

The Efficiency of Halal Processed Food Industry in Malaysia

Mohd Ali Mohd Noor (Corresponding author)
Faculty of Economics and Management, Universiti Kebangsaan Malaysia,
43600 Bangi, Selangor, Malaysia
Tel: +603-89215606 E-mail: ali@ukm.edu.my

Mohammed Rizki Moi
Faculty of Economics and Management, Universiti Kebangsaan Malaysia,
43600 Bangi, Selangor, Malaysia
&
Faculty of Management and Muamalah, International Islamic University College Selangor,
KUIS, Bandar Seri Putra, 43000 Kajang, Selangor, Malaysia
Tel: +603-89215733 E-mail: rizkiukm@gmail.com

Radiyah Abdul Kader
Faculty of Economics and Administration, University of Malaya, 50603
Kuala Lumpur, Malaysia
Tel: +603-79673654 E-mail: radiah@um.edu.my

Abstract

Efficiency is indispensable for an industry to ensure cost reduction and profit maximization. It also helps the industry to be competitive and remain in the market. In 2010, Malaysia aims to be the world halal hub. The hub should capture at least five percent of the world halal market with at least 10,000 exporting firms. However the hub failed due to the small number of firms efficiency that finally contribute to less number of firms export. Thus, this study aimed to measure the efficiency of halal processed food industry in Malaysia using Data Envelopment Analysis (DEA). Input variables used were local raw inputs, labour, and monetary assets of halal food industry in Malaysia. Meanwhile the output used was the total sales revenue of the halal industry in Malaysia. The study shows that very few industries are efficient in each category led by meat, dairy, cordials and juices, marine products, food crops, and grains industry. Therefore, the government needs to emphasize on industry's efficiency to be competitive and be the world halal hub in the future.

Keywords: DEA, Efficiency; Halal food industry, Processed food

References

- Brown, J. D., & Earle, J. S. (2000). Competition and firm performance: Lessons from Russia. Working paper of Stockholm Institute of Transition Economics. Stockholm School of Economics, Stockholm, 1-33.
- Charnes, A., Cooper, W.W. & Rhodes, E. (1978). Measuring the efficiency of decision making units. *European Journal of Operational Research*, 2, 429-444.
- Charnes, A., & Cooper, W. W. (1984). Preface to topics in data envelopment analysis. *Annals of Operation Research*, 2, 59-94.

Cook, W. D., & Zhu, J. (2006). Modeling performance measurement: applications and implementation issues in DEA (Vol. 566). Springer Science & Business Media.

Cooper, W. W., & Lovell, C. A. K. (2000). New approach to measure of efficiency in DEA: An introduction. *Journal of Productivity Analysis*, 13(2):81-91.

Farrell, M. J. (1957). The measurement of productive efficiency. *Journal of the Royal Statistical Society. Series A (General)*, 253-290.

Halal Development Corporation (HDC). (2010). Halal Industry. www.hdc.com.my.

Idris, N. A., Shahdan, F., Bakar, N. A., Dan, A. R., & Noor, M. A. M (2007). Malaysia ke arah hab makanan halal dunia. Dewan Bahasa dan Pustaka (DBP), Kuala Lumpur.

Ismail, M. M., & Radam, A. (2004). Competitiveness of the Malaysian food processing industry. Universiti Putra Malaysia Press.

Nickell, S. J. (1996). Competition and corporate performance. *Journal of political economy*, 104, 724-746.

Noor, Z. M., & Ismail, R. (2007). Analisis kecekapan teknik dalam industri skel kecil dan sederhana di Malaysia. *International Journal of Management Studies*, 14 (1): 199-217.

Norman, M., & Stoker, B. (1991). *Data Envelopment Analysis*. John Wiley & Sons, England

Raziah, M. L. (2003). Penilaian kecekapan firma pemprosesan produk makanan berasaskan ikan di Malaysia, 1996-1998. *Journal of Tropical Agriculture and Food Science*, 31 (2): 273.

SMECORP. (2010). Laporan tahunan EKS. <http://www.smidec.gov.my/access>.

Sungkar, I. (2004). Beyond our borders: Export opportunities in the Middle East, Japan and Hong Kong. In MEATEC Forum, Livestock Asia Exhibition, Serdang, Malaysia.

Tavares, G. (2003). A bibliography of data envelopment analysis (1978-2001). Rutcor Research Report. New Jersey, USA: Rutgers Center for Operations Research, Rutgers University.

Webster, R., Kennedy, S., & Johnson, L. (1998). Comparing technique for measuring the efficiency and the productivity of Australian private hospitals. *Working Papers in Econometrics and Applied Statistics No 98/3*. Australian Bureau of Statistics. 1-60.