the difficulties of Malaysian halal food and beverage exports and the total halal food and beverage production of halal companies listed on Bursa Malaysia. In doing so, it examines the total halal exports, total food and beverage exports of multinational corporations (MNCs), medium enterprises, small and medium enterprises (SMEs) and halal companies listed on Bursa Malaysia before, during and after the COVID-19 epidemic. This article also discusses the various government alternatives to address the problems and obstacles. Finally, the discussion continues with a conclusion and implications for the halal food and beverage market.

Literature Review: Issues and Challenges of Halal Food and Beverages Market

The COVID-19 outbreak had a significant impact on Malaysian businesses, as it did in many other countries around the world. The far-reaching consequences of the epidemic include changing consumer behaviour, disruptions in supply networks and regulatory upheaval (Abdul & Ramli, 2022). The problems and challenges are as follows:

The decline in demand for Malaysia's halal export products in the global market.

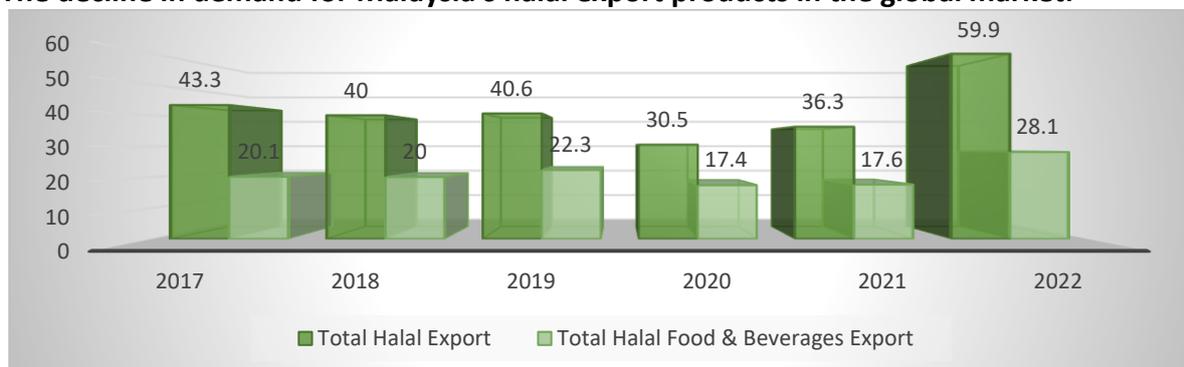


Figure 1. Total Malaysia's Halal Export Market between 2017-2022 (in MYR Billion)

Source: HDC Knowledge Centre, 2023

Figure 1 shows that the total value of Malaysia's halal exports in 2017 was MYR43.3 billion. The halal food and beverage business is expected to contribute up to MYR20.1 billion this year. In 2018, the halal export market declined by 7.62 percent, while Malaysia's total

halal food and beverage exports fell by 0.5 percent. The total turnover for the halal export market in 2018 is estimated at MYR40 billion, while the total turnover for the halal food and beverage export market is estimated at MYR20 billion. Meanwhile, Malaysia's halal export business has started to grow in 2019, with a 1.5 percent increase in the halal export market and an expected trade value of MYR40.6 billion. Exports of halal food and beverages are expected to increase by 11.5 percent in 2019, reaching a trade value of MYR22.3 billion.

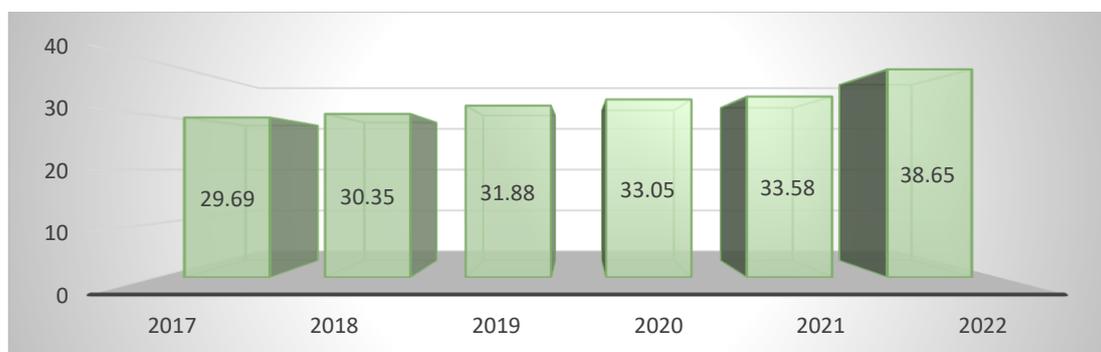
While Malaysia has been affected by the COVID-19 pandemic, the export market has declined significantly, estimated at 24.88 percent with a transaction value of only MYR30.5 billion. The decline in halal exports also affects Malaysia's halal food and beverage export market, where the decline is as high as 21.97 percent, with an estimated trade value of MYR17.4 billion. However, a positive trend is emerging in the halal export industry in 2021 as the growth rate of the halal export market is expected to increase by 19 percent to MYR36.3 billion. In addition, the halal food and beverage export market in Malaysia grew by 1.15 percent with an estimated transaction value of MYR17.6 billion.

Nevertheless, the year 2022 shows a very favourable trend as the country's halal food and beverage export industry experiences such an encouraging increase that the year 2022 shows the highest level of halal food and beverage export revenue compared to previous years. According to Figure 1, the country's halal export revenue is MYR59.9 billion and the country's halal food and beverage export revenue is MYR28.1 billion compared to 2021. The percentage increase in the country's halal export revenue is 39.40 percent while the percentage increase in the country's halal food and beverage export revenue is 37.37 percent.

In summary, Malaysia is now back on track to make the halal food and beverage export sector a contributor to the country's economic growth. Malaysia had a series of events that took place before the pandemic crisis COVID-19 and during the pandemic, and now that Malaysia has returned to stability in the post-pandemic period, the national goal of making the country a driving force for the country's halal economy can be resumed. Malaysia is a major exporter of halal goods, especially halal food and beverages (HDC Knowledge Centre, 2023). The government prioritises maintaining and expanding international market access for halal businesses (Abimanyu & Ariffin F., 2023).

Decline in the production percentage of halal food and beverages among companies listed on Bursa Malaysia

Table 1 shows the expected revenue from halal food production for these 30 companies from 2017 to 2022. In summary, the increase in halal food sales in Malaysia is consistent with the country's growing population.



Source: Bursa Malaysia, 2023

FIGURE 2. Total halal food and beverage output by the listed halal companies

(MYR Billion)

TABLE 1

Halal food and beverage companies listed in Bursa Malaysia from 2011 – 2022.

1. Ajinomoto (Malaysia) Berhad	16. Malayan Flour Mills Berhad
2. Apollo Food Holding Berhad	17. PPB Group Berhad
3. Dutch Lady Milk Industries Berhad	18. OCB Berhad
4. Nestle (Malaysia) Berhad	19. CCK Consolidated Holdings Berhad
5. REX Industri Berhad	20. MSM Malaysia Holdings Berhad
6. Hup Seng Industries Berhad	21. Guan Chong Berhad
7. Hwa Tai Industries Berhad	22. Khee San Berhad
8. Berjaya Food Berhad	23. QL Resources Berhad
9. Kawan Food Berhad	24. Able Global Berhad
10. THREE-A Resources Berhad	25. CAB Cakaran Corporation Berhad
11. Sinmah Capital Berhad	26. Spritzer Berhad
12. Lotus KFM Berhad	27. Saudee Group Berhad
13. Power Root Berhad	28. Oriental Food Ind. Holdings Berhad
14. Fraser & Neave Holdings Berhad	29. Borneo Oil Berhad
15. C.I. Holdings Berhad	30. Lay Hong Berhad

Source: Bursa Malaysia, 2023

According to Figure 2, the total production of halal food and beverages for listed halal companies was estimated at MYR29.69 billion in 2017. In 2018, the expected total revenue from halal food and beverage production increased by MYR30.35 billion compared to 2017. In 2019, revenue from halal food and beverages is expected to increase to MYR31.88 billion. Despite the COVID-19 epidemic in 2020-2021, halal food and beverage production would increase by MYR33.05 billion to MYR33.58 billion in 2021. However, food and beverage production increased dramatically during the COVID-19 pandemic crisis in 2022, reaching the highest year-on-year production level of MYR38.65 billion.

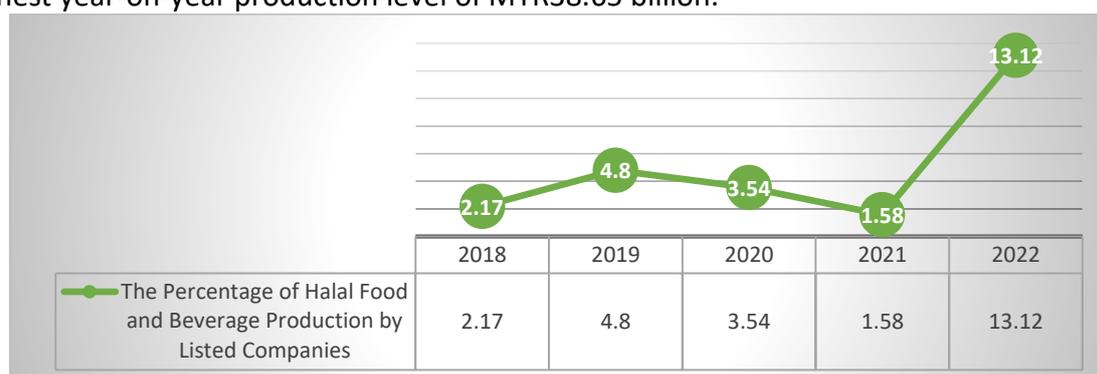


FIGURE 3 The percentage increase in the production of halal food and beverages by listed companies.

Source: Bursa Malaysia, 2023

Using Figure 3, the percentage of halal food and beverage production of the halal food and beverage companies listed on Bursa Malaysia between 2018 and 2022 is also compared to illustrate the actual scenario as a result of the COVID-19 epidemic. The survey was conducted in the year before and after the crisis of COVID-19 pandemic. Before the crisis caused by the COVID-19 pandemic, Figure 2 showed that the percentage increase in

production increased year on year. The percentage increase in production was 2.17 percent in 2018 and 4.8 percent in 2019.

However, due to the COVID-19 pandemic in 2020, which started in late 2019, the percentage increase in production decreased from 4.8 percent to 0.4 percent. The percentage of halal food and beverage production by listed companies declined drastically in 2021, from 3.54 percent to 1.58 percent. However, the percentage growth in the production of halal food and beverages by listed companies was encouraging as the share of production of halal food and beverages increased by 13.12 percent. The year 2022 also showed the largest percentage increase in production over the previous year.

Government policy and the solution to the COVID-19 crisis

During the crisis COVID-19, the Malaysian government introduced a series of regulations and solutions to support halal businesses, recognising the importance of the halal industry to the Malaysian economy and its impact on global trade. These laws aimed to address the economic problems and disruptions caused by the pandemic, while ensuring that halal businesses can continue to operate. Here are some of the important measures that were implemented:

Table 2

Government COVID-19 Stimulus Packages

	Government assistance programme name	Types of assistance/purpose
1.	Financial Assistance Programs	To support halal businesses, the government launched a number of financial assistance programmes. These included grants, subsidies and soft loans to help businesses cover operating costs, retain employees and invest in technology and innovation (Transparency International Malaysia, 2021).
2.	Wage Subsidy Programme	The extension of the wage subsidy plan will promote the continued employment of workers and prevent redundancies. The project will be extended for three months and will provide an incentive of MYR600 per worker to all eligible companies (Transparency International Malaysia, 2021). In times of crisis or economic uncertainty, wage subsidy programmes can be an effective tool for governments to promote job retention and economic recovery. They help companies reduce their financial burden while preserving jobs and supporting workers' incomes.
3.	National "Buy Malaysia" Campaign	Promote consumption of Malaysian-made products and services, promote consumption of local products and services through (Transparency International Malaysia, 2021): <ul style="list-style-type: none"> ➤ Promotion of the "Buy Malaysia" campaign by the government and relevant agencies. ➤ Mandatory labelling of local products for major supermarket chains.

		Establish dedicated channels for Malaysian products on major digital platforms.
4.	Tax Relief for COVID-19 Related Expenses	Create incentives for companies to adapt to the new standards and follow the SOPs through fiscal incentives. Extend the period and broaden the scope of COVID-19 preventive expenditure allowed as a tax deduction or capital allowance. (Transparency International Malaysia, 2021). Tax incentives have been introduced to encourage investment and expansion in halal businesses. These include tax incentives and rebates for companies that invest in research and development, export promotion and the manufacture of halal-certified products.
5.	Exemption of Human Resources Development Fund levy	exemption from the Human Resource Development Fund levy for companies unable to operate during MCO and conditional MCO periods (Transparency International Malaysia, 2021).
6.	Moratorium on loans	The government worked with financial institutions to introduce credit moratoria that allowed companies to defer repayment of loans during the crisis. This reduced the financial burden on halal companies and ensured their long-term viability (Jamaluddin et. al., 2021).
7.	Technical and Digital Adoption	The government will continue to provide grants and loans to eligible businesses if they adopt or use digitisation (Transparency International Malaysia, 2021). The pandemic has accelerated the trend towards online trading. To tap into a larger market, the government encouraged halal businesses to embrace digitisation and e-commerce. Training, subsidies and incentives were offered.

It is important to remember that government policies and procedures changed during the crisis COVID-19 and may continue to be adapted to changing circumstances. It is best to check with official government sources and industry associations for the most up-to-date information on government support for halal businesses in Malaysia during the COVID-19 situation.

Conclusion

This paper summarises the COVID-19 issues related to the production of halal food and beverages in Malaysia that are preferred for the halal export market, as well as the production of halal food and beverages by halal companies listed on Bursa Malaysia, based on a review of existing literature and research by previous researchers. The selection of Bursa Malaysia-listed halal food and beverage production companies is based on the fact that Bursa Malaysia-listed halal food and beverage production companies primarily produce staple foods that are widely known in the market and readily available in shops. Although the number of goods produced by listed halal food and beverage companies has increased year after year, the percentage increase in halal food production declined during the COVID-19 pandemic, as shown in Figure 3.

The challenges for halal food and beverage production during COVID-19 become more complex as consumer demand for halal food and beverages is expected to decline from 2020 to 2021. As a result, the demand for halal food and beverages in Malaysia has declined. The decline in consumer demand is also due to a decline in consumer purchasing power as most Malaysians were laid off at this time. The pandemic resulted in significant job losses in many industries, especially those directly affected by the closures and restrictions, such as retail, hospitality and travel. Due to the economic uncertainty and business closures, millions of people were affected by unemployment or short-time work.

The halal food and beverage business relies on global trade, but travel and transport restrictions caused by the epidemic hampered exports and imports. Export-dependent companies had difficulty reaching global markets (Standard, 2022). The pandemic caused severe disruptions to global supply chains and affected several businesses, including the halal food and beverage industry (Abdul & Ramli, 2022). Restrictions on international travel, lockdown measures and temporary closure of factories and distribution centres led to delays and shortages of halal items in many places. However, the government's actions and support in ensuring the country's progress and reconstruction after the COVID-19 pandemic have had a positive impact. As shown in Figures 1 to 3, the food and beverage industry is recovering rapidly compared to other industries such as tourism (Karim et al., 2020), where demand for halal food and beverages has increased significantly year-on-year. The growth of the halal food and beverage export market is driving the growth of Bursa Malaysia-listed companies that produce halal food and beverages. As a result, the halal food and beverage business has recovered and is on the right track.

The contribution of this research, from an academic point of view, is to observe the situation of halal food and beverage production before and after the COVID-19 pandemic through statistical observations. At the same time, this study aims to expand the literature based on statistical studies, as the lack of a study is preferable to a perverse halal study. The results of this study will help the government to improve the existing policy and economic support after COVID-19 pandemic. As a solution to overcome the halal economy after the pandemic crisis, the government of Malaysia should increase spending and support for economic recovery. For the halal industry, the contribution of this study is an analytical tool and an incentive for the industry to advertise more and take advantage of government policies and support to increase halal food and beverages in the local market and globally.

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