The global halal economy and the Islamic finance industry are natural economic partners, but are far from fulfilling their combined potential for a holistic Islamic economy. Islamic finance can capitalise on the rapid growth of halal industries, such as food, clothing, finance and tourism, to ensure end-to-end Shariah compliance in halal operations. Huge opportunities exist in the provision of funding options for trade financing, working capital, raw materials, asset financing, as well as raising capital to fund expenditure; not only through Islamic banking solutions but also through Shariah-compliant crowd-funding, venture capital financing and private equity funding.
Global halal economy: Unlocking new business opportunities for the world’s Islamic finance industry

The global halal economy was valued at approximately USD3.2tn in 2012 and this sector is forecasted to double to USD6.4tn by the year 2018. Driving this tremendous growth is a combination of demand and supply factors that are spearheading the market expansion of the halal products and services. The halal industry operates across a number of sectors including food, clothing, finance and tourism. The industry’s footprint extends beyond the Organisation of Islamic Cooperation (OIC) countries and has a sizeable presence in other jurisdictions such as the United Kingdom, Brazil, the United States of America and Thailand.

Over the years, there is a growing awareness on the need for utilising Shariah-compliant financial services by the suppliers of halal products and services. This ensures an end-to-end Shariah compliance in the suppliers’ operations while providing them with alternative and ethical funding options. In this regard, the Islamic financial institutions have abundant opportunities to unlock new business potentials by catering to the financial needs of the halal economy stakeholders. Recent progresses and efforts to support the halal industry have included provision of Shariah-compliant trade financing solutions, working capital, raw materials and asset financing products, as well as raising capital to fund expenditure through for e.g. sukuk in the Islamic capital markets. This insights report explores upon the growth determinants and prospects of the global halal economy and the value propositions Islamic finance offers to support businesses in the world halal industry.

Global Halal Economy: “Expanding Market Penetration”
The global halal economy comprises businesses whose operations comply with the principles of Shariah. In spite of the word halal being associated with the religion of Islam, a halal economy ultimately benefits the entire global community. Most of the founding principles of a Shariah-compliant economy are naturally aligned with the universally recognised values of ethics and sustainability. As a result, Islamic values have a universal appeal making many halal products and services equally attractive to non-Muslim consumers, particularly in the light of current global sentiments where the demand for ethical and socially-conscious product offerings are on the rise. The global halal products and services ecosystem encompasses various inter-related industries that may be clustered into four major groups, namely: food, travel, lifestyle and finance.


www.mifc.com | 1
The global halal segment is rapidly entrenching further in the world economy driven by a number of demand and supply factors. From the demand side, a fast expanding Muslim population combined with growing wealth in the Muslim-dominated economies are the main growth drivers spearheading the increased demand for Shariah-compliant products and services. As per latest statistics from Pew Research, Muslims are forecasted to comprise of 26.4% of the world’s total projected population of 8.3bn by 2030 (2010F: 23.4%). Alongside the population growth, real GDP growth rates in the regions of Middle East and North Africa (MENA), Asia and Sub-Saharan Africa (SSA) which are home to large Muslim populations, are expected to range between 4.5% and 6.7% during the years 2014 and 2015². These growth rates are above the forecasted world average growth rates of 3.4% and 4.0% in 2014 and 2015 respectively. Furthermore, the group of OIC countries collectively are forecasted to record an average annual GDP growth rate of 6.3% during the 2013-2018 period which compares with the lower global forecasted average annual GDP growth of 5.3% during the same period³.

² World Bank, KFH Research
³ Ibid
From the supply side, the global halal industry is attracting key multinational players into joining the industry, driven by the tremendous business prospects available. In the last few years, world’s major brands in the food industry now provide halal certified products in both OIC and non-OIC countries, for e.g. halal fast food outlets in Western countries. A growing number of non-OIC countries are also now supplying halal tourism services which include halal meals, prayer breaks and other services in package tours. In addition, trade relations of the OIC countries (amongst which several are gradually being upgraded to emerging markets status) with non-member countries is burgeoning, which in turn makes Muslim markets as lucrative international export destinations. For instance, European Union (EU) is currently the GCC’s largest trading partner with nearly 13.5% of GCC’s global trade taking place with the EU as at end-2012\(^4\). Similarly, EU is the Association of South East Asian Nations (ASEAN’s) second largest trading partner while ASEAN itself represents the EU’s third largest trading partner outside Europe\(^5\). As such, several non-OIC countries including the United Kingdom, New Zealand, Brazil, Thailand, Canada and the United States of America have sizeable halal business sectors in their jurisdictions.

\(^4\) Eurostat, KFH Research
\(^5\) ASEAN, European Commission, KFH Research
Global Halal Food Business Hot Spots

- **About CND4.4bln worth of Canadian food** is exported to key halal markets (e.g. the UAE, Pakistan, Bangladesh, Indonesia and Saudi Arabia)
- **The US halal market** is estimated at USD17.6bln
- **Brazil** is the world’s second top exporter of meat and poultry to Muslim-majority countries after the US
- **The UK halal food imports** are valued at about GBP88bln per annum. Amongst top EU exporters are Netherlands, Ireland, France, Germany and Spain
- **The GCC**: At least USD683bln out of USD685bln of halal food business is attributable to GCC countries
- **China** is expected to become the net importer of food products, including halal F&B, in the next decade or by 2015
- **Malaysia**: Halal exports in 2013 were more than USD10bln. Export destinations: China, the US, Netherlands, Japan, Australia, etc.
- **New Zealand’s** largest halal exports are lamb, beef, dairy products and financial services concentrated in China, Taiwan, Japan and Korea
- **Thailand**: Exported goods worth USD1.6bln in 2012 to Indonesia, Malaysia, Nigeria, Iraq, Iran, Bangladesh, etc.

**Malaysia’s Halal Industry: Unrivalled Potential**

Malaysia has aspirations to become a global hub for the production and trade of Halal products and services, as outlined in the 2006 Third Industrial Master Plan (IMP3). In this regard, it has achieved substantial progress forward and is currently regarded as a global leader in the halal industry with its range of Halal certified products going beyond the food business and including sectors ranging from clothing to tourism, medicines to cosmetics and body treatments. The country is a leading exporter of various halal goods. As per latest statistics available, Malaysia’s exports of halal products totalled MYR35.4bln, more than double the MYR15.2bln value in 2010 and representing nearly 5.1% of the country’s total exports.

**Malaysia: Halal Exports by Product (2013)**

- **Food and Beverages (41%)**
- **Ingredients (33%)**
- **Palm Oil Derivatives (15%)**
- **Cosmetics (6%)**
- **Industrial Chemicals (5%)**

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6 HIDC  
7 HIDC, MIDA
Malaysia’s stride into the halal industry started as early as 1974 when the Research Centre for the Islamic Affairs Division in the Prime Minister’s Office started to issue halal certification letters for products that met the halal criteria. Subsequently in the year 2000, Malaysia issued comprehensive halal standards which was an important milestone globally with these standards being the first documented and systematic halal assurance system. Realising the vast economic potential of the halal industry, a developmental agency named the Halal Industry Development Corporation (HDC) was also formed under the Ministry of International Trade and Industry (MITI) in 2008. The agency is tasked to develop Malaysia’s industrial capacity and bring in foreign direct investment (FDI) into the country.

Given the rapid pace of growth in the sector, the country amended its Trade Description Act in 2011 which gives the Department of Islamic Development Malaysia (JAKIM), the world’s first halal certification body responsible for monitoring the halal industry, a much stronger mandate to regulate the halal industry.

Overall, the expenditure of Muslim consumers on halal products and services was worth USD1.62tn in 2012 and this figure is expected to increase to USD2.47tn by the year 2018. Including the Islamic finance industry’s assets, the global halal economy is valued cumulatively as USD3.2tn by the year 2012 while being forecasted to double to USD6.4tn by 2018. Among the various sectors, the halal food business is estimated to be worth more than USD1tn in 2012, followed by the Islamic clothing sector (worth USD224bln) and the halal tourism industry (worth USD137bln) in 2012. Each of these sectors is forecasted to expand to USD1.6tn, USD322bln and USD181bln respectively by the year 2018.

Global Halal Economy by Sectors (2012 and 2018F)

![Bar chart showing global halal economy by sectors]

*Based on totals of expenditure of Muslim consumers & Islamic finance assets

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8 State of the Global Islamic Economy (2013)  
9 KFH Research (2014)  
11 ibid
## Recent Global Halal Industry Developments

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>The Brunei Government is aiming to expand its halal food sales to ethical consumers beyond the spectrum of Muslims. In this regard, the Sultanate recently signed a memorandum of understanding with the Guangxi Zhuang Autonomous Region of People’s Republic of China to create a halal food processing and distribution base. The Brunei authorities wish to leverage upon their halal certification standards which ensure high food quality and not just animal welfare but also the health and goodness of the product. Bearing such considerations, Brunei aims to become a key player in the global halal food industry tapping not only a Muslim customer base but also the ethical consumers from all walks of life.</td>
</tr>
<tr>
<td>Italy</td>
<td>The World Halal Food Council (WHFC) earlier this year held a meeting in Rome, Italy during 26th to 30th March which gathered together representatives of the 57 Islamic states of the OIC for the first time in Italy. The event was organised by the Italian section of the Halal International Authority (HIA) and the agenda included potentials for Italy to become the hub of the halal market in the Mediterranean region. As such, with ambition to develop an ‘Italy Halal Hub’, the prospects for Islamic finance in serving this market in Europe and in Italy in particular are magnified.</td>
</tr>
<tr>
<td>Japan</td>
<td>Japan has ambitions to increase its halal industry involvement by expanding upon its halal food exports to Southeast Asia and the Middle East as well as by stepping up its Muslim-friendly hospitality facilities in the country as means to grow Muslim tourism. According to the Japanese External Trade Organisation, large multinational Japanese food companies are expanding their product range with halal products, and some firms are also interested in entering other halal sectors such as pharmaceuticals, cosmetics and Islamic finance. The whole process is duly supported by institutions such as the Halal Development Foundation of Japan and the Japan Halal Association. An inaugural Japan Halal Summit was also held this year in Tokyo between August 4th and 6th where it was announced the respective halal bodies were working together to create one single Japanese halal standard that should be accepted in every Muslim tourism country in the future. It is estimated that Muslim visitors to Japan could reach one million in the year 2020, more than triple the 2013 level, according to a forecast by Singapore-based CrescentRating, an organisation promoting global halal travel.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>A draft for setting up a ‘Pakistan Halal Food Authority’ is set to be tabled soon in the Pakistani parliament for approval. The draft, which has been prepared by the Pakistani Ministry of Science and Technology in consultation with Ministry of Commerce and other relevant organisations, intends to resolve the issue of certification of Pakistani halal food products and provide a new growth impetus for Pakistan’s halal sector. The announcement was made in August this year by the Pakistani Federal Minister for Commerce, Engr. Khurram Dastgir Khan, who believes that the Pakistani halal industry has great potentials to enhance exports of its halal products to the Muslim countries globally, particularly to the Middle East.</td>
</tr>
<tr>
<td>Spain</td>
<td>The inaugural Halal Tourism Conference 2014 was held in Andalucia, Spain on the 22nd and 23rd of September this year. The international event attracted more than 300 delegates from the world’s tourism industry together to discuss the opportunities and challenges that halal tourism presents. The delegates represented every level of the industry from tourism boards, hotel groups, tour operators and tourism marketers from countries such as Saudi Arabia, Indonesia, Malaysia, Singapore, UAE, Turkey, France and the UK. The two-day event featured seminars from industry experts, workshops, networking sessions and an exhibition. More significantly, the ‘Muslim Travel Index Europe 2014’ was launched in this conference which uses travel research from residents of Saudi Arabia, the United Arab Emirates and Malaysia. The Travel Index Europe 2014 looks at the attitudes and behaviour of majority Muslim populations to tourism in the future and their experiences of countries they have already visited in Europe.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thailand has recently held the ‘Five Southern Border Provinces Halal Expo 2014’ with the purpose of promoting and supporting halal business in the country’s five southern provinces where more than eighty percent of the local population is Muslim. The event which kick-started on 19th September saw participants from both local and regional economies, such Malaysia, Singapore and Indonesia, feature exhibitions and booths promoting halal food and products. Thailand is currently one of the largest manufacturer of halal processed foods.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>A multi-million pounds (GBP) halal factory and business hub is on the cards to be set up in Humber, Northeast England with the efforts to be supported by Malaysia. Humber’s Local Enterprise Partnership (LEP) and North East Lincolnshire Council have agreed a memorandum of understanding with the Malaysian Government to explore new market opportunities. Based on this partnership, Malaysia’s Penang State Department for halal industries will work together with the local English councils to develop a business park for producing halal meat. The memorandum sets out how its three signatories can support each other in providing economic benefits. The MoU will also see extra help for East Yorkshire businesses looking to trade in Malaysia.</td>
</tr>
</tbody>
</table>

Source: Various, KFH Research Limited
Financial Management in the Halal Industry: “Opportunities for Islamic finance to gain market share”

In order to achieve the spirit of a holistic halal economy that is ethical and sustainable, it is essential to ensure that Shariah compliance prevails in the entire product/service supply chain of an organisation for the brand integrity and Islamic investing purposes. Several companies whose core product is halal, for e.g. food products businesses, might be classified as non-compliant by Shariah screening bodies for investment purposes due to the presence of conventional financing in the company’s financial books. World’s major Islamic financial index providers including the Dow Jones Islamic Index Series, FTSE Shariah Index Series and also the Securities Commission Malaysia Shariah Compliant Indices, incorporate a financial ratio benchmark to screen out companies for Shariah non-compliance due to usage of conventional financing facilities which are prohibited. As such, the availability and provision of Islamic financial solutions is of utmost importance to halal companies to support their daily operations and achieve a Shariah-compliant certificate.

In this regard, Islamic financial institutions have a promising opportunity to encourage companies, whose core businesses are halal, to utilise Islamic financing facilities and achieve a wholly Shariah-compliant status. Companies in the halal industry, like any other business, have various financial needs including trade finance, risk management / hedging products, capital expenditure funds, liquidity management, working capital needs, and other corporate financial solutions. Islamic finance is an obvious conduit for channelling surplus funds into productive investments found throughout the value chain within the halal economy. The relationship between Islamic finance and halal industries is mutually beneficial:

For halal industries, Shariah-compliant financing completes their operational integrity and unlocks new sources of ethical and economically viable funding.

For Islamic finance, Shariah-compliant companies get enlisted on the ethical indices series which are widely sought after as alternative asset classes for investments in the world markets.
Given the mutually beneficial relationship between the halal industry and Islamic finance, Islamic financial institutions are presented with an opportunity to target companies in the halal sector and provide them with Shariah-compliant financial solutions which can further expand the asset base and outreach of the global Islamic finance industry. Some progress has been made in recent years where Islamic finance has been utilised to meet the various financing needs of the companies in the halal industry.

**Funding Halal Economy through Islamic Finance: “Viable Alternative”**

The Islamic finance industry offers a comprehensive products ecosystem that serves to address the financial needs of various types of clientele. Starting with only basic banking services in the 80s and 90s, the industry is now a holistic financial sector and its offerings include Shariah-compliant capital markets and insurance products, in addition to full-fledged banking services. Strong growth rates have been recorded across all the sectors of the Islamic finance industry in the last many years. In recent years, firms in the halal industry have also tapped the Islamic financial markets to meet their various financial needs. Among the various types of stakeholders that utilise Islamic financing solutions include sovereigns, other governmental organisations, large firms, SMEs, households and individuals.

### Common Financing Needs of Companies

Source: KFH Research
Funding Working Capital and Risk Management Needs: Islamic Banking Propositions

The world halal industry is a globalised and cross-border business sector. As such, halal firms are heavily involved in international trade, particularly those operating out of non-OIC countries and who export to cater to the markets which are home to large Muslim population. In this process, halal firms are in critical need of three financing lines:

1. **Working Capital Financing**: This involves providing funds to support day-to-day operations and inventory needs of halal firms. Islamic banks can offer working capital facilities through murabaha (cost plus financing) or istisna (pre-agreed manufacturing or production deals).

2. **Trade Finance**: Halal businesses often require short-term loans to finance the purchase of raw materials, transportation costs, and other expenses related to trade transactions. Islamic financing instruments such as letter of credit (LC) and Islamic factoring can be provided to address these needs.

3. **Project Finance**: Large-scale projects in the halal sector may require long-term financing. Islamic banks can offer project financing solutions through term sheets or structured products that align with Islamic principles.

By offering these financing lines, Islamic banks can support the growth and expansion of the global halal economy, ensuring that halal firms have the necessary resources to compete effectively in the international market.
1. Trade financing to support international trading activities;
2. Risk management products to hedge international exposures; and
3. Working capital to help with the raw materials and other processing expenditures.

Despite the tremendous convergence between the halal industry’s offerings and Islamic banks, there appears to be gaps in supporting a holistic Islamic economy with Islamic financial solutions. As an example, in 2012 nearly USD4tn worth of trade financing products were utilised to support trade just between the OIC countries (intra-OIC); however in the same year the value of global Shariah-compliant trade financing solutions was a mere USD250bln\(^2\).

**Trade financing in the OIC / Potentials for Islamic trade finance**


Therefore, Islamic banking institutions have tremendous opportunities moving forward to cater to the varying financial needs of the world’s halal firms. In particular, developing and marketing economically viable Shariah-compliant trade financing, risk management and working capital solutions are the key segments which Islamic banks have opportunities to penetrate into and expand upon.

**Funding Capital and Refinancing Needs: Islamic Capital Market Propositions**

In recent years, firms in the halal industry have also tapped the Islamic capital markets to meet their financial needs. Here, sukuk is playing a crucial role as a financing tool utilised by large and medium-sized firms in the halal industry to finance their general corporate purposes, specific project financing, investment programmes and debt refinancing. The sukuk market has been penetrated by halal industry players from different operating backgrounds ranging from food manufacturing, processing, finance and insurance, textile / garments, tourism and pharmaceuticals. To date, more than USD5bln in capital has been raised through sukuk by approximately 40 issuers originating from the halal industry\(^1\). For example, Saudi-based halal food and beverages manufacturer Al-Marai has tapped the sukuk market three times to date since 2012, raising more than USD1bln in proceeds. Moving forward, the full potential of sukuk financing in support of halal businesses is yet to be realised and the trend is likely to accelerate as the global halal industry expands.

**Common Islamic Trade Finance Products in the Market**

<table>
<thead>
<tr>
<th>Import Financing</th>
<th>Export Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Documentary Credit</td>
<td>• Inward Letter of Credit</td>
</tr>
<tr>
<td>• Wakalah</td>
<td>• Islamic Factoring</td>
</tr>
<tr>
<td>• Murabahah</td>
<td>• Islamic Bankers Acceptance</td>
</tr>
<tr>
<td>• Musharakah</td>
<td>• Islamic Export Credit Re-financing (pre-shipment)</td>
</tr>
<tr>
<td>• Murabahah Working Capital</td>
<td>• Islamic Export Credit Re-financing (post-shipment)</td>
</tr>
<tr>
<td>• Islamic Bankers Acceptance</td>
<td>• Accepted Bills-i</td>
</tr>
<tr>
<td>• Foreign Inward Bills for collection (FIBC-i)</td>
<td>• Foreign Onward Bills for collection-i</td>
</tr>
<tr>
<td>• Domestic Inward Bills for collection (DIBC-i)</td>
<td>• Domestic Onward Bills for collection-i</td>
</tr>
<tr>
<td></td>
<td>• Debt Trading Working Capital Financing</td>
</tr>
</tbody>
</table>


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\(^1\) Global Islamic Trade Finance Report – KFH Research (2013)

\(^2\) KFH Research Database / Note: Limited to issuers from the following six sectors – Food manufacturing, agricultural manufacturing, textiles/garments manufacturing, retail manufacturing, tourism and pharmaceuticals.
In addition to sukuk, funding may also be raised by halal firms through public listings on the Shariah-compliant equity markets. Islamic indices and listings exist today in all major Islamic finance jurisdictions, as well as in Australia, India, the Philippines, South Africa and the United Kingdom, among others. Public listing of halal companies at a stock exchange can bring benefits in the form of enhanced status and financial standing of the listed firm while generating increased public awareness and interest in the firm’s offerings. Moreover, in addition to providing an additional fund raising source, Shariah-compliant listing is also beneficial for halal firms because of the growing global demand for ethical as well as emerging market (or alternative) investments.

Funding SMEs and Start-ups: Feasibility of Shariah-compliant Solutions

In the OIC countries, there are on average 53 micro, small and medium-sized enterprises (MSMEs) per 1,000 people, more than double the world average of 25\(^4\). However, financing is often a major obstacle in the operations of SMEs, restricting their investing capacity, reducing their liquidity and diminishing their contribution towards employment creation. Similarly, halal firms belonging to the category of MSMEs, are likely to face similar restrictions, in addition to facing hurdles in obtaining Shariah-compliant financing. To address this, the concepts of Shariah-compliant crowd-funding, venture capital financing and private equity funding are being proposed as solutions to address the financial crunch faced by SMEs and start-ups.

- **Crowd-funding**
  
  Crowd-funding is fast becoming an attractive alternative to traditional bank financing for a growing number of start-ups and SMEs around the world. In crowd-funding, individual investors contribute financing to an enterprise in exchange for private company shares (equity based crowd-funding) or returns on the financing (credit based crowd-funding), hence complementing conventional seed capital. Crowd-funding is generally popular among the youth and new budding entrepreneurs globally who might not readily have access to banking finance channels. As such, crowd-funding has tremendous potentials in the OIC since the population pyramid in this group of countries is densely concentrated at the bottom age-groups.

### Age Structure in the Muslim majority countries

Source: Pew Research Center (2011)

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>2010</th>
<th>2030F</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The concept of crowd-funding fits in well with Islamic finance as the nature of this financing mechanism is participatory which corresponds to the Islamic finance emphasis on risk-sharing. There has already been a precedent and the world’s first Shariah-compliant crowd-funding platform was formed in 2012, with the stated aim of “bridging the gap between microfinance and big venture capital while prioritising ethics”. Moving forward, it is recommended to bring the Shariah-compliant crowd-funding market under a formal purview of the authorities and regulators. Along these lines and in a promising step forward, the Securities Commission Malaysia on 21st August 2014 did release a public consultation paper seeking public feedback on the proposed regulatory framework for equity crowd-funding.

**Venture Capital**
Venture capital (VC) is an alternative source of funding for technologically driven and innovative later-stage/high-growth enterprises. The value of global venture capital industry investments is estimated at more than USD41.5bn from as many as 4,970 investment rounds as of end-2012\(^{15}\). Admittedly, so far the involvement of VC companies in the halal industries has been minimal at a global scale. However in Malaysia, it is reported that nearly MYR1bn or 20% of the country’s venture capital assets are Shariah compliant\(^{16}\). Going forward, the prospects for venture capital investments to fund halal industry start-ups is undeniably attractive, given the VC industry’s growing presence in many emerging markets with large Muslim populations.

**Private Equity Funding**
A private equity company fits into the company as a capital provider and is capable of sharing best practices in managing a business. Therefore, Shariah-compliant private equity funds can be another alternative source for funding halal industry start-ups and SMEs. In Malaysia, for example, Azka Capital (Malaysia) is established as the world’s first private equity fund solely focused on direct investments in halal companies. By raising Islamic funds, private equities will be able to engage with the halal industry investees in a way that guarantees complete Shariah compliance of investment rounds and all subsequent stages of the halal supply chain.

**Halal Economy and Islamic Finance: “The Way Forward”**
Islamic finance has progressed a long way forward over the last decade, gaining much acceptance in the global arena. As of 3Q2014, the industry’s assets are nearing the USD2tn mark with its geographical footprint expanding across more than 70 countries with at least 700 financial institutions offering Shariah-compliant financial services\(^{17}\). However, alongside the Islamic finance industry, the global halal sector is also gaining prominence as the new investment destination and the alternative growth sector in the world economy. The halal economy is already valued to be worth more than USD3tn with forecasts for the industry to almost double in terms of value over the next five years\(^{18}\). Key hot spots for processing halal products are springing up in major non-OIC jurisdictions such as the likes of the United Kingdom, Brazil, New Zealand and Thailand.

In between these two budding industries, there are key synergies and convergence since both the Islamic finance industry and the global halal industry are governed by the same principles of Shariah that instil ethical and sustainable standards on each sector’s operations. Therefore, in spirit, firms operating in the halal industry are mandated to utilise Shariah-compliant financial solutions as this will enable the sector to achieve a holistic end-to-end Shariah compliance in its value chain. In this regard, continuing internationalisation

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**Global Venture Capital Industry**

- Global VC investments: USD41.5 bn
- Total number of VC investment rounds: 4,970

**Islamic Venture Capital in Malaysia**

- In Malaysia, close to 1/5 of the VC assets (MYR1 bn) are Islamic
- The country’s first Islamic VC manages a MYR35 mln fund

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\(^{15}\) Dow Jones VentureSource, KFH Research  
\(^{16}\) ibid  
\(^{17}\) KFH Research Database  
\(^{18}\) State of the Global Islamic Economy (2013)
of Islamic finance augurs well for the halal economy and its global prospects, potentially spurring the creation of new halal businesses and the expansion of existing halal companies into new markets through flexible Shariah compliant financial solutions. Islamic finance also caters to a wide and diverse clientele stemming from sovereign institutions and government related entities to large firms and SMEs.

As a way forward, integration between the world halal industry and the global Islamic finance system is a huge developmental potential for the growth and expansion of Islamic economics in the world markets. The combined two sectors worth several USD trillions are natural complements under the common guiding principles of Shariah and have the prospects to collectively emerge as one of the most important sectors of the world markets. The halal industries are fast gaining ground on the back of rising demand from burgeoning Muslim communities, economic standing of OIC countries and their active trade relations internally and with the rest of the world. Alongside, Islamic finance is progressing robustly, making a mark in numerous traditionally Muslim and non-Muslim countries alike. Islamic finance and its component sectors offer a comprehensive range of products and services that are capable of supporting the financing needs of halal industry companies, regardless of size and maturity.

In conclusion, the stakeholders from the global Islamic finance and the halal industry need to leverage the synergies between the two sectors and enable efficient outcomes through collaborative efforts in the growth and promotion of their businesses. The greater benefit from such cooperation stems from the achieving of an end-to-end Shariah compliance in the value chain of the global halal economy. Notable stakeholders involved in such efforts include regulators, financial institutions, halal firms and as well as the consumers who appreciate and support such tie-ups through their buying power. Having set the trend of a collaborative enterprise, the realisation of an active and well-functioning Islamic economy in at least the major OIC countries with Islamic finance presence is likely to be achieved in the coming future.

End-to-End Shariah compliance for the Halal Economy: Key Stakeholders

Source: KFH Research