ABSTRACT

Halal business and Islamic finance adhere to the same fundamental principles and core beliefs. However, there is a divergence between these two industries, particularly in Malaysia, where the utilisation and adoption rate of Islamic financial facilities is still relatively low. This disconnect is particularly prevalent in Malaysia. In order for a company to run in a manner that is really halal, not only must it concentrate on halal production, but it must also finance the firm using shariah-compliant financing; this is something that has not yet been entirely accomplished. As a result, the purpose of this study is to evaluate the efficacy of the survey instrument in determining the influence of relative advantage, complexity, compatibility, top management support, owner-manager expertise, competitive pressure, and customer pressure on the desire to adopt Islamic finance facilities. Specifically, the aim of this study is to review the usefulness of the survey instrument in determining these factors. At the Halal Fiesta (Halfest), a survey was carried out with 30 halal-certified companies utilising a straightforward random sampling approach. This survey served as a preliminary assessment. The findings of the study provide evidence that there is a need for additional improvement and suggest that the survey instrument is appropriate for a more in-depth study that involves a bigger and more representative sample within the halal business.

Keywords: Halal-Certified Companies, Islamic Financing Facilities, Malaysia

1. INTRODUCTION

The halal economy encompasses both the Islamic finance industry and the Halal industry (such as food, lifestyle, and travel) that operate in accordance with Shariah principles (Malaysia International Islamic Financial Centre, 2014). The Islamic finance industry currently holds $3.6 trillion in assets 2021, with projections of reaching $4.9 trillion by 2025. Meanwhile, global Muslim spending across lifestyle sectors was $2.1 trillion in 2021 and is expected to rise to $2.8 trillion by 2025 (DinarStandard, 2022). This demonstrates that Islamic finance is growing at a rapid pace, and consumer spending on halal-certified products and services has become a major market force worldwide. finance and the halal industry to ensure that halal-certified companies operate in full compliance with Shariah law.
Malaysia has been a leader in combining Islamic finance and the halal industry, creating a strong halal economy that includes four key components: Islamic finance, halal food, halal travel, and halal media and recreation (DinarStandard, 2022). In recent years, there has been increasing recognition of the importance of integrating Islamic finance and the halal industry to ensure that halal-certified companies operate in full compliance with Shariah law. Malaysia has been a leader in combining Islamic finance and the halal industry, creating a strong halal economy that includes four key components: Islamic finance, halal food, halal travel, and halal media and recreation (DinarStandard, 2022). However, a report by the World Bank Group (2022) shows that only 43% of halal-certified companies in Malaysia utilize Islamic financing facilities. This unresolved issue has meant that the source of financing for a halal-certified company still has to deal with the prohibition of riba (interest).

Previous research by AbdulKadir et al. (2022), Asad et al. (2021), and Bananuka et al. (2020) has focused on the individual intention to adopt Islamic finance among business firms, but it is important to also consider factors from both the internal and external organisations. Given this, the aim of this study is to expand upon existing research by examining the intention of Malaysian halal certified companies to adopt Islamic financing facilities at the organisational level. This is crucial in enhancing the uptake of Islamic financing facilities among halal-certified companies.

The rest of the paper is structured as follows: section 2 gives an overview of related work, section 3 outlines the research methods used, section 4 presents the results and includes a discussion, and finally, section 5 provides a conclusion.

2. LITERATURE REVIEW

2.1 Relative Advantage

According to Rogers (1995), an innovation's relative advantage is how much people think it is superior to the concept it replaces. Numerous studies have explored the impact of relative advantage as a predictor variable. For example, Ngah et al. (2022) found that perceived benefits have a positive relationship with the intention to adopt halal transportation, as it is seen as useful for expanding the market, improving the firm's halal image, increasing customer satisfaction, boosting profits, and ensuring the purity of products. Lin et al. (2020) discovered that small and medium-sized enterprises (SMEs) prefer to adopt green supply chain management (GSCM) when it offers better environmental performance, greater economic benefits, and enhances the firm's reputation. Ahmed et al. (2022) also found that the adoption of Building Information Modelling (BIM) among Architecture, Engineering, and Construction (AEC) firms leads to improved work quality, increased productivity, reduced construction costs, and greater control and coordination of construction activities. Based on these findings, the following hypothesis is proposed:

H1: Relative advantage has a significant positive influence on the intention to adopt Islamic financing facilities.

2.2 Compatibility

The degree to which an innovation is seen to be compatible with the values, experiences, and requirements of potential adopters is referred to as compatibility (Rogers, 2003).

Previous studies have demonstrated that compatibility has a positive effect on innovation adoption. For instance, Yoon et al. (2020) found that the adoption of smart farming in Korea was in line with the company's values and culture, as well as the available hardware and software. Malik et al. (2021) found that compatibility positively affects a company's intention to adopt blockchain technology, as it is well-suited to business processes and technological capabilities, and fits with technological infrastructure. Siew et al. (2019) also discovered that members of the
Malaysian Institute of Accountants (MIA) adopted computer-assisted audit tools and techniques (CAATTs) because they fit well with auditors' tasks and are compatible with the firm's current audit methods and workflows. Based on these findings, the following hypothesis is proposed:

H2: Compatibility has a significant positive influence on the intention to adopt Islamic financing facilities.

2.3 Complexity

According to Rogers (2003), complexity refers to how difficult it is to comprehend and apply an innovation.

Previous research has found that a high level of complexity often hinders the adoption of innovation. Yoon et al. (2020) found that Korean companies and employees had trouble adopting smart farming systems because it required a lot of effort, was frustrating and too complicated. Malik et al. (2021) found that businesses in Australia saw complexity as a barrier to adopting blockchain technology due to the need for technical skills and difficulty in understanding from both a business and technical viewpoint. Similarly, Ngah et al. (2022) found that complexity was seen as a barrier to halal transportation adoption by small and medium-sized businesses in Malaysia, while Lin et al. (2020) stated that the complexity of adopting green supply chain management in Malaysia's manufacturing industry required prior experience, was difficult to learn and had challenges in knowledge sharing. Sayginer and Ercan (2020) found that using cloud computing was complex for IT employees and challenging for those without an IT background. Based on these findings, the following hypothesis is proposed:

H3: Complexity has a significant negative influence on the intention to adopt Islamic financing facilities.

2.4 Top Management Support

It has been established in previous studies that top management support is a key organisational factor that affects innovation adoption. For instance, research by Sayginer and Ercan (2020) found that top management support plays a positive role in organisations adopting cloud computing. The more support that is provided by top management, the more likely it is that companies will adopt cloud computing. Similarly, Pateli et al. (2020) found that top management support, such as having a customer social relationship management policy, promoting risk-taking, and encouraging social media adoption, positively impacts social media adoption in the hospitality industry. Sun et al. (2020) also found that top management support has a positive effect on a company's intention to adopt Big Data. Their support is crucial in the adoption process because it determines the company's strategic direction, competitive advantage, and willingness to invest resources and financial authority in the new Big Data strategy. Based on these findings, the following hypothesis is proposed:

H4: Top management support has a significant positive influence on the intention to adopt Islamic financing facilities.

2.5 Owner-Manager Knowledge

Owner-manager knowledge refers to the understanding that a manager or owner has about Islamic financing facilities. Previous studies have shown that the knowledge of the manager or owner has a significant impact on their decision to adopt new innovations. For example, a study by AlBar and Hoque (2017) examined in a study in rural Saudi Arabia which found that the owner-manager's knowledge of ICT played a strong role in their decision to adopt it. Another study in Ghana found that the CEO-manager's understanding of cloud business intelligence was a factor in
their adoption decision (Owusu, 2020). A study in Thailand also showed that management knowledge was crucial in the adoption of an electronic payment system (Apasrawirote & Yawised, 2021). These findings support the hypothesis that owner-manager knowledge will have a significant positive impact on the intention to adopt innovations such as Islamic financing facilities. Based on these findings, the following hypothesis is proposed:

H5: Owner-manager knowledge has a significant positive influence on the intention to adopt Islamic financing facilities.

2.6 Competitive Pressure

Competitive pressure refers to the level of competition in the industry a company operates in (Lertwongsatien & Wongpinunwatana, 2003). The influence of competitive pressure on the adoption and use of innovations has been extensively studied. Owusu (2020) found that competitive pressure among SMEs had a positive impact on the adoption of cloud business intelligence, suggesting that SMEs adopted it due to the success of their competitors and advice from their partners. Sun et al. (2020) discovered that competitive pressure positively affects a company's decision to adopt Big Data, with IT managers of B2B electronic commerce vendors being influenced by their competitors. Malik et al. (2021) found that competitive intensity positively impacts a company's intention to adopt blockchain technology, indicating that companies want to stay competitive and differentiate themselves from others. The following hypothesis is based on these findings:

H6: Competitive pressure has a significant positive influence on the intention to adopt Islamic financing facilities.

2.7 Customer Pressure

Customer pressure is the need and behaviour of customers that prompt a business company to implement an innovation in order to attract and keep customers. (Sophonthummapharn, 2009). Previous researchers has shown that customer pressure is a significant factor in determining a company's decision to adopt innovations. For example, Alam et al. (2022) have found that customer pressure plays a role in the adoption of augmented reality in retail in Malaysia and that customer demand for a relationship through social media is a factor in the adoption of social commerce practices (Abed, 2020). Additionally, social pressure from customers has been found to have a positive effect on the adoption of social sustainability (Mani & Gunasekaran, 2018). Based on these findings, the following hypothesis is proposed:

H7: Customer pressure has a significant positive influence on the intention to adopt Islamic financing facilities.

3. METHODOLOGY

The questionnaire in the study is divided into two sections, with Section A capturing demographic information about the company and Section B containing the dependent and independent variables, which are rated on a 5-point scale from 1 (strongly disagree) to 5 (strongly agree). The dependent and independent variables in the study are adapted based on previous studies. The intention to adopt Islamic financing facilities was adapted (Son & Benbasat, 2007; Shimp & Kavas, 1984; Amin et al., 2011). The relative advantage was adapted from Al-Qirim (2005), Yoon and George (2013), and Sophonthummapharn (2009). The compatibility was adapted from (Grover, 1993; Moore & Benbasat, 1991; & Oliveira et al., 2014). The complexity was adapted from Wang et al. (2010), and Oliveira et al. (2014). The top management support was adapted from Premkumar and Roberts (1999), Soliman and Janz (2004). The owner-manager knowledge was
adapted from Elliot and Boshoff (2007), Safari et al. (2015), AlBar and Hoque (2017). The competitive pressure was adapted from Kung et al. (2015), Maduku et al. (2016), and the customer pressure was adapted from Kung et al. (2015).

The data for this study was collected through self-administered at the Halfest the Mines Exhibition Centre (MIECC) in Kuala Lumpur. A simple random sampling method was used by taking a list of exhibitors to reach the target sample size of 30 respondents. The sample size was considered small, which is typical for pilot testing, ranging from 10 to 30 respondents (Hill, 1998; Rea & Parker, 2005). All 30 questionnaires distributed were returned and completed, resulting in a 100% response rate. The data was analyzed using the Statistical Package for Social Sciences (SPSS) software version 25.

4. RESULTS AND DISCUSSIONS

Table 1 reveals that over 46.7% of the businesses were in the food, beverage, and food supplement industry. Half of the companies were small in size. 36.7% of the firms held a Malaysian halal certificate for 3-5 years. Approximately 40% of the companies had been operating for 3-5 years.

According to Sekaran and Bougie (2010), the Cronbach's alpha coefficient is the most widely used method for assessing the consistency of a set of items. They conducted a Cronbach's alpha analysis using SPSS to evaluate the internal consistency of the instrument, examining all dependent and independent variables. The results showed that the closer the coefficient is to 1.0, the better the reliability of the items. If the coefficient falls below 0.6, the items are considered unreliable. A value between 0.7 and 0.8 is acceptable, while a coefficient above 0.8 is considered
good. Hair et al. (2007) also note that a minimum alpha value of 0.70 is generally accepted, though lower values may still be considered acceptable by researchers.

Table 1 Company Profiles

<table>
<thead>
<tr>
<th>Company Profiles</th>
<th>Items</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors</td>
<td>Consumer good</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Cosmetic and personal care</td>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Pharmaceutical</td>
<td>1</td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>Food premise</td>
<td>6</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>Food product/ Beverages/ Food Supplement</td>
<td>14</td>
<td>46.7%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>&lt;5 employees</td>
<td>11</td>
<td>36.7%</td>
</tr>
<tr>
<td></td>
<td>6-75 employees</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>76-200 employees</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>&gt;200 employees</td>
<td>1</td>
<td>3.3%</td>
</tr>
<tr>
<td>Halal certification age</td>
<td>&lt;3 years</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>3-5 years</td>
<td>11</td>
<td>36.7%</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>5</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>&gt;10 years</td>
<td>5</td>
<td>16.7%</td>
</tr>
<tr>
<td>Operational age</td>
<td>&lt;3 years</td>
<td>7</td>
<td>23.3%</td>
</tr>
<tr>
<td></td>
<td>3-5 years</td>
<td>12</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>5</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>&gt;10 years</td>
<td>6</td>
<td>20%</td>
</tr>
</tbody>
</table>

Table 2 displays the results of the Cronbach’s alpha test and the items for each variable, including intention to adopt Islamic financing facilities, relative advantage, compatibility, complexity, top management support, owner-manager knowledge, competitive pressure, and customer pressure. The values of the Cronbach’s alpha coefficient for all factors range from 0.719 to 0.916, indicating a high level of consistency among the factors.

Table 2 Result of Reliability Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to adopt Islamic financing facilities</td>
<td>4</td>
<td>0.888</td>
</tr>
<tr>
<td>Relative advantage</td>
<td>4</td>
<td>0.900</td>
</tr>
<tr>
<td>Compatibility</td>
<td>4</td>
<td>0.881</td>
</tr>
<tr>
<td>Complexity</td>
<td>4</td>
<td>0.719</td>
</tr>
<tr>
<td>Top management support</td>
<td>5</td>
<td>0.916</td>
</tr>
<tr>
<td>Owner-manager knowledge</td>
<td>5</td>
<td>0.878</td>
</tr>
<tr>
<td>Competitive pressure</td>
<td>3</td>
<td>0.760</td>
</tr>
<tr>
<td>Customer pressure</td>
<td>4</td>
<td>0.865</td>
</tr>
</tbody>
</table>

5. CONCLUSIONS

In conclusion, the study highlights the relationship between organisational factors and the intention to adopt Islamic financing facilities. The research approach taken was quantitative, utilising a survey to gather data from 30 respondents. The collected data was analysed through the use of SPSS software. The results of the initial study on 30 halal-certified companies in
Malaysia showed that the reliability of the survey instrument was high, as demonstrated by the high level of consistency in the Cronbach’s alpha test and the items for each variable, such as intention to adopt Islamic financing facilities, relative advantage, compatibility, complexity, top management support, owner-manager knowledge, competitive pressure, and customer pressure.

REFERENCES


