



**THE ROLE OF ATTITUDE TOWARDS SME FOOD
ADVERTISEMENTS ON INTENTION TO PURCHASE
MALAYSIAN SME FOOD PRODUCT**

BY

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ABSTRACT

This research aims to identify the factors that influence small and medium-sized enterprises (SME) food consumers' intention to purchase the products by underpinning the Theory of Planned Behaviour (TPB) and Theory of Attitude towards advertisements. The SME food industry plays a very important role in the Malaysian economy, especially to increase the GDP and to create job opportunities for the masses. In order to identify the factors that affect SME food consumers in Malaysia, data was collected from 357 consumers from the Klang Valley area in Malaysia. The conceptual framework is based on the Theory of Planned Behaviour and Theory of Attitude towards SME food advertisements and the relationships among a number of variables which include attitude, subjective norms, perceived behavioural control and attitude towards SME food advertisement. These variables were tested using the Structural Equation Modelling (SEM). The empirical finding of the research shows that three out of the four hypotheses were supported. It is found that attitude toward SME food product, subjective norms and perceived behavioural control have a significant positive effect on SME food consumers' intention to purchase while attitude toward SME food advertisements is found to be insignificant. These results confirm the success of the proposed theoretical framework in achieving the objectives of this study. The findings of the research will be useful for practitioners and marketing managers in the SME food industry. Researchers and academicians can also benefit from the research findings of this study as it has helped the understanding of the of SME food industry in Malaysian.

ملخص البحث

يهدف هذا البحث إلى التعرف على العوامل التي تؤثر على نية المستهلكين لشراء المنتجات من المؤسسات الصغيرة والمتوسطة الحجم (SME) من خلال نظرية تنظيم السلوك (TPB) ونظرية الموقف تجاه الإعلانات. تلعب المؤسسات الصغيرة والمتوسطة الحجم دوراً هاماً جداً في صناعة الأغذية في الاقتصاد الماليزي، وخاصة في زيادة الناتج المحلي الإجمالي (GDP) وخلق فرص عمل للمواطنين. ومن أجل تحديد العوامل التي تؤثر على مستهلكي الأغذية من قطاع المؤسسات الصغيرة والمتوسطة في ماليزيا، جمعت البيانات من ٣٥٧ مستهلكاً من منطقة كلانج فالي في ماليزيا. ويستند الإطار المفاهيمي إلى نظرية تنظيم السلوك ونظرية الموقف تجاه إعلانات الأغذية للمؤسسات الصغيرة والمتوسطة الحجم (SME)، والعلاقات بين عدد من المتغيرات التي تشمل الموقف، والمعايير الموضوعية، وإدراك التحكم السلوكي، والموقف تجاه اعلانات الأغذية للمؤسسات الصغيرة والمتوسطة. تم اختبار هذه المتغيرات باستخدام نمذجة المعادلة الهيكلية (SEM). النتائج التجريبية للبحث أظهرت أن اثنين من الفرضيات الأربع كانت مدعومة. وقد وجد أن المعايير الموضوعية وعامل الإدراك السلوكي لها تأثير إيجابي على نية الشراء لمستهلكي المواد الغذائية من المؤسسات الصغيرة والمتوسطة الحجم، في حين أن تأثير عامل الموقف تجاه الإعلانات الغذائية للمؤسسات الصغيرة والمتوسطة كان سلبياً. تؤكد هذه النتائج نجاح الإطار النظري المقترح في تحقيق أهداف هذه الدراسة. وتعتبر نتائج البحث مفيدة للممارسين ومديري التسويق في المؤسسات الصغيرة والمتوسطة الحجم لصناعة الأغذية. ويمكن للباحثين والأكاديميين أيضاً الاستفادة من نتائج البحث في هذه الدراسة لأنها تساعدت على فهم صناعة الأغذية في المؤسسات الصغيرة والمتوسطة الحجم (SEM) في ماليزيا.

APPROVAL PAGE

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DECLARATION

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This dissertation is dedicated to my beloved parents Hajji Abdulsalami Ahmad Ahlul-Quran, Hajiya Hafsa Abdulsalami, my father In-law Hajji Mohammed AbdulRazaq Sufi, my lovely daughters Maryam Ayomide, Oyinkansola, Enitan Aweke, my late wife Hajiya Kareemah Odunola Muhammed and my late mother-in-law Hajiya Hassannat Mohamed Sufi AbdulRazaq, who laid the foundation of what I turned to be in life today.

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TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval page	iv
Declaration	v
Copyright Page.....	vi
Dedication	vii
Acknowledgements.....	viii
List of Tables	xii
List of Figures	xiii
List of Abbreviations	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Attitude towards Malaysian SME vs. Multinational Company	4
1.2 Statement of the Problem	5
1.3 Research Objectives	7
1.3.1 General Research Objective.....	7
1.3.2 Specific Research Objectives.....	7
1.4 Research Question.....	8
1.5 Significance of the Study	8
1.6 Scope of the Study	10
1.7 Definition of Study Constructs.....	10
1.7.1 Attitude towards SME food Advertisement.....	10
1.7.2 Attitude towards SME Products.....	11
1.7.3 Subjective Norm.....	11
1.7.4 Perceived Behavioural Control	11
1.7.5 Intention to Purchase SME Products	11
1.7.6 SME	11
1.7.7 SME Products	12
1.8 Structure of the Study.....	12
CHAPTER TWO: LITERATURE REVIEW	14
2.1 Introduction	14
2.2 SME's in Malaysia	14
2.3 SMEs in Manufacturing Industries	16
2.4 Importance of SMEs to the Malaysian Economy	25
2.5 Importance of SMEs in the Manufacturing Sector	28
2.6 Advertising in SMEs	30
2.7 Reasons SMEs Food Fail in Malaysia	35
2.8 Theory Underpinning the Study.....	37
2.8.1 Attitude towards SME food Advertising	37
2.8.2 Theory of Planned Behaviour (TPB)	39
2.9 Theory of Planned Behaviour (TPB) Variable.....	42
2.9.1 Intention to Purchase SME Products	42

2.9.2 Attitude towards SME Food on Consumers Intention to buy SME Products	43
2.9.3 Subjective Norms have positive effect on Consumer Intention to buy SME products in Malaysia	47
2.9.4 Perceived Behavioural Control and Intention to Purchase SME food Products.....	49
2.9.5 Attitude towards SME Food Advertisements and Intention to Purchase SME Products.....	51
2.10 Hypothesis Development and Conceptual Framework	54
2.11 Proposed Framework	54
2.12 Chapter Summary.....	55
CHAPTER THREE: RESEARCH METHODOLOGY	57
3.1 Introduction	57
3.2 Research Design.....	58
3.2.1 Data Collection.....	59
3.2.2 Sources of Data	60
3.2.3 Primary Data	60
3.3 Development of Questionnaire	61
3.4 Sampling Process and Sampling Technique	65
3.4.1 Sample Size.....	66
3.5 Data Analysis Techniques.....	69
3.5.1 Descriptive Statistics Analysis.....	69
3.5.2 Reliability.....	70
3.5.3 Exploratory Factor Analysis (EFA).....	71
3.5.4 Confirmatory Factor Analysis.....	72
3.5.5 Structural Equation Modelling (SEM).....	73
3.5.6 Justification for Using Structural Equation Modelling	74
3.6 Chapter Summary.....	75
CHAPTER FOUR: DATA ANALYSIS AND RESULTS	76
4.1 Introduction	76
4.2 Data Preparation and Screening	77
4.2.1 Missing Data	78
4.2.2 Outliers.....	79
4.2.3 Normality	79
4.3 Descriptive Analysis	80
4.3.1 Response Rate	81
4.3.2 Demographic Profile of the Respondents of SME food Consumers in Malaysia	82
4.3.3 Summary of the Descriptive Statistics	84
4.4 Reliability Analysis	85
4.5 Descriptive Analysis: Constructs in the Questionnaire.....	86
4.5.1 Descriptive Statistics of Attitude	87
4.5.2 Descriptive Statistics of Subjective Norm	88
4.5.3 Descriptive Statistics of Perceived Behavioural Control.....	89
4.5.4 Descriptive Statistics of Intention	90
4.5.5 Descriptive Statistics of Attitude towards SME food advertisements	91

4.6 Exploratory Factor Analysis (EFA)	92
4.7 The Confirmatory Factor Analysis (CFA)	96
4.7.1 Measurement Model 6: All Latent Constructs	97
4.8 Assessment of Reliability and Validity	102
4.9 Testing the Structural Assessment Model	103
4.10 Hypotheses Testing	105
4.10.1 Hypothesis One: Attitudes towards SME food Products have a Positive effect on Consumer Intention to Buy SME Products in Malaysia	105
4.10.2 Hypothesis Two: Subjective Norms have Positive effect on Consumer Intention to Buy SME Products in Malaysia	107
4.10.3 Hypothesis Three: Perceived Behavioural Control have Positive effect on Consumer Intention to Buy SME Products in Malaysia	108
4.10.4 Hypothesis Four: Attitudes towards SME food advertisements has Positive Effect on Consumers' Intention to Purchase SME Products	110
4.11 Summary	111
CHAPTER FIVE: DISCUSSION AND CONCLUSION.....	113
5.1 Introduction	113
5.2 Reseach Question Addressed	114
5.2.1 What is the positive effect Attitude to Purchase SME food Product on Purchase Intention?	114
5.2.2 What is the effect of Subjective Norm on Consumers Purchase Intention?.....	115
5.2.3 What is the positive effect of Perceived Behavioural Control Between on Consumers Purchase Intention?.....	116
5.2.4 What is the Relationship between Consumers' Attitude towards SME Advertising and Intention to Purchase SME Products?	117
5.3 Contribution and Implications of the Research.....	118
5.3.1 Academic Contribution	119
5.3.2 Managerial Implications.....	121
5.4 Limitations	124
5.5 Direction for Further Research.....	125
5.6 Recommendation.....	126
5.7 Conclusion.....	127
BIBLIOGRAPHY	130
APPENDIX	153

LIST OF TABLES

Table 1.1	Definitions Features of SMEs in Malaysia	3
Table 2.1	Economics Census 2011: Profile of SMEs	16
Table 2.2	Sales Values of Manufacturing Industries	17
Table 2.3	Distribution of Various SME in a Different State by Sectors	21
Table 2.4	Classification of Various SME Profile by Sector in Malaysia	21
Table 2.5	SME Performances and Effectiveness of GDP by Division	27
Table 3.1	The Questionnaires Structure	63
Table 3.2	Scales Used in the Questionnaires	63
Table 4.1	Response Rate of the Distributed Questionnaires	81
Table 4.2	Demographic Profile of Respondents	84
Table 4.3	Reliability Statistics	86
Table 4.4	Reliability Test	86
Table 4.5	Descriptive Statistics: Attitude to Use SME food Products	88
Table 4.6	Descriptive Statistics: Subjective Norm to use SME products	89
Table 4.7	Descriptive Statistics: Perceived Behavioural Control to Use SME Products	90
Table 4.8	Descriptive Statistics: Intention to Purchase SME Products	91
Table 4.9	Descriptive Statistics: Attitude towards SME ads	92
Table 4.10	KMO and Bartlett's Test of Sphericity	93
Table 4.11	Exploratory Factor Analysis	95
Table 4.12	Goodness of Fit Cut-off Indices	97
Table 4.13	Goodness-of-Fit Statistics of the Final Measurement	102
Table 4.14	Reliability and Validity Test	103
Table 4.15	Estimate of the Hypothesised Model	105
Table 4.16	Summary of the Hypothesis Testing	112

LIST OF FIGURES

Figure 2.1	Distribution and percentages of SME industries in Malaysia	19
Figure 2.2	Original Model Source: Ajzen (1985)	42
Figure 2.3	Theoretical Framework of Intention to purchase SME food Products	55
Figure 4.1	Confirmatory Factor Analysis for Initial Model for all Latent Constructs	99
Figure 4.2	Modified Confirmatory Factor Analysis for all Latent Constructs	101
Figure 4.3	Hypothesis Structural Models	104

LIST OF ABBREVIATIONS

AMOS	Analysis of Moment Structures
ASV	Average Shared Variance
AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CR	Critical Ratio
EFA	Exploratory Factor Analysis
FMM	Federation of Malaysian Manufacturers
GDP	Gross Domestic Products
GFI	Goodness of Fit Index
MEDEC	Malaysian Entrepreneur Development Centre
ML	Maximum Likelihood
MNC	Multinational Corporation
MSV	Multiple Shared Variance
NFI	Normed Fit Index
NSDC	National SME Development Council
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modeling
SME	Small Medium and Enterprises
SMECORP	Small and Medium Enterprise Corporation
SMIDEC	Malaysian Small and Medium Industries Development Corporation
SPSS	Statistical Package for Social Sciences
TLI	Tucker-Lewis Index
TPB	Theory of Planned Behaviour Model
TRA	Theory of Reasoned Action

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This chapter provides a general overview on this study. It discusses the importance of SME, Theory of planned behaviour (TPB) and attitude towards SME advertising. The Small and Medium Enterprises (SMEs) industry has contributed to the economic development of Malaysia in the last ten years. This has impacted growth in employment and Gross Domestic Products” In the Malaysian context, Small Medium Enterprises is defined as any institution with fixed assets of less or lower than RM500,000 or employees less than 50 full-time workers in any manufacturing activities” (Chee, 1988).

Therefore, the performance of the SMEs industry (food processing and consumable) is important in today’s economic growth. Issues discussed include the general role of SMEs food industry in the Malaysian context, the background of Small and medium-sized enterprises food industry (SMEs in Malaysia, and the definitions of SMEs. This chapter also includes; statement of the problem, research objectives (general objectives and specific objectives), research questions, the significance of the study, theoretical underpinnings, managerial implications, definitions of terms, structures of study and the chapter summary.

In the past ten years, the progressions in present business have improved by adopting new marketing strategies to reach out to consumers. The small and medium-sized enterprises (SME) food industry plays a vital role in the economic development of any developed nation and developing countries around the world. SMEs food

industry operates in almost all areas of the economic sector in the world today, especially in the Malaysian context ranging from manufacturing industry, services industry, basic raw materials industry and agro-based industries (Mohd, 2004). Despite that, SMEs food industry varies in their nature of industry and importance. The contributions of SMEs industries in Malaysia have a positive influence on the economy in general; whereby most of these industries are very important and play a vital role in various business activities across the globe.

According to statistics provided by the Malaysian Small and Medium Industries Development Corporation (SMIDEC) 2014, SMEs accounted for about 92.3 percent of all establishments in the manufacturing sector. In the global business level, there has been a rapid increase in research into the role and importance of SMEs within a global context that has prompted a significant number of academic literature and theories (Lester & Leigh, 2007). According to Yusuff (2011), the SME food industries operations in Malaysia have contributed immensely to various sectors of the economy, in terms of their output, value added, employment rate and exports (IMP3, 2006).

Table 1.1, provides definitions of SME within the Malaysian context; these definitions in the various sectors were given and approved by National SME Development Council (NSDC). According to Lim et al. SMEs industry can be defined as “Any small medium enterprises establishment with fixed assets of less or lower than RM500,000 or having less than 50 full-time workers in any manufacturing activities” (Lim, Baharudin, & Low, 2015). SMIDEC defined and categorised SMEs into various means, sizes, type of business, turnover and activities”.

Table 1.1 Definitions Features of SMEs in Malaysia

Category	Micro	Small	Medium
Manufacturing	Sales turnover or less than RM300,000	Sales turnover from RM300,000 to less than RM15 million	Sales turnover from RM15 million to not exceeding RM50 million
		<u>OR</u> Full-time employees from 5 to less than 75	<u>OR</u> Full-time employees from 75 to not exceeding 200
Services and Other sectors	<u>OR</u> Full-time employees less than 5	Sales turnover from RM300,000 to less than RM3 million	Sales turnover from RM3 million to not exceeding RM20 million
		<u>OR</u> Full-time employees from 5 to less than 30	<u>OR</u> Full-time employees from 30 to not exceeding 75

Source: SMIDEC, (2016)

Table 1.1 shows that SME industry can be categorised into two types, namely; manufacturing, services sectors and agro-allied based industries. These SME industries are involved in either consumable food item, such as agro-allied, food processing and manufacturing industries, which have played a very important role in the Malaysian economy. Similarly, it has contributed more than 90 percent to the growth of country's economy. The SMEs food industries are classified into two categories based on classification by the government have certain features. The SMEs food manufacturing industries have sales turnover not exceeding RM50 Million or full-time employees not exceeding 200 workers. The second category the service industries and related sectors which have a sales turnover of RM20 million or full-time employees not exceeding 75 workers" (National SME Development Council, 2013).

1.1.1 Attitude towards Malaysian SME vs. Multinational Company

In comparison to local products, multinational corporation (MNC) have brand names, which influence the consumer attitude towards advertising and intention to purchase a product. Hannantyas A., Yulianto, E., and Mawardi, M. K. (2016). Studies on attitude reveal the psychological tendency of consumers liking or disliking the Malaysian SMEs food products in favour of multinational products vary in dimensions. Such dimensions include; consumable food items, products, market, and brand name of the items Dimitratos, P., Johnson, J. E., Plakoyiannaki, E., and Young, S. (2016). Attitude is the predictor of intention to use or purchase any item, the more a consumer likes the advertisements, the higher the chances of purchasing the products.

Attitude is the total evaluation of performing a particular action, which involves the action like purchasing the SME products Hung, Y., de Kok, T. M., and Verbeke, W. (2016). A number of studies have made progress on developing empirical investigation of consumer attitudes towards advertisements and to understand the nature of consumers, which leads to intention to use or purchase the items Dohmen, T., Falk, A., Huffman, D., Sunde, U., Schupp, J., and Wagner, G. G. (2011).

Game and Apfelthaler (2016) found that attitude towards advertisement has a positive impact on the consumer's intention and plays a vital role in decision-making. The theory of attitude towards advertising model on how consumers understand and react towards particular products or brands depict how consumers form feelings to a particular product, which influences his or her attitude towards the brand. Recent studies on SMEs by Matthew (2016) and Thomas (2016) revealed that favourable attitude towards ads leads to consumer intention to purchase the product.

This current research uses part of the theory of attitude towards advertising and part of the theory of planned behaviour (TPB) to examine the application of these theories in explaining how consumers perceive SME advertisements. This study also examines how these theories influence their intention to purchase Malaysian SMEs food products. Part of the (TPB) model is used in this present study to predict and understand human behaviour towards a particular object at any point in time. Therefore, extensions of (TPB) were used by incorporating attitude towards advertising to the conceptual model. Thus, the focus of this dissertation is to examine the effect of the variables whether they affect consumable food items.

1.2 STATEMENT OF THE PROBLEM

Due to the dynamic and changing consumer tastes in various SMEs food products and environments, SMEs are vividly increasing along with the development in the Malaysian business environment and faced with it the issues on how to convince the consumers. The study aims to examine the effect of the variables; attitude, subjective norm and perceived behavioural control on attitude towards advertising of Malaysian consumers purchase intention. Despite a huge amount of money been spent on ads; yet, they are not doing well and facing many challenges to survive in the business sector and the majority of them could not compete adequately in the Malaysian business sector (Hashim, 2010). Despite the sizes, and their contribution to the economic growth of Malaysian is undeniable many SMESs encounter various problems, (Saif-Ur-Rehman, 2016).

Multinational SME food brands have money to advertise their products more than the Malaysian SMEs food industry, Malaysian SMEs food industry faces more challenges in competition and financial support (Zamberi, Siri, Ahmad, & Xavier,

2012). The theory of attitude towards SME food advertisements suggests that attitude towards advertising leads to change in attitude towards the brand of SME products. The attitude of consumers towards Malaysian products tend to be unfavourable compared to multinational industries, which calls for an urgent solution from the stakeholders including the government and SME food managers to encourage and allow a fair competition among them. Since, SMEs usually lack the awareness, expertise, skills, financial backup, human resource and information; integrating the necessary changes and understanding will ensure a better performance (Kalsonm et al., 2015).

In addition, as the SME food industry grows, many small-medium sized enterprises that are established in business sectors perform poorly due to low attitude towards advertisement tools and programs. This has led to low advertising and competition among the SMEs food organisations, which make them less successful. This gives SMEs little competitive opportunity to perform and improve well, due to limited resources. According to Chee (1986), many of the SMEs sell and operate directly to their consumers within the same locality. This allows most customers to have a negative intention to buy SME food products compared to multinational products' good brand image and name in the minds of consumers. Another hindrance to the local SME industry is the lack of funds to run various advertising programs.

According to Susanto (2008), there is a need for a change in any organisational sector to enhance the performance of SMEs by using the right and appropriate tools. Due to the economic and capital constraints, most SMEs are unable to use proper advertising tools (Kalsonm, A.w, Ab. Rahim, 2015). Therefore, based on TPB, the present study examined whether attitude, subjective norms, perceived behavioural

control and attitude towards SME advertising have an influence on Malaysian consumers' intention to purchase SME food products.

1.3 RESEARCH OBJECTIVES

The objective of the present research is divided into two parts; the general objective and the specific objectives.

1.3.1 General Research Objective

The general objective of this study is to identify and examine the effect of attitude towards advertising of the Malaysian consumer's purchase intention. This research aims to examine the effect of all the variables: attitude, subjective norms, perceived behavioural control on consumer intention to purchase SMEs product in Malaysia.

1.3.2 Specific Research Objectives

The study's specific objectives are as follows:

- 1 To examine the positive effect of consumers' attitude towards SME food products on their intention to purchase SME food products
- 2 To examine the positive effect of Subjective Norms on consumers intention to purchase SME food products
- 3 To examine the positive effect of Perceived Behavioural Control on consumers intention to purchase SME food products
- 4 To examine the relationship of consumers' attitude towards SME food advertisement and intention to purchase SME food products

1.4 RESEARCH QUESTION

The following are some of the questions, which this study seeks to provide answers to in relation to the above-mentioned objectives:

1. What is the positive effect of attitude to purchase SME product on purchase intention
2. What is the positive effect of subjective norm to purchase SME product on purchase intention
3. What is the positive effect of perceived behavioural control on consumer purchase intention
4. What is the relationship between consumers' attitude towards SME advertising and intention to purchase SME products?

1.5 SIGNIFICANCE OF THE STUDY

This study contributes to the SME industry research academically and managerially. Theoretically, the present study adds to the body of knowledge on SME food industry management. The study suggests and examines a comprehensive model, which comprises some parts of two models, which are incorporated together; i.e., Theory of Planned Behaviour and Theory of attitude towards advertisements (attitude, subjective norm, perceived behavioural control, intention and attitude towards Ads).

In the managerial aspect, the present study enables managers of the SME food industry (i.e. manufacturers of consumable items) to obtain knowledge on how SME food consumers are heavily involved in purchasing Malaysian SME food products and by allowing managers to acquire knowledge on the main factors behind the phenomenon.

Similarly, the study emphasises the nature of the effect and significance of the relationships between various marketing constructs (i.e. attitude, subjective norm, perceived behavioural control, intention and attitude towards advertisements) and between behavioural intention to purchase. Malaysia is one of the fastest developing countries in South East Asia. These developments are more visible in the industrialisation, agri-business, and tourism sector, which have led to the success in its economy in the last few decades. Despite that, they are facing lots of challenges (Farooq, Sulaiman, & Abideen, 2014). This may encourage people who may want to invest in SME industries in the future. This present study contributes to the existing research in consumer's intention to buy SME products by including the influence of attitude towards advertising. There is a lack of consumer research with specific focus on attitude towards advertising in SMEs food industries.

This present study can add value to the existing literature as well as SME food industry in Malaysia. The industry needs to use effective communication tools to meet the consumer expectations in general and build positive liking towards products through print ads and guerrilla marketing consumers. This study adopts structural equation modelling (SEM) to synthesise literature by providing a better understanding of consumer's attitude towards SME advertisements in the context of the SME food industry. The best advertising strategies to use to have a positive attitude towards ads is justified in the study based on the importance of attitude towards advertising. This serves as a major influence in the purchases of SME food products.

Furthermore, this study is beneficial to professionals, academicians and marketers in the business environments by emphasising the use of proper advertising tools, programs and the TPB models. In addition, the model provides a more inclusive approach of how the theory of attitude towards advertisement and theory of planned

behaviour affect consumer's intention. Thus, academicians and administrative managers can benefit from this present findings and analysis of this study.

1.6 SCOPE OF THE STUDY

In order to evaluate the cooperation of an extended theory of planned behaviour and attitude towards SME food advertisements model, this study attempts to determine factors affecting the intention to purchase SME food products in Malaysia. The population of the study covers mainly SME food consumers who are capable of purchasing the consumable products in the Klang Valley, Malaysia. The Klang Valley is chosen because SME consumers living in this region are capable of representing consumers in other parts of Malaysia. In this regard, the endogenous (dependent) variable is the intention to purchase and the exogenous (independent) variables are attitudes, subjective norms, perceived behavioural control and attitude towards SME food advertisements.

1.7 DEFINITION OF STUDY CONSTRUCTS

Definitions of terms are important keywords used in this study these are defined in order to have a better and meaningful understanding of the context.

1.7.1 Attitude towards SME food Advertisement

Consumers' assessment of an SME food advertisement entails a beneficial response involving the total emotion of liking or not the brand promoted (American Marketing Association, 1995).