

**YOUNG EXECUTIVES' VIEWS ON ISLAMIC FINANCIAL SUSTAINABILITY IN
MALAYSIA'S HALAL INDUSTRY: A PILOT STUDY ON CURRENT PRACTICES AND
FUTURE OUTLOOK**

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Abstract	<p><i>This study explores the perceptions of young executives in Malaysia's halal industry regarding Islamic financial sustainability, focusing on their understanding, current practices, and future outlook. The objective is to assess the level of awareness and implementation of Islamic financial principles, identify challenges, and evaluate drivers for future adoption. Using a quantitative approach, data was collected through structured surveys from 86 respondents in the Klang Valley region, selected via convenient sampling. Results indicate that while respondents demonstrate a strong theoretical understanding of Islamic financial principles, practical implementation remains limited, particularly for complex mechanisms like profit-sharing models. Key challenges include limited understanding of Islamic finance, regulatory complexities, and difficulties in accessing Shariah-compliant financing. However, increased consumer demand and government regulations are identified as primary drivers for future adoption. The study highlights the need for targeted education, regulatory support, and innovative financial products to enhance the integration of Islamic financial sustainability practices in the halal industry, contributing to its ethical and sustainable growth.</i></p> <p>Keywords: <i>Halal, Industry, Sustainability, Financial, Compliance.</i></p>
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INTRODUCTION

The halal industry has emerged as one of the fastest-growing sectors globally, driven by increasing demand for ethical, high-quality, and Shariah-compliant products and services. Malaysia, a predominantly Muslim country, has positioned itself as a global leader in this industry, leveraging its strategic location, robust regulatory framework, and strong commitment to Islamic principles. The halal industry in Malaysia encompasses a wide range of sectors, including food and beverages, pharmaceuticals, cosmetics, finance, tourism, and logistics, making it a key driver of economic

growth and sustainability. As the industry continues to expand, financial sustainability has become a critical factor in ensuring its long-term success and resilience.

Financial sustainability in the halal industry is not merely about profitability; it involves adhering to Islamic financial principles that promote ethical practices, equitable wealth distribution, and social responsibility. Islamic finance, guided by Shariah principles such as the prohibition of *riba* (interest) and the promotion of risk-sharing models like *Mudarabah* and *Musharakah*, offers a unique approach to achieving sustainable economic growth.

These principles align with the goals of the halal industry, which prioritizes ethical production, consumption, and trade. For instance, Malaysia's halal food industry, which contributed 7% to the country's GDP in 2022, relies on financial sustainability to maintain high standards of quality and compliance with Shariah requirements (Department of Statistics Malaysia, 2023).

However, despite its potential, the integration of Islamic financial sustainability practices in the halal industry faces several challenges, including limited understanding of Islamic finance, complex regulatory requirements, and difficulties in accessing Shariah-compliant financing. These challenges highlight the need for greater awareness, education, and collaboration among stakeholders to promote the adoption of sustainable financial practices.

This study aims to explore the perceptions of young executives in Malaysia's halal industry regarding Islamic financial sustainability, focusing on their understanding, current practices, and future outlook. By addressing these issues, the study seeks to provide insights into how financial sustainability can be enhanced to support the ethical and sustainable growth of the halal industry in Malaysia and beyond.

LITERATURE REVIEW

Islamic Financial Sustainability

Financial sustainability has emerged as a critical concept in modern economic systems, emphasizing the need for long-term resilience, ethical resource allocation, and adaptability in the face of global challenges (Elkington, 1997). While conventional financial systems often prioritize short-term profitability, Islamic finance offers a unique approach by integrating ethical, social, and environmental considerations into its framework (Hassan & Lewis, 2007).

Rooted in Shariah principles, Islamic financial sustainability transcends mere economic success, focusing instead on equitable wealth distribution, risk-sharing, and the promotion of societal well-being (Chapra, 2008). This holistic approach aligns with the broader goals of sustainable development, making Islamic finance a compelling model for addressing contemporary economic, social, and environmental challenges (Kammer et al., 2015).

Islamic financial sustainability is fundamentally guided by Shariah principles, which prohibit exploitative practices such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation). These prohibitions ensure that financial transactions are transparent, fair, and asset-backed, fostering trust and stability within the economic system (El-Gamal, 2006). Unlike conventional finance, which often relies on debt-based instruments, Islamic finance promotes equity-based models such as *Mudarabah* (profit-sharing) and *Musharakah* (joint ventures).

These models encourage risk-sharing between investors and entrepreneurs, reducing financial vulnerability and promoting equitable wealth distribution (Mirakhor & Zaidi, 2007). By aligning financial practices with ethical principles, Islamic finance not only supports economic growth but also contributes to social justice and community welfare (Dusuki & Abdullah, 2007). A key pillar of Islamic financial sustainability is its emphasis on social responsibility and inclusivity.

Mechanisms such as *zakat* (obligatory almsgiving) and *waqf* (endowments) play a vital role in redistributing wealth and addressing social inequalities. *Zakat*, one of the five pillars of Islam, requires Muslims to donate a portion of their wealth to support those in need, fostering economic balance and reducing poverty (Obaidullah, 2008). Similarly, *waqf* involves the endowment of assets for public benefit, funding initiatives in education, healthcare, and infrastructure.

These mechanisms ensure that financial resources are channelled toward sustainable development, benefiting both current and future generations (Sarea & Hanefah, 2013). In addition to social responsibility, Islamic financial sustainability emphasizes environmental stewardship. Shariah principles discourage investments in industries or activities that harm society or the environment, such as those involving alcohol, gambling, or arms production (Kammer et al., 2015).

Instead, Islamic finance encourages investments in sectors that promote social and environmental well-being, such as renewable energy, healthcare, and education. This ethical investment approach aligns with modern concepts of Environmental, Social, and Governance (ESG) criteria, highlighting the relevance of Islamic finance in addressing global sustainability challenges (El-Gamal, 2006).

Despite its potential, Islamic financial sustainability faces several challenges, including the misinterpretation of Shariah principles, limited regulatory frameworks, and competition with conventional financial systems (Hassan & Lewis, 2007). Misunderstandings, such as viewing Islamic financial products as mere replicas of conventional instruments, can undermine trust and hinder growth.

To address these challenges, greater emphasis on education, awareness, and collaboration among scholars, financial institutions, and regulators is essential (Chapra, 2008). By clarifying Shariah principles and establishing standardized guidelines, the Islamic finance sector can strengthen its credibility and expand its impact (Kammer et al., 2015). In conclusion, Islamic financial sustainability offers a holistic and ethical approach to economic growth, integrating financial success with social and environmental responsibility.

By adhering to Shariah principles, promoting equitable wealth distribution, and fostering community well-being, Islamic finance provides a viable model for achieving sustainable development in an increasingly complex global economy (Mirakhor & Zaidi, 2007). As the world grapples with issues such as inequality, climate change, and economic instability, the principles of Islamic finance offer valuable insights and solutions, making it a critical area of study and practice in the pursuit of a more sustainable future (Chapra, 2008).

The Halal Industry In Malaysia: A Global Leader In Ethical And Sustainable Growth

The halal industry has emerged as one of the fastest-growing sectors globally, driven by increasing demand for ethical, high-quality, and Shariah-compliant products and services. Malaysia, a predominantly Muslim country, has positioned itself as a global leader in the halal industry, leveraging its strategic location, robust regulatory framework, and strong commitment to Islamic principles.

The halal industry in Malaysia encompasses a wide range of sectors, including food and beverages, pharmaceuticals, cosmetics, finance, tourism, and logistics, making it a key driver of economic growth and sustainability. Malaysia's halal industry is built on a foundation of strict adherence to Shariah principles, ensuring that all products and services meet the highest standards of quality, safety, and ethical compliance.

The Malaysian government has played a pivotal role in fostering the growth of the halal sector through proactive policies, infrastructure development, and international collaboration. The establishment of the Department of Islamic Development Malaysia (JAKIM) as the central authority for halal certification has been instrumental in standardizing halal practices and enhancing consumer trust.

As of 2025, Malaysia has issued over 10,000 halal certificates to companies across various sectors, and its certification is recognized in more than 80 countries, making it one of the most widely accepted halal standards globally (MATRADE, 2025). One of the key strengths of Malaysia's halal industry is its comprehensive ecosystem, which integrates various stakeholders, including government agencies, private enterprises, and academic institutions.

The Halal Development Corporation Berhad (HDC), a government-linked agency, serves as a catalyst for the industry's growth by providing support for halal businesses, facilitating investment, and promoting Malaysia as a global halal hub. In 2022, Malaysia's halal exports reached RM 59.46 billion (approximately USD 13.5 billion), marking a 6.4% increase from the

previous year, with top destinations including China, Singapore, the United States, and Japan (Halal Development Corporation, 2023).

Additionally, Malaysia attracted RM 12 billion (approximately USD 2.7 billion) in investments for halal-related projects in 2022, reflecting strong investor confidence in the sector. The halal food and beverage sector is the largest and most prominent component of Malaysia's halal industry, contributing approximately 7% to the country's GDP. Malaysia is one of the top 10 halal food exporters worldwide, with halal food exports growing by 8.2% in 2022, driven by strong demand for processed foods, beverages, and confectionery (Department of Statistics Malaysia, 2025).

Beyond food, Malaysia's halal pharmaceutical and cosmetic industries are also gaining traction. The halal pharmaceutical market is expected to grow at a CAGR of 8.7% from 2021 to 2026, while the halal cosmetics market is projected to reach RM 1.5 billion (approximately USD 340 million) by 2025 (Frost & Sullivan, 2023). Malaysia's halal industry is not limited to tangible products; it also encompasses services such as Islamic finance, halal tourism, and logistics.

The Islamic finance sector, in particular, has seen significant growth, with Malaysia accounting for 40% of the country's total banking assets in 2023 and representing 60% of the global sukuk market (Bank Negara Malaysia, 2023). Halal tourism is another rapidly growing segment, with Malaysia ranking 1st in the Global Muslim Travel Index (GMTI) 2023 and contributing RM 20 billion (approximately USD 4.5 billion) to the economy in 2022 (Mastercard-CrescentRating GMTI, 2023).

The halal logistics sector ensures that halal products are handled, stored, and transported in compliance with Shariah principles, maintaining their integrity throughout the supply chain. Malaysia has also established 20 halal industrial parks across the country, attracting over RM 8 billion (approximately USD 1.8 billion) in investments and creating a robust ecosystem for halal businesses (Malaysian Investment Development Authority, 2023).

The halal industry employs over 300,000 workers in Malaysia, contributing significantly to job creation and economic development (Halal Development Corporation, 2023). With the global halal market projected to reach USD 5.0 trillion by 2030, Malaysia aims to capture 5% of the global halal market share by 2025, further solidifying its position as a global halal hub. In conclusion, Malaysia's halal industry is a testament to the country's commitment to ethical and sustainable economic growth.

By leveraging its strong regulatory framework, innovative practices, and global reputation, Malaysia has established itself as a leading player in the global halal market. As the halal industry continues to expand, Malaysia is well-positioned to capitalize on emerging opportunities, contributing to economic development while promoting the values of fairness, quality, and sustainability. The success of Malaysia's halal industry serves as a model for other nations seeking to harness the potential of this dynamic and rapidly growing sector.

The Importance Of Financial Sustainability In Malaysia's Halal Industry

Financial sustainability is a cornerstone of the halal industry in Malaysia, ensuring its long-term growth, resilience, and ability to meet the increasing global demand for Shariah-compliant products and services. As the halal industry continues to expand, financial sustainability plays a critical role in maintaining ethical practices, fostering innovation, and supporting Malaysia's position as a global halal hub. By integrating financial sustainability into its operations, the halal industry can achieve balanced growth that aligns with Islamic principles while contributing to economic development and social welfare.

One of the key reasons financial sustainability is vital for the halal industry is its role in ensuring ethical and Shariah-compliant practices. Islamic finance principles, such as the prohibition of *riba* (interest) and the promotion of risk-sharing models like *Mudarabah* and *Musharakah*, emphasize fairness, transparency, and equitable wealth distribution. These principles align with the goals of the halal industry, which prioritizes ethical production, consumption, and trade.

For example, Malaysia's halal food industry, which contributed 7% to the country's GDP in 2022, relies on financial sustainability to maintain high standards of quality and compliance

with Shariah requirements (Department of Statistics Malaysia, 2023). By adhering to these principles, the halal industry builds trust among consumers and strengthens its global reputation.

Financial sustainability also supports innovation and competitiveness in the halal industry. As the global halal market is projected to reach USD 5.0 trillion by 2030, Malaysia must invest in research and development (R&D) to stay ahead of competitors. Sustainable financial practices enable halal businesses to allocate resources effectively, invest in new technologies, and develop innovative products that meet evolving consumer demands.

For instance, the halal pharmaceutical and cosmetics sectors, which are expected to grow at a CAGR of 8.7% and reach RM 1.5 billion by 2025, respectively, require significant investment in R&D to expand their market share. Financial sustainability ensures that these industries have the necessary capital to innovate while maintaining ethical standards. Moreover, financial sustainability enhances the resilience of the halal industry in the face of economic uncertainties.

The COVID-19 pandemic highlighted the importance of financial buffers and risk management in sustaining business operations. Malaysia's halal industry, which recorded RM 59.46 billion in exports in 2022, demonstrated resilience by adapting to supply chain disruptions and shifting consumer preferences (Halal Development Corporation, 2023). By adopting sustainable financial practices, such as diversifying revenue streams and maintaining adequate reserves, halal businesses can better withstand economic shocks and continue to thrive.

Another critical aspect of financial sustainability in the halal industry is its contribution to social and environmental responsibility. Islamic finance principles emphasize the importance of zakat (obligatory almsgiving) and waqf (endowments) in redistributing wealth and addressing social inequalities. These mechanisms align with the halal industry's commitment to social welfare, as seen in Malaysia's efforts to channel funds toward community development projects, such as healthcare and education.

Additionally, the halal industry promotes environmental sustainability by avoiding investments in harmful industries and encouraging eco-friendly practices. For example, Malaysia's halal logistics sector ensures that products are transported and stored in compliance with Shariah principles, reducing environmental impact and promoting sustainable resource use. In conclusion, financial sustainability is essential for the continued growth and success of Malaysia's halal industry.

By adhering to Islamic financial principles, fostering innovation, enhancing resilience, and promoting social and environmental responsibility, the halal industry can achieve long-term sustainability while maintaining its ethical foundations. In line with Malaysia's aspiration to expand its footprint in the global halal market, financial sustainability is expected to play a central role in enhancing competitiveness and consolidating the nation's status as a global halal hub (HDC, 2025). Through sustainable financial practices, the halal industry can contribute to Malaysia's economic development while upholding the values of fairness, equity, and ethical stewardship.

METHODOLOGY

The study employed a quantitative research method to investigate the perceptions of young executives in Malaysia's halal industry regarding Islamic financial sustainability. Data was collected through structured surveys distributed to 86 respondents in the Klang Valley region, selected using a convenient sampling approach. The small sample size was appropriate for this pilot study, allowing for an initial exploration of the topic while maintaining focus on a specific geographic area known for its concentration of halal industry activities.

The survey instrument was designed to measure key issues such as respondents' understanding, current practices and future outlook of Islamic financial sustainability in Halal industry.

FINDINGS

Profile Of Respondents

Table 1 delineates the demographic composition of the respondents (n = 86). A significant majority (57%) are below the age of 30, while 24.4% are aged between 31-40, 14% fall within the

41-50 age bracket, and only 4.7% exceed 51 years of age. Regarding professional experience, 87.2% have five years or less in the halal industry, whereas a mere 4.7% have accrued more than 11 years of expertise.

This demographic profile underscores the predominance of early-career professionals, whose perspectives on financial sustainability are likely shaped by theoretical knowledge and contemporary industry discourse rather than extensive hands-on experience. Their insights are influenced by recent technological advancements, evolving business models, and the progressive development of Islamic finance. The relatively limited representation of seasoned professionals suggests that the findings of this study may reflect more nascent and conceptual understandings rather than deeply entrenched, practice-based insights.

Profile	Frequency	Percentage (%)
<i>Age group:</i>		
Below 30	49	57.0
31-40	21	24.4
41-50	12	14.0
Above 51	4	4.7
<i>Work experience:</i>		
≤ 5 years	75	87.2
6-10	7	8.1
≥ 11 years	4	4.7

Understanding Of Financial Sustainability

Table 2 evaluates respondents' conceptual grasp of financial sustainability within the halal industry. Item 1 assessed respondents' general comprehension of financial sustainability. Findings indicate that 57% perceive themselves as having a strong understanding, with 7% reporting an advanced grasp of the concept. Conversely, 2.3% admitted to having no familiarity with financial sustainability, and 3.5% acknowledged only a rudimentary understanding. The calculated mean score of 3.63 (on a 5-point scale) with a standard deviation of 0.77 suggests an overall moderate-to-high level of awareness, albeit with notable variations across respondents.

The data suggest that while respondents possess an academic or conceptual understanding of financial sustainability, their knowledge remains largely theoretical. The lack of direct industry experience may contribute to disparities in comprehension, with those possessing practical exposure demonstrating a more nuanced grasp. Furthermore, the prominence of financial sustainability in contemporary academic and professional training programs likely contributes to the self-reported high levels of familiarity, though this does not necessarily translate into practical application.

Item 2 examined respondents' familiarity with key Islamic financial sustainability principles, including riba prohibition, ethical financing, risk-sharing, gharar prohibition, halal investment strategies, Islamic banking, zakat, and waqf. The highest levels of comprehension were reported for zakat (mean = 4.24) and waqf (mean = 4.28), with over 60% expressing either strong or advanced understanding. Similarly, prohibition of riba (mean = 4.30), gharar prohibition (mean = 4.01) and Islamic banking principles (mean = 3.93) were well recognized among participants. The robust understanding of these principles can be attributed to their centrality in Islamic teachings and financial education curricula.

However, lower comprehension levels regarding halal investment practices (mean = 3.78), ethical financing (mean = 3.85) and risk-sharing (mean = 3.86) suggest a deficiency in understanding complex financial mechanisms that require deeper analytical engagement. This gap underscores the necessity for targeted educational interventions that emphasize applied knowledge and practical implementation within the halal industry.

Table 2: Details understanding of the concept of financial sustainability ($n = 86$)

Items	1	2	3	4	5	Mean	Std. Dev.
I understand the general concept of financial sustainability	2 (2.3%)	3 (3.5%)	26 (30.2%)	49 (57%)	6 (7%)	3.63	0.77
I understand the following principles of Islamic financial sustainability							
(i) Prohibition of Riba	1 (1.2%)	1 (1.2%)	3 (3.5%)	47 (54.7%)	34 (39.5%)	4.30	0.70
(ii) Ethical financing	1 (1.2%)	5 (5.8%)	17 (19.8%)	46 (53.5%)	17 (19.8%)	3.85	0.85
(iii) Risk Sharing	0 (0%)	5 (5.8%)	20 (23.3%)	43 (50%)	18 (20.9%)	3.86	0.81
(iv) Prohibition of Gharar	0 (0%)	5 (5.8%)	15 (17.4%)	40 (46.5%)	26 (30.2%)	4.01	0.85
(v) Halal investment practices	0 (0%)	5 (5.8%)	25 (29.1%)	40 (46.5%)	16 (18.6%)	3.78	0.82
(vi) Islamic banking principles	0 (0%)	2 (2.3%)	19 (22.1%)	48 (55.8%)	17 (19.8%)	3.93	0.72
(vii) Zakat	0 (0%)	0 (0%)	6 (7%)	53 (61.6%)	27 (31.4%)	4.24	0.57
(viii) Waqf/Charity	0 (0%)	0 (0%)	5 (5.8%)	52 (60.5%)	29 (33.7%)	4.28	0.57

***Legend**

- 1: I have no understanding
- 2: I have a limited understanding
- 3: I have a general understanding
- 4: I understand the concept well
- 5: I have a deep understanding

Understanding Of Islamic Finance And Business Practices

Table 3 presents the results of a survey conducted among 86 respondents to assess their understanding of Islamic finance and its impact on business practices. The table highlights three key areas: the contribution of Islamic financial principles to long-term financial sustainability, their role in encouraging socially responsible business practices, and the future adoption of these principles in the halal industry. Across all three areas, most respondents expressed strong agreement, reflecting a positive perception of Islamic finance.

For the first item, 80.2% of respondents either agreed or strongly agreed that Islamic financial principles contribute to long-term financial sustainability in business, with a mean score of 4.27 and a standard deviation of 0.77. This indicates a strong consensus on the role of Islamic finance in promoting sustainable business practices. Similarly, for the second item, 90.7% of respondents agreed or strongly agreed that Islamic financial principles encourage more socially responsible business practices, with a higher mean score of 4.41 and a lower standard deviation of 0.66.

This suggests an even stronger belief in the ethical and socially responsible nature of Islamic finance. Finally, regarding the future adoption of Islamic financial sustainability practices in the halal industry, 82.5% of respondents expressed agreement or strong agreement, with a mean score of 4.27 and a standard deviation of 0.86. This reflects optimism about the growing influence of Islamic finance in the halal sector.

Overall, the data reveals a high level of agreement among respondents, with minimal disagreement (ranging from 0% to 4.7%) across all items. The small percentage of neutral responses (ranging from 9.3% to 19.8%) suggests that while most respondents see the benefits of Islamic finance, a minority remain uncertain or undecided. In conclusion, the survey results indicate a strong positive perception of Islamic financial principles, particularly in terms of their contribution to sustainability, social responsibility, and future growth in the halal industry.

While these findings indicate widespread confidence in the efficacy of Islamic finance, social desirability bias may have influenced responses, leading participants to affirmatively endorse Islamic financial principles. Additionally, despite high agreement levels, the extent to which respondents have practically engaged with these principles remains uncertain, particularly given the overall limited industry experience among participants.

Table 3: Understanding of Islamic finance and business practices ($n = 86$)

Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Islamic financial principles contribute to long-term financial sustainability in business	0 (0%)	0 (0%)	17 (19.8%)	29 (33.7%)	40 (46.5%)	4.27	0.77
Islamic financial principles encourage more socially responsible business practices	0 (0%)	0 (0%)	8 (9.3%)	35 (40.7%)	43 (50%)	4.41	0.66
Islamic financial sustainability practices will become more widespread in the halal industry in the future	0 (0%)	4 (4.7%)	11 (12.8%)	29 (33.7%)	42 (48.8%)	4.27	0.86

Implementation Of Islamic Financial Practices

Table 4 provides insights into the current Islamic financial sustainability practices implemented by respondents. The data reveals varying levels of adoption across different practices, with some being more widely implemented than others. The most adopted practice is avoiding interest-based financing, with 70.9% of participants (61 respondents) confirming its implementation, while 29.1% (25 respondents) do not follow this principle.

This high adoption rate reflects the foundational importance of avoiding riba (interest) in Islamic finance. Similarly, the use of ethical raw materials and labour sources is also widely practiced, with 73.3% (63 respondents) adhering to this principle, compared to 26.7% (23 respondents) who do not. This indicates a strong commitment to ethical sourcing and labour practices among the majority of participants.

Profit-sharing models, such as Musharakah and Mudarabah, are implemented by 46.5% (40 respondents), while 53.5% (46 respondents) do not utilize these models. This suggests that while profit-sharing is a key feature of Islamic finance, its adoption is not as widespread as other practices, possibly due to complexities in implementation. Fair pricing and transparent contracts

are practiced by 61.6% (53 respondents), with 38.4% (33 respondents) not implementing them, highlighting a moderate level of adoption in this area.

Paying Zakat (obligatory almsgiving) is also moderately adopted, with 61.6% (53 respondents) complying, while 38.4% (33 respondents) do not. Additionally, 48.8% (42 respondents) implement Waqf (charitable endowments) or other forms of charity, compared to 51.2% (44 respondents) who do not, indicating a relatively balanced split in this practice. Interestingly, only 5.8% (5 respondents) reported not implementing any Islamic financial practices, while the vast majority (94.2%, 81 respondents) confirmed some level of adherence to Islamic financial principles.

Overall, the data suggests that while certain practices, such as avoiding interest-based financing and using ethical materials, are widely adopted, others, like profit-sharing models and Waqf, are less consistently implemented. This variation may reflect differences in business models, industry requirements, or the complexity of certain practices. Nonetheless, the majority of participants demonstrate a commitment to integrating Islamic financial sustainability practices into their operations.

The limited adoption of profit-sharing models highlights a persistent reliance on conventional financing mechanisms. This phenomenon may be attributed to a lack of accessible Shariah-compliant financial products, as well as a broader unfamiliarity with alternative financing mechanisms. Businesses often gravitate toward conventional instruments due to their perceived lower risk and ease of access, whereas Islamic profit-sharing arrangements necessitate a deeper understanding of financial risk distribution and contractual obligations.

Table 4: Current Islamic financial sustainability practices implemented by participants ($n = 86$)

Items	Yes	No
Avoiding interest-based financing	61 (70.9%)	25 (29.1%)
Utilizing profit-sharing models (Musharakah, Mudarabah)	40 (46.5%)	46 (53.5%)
Fair pricing and transparent contracts	53 (61.6%)	33 (38.4%)
Paying Zakat	63 (73.3%)	23 (26.7%)
Implementing Waqf/Charity	53 (61.6%)	33 (38.4%)
Using ethical raw materials and labour sources	42 (48.8%)	44 (51.2%)
We do not implement any Islamic financial practices	5 (5.8%)	81 (94.2%)

Challenges In Implementing Financial Sustainability

Table 5 highlights the challenges faced by participants in implementing Islamic financial sustainability practices in the halal industry. The most significant challenge reported is the limited understanding of Islamic finance, with 72.1% (62 respondents) acknowledging this issue, compared to 27.9% (24 respondents) who do not see it as a barrier. This suggests that a lack of knowledge or awareness about Islamic financial principles is a major obstacle for many businesses.

Additionally, 68.6% (59 respondents) identified complex compliance and regulatory costs as a challenge, indicating that navigating the regulatory landscape for Islamic financial sustainability practices can be burdensome. Another notable challenge is the difficulty in accessing Shariah-compliant financing options, reported by 62.8% (54 respondents), while 37.2% (32 respondents) did not face this issue.

This points to a gap in the availability of suitable financial products that align with Islamic principles. Furthermore, 45.3% (39 respondents) cited a lack of consumer awareness or demand for Islamic financial sustainability in the halal industry, suggesting that market demand may not yet be strong enough to drive widespread adoption. On the other hand, pressure to focus on short-term profits was less commonly reported as a challenge, with only 37.2% (32 respondents) identifying it as an issue, compared to 62.8% (54 respondents) who did not.

In conclusion, the primary challenges in implementing Islamic financial sustainability in the halal industry revolve around a limited understanding of Islamic finance, complex regulatory requirements, and difficulties in accessing Shariah-compliant financing. While consumer awareness and short-term profit pressures are less prominent, they still pose notable hurdles. Addressing these challenges through education, regulatory simplification, and increased availability of Shariah-compliant financial products could facilitate greater adoption of Islamic financial sustainability practices in the halal industry.

Table 5: Challenges in implementing Islamic financial sustainability in the halal industry ($n = 86$)

Items	Yes	No
Limited understanding of Islamic finance	62 (72.1%)	24 (27.9%)
Difficulty in accessing Shariah-compliant financing options	32 (37.2%)	54 (62.8%)
Pressure to focus on short-term profits	39 (45.3%)	47 (54.7%)
Lack of consumer awareness or demand for Islamic financial sustainability in the halal industry	59 (68.6%)	27 (31.4%)
Complex compliance and regulatory costs regarding Islamic financial sustainability practices in the halal industry	54 (62.8%)	32 (37.2%)

Future Outlook Of Islamic Financial Sustainability

Table 6 identifies the main drivers for the future adoption of Islamic financial sustainability practices in the halal industry. The most significant driver is increased consumer demand, ranked first with a frequency of 30 (34.9%). This indicates that consumer preferences and awareness are expected to play a crucial role in encouraging businesses to adopt Islamic financial sustainability practices. Government regulations and policies promoting these practices are the second most important driver, with a frequency of 17 (19.8%), highlighting the influence of regulatory support in shaping industry practices.

Other drivers, such as diverse Islamic financing product offerings, corporate desire to implement these practices, and technological advancements enabling compliance and transparency, are tied for third place, each with a frequency of 13 (15.1%). This suggests that while these factors are important, they are currently seen as less influential compared to consumer demand and government policies. The availability of diverse financial products and technological solutions could facilitate adoption, but they are not yet perceived as primary drivers.

In conclusion, the data suggests that increased consumer demand and government regulations are the key drivers for the future adoption of Islamic financial sustainability practices in the halal industry. While other factors like financing options, corporate initiatives, and technology are also relevant, they play a secondary role. To accelerate the adoption of these practices, stakeholders should focus on raising consumer awareness and leveraging regulatory support, while also developing innovative financial products and technological solutions to address industry needs.

Table 6: Main drivers for Islamic financial sustainability practices in the halal industry in the future ($n = 86$)

Items	Frequency	Percentage	Rank
Increased consumer demand for Islamic financial sustainability practices in the halal industry	30	34.9	1
Diverse Islamic financing product offerings to the halal industry	13	15.1	3
Government regulations and policies promoting Islamic financial sustainability in the halal industry	13	15.1	3
Corporate desire to implement Islamic financial sustainability practices in the halal industry	13	15.1	3
Technological advancements enabling compliance and transparency in Islamic financial sustainability practices in the halal industry	17	19.8	2

CONCLUSION

The findings and analysis of this study highlight several critical insights into the understanding, implementation, challenges, and future outlook of Islamic financial sustainability practices in the halal industry. The demographic profile of respondents, dominated by early-career professionals, suggests that while there is a strong theoretical understanding of Islamic finance, practical implementation often lags due to limited hands-on experience.

This gap between theory and practice is consistent with the work of Abdullah and Rahman (2015), who argue that educational initiatives and training programs are essential to bridge this divide and improve the practical application of Islamic financial principles. Furthermore, the study reveals that while core Islamic concepts such as zakat, waqf, and the prohibition of riba are well understood, more complex mechanisms like risk-sharing and gharar prohibition are less familiar, underscoring the need for targeted educational interventions to deepen understanding and facilitate implementation.

The challenges identified in the study, including limited understanding of Islamic finance, complex regulatory requirements, and difficulties in accessing Shariah-compliant financing, are well-documented in existing literature. Hassan and Lewis (2007) emphasize that the lack of standardized regulatory frameworks and the complexity of Shariah compliance often hinder the adoption of Islamic financial practices. Similarly, El-Gamal (2006) points out that the scarcity of Shariah-compliant financial products is a significant barrier, highlighting the need for financial institutions to innovate and develop more accessible products.

These challenges are further compounded by the limited adoption of profit-sharing models like Musharakah and Mudarabah, which Khan (2010) attributes to their complexity and higher risk profiles. Addressing these challenges through regulatory simplification, increased product availability, and risk-mitigated financial models is crucial for fostering greater adoption of Islamic financial sustainability practices.

The study also identifies increased consumer demand and government regulations as the primary drivers for the future adoption of Islamic financial sustainability practices. This aligns with the findings of Mirakhor and Zaidi (2007), who argue that consumer awareness and demand are critical for the growth of Islamic finance. They suggest that governments and industry stakeholders should collaborate to promote awareness and create an enabling environment for Islamic finance.

Additionally, Chapra (2008) emphasizes the role of government policies in fostering the growth of Islamic finance, arguing that supportive regulatory frameworks and incentives can significantly enhance adoption, particularly in industries like halal, where ethical and sustainable practices are increasingly valued. The strong commitment to ethical and socially responsible practices, such as avoiding interest-based financing and using ethical raw materials, is another key finding of the study.

This is consistent with the work of Dusuki and Abdullah (2007), who argue that Islamic finance inherently promotes ethical and socially responsible business practices. They emphasize that principles like riba prohibition, zakat, and waqf are not only religious obligations but also tools for achieving social and economic justice. Finally, the potential role of technological advancements in facilitating compliance and transparency in Islamic financial practices is supported by Sarea and Hanefah (2013), who argue that technology can play a transformative role in Islamic finance by simplifying compliance processes, enhancing transparency, and improving access to Shariah-compliant financial products.

In conclusion, while there is a strong theoretical and aspirational commitment to Islamic financial sustainability practices, practical implementation faces significant challenges. Addressing these challenges through targeted education, regulatory support, and the development of accessible financial products will be essential for realizing the full potential of Islamic finance in promoting sustainable and socially responsible business practices in the halal industry.

By leveraging increased consumer demand, government regulations, and technological advancements, stakeholders can foster greater adoption of Islamic financial sustainability practices, ultimately contributing to the ethical and sustainable development of the halal industry.

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