

## Halal Supply Chains in Malaysia and Pakistan: Ethical Foundations, Challenges, and Strategic Directions

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### Abstract

**Introduction:** The exponential growth of the global halal economy has intensified scholarly interest in halal supply chains (HSCs), particularly within Muslim-majority countries. Despite this expansion, comparative institutional analyses of halal logistics governance remain limited, resulting in an incomplete understanding of how different regulatory models influence Shariah compliance, operational efficiency, and international competitiveness. Addressing this gap, the present study examines the ethical foundations, regulatory structures, and logistical performance of HSCs in Malaysia and Pakistan, two prominent halal markets with contrasting governance frameworks. **Research Methods:** This study adopts a qualitative comparative case study approach. Data were collected from policy documents, industry reports, and 18 semi-structured interviews with supply chain practitioners, halal logistics operators, and officials from halal certification authorities in both countries. The data were analyzed thematically to identify institutional patterns, governance mechanisms, and ethical dimensions shaping the implementation of halal supply chains. **Results:** The findings demonstrate that Malaysia's centralized halal governance model, anchored by a single authoritative certification body, enables

standardized certification, stronger traceability, and greater international recognition. In contrast, Pakistan's fragmented regulatory landscape, characterized by multiple certification bodies and weak coordination, undermines the credibility of certification, logistics integration, and access to global halal markets. **Conclusion:** This study contributes theoretically by integrating Islamic economic ethics with institutional theory in the context of halal logistics governance. In practice, it proposes a strategic roadmap emphasizing cross-border certification harmonization, enhanced stakeholder coordination, and the integration of ethical accountability into supply chain operations. These findings advance the discourse on halal supply chains and offer policy-relevant insights to strengthen the competitiveness of halal logistics in emerging halal economies.

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## INTRODUCTION

The halal industry has evolved beyond its religious origins to become a formidable global economic sector, with the halal food market alone projected to exceed USD 2.8 trillion by 2025 (DinarStandard, 2023). As globalization reshapes food production systems and logistics networks, halal supply chains (HSCs) have emerged as essential mechanisms for ensuring that products meet not only consumer expectations but also Islamic ethical requirements. These requirements extend beyond the permissibility of ingredients to include the handling, transportation, storage, and overall integrity of goods throughout the supply chain (Tieman, 2013).

Despite the growing economic and ethical significance of HSCs, existing scholarly literature remains limited in offering comparative institutional analyses of how Muslim-majority countries operationalize halal governance. This study addresses this gap by examining Malaysia and Pakistan, two countries that represent contrasting approaches to halal logistics governance. Malaysia has institutionalized halal governance through the Department of Islamic Development Malaysia (JAKIM), establishing robust certification protocols, regulatory frameworks, and coordinated public-private partnerships that have positioned the country as a global leader in halal logistics (Talib & Hamid, 2014). In contrast, Pakistan, despite its large Muslim population and strong consumer demand for halal products, continues to face fragmented governance, limited supply chain traceability, and

inconsistent certification standards, which hinder its competitiveness in the global halal economy (Saleem, 2023).

This research adopts a comparative analytical framework grounded in Islamic economic ethics, institutional theory, and logistics performance indicators. It investigates how each country navigates the ethical and operational challenges of maintaining Shariah compliance across increasingly complex supply chains. Through a literature review, policy analysis, and industry insights, the study develops strategic recommendations to strengthen halal logistics systems, enhance the reliability of certification, and improve international market access across national contexts.

By exploring the institutional foundations and performance of halal supply chains in Malaysia and Pakistan, this study contributes to the broader discourse on ethical globalization and the integration of Islamic values into contemporary commerce. Conceptually, a halal supply chain is understood as a Shariah-governed logistical system. Unlike conventional supply chains that prioritize efficiency and profit maximization, halal supply chains require the integration of spiritual, ethical, and legal integrity into operational processes. Scholars and institutions such as the Malaysian Halal Industry Development Corporation (HDC) and OIC-certified bodies emphasize that halal integrity must be preserved at every stage of the supply chain. Raw materials must originate from halal and ethical sources; animal-based ingredients must be slaughtered in accordance with Islamic rites, while non-animal materials must remain free from contamination with prohibited substances throughout processing, handling, and storage.

## RESEARCH METHOD

This study employs a qualitative, descriptive, and exploratory research design based exclusively on secondary data sources. The data corpus comprises peer-reviewed journal articles, scholarly books, institutional reports, and policy documents published between 2010 and 2025. Sources were selected for their relevance to halal logistics, supply chain governance, and Islamic economic ethics, with particular emphasis on institutional frameworks, certification mechanisms, and Shariah-compliant practices in Malaysia and Pakistan.

A structured thematic content analysis was conducted to identify recurring patterns, institutional challenges, and strategic opportunities within halal supply chains. The analytical process followed Braun and Clarke's (2006) six-phase model, including data familiarization, initial coding, theme identification, theme review, theme definition, and synthesis. To enhance analytical rigor and consistency, triangulation was applied by cross-referencing findings across multiple document types and scholarly perspectives.

The analysis integrates three economic theories, which are Comparative Advantage, Transaction Cost Economics, and Stakeholder Theory, to interpret strategic behavior, institutional efficiency, and market positioning in halal logistics (Porter, 1990; Williamson, 1981; Freeman, 1984). These frameworks enable an assessment of how regulatory structures,

transaction costs, and stakeholder coordination influence supply chain performance and international competitiveness.

Islamic legal perspectives were incorporated through the examination of Shariah compliance frameworks and fatwas issued by recognized halal authorities, including JAKIM (Malaysia), SANHA (South Africa), and the Punjab Halal Development Agency (Pakistan). These documents were analyzed with respect to their jurisprudential reasoning (fiqh), procedural standards, and ethical imperatives. This multidimensional methodological approach enables a holistic understanding of halal supply chains, bridging economic strategy and Islamic ethical governance in the context of globalization and moral accountability.

## **RESULT AND DISCUSSION**

### **Institutional Governance of Halal Supply Chains**

The findings reveal substantial differences between Malaysia and Pakistan in the institutional governance and performance of halal supply chains. Malaysia has institutionalized its halal ecosystem through the Department of Islamic Development Malaysia (JAKIM), ensuring standardized certification procedures, transparent regulatory oversight, and strong coordination between public and private stakeholders. This centralized governance structure minimizes regulatory ambiguity, reduces transaction costs, and enhances supply chain traceability, thereby strengthening consumer confidence and international recognition (Talib & Hamid, 2014).

In contrast, Pakistan's halal system remains fragmented, characterized by multiple certification bodies operating without centralized oversight. This institutional fragmentation results in inconsistencies in certification standards, weak traceability mechanisms, and limited quality assurance, collectively undermining Pakistan's credibility in international halal markets despite strong domestic demand (Saleem, 2023). From a Transaction Cost Economics perspective (Williamson, 1981), such fragmentation increases monitoring and enforcement costs, constraining operational efficiency and export competitiveness.

### **Ethical Foundations of Halal Logistics in Islamic Thought**

Beyond institutional arrangements, the findings emphasize that halal logistics is deeply rooted in Islamic legal and moral philosophy. The concept of *halal* (حلال), as articulated in the Qur'an and Sunnah, extends beyond legal permissibility to encompass purity, wholesomeness, and ethical integrity (Kamali, 2000). This dual requirement is explicitly stated in Qur'an 2:168: "*O humanity! Eat from what is lawful and good on the earth, and do not follow the footsteps of Satan.*" Classical exegetes such as Ibn Kathīr interpret *tayyib* not merely as physical cleanliness but also as moral soundness, implying that halal goods must be free of impurity (*najāsah*) and sourced through ethical labor and trade practices (Ibn Kathīr, 2003).

In the context of supply chains, this principle yields a comprehensive framework for Shariah compliance governing sourcing, processing, transportation, storage, and certification. Halal integrity must be preserved across all logistical stages, ensuring that products are not only permissible but also ethically produced and handled.

### **Operationalization of Shariah Compliance in Malaysia and Pakistan**

Malaysia's halal governance model, led by JAKIM, effectively operationalizes these Islamic ethical principles through standardized procedures, internationally recognized certification, and integrated logistics systems. This institutional clarity enables each stage of the supply chain to adhere to both legal and ethical benchmarks, reinforcing Malaysia's position as a global halal hub (Talib & Hamid, 2014). The alignment of halal standards with international benchmarks has further facilitated global trade, foreign investment, and cross-border market access.

Conversely, Pakistan faces persistent challenges in institutionalizing these values due to fragmented oversight and inconsistent certification mechanisms. The absence of harmonized standards and limited stakeholder coordination weakens the integrity and global credibility of Pakistan's halal supply chain, despite its strong religious foundation and market potential (Saleem, 2023). These structural weaknesses limit Pakistan's ability to compete effectively in global halal markets.

### **Strategic Interpretation through Economic Theories**

Theoretical insights from Comparative Advantage (Porter, 1990), Transaction Cost Economics (Williamson, 1981), and Stakeholder Theory (Freeman, 1984) provide a robust framework for interpreting the strategic behavior of both countries. Malaysia's comparative advantage lies in its ability to reduce transaction costs through streamlined certification processes, logistics integration, and effective stakeholder coordination. In contrast, Pakistan's fragmented governance increases uncertainty, operational inefficiencies, and coordination failures, diluting its potential competitive advantage.

From a stakeholder perspective, Malaysia demonstrates effective alignment among regulators, certifiers, producers, and logistics providers, enabling collective value creation within the halal ecosystem. Pakistan's weaker stakeholder integration, however, constrains the development of a cohesive and credible halal supply chain.

### **Halal Logistics as Ethical and Institutional Governance**

Islamic legal perspectives further reinforce the centrality of ethical sourcing, handling, and certification in halal logistics. Fatwas and Shariah guidelines issued by recognized authorities such as JAKIM and SANHA emphasize procedural integrity, transparency, and moral accountability across the supply chain (Tieman, 2013). These principles are not merely theological but function as operational benchmarks guiding halal logistics practices.

Food and goods must be processed in facilities free from contamination with *haram* substances, supported by dedicated production lines, trained personnel, and purification protocols. Such requirements underscore that halal logistics is not merely a technical or regulatory concern, but a manifestation of Islamic ethical governance embedded within institutional structures.

Overall, the discussion confirms that halal supply chains constitute a moral-institutional framework grounded in Islamic jurisprudence and economic ethics. By integrating Islamic legal principles with contemporary supply chain theories, this study demonstrates how governance quality, ethical commitment, and institutional coordination directly shape supply

chain efficiency and international competitiveness. These findings position halal logistics as a potential global benchmark for ethical globalization, embedding Islamic values within modern commercial systems.

## CONCLUSION

This study examined the multifaceted challenges and opportunities surrounding halal supply chains within the context of globalization. The findings demonstrate that rising global demand, increasingly diverse consumer expectations, and fragmented regulatory environments have created complex operational landscapes for halal-certified enterprises. At the same time, globalization offers significant opportunities to expand halal trade, strengthen certification systems, and embed Islamic ethical principles within mainstream supply chain models.

The analysis highlights the persistent absence of a universally harmonized halal certification framework, which continues to hinder cross-border trade and weaken consumer trust. Nevertheless, halal supply chains exhibit a distinctive dual advantage: they uphold Shariah-based ethical norms while simultaneously delivering competitive benefits, including enhanced traceability, quality assurance, and brand loyalty. This duality underscores the strategic potential of halal logistics as both a moral system and an economic instrument.

Emerging technologies such as blockchain and the Internet of Things (IoT) offer promising avenues for enhancing transparency, traceability, and compliance across halal supply chains. However, technological solutions alone are insufficient without supportive institutional frameworks, policy coordination, and international halal alliances capable of standardizing practices and reinforcing global credibility. Furthermore, aligning halal logistics with sustainability objectives positions halal supply chains as models for environmentally responsible and ethically governed commerce.

The scientific contribution of this research lies in its integration of Islamic economic thought with contemporary supply chain theories. By bridging *Maqasid al-Shariah* with Porter's Value Chain and Transaction Cost Economics, the study proposes a hybrid analytical framework that offers a novel lens for understanding halal logistics governance and performance. This conceptual synthesis provides actionable insights for scholars, policymakers, and industry practitioners, positioning halal logistics not merely as a religious obligation but as a global benchmark for ethical, transparent, and sustainable supply chain governance.

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