

# Chapter 84

## Missing Part of Halal Supply Chain Management

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### ABSTRACT

*The Halal product industry should make sure all companies, especially companies supply chains, guarantee product Halalness. Some research about Halal supply chain is already published and gives various perspectives about this topic. Unfortunately, one thing not discussed in the previous research is an Islamic financial system that actually supports operation of the Halal supply chain because the Halal supply chain cannot be Halal or barakah if the supply chain financing does not also comply with Islamic law. This chapter discusses Islamic financial systems that include the Halal supply chain such as a Halal fund for the supply chain cost and Halal Financial flow and brings a new perspective and definition of Halal supply chain management.*

### INTRODUCTION

The awareness about halal products in the world, especially about halal foods, is increasing. Not only 1.57 billion Muslims in the world spreading over 57 Islamic countries (Halal Trade Globally, 2015), but many non-Muslims also regard halal products, halal foods especially, as a trend of a healthy lifestyle. This is an opportunity for certified halal foods manufacturers to make their halal products as a competitive advantage, of which the other food companies do not possess. Regarding the production processes, the label “halal foods” must not be a mere proclamation made by the manufacturers. Halal food producers must start managing their supply chain, particularly to decide and inspect on where they obtain the raw halal material and to ensure the optimal cleanliness and hygiene in the distribution, to ascertain that the raw materials or processed foods are free of contamination which may cause the products to become not halal. In fact, according to Zulfakar et al. (2014), with the complexity of the food trade in the world,

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especially in terms of distributing halal products throughout the world, consumers of halal food products are still not sure whether the products produced are completely in accordance with the principles of halal or the Sharia laws, whether or not the food is contaminated when distributed to the whole world.

To avoid problems of distribution with a long peak time, according to Omar and Jafar (2011), the company needs to ensure all supply chain networks comply with halal procedures in the entire supply chain globally. Currently, the market for halal products is widely distributed throughout the world. This leads to increased demand for halal products, not only from the Islamic countries but also from the non-Muslims. Hence the demand for halal products not only from Muslims but also from the others, causes halal products to become globally renowned. This phenomenon stresses the need for the halal supply chain. Supply chain on halal products, especially halal foods, means that every process and partner in the supply chain should be able to maintain the halal status of food products so that they can be guaranteed to be absolutely halal by the laws.

Given the importance of managing supply chains in halal products, many studies have discussed halal supply chain managements, such as in Tieman (2011), Tieman (2015), Alqudsi (2014), Zulfakar et al. (2014), Zulfakar (2011), Zailani et al. (2010), Ngah et al. (2014), Tieman et al. (2012); Aziz and Sulaiman (2014), Talib et al. (2013); Muhammad et al. (2009); Zailani et al. (2015), and there are still some other studies which are more focused on supply chain managements for halal foods. In addition, not all of these studies discuss halal supply chain management as a whole thus they are unable to capture the complexity of halal supply chain itself. Some just take the perspective of the consumer or distribution or simply in terms of the logistics of its course. The studies that discuss halal supply chain managements still have shortcomings in translating the overall supply chain management and supply chain management to separate its role in logistics management. In gaining integrated halal products, logistics management is part of the supply chain management. Companies should be able to implement the concept of halal in the whole value chain system such as in procurement phase, processing, packaging, labeling, transporting, finance and logistics of food with the complete process. Unfortunately, the concept of halal logistics lacks focus and it is not enhanced by other following researchers who discuss halal supply chain managements so that there is still a lost concept on halal supply chain management (Kamaruddin et al., 2012). The lost concept is discussed in other studies, namely finance.

This chapter aims to explore the missing part of halal supply chain management, which previously was not defined as part of halal supply chain. Ensuring products' halal status, from the material sources until the products are bought by the consumers, has to be maintained with proper management, especially in the global food company. Halal supply chain is required to meet the demand from halal industry, and at the same time it should be aligned with the requirements of Sharia laws.

## **BACKGROUND**

Every Muslim is required to consume halal products by its religion. Consequently, the growing Muslim population in the world means that the need for halal products continues to increase. The inter-religious tolerance and social relationships which are created between Muslims and non-Muslims allow the latter to start recognizing and realizing the benefits of halal products. These non-Muslims grasp the great benefits of halal products, in terms of hygiene, health, and quality. Consequently, the request for halal products arises, not only from Muslim consumers but also from non-Muslim consumers worldwide. In fact, according to Alqudsi (2014), the level of awareness on the consumption of halal products and halal

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