

Awareness and Perception towards Halal Certification among SMEs in Sabah

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ABSTRACT

Halal is an important concept to enable Muslim consumers to consume a product or service, especially foods and beverages. Small and Medium Enterprises (SMEs) and Halal in Malaysia is an interesting issue to study. Therefore, the SMEs should take this opportunity and proactively involve in the Halal product development. The objectives for the study are to identify SMEs' awareness towards the Halal logo (awareness) and to examine SMEs perception towards Halal certification and logo (perception). 42 SMEs were participated in the study, the results indicated that they are keen to become Halal certified company, and aware of the role of Halal to make them become competitive in the present market. However, a strict and complicated application process considered as a barrier to apply for Halal certification.

Keywords: Halal; SMEs; Awareness; Perception; Sabah

INTRODUCTION

In Malaysia, small-medium enterprises (SMEs) are considered to be an important segment that contributes to economic growth. Since 1 January 2014, the Malaysian institution known as the *Majlis Pembangunan PKS Kebangsaan (MPPK)* defines SMEs as:

- Manufacturing sector, with annual sales not more than RM50 million or having not more than 200 full time employees at one time
- Service and other sectors, with annual sales not more than RM20 million or having not more than 75 full time employees at one time (SME Corp, 2013)

Halal logo and certification can be used to inform and convince consumers regarding the *Shariah* compliance and Halal status of a product (Shafie & Othman, 2006). In Malaysia, the Halal certification of food products was introduced by Jabatan Kemajuan Islam Malaysia (JAKIM) since 1974. All products and services must get the approval from JAKIM and/or the respective state's religious council that is recognized by JAKIM in order to use the Halal logo or to be Halal certified. Halal MS1500:2004 standard was introduced and become a practical guideline for the food manufacturing industry in Malaysia in relation to the preparation and operation of Halal food products, as well as for any trade or business related to use of food

products. This guideline is meant to be used together with the MS1480:1999 (Food Safety) and MS1514:2001 (General Principles of Food Cleanliness) (Sawari, Ghazali, Abu Bakar & Latif, 2015).

The current trend shows that the Halal logo is seen as an image sought out particularly by Muslim consumers, both locally and globally. For example, in a research conducted by Hornby and Yucel (2009) it was found that non-Muslim European consumers also purchased Halal certified products because they believed in the quality and safety of the product. Halal certification cultivates or fosters confidence and belief toward the product because its production has gone through the needed *Shariah* requirements (Shafie & Othman, 2006; Zulfakar, Mohamed Anuar & Ab Talib, 2014). The concept of Halal also stimulates a sense of belief and consumer confidence towards a product. Muslim consumers, in particular, are more confident to purchase products that have the Halal logo rather than those with other quality-based certification such as the ISO labels (Blacker & Bonne, 2005). The benefits of Halal certification is not just in attracting Muslim consumers but also to build confidence among Islamic countries, such as the OIC members to purchase Halal products from Malaysia. Therefore, SMEs should take the opportunity to be more proactive in regards to the production of Halal products and certification, because it can become a competitive advantage to the SMEs, to expand their business locally and globally.

RESEARCH METHODOLOGY

The objectives of the study:

1. To identify SMEs' awareness towards the Halal logo (awareness); and
2. To examine SMEs' perception toward Halal certification and logo (perception)

The study used purposive sampling technique. The questionnaires were distributed at the SMEs events that held in Kota Kinabalu, Sandakan and Tawau. For example SME Mentoring in Tawau, *Karnival 1 Daerah 1 Industri* in Sandakan, and *Karnival PKS Di Persada Dunia* in Kota Kinabalu. Majority of the respondents are Microenterprises. SPSS version 20 were used to run the analysis and the reliability analysis, frequency analysis, KMO and Bartlett's test, and crosstabs were used to analyze and discuss the findings.

LITERATURE REVIEW

Halal is a form of social obligation and it also boosts customer's trust and confidence in products (Fleck, 1997; Bonne and Verbeke, 2006). As mentioned by Blackler and Bonne (2005) and supported by Shafie and Othman (2006) Muslim consumers perceived the products with Halal logo have more meaning and more important compared to those which are carrying ISO or similar certification. Moreover clients' expectations of Halal service quality from the respective agency such as JAKIM in Malaysia are higher than what they perceive (Zainalabidin, Juwaidah, Golnaz, Amin Mahir, Abdullah, Ismail and Mohd Ghazali, 2012). The study focused on the Small Medium and Enterprise food industries. As stated by Wilson and Liu (2011), the challenge faced by marketers is to identify, understand and respond to the Muslim consumer behaviour and corporate practices points towards perspectives which reframe the Halal. They added that the process is dynamic and cyclical, due to hyper-sensitivity, hyper-interactivity and environmental factors that influencing Muslim perceptions of what is Halal. According to Ministry of International Trade and Industry (MITI) among the problems that faced by the local manufacturer in Malaysia is they are lacking of competitive

edge compared to advanced nations in terms of processing technology, product quality, Research and Development (R&D), distribution network and also brand building (MITI, 2004). In Malaysia, small-medium enterprises (SMEs) are considered to be an important segment that contributes to economic growth. Since 1 January 2014, the Malaysian institution known as the *Majlis Pembangunan PKS Kebangsaan (MPPK)* defines SMEs as:

- Manufacturing sector, with annual sales not more than RM50 million or having not more than 200 full time employees at one time
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In 2013, there are 40,884 SMEs in Sabah, however, only 370 are Halal certified SMEs. The percentage of the Halal certified SMEs in Sabah begs the question of why only such a small percentage, though the Halal industry has a very promising market potential both locally and globally. The role of SMEs is considered as the backbone of the Malaysian economy. The Government of Malaysia has recognized the importance of SMEs for the economy and has implemented various policies, action plans, and also introduced programs to assist the SMEs (Char, Yaso, Hassan and Muhammad, 2010). For example, on the April 2013, HDC, Design Development Centre (DDEC), a unit of *Majlis Amanah Rakyat (MARA)* and SIRIM Bhd. has signed strategic partnership agreements for the provision of services to improve the packaging of Halal products to enhance competitiveness and business performance of local Halal producers especially the SMEs. Nestle Malaysia is also supporting the growth of SMEs in Malaysia by sharing its knowledge and expertise in the local Halal food industry in adding value and raise their standards to enable them to compete in the global market and win consumers' confidence (SMECorp, 2013).

FINDINGS

42 respondents were participated in this study, 43% (18) male and 57% (24) female (Table 1.0). Majority of them are the owner of the company. The education level stated that majority of them completed the tertiary education level (diploma and above) 59.4% (25) and 40.4% (17) reached the secondary level. The respondents owned the established company, 42.8% manage the business more than 2 years and 26.1% (11) manage to establish the business more than 5 years and 21.4% (9) more than 10 years. However, only 9.5% (4) companies are certified Halal, 88% (37) interested to apply and in process of applying, only 2.5% (1) not interested to apply.

Table 1: Respondents Profile

SMEs	Category	Frequency	Percentage
Gender (Owner)	Male	18	43.0
	Female	24	57.0
Education Level	Secondary School	17	40.4
	Technical Certificate/Diploma	13	30.9
	Degree	10	23.8
	Post Graduate	2	4.7
Duration	0-1 Year	4	9.5
	2-5 Years	18	42.8
	5-9 Years	11	26.1
	10 Years and Above	9	21.4
Halal Status	Yes	4	9.5
	No but interested	37	88.0
	Not interested	1	2.5

The Bartlett's test for sphericity showed that the correlation matrix was at an appropriate level to perform factor analysis of the data for each scale. All scales reaching a significance level of $p < 0.000$. The KMO measure provides a value between 0 and 1. Small values for KMO indicate that a factor analysis of the variables may not be appropriate, since the correlations between variables cannot be explained by other variables (Norusis, 1993). The Kaiser-Meyer-Olkin measure of sampling adequacy for this study gives 0.837 exceeding the recommended value of 0.6 proven that the variables are satisfactory for factor analysis.

Table 2: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.837	
Bartlett's Test of Sphericity	Approx. Chi-Square	244.511
	Df	55
	Sig.	.000

Refer to Table 3.0, the results suggested that the awareness among SMEs could be major determinant factor in applying for the Halal certification. There are strong influence in the respondents' decision to be involved in Halal industry. The SMEs also hope that the respective board will update the Halal information from time to time and try to disseminate information of Halal Hub via the Halal websites. For the government involvement, the SMEs demand the government to be more proactive and supportive to the SMEs especially while dealing with the applying and processing of Halal certification. Simple but strict procedure can be introduced to simplify the Halal certification process. The results for perception indicated that most of the SMEs perceive that to be Halal certified is a strict and difficult process.

Table 3: Reliability Analysis

Variable	N of Item	Item Deleted	Alpha
Awareness	5	3	0.830
Knowledge & Government Support	5	-	0.828
Perception	6	3	0.816

However the SMEs agreed that the Halal certification and Halal logo will become a competitive advantage to the company. In addition becoming a Halal certified company will also increase the consumer confidence towards SMEs products, and at the same time will enhance their market share. Related to the Halal Mobile Apps, majority of the respondents 76.2% (32) aware of the Halal Mobile Apps and they also interested to register their business in the apps (Table 4.0).

Table 4: Halal Mobile Apps.

Information	Category	Frequency	Percentage
Aware on Halal Apps.	Yes	32	76.2
	No	10	23.8
Interested to register	Yes	42	100.0
	No	0	0

CONCLUSION

In conclusions, the results of the study determined that SMEs in Sabah aware about the significance of the Halal certification and Halal logo for their products. Obtaining Halal Certification will give SMEs very lucrative revenue, due to the size of the Halal industry and the industry is growing bigger by time. This is why the government initiate few plans in helping the SMEs to focus on capacity building, financial assistance, market development, facilitation of export, brand development, skill and entrepreneurial training as well as providing necessary infrastructure, institutional and regulatory support for the SMEs to be proactive and more aggressive in developing and expanding their business especially in the Halal industry. However, a strict and complicated application process becomes a barrier to apply for Halal certification. At the present market, the non-Muslim industry players seem ready and aware of the tremendous development of Halal market compared to the Muslims, and they are competing in the Halal market domestically and globally. According to Halal Industry Development Corporation (2014), 34% Halal Certified companies owned by Bumiputera, whereas 66% of the companies are the Non-Bumiputeras. The Halal market is non-exclusive to Muslims, and has gained increasing acceptance among non-Muslim industry players who associate Halal with ethical consumerism. Based on the previous data, all the SMEs in Sabah either Muslim or non-Muslim owned should ready to be a Halal certified SMEs, because it is a contributing factor in consumer decision and the failure to be Halal certified would be a competitive disadvantage for the SMEs at the current and future market. (Nooh, Nawai, Mohd Dali and Mohammad, 2016)

They are the shortcomings, conditions or influences that cannot be controlled by the researcher that place restrictions on the methodology and conclusions. Among the limitations

are, the number of the respondents, by increasing the number of SMEs probably will enhance the generalizability of the findings. The SMEs also exhibited a certain level of propensity for Halal entrepreneurship. This observation indicated that they were enthusiastic or positive about becoming Halal SMEs. The study tested and verified the hypotheses using a questionnaire survey but was only a cross-section study in nature. This approach limits the ability to imply causality in the relationships among variables. Thus, the survey results were affected by the fact that this study was not able to observe the dynamic changes of attitude, subjective norms and perceived behavioral control in the development process of Halal industry in Malaysia. A longitudinal study that examines the relationships over an extended period should be conducted to provide precise results. Second, we tested the effects of intrinsic motivations on *Halalpreneurial* propensity. Future studies could explore the effect of extrinsic motivations and pro-social motivations.

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