



**ANTECEDENTS OF ATTITUDE TOWARDS HALAL
COSMETIC AMONG MUSLIM ONLINE
ENTREPRENEURS IN MALAYSIA: AN EXTENSION
OF THEORY PLANNED BEHAVIOR (TPB) MODEL**

BY

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**A thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy in Halal Industry**

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ABSTRACT

The globalization of the halal industry has created more opportunities and business space for entrepreneurs. While this has attracted enormous research interest resulting in commendable extant literature, a dearth of empirical studies focusing on the halal cosmetic section still exists. To fill this lacuna, antecedents of attitude towards online entrepreneurship in halal cosmetic was investigated from the perspective of Muslim online entrepreneurs in Malaysia. Quantitative method was employed in this study. As such, relevant quantitative data were elicited from 327 Muslim online entrepreneurs in Malaysia selected based on purposive sampling. A survey questionnaire that consisted of a combination of newly developed, adapted and adopted items for measurement of variables was used as the research instrument. Data elicited were subjected to both descriptive and inferential statistical analyses. While the data cleaning, descriptive analysis and exploratory factor analysis were conducted via the Statistical Package for Social Sciences (SPSS), the inferential statistics including the confirmatory factor analysis and the full-fledged structural models were carried out via the Analysis of Moment Structures (AMoS) software. Based on a satisfactory global and local model fit assessment criteria the hypothesised model was interpreted as good. The results obtained based on standardized regression weights indicate that halal cosmetic awareness (0.626) and halal cosmetic certification (0.182) both exert statistically significant influence on the attitudes of Muslim online entrepreneurs toward halal cosmetic. Furthermore, a statistically significant effect of attitude of Muslim online entrepreneurs on the intention to adopt halal cosmetic (0.671) in their business was also obtained. As a result, H₁, H₃ and H₅ were supported. On the contrary, results obtained indicate that both halal cosmetic ingredients (0.041) and religiosity (0.007) do not have statistically significant effect on the attitudes of Muslim online entrepreneurs toward halal cosmetic. Due to insignificance in the standardized regression weight, H₂ and H₄ were therefore not supported. This finding suggests that Muslim online entrepreneur with high level of religiosity but with inadequate knowledge of halal cosmetic ingredients may likely have unfavorable attitude towards halal cosmetic. Finally, as one of the objectives of this dissertation, Cosmetic Entrepreneur Halal Sensitivity Index (CEHSI) guidelines was produced together with a matrix. The research contribution of CEHSI is significant given that it can be a benchmark in halal industry to assess the attitudinal dispositions of the entrepreneurs towards halal cosmetic business.

خلاصة البحث

أدت عولمة صناعة الحلال إلى المزيد من الفرص والمساحة التجارية لرجال الأعمال. في حين أن هذا قد جذب اهتمامًا هائلًا بالبحث أدى إلى أدبيات جديدة بالإشادة، إلا الدراسات التجريبية التي تركز على قسم مستحضرات التجميل الحلال لا تزال نادرة جدًا. لملء هذه الثغرة، تم التحقيق في المواقف السابقة للمبادرة تجاه الأعمال التجارية عبر الإنترنت في مستحضرات التجميل الحلال من وجهة نظر منظمي مشاريع المسلمين عبر الإنترنت في ماليزيا. استخدمت الطريقة الكمية في هذه الدراسة، وبناءً عليها فقد تم استخراج البيانات الكمية ذات الصلة من 327 من رجال الأعمال المسلمين عبر الإنترنت في ماليزيا والذين تم اختيارهم بناءً على أسلوب أخذ العينات الهادف. استخدم الاستبيان الخاص بالمشح والذي اشتمل على مجموعة من العناصر التي تم تطويرها وتكييفها واعتمادها لقياس المتغيرات كأداة بحث. خضعت البيانات المستخرجة لكل من التحليلات الإحصائية الوصفية والاستقصائية. في حين تم إجراء تحليل البيانات والتحليل الوصفي وتحليل العوامل الاستكشافية عبر الحزمة الإحصائية للعلوم الاجتماعية (SPSS). تم تنفيذ الإحصائيات الاستدلالية بما في ذلك تحليل العوامل المؤكدة والنماذج الهيكلية الكاملة من خلال برمجيات تحليل هياكل اللحظات (AMoS)، واستناداً إلى معايير تقييم تناسب نموذج عالمي ومحلي ملائم، فقد تم تفسير النموذج الموافق لفرضية البحث على أنه جيد. واكتشفت النتيجة أن وزن الانحدار المعياري للوعي عن مستحضرات التجميل الحلال كان 0.626 وأن شهادة الحلال لمستحضرات التجميل كانت 0.182 والتي تؤثر بشكل كبير على مواقف رجال الأعمال المسلمين عبر الإنترنت نحو مستحضرات التجميل الحلال. علاوة على ذلك، كان نتيجة معامل مسار تعادل 0.671، وهذا يدل على العلاقة القوية بشكل كبير على نية التجار والشركات قيد الدراسة اعتماد مستحضرات التجميل الحلال في أعمالهم. ونتيجة لذلك، تم دعم الفرضيات H_1 و H_3 و H_5 . على العكس من ذلك، فإن معامل المسار لمكونات مستحضرات التجميل الحلال (0.041) والتدين (0.007) لم يكن كبيراً. نظراً لعدم وضوح وزن الانحدار الموحد، لم يتم دعم الفرضيات H_2 و H_4 . ومن المثير للاهتمام أن التدين ومكونات مستحضرات التجميل الحلال كانت من الأولويات غير الهامة لموقف رجال الأعمال المسلمين عبر الإنترنت تجاه مستحضرات التجميل الحلال. ونتيجة لذلك فيمكن التوجه لمنظور جديد، أن المستوى العال من تدين المسلم مع عدم وجود أو عدم معرفة كافية عن مكونات مستحضرات التجميل الحلال سوف يؤدي إلى موقف غير مواتية تجاه مستحضرات التجميل الحلال. وأخيراً، لقد تم استنتاج دليل مؤشرات الحساسية تجاه مستحضرات التجميل (CEHSI) في وقت واحد مع مستوى المصفوفة كأحد أهداف هذه الرسالة. تعتبر مساهمة الأبحاث من CEHSI واحدة من نوعها التي يمكن أن تكون معياراً في صناعة الحلال لتقييم الموقف الإيجابي أو السلبي بين رواد الأعمال نحو مستحضرات التجميل الحلال.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

(W Naimatul Asiah Binti W Muhamad)

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*This thesis is dedicated to my husband,
parents and beloved children.*

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LIST OF ABBREVIATIONS

Abbr	Abbreviation
ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
CCL	Centre for Compliance and Licensing
CDCR	Control of Drugs and Cosmetic Regulations
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CR	Composite Reliability
DFTZ	Digital Free Trade Zone
DPS	Director of Pharmaceutical Service
DSM	Department of Standard Malaysia
EFA	Exploratory Factor Analysis
FMI	Future Market Insight
GDP	Gross Domestic Product
GHP	Good Hygienic Practice
GMO	Genetically Modified Organism
GMP	Good Manufacturing Practice
GOF	Goodness-of-Fit
GST	Government Service Tax
HACCP	Hazard Analysis Critical Control Point
HALFEST	Halal Fiesta
HDC	Halal Industry development Corporation
FDIs	Foreign Direct Investments
DDIs	Domestic Direct Investments
ICT	Information and Communication Technology
IMP3	3 rd Industrial Master Plan
JAIN	Jabatan Agama Islam Negeri
JAKIM	Jabatan Kemajuan Islam Malaysia
KKM	Kementerian Kesihatan Malaysia
MAIN	Majlis Agama Islam Negeri
MATRADE	Malaysia External Trade Development Corporation

MENA	Middle East and North Africa
MDEC	Malaysia Digital Economy Corporation
MIDA	Malaysian Investment Development Authority
MIHAS	Malaysia International Halal Showcase
MITI	Ministry of International Trade and Industry
MNC	Multi Nasional Company
MS	Malaysian Standard
MSA	Measures of Sampling Adequacy
MSV	Maximum Shared Variance
MTDC	Malaysian Technology Development Corporation
MUA	Make Up Artist
NPRA	National Pharmaceutical Regulatory Agency
NFI	Normed Fit Index
PCA	Principal Component Analysis
PCR	Polymerase Chain Reaction
R&D	Research and Development
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modelling
SME	Small medium enterprise
SPM	Sijil Pelajaran Malaysia
SPSS	Statistical Package for Social Science
SSM	Suruhanjaya Syarikat Malaysia
TLI	Tucker-Lewis Index
USA	United State of America
WHC	World Halal Conference
WHO	World Health Organisation

LIST OF TRANSLATIONS

<i>Allah</i>	: God
<i>Akhirat</i>	: Hereafter
<i>Daruriyyat</i>	: The necessities or essentials
<i>Dunya</i>	: This world
<i>Hajiyyat</i>	: The needs
Halal	: Lawful
<i>Haram</i>	: Unlawful
<i>Ibadah</i>	: Worship
<i>Khamr</i>	: Alcoholic drink
<i>Maqasid shariah</i>	: Objectives of Islamic law
<i>Maytah</i>	: Carcass or dead animal
<i>Muamalah</i>	: Transaction
<i>Najs</i>	: Filth (blood, urine, faeces, pus)
<i>Najs al-mughhallazah</i>	: Severe najis such as pig, dog and descendents
<i>Sertu</i>	: Process of purifying <i>najs mughhallazah</i> seven times with mutlak water and one of them, water mixed with soil
Shariah	: Islamic law
<i>Tahsiniyyat</i>	: The complementary
<i>Tasmiyah</i>	: Saying name of Allah (Bismillah)
<i>Tayyib</i>	: Good
<i>Tayyiban</i>	: Wholesome
<i>Ummah</i>	: Community of Islam
<i>Wuduk</i>	: Ablution

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Malaysia is one of the pioneering countries in the world where the government commendably provides educational and industry platforms, and full support to promoting in its entire ramifications, halal certification process on both products and services. In addition to the halal certification, Malaysia has also developed certification as part of its total quality health and sanitary system in relation to the procedures and practices for slaughtering animals and other numerous related activities and operations as prescribed by Islamic laws. In this wise, food manufacturers and producers are also required to comply with the benchmark standards for Hazard Analysis Critical Control Point (HACCP), Good Manufacturing Practices (GMP), Good Hygienic Practice (GHP) and ISO9000 in order to meet halal requirement (Abd Aziz et al., 2013). The halal certification is therefore, very comprehensive and all-encompassing in scope as it is not limited to the poultry and meat production only; but also covers consumer items such as cosmetics and pharmaceutical products.

Viewed from the point of increased population in the Muslim world, both the Islamic and Muslim majority countries no doubt have the potential market for the import and export of halal products. Iran, for example has a total population of 80 million people, diversified and well-balanced economy. With the recent lifting of sanctions on Iran, the value of the country's exports is expected to increase by US\$10 billion in 2017 and imports to increase for a value of US\$115 billion by 2020 whereas consumer expenditures are expected to reach US\$170 billion by 2017 (FMM, 2017). In the Southeast Asia region, the halal cosmetics market is currently estimated to be US\$ 945.8

Million. The Future Market Insights (FMI) based on their forecasts envisages a continuous improvement in this market which reach US\$ 1,037.7 million in 2016 and an expected annual average growth rate of 10.2% during the period 2015-2020 (FMI, 2015).

What the foregoing statistics indicate is that expectation towards halal cosmetics is growing worldwide. As such, Malaysia should take this opportunity to lead the halal cosmetic industry since halal certification from JAKIM is well known for its international standard. Ministry of International Trade and Industry (MITI) in its publication of the Third Industrial Master Plan (IMP3) has drafted chapter 21 intentionally for the development of halal industry in Malaysia. It is clearly stated therein that :

“to benefit from the growing halal market, the industry will be encouraged to achieve a higher level of innovation in product and process developments in both the food and non-food industries to improve export performance in the long term. This will involve enhancing collaborations in Research and Development (R&D) among research institutes in halal product development”.

Other strategies in the IMP3 include assisting SMEs that are involved in halal food and non-food production, especially enhancing their capability to acquire requisite technological capabilities to enhance operational efficiency, upgrade manufacturing, and increase product development and improvements.

In addition, the IMP3 is aimed at developing contract manufacturing capabilities to enable SMEs producers of halal products to be integrated into the global supply chain. This involves equipping the producers with the requisite skills to becoming suppliers of halal products to major hypermarket chains; and building a database on the domestic

and international halal industry. It is envisaged that the availability of comprehensive and up-to-date information on producers and suppliers of halal products and services will facilitate planning and help the private sector to establish market leadership. The main aim of the IMP3 therefore, is towards strengthening Malaysia's position as a global halal hub.

Growing business opportunities beyond the food and financial services industry requires both the local and international firms to meet the consequential rising demand for goods and services that are halal-certified. Recently, findings from several institutional, commissioned and consultancy reports have sought to educate and instruct Western multinationals on Islam and Muslim lifestyles (Sandikci, 2011). Companies such as Nestlé and HSBC are cited among the first to have recognized the growing potential. The company have subsequently developed products, services and communication campaigns targeting Muslim markets. International brands also have responded to halal concerns to various degrees. Notable examples include but not limited to Colgate-Palmolive, Avon, L'Oreal's and Unilever that all now offer a range of halal-certified product. According to Reuters (2012), in their bids to penetrate Muslim-majority Asian markets these firms presently have increased their foreign investments through expanded manufacturing facilities for their cosmetics and skincare ranges in a shariah compliant manner complimented with aggressive communication campaigns with the intent of reaching out to the numerous potential middle-class Muslim consumers.

In an apparent manifestation of its increasing global appeal, the first international conferences on halal cosmetics held in 2010 and have multiplied since the government, manufacturer and businesses spotted its potential and advantages. The main objectives projected is to enriching various stakeholders' understanding of this

emerging industry, and to address R&D trends, and regulatory aspects like standardization and certification.

Halal cosmetics business is no doubt very promising and is touted by industry analysts to also enjoy burgeoning growth and wide acceptance as the halal food and Islamic finance. Like the other Islamic or halal driven industries, the halal cosmetic industry also has its roots in the Asian Muslim majority markets. Nonetheless, the possibility of the halal cosmetics industry entering mainstream European and North American markets is very much noted. According to Lowe (2010), with a burgeoning market estimated at USD 561million, demand reported 20 per cent sector growth in 2011, and which according to Yeomans (2012) is expected to maintain double-digit growth in the coming years. Therefore, while the generation Y should be the target market segment for halal cosmetic within this coming few years, the potential of the halal cosmetic market may just be hinged on the identification and dynamics of the antecedents of consumers' intention to purchase or use the product.

1.2 PROBLEM STATEMENT

Based on an extensive review of the extant related literature to this study, four pertinent research problems and issues which form the crux of this research were identified.

1. There is research gap to empirically investigate the underlying antecedents of attitudes towards halal cosmetics (Che Mohd Hashim, 2014).

Che Mohd Hashim et al. (2013) claimed that there exists numerous studies focusing on attitude of career Muslim women towards halal skin care products without consideration for numerous other halal cosmetic products beyond skin care. As such there is an apparent dearth of empirical research focusing on the cosmetics and personal care

products (Abd Rahman et al., 2015). Nevertheless, to the researcher's knowledge, a specific examination of the factors that influence attitude formation towards halal cosmetic is still lacking especially targeting Muslim online entrepreneurs in Malaysia as the sampling data or respondents. Therefore, there exists a research gap to empirically investigate the underlying factors that may explain the formation of the attitude towards halal cosmetic (Che Mohd Hashim et al., 2014). Thus, in this study, formation of predictor attitude among Muslim online entrepreneurs is sought.

Attitudes play a vital role in determining entrepreneurs' intention towards halal cosmetic. Apparently, many factors are likely to explain attitudes towards halal cosmetic. Che Mohd Hashim et al., (2014) asserted that the emphasis on understanding the antecedent of attitude has further elucidated and provided clarity on the concept of attitude in the Theory of Planned Behavior (TPB). The theory is stated as providing meaning and explanations for both the user and nonuser's attitude towards purchasing a product in this case, halal skin care product. Although Che Mohd Hashim et al., (2014) investigated attitude towards halal cosmetic, it was based on the perspective of the consumer and not the entrepreneurs.

2. Abundance of existing studies only focus on halal food but dearth of conceptual & empirical studies on halal cosmetics (Ireland and Rajzabedah, 2011; Mukhtar and Butt 2012; Teng and Jusoh, 2013; Abd Rahman et al., 2015).

Abd Rahman et al. (2015) claim that notwithstanding the importance of the halal cosmetic market for both producers and consumers, the extant studies and researches seem skewed in focusing on halal food products. This is in sharp contrast to the dearth of related conceptual or empirical studies about halal cosmetic products (Teng and Jusoh (2013), and (Mukhtar and Butt (2012)). For example, other studies by Ireland and

Rajabzadeh (2011); and Abd Rahman et al. (2015) also admitted that extant studies have focused on halal food products at the expense of the equally important halal products such as cosmetic products given the huge religious, health and economic potential they promise.

3. There are plenty of purchase intentions (Mansor et al., 2010; Che Mohd Hashim, 2014; Ahmad et al., 2015) but lack of entrepreneurship intentions especially on halalpreneurship.

Even though studies about halal cosmetic products exist, most of them are focused on the perspective of the customer behavior as investigated by researchers like Mansor et al (2010), Che Mohd Hashim et al., (2014) and Ahmad et al., (2015) in contrast to findings from the entrepreneurs' perspective. As such, research expediency necessitates the need for an in-depth understanding and identifying of the halal industrial managerial viewpoints vis-a-vis the pre-requisites and co-requisites needed to attaining halal hub status that Malaysia craves for (Mahdi Borzooei et al., 2013). Also, there is an urgent need to undertake research and development as well as to train people for the purpose of halal certification for various categories of products and services (Khan et al., 2016) including and especially in halal cosmetics and not necessarily concentrated on food sectors only.

Kotler & Armstrong (1993) claimed that often than not, perceptions are distorted. In this regard, it is likely that a variance exists between the perceived world and the real world and as such attitudes regarding the perceived properties of the product are linked to selected variables. Meanwhile, a negative attitude toward halalpreneurship may consequently result in missed opportunities and relative underperformance among SME entrepreneurs in the halal global business (Soltanian et al., 2016).