UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF ATTITUDE AND INTENTION TOWARDS ISLAMIC FINANCING ADOPTION AMONG SMEs HALAL PRODUCERS

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ABSTRACT

Attitude is vital in explaining human behavior and it has been the key interest in social psychology and consumer behavior studies. In marketing practices, an attitude of a consumer is essential in establishing the link between customer's attitudes with behaviour. Based on this reason, attitude and behavioural intention are the primary focus in the current investigation. This study sets out to bridge the gap between Halal and Islamic finance sectors. Islamic finance and Halal are two Shariah-compliant business sectors sharing similar values, market and principles. Despite similarities, Islamic finance and Halal are disconnected. A Halal business must not only produce Halal products, but importantly finance their business using Shariah-compliant or Islamic financing; and this has not been practised. Although Islamic banks have been established in Malaysia for more than three decades, there are only 5% of Halal players use Islamic financial products. Based on this issue, this study seeks to examine the attitude of SMEs Halal producers to adopt (among non-users) or continuously adopting (among users) Islamic financing in their Halal business, thereon to assess their behavioural intention. Specifically, this study aims at investigating the 'salient beliefs factors' as the determinant of attitude towards Islamic financing adoption. This study adopts Theory-of-Planned Behavior as the theoretical foundation for developing the present conceptual frameworks. The data for this research are collected at Halal exhibitions via interviewer-administered questionnaire using simple random sampling approach. The attitude of 407 SMEs in the Halal production are analysed from two perspectives; namely the non-users and users of Islamic financing. The central issue of this research is to identify and examine the salient beliefs factors that influence the entrepreneurs' attitude. The measures employed in this study have been rigorously assessed and purified via series of items analysis, exploratory factor analysis, and subsequently refined by confirmatory factor analysis. The results provide evidence that the measures for both types of users achieved adequate measurement quality in terms of unidimensionality, reliability, convergent validity and discriminant validity. Structural equation modeling is utilised to test the hypothesised relationships among the constructs as postulated in the research model. In the hypotheses testing among the non-users segment, all of the eight of the hypothesised links are supported. While, all except one postulated linkages are statistically significant for the users segment. The results of the current investigation highlight several key theoretical and practical contributions. Firstly, this study provides empirical evidence that 'salient beliefs factors' hold an essential role in the formation of entrepreneurs' attitude, due to the significant effect of the salient beliefs on attitude. 'Religion obligation' is the most significant salient beliefs that influenced the non-users' attitude, whereas 'reputation' is the most influential salient beliefs for the users. Secondly, 'perceived behavioural control' is the strongest predictor of intention for both users and non-users segments. But for the non-users, both perceived behavioral control and subjective norms exhibit significant impact on non-users' adoption intention. Thirdly, the research findings will afford valuable insights towards designing effective strategies to the industry practitioners as the key driver of Halal industry. The implication for future research is that the current model can be extended in a different context such as Halal food retailers or Halal lifestyle producers. As well as include other salient beliefs factors such as perceived service quality or transparency that influence attitude formation.

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