



Determinants of Malaysian Halal Certified Firms' Intention to Adopt Islamic Trade Financing: Theory of Interpersonal Behaviour Perspectives

Hazalina Mat Soha¹, Mohd Zukime Mat Junoh²

¹⁻² School of Business Innovation & Technopreneurship, Universiti Malaysia Perlis
(hazalina.msoha@yahoo.com, zukime@unimap.edu.my)

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ABSTRACT

The integration of Islamic finance and the Halal industry have the potential to encourage Halal certified firms to reach a wholly *Shariah*-compliant status. Nevertheless, there is still low adoption of Islamic trade financing among Malaysian Halal certified firms. The purpose of the present study is to determine the intention of adopting Islamic trade financing among Malaysian Halal certified firms. The current research proposes a model based on the theory of interpersonal behaviour (TIB) to examine the effects of three explanatory factors, namely affect, social factors, and facilitating conditions on such intention. In the case of the present study, the model was tested using data survey form distributed to a total of 111 Malaysian Halal certified firms that were selected as the respondents of this study. The results indicated that affect and social factors significantly influence the intention to adopt Islamic trade financing. Overall, the results are able to help the government and bank managers in making improved decisions regarding the factors that can effectively market Islamic trade financing products.

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1 INTRODUCTION

In a general sense, Islam requires its followers to consume and utilise Halal products and services in their everyday routines. Accordingly, it has been widely acknowledged that Halal means allowed or permissible by the *Shariah* law, while Haram is described as its opposite, which means forbidden, unlawful, or illegal. In line with this teaching, the consumption of Halal products and services has become a powerful market force across global markets. Regarding this matter, a report by Dubai International Financial Centre (2018) stated that the spending of global Muslim across lifestyle sectors was US\$2.1 trillion in 2017 and forecasted to increase to US\$ 3 trillion in 2023.

A specific observation based on sectors found that Muslims tend to spend around US\$1.3 trillion on *halal* food and beverage, followed by clothing and apparel at US\$270 billion, media and entertainment at US\$209 billion, travelling at

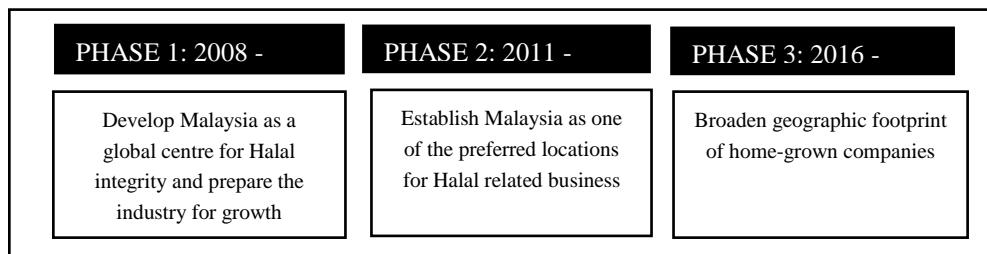
US\$177 billion, pharmaceuticals at US\$87 billion, and cosmetics at US\$61 billion.

As outlined by Halal Industry Development Master Plan (HIMP) 2008-2020 shown in Figure 1, Malaysia has been working on the aspiration to expand the footprint of Halal certified firms into the international market considering the tremendous demand of Halal products and services across the world. In this regard, the government relentless effort of completing the third and final phase of Master Plan has been continued by promoting the integration of Halal industry with Islamic trade finance industry. As stressed by the Malaysia Islamic Financial Centre (MIFC) (2014), Islamic financial instructions are presented with several opportunities to spur the *halal* industry by providing them with Islamic trade finance solutions.

Corresponding author: Hazalina Mat Soha

E-mail address: hazalina.msoha@yahoo.com

Affiliation: School of Business Innovation & Technopreneurship, Universiti Malaysia Perlis

**Figure 0**

The Halal Master plan (Source: Antara, Musa, & Hassan, 2015)

Nevertheless, it should be noted that Islamic trade financing contributes only 3.4 per cent or worth of RM50.3 billion of the total source of financing for the trade despite the large asset base of Malaysian Islamic finance, advanced governance, and high awareness about Halal beliefs as reported by Dubai International Financial Centre in 2018 (Shaharuddin, 2019). A search of the literature revealed that a considerable amount of studies had been conducted on the integration of Halal industry and Islamic financing facilities products (e.g., Ismail & Noor, 2016; Jaffar & Musa, 2019; Nisha & Iqbal, 2017; Nur, Mohd, Muhammad, & Daud, 2017; Zamanira, Zaib, Abdullah, Muhammad, & Nor, 2018). However, there is little published data on issues regarding Islamic trade financing products. Therefore, this has led the present study to adopt the theory of interpersonal behaviour (TIB) as the baseline theory to determine the intention of Malaysian Halal certified firms in utilising Islamic trade financing.

2 LITERATURE REVIEW

Theory of Interpersonal Behaviour (TIB)

The present study uses the Theory of Interpersonal Behaviour (TIB) of Triandis' (1977) as the baseline theory for the purpose of understanding the intention to adopt Islamic trade financing among Malaysian Halal certified firms. Regarding this matter, it is important to understand the two-fold reasons for adopting the theory. First, TIB is similar to other two well-known cognitive models known as the Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen (1975) as well as the Theory of Planned Behaviour (TPB) of Ajzen (1991) (Robinson, 2010). Specifically, it should be noted that both theories focus on the intention of individuals to perform a specific behaviour (Milhausen, Reece, & Perera, 2006). Nevertheless, Amin, Abdul-Rahman, and Abdul-Razak (2016) argued that TIB has a comprehensive understanding of attitude, social factors, and facilitating conditions. Apart from that, Amin et al. (2016) managed to successfully test and validate the affect, social factors, and facilitating conditions of TIB.

Second, TIB is largely untapped in Islamic trade financing context. Evidently, most prior works (e.g., Jaffar & Musa, 2019; Rasheed, Siddiqui, & Rahman, 2018) employed the TPB as the baseline theory of their research in the attempt to identify the influence factors of Islamic financing facilities adoption among business firms. Furthermore, the TIB is known to be flexible in describing behaviour that occurs in different contexts (Amin et al., 2016). Therefore, the current research seeks to obtain data which will help to address these research gaps.

Affect

According to Gagnon et al. (2003), affect represents the emotions of an individual that are evoked when thinking of a particular behaviour. In particular, Triandis (1977) emphasises that affect comprises of feelings of elation, pleasure, distaste, or discontentment in relation to the behaviour. In the case of the present study, affect refers to consumers' decision to adopt Islamic trade financing that is expected to be facilitating, interesting, satisfying, and comforting (Amin et al., 2016). Moreover, a large volume of published studies (e.g., Amin, 2016; Bekkers, 2010; Francesca Renzi, Maria Correia Loureiro, & Toni, 2019; Huang, 2017; Willer, Wimer, & Owens, 2015) found that affect has a significant influence on intention. For example, Amin (2016) found that bank customers had a positive effect on the internet giving behaviour, while Francesca Renzi et al. (2019) noted that the destination affect of Portuguese (Lisbon residents) positively influences the intention to visit a particular destination. Accordingly, the following hypothesis is proposed:

H1: Affect positively influences the intention to adopt Islamic trade financing.

Social Factors

Social factors are an individual's appraisal of the reference group's subjective norm as well as specific interpersonal agreements between an individual and others in specific social situations (Moody & Siponen, 2013; Woon, 2004). A considerable amount of research demonstrates that social factors are the key factor in promoting behavioural intention (e.g., Amin, 2016; Dennis, Buchholtz, & Butts, 2009; Moody & Siponen, 2013; Pee, Woon, & Kankanhalli, 2008). Meanwhile, Moody and Siponen (2013) found that social factors within an organisation are positively related to the use of the internet at work. On the other hand, the study conducted by Safa and Von Solms (2016) revealed that social factors have significant positive effects on information security knowledge sharing (ISKS) intention. On this basis, the following hypothesis is proposed:

H2: Social factors positively influence the intention to adopt Islamic trade financing.

Facilitating Conditions

Facilitating conditions are defined as being "out there" in the environment, which makes certain behaviours executable (Bergeron et al., 1995). More importantly, prior studies (e.g., Amin, 2016; Isa & Wong, 2015; Shen, Ho, Luong, & Kuo,

2017; To, Lee, & Lam, 2018) showed that facilitating conditions have a significant positive effect on behavioural intention. On a similar note, Shen et al. (2017) found that facilitating conditions have a significant effect on behavioural intention, particularly when using virtual reality headset (VRH). A study by To et al. (2018) found that facilitating condition managed to demonstrate a positive influence in developing the intention of professionals to utilise smart and sustainable building technologies. Therefore, the following hypothesis is of considerable interest which is believed to contribute to the body of knowledge related to facilitating conditions:

H3: Facilitating conditions positively influence the intention to adopt Islamic trade financing.

Table 1
Profile of respondents

	Frequency	Percentile
<i>Gender</i>		
Male	32	28.8%
Female	79	71.2%
<i>Age</i>		
<30 years old	58	52.3%
31-40 years old	41	36.9%
41-50 years old	12	10.8%
<i>Religion</i>		
Muslim	66	59.5%
Buddhist	32	28.8%
Christian	9	8.1%
Hindu	4	3.6%
<i>Race</i>		
Malay	66	59.5%
Chinese	39	35.1%
Indian	4	3.6%
Others	2	1.8%

Measure

The questionnaire was divided into five sections. Section A captures the demographic information of the respondents, followed by section B, which consisted of the dependent variable of the intention to adopt Islamic trade financing. Next, Section C, D, and E respectively measured the independent variables (IVs) in regard to the three explanatory factors, namely affect (adapted from Moody & Siponen, 2013; Pee et al., 2008; Ramayah, Chin, & Ahmad, 2008), social factors (adapted from Moody & Siponen, 2013; Pee et al., 2008; Ramayah, Chin, & Ahmad, 2008), and facilitating conditions (adapted from Chang & Cheung, 2001). Other than that, it is important to note that all variables were measured using five-point Likert scales (e.g. 1= strongly disagree, 5 = strongly agree).

3 RESEARCH METHODOLOGY

Sample

The respondents of the present study comprised of the owners or managers who attended the Penang International Halal Expo and Conference (PIHEC) 2019 at the Pulau Pinang conducted from 1st to 3rd March 2019. Specifically, the Malaysian Halal certified firms were selected based on the list of exhibitors obtained through simple random sampling. More importantly, the instrument of the present study was in the form of questionnaires which were distributed to a total of 150 firms that attended the exhibition. However, it is crucial to note that only 111 questionnaires were usable, while the remaining 39 incomplete questionnaires were discarded. Overall, the response rate was 74 per cent. Table 1 presents the demographic information of the respondents.

4 RESULTS

Assessment of the measurement model

The purpose of measurement model analysis is to assess the convergent validity and discriminant validity. Convergent validity consists of factors loadings, average variance extracted (AVE) and composite reliability (CR) as shown in Table 2. All the loadings are higher than 0.708 which indicate acceptable items validity (Hair, Hult, Ringle, & Sarstedt, 2017) and all four constructs meet the threshold value of AVE and CR, where all AVEs exceed the recommended value of 0.5 and CRs exceed the threshold value of 0.7 (Hair et al., 2017).

In the case of discriminant validity, Table 3 reports all constructs are achieved for discriminant validity, where square roots of the AVE (diagonal) values exceed the correlations (off-diagonal) for all reflective constructs. Besides, Table 4 also presents discriminant validity is adequate as all indicators load high on its constructs but low on other constructs.

Table 2
Results of Measurement Model

Constructs	Items	Loadings	AVE	CR
Intention to adopt	Adopt1	0.831	0.792	0.950
	Adopt2	0.909		
	Adopt3	0.922		
	Adopt4	0.916		
	Adopt5	0.869		
Affect	Affect1	0.897	0.833	0.937
	Affect2	0.921		
	Affect3	0.919		
Facilitating conditions	FC1	0.862	0.836	0.938
	FC2	0.839		
	FC3	0.781		
Social factors	SC1	0.903	0.686	0.867
	SC2	0.940		
	SC3	0.899		

Notes: Adopt, intention to adopt; FC, facilitating conditions; SC, social factors

Table 3
Discriminant Validity using Fornell and Lacker Criterion

	Adopt	Affect	FC	SC
Adopt	0.890			
Affect	0.695	0.913		
FC	0.431	0.360	0.836	
SC	0.756	0.566	0.500	0.914

Notes: Adopt= intention to adopt; FC= facilitating conditions; SC= social factors

Assessment of the structural model

The structural analysis is conducted to test the research hypothesis. The assessment of the path coefficient shown in Table 5 demonstrates that only three relationships have t -value > 1.645 , which are considered significant at 0.05 level of significance. Specifically, the predictors of effect ($p < 0.01$) and social factors ($p < 0.01$) have a positive relationship with the intention to adopt Islamic trade financing, which is explained by 67.8 percent of variance intention to adopt Islamic trade financing. Therefore, H1 and H2 are supported. Apart from that, it should be noted that the R^2 value of 0.678 exceeds the 0.26 value suggested by Cohen (1988), which indicates a substantial model.

Table 4
Factor loadings

Items	Adopt	Affect	FC	SC
Adopt1	0.831	0.562	0.431	0.608
Adopt2	0.909	0.639	0.447	0.685
Adopt3	0.922	0.619	0.387	0.701
Adopt4	0.916	0.633	0.330	0.676
Adopt5	0.869	0.637	0.332	0.690
Affect1	0.645	0.897	0.362	0.524
Affect2	0.624	0.921	0.257	0.490
Affect3	0.634	0.919	0.364	0.534
FC1	0.425	0.332	0.862	0.498
FC2	0.283	0.356	0.839	0.345
FC3	0.337	0.209	0.781	0.368
SC1	0.667	0.500	0.469	0.903
SC2	0.720	0.543	0.477	0.940
SC3	0.686	0.508	0.425	0.899

Notes: Adopt, intention to adopt; FC, facilitating conditions; SC, social factors

Table 5
Results of the structural model

Casual path	Hypotheses	Path coefficient	t-value	Supported	R ²
Overall model					0.678
Affect → Adopt	H1	0.382	4.083*	Yes	
SC → Adopt	H2	0.477	5.603*	Yes	
FC → Adopt	H3	-0.019	0.261	No	

Notes: Adopt, intention to adopt; FC, facilitating conditions; SC, social factors

Note: * p<0.01

5 DISCUSSION

As previously mentioned, the main objective of the present study was to determine the factors that influence the intention to adopt Islamic trade financing among Malaysian Halal certified firms. The result showed that the independent variables which are affect, social factors, and facilitating conditions explained 67.8% of the variance on the intention to use Islamic trade financing.

The current research also successfully depicted that affect has significant and positive effects on the intention to adopt Islamic trade financing. The result is in agreement with the findings on the significant effect of affect on behavioural intention found by a considerable amount of past research (e.g., Amin, 2016; Bekkers, 2010; Francesca Renzi et al., 2019; Huang, 2017; Willer, Wimer, & Owens, 2015). In most cases, Halal certified firms tend to feel that Islamic trade financing is able to provide comfort, facilitation, and gratification.

Furthermore, the present study also confirmed that social factors had a positive relationship with the intention to adopt Islamic trade financing. Overall, this outcome is in line with prior studies of Amin (2016), Dennis et al. (2013), and Pee et al. (2008) which found the significance of social factors in influencing behavioural intention. Specifically, this signifies that family, business partners, and others are able to influence the managers to adopt Islamic trade financing products significantly. Nevertheless, there is no direct and significant relationship between facilitating conditions and the intention to adopt Islamic trade financing which is consistent with the findings revealed in the study of Rahi, Abd Ghani, and Hafaz Ngah (2018).

In terms of theoretical implications, the three factors derived from the TIB, namely affect, social factors, and facilitating conditions managed to be empirically tested and validated. The results of the current research strongly support the appropriateness of utilising TIB in determining the intention to adopt Islamic trade financing products.

CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH

The current research tested the proposed hypothesis in regard to the intention of Malaysian Halal certified firms in adopting Islamic trade financing as a dependent variable by further exploring three independent variables, namely affect, social factors, and facilitating conditions. The results of the present study revealed that the intention to adopt Islamic trade financing is dependent on affect and social factors, whereas facilitating conditions did not constitute any significant predictors. Moreover, this finding will be a platform to unravel the belief factors that influence the Islamic trade financing adoption by further enabling the related parties to plan effective and meaningful strategies in accelerating the adoption rate of Islamic trade financing among Halal certified firms in Malaysia. Therefore, it is recommended for future research to add more variables, including Islamic financial knowledge as the predictors in order to provide enhanced explanatory power for Malaysian Halal certified firms to adopt Islamic trade financing products.

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