



# The Role of Good Corporate Governance in Cross-Border Halal Supply Chain Management: Ensuring Transparency, Compliance, and Sustainable Growth

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**Abstract.** *This article examines the pivotal role of good corporate governance (GCG) in managing cross-border halal supply chains to ensure product integrity, compliance with Islamic law, transparency, and sustainable business practices. Halal supply chains that operate across international borders encounter numerous complexities, including diverse halal certification standards, logistic risks, potential contamination, and infrastructure disparities. These challenges necessitate stringent governance frameworks to maintain halal authenticity and foster consumer trust. The study highlights how GCG principles such as accountability, risk management, ethical conduct, and stakeholder engagement enhance traceability and compliance throughout the global halal supply chain. Furthermore, the integration of modern technologies like blockchain and adherence to environmental, social, and governance (ESG) criteria contribute to the sustainability and resilience of halal supply chains. Case studies from countries with strong halal governance frameworks, notably Indonesia, demonstrate how effective regulation and corporate governance can optimize halal supply chain operations while supporting ethical business growth. This comprehensive analysis underscores that the fusion of good corporate governance with halal principles is essential for overcoming international trade challenges, ensuring halal compliance, and achieving long-term economic and ethical objectives in the halal industry.*

**Keywords:** Corporate Governance, Cross-Border Trade, Halal Compliance, Halal Supply Chain, Islamic Business Ethics

## 1. Introduction

The global halal industry has experienced significant growth over the past decades, driven by increasing consumer demand not only in Muslim-majority countries but also in international markets seeking products that comply with Islamic dietary laws. Halal supply chain management (HSCM) plays a crucial role in ensuring that products ranging from food, cosmetics, pharmaceuticals to logistics services maintain their halal integrity throughout the entire supply chain. This requires preventing contamination with non-halal materials and ensuring compliance from raw material sourcing, production, transportation, storage, to distribution (Peristiwo, 2024). The complexity increases significantly when supply chains cross international borders, encountering diverse regulatory environments and halal certification standards.

Literature highlights several pressing challenges in cross-border halal supply chains. First, the lack of harmonized global halal standards leads to inconsistent certification requirements and enforcement, complicating trade and increasing costs for exporters and importers (Razak, Apandi, and Ibrahim 2025). Second, infrastructure gaps such as

insufficient halal-specific storage and transportation facilities pose serious contamination risks during transit (Putri, 2025; Sarbani & Ibrahim, 2025). Third, institutional voids in some markets, including weak halal regulation enforcement, allow fraudulent certifications and undermine consumer trust (Sarbani and Suzana Jaafar 2018). Furthermore, managing traceability and transparency with evolving technologies remains uneven globally, particularly impacting small and medium enterprises (SMEs) (Andespa et al. 2024)

Good corporate governance (GCG) is increasingly recognized as a fundamental mechanism to address these complexities in halal supply chains. GCG practices emphasizing transparency, accountability, ethical conduct, and multi-stakeholder engagement enhance halal compliance and risk management across supply chain actors (Kahfi & Putri, 2016; Hassan et al., 2023). Corporate commitment to halal principles fosters organizational culture that prioritizes halal integrity while balancing economic and social objectives aligned with maqasid al-shariah (Islamic law objectives). Adoption of digital tools such as blockchain supports immutable halal certification and supply chain traceability, strengthening consumer confidence and operational resilience (Putri, 2025; Kurniawati, 2023). Moreover, recent scholarship highlights the integration of sustainability frameworks within halal supply chains, reflecting current demand for products that fulfill environmental, social, and governance (ESG) criteria alongside halal compliance (Omar et al., 2024).

The objectives of this article are to (1) provide a thorough review of the challenges and governance issues in cross-border halal supply chain management based on current literature; (2) analyze the role and impact of good corporate governance in enhancing halal supply chain transparency, compliance, and sustainability; (3) investigate emerging digital and sustainability practices integrated into halal governance frameworks; and (4) illustrate practical governance applications and case examples from leading halal markets.

This study contributes to the current literature by offering an integrative and multidisciplinary perspective that bridges operational halal supply chain challenges with governance, technological innovations, and sustainability concerns in a cross-border context. Unlike prior research focusing on isolated aspects such as certification or logistics, this article presents a comprehensive framework reflecting the state of the art in halal supply chain governance necessary for facilitating trustworthy, sustainable, and scalable halal trade internationally.

## 2. Methods

This study employs a qualitative research approach combined with a comprehensive literature review and case study analysis to investigate the role of good corporate governance (GCG) in managing cross-border halal supply chains. The methodology is designed to offer detailed insights while enabling reproducibility for similar contexts.

### 2.1. Literature Review

A systematic literature review was conducted using academic databases including Scopus, Web of Science, Google Scholar, and relevant industry journals. Keywords such as "halal supply chain management," "good corporate governance," "cross-border trade," "halal certification," and "supply chain sustainability" guided the search. Selection criteria focused on peer-reviewed articles, conference papers, and authoritative reports published in the last 10 years to ensure currency and relevance (Digdowiseiso, Sugiyanto, and Ria 2025).

Further, (Putri et al. 2024) offers an extensive bibliometric analysis of halal supply chain research globally, identifying research gaps and opportunities, especially in managing complexities and governance challenges across borders. This study underscores the importance of combining halal certification, supply chain traceability, and governance to maintain the integrity and competitiveness of halal products under globalized supply chains.

Moreover, (Sari, Sugianto, and Nasution 2023) discusses critical risk management associated with halal supply chains, including contamination risks and the necessity of strict monitoring and governance oversight to ensure halal compliance throughout the supply process. This complements the study's focus on integrating GCG principles such as transparency and accountability in halal supply chain governance

### *2.2. Conceptual Framework Development*

Based on the literature findings, a conceptual framework outlining the components and mechanisms of good corporate governance within halal supply chains was developed. It integrates aspects of transparency, accountability, risk management, ethical conduct, and stakeholder engagement, specifically adapted for cross-border halal trade dynamics. Framework components align with established governance theories and halal compliance requirements (Yeni Rohaeni and Ahmad Hidayat Sutawijaya 2020).

The conceptual framework for this study builds upon established halal supply chain management models integrating Good Corporate Governance (GCG) principles to ensure halal integrity throughout the supply chain. One comprehensive framework is the Halal Sustainable Supply Chain Model (HSSCM), which emphasizes halal policy, moral responsibility, global ethics, environmental purchasing, and sustainable packaging as key determinants of sustainable halal supply chain performance. This model highlights the need for clear halal policies and governance mechanisms, including a dedicated halal committee responsible for compliance with halal standards and internal audit processes, which align with core GCG principles such as accountability and transparency. (Ibrahim et al. 2018)

### *2.3. Case Study Analysis*

This study adopts a case study approach to analyze the complexities of managing cross-border halal supply chains, focusing on institutional challenges and governance practices. A recent study on Malaysia's halal logistics sector reveals significant institutional voids such as regulatory inconsistencies, divergent standards, and enforcement weaknesses that challenge halal compliance in international trade. The study's qualitative interviews with key stakeholders including export managers, halal auditors, and freight forwarders highlight how firms adapt by forming informal partnerships and acquiring supplementary certifications to navigate these voids while attempting to maintain halal integrity. However, informal solutions pose risks related to accountability and quality control, emphasizing the critical role of Good Corporate Governance in these settings. (Sarhani et al. 2025)

### *2.4. Data Synthesis and Interpretation*

A thematic synthesis approach was applied to identify recurrent governance practices, challenges, and enabling factors across the cases and literature. Modifications and best practices pertinent to managing halal supply chains amid regulatory diversity and cross-border complexities were mapped. This method facilitates practical

recommendations for governance improvements and innovation adoption in halal supply chains.

### *2.5. Reproducibility and Adaptation*

The methods follow established qualitative research principles and systematic review protocols detailed in prior studies on halal supply chain governance (Kurniawati and Cakravastia 2023). The adapted framework and thematic analysis enable replication in different contexts or countries by applying the same keyword strategies, case selection criteria, and thematic coding schemes.

## **3. Results and Discussion**

### *3.1. Key Findings on Governance and Halal Supply Chain Integrity*

This study found that the implementation of good corporate governance (GCG) significantly enhances halal compliance and transparency throughout cross-border halal supply chains. Organizations with well-structured governance frameworks tend to show higher adherence to halal certification standards and better traceability, which reduces risks of contamination, fraud, and mislabeling. This result aligns with (Adawiyyah and Kurniawati 2021) findings emphasizing GCG's role in fostering accountability and ethical conduct to protect halal integrity. Furthermore, the integration of blockchain technology within governance has been shown to provide immutable certification records that increase transparency and consumer trust (Razak et al. 2025), marking a shift toward technologically empowered governance systems.

The research also highlighted risk management as a core governance function. Rigorous supplier vetting, frequent audits, and strict halal-specific protocols embedded in corporate governance processes prevent integrity breaches. Rahim and Ibrahim (2025) similarly underscore the importance of risk controls in managing the complexities of international halal logistics. The ability of governance frameworks to proactively manage these risks is a critical enabler of resilient and trustworthy halal supply chains, particularly where regulatory environments differ and supply chains are fragmented.

### *3.2. Discussion on Technology and Sustainability*

The adoption of digital traceability tools such as blockchain not only improves transparency but also supports operational efficiencies and rapid response capabilities in halal supply chains. (Zywio et al. 2025) details how these technologies reduce fraudulent certifications and enhance data sharing among supply chain actors. This study reinforces those conclusions and situates them within broader governance structures, illustrating how governance mandates the adoption and institutionalization of such technology.

Sustainability considerations have become intertwined with halal governance practices as global consumer preferences shift toward ethically produced and environmentally responsible products. Consistent with (Butt 2025), this study finds that integrating environmental, social, and governance (ESG) requirements reinforces halal supply chain legitimacy by aligning with maqasid al-shariah objectives. Companies led by governance frameworks that explicitly embed sustainability principles benefit from improved brand reputation and market competitiveness, not only in Muslim-majority countries but also in wider global markets emphasizing corporate responsibility.

### *3.3. Regulatory and Institutional Impact*

Institutional support and regulatory harmonization are indispensable for effective halal supply chain governance. The study's case analyses of Indonesia and Malaysia confirm Sarbani and Ibrahim's (2025) observations that clear government policies, harmonized halal standards, and cooperation between certifying bodies are fundamental in fostering trust and efficiency. These elements fortify corporate governance efforts and help resolve challenges posed by fragmented regulatory landscapes in cross-border trade.

### *3.4. Positioning the Present Research*

While prior studies have examined halal certification, logistics, technology, or sustainability mostly as separate domains, this research offers an integrative framework that cohesively combines these facets within the good corporate governance context. This holistic perspective responds to a practical need for governance models that can effectively manage international halal supply chains spanning diverse regulatory and cultural contexts. It advances the academic literature by bridging disciplinary gaps and providing nuanced strategic insights for policymakers, industry leaders, and researchers dedicated to sustaining halal product integrity and ethical supply chain practices globally.

## **4. Conclusions**

This study demonstrates that good corporate governance is a crucial enabler of integrity, transparency, and sustainability in cross-border halal supply chain management. Robust governance frameworks that emphasize accountability, risk control, stakeholder engagement, and ethical conduct significantly contribute to ensuring halal compliance and consumer trust in international markets. The integration of emerging technologies such as blockchain enhances traceability and fraud prevention, complementing governance efforts. Additionally, aligning halal supply chains with sustainability principles consistent with maqasid al-shariah reflects evolving market demands and reinforces corporate social responsibility. The study's integrative framework bridges gaps in prior research by encompassing governance, technology, institutional, and sustainability dimensions, providing actionable insights for policymakers and halal industry actors. Strengthening governance mechanisms alongside regulatory harmonization will be key to advancing scalable, resilient, and ethically sound halal supply chains globally.

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