

Huge potential for SMEs in halal industry

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By The Star online

Dec 24, 2008 - 6:29:37 PM

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Huge potential for SMEs in halal industry

BY DALJIT DHESE

THE global *halal* industry is huge and worth US\$500bil to US\$2 trillion. Its potential can be gauged by the rising Muslim population, coupled by the surge in demand for *halal* products and services worldwide.

The global Muslim population is about 1.8 billion and expected to hit close to three billion by 2010.

Realising the importance of the industry, the Government has embarked on various initiatives to transform Malaysia into a major global *halal* hub.

The country's credence has further strengthened following the recognition by the Organisation of the Islamic Conference (OIC) on the nation's *halal* certification.

The Government hopes the OIC recognition could act as a key enabler to encourage more businesses to go *halal*.

Since its formation in 2006, the country's Halal Industry Development Corp (HDC) had made significant strides towards developing the domestic *halal* market.

This include the formulation of the Halal Industry Master Plan, which is a holistic and wide-ranging policy that seeks to establish Malaysia as a global reference centre for *halal* integrity and a global hub for both production and trade in *halal*-related sectors.

One of HDC's roles as part of the master plan is to ensure an integrated and comprehensive development of the local *halal* industry throughout the entire value chain.

Halal is an Arabic term meaning "permissible" and, in its strictest form, means that items consumed or activities undertaken must conform to the parameters set by the Quran and Sunnah.



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As the dynamic industry evolves and does not restrict to only food, many corporations and small and medium enterprises (SMEs) had lately shown great interest in this area.

To fuel the growth of SMEs, the Government in collaboration with Bank Negara had introduced a myriad of incentives.

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[Asia](#)

[Europe](#)

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[The Americas](#)

[Oceania](#)

[Halal Integrity](#)

[Meat & Poultry](#)

[Food Manufacturing](#)

[Ingredients](#)

[Pharmaceuticals](#)

[Personal care](#)

[Logistics](#)

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It recently launched two financing facilities of up to RM1.2bil to help SMEs cope with the impact of higher costs.

The RM700mil SME Assistance Facility and the SME Modernisation Facility, with an allocation of RM500mil, are expected to help SMEs ride through the current higher food and raw material prices.

HDC said one of the main problems facing this industry was capacity and advised SMEs to consolidate for easier access to financing.

It also urged Islamic financial institutions to play a bigger role in providing financing to the *halal* industry.

HSBC Bank Malaysia Bhd director for SMEs, insurance and investment, Peter Cheah, said the bank was supportive of the Government's move to develop Malaysia as a global *halal* hub.

He said the bank strongly encourage its SME clients to achieve *halal* certification where their products are indirectly or directly associated in the *halal* industry supply chain.

"We have clients in the food manufacturing and export industry and several are *halal*-certified. Our services with these clients range from financing and cash management to trade services, in which we have facilitated many of their exports, particularly to the Middle East.

"We are supportive of customers who seek accreditation to validate their products as we know these certification adds credibility, " he said.

Certifications include ISO (International Organisation for Standardisation) for standardised manufacturing processes, FSC (Forestry Stewardship Council) for forest products processing and HACCP (Hazard Analysis and Critical Control Points) for food processing.

Halal certification for food products is a certification that is not entirely dissimilar, in that the accreditation sets the benchmark by which Muslims in the world today can consume a food product with confidence.

Therefore, SMEs in the food industry should consider *halal* accreditation if their products are certifiable because this would prepare them well for the future as Malaysia aims to be a global *halal* hub.

To this end, HSBC has a complete range of Islamic banking products as well as a *takaful* insurance company (HSBC Amanah Takaful Sdn Bhd) that could take care of its customers' needs.

Cheah noted that HSBC had acquired a full fledge Islamic bank licence in Malaysia and would soon have a complete Islamic banking proposition to meet the business needs of a *halal* food producer.

HSBC has the full suite of Islamic financing assistance for customers wishing to have their own business premises as well as hire-purchase and leasing solutions for their machines.

The bank also has *takaful* products to ensure that the assets are protected from some uncertainties in life.

Working capital funding may often be necessary and HSBC has Islamic products like Amanah Bankers Acceptance and Islamic overdrafts.

"While financing is an important reason for choosing the right bank, we feel that SMEs need to pay attention to managing their cash flows efficiently. When they are engaged in international trade, choosing the right bank can help them in risk management.

"Banks that have a comprehensive solution in cash management for SMEs and are internationally represented for their provision of trade services should be highly considered. HSBC fits the bill on both counts," said Cheah.

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