



UNIVERSITI PUTRA MALAYSIA

***INTENTION TO ADOPT WEB-BASED HALAL TRACEABILITY SYSTEM
AMONG SMALL AND MEDIUM ENTERPRISES OF FOOD SUB-SECTOR
IN PENINSULAR MALAYSIA***

NUR AMININ MUHAMAD

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PENINSULAR MALAYSIA**

By

NUR AMININ MUHAMAD

**Thesis Submitted to the School of Graduate Studies, Universiti Putra
Malaysia, in Fulfilment of the Requirements for the Degree of Master of
Science**

November 2020

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in
fulfilment of the requirement for the degree of Master of Science

**INTENTION TO ADOPT WEB-BASED HALAL TRACEABILITY SYSTEM
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By

NUR AMININ MUHAMAD

November 2020

Chair : Nitty Hirawaty Kamarulzaman, PhD
Institute : Halal Products Research

Food fraud especially in halal food products caused the biggest concern among Muslim consumers to arise that need consideration by the food manufacturers specifically small and medium enterprises (SMEs). Traceability system could improve the halal transparency along the food supply chain. The Department of Islamic Development Malaysia (JAKIM) had introduced Halal Assurance Management System (HAS) as a guideline for halal traceability system, however, only multinational and medium companies are required to comply with this guideline. Moreover, the adoption of sophisticated systems among SMEs in Malaysia is still low. This could lead to their reluctance to adopt web-based halal traceability system.

The general objective of this study was to identify the intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia. Five specific objectives of this study were to determine the level of intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia; to determine the association between firmographic profiles of SMEs of food sub-sector in Peninsular Malaysia and their intention to adopt web-based halal traceability system; to identify the relationship between the factors towards perceived usefulness of web-based halal traceability system and perceived ease of use of web-based halal traceability system; to identify the most influential factors that influence the intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia; and to suggest possible policy recommendations towards adoption of web-based halal traceability system in Malaysia's halal industry.

An interviewer-administered questionnaire was used for data collection of 260 halal-certified food SMEs that were selected using a systematic random

sampling method. The data were analyzed using descriptive analysis, mean ranking analysis, Chi-square analysis, Pearson correlation analysis, and logistic regression analysis. Most of the respondents were from middle-level management (95 respondents, 36.5%). The majority of food SMEs involved in this study (207 companies, 79.6%) were small business size companies. This study revealed the utilization of information and communication technology (ICT) tools especially the advanced system by the food SMEs was still low. The majority of food SMEs showed a high intention to adopt web-based halal traceability system.

Sales turnover and region have a significant association with intention to adopt web-based halal traceability system among food SMEs. Besides, the environmental aspect and perceived usefulness of web-based halal traceability system showed a strong correlation ($r=0.720$, $p<0.01$). Logistic regression analysis revealed that perceived usefulness, perceived ease of use, and sales turnover were the influential factors of intention to adopt web-based halal traceability system among food SMEs.

This study recommends JAKIM to enhance the effectiveness of HAS by guiding the micro and small size SMEs to implement HAS in their business operations. Food SMEs that faced financial constraints are encouraged to seek financial schemes provided by responsible authorities. Besides, network coverage needs improvement throughout the region, especially in rural areas. The number of events for participation of food SMEs need to be intensified to trigger their competitive spirit and innovativeness in improving their business performance. The course and training on halal traceability system are needed for the enhancement of knowledge and skills about the system.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk Ijazah Master Sains

**NIAT UNTUK MENERIMA PAKAI SISTEM PENGESANAN HALAL
BERDASARKAN WEB DI KALANGAN PERUSAHAAN KECIL DAN
SEDERHANA SUB-SEKTOR MAKANAN DALAM SEMENANJUNG
MALAYSIA**

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Penipuan makanan terutamanya dalam produk makanan halal menimbulkan keseimbangan terbesar di kalangan pengguna Muslim yang perlu dipertimbangkan oleh pengeluar makanan khususnya perusahaan kecil dan sederhana (PKS). Sistem pengesanan dapat meningkatkan ketelusan halal di sepanjang rantai bekalan makanan. Jabatan Kemajuan Islam Malaysia (JAKIM) telah memperkenalkan Sistem Pengurusan Jaminan Halal (HAS) sebagai garis panduan untuk sistem pengesanan halal, namun hanya syarikat multinasional dan sederhana yang diwajibkan untuk mematuhi garis panduan ini. Tambahan pula, penggunaan sistem canggih di kalangan PKS di Malaysia masih rendah. Ini menyebabkan keengganan mereka untuk menggunakan sistem pengesanan halal berdasarkan web.

Objektif umum kajian ini adalah untuk mengenal pasti niat untuk mengguna pakai sistem pengesanan halal berdasarkan web di kalangan PKS sub-sektor makanan dalam Semenanjung Malaysia. Lima objektif khusus kajian ini adalah untuk menentukan tahap niat untuk mengguna pakai sistem pengesanan halal berdasarkan web di kalangan PKS subsektor makanan dalam Semenanjung Malaysia; untuk menentukan perkaitan di antara profil firma PKS subsektor makanan dalam Semenanjung Malaysia dan niat mereka untuk mengguna pakai sistem pengesanan halal berdasarkan web; untuk mengenal pasti hubungan di antara faktor-faktor terhadap kegunaan yang dapat dirasakan berkenaan sistem pengesanan halal berdasarkan web dan kemudahan penggunaan sistem pengesanan halal berdasarkan web; untuk mengenal pasti faktor yang paling berpengaruh yang mempengaruhi niat untuk mengguna pakai sistem

pengesanan halal berdasarkan web di kalangan PKS subsektor makanan dalam Semenanjung Malaysia; dan untuk mencadangkan kemungkinan cadangan dasar ke arah penggunaan sistem pengesanan halal berdasarkan web dalam industri halal Malaysia.

Soal selidik yang ditadbir oleh penemuduga digunakan untuk pengumpulan data 260 PKS makanan yang disahkan halal yang mana dipilih menggunakan kaedah persampelan rawak sistematik. Data dianalisis menggunakan analisis deskriptif, analisis peringkat min, analisis Khi-kuasa dua, analisis korelasi Pearson dan analisis regresi logistik. Sebilangan besar responden adalah daripada pengurusan pada peringkat pertengahan (95 responden, 36.5%). Sebilangan besar PKS makanan yang terlibat dalam kajian ini (207 syarikat, 79.6%) adalah perusahaan kecil. Kajian ini mendedahkan bahawa penggunaan alat teknologi informasi dan komunikasi (ICT) terutama sistem yang canggih oleh PKS makanan masih rendah. Sebilangan besar PKS makanan mempunyai niat yang tinggi untuk menggunakan sistem pengesanan halal berdasarkan web.

Perolehan jualan dan kawasan mempunyai kaitan yang signifikan dengan niat untuk menerima pakai sistem pengesanan halal berdasarkan web di kalangan PKS makanan. Selain itu, aspek persekitaran dan kegunaan sistem pengesanan halal berdasarkan web menunjukkan korelasi yang kuat ($r = 0.720$, $p < 0.01$). Analisis regresi logistik menunjukkan bahawa kegunaan yang dirasakan, kemudahan penggunaan yang dirasakan, dan perolehan penjualan adalah faktor yang mempengaruhi niat untuk menerima pakai sistem pengesanan halal berdasarkan web di kalangan PKS makanan.

Kajian ini mencadangkan agar JAKIM meningkatkan keberkesanan HAS dengan membimbing PKS bersaiz mikro dan kecil untuk melaksanakan HAS dalam operasi perniagaan mereka. PKS makanan yang menghadapi masalah kewangan disarankan untuk mencari skim kewangan yang telah disediakan oleh pihak berkuasa yang bertanggungjawab. Selanjutnya, liputan rangkaian perlu dipertingkatkan di seluruh wilayah terutamanya di kawasan luar bandar. Jumlah acara untuk penyertaan PKS makanan perlu dipergiatkan untuk memacu semangat kompetitif dan inovatif mereka dalam meningkatkan prestasi perniagaan mereka. Kursus dan latihan mengenai sistem pengesanan halal diperlukan untuk peningkatan pengetahuan dan kemahiran mengenai sistem tersebut.

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This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfilment of the requirement for the degree of Master Science. The members of the Supervisory Committee were as follows:

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This is to confirm that:

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LIST OF ABBREVIATIONS

CRM	Customer Relationship Management
DOI	Diffusion of Innovation
DOSM	Department of Statistics Malaysia
DFTZ	Digital Free-Trade Zone
DSM	Department of Standards Malaysia
EDI	Electronic Data Interchange
FinTech	Financial Technology
GDP	Gross Domestic Product
HALFEST	Halal Fiesta Malaysia
HAS	Halal Assurance Management System
HCP	Halal Critical Point
HDC	Halal Development Corporation Berhad
HIMP	Halal Industry Master Plan
ICT	Information and Communication Technology
IHC	Internal Halal Committee
IR	Industrial Revolution
IT	Information Technology
INSEAD	Institut Européen d'Administration des Affaires
IoT	Internet of Things
IS	Information System
JAKIM	Department of Islamic Development Malaysia
MAEPS	Malaysia Agro Exposition Park Serdang
MAHA	Malaysia Agriculture, Horticulture & Agrotourism
MIECC	Malaysia International Exhibition & Convention Centre
MITI	Ministry of International Trade and Industry Malaysia
MNC	Multinational Company
11MP	The Eleventh Malaysia Plan 2016-2020
NFC	Near Field Communication
OECD	Organization for Economic Co-operation and Development
PEOU	Perceived Ease of Use
PU	Perceived Usefulness
RFID	Radio-frequency Identification
SME	Small and Medium Enterprise
SMI	Small and Medium Industry
SPSS	Statistical Package for the Social Sciences
TAM	Theory Acceptance Model
TOE	Technology-Organization-Environment Framework
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action
WI-FI	Wireless Fidelity
WIPO	World Intellectual Property Organization

CHAPTER 1

INTRODUCTION

This chapter describes the background and contribution of small and medium enterprises (SMEs) in Malaysia. The implementation of food traceability system along the supply chain is also discussed alongside sustaining Shariah-compliant among halal food manufacturers. The problem statement, research questions, research objectives, significance of the study, scope of the study, operational definition and key terms, and organization of the thesis are also elaborated in this chapter.

1.1 Overview of Small and Medium Enterprises in Malaysia

Malaysia is categorized as an upper middle-income country, and gradually leading towards a high-income country as Malaysia had shown an impactful achievement by transforming from a principally commodity-driven economy to the one that leads based on service and manufacturing sector (Organisation for Economic Co-operation and Development (OECD), 2018). Small and medium enterprises (SMEs) are one of the major contributors to the Malaysian Gross Domestic Product (GDP) as in 2018, SMEs had exceeded 6.2% of recorded Malaysia's GDP and non-SMEs which is 4.7% and 3.8% respectively. Non-SMEs are referred to as public-listed companies that are included in the mainboard namely Bursa Malaysia and large firms, government-linked companies (GLCs), multinational companies (MNC), state-owned enterprises, and Syarikat Menteri Kewangan Diperbadankan (MKDs) (SME Corporation Malaysia, 2013). Small and medium enterprises (SMEs) had shown a consistent performance in previous years wherein 2017, SMEs recorded 7.1%, exceeding the recorded Malaysia's GDP and non-SMEs which is 5.7% and 4.9% respectively. Meanwhile, in 2016, SMEs had achieved 5.4%, exceeding the recorded Malaysia's GDP and non-SMEs which is 4.4% and 3.9% respectively. The annual percentage of change growth is depicted in Table 1.1.

Table 1.1: Annual Percentage Change Growth

Year	2016	2017	2018
Annual percentage change of Malaysia's GDP (%)	4.4	5.7	4.7
Annual percentage change of non-SMEs (%)	3.9	4.9	3.8
Annual percentage change of SMEs (%)	5.4	7.1	6.2

Source: The Department of Statistics Malaysia (DOSM) (2018)

The Department of Statistics Malaysia (DOSM) (2018) recorded that SMEs have contributed approximately 37.8% towards Malaysia's GDP in 2017 and has increased to 38.3% in 2018. Concurrently, RM521.7 billion was reported as the price of value-added of SMEs at constant 2015 prices in 2018, which rose from RM491.2 billion in 2017. The price of value-added for SMEs showed a constant

increment from 2016 to 2018 alongside the increment of the value-added price for non-SMEs. The value-added at constant prices 2015 for SMEs and non-SMEs are summarized in Table 1.2.

Table 1.2: Value-added at Constant 2015 Prices

Year	2015	2016	2017	2018
Non-SMEs (RM billion)	741.9	770.6	808.7	839.8
SMEs (RM billion)	435.1	458.7	491.2	521.7

Source: DOSM (2018)

The increment was contributed by five (5) sectors in SMEs namely agriculture, mining and quarrying, manufacturing, services, and construction. In 2018, the decrement was reported mainly in all of the sectors except for the services sector as an increment was recorded from 7.2% in 2017 to 8.1% in 2018. SME Corporation Malaysia (2018) reported that the service sector had the largest share of SMEs which is 89.2% with the total number of SMEs recorded 809,126. Table 1.3 summarizes the number of establishments of SMEs by sector and size.

Table 1.3: Number of Establishments by Sector and Size

Sector	Number of SMEs Establishments				Share of SMEs (%)	Large Firms
	Micro	Small	Medium	Total SMEs		
Services	649,186	148,078	11,862	809,126	89.2	9,185
Manufacturing	22,083	23,096	2,519	47,698	5.3	1,403
Construction	17,321	17,008	4,829	39,158	4.3	1,400
Agriculture	4,863	4,143	1,212	10,218	1.1	1,410
Mining and Quarrying	217	458	190	865	0.1	161
Total	693,670	192,783	20,612	907,065	100.0	13,559

Source: SME Corporation Malaysia (2018)

Based on Table 1.3, the manufacturing sector emerged as the second-highest number of establishments that comprise of micro size (22,083 enterprises), small size (23,096 enterprises), and medium size (2,519 enterprises) with the share of 5.3%. Moreover, it was highlighted that the manufacturing sector is composed of a large number of SMEs which was contributed by 98.5% of the total firms (MITI, 2018). This is in line with the number of total SMEs established in the manufacturing sector reported by SME Corporation Malaysia (2018) which is 47,698 compared to 1,403 of large firms' establishments.

There are a few terms used to reflect SMEs which are agro-food SMEs, food SMEs and SMEs. Agro-food SMEs consist of the prefix 'agro-' that means agriculture which is complemented with 'food' refers to all the activities that occur from farm to fork concerning food (Sage, 2018). Furthermore, food SMEs are the sub-sectors that represent both the services sector and manufacturing sector of SMEs namely wholesale and retail trade, food and beverages, and accommodation; and food, beverages, and tobacco products respectively (SME

Corporation Malaysia, 2018). Agriculture and food are somehow connected and closely related to the food industry that needs agricultural products as the raw materials and ingredients in both food manufacturing or services sub-sectors (Gouk, 2012). These show that either agro-food SMEs or food SMEs could be used as a subject to emphasize any issues in the food sector related to SMEs. Meanwhile, SMEs refer to broader perspectives as it encompasses by SMEs that establish their businesses in five sectors namely services, manufacturing, construction, agriculture, and mining and quarrying (SME Corporation Malaysia, 2018). This study focuses more on food, beverages, and tobacco products sub-sector in the manufacturing sector.

Table 1.4 shows the decline in the SMEs value-added growth of sub-sectors in the manufacturing sector which is from 6.8% in 2017 to 5.5% in 2018.

Table 1.4: SMEs Value-added Growth of Sub-Sectors in Manufacturing Sector

Sub-sectors in manufacturing sector	2016	2017	2018
Overall manufacturing sector (%)	4.8	6.8	5.5
Petroleum, chemical, rubber, and plastic products (%)	5.4	4.4	5.8
Food, beverages, and tobacco products (%)	2.9	11.0	3.6
Non-metallic mineral products, basic metal, and fabricated metal products (%)	6.2	6.1	6.9
Other manufacturing (%)	4.8	6.3	5.6

Source: SME Corporation Malaysia (2018)

Meanwhile, the food, beverages, and tobacco sub-sector led the increment compared to other sub-sectors where it surged from 2.9% in 2016 to 11.0% in 2017. However, SME Corporation Malaysia (2018) reported that the food, beverages, and tobacco sub-sector had shown a drastic decrement compared to other sub-sectors which is from 11.0% in 2017 to 3.6% in 2018 with the manufacturing of beverages notably contributed to the reduction. Based on the trend shown in Table 1.4, a substantial fluctuation had occurred in the food, beverages, and tobacco sub-sector since 2016. On the other hand, the exports of SMEs manufacturing sector showed excellent performance as the sector is one of the major contributors of total SMEs exports in 2018, with a record of 5.1% (Table 1.5).

Table 1.5: Annual Percentage Change of SMEs Exports by Sectors

Year	2016	2017	2018
Agriculture sector (%)	35.0	-6.3	-2.0
Manufacturing sector (%)	4.6	7.8	5.1
Services sector (%)	8.5	7.1	2.0

Source: DOSM (2018)

The performance of manufacturing sector export was attributed to beverages and tobacco, chemicals, manufactured goods, and miscellaneous manufactured articles with 48.3% of contribution in exports to various countries such as Singapore, China, and the United States of America. Despite the good

performance showed by each sector, the contribution of SMEs exports to the total exports in 2018 was the same as the previous year, which was recorded at 17.3%.

1.2 Overview of Halal Industry

The halal industry is imperative in Malaysia since the majority of the population distributed are Muslim consumers. Muslim consumers tend to be more attentive in accessing their dietary intake where the foods must comply according to Shariah law as it is one of the obligations as a Muslim. The total population distributed based on religion in Malaysia is summarized in Table 1.6.

Table 1.6: Total Population by Religion in Malaysia

Religion	Total	Percentage (%)
Islam	15,762,012	60.83
Christianity	2,392,823	9.23
Buddhism	5,459,065	21.07
Hinduism	1,666,365	6.43
Traditional Chinese belief (Confucianism, Taoism)	351,073	1.35
Other religions	96,378	0.37
No religion	183,808	0.71

Source: DOSM (2010)

The religion that is practiced by the majority of the population in Malaysia is Islam with a total population of 15,762,012 (60.83%), followed by Buddhism with a total population of 5,459,065 (21.07%), Christianity with a total population of 2,392,823 (9.23%), Hinduism with total population 1,666,365 (6.43%), Traditional Chinese belief such as Confucianism and Taoism with a total population of 351,073 (1.35%), no religion with total population 183,808 (0.71%), and other religions with a total population of 96,378 (0.37%).

Malaysian food and beverage industry had captivated the attention of entrepreneurs as the industry showed an impressive development over time. Malaysian halal industry provides a great platform for Malaysian producers and manufacturers, particularly SMEs to initiate a business. The Department of Statistics Malaysia (DOSM) (2017) reported that 6,138 companies were established as halal-certified companies in 2015 compared to 3,328 companies in 2010 with an average growth rate of 13%. Moreover, the gross output value of the industry showed an increment of 9.0% annually from 2010 to 2015, concurrent with the annual growth of value-added, which is 12.0%. Based on Table 1.7, the Halal Development Corporation Berhad (HDC) (2016) reported that the companies in the small and medium industry (SMI) are the highest established as halal-certified companies, which is 3,588 (47.9%), followed by companies in the small industry, which is 2,304 (30.7%) and multinational company (MNC) which is 1,607 (21.4%).

Table 1.7: Total Halal Certified Company and the Application of Halal

	Products (%)	Premises (%)	Companies (%)	Total (%)
Multinational Company (MNC)	840 (20.4)	368 (41.8)	399 (15.9)	1,607 (21.4)
Small and Medium Industry (SMI)	2,155 (52.4)	324 (36.8)	1,109 (44.3)	3,588 (47.9)
Small Industry	1,120 (27.2)	188 (21.4)	996 (39.8)	2,304 (30.7)
Total	4,115	880	2,504	7,499

Source: HDC (2016)

Table 1.7 also shows that halal was applied based on the product, premises, and companies. Majority of SMI companies that applied halal for their product composed of 2,155 (52.4%), followed by 1,120 small industry companies (27.2%) and 840 MNC (20.4%). Most of the companies that applied halal for premises were MNC which accounted for 368 (41.8%), whereas 324 companies (36.8%) were from SMI and 188 companies (21.4%) were from small industry. Meanwhile, the application of halal for companies was dominated by 1,109 SMI companies (44.3%), while the others were 996 small industry companies (39.8%) and 399 MNC (15.9%).

The halal industry has demonstrated its capability to create job opportunities as evidenced by the increase in the employment rate. It was recorded that 345,644 workers were employed in 2015 which rose from 198,696 employed workers in 2010. Halal food production entails the Shariah-compliant food that emphasizes the hygiene and safety aspects of the products that are produced by producers and manufacturers (Shafii & Khadijah, 2011). The involvement of SMEs in the industry would satisfy the demand for halal products for the country as Muslim consumers in Malaysia could access the products, especially food without being skeptical.

There are two organizations responsible for any inquiries on the management and resolution of issues in halal affairs. The first organization is the Department of Islamic Development Malaysia (JAKIM), which is the federal government agency in Malaysia that administers Islamic affairs in the country. The Department of Islamic Development Malaysia (JAKIM) has three main roles, namely drafting and standardizing the Islamic Law, coordinate the Islamic administration, and coordinate and develop Islamic education (JAKIM, 2016). The second organization is Halal Development Corporation Berhad (HDC), which also a Malaysian federal government agency that was mandated as the custodian of Malaysia's halal economy as well as a trusted partner in the halal business.

The role of HDC focuses mainly on assisting industry players to increase Malaysia's halal exports and direct investment for halal industrial parks. Other responsibilities of HDC include providing advisory services regarding opportunities across the halal market and value chain, construct strategies and

initiatives that are in line with the country's development of socio-economic agenda, facilitate the growth and participation of halal industry participants, promote Halal Malaysia brand worldwide, coordinate and report the performance index regarding the initiatives implemented, enhance the value of talents development initiatives, assist in the fully halal and Shariah-compliant value chain development, facilitate the international relations and cooperation, and assist in the management of halal industry-related initiatives and issues (HDC, 2020).

1.3 Halal Food Issues

Religion obligation influenced Muslim consumers to be vigilant in appraising their dietary consumption with respecting the *halalness* of the products as the issue is very sensitive. The food fraud especially in halal food products caused an immense concern among Muslim consumers where the occurrence would be a threat for food manufacturers and producers. Food fraud refers to food misrepresentation, alteration, addition, or intentional substitution; or misleading or false statements regarding the product for profit gain (Spink & Moyer, 2011). In 2018, local newspapers such as Utusan Online, Berita Harian Online, and Kosmo Online had reported that a few companies were busted because of the fake halal logo and doubtful halal logo were used for their food products (Nuar, 2018; Othman, 2018; Yahya, 2018). Zailani et al. (2010) claimed that scepticism among Muslim consumers in some way was triggered due to the halal logo issues which led to some queries on the halal compliance and halal integrity among the halal industry players, as well as the halal transparency on the Malaysian market regarding its efficacy.

Traceability promotes transparency and ensures that certain products or materials could be traced along the supply chain (Abdul Majid et al., 2015). The presence of a traceability system could minimize the risk of product recall (Kal-Kausar et al., 2013). International newspaper in Singapore namely Singapore The Straits Times had reported that some of the companies in Malaysia were forced to recall their products due to contamination of bacteria and excessive level of the chemical in the foods (Shiying, 2020; Timothy, 2019). These incidences occurred when the *toyyiban* element in halal was excluded. Thus, to minimize the issues from persistent reoccurrence, an effective traceability system in Malaysia, especially in the halal food industry is extremely crucial (Mohamed et al., 2016; Poniman et al., 2015; Shafii & Khadijah, 2011; & Zailani et al., 2010). Halal transparency along the food supply chain could be enhanced by establishing a proper halal traceability system, particularly a web-based system which could eventually spur on consumers' trust towards halal food products.

Halal supply chain management entails a persistent *halalness* of the food products along the companies' supply chain. However, there is a lack of awareness and understanding of the halal concept among the employees (Ernest & Lau, 2012). Jamaludin et al. (2015) claimed that a variation of halal

training programme has developed confusion among the workforce. Hashim and Mohd Shariff (2016) on the other hand, argued that halal training programs are imperative for halal management and Shariah knowledge in developing new skills of human capital in the company. The halal food issues discussed in the earlier paragraphs are summarized in Table 1.8.

Table 1.8: Summary of Halal Food Issues

Issue	Description	Source
Food traceability system	<ul style="list-style-type: none"> Some Malaysian companies are forced to recall their products in Singapore due to contamination of bacteria and excessive level of the chemical in the foods 	Shiying (2020); Timothy (2019)
Violation of halal logo	<ul style="list-style-type: none"> Fake halal logo and doubtful halal logo are used for food products 	Nuar (2018); Othman (2018); Yahya (2018)
Halal supply chain management	<ul style="list-style-type: none"> Lack of awareness and understanding about halal concept among employees Variation of a halal training programme developed confusion among the workforce and impede the perseverance of food products' <i>halalness</i> along the companies' supply chain 	Ernest & Lau (2012); Jamaluddin et al. (2015)

Source: Compiled by the author (2020)

1.4 Malaysian Guideline on Halal Traceability System

The Department of Islamic Development Malaysia (JAKIM) (2011) had developed a guideline namely Halal Assurance Management System (HAS) as an approach to nurturing halal-certified companies in adopting a system during the enhancement of their efficiency in controlling the authenticity and purity of halal. The system that conforms to the halal requirements stated by the competent authorities enables the availability of traceability across the supply chain. This guideline also could assist non-halal certified companies to acquire a halal certificate from the rightful authority. The supply chain process that abides regulation stated by the halal authority as comprised in HAS would be an internal mechanism for a company that could assist in monitoring and controlling halal products supply chain as well as enhancing and preventing the negligence of Shariah-compliant procedure in manufacturing halal products.

According to JAKIM (2011), HAS needs to be complemented with any applicable halal standards or guidelines stated by competent authorities such as the Department of Standards Malaysia (DSM), as described in Table 1.9.

Table 1.9: Halal Standards in Malaysia

Halal Standard	Description
MS 1500: 2009 Halal Food - Production, Preparation, Handling and Storage - General Guidelines	- Specifies the practical guidance regarding the preparation and handling of halal food product, including nutrient supplements for food industry and a basic requirement for halal food product and food trade or business in Malaysia.
MS 2400 - 1: 2010 Malaysia Standard - Halal-Toyyiban Assurance Pipeline - Part 1: Management System Requirements for Transportation of Goods and/or Cargo Chain Services	- Emphasizes on the requirements of management system for assurance of the halal integrity of products, goods and/or cargo that were handled through various modes of transportation.
MS 2400 - 2: 2010 Malaysia Standard - Halal-Toyyiban Assurance Pipeline - Part 2: Management System Requirements for Warehousing and Related Activities	- Enforces the requirements of management system for assurance of the halal integrity of products, goods and/or cargo at the warehouse.
MS 2400 - 3: 2020 Malaysia Standard - Halal-Toyyiban Assurance Pipeline - Part 3: Management System Requirements for Retailing; and Manual Procedure of Malaysia Halal Certification	- Emphasizes the requirements of management system for assurance of halal integrity of products, goods and/or cargo at the retail stage.

Source: DSM (2018); DSM (2009)

There are several terms developed to simplify the explanation of a certain concept in the HAS guideline. Table 1.10 summarizes the terms and their descriptions that are frequently used throughout the guideline.

Table 1.10: Term and Description of Halal Assurance Management System

Term	Description
Internal Halal Committee (IHC)	A committee formed by the company responsible for developing, monitoring, and controlling the halal assurance system.
Internal Halal Committee Meeting	A meeting that discusses the development, implementation, maintenance, and overview of halal assurance management system undertaken by members of the internal halal committee.
Documentation	The record of activity regarding halal assurance management system.
Control Measure	The crucial act or/and activity needed in controlling or/and eliminating halal threats.
Corrective Action	The act that needs to be taken resulting from the loss of control at IHC monitoring.
Non-compliance	The negligence or/and nonfulfillment of any halal standards or guidelines.
Contamination	A common term that explains the contaminated state caused by either a contaminant or precursor which eventually influences the halal status.

Traceability	The capacity of history, location, or application verification for the documented and recorded item. Traceability elements encompass product, process, and customer traceability.
Halal Critical Point (HCP)	Critical points throughout the halal supply chain that could eliminate the likelihood of halal non-compliance once identified, monitored, and controlled.
Verification	The procedures or methods used in monitoring to identify whether the halal assurance system complies or requires revision and revalidation.

Source: JAKIM (2011)

Halal assurance management system (HAS) emphasizes the reduction and elimination of non-compliance of the halal requirements. The crucial part which is Halal Critical Point (HCP) would be identified across the supply chain alongside persistent monitoring, controlling, and verification. An efficient HAS encompasses effectual procedures of a product recall, availability of traceability system through proper documentation, and orderly filing system for procedures, halal application, documents, and records that enable audit process by rightful authorities. Crucial principles that shall be emphasized by IHC at the time of HAS implementation include the determination of HCP; development and verification of flow chart; implementation of control measures; development of corrective actions; documentation system and management of records; and process verification (JAKIM, 2011). Further explanation of these critical principles can be referred to in Appendix A.

The Department of Islamic Development Malaysia (JAKIM) (2015) stated in the manual of halal certification procedure Malaysia (third revision) for the category of food products/ beverages/ food supplements that only multinational company (MNC) and medium size company are required to implement HAS, whereas small and micro size company are not required to implement HAS. The establishment of SMEs in the manufacturing sector according to size showed that small companies are leading (23,096 companies, 48.42%); followed by micro (22,083 companies, 46.30%); and medium (2,519 companies, 5.28%) (SME Corporation Malaysia, 2018). Meanwhile, HDC (2016) highlighted that halal-certified companies by category were led by small medium industry (SMI) (1,109 companies, 44.3%); followed by small industry (996 companies, 39.8%); and MNC (399 companies, 15.9%). These statistics show that among the three sizes of SMEs, small and micro sizes represented most of the SMEs. The problem arises whenever these statistics were aligned with HAS implementation requirement. In other words, only a small representative of SMEs, specifically medium size company is exposed and familiar to HAS, a comprehensive system that could enhance business efficiency in controlling the authenticity and purity of halal.

1.5 Adoption of Technology by Small and Medium Enterprises

According to the Ministry of International Trade and Industry Malaysia (MITI) (2018), Malaysia is literally in a convincing position and has become one of the competitive nations in terms of technology utilization. Malaysia was ranked 37th globally out of 127 countries and placed 8th among Asian in Global Innovation Index 2017 which was co-published by Cornell University, Institut Européen d'Administration des Affaires (INSEAD), and World Intellectual Property Organization (WIPO). Besides, World Economic Forum and Kearney (2018) stated in the Readiness for the Future of Production Report 2018 that Malaysia is a well-established nation as the country could reap benefits from the execution of Industry 4.0. These outstanding achievements in some way contributed by the manufacturing industry in Malaysia. The forecast of the industry was expected to be flexible over time and in line with the target for annual Gross Domestic Product (GDP) growth rate of 5.1% as mentioned in the Eleventh Malaysia Plan, 2016-2020 (11MP) (MITI, 2018).

Realizing that SMEs is one of the imperative sectors that contribute to the Malaysian economics enhancement, the government undertakes an approach to provide the platform for SMEs to make their presence as globally recognized as well as encouraging SMEs to be globally competitive by adopting recent technological advances as they have a bright potential to export their products (MITI, 2018). The recent technological approaches that were exposed to SMEs include e-Commerce Strategic Roadmap and the Digital Free-Trade Zone (DFTZ). Besides, Organisation for Economic Co-operation and Development (OECD) (2018) also reported that the technology and innovation promotion of Malaysia was scored 4.77 from the scale range 1 to 6 which placed Malaysia as the third country that possessed an advanced level of policy development and implementation for SMEs after Singapore (6.00) and Thailand (5.01) among ASEAN countries.

Concurrent with the government's desire to ensure the global recognition of Malaysian SMEs, the same approach had been put into consideration regarding the enhancement of transparency in the halal Malaysian market. The Halal Development Corporation Berhad (HDC) (2020) had set halal traceability services as one of the key enablers to support the implementation of the Halal Industry Master Plan 2030 (HIMP 2030). Halal traceability services focus on the encouragement of halal innovation through the advancement of technology such as Blockchain, Industrial Revolution (IR) 4.0, Big Data, Internet of Things (IoT), and Financial Technology (FinTech) to ensure the halal products, go through a verified supply chain entirely. The utilization of these advanced technologies could provide huge potential to further improve the halal industry in Malaysia. The benefits that could be reaped by the Malaysian halal industry from the advancement of these technologies include the improvement of transparency, traceability, and authenticity of halal products, processes, and services across the supply chain, better management of contamination and hazard, faster and optimized mass production, rapid changing of consumer behavior could be

adapted quickly, and the integration of supply chain could be improved for faster delivery of raw materials and products.

According to Gunnar and Fremme (2007), adopted traceability system conducted using a web-based system is more efficient and effective compared to a paper-based system. However, the majority of companies that adopt traceability system commonly used manual traceability tools and methods which is inefficient compared to semi-automated and automated approaches (Neumuller & Grunbacher, 2006). This accords with the revelation made by SME Corporation Malaysia (2018) that the adoption of advanced systems by most of the SMEs in Malaysia in which their level of complexity is the same as the traceability system are still low namely intranet, extranet, e-commerce marketplace, and Customer Relationship Management (CRM) systems regardless the fact that smartphones, computers, and the Internet have been used widely for their business operations (Figure 1.1).

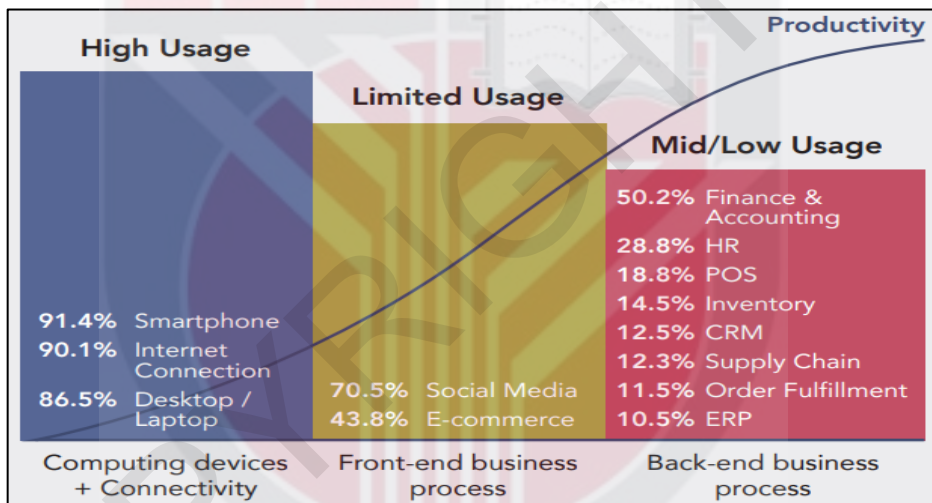


Figure 1.1: ICT Tools or System Usage
Source: SME Corporation Malaysia (2018)

The strong denial of knowledge about certain information technology that has afflicted SMEs in Malaysia is usually due to the concerns about the forthcoming challenges that need to be resolved later on (Ramayah et al., 2009). The concern arises because of the constraints faced by SMEs as they have an unconvincing technological base, limited usage of information technologies, and poor human resources (Chin et al., 2012). The Organisation for Economic Co-operation and Development (OECD) (2019) attributed several reasons that cause the lagged in digitalization among SMEs, namely less preparation in data protection to face cyber security threats, the struggle in integrating various types of innovation, unskilled in managing digital transformation, less engagement of employees with ICT training as well as limited skilled employees, particularly in communication and management.

1.6 Problem Statement

Muslim consumers who are the majority of the population in Malaysia tend to be more delicate and responsive in choosing their daily consumption explicitly of halal foods as it is their obligation towards the religion. However, a serious concern among consumers arises as the producers and manufacturers in the food industry had violated the halal food products across the supply chain as frequently revealed and reported in the local newspapers. Manufacturers and producers, particularly food SMEs, must contemplate this situation and undertake necessary action to retain and regain the customers' trust.

Halal Assurance Management System (HAS) adheres to the halal requirements as well as allowing the availability of traceability throughout the food supply chain. The system was developed by JAKIM to ensure companies to adopt a system in enhancing their efficiency in controlling the authenticity and purity of halal. Such action was taken to enhance the traceability system for business entities in the Malaysian market. However, therein lies a problem concerning the effectiveness of the guideline towards food SMEs. Both SME Corporation Malaysia and HDC revealed that the composition of SMEs for the respective category indicated that small and micro sizes represented the most of SMEs amongst the three sizes classified under SMEs.

The problem, however, arises whenever these data were not aligned with the requirement of HAS implementation as stated in the manual of halal certification procedure Malaysia (third revision). The manual highlighted that small and micro size companies are not required and bound to HAS implementation, whereas MNC and medium size companies are required to implement HAS. This means that only small representatives of SMEs are exposed and familiar to HAS which is a systematic system that could enhance their business efficiency. These would lead micro and small size SMEs to not prioritize and think lightly about the implementation of HAS. Besides, a low workforce, as well as low skilled labor, would discourage micro and small size SMEs from implementing HAS as they will find it not necessary.

Adoption of technology appears to be imperative for the traceability system. The use of devices as common as a mobile phone is needed to be a potential adopter of the traceability system. Subsequently, advanced technology devices such as labels, bar-codes, and RFID need to be utilized for the continuation of the product traceability revolution. Nonetheless, the advanced technology systems adoption among SMEs is still lagging despite being the third country that has an advanced level of policy development and implementation for SMEs among ASEAN countries. This parallels with past studies that found most companies tend to use manual traceability tools and methods instead of using semi-automated and automated approaches that have been proven to be more efficient. This must be one of the reasons that contribute to unachievable scores by Malaysia. There must be a gap that led to this situation as the usage of computers, smartphones, and the Internet among SMEs are remarkably high. The low adoption of

advanced technology among SMEs would cause the difficulty and struggle for SMEs to adopt web-based halal traceability system even though the system could systematically enhance the efficiency of the business operation.

The existence of barriers that led to the low adoption of these systems has become an apprehension that needs to be seriously contemplated. This concern also would indirectly influence the intention of food SMEs to adopt web-based halal traceability system for their business. Hence, these circumstances require an in-depth study on food SMEs' intention to adopt web-based halal traceability system.

1.7 Research Questions

Five research questions of this study were detailed out as follows:

- 1) What is the level of intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia?
- 2) Are the firms' background of SMEs of food sub-sector in Peninsular Malaysia associated with their intention to adopt web-based halal traceability system?
- 3) Are there any relationships between the factors towards perceived usefulness of web-based halal traceability system and perceived ease of use of web-based halal traceability system?
- 4) What are the most influential factors that influence the intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia?
- 5) What are the possible policy recommendations towards the adoption of web-based halal traceability system in Malaysia's halal industry?

1.8 Objectives of the Study

The main objective of the study was to identify the intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia. The specific objectives of this study were established as follows:

- 1) To determine the level of intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia.
- 2) To determine the association between firmographic profiles of SMEs of food sub-sector in Peninsular Malaysia and their intention to adopt web-based halal traceability system.
- 3) To identify the relationship between the factors towards perceived usefulness of web-based halal traceability system and perceived ease of use of web-based halal traceability system.
- 4) To identify the most influential factors that influence the intention to adopt web-based halal traceability system among SMEs of food sub-sector in Peninsular Malaysia.
- 5) To suggest possible policy recommendations towards adoption of web-based halal traceability system in Malaysia's halal industry.

1.9 Significance of the Study

Halal product producers, particularly in the food industry could reap the benefits from this study as well as government and consumers. This study would provide in-depth knowledge about web-based halal traceability system that was supposedly adopted by food SMEs in Malaysia. Moreover, the study could indirectly facilitate Malaysian food SMEs with the resolution to enhance their efficiency in managing the business, as well as improving their effectiveness in handling a web-based halal traceability system. Besides, issues regarding the web-based halal traceability system may prompt the government to explore new approaches to educate SMEs, particularly in the food industry, in terms of their competency in handling record-keeping or technological devices involved in the system. Eventually, consumers' concerns and doubts regarding transparency of halal status throughout the supply chain will be dispelled.

1.10 Scope of the Study

Agro-food SMEs or food SMEs could be used as a subject to be emphasized for this study as both agriculture and food industry are closely related as the food industry needs are agricultural products for the raw materials and ingredients. Therefore, this study focuses on the food SMEs in the food, beverages, and tobacco products sub-sector of the manufacturing sector which is one of the important sectors that require substantial improvement and innovation from time to time. The rapid growth and innovation of the food and beverages sub-sector provide a wide platform for the consumers to access their daily consumption coinciding with current trends. It is also important for the halal industry to be developed alongside the development of the food and beverages sub-sector. This study could benefit both the food and beverages sub-sector and halal industry in terms of the halal products management by SMEs. Manufacturers and producers specifically Malaysian food SMEs that are certified halal by JAKIM play an important role to ensure the foods that would be consumed by consumers follow the safety standard and Shariah-compliant. Hence, the study was conducted throughout Peninsular Malaysia in which involved a total of 260 halal-certified food SMEs. Food fraud especially in halal food products had triggered a huge concern among Muslim consumers. The implementation of a systematic system that sustains and ensure transparency across the supply chain is crucial, especially in the halal food industry. A transparent halal food supply chain could reassure Muslim consumers, who represent the majority population in Malaysia, regarding food fraud, especially in halal food products. Hence, this study was conducted generally to identify the food SMEs' intention to adopt web-based halal traceability system.

1.11 Operational Definition of Key Terms

The terms and operational definitions for the study are summarized as follows:

- a. Halal
Halal is derived from the Arabic word "Halla" which means permissible, lawful, permitted, legal, legitimate, allowed, allowable, unforbidden, and admissible by Allah the creator (Bonne & Verbeke, 2008; Al-Qaradawi, 2007).
- b. Toyyib
Toyyib from the word Toyyiban means wholesomeness which emphasizes clean, pure, delightful, good, and healthy to the body (Musa & Jalil, 2012).
- c. Halalan Toyyiban
Halalan Toyyiban integrates the concept of halal with the role of biotechnology in the food industry (Malboobi & Malboobi, 2012; Khattak et al., 2011).
- d. Traceability
Traceability system is used as a tool to assist a firm in managing the flow of products or inputs to enhance product quality and efficiency, product differentiation as well as food safety (Golan et al., 2004).
- e. Halal traceability
Halal traceability system is a full-scale traceability system that was executed while concurrently complying with the Shariah requirements where the halal status could be traced throughout the supply chain (Shafii and Khadijah, 2011; Lodhi, 2009).
- f. Web-based technologies
Web-based technologies are the applications of network and electrical tools which are accessible over the internet that enables individuals to connect to each other (Morris, 2016; Croteau et al., 2010).
- g. Technological aspect
The technological aspect covers both technologies that were utilized by the firm or yet to be utilized by the firm, which in other words, all technologies that are applicable for a firm (Duan et al., 2017; Baker, 2012; Oliveira & Martins, 2011; Zhu et al., 2002; Hage, 1980; Starbuck, 1976; Khandwalla, 1970; Thompson, 1967).

- h. Organizational aspect
Organizational aspect describes the size of the firm, the human resource quality, and the complexity of managerial structure as well as the way it was centralized and formalized (Zhu et al., 2002).
- i. Environmental aspect
Environmental aspect refers to industry structure, service providers of technology existence, and regulatory of government (Duan et al., 2017; Baker, 2012; Zhu et al., 2002).
- j. External variables
External variables in Technology Acceptance Model (TAM) represent other factors that might affect both of the beliefs, namely perceived usefulness (PU) and perceived ease of use (PEOU) towards a particular system (Chang et al., 2017; Chen et al., 2017; Davis, 1989).
- k. Perceived usefulness (PU)
Perceived usefulness is referred to the extent of users' insight that utilization of information technology would contribute a remarkable value for them (Amin et al., 2014; Rouibah et al., 2011; Ajzen, 1991).
- l. Perceived ease of use (PEOU)
Perceived ease of use is referred to the expectation of users about a particular system to be effortless (Lai, 2017; Bach et al., 2016; Vankatesh & Davis, 2000).
- m. Behavioral intention
Behavioral intention measures the likelihood of users to utilize certain systems or technologies (Surendran, 2012).
- n. Firmographic profiles
Descriptive characteristics of a company such as sales turnover, number of employees, or size of company that is used in segmentation processes and profiling attributes (Malcolm & Dunbar, 2012; Weinstein, 2008).

1.12 Organization of the Thesis

The thesis is organized into five chapters. The first chapter encompasses the background of Malaysian small and medium enterprises (SMEs), halal food issues in Malaysia, Malaysian guidelines on halal traceability system, problem statement, research questions, research objectives, and significance of the study. The second chapter consists of past researches on food traceability system, halal traceability system, and theories that are adapted into this study. The third chapter of the thesis focuses on the research methodology used to conduct this study where sampling design, data collection method, and data analysis used for the study are discussed together with the development of a conceptual framework for the study. The fourth chapter reveals and discusses the results obtained from all analyses to achieve the objectives. The last chapter summarizes all of the findings, provides several recommendations, determines the limitation of the study, the suggestion for future research, and conclusion.

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LIST OF PUBLICATIONS

Research Paper

Muhamad, N. A., Kamarulzaman, N. H., & Nawi, N. M. (2020). Agro-food SMEs' intention to adopt halal traceability system. *Food Research*, 4(Suppl. 1), 93-98.

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