The Efficiency of Halal Processed Food Industry in Malaysia

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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

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