



Challenges faced by Halal Warehouse during the Implementation of Islamic Shariah Compliance: Malaysian Perspective

Iwani Affini Ismail¹, Norlinda Mohd Rozar^{1,*}, Indrianawati Usman², Masha Menhat¹, Saadi Ahmad Kamaruddine³, Muhammad Ashlyzab Razik⁴

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ABSTRACT

Purpose (1) The purpose of this study is to review the challenges faced by Halal warehouses during the implementation of Islamic Shariah Compliance from a global perspective. **(2)** Proposing a recommended framework to improve Islamic Shariah Compliance in Malaysian Halal warehouse.

Design/methodology/approach – This paper adopts related literature for reviewing purposes from several databases.

Findings – Implementing Halal concept in warehouses faced more challenges like contamination factors, the high cost to fulfil the Halal requirement, the management's lack of awareness, the complexity to obtain a Halal certificate, the lack of government support, the lack of collaboration between logistic service providers, and the lack of communication between the Halal certification bodies and the consumer. To overcome these issues, a future framework has been introduced where these challenges can be overcome and develop a new Halal warehouse culture in Malaysia.

Research limitations/implications – Lack of proper literature guideline on the implementation of Halal port operations.

Originality/value – Proposing the best solution to overcome the issues, a suggested framework has been introduced where these challenges can be overcome and develop a new Halal warehouse culture in Malaysia.

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1. Introduction.

A seaport is a place where land and sea gather to conduct business. It is a region that is specifically designed to accept ships and their cargo, and it is typically situated on the coast close to a body of water (whether it be a river, lake, or ocean). In addition, as the social economy begins to develop, the role of the seaport in maritime logistics becomes increasingly important. Seaports can serve as a location for commercial shipping activity as well as an interface between the sea and land

to facilitate the commercial trading activities. By providing value-added services, a seaport can improve the flow of cargo throughout the transportation chain. Ports have some specialised equipment and facilities like forklifts, cranes, hotels, restaurants, and port receptions are prepared to entice visitors and merchants. The provision of these services is aimed at enhancing competitive advantages the transportation chain (Jeevan et al., 2019). Seaports must interact with both internal and external systems, be highly integrated with logistics centres, and place a primary emphasis on service orientation to contribute to the creation of an efficient process within the supply chain (Paixao and Marlow, 2003). Changes in the development of world trade, supply chains, logistic centres, internal and external interaction, maritime transport, and technological advancement all influence the seaport system (Jeevan et al., 2015).

Islam is the most common religion and has the highest per-

¹Faculty of Maritime Studies, University Malaysia Terengganu, Malaysia.

²Faculty of Economics and Business, Airlangga University, Indonesia.

³Centre for Testing, Measurement and Appraisal (CeTMA), Universiti Utara Malaysia, Malaysia.

⁴University Malaysia Kelantan, Pengkalan Chepa.

*Corresponding author: Norlinda Mohd Rozar. E-mail Address: norlinda.rozar@umt.edu.my.

centage of followers of any other faith there, therefore, Malaysia is often referred to as a Muslim country. In 2014, 61.3% of Malaysians identified as Muslims, followed by Buddhists (19.8%), Christians (9.2%), Hindus (6.3%), followers of Confucianism and Taoism (1.3%), others (0.4%), atheists (0.8%), and others (1%), according to the CIA World Factbook's demographic profile of Malaysia (Ibrahim, 2016). The seaports of Malaysia are in the middle of Southeast Asian nations such as Thailand, Singapore, and Indonesia. This location encompasses more than three quarters of all the land areas and has the access to coastal waters from all sides. The maritime industry is extremely important to the overall economic growth of the nation, which is justified by the geographical landscape (Jeevan et al., 2015). Malaysia has one of the most rapidly expanding economic sectors in the world, and the country holds a significant position in the Southeast Asian region. In fact, it is located at a point where the intercontinental and intra-Asian shipping routes that pass through the Strait of Malacca meet. Therefore, it should not be surprising that Malaysia is home to one of the largest port facilities in the world. Additionally, it serves as a transshipment hub for the Asian region and as a preferred point of entry into the Southeast Asian Market (Rishab, 2022). There are seven ports in Malaysia that are well known, and they are as follows: the ports of Klang, Tanjung Pelepas, Penang, Johor, Bintulu, Kuantan, and Labuan. (Norlinda Mohd Rozar et al., 2022). Even though, Malaysia has been referred to as a Muslim nation, the implementation of Islamic Shariah Compliance in warehouse operations is remains inadequate.

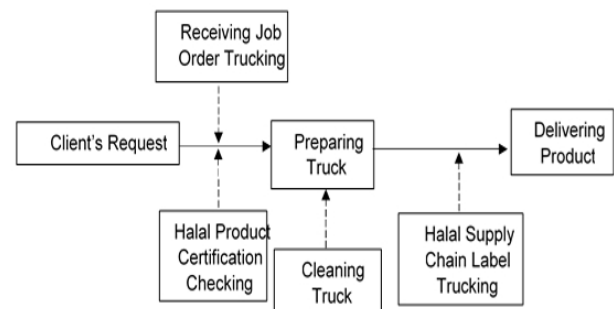
The term Halal is derived from the Quran and refers to something lawful, allowed, permitted, and legal. Haram, on the other hand, is synonymous with words like illegal, unlawful, and prohibited. It is the antithesis of Halal. Muslim eating habits are just one part of the Halal and Haram laws' application; these laws include a far wider variety of practises, such as attire, speech, behaviour, manner, and conduct. Halal logistics is the process of distributing halal products throughout the halal supply chain. Core logistics activities, such as transportation, warehousing, material handling, and procurement, must be based on shariah compliance to eliminate the risk of contamination during the distribution process (Zailani et al., 2017). The terms "warehousing," "transportation," and "terminal operations" are all included in the term "Halal logistics" (Ngah et al., 2016; Zailani et al., 2017). According to the report, which also states that the establishment of these standard acts as a guide, these principles serve as a direction for the development of a worldwide Halal logistics system, which will reduce difficulties for the Halal industry. The word "Halal" has several different applications, each of which gives it a specific meaning. However, these might differ significantly from one another, which may make it difficult to determine the exact meaning of the phrase. Because Halal pertains to a well-established religious tradition, the government tends to have a minor role in its development. Moreover, a standardised Halal logo can be used consistently across the world. Numerous organisations and councils utilise different Halal certification labels. There have also been instances of improper use of the Halal certification, such as the labelling of products as being free of pork

and slaughtered in accordance with Islamic rituals (Aziz et al., 2016).

2. Halal cargo handling practices.

The actions that take place in warehouses and logistics facilities usually are referred to as "cargo handling". These activities include loading and unloading cargo, transporting cargo, warehousing, picking, and sorting cargo. These tasks have a significant impact on both productivity and quality in the logistics industry. Losses that occur during cargo handling directly affect the overall cost of logistics. The management of cargo is a vital component of logistics. Cargo handling encompasses a wide variety of responsibilities, including things like transportation and storage. A good Halal cargo handling procedure is shown in Figure 1 below.

Figure 1: Transportation Halal Logistics Activities.



Source: Ngah et al., 2013.

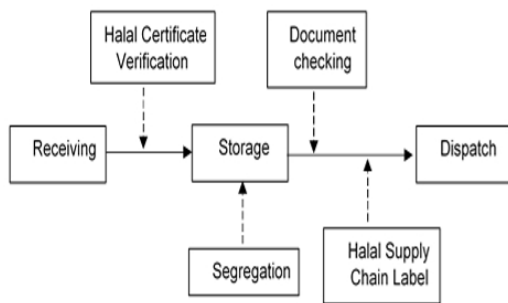
The transportation and Halal logistic activities involved in cargo handling are depicted in Figure 1. During the loading and unloading stages of the transportation operation, Halal inspection takes place. The first stage involves checking the product's Halal certification as soon as the order is placed in response to a customer request. The goods are then loaded onto a truck and delivered to the customer as the next stage. When being transported, Halal and non-Halal goods are not allowed to be mixed, regardless of whether they are being transported in a carrier, like a trolley or pallets, or vehicles, such as vans, trucks, lorries, or containers (Tieman, 2007). Halal and non-Halal products may not be combined in the same container or vehicle while transporting goods that need to be refrigerated.

When transporting products that do not require refrigeration, Halal and non-Halal goods are not allowed to be combined on the same trolley or pallet. It is recommended that additional tertiary packaging be used to safeguard the Halal cargo all the way through the supply chain (Tieman, 2007). Concerning what is permissible and what is forbidden, Islam is stringent, clear, and provides specific details. Therefore, it is of the utmost importance to be aware of the Halal status of a specific product, as the transportation of the product could compromise its Halal authenticity if Halal and non-Halal goods were mixed (Ngah et al, 2013).

2.1. Halal warehouse operation.

According to the data presented in Figure 2, the following describes the Halal logistics activities involved in cargo handling. The Halal method of cargo handling consists of two parts: the first is transportation, and the second is storage. The Halal certificate is checked for validity once the goods have been received. After that, the items are stored, and a Halal supply chain label is affixed to them. Subsequently, the goods are delivered to the locations designated for them. Compliance with the correct Halal way of storing and warehousing goods is important for maintaining the integrity of the Halal supply chain because the amount of time that goods spend in storage is significant in comparison to the time that they spend in transit (Tieman, 2007). The Halal supply chain imposes strict conditions on the cleanliness and wholesomeness of all items from the moment that raw materials are collected until they are eaten. According to the nature of the product, such as whether it is food, medicine, or cosmetics, the Halal certification must be maintained through the application of specific processes and procedures (Ngah et al., 2013).

Figure 2: Warehousing Halal Logistics Activities.



Source: Ngah et al., 2013.

3. Challengers faced globally by the Halal warehouses.

The practise of differentiating between Halal and non-Halal goods while undertaking transportation, warehousing and other operations involves careful cargo handling. This is done to prevent contamination and improper handling, both of which violate the Halal integrity of Muslim consumers. For this reason, it is essential to understand the different levels of segregation that are placed during transportation, warehousing, shipment, and in grocery stores (Tieman, 2012). There are plenty obstacles to overcome to make Halal applicable to port cargo.

3.1. Contamination and misleading.

There is a possibility that Halal goods and non-Halal goods could become contaminated with one another while being transported. Sharing containers, having poor visibility into what inventory is in which containers, the transit location of the container, having a history of immediate suppliers, having a history of immediate maintenance, and having segregation allocation space between Halal and non-Halal goods in the same containers increased the risk of the Halal integrity being compromised.

These are some of the issues that are causing this contamination. Even storage or movement of Halal and non-Halal products was impossible using the same racks or pallets for both types of products (Ngah et al, 2013).

3.2. High maintenance cost.

The implementation of Halal requires a substantial number of financial resources, particularly for the construction of the necessary facilities and infrastructure as well as for the administration of relevant policies (Farahanim et al., 2016). Most warehouses in Malaysia are ready-to-use warehouses that were purchased, and they do not adhere to the Shariah perspective. If you purchase a pre-built warehouse, you will incur additional costs because extensive remodelling will be required to bring it into compliance with Shariah principles. In addition, there is not to be any kind of cross-contamination between Halal and non-Halal goods at any point, and this includes the use of the tool as well as the storage of it. From the start of the procedure all the way to the final user, the facilities and tools must be kept separate between Halal and non-Halal goods. This includes using separate forklifts, pallets, and storage space for each type of product. As a result, additional costs will be required to comply with the requirements. To keep their Halal logo and earn their Halal certificate, Halal warehouses face the significant challenge of making considerable financial investments. However, there is an extraordinary advantage for any warehouse to acquire the Halal logo, as this will build trust with people, particularly about the warehouse's level of cleanliness and hygiene.

3.3. Lack of management awareness.

The management should make raising awareness a top priority because it enables the organisation to stay current with emerging technologies (Papazafeiropoulou, 2002). To make sure that the technology complies with the laws of Shariah, the organisation must also be aware of this. Most of the people who work at port cargo, and even the management at times, do not have a complete understanding of what Halal means. A few of them believe that Halal is solely concerned with religion and has business-related issues. The only thing that matters to them is that the Halal certification is in place, whether it is implemented, if they are generating a profit. On the other hand, Halal certification starts at the very beginning of the process and covers the entirety of the supply chain. This includes everything from the farm to the transportation, manufacturing, and storage of food and products all the way up to the final consumer. The management should play a significant part in maintaining the high standard of the Halal product by ensuring that all the workers have a comprehensive understanding of the Halal operating procedures. (Farahanim et al., 2016). It is difficult for non-Muslims to have a complete understanding of Halal management because the word "Halal" derives from an Arabic term that is typically used by Muslims. In addition, Muslims are the only people who use the term "Halal."

3.4. Approval Complexity in Halal Certificate.

The Halal certificate and logo not only guarantee Muslims, that what they consume or use is according to Islamic law but also encourages manufacturers to meet the Halal standards. A Halal certificate is a document issued by Islamic organisation, certifying the products it covers meet the Islamic dietary guideline (Hanzaee, et al., 2011). The Department of Islamic Development in Malaysia is the only organisation authorised to produce and issue Halal certificates (JAKIM). The time required to be recognised as a Halal warehouse is complicated by the usage of time, and it is a very long process prior to approval being granted. During site visits, JAKIM pays close attention to the raw materials, the premises, the workers, the level of hygiene, the level of pest control, the documentation system, the management record, the process flow, and many other factors. Most of the warehouses are unwilling to take part because they would rather make a lot of money without having to wait for JAKIM's approval (Farahanim et al., 2016). However, the blame should not be placed on the warehouse because it is a business that needs to turn a profit to remain operational. Because there is a lack of understanding about Halal, JAKIM needs to improve more so that the warehouse community will acknowledge the Halal certificate and be willing to get it. In addition, there are no universally accepted Halal guidelines that are part of the Halal certification process and can be used as a benchmark anywhere in the world. The result of having Halal guidelines that are not standardised is a lack of knowledge among management and workers.

There are several requirements that must be met before a Halal certification can be obtained for a logistics service. These requirements range from the completion of manual procedures to training on the knowledge required for Halal logistics (Faridatus, 2021). The absence of sufficient rules throughout the Halal manual training procedure can result in misinterpretation, which can occasionally happen. According to a study that was conducted on the topic of legal enforcement, Halal certification bodies and customers who have applied for Halal certification can work together effectively if both parties have a similar understanding of the opportunity and the benefit of the implementation of the Halal assurance system (Faridah et al., 2021). If the customers can acknowledge the complicated procedure and self-regulatory manual that has been created by the company, this would help to maintain the Halal integrity and prevent cross-contamination between Halal and non-Halal products (Ahmad et al., 2018).

3.5. The role of governments.

When it comes to the implementation of Halal Logistics, the support and promotions that come from the government also play a significant role (Ngah et al., 2014; Talib et al., 2015). It is necessary for the government to provide assistance, not only during the process of Halal product production, but also during the process of Halal product storage, transportation, and handling. To ensure that the Halal certification will be upheld, the government must also inform the public of the importance of logistics for Halal goods and services.

3.6. Logistics service provider.

For Halal integrity to be maintained, there is a need for logistic service providers. According to Talib (2017), who showed that having dedicated Halal facilities and equipment to comply with customers' demands is necessary, once the products are passed to a different company, the chances of broken Halal chain and contamination are very likely to happen. Talib also demonstrated the necessity of having specialised Halal facilities and equipment to satisfy customer request. On the other hand, transportation activities in Halal logistics play a significant role, and they are also the stage where cross-contamination between Halal and non-Halal products can occur (Zailani et al., 2018). Due to the lack of coordinated efforts by logistics service providers, the stage of Halal logistics that deals with transportation activities are one of the most difficult (Faridah et al., 2021).

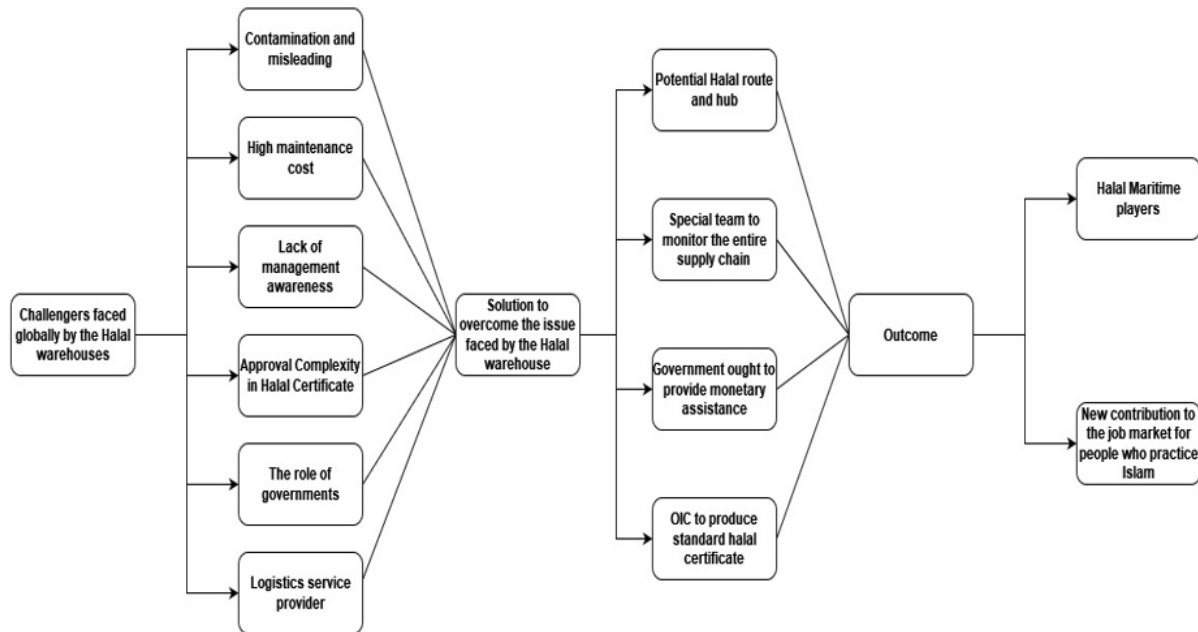
4. State-of-the-art framework to improve the implementation of Islamic Shariah Compliance in Halal warehouse.

A genuine Halal procedure and product that will be distributed to end users are not only implemented in the warehouse; rather, it is a continuous process that begins with the raw material and continues until it reaches the end users (Zailani et al., 2017). If a new Halal supply chain route is established from the beginning to the end, only then can the term "Halal" be in full compliance with Islamic Shariah and referred to as permissible Halal. Some of the Islamic nations have suggested some countries, for example - Brunei as a location for a halal warehouse (Talib et al., 2021), but it remains unclear whether the entire process adhered to the Islamic Shariah rule. This paper presents a potential Halal route and hub for Islamic users by considering all the challenges that the Halal warehouse has encountered and the issues that have arisen along the supply chain. The second recommendation is for the Organization of Islamic Cooperation to either act or encourage the development of a standard Halal certificate as well as a team to monitor the entire process from the beginning to the end. Thirdly, the government should provide monetary assistance for the new development. This is because both the existing warehouse and the transportation could become contaminated with a non-Halal product. There will be new Halal Maritime players because of this, which will be a new contribution to the job market for people who practice Islam. Figure 3 below shows the suggested framework to improve the Islamic Shariah Compliance in Halal warehouses.

Conclusions.

In conclusion, the availability of Halal warehouses for port cargo is an absolute necessity, particularly in a nation where Muslims make up the majority, such as Malaysia. Each stage of the procedure, from the time the items are acquired at the chain's commencement to the time they are given to the customer, must be completed in compliance with the Halal standards to preserve the chain's Halal certification. In the pro-

Figure 3: Suggestion framework to improve the Islamic Shariah Compliance in Halal warehouse.



Source: Authors.

cess of implementing the Halal warehouse, there are some challenges, such as contamination, the high expense of meeting the Halal standard, the management's lack of awareness, the complexity to obtain a Halal certificate, the lack of government support, the lack of collaboration between the logistic service provider, and the lack of communication between the Halal certification bodies and the consumer. To overcome the issues, a suggested framework has been introduced where these challenges can be overcome and develop a new Halal warehouse culture in Malaysia.

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