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INSIGHT Journal focuses on social science and humanities research. The main aim of INSIGHT Journal is to provide an intellectual forum for the publication and dissemination of original work that contributes to the understanding of the main and related disciplines of the following areas: Accounting, Business Management, Law, Information Management, Administrative Science and Policy Studies, Language Studies, Islamic Studies and Education.

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## **FOREWORD BY DEPUTY RECTOR OF RESEARCH, INDUSTRIAL LINKAGES & ALUMNI**



Since 2018, the INSIGHT JOURNAL (IJ) from Universiti Teknologi MARA Cawangan Johor has come up with several biennial publications. Volume 1 and 2 debuted in 2018, followed by Volume 3 this year as well as Volume 4 with 19 published papers due to the great response from authors both in and out of UiTM. Through Insight Journal, lecturers have the ability to publish their research articles and opportunity to share their academic findings. Insight Journal is indexed in MyJurnal MCC and abstracted in Asian Digital Library (ADL). Moreover, it is also an international refereed journal with many international reviewers from prestigious universities appointed as

its editorial review board members.

This Volume 6 is the second special issue for the 6<sup>th</sup> International Accounting and Business Conference (IABC) 2019 held at Indonesia Banking School, Jakarta. The conference was jointly organized by the Universiti Teknologi MARA Cawangan Johor and the Indonesia Banking School Jakarta. Hence, this volume focuses mainly on the accounting and business research papers compiled from this conference, which was considered a huge success as over 66 full papers were presented.

Lastly, I would like to thank the Rector of UiTM Johor, Associate Professor Dr. Ahmad Naqiyuddin Bakar for his distinctive support, IJ Managing Editor for this issue Dr. Noriah Ismail, IJ Assistant Managing Editor, Fazdillah Md Kassim well as all the reviewers and editors who have contributed in the publication of this special issue.

Thank you.

**ASSOCIATE PROFESSOR DR. SAUNAH ZAINON**  
Deputy Rector of Research, Industrial Linkages & Alumni  
*Editor-in-Chief for INSIGHT Journal*  
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## Halal Literacy and Halal Product Purchase Dimension: A Preliminary Study

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### Abstract

This study aims to do a preliminary study on Halal literacy and dimensions associated with Halal product purchases among undergraduate students. It is to highlight the importance of Halal literacy and factors associated with purchasing Halal products to establish a kind of Halal lifestyle that influenced Halal value-chain in the future. Halal literacy was measured using 27 test questions. The proportion of correct and incorrect was used as weights in scoring to represent the difficulty items. The scoring result was analyzed with Confirmatory Factor Analysis (CFA). Scores used to classify cases into the low, middle, and upper levels of halal literacy. For the factors associated to halal product purchase, there were ten dimensions named Firmness, Awareness, Assurance, Brand Association, Certainty, Purity, Universal, Mindset, Knowledge, and Conformity were extracted using varimax Factor Analysis from four suggested variables: marketing concept; Awareness, Halal certificate; and Religiosity. Based on the results of the study, this paper suggests that Halal literacy and factors that associated with Halal product purchase have a close relationship and an impact towards Halal lifestyle.

**Keywords:** Halal, Literacy, Product Purchase, lifestyle

### 1. Introduction

The rapidly growing segment of Muslim market consumers has changed the Halal market landscape which was originally categorized as an alternative to the global market (Mohezar, Suhaiza, and Zainorfarah, 2016; Mustapa, 2015). The Global Islamic Economic Report states that the value of halal market trade is expected to increase to USD 3 trillion by 2021 which does not include the Islamic financial market (Thomson Reuters, 2016). In addition, other than Muslim population (Rizki, Ali, and Adib, 2016), the participation of non-Muslim countries in Halal market transactions (e.g. Japan, US, and China) is also a factor that helps the development of the halal market (International Trade Center, 2015). The value of halal product trade shows that Halal has been well accepted as a business and



brand practice that illustrates the quality, cleanliness, safety, and authenticity (Maulod, Sabariah, and Nasir, 2012). Salman and Siddique (2012) in Rios, Riquelme, and Yasser (2014) also show that halal in consumer perception is a brand that represents acceptance, trust, and guarantee.

Even though halal global development shows a positive trend, the world of the halal market is facing various problems and challenges. Issues of halal standards including applications process efficiency (Hadijah, Rohana, and Alwi, 2012), inconsistencies of global halal standards (Afifi and Mahyeddin, 2012), weaknesses in authorities monitoring are problems which are often discussed by halal industry players (Syazwan, Lim, and Khor, 2013). The problem of halal global standards is a challenge for industry players, especially for those who want to join the halal market (Alserhan, 2010).

Furthermore, challenges from halal product user perspectives including problems of misunderstanding and counterfeiting of halal logo (Raufu and Naqiyuddin (2014); Ashraf, Ibrahim, and Yusoff (2011); Maheran, Filzah, and Bidin, (2009) and worries of raw materials or substitute material in the production process of a product (Arshia and Mohsin, (2012); Zulkifli (2013)). Producers who use the halal logo confuse by the inconsistency of halal standards that driven globally (Syazwan and Remie, 2012; Afifi and Mahyeddin, 2012). There are 122 halal standards and certification bodies throughout a world that include government bodies, partial government, and non-governmental organizations (NGOs) (Afifi and Mahyeddin, 2012).

Fischer (2015) highlights discussions about new technologies that need to be known and understood by Muslim consumers, especially about modern biotechnology. The ability of modern biotechnology to manipulate live genes of DNA structure both plants and animals which inflict doubts regarding halal status of a product, especially foods that genetically modified (Norkhazzaina, Maisarah, and Suhaila, 2014). As well as the status of halal products that applied to cosmetics, leather goods, and glassware needs to be concerned by consumers (Aizat and Anuar, 2011). This should become an awareness for consumers of halal products.

Regarding the halal awareness, halal literacy comes as an issue to be a concern. According to Salehuddin (2010), there is a relationship between halal literacy, self-evaluation and intention to switch products. By divided the level of consumer halal literacy into low, middle and upper levels, it found that consumer education levels have an impact on increasing halal industry market share.

Moreover, the study of halal literacy and factors associated with halal product purchases will help industries to identify the right marketing patterns and strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992). Well known that there is tight competition in the industry (Grady and Spencer, 1990), and the similarity of product and services offered in the market (Holstius and Kaynak, 1995), it is an



important indication for industry to identify the halal literacy and its factors that determine the reason of consumers choose a product or services. Some literature shows that much research has been done on several consumer categories to find out the ideal criteria of a product or service for consumers (Yue and Tom, 1995).

Regarding the consumer category, there is quite a promising segment that lack of attention in the market known as undergraduate students. According to Colgate et al. (1996) that focus on the undergraduate students' segment will increase the ability of a corporation to maximize the potential of this segment's consumers rather than focusing on the market that has been mature by the system. Since degree students in the category of productive age could be assumed that when this student segment has worked, they tend to have an income, and it will be potential to become promising customers. This is in line with Indonesia's demographic bonus potentials in 2030. For future growth, halal industries must understand how to maintain and grab well this potential consumer and how they live their halal lifestyle in the future.

This study proposes to do preliminarily study on halal literacy based on the previous study of halal literacy concepts and factors associated with halal product purchases among degree students. This study aims to highlight the importance of halal literacy and dimensions of factors associated with halal product purchases to establish a kind of halal lifestyle that influencing halal value-chain in the future.

## **2. Literature**

### **2.1. Halal market and literacy**

The development of halal market is influenced by various factors, including consumer awareness of halal concept enhancement (Faridah and Nurhafilah, 2012; Hanafi, 2016; Rezai, Mohamed, and Shamsudin, 2012), population growth and purchasing power of Muslim consumers (Oxford Analytica, 2014; Riaz and Chaudry, 2004; Tieman and Nistelrooy, 2014) and the value-added of halal practices as marketing tools (Ireland & Rajabzadeh, 2011; Rajagopal, Ramanan, Visvanathan, and Satapathy, 2011) quality control (Normalina, Suzana, and Rahimi, 2011). In addition, Muslim consumers have an obligation to adhere to consumption guidelines of halal haram as a religious necessity factor. Those understanding known as part of Islamic literacy of halal haram.

Jae and DeVecchio (2004) define literacy as the skill or ability to use written information. Adkins and Ozanne (2005) describe that literacy is not limited to skills or abilities using written information such as reading and mathematics, but also includes other variety of life abilities. Some literature shows, in the previous research, literacy discerned from various observations including advertising literacy (Livingstone and Helsper, 2006), energy literacy (Brounen, Kok, and Quigley, 2013), financial literacy (Lusardi, 2008) and

product selection (Jae and DelVecchio, 2004). However, studies that measure conceptual and practical Halal literacy are still limited.

Study of product literacy effect to figure out consumer behavior is needed to be explored further. Jae and DelVecchio (2004) found that the level of consumer literacy influences thinking styles, and simultaneously distinguish purchase decision-making styles. Results of the study said that users with low literacy levels tend to use thinking styles based on experience that comes from advertisements rather than written information.

In the context of decision-making behavior of Muslim consumers and halal products, literacy measures have not been explored properly. Salehudin (2010) puts forward the definition of halal literacy as awareness and comprehension understanding for individual Muslim to comply and adhere to Halal guidelines. Soesilowati (2010) states that Muslims generally know the obligation to obey the provisions of halal haram, although has different compliance behavior. This difference might be because there are conceptual and practical of halal literacy differences between the level of halal literacy among individual Muslims. Moore, Sumrall, Mott, Mitchell, and Theobald (2015) suggest to intensified consumer literacy development. These recommendations are consistent with the changing of market complexity as the impact of technological development and innovation in creating a product. Helmi, Kim, and Zafir (2013) explain the complexity of the current global food supply chain also challenges the halal food market. Fischer (2015) lists modern biotechnology as a technological innovation challenge in the food industry that needs to be faced by the halal market user and Muslim consumers. Changes in the current industrial landscape and global supply chains practice are encouraging this study to measure the conceptual and practical of halal literacy among degree student.

Thus, factors to deriving dimensions of halal product purchase adopted from Shaari and Shahira (2004). As mentioned, halal product purchase intention consists of marketing concept (Regenstein, Chaudry and Regenstein, 2003; Soderlund, 2006), Halal awareness (Froehle, 1994) Halal certificate (Hayati et al., 2008) Religious Belief (Weaver and Agle, 2002; Worthington et al., 2003)

## **2.2. Previous Study**

Several previous studies found that some researchers described that consumption of Halal products has become a lifestyle (Marranci, 2012; Rezai et al., 2012; Wilson and Liu, 2010) non-Muslims have also begun to accept halal products as quality, clean products and healthy (Syazwan and Remie, 2012; Rezai et al., 2012; Zannierah, Hall, and Ballantine, 2012; Zurina and Khadijah, 2012). Those non-Muslim consumers behavior towards halal practices is one of the factors that driving non-Muslim countries such as China, Singapore, the United States, Japan, Australia, Thailand, the Philippines, and European Union Countries to expand their product to the halal market.

Raufu and Naqiyuddin (2014) found that the awareness of Muslim halal product users was at a good level by measuring the level of Muslim awareness of halal product users in Malaysia. This finding is consistent with the study of Erdem et al. (2015) which involving Muslims in Turkey where more than three-quarters of total respondents recognized for having awareness and well knowledge about halal-labeled products.

Non-Muslim consumer awareness of halal products also increased at a good level (Rezai et al., 2012). Although the component of consciousness usually defined as knowledge and understanding as stated by Randolph (2003) in Raufu and Naqiyuddin (2014). The previous study tended to measure halal awareness through a self-perception approach or a knowledge approach based on self-assessment. Based on those elaborated previous studies, this research tries to find the level of consumers halal literacy of degree student and its factor of a purchase decision.

### **3. Methodology**

The study employed survey research methodology form a randomized sample of 231 undergraduate student, were chosen due to its potential that reflects the lifestyle of urban Muslim productive population in the future. Respondent were interviewed via structured questionnaires to gather information regarding their halal literacy, and factors that influencing purchase of halal product. The respondents were selected randomly from universities of Indonesian undergraduate students. Respondent randomly chosen based on non-probability basic sampling that respondent do not know they will be selected as a sample subject (Malhotra, 2004). Research survey were used to quantitatively gauge the level of halal literacy and understanding of general halal concept that contributes to Muslim consumer purchasing decision. The question for halal literacy were prepared using test based true-false questions and factors of halal product purchase were prepared using five-point Likert based scale to find dimension of halal product purchase dimensions. Results from the final data collection were analysed by Confirmatory Factor Analysis (CFA) using Maximum Likelihood method.

### **4. Result and Analysis**

231 questionnaires were successfully collected from 250 being distributed, giving 92.4% response rate. Sekaran (2000) agrees with Roscoe (1975) that for most studies, a sample size between 30 and 500 would be sufficient.

Analysis on the respondent demographic profiles, based on sex and monthly spending, reveals that majority of the respondent were female, 137 (59.3%) and most of respondent, 120 (51.9%) had 1 million to 3 million Rupiah monthly spending, 89 (38.5%) respondents were below 1 million Rupiah, while the rest of the respondent had more than 3 million Rupiah for their monthly.

#### 4.1 Halal Literacy

**Table: Descriptive statistics of Halal Literacy on Proportion of Correct and Incorrect**

Halal Literacy	True	Percentage	False	Percentage	Difficulty
HL1	173	74,9	58	25,1	Moderate
HL2	77	33,3	154	66,6	High
HL3	202	87,4	29	12,5	Low
HL4	133	57,6	98	42,4	Moderate
HL5	200	86,6	31	13,4	Low
HL6	202	87,4	29	12,5	Low
HL7	147	63,6	84	36,3	Moderate
HL8	183	79,2	48	20,7	Moderate
HL9	215	93	16	6,9	Low
HL10	87	37,7	144	62,3	High
HL11	208	90	23	9,9	Low
HL12	199	86,1	32	13,8	Low
HL13	126	54,5	105	45,4	Moderate
HL14	185	80	46	19,9	Low
HL15	187	80,1	44	19,04	Low
HL16	177	76,6	54	23,3	Moderate
HL17	140	60,6	91	39,3	Moderate
HL18	170	73,6	61	26,4	Moderate
HL19	130	56,2	101	43,7	Moderate
HL20	86	37,2	145	62,7	High

N=231

Halal literacy was measured by using 20 true-false questions. Proportion of correct and incorrect answers were calculated for each item to measure item difficulties. Low difficulty items will have high proportion of correct answers and low proportion of incorrect ones. Vice versa, high difficulty items will have low proportion of correct answers and high proportion of incorrect ones. Typically, proportion of incorrect can be calculated simply by subtracting the proportion of correct answers to 100%.

Useful items should have moderate difficulties, since extremely hard or extremely easy items would yield less information and have weaker power to differentiate individual differences. Items with good difficulty should have proportion of correct between 10% and 90%; thus effectively differentiate the main 80% of population. Therefore, item HL02, HL10, and HL20 can be considered as suboptimal as it has high difficulty with proportion of correct answers of less than 40%. The remaining 17 items can be classified into Low and Moderate difficulty items based on their POC. Items with POC of less than 80% are considered Moderate difficulty; while items with POC of more than 80% are considered low difficulty items. Items with POC between 40% and 79% are considered as moderate difficulty items.

## 4.2. Halal Product Purchase

Tables 2, 3, 4 and 5 illustrate the average scores of all items in terms of those assumed to be influential in purchasing halal products as mentioned before e.g. marketing concepts, halal awareness, halal certificates, and religious belief.

**Table 2: Means for marketing concept**

Variables	Mean	Std Dev.
Always make sure the product purchased is halal	4.54	.800
It is important to buy branded products	3.64	1.012
Make a purchase based on the brand	3.65	.988
Buy a product even though did not familiar with the brand	3.11	1.080
Ensuring the quality of halal products purchased	4.46	.708
Choose to buy halal products even though they are quite expensive	4.20	.799
Promos affect me in buying halal products	3.85	1.093
Consider the place when buying halal products	4.17	.852

The statement “*Always make sure the product purchased is halal*” had the highest mean of 4.54 while the lowest mean for this marketing concept variable was “*Buy a product even though did not familiar with the brand*” with 3.11.

**Table 3: Meansfor Halal Awareness**

Variables	Mean	Std Dev.
Ensuring the slaughter process before buying meat products	3.68	1.042
Will not buy if did not sure of the slaughter process	3.86	.995
The process of slaughter that follows Islamic rules is very important	4.64	.631
Always be aware of the ingredients in a product	4.48	.721
Knowing that certain foods contain non-halal additives	3.83	1.015
A product can contain 1% of prohibited ingredients in Islam	3.36	1.148
Will not buy halal products if the position displayed next to a non-halal product	2.98	1.325
Cleanliness and protection (of non-halal materials) are equally important	4.18	.943
Do not buy halal products if the seller does not practice cleanliness	4.07	.903

For halal awareness variable “*The process of slaughter that follows Islamic rules is very important*” Were the highest mean with score of 4.64. The lowest mean score was 2.98

for the variable *“Will not buy halal products if the position displayed next to a non-halal product “*

**Table 4: Means for Halal Certificate**

Variables	Mean	Std Dev.
Halal logo is important in choosing products	4.58	.711
Selecting halal products based on the halal logo on the product	4.40	.790
Buy the product without considering institutions that issue halal certification / labels	2.90	1.285
It doesn't matter who gives the halal label to the product	2.75	1.260
Knowing that there is a fake Halal logo	3.59	1.103
Able to distinguish between original and fake halal logos	3.22	1.225
Know that certain products have halal certificates from other countries	3.77	1.039
Will buy products that have a halal logo even from other countries	4.05	.881
Will always be careful when choosing products with the halal logo	4.03	.982

Table 4 Shows the means for Halal Certificate items *“Halal logo is important in choosing products”* showed the highest mean value of 4.58 while the lowest mean value was *“It doesn't matter who gives the halal label to the product”* and *“Buy the product without considering institutions that issue halal certification / labels”*. Some interesting observation detected were on the low mean scores for the items with value 2.75 and 2.90 mean score.

**Table 5: Means for Religious Belief**

Variables	Mean	Std Dev.
As Muslims know that every product purchased should be halal	4.62	.719
Understand that halal is important in everything	4.69	.581
Care that there are products that are forbidden for Muslims to consume	4.30	.948
Do not consume products containing non-halal ingredients	4.46	.931
Know that there are certain products are makruh	3.88	.969
Islam does not recommend using or consuming products that are in the makruh category	3.99	.906
Knowing that subhat products need to be avoided	3.94	.895
Will not buy a product if did not sure of the ingredients	4.21	.855
Realizing that everything eaten / consumed will affecting life	4.46	.733

The highest mean value under this Religious belief was *“Understand that halal is important in everything”* with 4.69, while the lowest value of mean was that *“Care that there are products that are forbidden for Muslims to consume”* which was 3.88.

### 4.3 Factor Analysis

Table 6 depicts the findings for factor analysis on the four variables. Using SPSS, a principle component extraction was done to find a pattern to preliminarily halal product purchase dimensions. The KMO was 0.843, greater than the required minimum of 0.6 for a satisfactory factor analysis to be proceed further. Total variance explained was 64.7% for the suggested dimensions.

**Table 6: Varimax Factor Analysis for Halal Product Purchase**

	Firmness	Awareness	Assurance	Brand Association	Certainty	Purity	Universal	Minds et	Knowledge	Conformity
Understand that halal is important in everything	.782									
Realize that everything consumed will affect life	.600									
As Muslims know that every product purchased should be halal	.598									
Care that there are products that forbidden to be consumed by Muslims	.554									
the slaughter process that follows Islamic rules is very important	.553									
Always be aware of the ingredients in a product	.511									
Choosing halal products based on the halal logo on the product		.758								
Halal logo is important in		.727								



choosing products										
consider the place when buying halal products		.551								
Always be careful when choosing products with a halal logo		.475								
Choose to buy halal products even though quite expensive		.423								
Ensuring the quality of halal products purchased		.419								
Do not buy halal products if the seller does not practice cleanliness			.642							
Will not buy if you are not sure of the slaughter process			.643							
Ensure the slaughter process before buying meat products			.472							
Will not buy a product if not sure of			.445							

the ingredients										
Make a purchase based on the brand				.832						
It is important to buy branded products				.829						
Islam does not recommend using or consuming products that are in the makruh category					.767					
Know there are certain products that makruh					.760					
Knowing that subhat products need to be avoided					.533					
Can distinguish between original and fake halal logos						.795				
Know that there is a fake Halal logo						.745				
It doesn't matter who gives the halal label to the product							.843			
Buy products without considering							.803			

the institutions whose issue halal certification / labels										
Buy a product even did not familiar with the brand							.530			
Will buy products that have a halal logo even though from other countries								.609		
Know that certain products have halal certificates from other countries								.555		
Always make sure the product purchased is halal								.486		
Do not consume products that contain non-halal ingredients								.478		
A product can contain 1% of prohibited ingredients in Islam									.772	
Know that certain foods contain non-halal additives									.631	

Promos affect me in buying halal products											.725
Cleanliness and protection (of non-halal materials) are equally important											.590
Will not buy halal products if the position is next to a non-halal product											.512
Eigenvalue	8.875	2.593	2.092	1.797	1.455	1.314	1.234	1.117	1.091	1.068	
% of Variance	25.357	7.409	5.976	5.135	4.158	3.754	3.526	3.192	3.117	3.052	
Cumulative % of variance	25.357	32.766	38.741	43.876	48.034	51.789	55.314	58.506	61.623	64.676	

Source : Primary Data. Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 16 iterations.

Distinct of Shaari and Shahira (2004) who found nine dimensions, this study found ten dimensions for halal product purchase, namely firmness, awareness, assurance, brand association, certainty, purity, universal, mindset, knowledge and conformity. Firmness confirmed that as a Muslim, understanding of halal is important and it is a must. This obligation is only relevant for Muslims because it has been mentioned in Al-Quran that as Muslim, for an entire life, they must purchase halal product that are permitted under sharia law. Furthermore, a halal label is an important thing to identify whether a product is halal or not and as source of information of ingredients contained as an awareness. Having intention to purchase halal product involve the feelings of halal assurance, by ensuring a slaughter process and cleanliness of the product. This assurance will bear in mind as a brand of association on Muslim consumer and tend to be choices in their next purchase.

Certainty on a halal product lead Muslim to know what product is not encouraged to be consumed (as *makruh*), to avoid due to *masbuh*, and unconsumable product purchased when it turned to be a non-halal product. Hence, halal logo helps Muslim to choose which product they can consume. It is important for producer to understand this dimension, to certify their halal product and having a genuine logo. It is because some Muslims are not restricted to certain country or institution issuing the logos as long as they have a certification process. This view is described as universalities in a Muslim mindset. Knowledge is pointed out as a key ingredient to influence halal product purchase. Having educational background or such information would affect consumer to make decision on the purchase of their product. As a final dimension, conformity of a halal product is an important thing that would impact consumer purchase decision, then reflecting push strategies to create demand for consumer needs.

## 5. Conclusion and Recommendation

As a preliminary study, this paper has measured halal literacy of undergraduate student then deriving dimensions of their halal product purchase. The dimension proposed ten dimensions, despite the simplicity of its current nature should path the way for deeper and thorough research to find its potential impact for each other.

Main potential for implication benefits, other than shedding the light for future research would be for regulators, firms and its stakeholders to understand the scope to find the way to encourage and maintain this undergraduate potential segment. Understanding halal literacy and how consumer evaluate their halal product purchase would contribute to better halal lifestyle in creating the halal value chain to promote better and sustainable inclusive growth.

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