Motivations of SME Entrepreneurs to Become Halalpreneurs

Article in Journal of Science and Technology Policy in China · March 2016

READS
49

4 authors, including:

Suhaiza Zailani
University of Malaya
166 PUBLICATIONS 1,222 CITATIONS

Mohammad Iranmanesh
Universiti Sains Malaysia
40 PUBLICATIONS 69 CITATIONS
Motivations of SME Entrepreneurs to Become Halalpreneurs

<table>
<thead>
<tr>
<th>Journal:</th>
<th>Journal of Science and Technology Policy Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manuscript ID</td>
<td>JSTPM-07-2015-0023.R1</td>
</tr>
<tr>
<td>Manuscript Type:</td>
<td>Research Paper</td>
</tr>
<tr>
<td>Keywords:</td>
<td>Propensity, Halalpreneurial, Entrepreneurs, Perceived Desirability, Malaysia</td>
</tr>
</tbody>
</table>
Motivations of SME Entrepreneurs to Become Halalpreneurs

Abstract

**Purpose** – This study aimed to address the factors associated with a propensity for halal entrepreneurship among small and medium enterprise (SME) entrepreneurs.

**Design/methodology/approach** – Data were gathered from SMEs in Malaysia by conducting a survey with 209 respondents. Data were analyzed with the partial least squares technique.

**Findings** – Results indicated that halal entrepreneurship, intrinsic motivation, effort to seek out opportunity, perceived desirability, peer influence, perceived feasibility, and perceived governmental support significantly affected halalpreneurial propensity among SME entrepreneurs. On the other hand, the effects of creativity and innovation, honesty and integrity, risk taking attitude, relative advantage, and family supports on halalpreneurial propensity were not supported.

**Practical implications** – Through identification of the motivational factors to be recognized as a halapreneurs, policyholders in Malaysia would be able to successfully promote halal entrepreneurship in this country. In this regard, policymakers can adjust their tactics and strategies in a way which encourage halal entrepreneurship among SME entrepreneurs.

**Originality/value** – This study aimed to serve as an initial step in understanding the cognitive process of SME managers in embarking on halal business.

**Keywords:** Propensity; Halalpreneurial; Entrepreneurs; Perceived Desirability; Malaysia

**Introduction**

Entrepreneurship has become one of the critical activities for economic development because it can generate job opportunities and multiple other monetary benefits. However, innovation,
technology, and entrepreneurial skills are currently driving the economy back to prosperity. Halal nowadays is not only related to religion in terms of halal certification or halal standard, but is also viewed as the “best value” for economic development (Zailani et al., 2015a). The halal industry can increase the income and quality of people’s life through trade, investment, service provision, and employment opportunities. Thus, the involvement of the people’s halal economy, halal entrepreneurship, and human capital development are emphasized. The halal global market is extremely large because it includes not only food items, but also nonfood products, such as cosmetics, ingredients, and pharmaceuticals. The Muslim population in the world is expected to grow twice faster than the non-Muslim population over the next 20 years when Muslims are expected to account for 30 percent of the total global population (HDC, 2010).

Entrepreneurs must be exposed to business opportunities and must expand the market for halal products by sharing knowledge and the success of halal entrepreneurs in various business fields. Individuals who are interested in innovating and exploiting opportunities generated by halal business development are known as halal entrepreneurs or halalpreneurs. With the rapidly rising interest in halal business, billions of dollars have been invested by the government, thereby making halal entrepreneurship a significant component of global halal sales and halal business world. Despite the increasing number of halal business opportunities, knowledge about whether entrepreneurs of small and medium enterprises (SMEs) do realize the prospects of such a phenomenon is scant.

The pertinent role of SMEs in national development has been emphasized in numerous development policies in Malaysia, as they are the pillar for the nation. Although economic liberalization and privatization policies apparently serve as a catalyst for economic expansion, quality and productive SME entrepreneurs are required to sustain and generate future development. In the halal business context, SME entrepreneurs can play an important
role in embarking on halal entrepreneurial activities in a country, thereby inducing several economic benefits. According to Rose et al. (2006), vibrant SME entrepreneurs constitute a resource of tremendous potential; they can contribute significantly to the overall development of a nation, and their ability to harness their potential determines Malaysia’s strength and resilience in pursuing social, economic, and political development. SME entrepreneurs play a crucial role in developing the economy of a small country such as Malaysia because they constitute a large portion of business activities (National SME Development Council, 2013).

The interest of SME entrepreneurs in halal entrepreneurship or halalpreneurship must be cultivated because halal business is complicated. However, the distinct characteristics of SME entrepreneurs may raise different and complex issues when engaging in halal entrepreneurship (Rahman and Mohamed, 2011). A key challenge is to continually develop the interest of SME entrepreneurs in halal entrepreneurship. Hence, the factors affecting halal entrepreneurial intentions on halal businesses among SME entrepreneurs must be understood to encourage halal entrepreneurship activities in Malaysia. Intention indicates the readiness of a person to perform a given behavior. It is considered the immediate antecedent of behavior. Intention is based on the attitude toward the behavior, subjective norms, and perceived behavioral control. Each of these predictors has been weighted for its importance related to the behavior and population of interest (Ajzen, 1991). By contrast, Shapero and Sokol (1982) developed a model on factors that influence entrepreneurial intentions. They claimed that desirability, feasibility, and a propensity to act are the most crucial factors influencing the intention of an individual to start a venture. Accordingly, this study is interested in examining whether perceived feasibility is described as an important foundation for the propensity provided, and high desire in venturing toward halal business exists.

At the national level, governments have a compelling need to enhance the participation of SME entrepreneurs in halalpreneurship by developing comprehensive strategies and
effective institutional policies. Therefore, the attractiveness of halalpreneurship to the target users may be highlighted and amplified, thereby improving the opportunities for a successful venture. A negative attitude toward halalpreneurship may consequently cause SME entrepreneurs to lag behind in the market and miss opportunities for halal global business. Hence, this study seeks to determine the influences of attitudinal, normative, and perceptual factors for halalpreneurial propensity among SME entrepreneurs in Malaysia. This study aims to serve as an initial step in understanding the cognitive process of SME owner-managers in embarking on halal business.

Literature review

Halal entrepreneurship

In the development of entrepreneurship studies, Ucbasaran, Westhead, and Wright (2001) listed six major themes that were chiefly discussed by scholars in entrepreneurship research, namely, (1) entrepreneurship theory, (2) types of entrepreneurs, (3) entrepreneurial process, (4) organizational forms selected by entrepreneurs, (5) external environments for entrepreneurship, and (6) outcomes. Bustamam (2012) argues that halal entrepreneurship is a new concept that links halal development to business activities that are executed as halalpreneurial. Halal entrepreneurship involves all of the functions, activities, and actions associated with the perception of opportunities and creation of organizations to pursue them (Bustamam, 2012). According to Bustamam (2012), halal entrepreneurial process is a complex phenomenon; however, this process is important in understanding halalpreneurial growth.

The development of halal entrepreneurship has changed the manner in which people perceive business activities and their effect on customer demand for halal products. For
instance, business operators are required to balance the emphasis on profit generation and the fulfillment of halal requirements through halal operations (Vargas-Hernández, Noruzi, & Sariolghalam, 2010). Indeed, researchers have suggested that the orientation of halal management and halal business practices among entrepreneurs is obligatory in contributing to halal business development (Baharuddin, Kassim, Nordin, & Buyong, 2015). Nevertheless, considerable confusion remains because halal entrepreneurship is a relatively new concept under the umbrella of entrepreneurship. In explaining the concept, some researchers have called it “halal-driven entrepreneurship” (Rahman & Mohamed, 2011) or “halal-minded entrepreneurship” (Baharuddin et al., 2015). By contrast, the concept is equated to “halalpreneurship” in the current study. A universally accepted definition of halal entrepreneurship is lacking and researchers have suggested various definitions over the years. Halalpreneurship equally emphasizes several aspects of halal business. Hence, this study adopted the description by Bustamam (2012), in which the concept was regarded as an entrepreneurial process for innovatively exploiting opportunities to obtain economic gains and society equity on an equal footing.

Factors influencing the propensity for halalpreneurship

Halal entrepreneurship requires the decisions of business operators to embark on it. Although this concept is not regarded as something new to many business operators in Malaysia, particularly for SMEs (Moorthy et al., 2012), studies indicated that SMEs participating in halal entrepreneurship were less embracing than large organizations. Therefore, as an initial stage of developing halal entrepreneurship among SMEs, understanding the psychological factors that trigger the decision of people to adopt this process is crucial.
According to Ajzen (1991), intention is a reliable predictor of the actual behavior of humans. Intention can be explained as the degree of hardship and effort that people are willing to exert in performing a behavior (Ajzen, 1991). From the extant literature, various studies have interchangeably used the terms “propensity,” “motivation,” and “intention” (Phan et al., 2002). Thus, given that the context of halal business in Malaysia is well established and accepted by business community, this paper followed the suggestion of Phan et al. (2002), in which intention is deemed to be synonymous with propensity. In this regard, propensity can be explained as the likelihood of performing a particular behavior. Propensity is only a predictor of actual behavior, and it does not involve any actual behavior. Moreover, Fishbein and Ajzen (1975) and Shapero and Sokol (1982) suggested two popular models, namely, theory of reasoned action (TRA) and entrepreneurial event model (EEM), to understand the factors that influence the intention of people. TRA focuses on the influences of attitudinal and normative factors on the intention of people, and such an intention spurs actual behavior. Meanwhile, EEM emphasizes the effects of two perceptual factors, namely, perceived desirability and perceived feasibility, on the entrepreneurial event engagement.

Thus far, both models have been extensively adopted and adapted by various researchers in predicting the intention of an individual and in explaining human behavior in different areas, including entrepreneurship (Krueger et al., 2011). These models presented different triggering factors of human intention. Thus, this study attempted to expand the existing models by integrating them into a new model to determine the factors that influence halalpreneurial propensity.

Model conceptualization and hypotheses development

Figure 1 shows the proposed framework for investigating the effects of attitude
(awareness toward halal business, intrinsic motivation, effort to seek out opportunity, creativity and motivation, honesty and integrity, risk-taking attitude, relative advantage, and perceived desirability), subjective norm (family support and peer influence), and perceived behavioral control (perceived feasibility and government support) on halalpreneurial propensity among SME entrepreneurs.

"Insert Figure 1 Here"

**Attitude**

Ajzen (1991) described attitude as “the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question” (p. 188). A person may possess a positive or a negative attitude toward a thing that affects the intention of an individual. Attitude is a factor that influences behavioral intention in TRA and theory of planned behavior. In addition, many studies have confirmed that attitude is a significant and strong determinant of entrepreneurial intention (e.g., Phan et al., 2002; Rahman and Mohamed, 2011; Bustamam, 2012; Baharuddin et al., 2015; Fini et al., 2012). Aside from predicting entrepreneurial intention, constructs of attitude may include halal awareness (Baharuddin et al., 2015), motivations on halal business (Ab Talib et al., 2015), effort to seek out opportunity (Rahman and Mohamed, 2011), creativity and innovation (Zampetakis and Moustakis, 2006), honesty and integrity (Othman et al., 2009), risk taking (Bustamam, 2012), relative advantage (Teo and Pok, 2003), and perceived desirability (Guerrero et al., 2008; Fitzsimmons and Douglas, 2011).

The concept of halal which covers not only the Shariah requirement but also the sustainability concept of hygiene, sanitation and safety aspect, makes halal food readily
acceptable by consumers who are concerned about food safety and healthy lifestyle. Realizing that, small entrepreneurs take advantage of business opportunities in the halal industry to reap the benefits of increasing profits for halal food areas that have great potential to generate income (Baharuddin et al., 2015). Therefore, the positive relationship between halal awareness and halalpreneurial propensity is expected. Ab Talib et al. (2015) found intrinsic motivation such as finding halal business interesting has positive effect on implementing halal business. Rahman and Mohamed (2011) found the effort to seek opportunity as a key attitude towards enterprise creation. Zampetakis and Moustakis (2006) stated that individuals with positive attitudes of their own creativity were more likely to have high entrepreneurial intentions. As the halal food industry is able to guarantee the halalness of food products sold to consumers, honesty becomes an important factor in this industry (Othman et al., 2009). As such, it is expected that the people who find themselves honest have higher intention to implement halal business. In the present competitive market, service differentiation is essential. In an Islamic country like Malaysia, halal service is one of the best ways to differentiate a company service from others (Zailani et al., 2015a). Therefore, the people that understand the relative advantage of halal business may have higher intention to run halal business. Finally, Guerrero et al. (2008) put that most people consider to create a new firm if their perception of desirability is positive. Hence, the positive relationship between perceived desirability and halalpreneurial propensity is expected. Accordingly, the following hypotheses were developed:

**Hypothesis 1:** Awareness toward halal food business positively influences halalpreneurial propensity.

**Hypothesis 2:** Intrinsic motivation positively influences halalpreneurial propensity.

**Hypothesis 3:** Effort to seek out opportunity positively influences halalpreneurial propensity.
Hypothesis 4: Creativity and innovation positively influence halalpreneurial propensity.

Hypothesis 5: Honesty and integrity positively influence halalpreneurial propensity.

Hypothesis 6: Risk-taking attitude positively influences halalpreneurial propensity.

Hypothesis 7: Relative advantage positively influences halalpreneurial propensity.

Hypothesis 8: Perceived desirability positively influences halalpreneurial propensity.

Subjective Norm

Ajzen (1991, p. 188) explained subjective norm as “perceived social pressure to perform or not to perform a particular behavior.” Subjective norms, such as opinions, views, and influences from reference groups (i.e., families, friends, and colleagues) can affect the intention of a person. Indeed, subjective norms positively and significantly influence entrepreneurial intention (Moriano et al., 2012; Schlaegel and Koenig, 2014; Kautonen et al., 2015). In particular, subjective norm is the perceived social pressure that influences the intention of manufacturers to apply for halal logo (Alam and Sayuti, 2011). Subjective norm in Malaysia plays an important role in which family members and peers are a strong referent point for venturing into halal business. Nanda and Sørensen (2010) found that employees who were more likely to become entrepreneurs of their co-workers have had prior self-employment experience. It suggests that as the halal business entre partnership experience of peers, it may positively affect individuals’ decision to become halal entrepreneurs. Therefore, the following hypotheses were developed:
Perceived Behavioral Control

According to Ajzen (1991), perceived behavior control is determined by the beliefs of an individual about the power of both situational and internal factors in facilitating the performance of behaviors. In the context of entrepreneurship, Shapero and Sokol (1982) referred to perceived feasibility as a construct of perceived behavior control, and defined it as a person’s belief about his or her capability for an entrepreneurial event. Availability of government support is another construct of perceived behavioral control (Tan and Teo, 2000). Perceived behavioral control plays a role in determining the propensity for halal entrepreneurship. Thus, the following hypotheses were developed:

**Hypothesis 11:** Perceived feasibility positively influences halalpreneurial propensity.

**Hypothesis 12:** Perceived governmental support positively influences halalpreneurial propensity.

Research methodology

Sample and data collection

This study primarily explored the perception and attitude of SME entrepreneurs toward venturing into halal business and becoming halapreneurs. To address the research objectives, a survey questionnaire was designed and developed based on the literature for entrepreneurs. The questions comprised of the socioeconomic characteristics of company profiles, attitudes, and perceived behavioral control on entering halal business. The questionnaires were distributed to 500 Malaysian food SMEs. A list was obtained from Malaysian Food Fiesta, and 500 food SMEs were randomly selected. The selected SMEs were represented by their owner–managers, who are also known as SME entrepreneurs. Data were collected in time...
range from October 10 and December 10, 2014. Out of the 500 questionnaires sent to the SMEs, 218 were collected after the two reminder letters. A return rate of 43.6% was obtained. Nine of the questionnaires returned were invalid because these questionnaires were not completed. The percentage of usable responses was approximately 41.8%.

To make sure that the received responses were representative of the sample firms, a non-response bias was conducted following the procedure suggested by Armstrong and Overton (1977). Early responses were defined in this study as responses received before sending the first reminder (20 days from the first mailing), whereas late responses are those received after that date. According to this criterion, 97 responses were considered as early responses and 121 responses were considered as late responses. Chi-square test was used to test for significant differences between early and late responses among twelve characteristics of firms and respondents under study. At the 5% significance level, no differences between the “early” and “late” respondents were detected, suggesting that non-response bias was not a problem with regard to the data collected in this study.

The final sample consisted of 141 (67.5%) men and 68 (32.5%) women. Ninety-seven (46.4%) respondents below 30 years old, followed by 72 respondents (34.5%) between 31 and 45 years old, and 40 respondents (19.1%) above 46 years old participated in the study. In terms of ethnicity, Malay respondents comprised 63.2% of the sample, followed by Chinese (26.8%), and Indian (10.0%). The educational level of the respondents in descending order is bachelor’s degree (48.8%), master’s degree (30.1%), and others (21.1%).

Measure of constructs

This study was quantitative, and it used the questionnaire survey method to collect the desired data. The survey instrument consisted of six sections, namely, respondents’ personal
information, attitude, subjective norm, perceived behavioral control, extent of desirability, and halalpreneurial propensity. The questionnaire items were adapted from various previously established studies to ensure the content validity of scale (Table 1). All of the items used a five-point Likert-type rating scale (1 = “strongly disagree” to 5 = “strongly agree”). The negatively worded items were recoded prior to performing the analysis.

Analysis

This study applied partial least squares (PLS) with SmartPLS 3.0. This technique has been used due to its appropriateness to the exploratory nature of this study (Hair et al., 2011). The two-step approach was utilized in data analysis, as suggested by Hair et al. (2013). The first step involves the analysis of the measurement model, whereas the second step tests the structural relationships among the latent constructs (see Zailani et al., 2015b; Abdullah et al., 2015). The two-step approach aimed to establish the reliability and validity of the measures prior to assessing the structural relationship of the model.

Results

Measurement Model Results

The reliability and validity of the reflective constructs must be assessed. Composite reliability (CR) must be assessed in connection with internal reliability, which is similar to Cronbach’s alpha. The CR of all the constructs was above 0.7 (Table 1), satisfying the rule of thumb of Hair et al. (2013). Igbaria et al. (1995) suggested accepting items with loadings of at least 0.5. Individual item reliability was considered acceptable because the loadings associated with each of the scales were all greater than 0.5. Convergent validity was measured using the
average variance extracted (AVE). The AVE of all the constructs was above 0.5, signifying a satisfactory degree of convergent validity (Fornell and Larcker, 1981).

"Insert Table 1 Here"

We used two approaches to assessing the discriminant validity of the constructs (see Nikbin et al., 2015; Zailani et al., 2014). First, we examined the cross-loading of the indicators, which revealed that no indicator loaded higher on an opposing construct (Hair et al., 2012). Second, we applied the criterion of Fornell and Larcker (1981) and tested whether the AVE of each construct was greater than its squared correlation with the remaining constructs (see Table 2). Both analyses confirmed the discriminant validity of all the constructs. Table 2 shows that the mean of all variables was higher than average except relative advantage (mean = 2.89).

"Insert Table 2 Here"

**Structural Model Results**

The structural model was evaluated with the satisfactory results in the measurement model to confirm the relationships among the constructs. The predictive accuracy of the model was evaluated in terms of the explained variance portion. The results suggest that the model can explain 69.1% of the variance in halal entrepreneurship intentions. Aside from estimating the magnitude of R², researchers have recently included the predictive relevance developed by Stone (1974) and Geisser (1975) as an additional assessment of the model fit. Stone–Geisser
Q² was computed to examine the predictive relevance using the blindfolding procedure. According to the guidelines suggested by Chin (2010), a Q² value greater than zero implies the model has the predictive relevance. In the present study, a value of 0.539 was obtained as cross-validated redundancy, which was far greater than zero. In sum, the model exhibited an acceptable fit and a high predictive relevance.

Nonparametric bootstrapping was applied (Wetzels et al., 2009) with 2000 replications to test the structural model. Table 3 presents the structural model that resulted from the PLS analysis. The results indicated that halal entrepreneurship awareness (β = 0.114, p < 0.05), intrinsic motivation (β = 0.363, p < 0.001), effort to seek out opportunity (β = 0.315, p < 0.001), perceived desirability (β = 0.129, p < 0.05), peer influence (β = 0.129, p < 0.05), perceived feasibility (β = 0.138, p < 0.001), and perceived governmental support (β = 0.161, p < 0.05) significantly influence halalpreneurial propensity. The effect of the other proposed drivers was unsupported. Hence, H1–H3, H8, H11, and H12 were supported, whereas H4–H7 and H9 were not supported.

"Insert Table 3 Here"

Discussion

As mentioned by Ajzen (1991), both attitude toward a specific behavior and social pressures from others in the society can affect the intention of an individual to behave in a specific manner. Shapero and Sokol (1982) and Liñán et al. (2005) also highlighted the role of individuals’ perceptions on behavioral intention. The descriptive analysis indicated that SME entrepreneurs demonstrated a positive or a favorable attitude toward halal and pointed out the existence of social support from family and peers concerning their halal practices. As for the
perceptions of entrepreneurs, they regarded halal entrepreneurship as attractive and recognized themselves as having the necessary ability to become halal entrepreneurs. Hence, the finding that SME entrepreneurs exhibited a relatively high level of halalpreneurial propensity was expected. Based on the statistical analysis, the seven influential factors were positively associated with halalpreneurial propensity. The analysis confirmed that awareness of halal entrepreneurship, intrinsic motivation, effort to seek out opportunity, perceived desirability, peer influence, perceived feasibility, and perceived governmental support significantly influenced the halalpreneurial propensity of SME entrepreneurs, and they were considered important in encouraging SME practitioners to engage in halal business.

As supported by previous studies, attitude was vital for determining not only entrepreneurial intention (do Paço et al., 2011; Fini et al., 2009), but also entrepreneurial behavior (Tonglet et al., 2004; Schick et al., 2002). Therefore, fostering a positive attitude, such as awareness of halal entrepreneurship, motivation, and seeking out opportunity among SME operators about halal, and perceived desirability, are necessary for inculcating halalpreneurial propensity. These findings were consistent with those of previous studies, which determined that awareness (Baharuddin et al., 2015), intrinsic motivation (Ab Talib et al., 2015), the effort to seek out opportunity (Rahman and Mohamed, 2011), and perceived desirability (Guerrero et al., 2008; Fitzsimmons and Douglas, 2011) significantly affect entrepreneurial intention. Thus, efforts in promoting halal entrepreneurship as an attractive business model or as an appealing business practice should be exerted. In practice, raising awareness on halal entrepreneurship and motivating SME entrepreneurs can be achieved through media and education. Training and development courses should be provided to equip SME operators with the necessary halal skills, capabilities, and abilities.

By contrast, the results of this study indicate that creativity and innovation, honesty and integrity, risk taking, and relative advantage have no significant effect on the propensity for
halal entrepreneurship. This observation was inconsistent with the findings of previous results, such as those of Zampetakis and Moustakis (2006), Othman et al. (2009), Bustamam (2012), and Teo and Pok (2003). The potential reason for the insignificant effects of these attitudes is that halal entrepreneurship is still in the initial stage, and majority of the respondents were unfamiliar with halal business and its potential risk and opportunities. Thus, policy makers should particularly focus on other factors during the adoption stage.

The significant relationship between peer influence and halal entrepreneurship intention was parallel to the study of Nanda and Sørensen (2010). By contrast, the results of the present study indicated that family support had no significant effect on halal entrepreneurship intention. The potential reason for the significant effect of peer influence and the insignificant effect of family support is that the respondents of the present study were SME entrepreneurs who were mature and had their own businesses. Hence, the family has a minor effect on the business decisions of SME entrepreneurs, and peers who are highly familiar with the business can considerably affect their business decisions.

Moreover, perceived feasibility and perceived governmental support significantly affect halal entrepreneurship intention. The perceived feasibility of the halal business is always relevant because entrepreneurs are easily influenced if the business is promising in return (Bustamam 2012). Perceived governmental support is also important to intention toward entrepreneurial behavior (Moriano et al., 2012; Kautonen et al., 2011) and actual behavior (Bustamam, 2012). Perceived governmental support through strong linkages and rapid interactions with SMEs is important in encouraging entrepreneurs to engage in halal business. Thus, the government should conduct campaigns to promote halal entrepreneurship and provide safe halal work conditions.

In terms of the theoretical contribution, this study was the first to investigate the drivers of halalpreneurial propensity among SME entrepreneurs. The findings of this study are
particularly important because halal entrepreneurship by SMEs can play a critical role in developing the economy of a country. From a practical viewpoint, the findings provide implications for policy makers. Recognizing the motivations to become halalpreneurs will aid policy makers in successfully promoting halal entrepreneurship in Malaysia. Policy makers can adjust their strategies and policies to encourage halal entrepreneurship among SME entrepreneurs.

Conclusion

This study aimed to examine the factors associated with a propensity for halal entrepreneurship among SMEs in Malaysia. In general, SME entrepreneurs agreed that awareness of halal entrepreneurship, favorable intrinsic motivation, effort to seek out opportunity, perceived desirability, peer influence, perceived feasibility, and perceived governmental support are attractive for halal entrepreneurship. The SME entrepreneurs also exhibited a certain level of propensity for halal entrepreneurship. This observation indicated that they were enthusiastic or positive about becoming halalpreneurs. Intrinsic motivation and effort to seek out opportunity had a stronger association with a propensity for halal entrepreneurship than the other significant factors.

This study is not without any limitations. First, the study tested and verified the hypotheses using a questionnaire survey but was only a cross-section study in nature. Therefore, 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 of time should be conducted to provide precise
results. Second, we tested the effects of intrinsic motivations on halal entrepreneurial propensity. Future studies could explore the effect of extrinsic motivations and pro-social motivations.

Acknowledgements

The authors acknowledge the financial support of University of Malaya under the grant number of RP016C-13SBS, which have made the presentation of this paper possible.

References


Tan, M., & Teo, T.S. (2000). Factors influencing the adoption of Internet banking. *Journal of the AIS, 1*, 1-42.


---

**Figure 1: Theoretical Framework**

- **Attitude**
  - Awareness towards halal food business
  - Intrinsic motivation
  - Effort to seek out opportunity
  - Creativity and Innovation
  - Honesty and Integrity
  - Risk taking attitude
  - Relative advantage
  - Perceived Desirability

- **Subjective norm**
  - Family supports
  - Peers influence

- **Perceived behavioral control**
  - Perceived feasibility
  - Perceived Governmental Support

Halalpreneurial propensity among SMEs entrepreneurs
<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Factor Loadings</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness of halal entrepreneurship (AHE)</td>
<td>I am not aware of halal entrepreneurship as it is too new for me</td>
<td>0.875</td>
<td>0.935</td>
<td>0.744</td>
</tr>
<tr>
<td></td>
<td>I am not aware of halal entrepreneurship as it is complex to youth with beginner-level of entrepreneur skills.</td>
<td>0.904</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am not aware of halal entrepreneurship as it leads to Islamic obligation.</td>
<td>0.871</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I don’t have knowledge about the halal entrepreneurial environment</td>
<td>0.893</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Halal entrepreneurial activity clashes with the culture in my religion</td>
<td>0.763</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrinsc Motivation (IM)</td>
<td>I will venture into halal entrepreneurship because I find the business</td>
<td>0.854</td>
<td>0.949</td>
<td>0.757</td>
</tr>
<tr>
<td></td>
<td>in halal is interesting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will venture into halal entrepreneurship because I am a Muslim</td>
<td>0.845</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will venture into halal entrepreneurship because I have entrepreneurial skills</td>
<td>0.844</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will venture into halal entrepreneurship because I have greater recognition of the halal entrepreneur’s figure</td>
<td>0.899</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Practicing halal entrepreneurship reflects my competency and ability</td>
<td>0.894</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Be as halal entrepreneurship helps me feel better.</td>
<td>0.882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effort to seek out opportunity (ESO)</td>
<td>I am excited about halal entrepreneurship and will educate myself to know more about it</td>
<td>0.916</td>
<td>0.958</td>
<td>0.849</td>
</tr>
<tr>
<td></td>
<td>I like doing business and would like to explore the global</td>
<td>0.913</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>opportunity being as halal entrepreneurship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will put my effort to develop knowledge to be as halal entrepreneur</td>
<td>0.932</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>My knowledge in halal and entrepreneurship helps me open up my own halal business</td>
<td>0.926</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity and Innovation (CI)</td>
<td>I am always creative and innovative to explore new opportunities</td>
<td>0.919</td>
<td>0.839</td>
<td>0.638</td>
</tr>
<tr>
<td></td>
<td>I believe that creativity and innovation will differentiate your business with competitors</td>
<td>0.691</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I make myself open for creativity and innovative</td>
<td>0.770</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honesty and Integrity (HI)</td>
<td>I believe the honesty and integrity are truly important in the halal business</td>
<td>0.842</td>
<td>0.869</td>
<td>0.692</td>
</tr>
<tr>
<td></td>
<td>I portray myself as a honest person and have full integrity</td>
<td>0.710</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I know career as halal entrepreneur required me to be a good person</td>
<td>0.928</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Taking (RTA)</td>
<td>I can accept the stiff competition in halal business</td>
<td>0.815</td>
<td>0.823</td>
<td>0.612</td>
</tr>
<tr>
<td></td>
<td>I am concerned about the credibility of some agencies offering halal training programs.</td>
<td>0.623</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I believe that halal business is the “wave of the future”.</td>
<td>0.885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relative Advantage (RA)</td>
<td>Encouraging halal business with colleagues is within my control.</td>
<td>0.974</td>
<td>0.791</td>
<td>0.571</td>
</tr>
<tr>
<td></td>
<td>I have incomplete control over halal business</td>
<td>0.651</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The halal entrepreneur’s role in the Malaysian economy is not sufficiently recognized</td>
<td>0.584</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Desirability (PD)</td>
<td>Being a halal entrepreneur implies more advantages than</td>
<td>0.894</td>
<td>0.941</td>
<td>0.841</td>
</tr>
<tr>
<td></td>
<td>disadvantages to me.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>If I had the opportunity and resources, I’d like to expand further my halal business.</td>
<td>0.932</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Among various options, I’d rather be a halal.</td>
<td>0.925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Supports</td>
<td>My family agrees if I work halal entrepreneur</td>
<td>0.933</td>
<td>0.953</td>
<td>0.870</td>
</tr>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>AHE</td>
<td>IM</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>AHE</td>
<td>3.45</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IM</td>
<td>3.43</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESO</td>
<td>3.50</td>
<td>0.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CI</td>
<td>3.87</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HI</td>
<td>4.18</td>
<td>0.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RTA</td>
<td>3.59</td>
<td>0.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RA</td>
<td>2.89</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD</td>
<td>3.46</td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>3.68</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PI</td>
<td>3.33</td>
<td>0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF</td>
<td>3.46</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PGS</td>
<td>3.55</td>
<td>0.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHE</td>
<td>3.69</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CR = Composite Reliability; AVE = Average Variance Extracted
Table 3: Structural Model Evaluation

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Path Coefficient</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>AHE -&gt; PHE</td>
<td>0.114*</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>IM -&gt; PHE</td>
<td>0.363***</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>ESO -&gt; PHE</td>
<td>0.315***</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>CI -&gt; PHE</td>
<td>0.067</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5</td>
<td>HI -&gt; PHE</td>
<td>0.014</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H6</td>
<td>RTA -&gt; PHE</td>
<td>0.072</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H7</td>
<td>RA -&gt; PHE</td>
<td>0.067</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H8</td>
<td>PD -&gt; PHE</td>
<td>0.139*</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H9</td>
<td>FS -&gt; PHE</td>
<td>0.060</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H10</td>
<td>PI -&gt; PHE</td>
<td>0.129*</td>
<td>Supported</td>
</tr>
<tr>
<td>H11</td>
<td>PF -&gt; PHE</td>
<td>0.138*</td>
<td>Supported</td>
</tr>
<tr>
<td>H12</td>
<td>PGS -&gt; PHE</td>
<td>0.161*</td>
<td>Supported</td>
</tr>
</tbody>
</table>

t values are computed through bootstrapping procedure with 209 cases and 2000 samples

*p<0.05, **p<0.01, ***p<0.001 (One tail)