

## WAR 01 HALAL SMES: YOUNG ENTREPRENEUR'S INVOLVEMENT

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### ABSTRACT

In congruence with the acceptance of Halal business throughout the world, entrepreneurs in Malaysia also use new and innovative strategies to compete with other business in the global market. This is due to the Halal products that provide assurance and commitment to the consumer that the products or service is safe to be consumed or used. However, there are not many SMEs equipped with trusted Halal certification. Plus, the involvement of the young entrepreneur in Halal market is very small. They have the products, but without any Halal certification, their products cannot go far. The paper intends to explore the perception and attitude of the Malaysia young entrepreneurs towards the acceptance of Malaysia JAKIM Halal certification and their involvement in Halal SMEs. 120 randomly selected young entrepreneurs based in rural and urban area have been interviewed. The results shows that male entrepreneurs are more willing to accept Malaysia JAKIM Halal certification compared than female and those with higher level of education prefer to obtain the certificates compared those with lower level of education. Out of 120 respondents, 49 of them were involved directly with Halal products and services and only 17 have their products certified with Malaysia JAKIM Halal certification.

**Keywords: young entrepreneurs; Halal; SME.**

### INTRODUCTION

The business environment in this era is become more challenging and also brings greater uncertainty. It is important for the owner and managers of Small Medium Enterprise (SME) to understand where their business fits in the market to compete each others. Without this knowledge, it is difficult to identify a differential advantage that will give the necessary competitive edge to attract the target customer. This is straight forward logic but still many managers may be unlikely to review the market environment in which their business operates, which includes positioning the competitors' business as well (McKechnie et al., 2006). In the holy great Al Quran, there are verses that call Muslim believers to seek provisions that are "*halalan toyibban*". This phrase means allowed and permissible for consumption with relation to Syariah Law as long as they safe and not harmful. Therefore, Halal is actually including everything from the foods we consumed to the business we conduct up to the transactions we perform in our daily lives. It is parts of Muslims responsibility to make sure that everything he practices and consumes are clean, hygienic and not detrimental to his health and well-being. This Halal matter is a concept that encourages Muslims to find, use any products or services that promote cleanliness in all aspects.

Malaysia, being a model Islamic nation is well poised to contribute to ever-increasing Halal industry. Being a member of the Organization of Islamic (OIC), Malaysia is pushing its Halal certification as an international standardized logo to be used for all the Muslim nations. Countries such as Turkey and Pakistan were lobbying themselves in promoting their Halal logo

within Muslim nations. Halal Industry Development Corporation (HDC) is one of the Halal agencies in Malaysia. Under this HDC, more than thousands company are listed and lots of them are very success in the international arena such as Farm's Best Food Industries Sdn Bhd, Mofaz Dagang Sdn Bhd, Zaitun Kosmetik Industri Sdn Bhd, Khong Guan Enterprise Sdn Bhd and others. Hence, it is a must for an entrepreneur to have their own strategies in order to make them sustained and success in the global arena.

However, there were only few SMEs equipped with trusted Halal certification. Plus, the involvement of the young entrepreneur in Halal market is very small. They have the products, but without any Halal certification, their products cannot go far. There are several literatures on acceptance of Malaysia Halal certification among consumers. However this study will focus on the acceptance among the young entrepreneurs. The results of the study will give some inside about the perception of the Malaysia young entrepreneurs with regards to Malaysia to become the leader in Halal certification and as Halal hub in the international arena.

### **GENERAL OBJECTIVES**

The study intends to explore the perception and attitude of the Malaysia young entrepreneurs towards the acceptance of Malaysia JAKIM Halal certification.

### **METHODOLOGY**

In the preliminary stage of the study, questionnaires have been distributed to 120 young entrepreneurs in Peninsular Malaysia. At this stage, descriptive analysis and Chi Square test were conducted in analyzing the data.

### **RESULT AND DISCUSSION**

#### ***Descriptive Analysis***

The descriptive analysis will discuss the respondents' profiles. Respondents are young entrepreneurs in the selected companies. They are coming from Peninsular Malaysia including Johor, Melaka, Negeri Sembilan, Wilayah Persekutuan Putrajaya, Wilayah Persekutuan, Selangor, Perak, Pahang, Terengganu, Kelantan, Pulau Pinang and Kedah. The entrepreneurs produced food and beverages, garments and apparels, stationeries, insurances and others. Based on the survey that has been conducted, ninety (90) percent of them are Muslims while remaining balance are Buddha's, Hindus, Christians and others. Twelve (12) percent are between ages 18 to 25; fifty (50) percent aged 26 to 32 while forty (40) percent are from 33 till 40 years old. Out of 120 respondents, 18 are Masters and PhD holders, 53 bachelors, 40 with diplomas and remaining have certificates. Among them, 49 were involved directly with Halal products and services and only 17 have their products certified with JAKIM Halal certification.

#### ***Chi-Square Analysis***

The chi-square analysis was carried out to determine the relationship between variables which could influence the young entrepreneurs' acceptance on Malaysia JAKIM Halal certification the following hypothesis was formulated to determine the relationship between the respondent profile and the acceptance of Malaysia JAKIM Halal certification.

H1: There's no significant different between the respondent profile and the willingness to accept Malaysia JAKIM Halal Certification.

The result of the chi square test indicate that some of the selected respondent profile variables have significant relationship with the young entrepreneurs' willingness towards accepting

Malaysia JAKIM Halal certification and imply it to their products and services. The variables that were chosen in this study included gender, age, state of origin, ethnicity, and religion and education level.

Table 1 shows the chi square tests which were used to test whether there are significant differences between selected respondents demographic characteristics and their willingness to accept Malaysia JAKIM Halal certification. The result showed that a significant interaction was found between the gender and the willingness to accept Malaysia JAKIM Halal certification. It shows that male entrepreneurs more willing to accept Malaysia JAKIM Halal certification compared to female entrepreneurs ( $\chi^2 = 22.275^a$ ,  $p < 0.01$ ) and those young entrepreneurs with higher level of education were more willing to accept than lower level education ( $\chi^2 = 40.566^a$ ,  $p < 0.05$ ).

**Table 1. Chi square value and willingness to accept Malaysia JAKIM Halal Certification**

Variables	$\chi^2$
Gender	22.275 <sup>a*</sup>
Age	123.847 <sup>a</sup>
State of Origin	53.074 <sup>a</sup>
Ethnicity	22.687 <sup>a</sup>
Religion	25.112 <sup>a</sup>
Education Level	40.566 <sup>a*</sup>

*\*Significant at 1% and 5% level*

**Future study:** The theory of planned behaviour will be used in this study to investigate the willingness to accept Malaysia JAKIM Halal certification among young entrepreneurs. It is important for both the country's policy decision-makers and also the young entrepreneurs to know the level of acceptance of Malaysia JAKIM Halal certification so that we can derive the strategies in order to penetrate international market. The influence of subjective norms (government or competitors) and the perceived behavioral control (Muslims consumers) over the consumption of Halal Food make them more aware about trusted Halal certification. External variables such as the company demographic variables like company owner religion, company origin and company based structure have a strong relationship with the young entrepreneurs' perception towards acceptance of Malaysia JAKIM Halal certification. Thus, understanding young entrepreneurs' willingness to accept Malaysia JAKIM Halal certification is very important.

The young entrepreneurs' acceptance, attitudes and perceived benefits and risks on Malaysia JAKIM Halal certification will be determined with the number of respondents of 1200 from whole states in Malaysia. Exploratory Factor Analysis (EFA) will be used to refine and validate the obtained data. In second stage, Structural Equation Model (SEM) will be utilized to validate each construct to find the factors that contribute to the acceptance and perception of Malaysia JAKIM Halal certification among the young entrepreneurs. SEM will provide a clearer conceptualization of the theory under study as it pictorially modeled the relationship among multiple variables (Byrne, 1998).

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