THE JOURNAL OF MANAGEMENT THEORY AND PRACTICE (JMTP)



E-ISSN: 2716 - 7089

VOLUME 2 ISSUE 2

EDITED BY:
ASYRAF AFTHANORHAN
HAZIMI FOZIAH

UniSZA

THE JOURNAL OF MANAGEMENT THEORY AND PRACTICE (JMTP)

VOLUME 2 ISSUE 2

PREFACE

The Journal of Management Theory and Practice is an online international journal for publishing high quality peer reviewed papers in the field of theoretical and applied management areas. The main objective of this journal is to exchange ideas about management sciences, marketing and business research and so forth. The subject areas include, but are not limited to project management, business strategy and policy, finance and accounting, tourism management, risk management and takaful, entrepreneurship, insurance, applied economics, and islamic finance.

The main objective of this journal is to perform fast and reliable process for authors. Once a paper is accepted, our teams work hard to provide an online version of the papers as quickly as possible. All papers are assigned a valid DOI number (10.37231) once they appear online in the forthcoming issue just to make sure that the other researchers can read and cite them without any delay. We believe this could help the existing knowledge grow faster; however, the actual publication of a paper with volume and number will be not more than 4 months in which all accepted papers are published in April, August, and December.

The Journal of Management Theory and Practice papers are published online only and there is no limited number of tables, figures (including color figures) that can be included in the published paper. The Journal of Management Theory and Practice **does not apply any charges for the submission and publication** once the paper has been accepted.

Articles that pass peer review process are indexed in high reputation indexing such as Google Scholar, MyJurnal, Scilit, DRJI, World of Journal and etc. The reviewers are formally invited by The Journal of Management Theory and Practice based on their expertise and suitability as a reviewer for the article is checked before they are invited to contribute a report. Also, the reviewers are asked to declare that there is no competing interest on the article.

The Journal of Management Theory and Practice is an open access journal, which provides instant access to the full text of research papers without any need for a subscription or any additional fees to the journal where the papers are published. Therefore, anyone has the opportunity to copy, use, redistribute, transmit/display the work publicly and uploaded the published papers in any platforms such as ResearchGate, Academia.edu, Publon, ResearchPad and etc.

EDITORIAL TEAM

Editor in Chief
Dr. Asyraf Afthanorhan

Managing Editor
Dr. Nor Aina Amirah Mohd Noor

Technical Editor
Dr.Nik Hazimi Mohammed Foziah
Dr.Nor Mazlina Abu Bakar@Harun
Dr.Juliana Arifin

Section Editor
Prof.Datin Dr.Norsiah Ahmad
Prof.Dr. Zainudin Awang
Prof. Dr. Abdul Malek A. Tambi
Prof. Madya Dr. Fauzilah Salleh
Prof.Madya Dr. Puspa Liza Ghazali
Prof. Madya Dr. Mazuri Abd. Ghani
Prof. Madya Dr. Fakhrul Anwar Zainol
Dr.Nik Mohamad Norfadzilah Nik Rashid

TABLE OF CONTENTS

Why Business Fail? A Thematic Review Analysis on SMEs 1-11
Hashim Ahmad Shiyuti, Fakhrul Anwar Zainol, Muhammad Shahrul Ifwat Ishak
: https://doi.org/10.37231/jmtp.2021.2.2.98

Issues and Challenges of Total Quality Management Practices on Customer Satisfaction 12-19
Osoko Onyike Osoko, Habsah Binti Muda
: https://doi.org/10.37231/jmtp.2021.2.2.94

A Study of Integration of Operational Strategy and Competitive Priorities for Halal Food Industry in Malaysia 20-26
Sulaiman Abdullahi Bambale, Saheed Ademola Lateef, Ng Mui Qing, Ahmad Haruna Abubakar, Kaltume Mohammed Kamselem
: https://doi.org/10.37231/jmtp.2021.2.2.92

Food Value Chain, Sustainable Intensification and Food Security in Malaysia 27-30
Fakhrul Anwar Zainol, Chua Kim Aik
: https://doi.org/10.37231/jmtp.2021.2.2.97

Developing Family Satisfaction with Care in Adult Critical Care Public Hospital Terengganu, Malaysia 31-35
Wan Nor Aliza Wan Abdul Rahman, Abdul Karim Othman, Yuzana Mohd Yusop, Asyraf Afthanorhan, Hasnah Zani, Siti Suhana Zakaria
: https://doi.org/10.37231/jmtp.2021.2.2.101

Conceptual Framework of Factors Affecting SME Development: Moderating Factor on the Relationship between Determinant Factors Selection and Performance of SMEs in Indonesia 36-38
Dede Ansyari Guci, Puspa Liza Ghazali, Nik Hazimi Mohd Foziah, Juliana Arifin
: https://doi.org/10.37231/jmtp.2021.2.2.107

A Conceptual Paper for Educational Leadership Models in Malaysia 39-43
Aze Fauziah Suib, Puspa Liza Ghazali, Bahyah Binti Abdul Halim, Nik Hazimi Mohammed Foziah
: https://doi.org/10.37231/jmtp.2021.2.2.105

Zakah Collection and Distribution Management: A Case Study of MAIDAM in Terengganu 44-50
Md Habibur Rahman, Shahirah binti Mat Shaari
: https://doi.org/10.37231/jmtp.2021.2.2.108

Unfolding factors behind internet-banking adoption in Bangladesh: An extension of UTAUT2 with perceived security and trust 51-63
Sharmin Akter, Najma Kabir, Tahmina Reza
: https://doi.org/10.37231/jmtp.2021.2.2.111

Organisational Factors as Correlate of Non-Teaching Staff Job Performance in Kwara State Colleges of Education, Nigeria 64-70
Patricia Agnes O. Etejere, Omotayo AWODIJI, Saheed Azeez Raji
: https://doi.org/10.37231/jmtp.2021.2.2.74

Framework of Mediating Role of MSEs Performance on The Relationship Between Entrepreneur Environment and Entrepreneur Satisfaction 71-73
Dedi Iskamto, Puspa Liza Ghazali
: https://doi.org/10.37231/jmtp.2021.2.2.118

The Influence of Marketing Ethics and Consumer Ethics on Consumer Behaviour and Decisions Before and During COVID-19 Pandemic: A Literacy Study 74-80
Sahri Prayitno, Setyo Riyanto , Luthfita Ayu Diarta
: https://doi.org/10.37231/jmtp.2021.2.2.112

Effect of Advertisement on Children's Purchase Intention: The Mediating Role of Advertisement Recall 81-87
Shanta Banik, Sakhi Rani Dhar
: https://doi.org/10.37231/jmtp.2021.2.2.113

Examining the Factors that Influence Consumer Satisfaction with Online Food Delivery in Klang Valley, Malaysia 88-95
Huikok Tan, Vincent Wee Eng Kim
: https://doi.org/10.37231/jmtp.2021.2.2.115

The Impact of Technology Adoption on the Success and Failure of Two Toys Industry: Hasbro and Toys R Us 96-103
Hooi Kun Lee, Abdul Rafiez bin Abdul Raziff
: https://doi.org/10.37231/jmtp.2021.2.2.132

Shari'ah Issues in Short Selling: Critical Analysis and The Alternatives 104-109
Md Habibur Rahman, Siti Noor Shafiqha Binti Ramle
: https://doi.org/10.37231/jmtp.2021.2.2.120

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp



Why Business Fail? A Thematic Review Analysis on SMEs

[1]* Hashim Bin Ahmad Shiyuti, [2] Fakhrul Anwar Zainol, [3] Muhammad Shahrul Ifwat Ishak

[1,2,3]Faculty of Business and Management, Universiti Sultan Zainal Abidin, Gong Badak Campus, Terengganu, Malaysia

***Corresponding Author E-mail: hashim.hasic@gmail.com**

Received: 24th February 2021 ***Accepted: 15th April 2021*** ***Published: 8th May 2021***

ABSTRACT

It is not easy to stand up again after any failure because the collapse may not only bind with the business organisation but it may root straight away to the individual or personality of the entrepreneur. The most important thing for any failure is to act fast and to 're-stand up again' without any delay. However, most studies focused on the prediction of business failure which mostly concentrated on the sustainability of the distressed business. Therefore, this study was inspired by the idea that the recovery of the fail entrepreneur is much more straightforward as compared to the creation of a new entrepreneur. Thus, the aim of this systematic review is to synthesize the previous studies related to the reason and recovery of business failure among Small Medium Enterprises from 2014 to 2019 using ATLAS.ti 8. A thematic analysis approach; that is useful to code and deeply interpret the identified common themes; was being used upon these 42 articles has led into the generation of 21 initial codes characterizing the study of business failure, grouped in 4 clusters: (1) effect of business failure, (2) prediction of business failure, (3) reason of business failure and (4) solution of business failure. The results contribute to the future study on business failure among SMEs and can guide the educators, researchers and practitioners in this field.

Keywords: SME, business failure, business management, ATLAS.ti 8, thematic review

OPEN ACCESS

INTRODUCTION

The business failure deeply crushed not only the business organisation but also the individual or personality of the entrepreneur which stuck them from revival (Shepherd, 2014). However, from another perspective, the failure may open up the opportunity for the business founder to learn and experience new things. Coelho & McClure (2005) argued that the business failure is as good as a dynamic ecosystem in which the death of the unfitted creatures increases the wealth of the creation. The demise provides sustenance and benefits for the survival of the creation. Thus, the case of the business failure which the knowledge and resources of the deceased business can be utilised for another ventures (Hoetker & Agarwal, 2007).

The most important thing for any failure is to act fast and to 're-stand up again' without any delay. It is an effort that begins from inside of the failed entrepreneurs, together with proper tools and the correct environment that will help them to make a return (Zainol & Ayadurai, 2011). However, it is not easy then done because it requires the new set of courage, motivation, determination, knowledge and capital. If the entrepreneurs estimate that the costs of failure is higher as compared to the potential of success in this new business involvement, they may opt for exit without any trial and this will not give any benefit for the entrepreneurs themselves and also the society as a whole (Ucbasaran, Shepherd, Lockett, & Lyon, 2013).

On the other hand, from a macro perspective, it is natural that businesses may collapse due to the competitiveness of the industries in which the fittest will survive and vice versa (Coelho & McClure, 2005). The advantage of this scenario is the market will get the best services or products offered by the surviving entrepreneurs. On top of that, there are two (2) types of business collapses which are (1) force closure and (2) willingness closure. The first one is related to the business condition which is not able to survive due to various conditions such as the issues of profitability, operational, marketability, integrity and legality. The issues forced the businesses to close down probably through winding up or any other process. The second one, i.e. willingness closure, probably could happen once the entrepreneurs realised that the business is no more relevant to preserve. The process of closing down may be conducted formally by the entrepreneurs themselves according to the laws and regulations of a particular context.

Normally, as a business principle applied as regard to the separate legal entity that the owner is considered split, unconnected and distinct from the business entity (Pickering, 1968). Anything that happens to the business may not directly impact the owner of the business. In the case of business failure and recovery, the business institution may collapse and not recover but for the business owner recovery is a must not a choice as long as he is still alive (Ishak, 2020). It is due to the different conditions of a business owner who is a human being in nature as compared to the business institution which is a mere institution only.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

Based on the above arguments, this article is motivated to review past research related to the reasons of business failure among small and medium enterprises (SMES). This article is believed to contribute to the body of knowledge related to the importance of recognising them in order to provide the remedy and prevention from the failure. The compilation and review of the past researches will enlighten and enhance the body of knowledge through the process of anthology, assessment, resemblance and analysing. It will guide the other researchers by placing numbers of the articles from various streams related to the business failure among SMEs and to create the schematic model as an output from this research. And it to be used as the research agenda. Hence the main objective of this study is to investigate the patterns and trends in the business failure publications among Small Medium Enterprise from the year 2014 to 2019.

METHODOLOGY



Figure 1: Inclusion and exclusion criteria

The study started with a comprehensive keyword search based on a two-stages method. The results are all generated from the search that being done through Mendeley (a reference manager and research software) by using the keywords "reason of business failure" AND (SME* OR small medium enterprise*) year: [2014 TO 2019]. The original search on keywords "reason of business failure" has brought 1127 results. Further zooming has been done by filtering among "SME* OR small medium enterprise*" which reduced the number into 305 results. Further filtration has been done by adding up period coverage which to limit the research that is being done between 2014 to 2019 only. The last filtration by using Mendeley has resulted in 89 articles only. These articles are all generated from 79 sources which include journals' online database, seminars and proceedings and books. Further review on these sources was done by filtering out other than journals' online database which related to the businesses and small medium enterprises only and it must be written in English. This process has reduced the number of the articles into 26 articles only. All of these articles are selected in order to be used for the second stage keyword search. This process is to ensure that the extensive and comprehensive results are generated as compared to the earlier keyword search coverage that is being done through Mendeley.

The study proceeds with the second stage word search that is being done through six scholarly comprehensive databases. There are EBSCOhost, Elsevier, Proquest, Emerald, Scopus and Google Scholar. The purpose of this process is to discover any missing related articles which have disappeared in the first stage keyword search. The same keywords "reason of business failure" AND (SME*OR small medium enterprise*) for the articles generated between 2014 until 2019 were used. The combination between "reason of business failure" and SME/small medium enterprise has reduced the results by zooming into the articles which only discussed the factors of business failure among small medium enterprises. Any other results were excluded. These keywords search and filtration processes were applied throughout the study.

It resulted in 87 articles (EBSCOhost = 2 articles, Elsevier = 3 articles, Proquest = 53 articles, Emerald = 10 articles, Scopus = 14 articles and Google Scholar = 5 articles). The researcher read all the abstracts and excluded the articles which did not match the inclusion criteria. The combination of both searches resulted in 72 articles after integrating any overlapping articles.

In total, the combination between 1st and 2nd stage keyword search after elimination any duplication lead to the total of 73 articles (1 articles – Mendeley + 72 articles – EBSCOhost/Elsevier/Proquest/Emerald/Scopus/Google Scholar). However, further reading on the abstract of these 73 articles has led to further exclusion of 31 other articles due to the unrelated theme of searches. Among those criteria are:

(i) Unrelated issues or themes of discussions.
(ii) Year of publishing i.e. earlier than 2014.
(iii) Not written in English.
(iv) Non SMEs business articles.
(v) Non-academic papers or articles.

Therefore, there are only 42 articles ready for the next stages of analysis.

Content analysis methodology

The researcher conducted two content analyses toward 42 selected articles. It started by studying the characteristic of quantitative inventory.

Second is to conduct a thematic analysis toward selected articles. The grounded theory methodology being used in identifying themes that developed from the 42 articles (Aveyard, 2014; Charmaz, 2006). In every article, the researcher created a brief summary, allocated keywords and wrote a short-statement that summarizes the findings. Then, it followed with constant comparative analysis process. The developed tentative themes were used to group the articles with similar findings and then the iteration process was continued by re-applying the theme toward the 42 selected articles. Any similarity of the themes was merged together as to determine the closely related. Paterson, Thorne, Canam, & Jillings (2001)

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

mentioned that the comprehensive understanding of the phenomenon and the visibility of the relationship of one study with another are achieved through the text continuous comparative analysis. Charmaz (2006), Strauss & Corbin (1998) and Zairul (2020) highlighted that the iteration process is concluded once it reaches the saturation stage. At this level, all themes have vivid identities already and impossible to merge anymore. It resulted in 21 themes with 4 clusters and presented in section 4.

RESULT AND DISCUSSION

Quantitative findings

As results were dispersed worldwide, with publications from almost all continents, except Central/South America, Antarctica and Australia. This suggests that the themes identified through the qualitative grounded theory analysis are likely to be general attributes among the factors of SMEs business failure, rather than specific to one nation's factors of business failure only. It is now well established from a variety of studies that the research on business failure are found in various journals. These research threads were basically found in several periodically named as; International Business & Economics Research Journal (IBER), International Journal of Entrepreneurship and Small Business, Journal of Applied Business and Economics, Journal of Global Entrepreneurship Research and many more (table). The development among SMEs related studies are consequently organized through a critical review on the findings that highlighted the effect, prediction, reason of business failure. Based on Table 1, there was an increasing trend from year to year basis. There were 3 articles in 2014, increased to 7 in 2016 and the highest in 2019 with 11 articles. It was noticed that the majority of the related journals were not necessarily SMEs specialized but under the purview of business, finance, economy and entrepreneurship related to SMEs.

Table 1: Articles reviewed based on journals

No.	Journals	2014	2015	2016	2017	2018	2019	Total
1	Canadian Journal of Administrative Sciences					1		1
2	Ekonomicky casopis				1			1
3	Entrepreneurship Research Journal					1		1
4	Finance a Uver - Czech Journal of Economics and Finance	1						1
5	Foundations of Management						1	1
6	International Business & Economics Research Journal (IBER)					1		1
7	International Journal of Business and Society						1	1
8	International Journal of Entrepreneurship and Small Business			1				1
9	Journal of Applied Finance & Banking	1						1
10	Journal of Business and Entrepreneurship	1			1			2
11	Journal of Business Research					1		1
12	Journal of Developmental Entrepreneurship			1				1
13	Journal of Entrepreneurship in Emerging Economies	1			1			2
14	Journal of Global Entrepreneurship Research				1			1
15	Journal of Small Business and Enterprise Development					2	1	3
16	Journal of Small Business and Entrepreneurship Development						1	1
17	Journal of the Operational Research Society				1			1
18	Management Decision			1				1
19	Montenegrin Journal of Economics					1		1
20	Problems and Perspectives in Management			1				1
21	Review of Accounting and Finance			1				1
22	Revista de Metodos Cuantitativos para la Economia y la Empresa				1			1
23	Spanish Journal of Finance and Accounting					1		1
24	Serbian Journal of Management						3	3
25	Structural Change and Economic Dynamics						1	1
26	Studies in Economics and Finance					1		1
27	Sustainability (Switzerland)						1	1
28	Journal of Global Entrepreneurship Research	1						1
29	Journal of Economic and Business Studies						1	1
30	Economic Modelling					1		1
31	M@n@gement			1				1
32	Journal of Applied Business and Economics						1	1
33	Entrepreneurial Business and Economic Review			1				1
34	Fuzzy Economic Review	1						1
35	Review of Quantitative Finance and Accounting		1					1
36	Journal of Business and Management	1						1
	Total	**3**	**5**	**7**	**6**	**10**	**11**	**42**

These 42 articles have been reviewed intensively through differentiation processes in identifying the similarities and differences. These processes will confirm the consistencies of the groups and subgroups that generated from this activity. The following Table 2 represents the list of publications based on their allocation of the subcategories. This led to identification of a few different standpoints which were 27 articles discussed about the 'prediction model of business failure', 15 articles discussed about 'reason of business failure', 3 articles highlighted about 'solution to business failure' and 4 articles discussed about 'effect of business failure'.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

Table 2: Documents to a theme table

No.	Articles	Effect of Business Failure	Prediction Model of Business Failure	Reason of failure	Solution to Business Failure
1.	Tascón & Castaño (2017)		/		
2.	Lukason, Laitinen, & Suvas (2016)		/		
3.	Acheampong & Tweneboah-Koduah, 2018)	/			
4.	Amankwah-Amoah, Hinson, Honyenuga, & Lu (2019)	/			/
5.	Cusin & Maymo (2016)	/			
6.	Manzaneque-Lizano, Alfaro-Cortés, & de la Cruz (2019)		/		
7.	Bednar, Tariskova, & Zagorsek (2018)		/		/
8.	D. Williams (2015)		/		
9.	Nikolić, Jovanović, Nikolić, Mihajlović, & Schulte (2018)		/	/	
10.	Milošević, Mihajlović, & Stojanović (2019)		/	/	
11.	Gabbianelli (2018)		/		
12.	Pommet & Sattin (2019)		/		
13.	Derbali (2019)		/	/	
14.	Cultrera & Brédart (2016)		/		
15.	Gavurová, Janke, Packová, & Prídavok (2017)		/		
16.	Abdullah, Ahmad, Zainudin, & Rus (2016)		/		
17.	Tascón, Castaño, & Castro (2018)		/		
18.	Gyimah & Lussier (2019)		/		
19.	D. Williams (2017)		/		
20.	D. A. Williams (2016)		/		
21.	Ma'Aji, Abdullah, & Khaw (2019)		/		
22.	Muscettola (2015)		/		
23.	Oliveira, Ferreira, Pérez-Bustamante Ilander, & Jalali (2017)		/		
24.	Blanco-Oliver, Irimia-Dieguez, Oliver-Alfonso, & Wilson (2015)		/		
25.	Baidoun, Lussier, Burbar, & Awashra (2018)		/		
26.	Scherger, Vigier, & Barberà-Mariné (2014)		/	/	
27.	Gupta, Gregoriou, & Healy (2015)		/		
28.	Williams UWI (2014)		/		
29.	(Ropęga, 2016)	/			/
30.	Çera, Belas, & Zapletalikova (2019)			/	
31.	Aladejebi & Oladimeji (2019)			/	
32.	Mendy & Hack-Polay (2018)			/	
33.	Sibanda & Manda (2016)			/	
34.	Zhang, Amankwah-Amoah, & Beaverstock (2019)			/	
35.	Camilo & Fuentes (2018)			/	
36.	Agbenyegah & Dlamini (2018)			/	
37.	Filho, Albuquerque, Nagano, Junior, & de Oliveira (2017)			/	
38.	del Pilar, Alegado, & Bongo (2019)			/	
39.	Majláth, Kelemen-Erdos, & Valocikova (2019)			/	
40.	Arasti, Zandi, & Bahmani (2014)			/	
41.	Nwankwo & Kanyangale (2019)		/		
42.	Hyder & Lussier (2016)		/		
Total		**4**	**27**	**15**	**3**

Year and country were being used in analysing the pattern. The paper found that in 2014 the research focused more into prediction and reason of business failure with a total of 4 research. The number of research increased gradually year on year basis except in 2017. As regards to the themes pattern, it fluctuates yearly basis between 1 theme in 2015, 2 themes in 2014 and 2017, and covers the whole team for 2016, 2018 and 2019. The top theme was 'prediction of business failure' which appeared every year with 27 research, followed by 'reason of business failure' 15 research. The least frequent was 'solution of business failure' which was covered thrice in 2016, 2018 and 2019. As for record, based on Table 2, there were few papers which covered more than 1 theme in a paper.

Table 3: The theme according to year

Year	Total	Effect	Prediction	Reason	Solution
2014	4	-	2	2	-
2015	4	-	4	-	-
2016	9	2	5	1	1
2017	5	-	4	1	-
2018	11	1	5	4	1
2019	16	1	7	7	1
Total	**-**	**4**	**27**	**15**	**3**

Table 4 showed the distribution of research across geographic regions. Almost all studies were conducted dedicated for a single country, excluding six of them, four focus in more than 1 country and two were done in covering within the regions.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

Empirical studies of the factors of the business failure among SMEs are dispersed worldwide, with publications from almost all continents, except Central/South America, Antarctica and Australia. This suggests that the themes identified through the qualitative grounded theory analysis are likely to be general attributes of the factors of business failure among SMEs, rather than specific to one nation's factors of business failure only.

Table 4: The distribution of articles according to country

No.	Countries	2014	2015	2016	2017	2018	2019	Total	More Than 1 Countries	Continent
1	43 Developing Countries	-	1	-	-	-	-	1	1	-
2	Argentina	1	-	-	-	-	-	1	-	-
3	Belgium	-	1	-	-	-	-	1	-	-
4	Brazil	-	-	-	1	-	-	1	-	-
5	Central Europe	-	-	-	-	-	1	1	-	1
6	China	-	-	-	-	1	-	1	-	-
7	Chezh Republic, Hungary and Serbia	-	-	-	-	-	1	1	1	-
8	Europe	-	-	1	-	-	-	1	-	1
9	France	-	-	1	-	1	-	2	-	-
10	Germany	-	-	-	-	1	-	1	-	-
11	Ghana	-	-	-	1	-	1	2	-	-
12	Ghana vs. Israel	-	-	-	-	-	1	1	1	-
13	Hungary, Chezh Republic, Slovak Republic, Poland and the Republic of Serbia		-	-	-	-	1	1	1	-
14	Iran	1	-	-	-	-	-	1	-	-
15	Italy	-	1	-	-	1	-	2	-	-
16	Malaysia	-	-	1	-	-	1	2	-	-
17	Morocco	-	-	-	-	-	1	1	-	-
18	Nigeria	-	-	-	-	-	2	2	-	-
19	Pakistan	-	1	-	-	-	-	1	-	-
20	Palestine	-	-	-	1	-	-	1	-	-
21	Philippines	-	-	-	-	-	1	1	-	-
22	Poland	-	-	1	-	-	-	1	-	-
23	Portugal	-	-	-	1	-	-	1	-	-
24	Slovakia	-	-	-	1	1	-	2	-	-
25	South Africa	-	-	1	-	1	-	2	-	-
26	Spain	-	-	-	1	2	1	4	-	-
27	United Kingdom	2	1	1	-	1	-	5	-	-
28	United States	-	-	-	1	-	-	1	-	-
	Total	**4**	**5**	**6**	**7**	**9**	**11**	**42**	**4**	**2**

Effect of Business Failure

Business failure may obstruct an entrepreneur from revival and resume into the new venture. It is due to the nature of the failure which may result from various reasons that lead to the lack of entrepreneurial attributes, behaviour and attitudes (Ropęga, 2016). Opportunity seeking, right selection and correct action are the element of successful entrepreneurs. These elements are still relevant even for those facing business failure. Ropęga (2016) suggested that the comeback needs to take care of personality, organisation, environment and process.

However, Cusin & Maymo (2016) have interviewed bankers who have experienced working as small-business advisors (SBA) in France regarding their perception toward failed entrepreneurs. Majority show some discrimination toward fail entrepreneurs and this put some hurdle for them to revive back from business failure. Therefore, some entrepreneurs may use different mechanisms in re-entering the entrepreneurship i.e. informality establishment either by not registering the business or by using others identity (relatives or friends) (Amankwah-Amoah et al., 2019).

Actually it is not easy for failed entrepreneurs to reinstate back into business but it is not impossible. Acheampong & Tweneboah-Koduah (2018) suggested that by having a positive attitude and social norm, the failure may teach them to become better future entrepreneurs. While concerned with the present, many of the business failures happened due to the individual factors of the entrepreneur itself which the particular scarce need to be improved prior to any entrepreneurial revival.

The business failure means the end for a particular business venture but it is not yet the finale for the entrepreneur. Various perception could be raised upon him especially when he would like to re-enter the entrepreneurship world again. Furthermore, the pessimism may continuously develop upon the changes of the entrepreneurial behaviour especially when he repeatedly making mistakes. It is surely tough for him to gain confident from the business support society on his comeback. Therefore, it is important for him to maintain his positive attitude and good relationship with the social network for the revival.

Prediction of Business Failure

None of entrepreneurs expect failure once they decide to start the business. However, none of them also can give total confirmation of success prior to any business involvement and execution. Therefore, researchers in this field have identified various methods in predicting business failure in which it will prepare the entrepreneurs to watch out with the elements that may disrupt the business performance (Nikolić et al., 2018).
There are at least nine themes of business failure prediction methods being highlighted in the found articles from 2014 until 2019. The themes are (1) financial ratio and qualitative determinants, (2) Lussier model approach, (3) qualitative statistical determinant approach, (4) subjective determinant approach (5) artificial neural network model, (6) fuzzy logic model, (7) multiple-criteria decision analysis (MCDA), (8) market orientation approach and (9) unemployment insurance approach.

Almost all articles that use financial information for quantitative evaluation are combined financial ratios with qualitative measurement. The top financial ratios being used by the researchers in predicting the business failures are composition of assets, capital structure, liquidity, debt coverage, turnover, profitability and efficiency (Abdullah et al., 2016; Ahmed, Hossain, Islam, Kumar Saha, & Mandal, 2011; Bednar et al., 2018; Cultrera & Brédart, 2016; Gabbianelli, 2018; Gupta et al., 2015; Lukason et al., 2016; Manzaneque-Lizano et al., 2019; Martin, 2006; Muscettola, 2015; Williams UWI, 2014). At the same time Scherger et al. (2014) highlighted that qualitative aspects are equally important in predicting the business failure especially with the micro business which has limitations with financial information. Therefore, the researchers have proposed various themes which are age, size, percentile distance to failure, credit risk, late in filing the financial

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

statement, court judgement in legal case, location, governance, industry, strategic vision, management knowledge, managerial culture, stakeholder financial resources and start-up related (Abdullah et al., 2016; Ahmed et al., 2011; Bednar et al., 2018; Cultrera & Brédart, 2016; Gabbianelli, 2018; Gupta et al., 2015; Lukason et al., 2016; Manzaneque-Lizano et al., 2019; Martin, 2006; Muscettola, 2015; Williams UWI, 2014).

Qualitative findings

Additionally, there are four other approaches which are fuzzy logic model (Scherger et al., 2014), multiple-criteria decision analysis (MCDA) (Milošević et al., 2019; Nikolić et al., 2018; Oliveira et al., 2017), market orientation approach (Nwankwo & Kanyangale, 2019) and unemployment insurance approach (Pommet & Sattin, 2019). All of them were using qualitative variables with various methods in assessing the possibility of business failure. Even though the methods were quite extensive, they still have not dealt with force closure business entities due to catastrophe, pandemic and act of God.

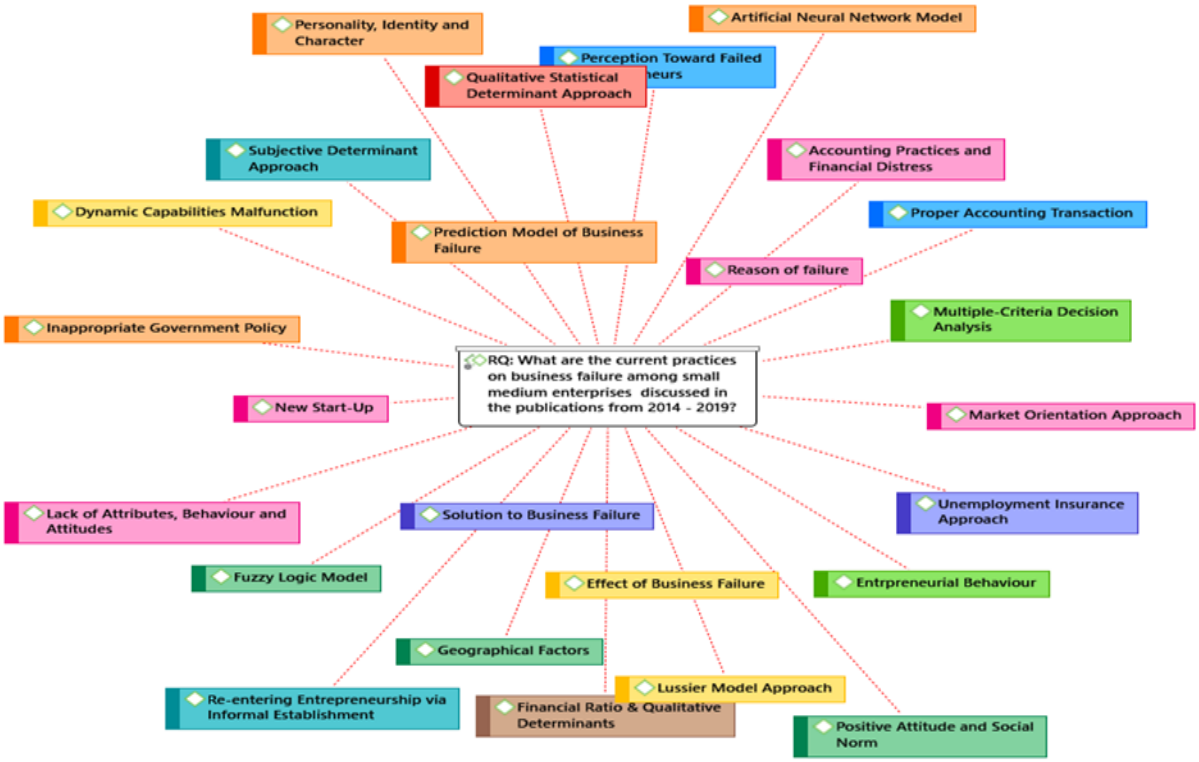


Figure 2: A Network view on how to answer research questions through thematic review

However, Cultrera & Brédart (2016), Gyimah & Lussier (2019) and Hyder & Lussier (2016) have different ideas, they proposed the Lussier model in defining success and failure business. This model focused on qualitative measurement and was used in comparing the prediction of business failure between Ghana and Israel. Among the variables that to consider under this model are capital structure, recordkeeping, management experience, business planning, professional advisory, education, staffing, economic condition, age, partners, parents, minorities and marketing.

On top of that, Gavurová et al. (2017), Ma'Aji et al. (2019), D. Williams (2015) and Tascón & Castaño (2017) selected statistical determinant approach in measuring the qualitative variables in predicting the business failure among SMEs. Meanwhile, Baidoun et al. (2018) used a subjective determinant approach and Blanco-Oliver et al. (2015), D. Williams (2017) and D. A. Williams (2016) consumed artificial neural network models which consider adequate capital, good financial record, preparing business planning, getting professional advice, network, location size, age, governance structure as variables for the qualitative assessment.

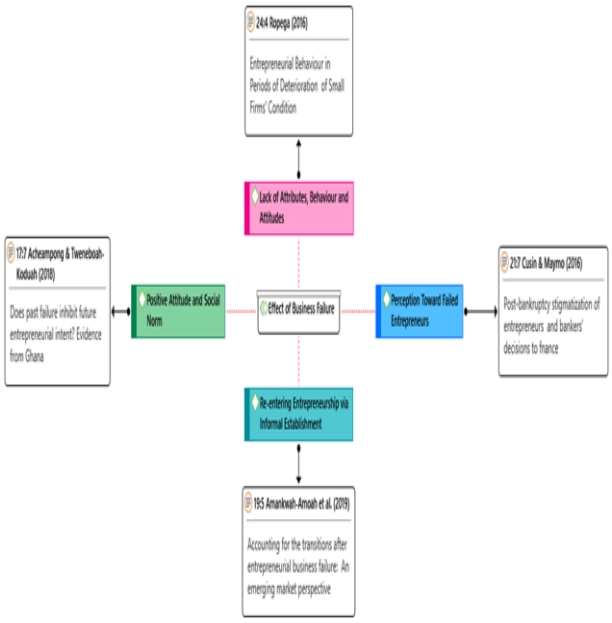


Figure 3: A network view on effect of business failure

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

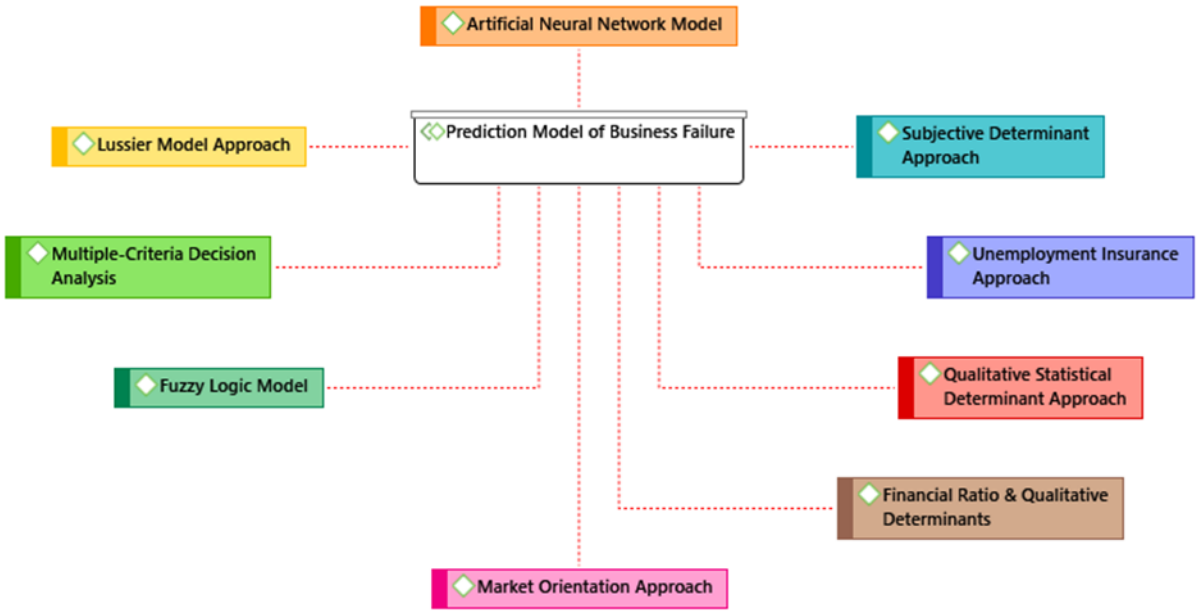


Figure 4: A network view on prediction model of business

In broad-spectrum, the prediction of business failure is based on the qualitative approach cohere with the quantitative elements in the financial information. The combination approaches indicate the comprehensive result as the failure is commonly due to qualitative factors such as entrepreneur's attitude towards financial matters, business strategies and organizational cultures. Subsequently, it renders to the business performance as recorded in the financial statements. Here, the financial statements are the best apparatus in measuring the business circumstances. It provides enough information for the involved parties to make any decision for the business undertaking.

Reason of Business Failure

Business failure is a negative consequence of unsuccessful execution of commercial activities. Watson & Everett (1993) highlighted that the range of business failure may be considered either a bankruptcy or a discontinuance of activities. The study upon 20 articles found between 2014 – 2019 have identified at least 5 themes on reason of business failure.

Agbenyegah & Dlamini (2018), Milošević et al. (2019), Nikolić et al. (2018) and Filho et al. (2017) argued that personal hurdle is the main reason for business failure. Furthermore, Çera et al. (2019), Derbali (2019) and Scherger et al. (2014) used the term internal difficulties in representing personal hurdles. On top of that, Mendy & Hack-Polay (2018) added culture, Milošević et al. (2019) and Nikolić et al. (2018) enlarged the scope into the obstacle among non-individual be it inside or outside the organisation. All of these are related to the personality, identity and character of the individual and business entity.

On the other hand, Aladejebi & Oladimeji (2019), Majláth et al. (2019) and Sibanda & Manda (2016) suggested accounting practices and financial distress as factors that cause the business failure. Meanwhile, Zhang et al. (2019) highlighted the ability of the entrepreneurs to identify, revive, assimilate, reconstruct and reconfigure their fundamental and strength in coping with the fast moving environment as elements to survive in the business competition. It is known as Dynamic Capabilities. Thus the failure to adapt with this ability known as Dynamic Capabilities Malfunction (DCM)

Camilo & Fuentes (2018) considered geographical factors as an important element that may cause failure to the business entity. Without having a strategic location, the business may struggle in terms of logistic issues, marketing exposure, customer awareness and infrastructure readiness. This may drag down the business into a failure state.

Finally, Arasti et al. (2014) and Del Pilar et al. (2019) mentioned the importance of having a good and supportive government as a factor of business success. Otherwise, the business failure will become the issues resulting from inappropriate government policy. However, critics as regard to the business failure due from act of competitors are not discussed and highlighted in these articles even Milošević et al. (2019) and Nikolić et al. (2018) did highlight about external factors and Zhang et al. (2019) as regard to stay put with the competitors in order to remain relevant in business scenario.

Overall, the reason of business failure can be referred into 2 sources i.e. the internal factor and the external factor of the organization. The first part is the business failure that caused by the business organization itself which consist of the entrepreneurs, the management and the staffs who are not dynamic enough to face the challenges and difficulties. At the same time, they are not well disciplined in implementing all the business requirements, laws and regulations. Meanwhile, the second part is resulted from the factors that located outside the business organization and beyond its control. Among them are geographical factors, government policies, and acts of others. All of these may challenge the sustainability of the business even at the earlier stage all are running smooth. In another words, the successfulness of the business is depending to the healthy conditions of both factors.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

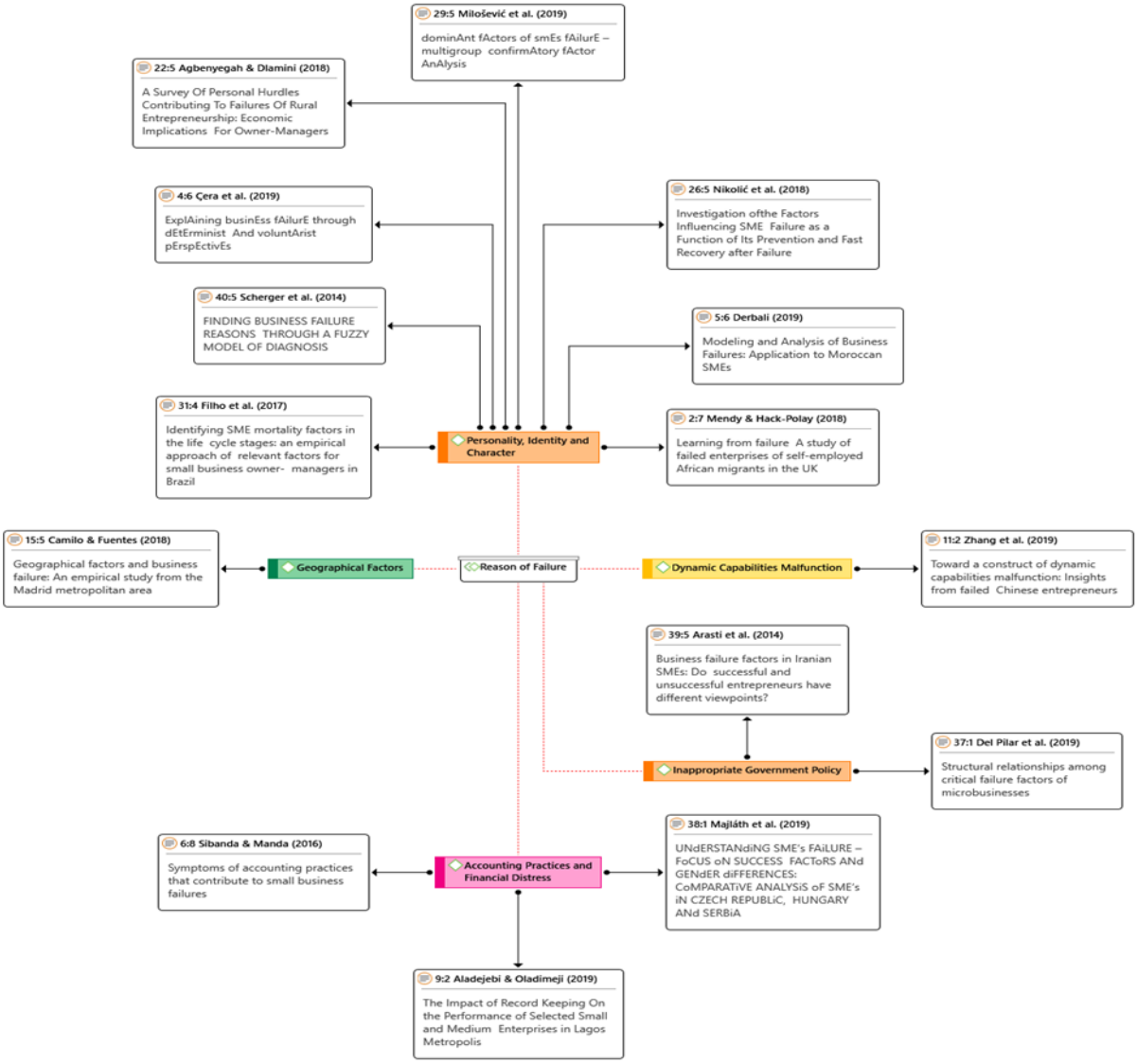


Figure 5: A network view on reason of business

Solution of Business Failure

Solutions for business failure can be divided into 2 which are prevention and remedy. The prevention is prior and during business execution, meanwhile remedy is on the transition and post failure event. Those articles discussed in 3.2 Prediction of Business Failure also highlighted the prevention actions that need to be taken prior and during the business implementation.

This section highlights the remedy as suggested by Amankwah-Amoah et al. (2019), Bednar et al. (2018) and Ropęga (2016) which cover the accounting, start-up and entrepreneurial behaviour. Amankwah-Amoah et al. (2019) suggested the usage of proper accounting transactions while in the transition process after the entrepreneurial business failure. This to ensure there is no other unexpected claim from unrecorded creditors which give further elements of surprise to the bleeding entrepreneur.

In another view, Bednar et al. (2018) emphasized for the failed entrepreneurs the importance of new start-up with above average revenue and return on investment as a key to revival success. On top of all views, Ropęga (2016) focused much on the importance of having correct entrepreneurial behaviour for the failed entrepreneur to bounce back to the right track of business success.

Even though, D. Williams (2015) highlighted that education and training are not caused the business failure but there are many other scholars who opined differently such as Baidoun et al. (2018), Derbali (2019), Gyimah & Lussier (2019), Nwankwo & Kanyangale (2019), Oliveira et al. (2017) and many others. They emphasized the importance of knowledge especially those related to entrepreneurship and business education. The educational gap for the failed entrepreneur is the area that received less focus from the researcher especially those related to the solution of business failure (Shiyuti & Al-Habshi, 2019).

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp2021.2.2.98
https://journal.unisza.edu.my/jmtp

The entrepreneur empowerment through proper accounting transactions, right entrepreneurial behavior, education and training are believed to be the remedies of the business failure. It will ensure that the failed entrepreneur really known the actual financial amount for him to recover. At the same time, this entrepreneur needs to empower himself with the right entrepreneurial behavior via business education and training that enable him to keep floating and ready for the next venture.

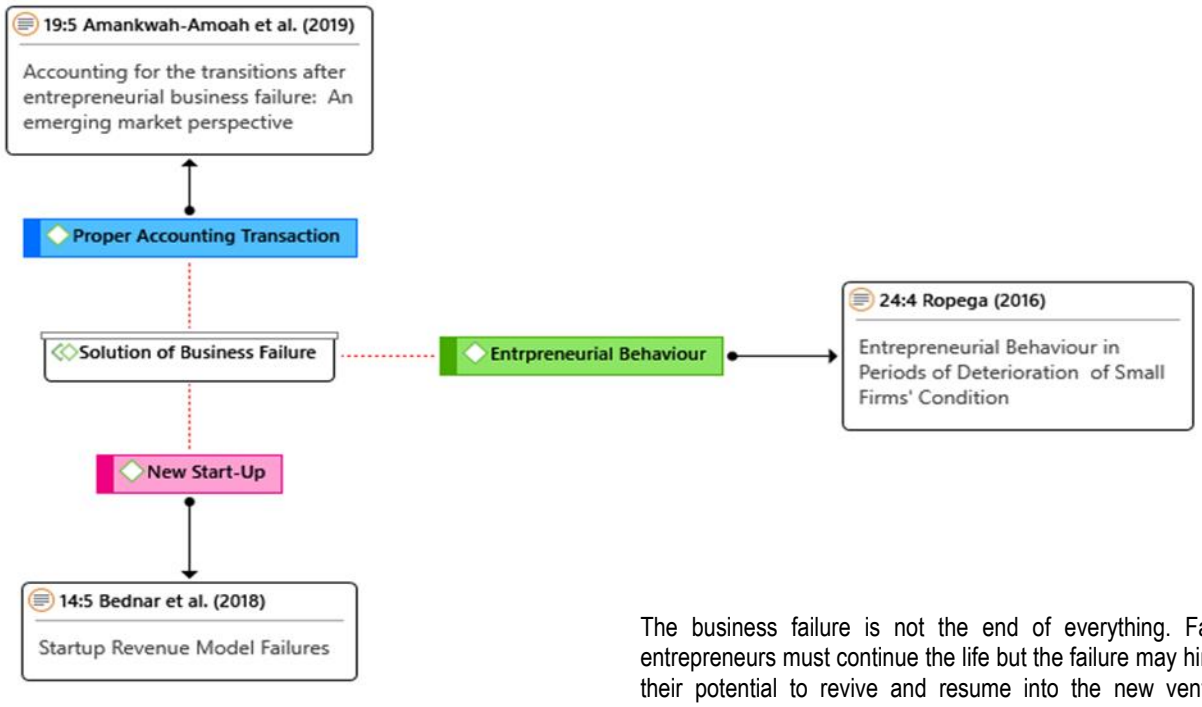


Figure 6: A network view on solution of business failure

CONCLUSION

This review paper stresses the most common approaches conducted by the researchers related to the business failure among SMEs between 2014 – 2019. There were basically four themes that researchers focused on which are effect, prediction, reason and solution of business failure.

The effect of the business failure has caused the difficulties for the entrepreneur in gaining the trust from the business support society in which stretches him from re-entering the entrepreneurship. However, most of the business failures are actually predictable through the usage of qualitative factors which described the personnel and the conduct of the businesses. Concurrently, the review upon quantitative measurements upon business financial statements described the business condition. Based on both information, the business failure can be appropriately predicted and the correct decision can be generated.

On the other hand, the failure of the business was caused by any or both of these factors i.e. internal and external factors. The internal factors consist of the entrepreneurs, the management and the staffs who are not able to cope with the challenges. Meanwhile, the external factors consist of those beyond the control of business organization which challenge its business sustainability. Nevertheless, there are still solution for business failure especially the entrepreneur. He needs to be empowered through proper accounting transactions, right entrepreneurial behaviour, education and training. There are still opportunities for them rebound again and success in the business.

The business failure is not the end of everything. Failed entrepreneurs must continue the life but the failure may hinder their potential to revive and resume into the new venture. Therefore, it is important for any new and ongoing entrepreneur to recognize the sign and reason of business failure as steps to be careful and watch out. On the other hand, if failure is the only available option, therefore the entrepreneur needs to choose the best remedy that may put them back to the right track of successful business. The future studies should emphasize further on solutions of business failure that may give second life for the failed entrepreneur. It may include the business and entrepreneurial educational and knowledge gap that can indicate the loop of the failure. Hence, the right solution can be identified and suggested accordingly. Additionally, the future studies also can be done upon the same list of literatures (all 42 articles) by looking deeply into each of their theories, factors, results and many more which may lead to the different perspective of the discussion and output.

REFERENCES

Abdullah, N. A. H., Ahmad, A. H., Zainudin, N., & Rus, R. M. (2016). Modelling small and medium-sized enterprises' failure in Malaysia. *International Journal of Entrepreneurship and Small Business*, *28*(1), 101–116. https://doi.org/10.1504/IJESB.2016.075686

Acheampong, G., & Tweneboah-Koduah, E. Y. (2018). Does past failure inhibit future entrepreneurial intent? Evidence from Ghana. *Journal of Small Business and Enterprise Development*. https://doi.org/10.1108/JSBED-03-2017-0128

Agbenyegah, A. T., & Dlamini, B. I. (2018). A survey of personal hurdles contributing to failures of rural entrepreneurship: economic implications for owner-managers. *International Business & Economics Research Journal (IBER)*, *17*(3), 47–60. https://doi.org/10.19030/iber.v17i3.10189

Ahmed, B., Hossain, M., Islam, R., Kumar Saha, A., & Mandal, A. (2011). A review on natural sweetener plant -Stevia having medicinal and commercial importance. *Agronomski Glasnik*.

Aladejebi, D. O., & Oladimeji, D. J. A. (2019). The impact of record keeping on

the performance of selected small and medium enterprises in Lagos Metropolis. *Journal of Small Business and Entrepreneurship Development*, *7*(1), 28–40. https://doi.org/10.15640/jsbed.v7n1a3

Amankwah-Amoah, J., Hinson, R. E., Honyenuga, B., & Lu, Y. (2019). Accounting for the transitions after entrepreneurial business failure: an emerging market perspective. *Structural Change and Economic Dynamics*, *50*, 148–158. https://doi.org/10.1016/j.strueco.2019.06.011

Arasti, Z., Zandi, F., & Bahmani, N. (2014). Business failure factors in Iranian smes: do successful and unsuccessful entrepreneurs have different viewpoints? *Journal of Global Entrepreneurship Research*, *4*(1), 1–14. https://doi.org/10.1186/s40497-014-0010-7

Aveyard, H. (2014). *Doing a literature review in health and social care : A practical guide*. (3rd Ed) Mc Graw-Hill Education (UK)

Baidoun, S. D., Lussier, R. N., Burbar, M., & Awashra, S. (2018). Prediction model of business success or failure for Palestinian small enterprises in the West Bank. *Journal of Entrepreneurship in Emerging Economies*, *10*(1), 60–80. https://doi.org/10.1108/JEEE-02-2017-0013

Bednar, R., Tariskova, N., & Zagorsek, B. (2018). Startup revenue model failures. *Montenegrin Journal of Economics*, *14*(4), 141–157. https://doi.org/10.14254/1800-5845/2018.14-4.10

Blanco-Oliver, A., Irimia-Dieguez, A., Oliver-Alfonso, M., & Wilson, N. (2015). Improving bankruptcy prediction in micro-entities by using nonlinear effects and non-financial variables. *Finance a Uver - Czech Journal of Economics and Finance*, *65*(2), 144–166.

Camilo, C., & Fuentes, R. (2018). Geographical factors and business failure : An empirical study from the Madrid metropolitan area, 1–9. https://doi.org/10.1016/j.econmod.2018.05.022

Çera, G., Belas, J., & Zapletalikova, E. (2019). Explaining business failure through determinist and voluntarist perspectives. *Serbian Journal of Management*, *14*(2), 257–275. https://doi.org/10.5937/sjm14-23348

Charmaz, K. (2006). *Constructing grounded theory: A practical guide through qualitative analysis*.(1st ed.) Sage.

Coelho, P. R. P., & McClure, J. E. (2005). Learning from failure. *Mid-American Journal of Business*, *20*(1), 13–20.

Cultrera, L., & Brédart, X. (2016). Bankruptcy prediction: The case of Belgian SMEs. *Review of Accounting and Finance*, *15*(1), 101–119. https://doi.org/10.1108/RAF-06-2014-0059

Cusin, J., & Maymo, V. (2016). Post-bankruptcy stigmatization of entrepreneurs and bankers ' decisions to finance, *19*(4), 305–329.

del Pilar, E. C., Alegado, I., & Bongo, M. F. (2019). Structural relationships among critical failure factors of microbusinesses. *Journal of Small Business and Enterprise Development*, *27*(1), 148–174. https://doi.org/10.1108/JSBED-01-2019-0001

Derbali, A. (2019). Modeling and analysis of business failures : application to Moroccan smes modeling and analysis of business failures : *Journal of Economic and Business Studies*, *2*(October 2019).

Filho, E. E., Albuquerque, A. F., Nagano, M. S., Junior, L. A. P., & de Oliveira, J. (2017). Identifying SME mortality factors in the life cycle stages: an empirical approach of relevant factors for small business owner-managers in Brazil. *Journal of Global Entrepreneurship Research*, *7*(1). https://doi.org/10.1186/s40497-017-0064-4

Gabbianelli, L. (2018). A territorial perspective of SME's default prediction models. *Studies in Economics and Finance*, *35*(4), 542–563. https://doi.org/10.1108/SEF-08-2016-0207

Gavurová, B., Janke, F., Packová, M., & Prídavok, M. (2017). Analysis of impact of using the trend variables on bankruptcy prediction models performance. *Ekonomicky Casopis*, *65*(4), 370–383.

Gupta, J., Gregoriou, A., & Healy, J. (2015). Forecasting bankruptcy for SMEs using hazard function: To what extent does size matter? *Review of Quantitative Finance and Accounting*, *45*(4), 845–869. https://doi.org/10.1007/s11156-014-0458-0

Gyimah, P., & Lussier, R. N. (2019). Small business success or failure prediction : a comparative study in Ghana and Israel Shaike Marom Hiram College, *21*(2005).

Hoetker, G., & Agarwal, R. (2007). Death hurts, but it isn't fatal: The postexit diffusion of knowledge created by innovative companies. *Academy of Management Journal*. https://doi.org/10.5465/AMJ.2007.24634858

Hyder, S., & Lussier, R. N. (2016). Why businesses succeed or fail: a study on small businesses in Pakistan. *Journal of Entrepreneurship in Emerging Economies*, *8*(1), 82–100. https://doi.org/10.1108/JEEE-03-2015-0020

Ishak, M. S. I. (2020). *Maqasid al-shari'ah in islamic finance theory and application* (1st Edition). Kuala Nerus, Terengganu, Malaysia: Penerbit Universiti Sultan Zainal Abidin.

Lukason, O., Laitinen, E. K., & Suvas, A. (2016). Failure processes of young manufacturing micro firms in Europe. *Management Decision*, *54*(8), 1966–1985. https://doi.org/10.1108/MD-07-2015-0294

Ma'Aji, M. M., Abdullah, N. A. H., & Khaw, K. L. H. (2019). Financial distress among SMEs in Malaysia: An early warning signal. *International Journal of Business and Society*, *20*(2), 775–792.

Majláth, M., Kelemen-Erdos, A., & Valocikova, C. (2019). Understanding SME's failure - Focus on success factors and gender differences: Comparative analysis of SME's in Czech Republic, Hungary and Serbia. *Serbian Journal of Management*. https://doi.org/10.5937/sjm14-23491

Manzaneque-Lizano, M., Alfaro-Cortés, E., & de la Cruz, A. M. P. (2019). Stakeholders and long-term sustainability of SMEs. Who really matters in crisis contexts, and when. *Sustainability (Switzerland)*, *11*(23), 1–27. https://doi.org/10.3390/su11236551

Martin, E. (2006). Survey questionnaire construction. *Survey Methodology*, *2006*, 13. https://doi.org/10.1186/1471-2164-11-491

Mendy, J., & Hack-Polay, D. (2018). Learning from failure: A study of failed enterprises of self-employed African migrants in the UK. *Journal of Small Business and Enterprise Development*, *25*(2), 330–343. https://doi.org/10.1108/JSBED-11-2017-0332

Milošević, I., Mihajlović, I., & Stojanović, A. (2019). Dominant factors of SMEs failure - Multigroup confirmatory factor analysis. *Serbian Journal of Management*, *14*(2), 345–360. https://doi.org/10.5937/sjm14-23536

Muscettola, M. (2015). Predictive ability of accounting ratio for bankruptcy. *Journal of Applied Finance & Banking*, *5*(1), 13–27.

Nikolić, N., Jovanović, I., Nikolić, D., Mihajlović, I., & Schulte, P. (2018). Investigation of the factors influencing SME failure as a function of its prevention and fast recovery after failure. *Entrepreneurship Research Journal*, *9*(3), 1–21. https://doi.org/10.1515/erj-2017-0030

Nwankwo, C. A., & Kanyangale, M. I. (2019). Market orientation and survival of small and medium enterprises in Nigeria. *Foundations of Management*, *11*(1), 291–304. https://doi.org/10.2478/fman-2019-0024

Oliveira, M. D. N. T., Ferreira, F. A. F., Pérez-Bustamante Ilander, G. O., & Jalali, M. S. (2017). Integrating cognitive mapping and MCDA for bankruptcy prediction in small-And medium-sized enterprises. *Journal of the Operational Research Society*, *68*(9), 985–997. https://doi.org/10.1057/s41274-016-0166-3

Paterson, B. L., Thorne, S. E., Canam, C., & Jillings, C. (2001). *Meta-study of qualitative health research: A practical guide to meta-analysis and meta-synthesis* (Vol. 3). Sage.

Pickering, M. A. (1968). The company as a separate legal entity. *The Modern Law Review*. https://doi.org/10.1111/j.1468-2230.1968.tb01206.x

Pommet, S., & Sattin, J. F. (2019). How well do owner–managers forecast potential future bankruptcy? Assessing fear of failure using employment insurance for smes. *Canadian Journal of Administrative Sciences*, *36*(1), 20–34. https://doi.org/10.1002/cjas.1480

Ropęga, J. (2016). Entrepreneurial behaviour in periods of deterioration of small firms ' condition, *4*(2), 139–156.

Scherger, V., Vigier, H. P., & Barberà-Mariné, M. G. (2014). Finding business failure reasons through a fuzzy model of diagnosis. *Fuzzy Economic Review*, *19*(01), 45–62. https://doi.org/10.25102/fer.2014.01.04

Shepherd, D. A. (2014). Learning from business failure: Propositions of grief recovery for the self-employed. In *A Psychological Approach to Entrepreneurship: Selected Essays of Dean A. Shepherd*. https://doi.org/10.4337/9781783479801.00036

Shiyuti, H. A., & Al-Habshi, S. M. (2019). An overview of asnaf entrepreneurship program by Lembaga Zakat Selangor, Malaysia. *SSRN Electronic Journal*, (November). https://doi.org/10.2139/ssrn.3299107

Sibanda, J. J., & Manda, D. C. (2016). Symptoms of accounting practices that contribute to small business failures in South Africa. *Problems and Perspectives in Management*, *14*(4), 194–202. https://doi.org/10.21511/ppm.14(4-1).2016.08

Strauss, & Corbin, J. (1998). *Basics of qualitative research: techniques and procedures for developing grounded theory*. (2nd ed.) Sage Publications.

Tascón, M. T., & Castaño, F. J. (2017). Selection of variables in small business failure analysis: Mean selection vs. median selection. *Revista de Metodos Cuantitativos Para La Economia y La Empresa*, *24*(24), 54–88.

Tascón, M. T., Castaño, F. J., & Castro, P. (2018). A new tool for failure analysis in small firms: frontiers of financial ratios based on percentile differences (PDFR). *Revista Espanola de Financiacion y Contabilidad*, *47*(4), 433–463. https://doi.org/10.1080/02102412.2018.1468058

Ucbasaran, D., Shepherd, D. A., Lockett, A., & Lyon, S. J. (2013). Life after business failure: the process and consequences of business failure for entrepreneurs. *Journal of Management*, *39*(1), 163–202. https://doi.org/10.1177/0149206312457823

Watson, J., & Everett, J. (1993). Defining small business failure. *International Small Business Journal, 11* (3), 35 - 48. https://doi.org/10.1177/026624269301100302

Williams, D. (2015). Entrepreneurial training and business discontinuation: a cross country study. *Journal of Business and Entrepreneurship*.

Williams, D. (2017). Modeling business failure among smes: an artificial neural networks and logistic regression analysis. *Journal of Business and Entrepreneurship*, *28*(2), 1.

Williams, D. A. (2016). Can neural networks predict business failure? Evidence from small high tech firms in the UK. *Journal of Developmental Entrepreneurship*, *21*(1), 1–17. https://doi.org/10.1142/S1084946716500059

Williams UWI, D. A. (2014). Resources and business failure in smes: does size matter? *Journal of Business and Management*, *20*(2), 89–103. Retrieved from https://search-proquest-com.lopes.idm.oclc.org/central/docview/1777748711/fulltextPDF/FD547B3955EE4937PQ/1?accountid=7374

Zainol, F. A., & Ayadurai, S. (2011). Entrepreneurial orientation and firm performance: the role of personality traits in Malay family firms in Malaysia. *International Journal of Business and Social Science*, *2*(1), 13. Retrieved from http://www.ijbssnet.com/journals/Vol._2_No._1;_January_2011/6.pdf

Zairul, M. (2020). A thematic review on student-centred learning in the studio education. *Journal of Critical Reviews*, *7*(2), 504–511. https://doi.org/10.31838/jcr.07.02.95

Zhang, H., Amankwah-Amoah, J., & Beaverstock, J. (2019). Toward a construct of dynamic capabilities malfunction: insights from failed Chinese entrepreneurs. *Journal of Business Research*, *98*(July 2017), 415–429. https://doi.org/10.1016/j.jbusres.2018.06.020

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.94
https://journal.unisza.edu.my/jmtp



Issues and Challenges of Total Quality Management Practices on Customer Satisfaction

[1*]Osoko Onyike Osoko, [2]Habsah Binti Muda

[1&2]Faculty of Business and Management, Universiti Sultan Zainal Abidin, 21300 Kuala Nerus, Terengganu. Malaysia

***Corresponding Author Email:** osokoonyike2017unisza@gmail.com**

Received: 14th February 2021 ***Accepted: 25th April 2021*** ***Published: 6th May 2021***

Abstract
Total quality management practices and customer satisfaction are contemporary concerns most especially in the service sector. While analysing the issues and challenges, experts believe that customer is dissatisfied with corporate organisation and establishment due to the ineffectiveness of total quality management practices. However, this review present, investigates and identifies the challenges of total quality management practices on customer satisfaction. The review further highlights key dimensions of total quality management practices with relevant theories influencing customer satisfaction. Although, the previous association between both components holds some contradictions. However, regardless of the conceptual review, there is evidence that total quality management dimensional factors could be factors to enhance customer satisfaction. Hence, policymakers could formulate policies to drive satisfied customers and build on existing knowledge on total quality management practices. Therefore, the study further suggests that empirical research should be examined on the factors presented. Thus, implications are further discussed in the study.

Keywords: Total quality management, customer satisfaction, issues and challenges.

OPEN ACCESS

INTRODUCTION

The most important determinant of organizational structure is the ability to enhance its quality through the amalgamation of quality control and assurance that is built on continuous behaviour to enhance companies' operations towards quality (Jimoh et al., 2019). However, customer's satisfaction is the elements that customized the nature of products and services in the economic downturn that limit the introductions of total quality management practices in any organization be it manufacturing or in the service sector (Jimoh et al., 2019; Ogiemwonyi et al., 2020b; Sommerville & Robertson, 2000). Therefore, total quality management is companies' management approaches of improving continuous quality of services and products, processing and focusing on the needs and expectations required to increase company's performance and build customer satisfaction (Sadikoglu & Olcay, 2014). However, there are increasing issues and challenges from total quality management practices that influence customer's satisfactions Ogiemwonyi et al., (2020b), performance and retention process (Sadikoglu & Zehir, 2010). Although results from prior empirical studies from these analyses have shown great concern on challenges and issues relating to total quality and customers with insignificant results (Soares et al., 2017; Nair, 2006). The issues and challenges of total quality management practices on customer still persist in contemporary research, service quality and customer loyalty influencing the performance of retailing Ogiemwonyi et al., (2020a) because many past studies have failed to identify the main issues on measuring the performance of research model, either from different context or industries; and the challenges that have impact total quality management practices in the service sector have not yet been adequately researched. Therefore, a systematic investigation with the appropriate methodology can significantly make some contributions on the impact of total quality management practices on customer satisfaction. The implementation of total quality management practices will positively influence the innovative process of any industry and organisation because of the elements of improvement and customer-driven structure identified in total quality management practices (Alotaibi et al., 2020). Total management practices should have the same impact – "i.e., service quality delivery" in global and local communities or emerging and emerged economies because these impacts seek to meet companies core objectives with the function to meet customer satisfaction and provides good quality to the retail loyal customer (Ogiemwonyi et al., 2020a, 2020b). Adequate involvement of personnel in quality practices will provide continual development in services and process to absorb the issues or challenges in total quality management practices.

Therefore, this goal will remain achievable to maintain customer satisfaction. Hence, this study seeks to examine the antecedences of issues and challenges of total quality management on customer satisfaction, – this makes the objective of the research paper to examines issues related to total quality management practices as it influences customer

satisfaction. The previous study has not measured these case series in the respective research area, although empirical results from these investigations have to produce controversial findings (Žabkar et al., 2010). Meanwhile, the studies of Ogiemwonyi et al., (2020b), and Chen & Tsai (2007) shows that customer satisfaction and total quality management are essential components top managers need to attain competitiveness. Therefore, the review will delineate the dimensions of total quality management practices with customer satisfaction. The following section will discuss the review of the literature.

Literature review

Total Quality Management

In current developing environment, it is well known that According to past literature studies, total quality could be defined in four (4) perspectives (Reeves and Bender, 1994). Firstly, total quality must follow specification, secondly, total quality must satisfy customer (customer satisfaction) or meet expectation, thirdly, total quality is associated with outstanding standard, fourthly, the total quality will help the organisation create and process the value of products and services. However, the ceaseless procedure of being dedicated to continual improvement to satisfy customers and meet their service needs could be referred to as total quality management (Kanji et al., 1992). According to Tonjang & Thawesaengskulthai (2020), total quality management is the approach that aims to maintain continuous improvement in an organisation or company to meet customer satisfaction. Researchers like Wolkins (1996) defined total quality management as a merger of the managerial approach or approaches that focused on the improvement of an organisation. Ahire & Ravichandran (2001) build on customer satisfaction and defined total quality management practices as an ideology seeking management improvement process and quality service that will extensively lead to customer satisfaction and loyalty. Some authors follow Ahire & Ravichandran (2001) approach and defined total quality management as the ideology characterised by practices, techniques, procedures and principles to meet satisfied customers (Dean Jr, & Bowen, 1994; Kull & Wacker, 2010; Sila & Walczak, 2017).

Some researchers went further to defined total quality management as a manufacturing and production approaches that describe the procedures and technicality focused to decrease imperfection from the process of production on effective service delivery (Antunes et al., 2020). Total quality management is the management that leads to the accomplishment of companies via customer expectations (Evans & Lindsay, 2008). It is a system based improvement on the quality of service that entails the exhaustive approach and philosophy (Mustafa, 2015). Numerous definitions have been provided for total quality management practices; these definitions highlight Garvin (1984) examinations that total quality management practices entail five (5) main approaches that include transcendent quality approach, product base approach, user-based quality approach, manufacturing-based approach and the value-based approach. Garvin (1984) study further argued that the implication of total quality management practices could be categorised in any of the approaches. It helps to explain the competing views of total quality management practices in the service and manufacturing sector.

Underpinning Theory on Total Quality Management Practices

In measuring total quality management practices across the service sector, Oliver (1980), expectancy disconfirmation theory has been used. The expectancy disconfirmation theory is an important theory that can measure customer satisfaction with the perceived quality of products and services (Elkhani & Bakri, 2012). The expectancy disconfirmation theory has two main factors that entail perceived desire and performance in terms of customer's preference that are related to the pre-purchase period of a customer's initial expectation that is measured in the preference of total quality management. According to Oliver (1980), customer expectation could be positive or negative depending on the performance of the quality of product or service expectation that has emerged or derived. However, when a customer recognized and perceived a stronger performance on the quality of products or service that is better than expectation, then a positive preference or disconfirmation is said to have occurred. Whilst, when a customer perceived a bad performance than they expected about the quality of a product or services, then a negative disconfirmation will have emerged resulting in dissatisfaction. According to Ogiemwonyi et al., (2020b), perceived performance from positive disconfirmation will lead to customer satisfaction, while negative disconfirmation from the perceived performance from products and services will not essentially enhance customer satisfaction (Yi, 1990).

The theory of expectancy disconfirmation has been applied in many research to better understand customer satisfaction to measure required expectations from a customer in marketing research, economic analysis, customer retention, and loyalty (Oliver, 1980; Torres, 2014; Ogiemwonyi et al., 2020a; Nunkoo et al., 2020; Othman & Ogiemwonyi, 2020). The evolution of expectancy disconfirmation theory consists; expectations, perceived performance, disconfirmation, and satisfaction (Oliver, 1980). Figure 2.1 present the model that highlight the expectancy disconfirmation theory. According to Oliver (1980), expectations defined customers anticipated preferences on what they expect from a product or service. The expectancy disconfirmation theory has the ability to multiple approaches in the purchasing process. The first approach indicates that customers have the initial desire that is based on previous experience using specific products or services. The expectation of this kind requires a repurchase process that is more of a reality to customer satisfaction. Secondly, a first-time customer does not have a first-hand experience regarding the performance of a product or service being that it's the first purchase. However, the customer relies on consistent feedback from other customers who have initiated a purchase. Oliver (1980), also discussed perceived performance as customer experience after using a service that can be good or bad based on customer expectation. Customers with previous experience could hold a good desire from the previous service they have received and can offer good pieces of information to new customers based on the performance received from the product or service. Disconfirmation has defined the difference between customer initial expectation and the actual performance received from the products or service (Elkhani & Bakri, 2012), and disconfirmation could be positive-negative, or simple disconfirmation (Bhattacherjee & Premkumar, 2004). Furthermore, if the performance of products or services can exceed customer satisfaction, then positive disconfirmation will lead to satisfaction among customers. However, when

actual performance from a product or service is unable to meet customer satisfaction, then a negative disconfirmation is said to emerge and will lead to dissatisfaction among customers. When there are no usual differences between the expectation and performance from products and services, simple disconfirmation will have emerged – meaning perceived performance is the equal expectation (Oliver, 1980). Therefore, expectancy disconfirmation theory has some famous factors to measure total quality management practices; expectation, performance, disconfirmation, and satisfaction. Presented in figure 2.1

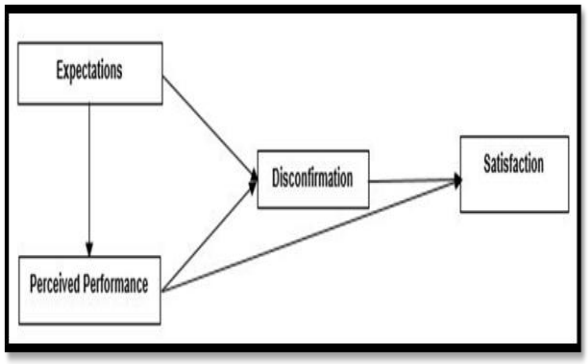


Figure 2.1: Expectancy Disconfirmation Theory (Oliver, 1980)

Dimensions of Total Quality Management Practices

Total quality management practices could be a framework for product quality to enhance customer satisfaction. In this view, this literature study listed and highlighted some component that could be considered to absorb the issues and challenges in the service sector according to (Garvin, 1984).

Performance

Construction industry is based on projects with various and Performance has characterised a process of meeting and executing a function seeking to satisfy the customer and meet their desired needs. Performance and total quality management merge component of both user-based quality approach – that entails the capacity to satisfy customer want. This approach also depends on the performance with a wide range of interest and needs to meet customer satisfaction. It entails the quality of practices of high performance in the area of interest and want (Garvin, 1984). However, performance and total quality management practices are impacted by the challenges of semantics, this describes total quality management practices that are associated with quality to meet customer satisfaction. These contestations support the customer "consumer theory (Lancaster, 1966). The theory is based on the objectiveness of customer wants to choose in which they made to get total quality from products and service. However, customer differs in rating and their approaches to satisfactions also differ (Ogiemwonyi et al., 2020b). Therefore, in all characteristic customers are important in the ratio of total quality management practices (Ogiemwonyi et al., 2020b; 2020b). Hence, performance will form a base for customer satisfaction in the generality of quality management associated with total quality which will reflect on customer's reaction and responses. Past studies have argued that total quality management synergies the impact of company performance (Nimeh et al., 2018). Furthermore, some studies have also applied total quality management practices to maximize the manufacturing process and eliminate scraps to improve quality performance (Flynn et al., 1995; Shokri et al., 2021). Besides, there is a consideration on the extent to which total quality management practices enhance the potential for organizational performance to improve the design for customer satisfaction (Gijo et al., 2021). Suggesting that total quality management practices are based on performance that is customer focus (Gijo et al., 2021; Ogiemwonyi et al., 2020b). These studies claimed total quality management practices could reduce cost, improve performance to established customer satisfaction from time to time (Ogiemwonyi et al., 2020b).

Features

Features are the adornment and decoration of total quality management practices to meet customer want and gain their retention (Haffar et al., 2019). The approach of performance can also be utilised in this process to continuously improve the quality of service delivery. For instance, discounted price from retail fashion stores or free drinks from the airline when on board. Furthermore, for companies to gain competitive advantage and satisfy customers, they must also apply just in time manufacturing and inventory management system to improve their features for efficiency purposes and thus could reduce stress for customers. Features like performance should entail a clear objective and quantifiable attributes that will influence customer satisfaction (Haffar et al., 2019). Such attributes could be measured to improve teamwork to attain high profitability to improve customer satisfaction and create a climate for continuous approaches as argued by previous examinations (Garvin, 1984; Haffar et al.,2019).

Total quality management practices must improve customer satisfaction through improved company's productivity. However, the expectancy disconfirmation theory (Oliver, 1985) suggests that organisation expand the scope of features in their decision-making process and their activities beyond policymakers to several other constituencies with interests, such as customer satisfaction and communities. The capacity of the organisation to generate sustainable features over time is valuable and determined as a component of quality between service delivery and performance preference. Over time total quality management practices appropriate corporate strategies that can enhance customer satisfaction considering the interest from expectancy. Total quality and excellence models introduce mechanisms to enhance continuous improvement through structured and systematic processes that have the approaches to meet customer need and expectations in retaining customers (Benavides-Velasco et al., 2014; Gruner & Homburg, 2000; Haffar et al., 2019).

Reliability

In dealing with the issues and challenges of total quality management practices, reliability should be heavily considered because it is a component of quality. Reliability considers the likelihood of total quality within a specific time or period. Reliability could be measured as a "mean time to first failure" (Juran et al., 1974). However, there is a need for products to be in need for some time to know the level of relevance in service that is durable. Therefore, total quality management practices must be reliable to improve quality service that will meet customer satisfaction. According to Fragassa et al., (2014), they combined standard and non-standard tools from total quality strategy to improve product reliability; the procedure realizes a stronger correlation

between theoretical evaluation and experimental evidence for modern integration in strengthening the quality of design and process from total quality management practices. The study concluded that total quality management practices could improve the development of innovative tools in the service sector. Mukhopadhyay, (2020), underpinned that performance and quality monitoring are important themes in total quality management practices that entail reliability, thus, perceived quality must be reliable to meet customer satisfaction. In Mukhopadhyay's views, quality must be improving to minimize technical error in any sector to meet reliability standards. However, several studies have shown that total quality management does not always improve the sustainability of an organisation (Viada-Stenger et al., 2010; Sciarelli et al., 2020). This may be because; the lack of reliable standards and involvement from top managers in implementing just in time un-reliable techniques that are implemented in total quality management philosophy, thus in making progress, the quality of service implementation must be reliable to meet certifications of management practices (Benavides-Velasco et al., 2014).

Conformance

Being a dimension of quality, and for total quality management practices to be effective, conformance must be specified. This is a degree to which designs of products and the operating attributes match the standards and quality of pre-established standards either internal or external structure to meet customer satisfaction (Garvin, 1984). Of the recent issue and challenges is that some proportion of these products has failed to conform with the measured standards (i.e., defects) as a major coincidence in the management practices. Reliability and conformance are closely related in the approaches of total quality management practices to gain total quality and improve the efficiency of performance. They are likely to reflect the true consumer once satisfaction is achieving on service quality rendered (Ogiemwonyi et al., 2020a).

Durability

In total quality management practices, durability measures the longevity of a product and it has economic and technical dimension based on the challenges associated with customer desire and want (Cronin Jr et al., 2000). According to Garvin (1984), durability is the quality obtained from a product before it progressively becomes worse. For instance, a fluorescent bulb after so many days/ month of use, the filament get burn and repair is unfeasible, thus the fluorescent will be replaced. Therefore, when the repair is feasible, durability becomes very strenuous to interpret because product life differs with a certain change in economic condition (Garvin, 1984). In line with total quality management practices, durability is said to be the usage of products either life span, or duration customer gets from some products before it starts malfunctioning or breakdown (Mukhopadhyay, 2020; Cronin Jr et al., 2000). Customers faced multiple issues, challenges and choices whenever their products fail to weigh the expected cost and this lead to customer dissatisfaction. However, an increase in product life that is based on total quality management or improvement "when a products meet the quality and value", expectations are high, leading to customer satisfaction due to the longevity of that products; this described the economic and technical dimension found in durability as a component of total quality management practice (Cronin Jr et al., 2000; Mukhopadhyay, 2020). Durability has two essential implications when quality is concerned; durability is closely related to the component of reliability. When a product or service failed to meet quality, such a product could be scraped earlier than the products that meet reliable standards because repair could be cost-effective as such purchasing product will be effectively desirable to meet customer satisfaction (Ogiemwonyi et al., 2020b). This suggests that desirability should be interpreted with caution. However, technical improvement can be suggested for the longevity of service to effect a change on customer satisfaction. In such a situation, the environmental change could be implemented to enhance the total quality of durability (Mukhopadhyay, 2020).

Serviceability

In total quality management practices, serviceability measures the quality of being able to provide serviceable good services to customers (Lee, 2011). Customers do consider the elapsed time products lasted to demonstrate satisfaction (Mukhopadhyay, 2020). A product should be serviceable to meet the speed in which the product can be put into use before its breakdown. For instance, a study on customer satisfaction that measures service quality in hypermarket mentioned that for the customer to be loyal to a particular vendor, the service received from the service personnel must meet customer demand and standards (Ogiemwonyi et al., 2020b). These acceptable services are dimensions of total quality management which could absorb the issues and challenges influencing customer satisfaction. However, some studies are of a different view of what is considered and measures acceptable service. A service provided in an unprofessional manner or careless service is classified among the issues or challenges that could impact total quality management practices which reflect on multiple standards of unprofessional behaviour leading to dissatisfaction (Lee, 2011).

Aesthetics

Aesthetics is a component of Garvin (1984) user-based quality approach that deals with the quality to satisfy customer wants; to be based on the need for their desired choice and quality (Wang et al., 2010). However, a consensus view is sometimes implied on the durability of total quality received (Hsiao et al., 2016). Being an approach of user-based quality, some customers have different weights on the attainability of quality in devising unbiased judgements for preference. Although these challenges were being ignored by past studies (Garvin, 1984). Therefore, the total quality management practices model in demand curve must respond to the preference of customer satisfaction to limit the challenges impacting management practices. The attributes of aesthetic that contest the preference of customer was developed by Garvin (1984) to capture the dimensionality of total quality management practices (Kuehn & Day, 1962). According to Wang et al., (2010), a customer usually evaluates the services and products companies provided if it's based on service quality that can enhance customer satisfaction. Perceived quality is a function of the magnitude and direction on comparison of expected or perceived service function (Wang et al., (2010). Whilst, satisfaction is a function and component of magnitude of disconfirmation preference of expectation (Oliver, 1980; Peterson & Wilson, 1992).

Perceived Quality

Aesthetics is a subjective assessment for perceived quality due to customer distributive appetite for quality because customers do not usually have the first-hand information's on products characteristics, they now rely on the indirect measure when comparing products (DF Cox, 1967). In this process, quality of the product could be evaluated on the objective of the characters they present either in brand name or image or even in the advertisement, which is more judgemental and could influence customer satisfaction. Perceived quality measure bottom line of brand identity because it is the heart of what customers are buying and will increase customer satisfaction if the total quality management practices give a clear description (Hsiao et al., 2016). According to Ogiemwonyi et al., (2020a; 2020b), perceived quality in customer satisfaction in the service sector is created by the process of service delivery (e.g., reliability, friendliness, competence, facilities, and courtesy). Žabkar et al., (2010), suggest that service quality is the structure of; technical quality – that refers to outcomes of what a customer gets. And the functional quality – refers to the process of how customers get what they intend to get. The result of what a customer aims to get from total quality management is somewhat functional in nature. The importance of total quality management practices in the service industry is perceived by customers in the ratio of perceived quality.

ISSUES ASSOCIATED WITH TOTAL QUALITY MANAGEMENT PRACTICES

The previous section examines some antecedent's dimensions on total quality management practices in the service sector i.e., economic or business. However, issues and challenges of total quality management persist, and the philosophy of total quality management practices on customer satisfaction is a core structure for competitive advance (Ezenyilimba et al., 2019; Mushtaq et al., 2011). The issues and challenges associated with the impact of total quality management practices on customer satisfaction have a negative consequence in the service sector for business success. However, the importance of total quality management practices on customer satisfaction could help to create a competitive advantage for the business. Total quality management practices influence customer satisfaction and that is the top target goal for any enterprise and contemporary company that seek to retain loyal consumer (Ezenyilimba et al., 2019). The challenges of total quality management practices on customer satisfaction in the business organisation have been a recurrent issue for academia to investigate. Subsequently, existing studies have provided numerous views concerning the approaches in which they applied between these linkages and the gap still exist. Firstly, on the existing gaps, most of the literature reviews studies and empirical research had partially focused on manufacturing industry alone to examine and investigate total quality management practises on customer satisfaction without the consideration of another sector of the economy (Kumar et al., 2020; Jitpaiboon & Rao, 2007; Sindhwani & Malhotra, 2018).

However, there are adequate necessity for additional studies in a different field in the service industry i.e., hotel industry and several other industries that contribute towards the development of the economy (Ogiemwonyi et al., 2020a; 2020b; Rahman et al., 2015; Ang et al., 2011; Juneja et al., 2011). Another issue regarding the antecedents of total quality management practices on customer satisfaction either in business or service organisations in the developing nations need more investigations to unravel the challenges impacting these relationships in the respective research area. Thirdly, some pre-existing studies linking total quality management practices and customer satisfaction come to an end with contradicting findings and results in Kim et al., (2012), with no impact (Pekovic & Galia, 2009). While some have shown meaning findings (Sarkees & Hulland, 2009). Therefore, the debate on the impact of total quality management practices on customer satisfaction should not be overlooked since customers are the drivers of any enterprise for innovative purposes. Another issue to be considered is that conclusions and findings are not being specific about which total quality management practices leads to achieving both quality and customer satisfaction in the service sector or economy. Although different examinations have used varying total quality management practices model or framework to examine the impact of customer satisfaction. And the majority of these model was merely developed for the company's operation. For example, Bon & Mustafa (2013) examines the impact of total quality management on innovation in a service organisation with a review of the new conceptual framework. Further examples where the study of Li et al., (2018) who investigated the impact of total quality management practices on green innovation, focusing on stakeholder to incorporate green management into their business to build customer needs and satisfaction. Lastly, previous studies on the impact of total quality management practices on customer satisfaction have failed to identify customer focus as the main dominant factor of total quality management practices in association with a customer satisfaction, thus, research on customer satisfaction level as a performance indicator for total quality management practices should be researched in the service sector (Anil & Satish, 2019).

CUSTOMER SATISFACTION ON QUALITY MANAGEMENT

In marketing studies, customer satisfaction measures products or services supplied by a firm or company to meet customer expectancy (AK, 2017). With companies, customer satisfaction could have a powerful rating. Customer satisfaction is becoming an increasingly notable topic in many organisations, companies and academic research. One main logic supporting this interest is that customer satisfaction is believed to be connected with fruitful quality management practices from the companies' viewpoint. Although previous studies have connected the relationship between customer satisfaction and quality management practices (Söderlund, 1998). Concerning the question and research goal, this conceptual paper put forward that total quality management practices and customer satisfaction is under two conditions i.e., "low satisfaction or high satisfaction" and the conceptualisation is different to examine total quality management practise being a component that entail customer behaviour leading to satisfaction (Söderlund, 1998). Both low and high satisfaction is built on different assumptions and it is possible that customer satisfaction could be bipolar in construct based on the assumption of previous studies (Hausknecht, 1990). With the bipolar view, the antecedents of customer satisfaction with another component could be different at various levels. For instance, a company that engages in quality control and management

could increase customer loyalty by actively aiming to increase the measure of customer satisfaction (Ogiemwonyi et al., 2020b). This could be a strategy to link customer satisfaction and total quality management in the service sector.

However, an increase in customer satisfaction may not necessitate an increase in customer loyalty among every customer if the association of customer satisfaction and customer loyalty differs at the level of satisfaction (Ogiemwonyi et al., 2020b). Due to that fact, pursuit seeking to increase the level of customer satisfaction should emanate from total quality management practices, and could be efficient to capture loyal customer (Ogiemwonyi et al., 2020a). For instance, the positive association between a loyal customer and customer satisfaction could be stronger for most satisfied customers who received good quality from the firm, but weak when they received low quality and they may be dissatisfied in total quality management practices. For a customer to be satisfied, the impact of total quality management practices needs to be more efficient and satisfactory when aiming at customers (Söderlund, 1998).

IMPLICATIONS

The study examines issues and challenges of total quality management practices in the context of customer satisfaction along with some dimensions of total quality management practices influencing customer satisfaction. It identifies major factors and offers possible explanations for observed inconsistency. The study further provides issues associated with total quality management practices in respective research areas base on the outcome of previous research highlighting the gaps in the literature. Surprisingly, not many studies have examined some of these dimensions highlighted in the study with the application of the expectancy disconfirmation theory in the context of customer satisfaction. Theoretically, research proposed a different framework with the variables highlighted in this study base on the outcome, thus applying the issues presented as a base. Secondly, policymakers in public and private organisations can implement the aforementioned issues highlighted in the study to improve the total quality management practices to advance customer satisfaction. According to total quality management philosophy, policymakers must understand the implementation of total quality as a preference for achieving organisation performance from time to time. These dimension examined in the study offers a different constructive approach for an organisation to enhance service performance. Therefore, managers should be able to promote the positive influence of total quality management practices via the company's performance to maintain competitive advantage. Furthermore, developing total quality management practices requires the consideration of several aspects of successful implementation such as securing a commitment from the top manager, having sufficient resource to integrate several approaches, and having suitable training that will enhance quality could contribute to added advantage for policy implications from management perspective.

CONCLUSIONS

The review highlights issues and challenges of total quality management practises based on customer perception on the outcome of service evaluation from the process in which service has been served. However, it is the proportionate to know which service meets customer need or the expectation their satisfaction is rated on. One of the main objectives of this review was to have a better understanding of the challenges emanating from the association of total quality management practices on customer satisfaction, and also to gain knowledge on these issues influencing satisfaction and how to resolve them. Customer satisfaction is important in any service sector and total quality management practices are among the leading structure that has a direct link with customer satisfaction. In this view, companies seeking to gain loyal customers could apply factors highlighted on the dimensionality of total quality management with a focus on managing its customer because the level of satisfaction from customers is key for a business to succeed and prosper in present-day economy. Companies need to catch up by reaching customer need and deliver essential quality service for just in time purposes to return or improve the company's investment. This review suggests that contemporary companies can benefit from how customer perceive total quality delivery and knowing how to measure service equity and quality following the dimension highlighted in the literature. Furthermore, it is important for companies in the service sector to provides a wide range of total quality management practices and services to customer even if these customers are not aware of it but it will help to retain trust and loyalty, thus, leading to customer satisfaction. By so doing will increase the overall performance of the company and customers will be satisfied.

REFERENCES

Ahire, S. L., & Ravichandran, T. (2001). An innovation diffusion model of TQM implementation. *IEEE Transactions on Engineering Management*, 48(4), 445-464. https://doi.org/10.1109/17.969423

AK, F. R. (2017). Impact of total quality management on customer satisfaction. *International Journal of Management and Commerce Innovations*, 4(2), 702-709. Available at: www.researchpublish.com

Alotaibi, G. B. G., Yusoff, R. Z., Mokhtar, S. S. M., & Taib, C. A. (2020). Total quality management: Perspective of Saudi healthcare organizations. *Journal of Business Management and Accounting*, 9(1), 89-93. DOI: https://doi.org/10.32890/jbma2019.9.1.8769

Ang, Y. S., Lee, V. H., Tan, B. I., & Chong, A. Y. L. (2011). The impact of TQM practices on learning organisation and customer orientation: a survey of small service organisations in Malaysia. *International Journal of Services, Economics and Management*, 3(1), 62-77. https://doi.org/10.1504/IJSEM.2011.037178

Anil, A. P., & Satish, K. P. (2019). Enhancing customer satisfaction through total quality management practices–an empirical examination. *Total Quality Management & Business Excellence*, 30(13-14), 1528-1548. https://doi.org/10.1080/14783363.2017.1378572

Antunes, M. G., Mucharreira, P. R., T Justino, M. R., & Texeira Quirós, J. (2020). Total quality management and quality certification on services corporations. *International Journal for Quality Research*, 14(3). http://doi.org/10.24874/IJQR14.03-13

Benavides-Velasco, C. A., Quintana-García, C., & Marchante-Lara, M. (2014). Total quality management, corporate social responsibility and performance in the hotel industry. *International Journal of Hospitality Management*, 41, 77-87. https://doi.org/10.1016/j.ijhm.2014.05.003

Bhattacherjee, A., & Premkumar, G. (2004). Understanding changes in belief and attitude toward information technology usage: A theoretical model and longitudinal test. *MIS Quarterly*, 229-254. https://doi.org/10.2307/25148634

Bon, A. T., & Mustafa, E. M. (2013). Impact of total quality management on innovation in service organizations: Literature review and new conceptual framework. *Procedia Engineering*, 53(0), 516-529. https://doi.org/10.1016/j.proeng.2013.02.067

Chen, C. F., & Tsai, D. (2007). How destination image and evaluative factors affect behavioural intentions?. *Tourism Management*, 28(4), 1115-1122. https://doi.org/10.1016/j.tourman.2006.07.007

Cronin Jr, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioural

intentions in service environments. *Journal of Retailing*, 76(2), 193-218. https://doi.org/10.1016/S0022-4359(00)00028-2

Dean Jr, J. W., & Bowen, D. E. (1994). Management theory and total quality: improving research and practise through theory development. *Academy of Management Review,* 19(3), 392-418. https://doi.org/10.5465/amr.1994.9412271803

DF, Cox. (1967). Risk-taking and Information Handling, Risk Taking and Information Handling in Consumer Behaviour, DF Cox ed.

Elkhani, N., & Bakri, A. (2012). Review on "expectancy disconfirmation theory" (EDT) Model in B2C E-Commerce. *Journal of Information Systems Research and Innovation*, 2(12), 95-102. http://seminar.utmspace.edu.my/myaisprint/

Evans, J. R., & Lindsay, W. M. (2008). Managing for Quality and Performance Excellence (7 ed.). Mason: *Thomson South-Western*.

Ezenyilimba, E. P., Ezejiofor, R. A., & Afodigbueokwu, H. E. (2019). Effect of total quality management on organizational performance of deposit money banks in Nigeria.

Flynn, B. B., Sakakibara, S., & Schroeder, R. G. (1995). Relationship between JIT and TQM: practices and performance. *Academy of Management Journal*, 38(5), 1325-1360. https://doi.org/10.5465/256860

Fragassa, C., Pavlovic, A., & Massimo, S. (2014). Using a total quality strategy in a new practical approach for improving the product reliability in automotive industry. *International Journal for Quality Research*, 8(3).

Garvin, D. A. (1984). What does "product quality" really mean?. *Sloan Management Review*, 25.

Gijo, E. V., Bhat, S., Antony, J., & Park, S. H. (2021). Ten commandments for successful implementation of Design for Six Sigma.

The TQM Journal. https://doi.org/10.1108/TQM-01-2021-0014

Gruner, K. E., & Homburg, C. (2000). Does customer interaction enhance new product success?. *Journal of Business Research*, 49(1), 1-14. https://doi.org/10.1016/S0148-2963(99)00013-2

Haffar, M., Al-Karaghouli, W., Irani, Z., Djebarni, R., & Gbadamosi, G. (2019). The influence of individual readiness for change dimensions on quality management implementation in Algerian manufacturing organisations. *International Journal of Production Economics*, 207, 247-260. https://doi.org/10.1016/j.ijpe.2016.08.024

Hausknecht, D. R. (1990). Measurement scales in consumer satisfaction/dissatisfaction. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, 3(1), 1-11.

Hsiao, C. H., Chang, J. J., & Tang, K. Y. (2016). Exploring the influential factors in continuance usage of mobile social Apps: Satisfaction, habit, and customer value perspectives. *Telematics and Informatics*, 33(2), 342-355. https://doi.org/10.1016/j.tele.2015.08.014

Juneja, D., Ahmad, S., & Kumar, S. (2011). The adaptability of total quality management to the service sector. *International Journal of Computer Science & Management Studies*, 11(2), 93-98.

Jimoh, R., Oyewobi, L., Isa, R., & Waziri, I. (2019). Total quality management practices and organizational performance: the mediating roles of strategies for continuous improvement. *International Journal of Construction Management*, 19(2), 162-177. https://doi.org/10.1080/15623599.2017.1411456

Jitpaiboon, T., & Rao, S. S. (2007). A meta-analysis of quality measures in the manufacturing system. *International Journal of Quality & Reliability Management,* 24(1), 78-102. https://doi.org/10.1108/02656710710720349

Juran, J. M., Gryna, F. M., & Bingham, R. S. (1974). Quality control handbook (No. 658.562 Q-1q). McGraw Hill,

Kanji, G. K., Kristensen, K. K., & Dahlgaard, J. J. (1992). Total quality management as a strategic variable. *Total Quality Management*, 3(1), 3-8. https://doi.org/10.1080/09544129200000001

Kim, D. Y., Kumar, V., & Kumar, U. (2012). Relationship between quality management practices and innovation. *Journal Of Operations Management*, 30(4), 295-315. https://doi.org/10.1016/j.jom.2012.02.003

Kuehn, A. A., & Day, R. L. (1962). The strategy of product quality. *Harvard Business Review*.

Kumar, R., Singh, K., & Jain, S. K. (2020). A combined AHP and TOPSIS approach for prioritizing the attributes for successful

implementation of agile manufacturing. *International Journal of Productivity and Performance Management*. https://doi.org/10.1108/IJPPM-05-2019-0221

Kull, T. J., & Wacker, J. G. (2010). Quality management effectiveness in Asia: The influence of culture. *Journal of Operations Management,* 28(3), 223-239. https://doi.org/10.1016/j.jom.2009.11.003

Lancaster, K. J. (1966). A new approach to consumer theory. *Journal of Political Economy*, 74(2), 132-157.

Lee, S. (2011). Evaluating serviceability of healthcare services capes: Service design perspective. *International Journal of Design*, 5(2). https://doi/10.1.1.444.828

Li, D., Zhao, Y., Zhang, L., Chen, X., & Cao, C. (2018). Impact of quality management on green innovation. *Journal of Cleaner Production*, 170, 462-470. https://doi.org/10.1016/j.jclepro.2017.09.158

Mukhopadhyay, M. (2020). Total quality management in education. *SAGE Publications Pvt. Limited*.

Mushtaq, N., Peng, W. W., & Lin, S. K. (2011). Exploring the lost link between TQM, innovation and organization financial performance through non-financial measures. *In International Conference on Innovation, Management and Service*, 14.

Mustafa, E. M. A. (2015). Impact of Total Quality Management Practices on Innovation in Service Organizations. (*Doctoral dissertation, Universiti Tun Hussein Onn Malaysia*). Available at https://core.ac.uk/download/pdf/42956199.pdf

Nair, A. (2006). A meta-analysis of the relationship between quality management practices and firm performance—implications for quality management theory development. *Journal of Operations Management*, 24(6), 948-975. https://doi.org/10.1016/j.jom.2005.11.005

Nimeh, H. A., Abdallah, A. B., & Sweis, R. (2018). Lean supply chain management practices and performance: empirical evidence from manufacturing companies. *International Journal of Supply Chain Management*, 7(1), 1-15. Available at https://core.ac.uk/reader/230749380

Nunkoo, R., Teeroovengadum, V., Ringle, C. M., & Sunnassee, V. (2020). Service quality and customer satisfaction: The moderating effects of hotel star rating. *International Journal of Hospitality Management*, 91, 102414. https://doi.org/10.1016/j.ijhm.2019.102414

Ogiemwonyi, O., Harun, A., Rahman, A., Hamawandy, N. M., Alam, M. N., & Jalal, F. B. (2020a). Examining the impact of service quality dimensions on customer loyalty towards hypermarket retailing: A case study of Malaysia. *International Journal of PsychosocialRehabilitation*,24(04). https://doi.org/10.37200/IJPR/V24I4/PR2020737

Ogiemwonyi, O., Harun, A., Rahman, A., Alam, M. N., & Hamawandy, N. M. (2020b). The relationship between service quality dimensions and customer satisfaction towards hypermarket in Malaysia. *International Journal of Psychosocial Rehabilitation*, 24(05). https://doi.org/10.37200/IJPR/V24I5/PR201904

Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research*, 17(4), 460-469. https://doi.org/10.1177/002224378001700405

Othman, B. J., Hamawandy, N. M., Aziz, H. T., Ali, R. M., Khoshnaw, R. T., Majid, A. A., & Ogiemwonyi, O. (2020). Interpret and apply economic analysis to the role of international business organizations and their activities: A case study of Adelia. *Solid State Technology*, 63(5), 4525-4533. Available at www.solidstatetechnology.us

Pekovic, S., & Galia, F. (2009). From quality to innovation: Evidence from two French employer surveys. *Technovation*, 29(12), 829-842. https://doi.org/10.1016/j.technovation.2009.08.002

Peterson, R. A., & Wilson, W. R. (1992). Measuring customer satisfaction: fact and artifact. *Journal of The Academy of Marketing Science*, 20(1), 61-71. https://doi.org/10.1007/BF02723476

Rahman, I., Park, J., & Chi, C. G. Q. (2015). Consequences of "greenwashing". *International Journal of Contemporary Hospitality Management.* https://doi.org/10.1108/IJCHM-04-2014-0202

Reeves, C. A., & Bednar, D. A. (1994). Defining quality: alternatives and implications. *Academy of Management Review*, 19(3), 419-445. https://doi.org/10.5465/amr.1994.9412271805

Sadikoglu, E., & Olcay, H. (2014). The effects of total quality management practices on performance and the reasons for and the barriers to TQM practices in Turkey. *Advances in Decision Sciences*. http://dx.doi.org/10.1155/2014/537605

Sadikoglu, E., & Zehir, C. (2010). Investigating the effects of innovation and employee performance on the relationship between total quality management practices and firm performance: An empirical study of Turkish firms. *International Journal of*

Production Economics, 127(1), 13-26. https://doi.org/10.1016/j.ijpe.2010.02.013

Sarkees, M. E., & Hulland, J. (2009). Efficiency and innovation: It is possible to have it all. *Business Horizons*, 52(1), 45-55. https://doi.org/10.1016/j.bushor.2008.08.002

Sciarelli, M., Gheith, M. H., & Tani, M. (2020). The relationship between quality management practices, organizational innovation, and technical innovation in higher education. *Quality Assurance in Education*. https://doi.org/10.1108/QAE-10-2019-0102

Shokri, A., Antony, J., Garza-Reyes, J. A., & Upton, M. (2021). Scoping review of the readiness for sustainable implementation of Lean Six Sigma projects in the manufacturing sector. *International Journal of Quality & Reliability Management*. https://doi.org/10.1108/IJQRM-08-2020-0261

Sila, I., & Walczak, S. (2017). Universal versus contextual effects on TQM: a triangulation study using neural networks. *Production Planning & Control*, 28(5), 367-386. https://doi.org/10.1080/09537287.2017.1296598

Sindhwani, R., & Malhotra, V. (2018). An integrated approach for implementation of the agile manufacturing system in an Indian manufacturing industry. Benchmarking: *An International Journal*. https://doi.org/10.1108/BIJ-01-2017-0017

Soares, A., Soltani, E., & Liao, Y. Y. (2017). The influence of supply chain quality management practices on quality performance: an empirical investigation. Supply Chain Management: *An International Journal*. https://doi.org/10.1108/SCM-08-2016-0286

Söderlund, M. (1998). Customer satisfaction and its consequences on customer behaviour revisited. *International Journal of Service Industry Management*. https://doi.org/10.1108/09564239810210532

Sommerville, J., & Robertson, H. W. (2000). A scorecard approach to benchmarking for total quality construction. International *Journal of Quality & Reliability Management*. https://doi.org/10.1108/02656710010298526

Tonjang, S., & Thawesaengskulthai, N. (2020). A systematic literature review of TQM and innovation in healthcare. In ISPIM Conference Proceedings. *The International Society for Professional Innovation Management (ISPIM),* 1-17.

Torres, E. N. (2014). Deconstructing service quality and customer satisfaction: Challenges and directions for future research. Journal of Hospitality Marketing & Management, 23(6), 652-677. https://doi.org/10.1080/19368623.2014.846839

Viada-Stenger, M.C., Balbastre-Benavent, F., & Redondo-Cano, A. M. (2010). The implementation of a quality management system based on the Q tourist quality standard. The case of hotel sector. *Service Business*, 4(3-4), 177-196. https://doi.org/10.1007/s11628-009-0087-1

Wang, Y. J., Hernandez, M. D., & Minor, M. S. (2010). Web aesthetics effects on perceived online service quality and satisfaction in an e-tail environment: The moderating role of purchase task. *Journal of Business Research*, 63(9-10), 935-942. https://doi.org/10.1016/j.jbusres.2009.01.016

Wolkins, D. O. (1996). Total Quality: A framework for Leadership: *Portland Productivity Press*

Yi, Y. (1990). A critical review of consumer satisfaction. *Review of Marketing*, 4(1), 68-123. Available at https://deepblue.lib.umich.edu/bitstream/handle/2027.42/36290/b1412322.0001.001.pdf?sequence=2

Žabkar, V., Brenčič, M. M., & Dmitrović, T. (2010). Modelling perceived quality, visitor satisfaction and behavioural intentions at the destination level. *Tourism Management*, 31(4), 537-546. https://doi.org/10.1016/j.tourman.2009.06.005

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.92
https://journal.unisza.edu.my/jmtp



A Study of Integration of Operational Strategy and Competitive Priorities for Halal Food Industry in Malaysia

Sulaiman Abdullahi Bambale[1], Saheed Ademola Lateef[2], Ng Mui Qing[3], Ahmad Haruna Abubakar[4], Kaltume Mohammed Kamselem[5]

Faculty of Business and Management Universiti Sultan Zainal Abidin (UniSZA) Malaysia[1,2&3],
School of Business Managament, Universiti Utara Malaysia[2],
Faculty of Business & Entrepreneurship Bayero University Kano, Nigeria[4]

***Corresponding Author Email:** abdullahisulaiman607@ymail.com

Received: 8th February 2021 ***Accepted: 27th April 2021*** ***Published: 6th May 2021***

Abstract
Halal products in Malaysia are essential element for consumption in Muslims society but the trend living in multiple religion and ethic (Non-Muslim) allow to buy usual food with 'Halal' product. Muslim customers today have paid more attention to their foods in respect to the word 'halal'. Therefore, the purpose of this article is to examine the influence of operational strategies and competitive priorities on performance of Halal food industry in Malaysia. The structure presented the first step towards a more systematic and theoretical approach to understanding the halal food industry in Malaysia. A total number of 242 questionnaires were derived as the sample size via Krejice and Mogan (1970) method. Furthermore, 185 questionnaires were completed and returned representing 76.5% of the total questionnaire distribution to both managers and owners of Halal food business in Kuala Lumpur and its environs. Out of which, only 164 questionnaires were usable for the analysis after data screening. Partial Least Square-Structural Equation Modelling (PLS-SEM) was used to analyse as a popularly accepted model to justify the theory with the observation data. Results have shown that production quality and cost; food certification and packaging honesty; government support; and intensity of entrepreneur, have a positive effect on performance of Halal food industry in Malaysia. This result of the study will benefit decision makers and food companies consider the external and internal generators in aspect of competitive priorities and operational strategy, which will effectively encourage the introduction of halal food industry in Malaysia. In addition, future research may also examine the effects on the Malaysian Halal Food Industry on the integration of the operational strategy and the strategic goals 'before and after Halal Certification.

Keywords: Operational Strategies, competitive priorities, performance, Halal food industry, Malaysia.

OPEN ACCESS

INTRODUCTION

Halal goods in Malaysia are important element for consumption in Muslims society but the trend living in multiple religion and ethic (Non-Muslim) allow us to buy usual food with 'Halal' product. The halal industry in Malaysia has been rising steadily every decade. In Malaysia, Muslim population was 1.5 billion in 2010 which is increasingly grow to 1.85 billion in the year of 2020 (Houssain Kettani, 2010). It can be said that there were two key factors contributing to the positive growth of the halal industry: firstly, Muslim wants, knowledge and demands and, secondly, support from the authority , especially in the regulation of the Halal certification process. (Safian vd., 2017). Moreover, Muslim customers today have paid more attention to their foods in respect to the word 'halal'. In terms of Islamic traditions and religion this is a very strong argument. Hence, Malaysia is a long-established government target to build a global halal platform through which halal items and services can be marketed, sold, or produced through Muslim countries around the world.

يَٰٓأَيُّهَا ٱلنَّاسُ كُلُوا۟ مِمَّا فِى ٱلْأَرْضِ حَلَٰلًا طَيِّبًا وَلَا تَتَّبِعُوا۟ خُطُوَٰتِ ٱلشَّيْطَٰنِ ۚ إِنَّهُۥ لَكُمْ عَدُوٌّ مُّبِينٌ ﴿١٦٨﴾

(Surah Al Baqarah, ayat 168)

According to Surah Al-Baqarah 2:168 "O humanity! Eat from what is lawful and good on the earth and do not follow Satan's footsteps." According to Al-Quran, it is further warned specifically for believers to eat and drink halal and always be grateful to Allah (SWT) (Jabatan Hal Ehwal Agama Islam Negeri Sabah, 2018). The term "halal" simply means lawful and is translated as legitimate. The opposite side of halal named in as Haram. Haram means is prohibited or unlawful in Islam context. The goods contain pork or its by-products, forbidden foods of animal origin and alcohol or if the substance is not processed and processed without clean machinery name it as haram. The scope of the halal market for those halal industry is to expand their goods globally which is demand in Muslim country mainly because halal food is essential in terms of food to conform with Islamic food values and to ensure the standard of halal food. In context is

Islam law, the halal food should come with healthy ingredients.

Also, the food industry should be following the standard such as sanitation and cleanliness which include all personal hygiene part, dress, equipment and the premise for production or preparation the food. Halal hygiene and wellbeing (Halal and Tayyib) are basically the basis for halal (Wahab,2004). Halal and Tayyib are present to ensure that halal food is safe and nutritious (Zailani et al., 2015). Increasing demand for halal food by international customers is an opportunity for countries to prosper and engage in a dynamic global halal market (Zailani et al., 2015). Strategic operational strategy, such as food product quality and cost; food certification and packaging, for the Malaysian Halal Food Industry, must be formulated and implemented to ensure that Malaysia remains competitive in the global economy of Halal Food Enterprises. Meanwhile, to make competitive priorities among others country, Malaysia food industry also should reflect on external and internal factors. This approach would allow organisations to reflect on substantial capital and expertise while focusing on the existing climate. Furthermore, the integration of operational strategy and competitive priorities is one of the reasonable methods that will help the halal business truly meet with the halal criteria.

Despite the tremendous halal market and the importance of halal food industry in Malaysia in maintaining the halal of foodstuffs. An issue thus arises as to the nature of the procedure of halal food industry in Malaysia. What are, exactly, the operational strategy and competitive priorities that inspire businesses to follow halal food industry in Malaysia? The information available is, to the best of our experience, inadequate to answer these questions. This research is intended to examine integration of operational strategy and competitive priorities toward halal food industry in Malaysia drivers. Overall, the demand is growing strongly for approved halal food products. As a scale for halal food certification and quality assurance.

From the above mention part this study aims to examine the effect of operational strategy and the effect of competitive priorities on halal food industry in Malaysia. This result of the study will benefit decision makers and food companies consider the external and internal generators in aspect of competitive priorities and operational strategy, which will effectively encourage the introduction of halal food industry in Malaysia.

Literature review

Performance of Halal Food Industry in Malaysia

According Mahidin et al. (2016) indicate that a substantial number of the logistics businesses are beginning to investigate and invest in halal services in their activities, such as sourcing, warehousing and storage and transport as well as in the distribution of halal goods because halal marketplace is one of the world's most competitive and powerful markets. Malaysia located 74.3 from the national GIEI (Global Islamic Industry Indicator), which ranked as second largest in the world economy with the highest potential in the growth of its local halal food industry in Malaysia. Malaysia has a clear potential to grow its Halal Food Industry, due to its world-class legislation, new initiatives to accredit Halal Certifiers worldwide and to introduce the first Islamic Fintech Crowd Funding Licence. (Pearly Neo, 2019) This contributed implicitly to the Muslim community, in the hands of these farmers based on their legal destiny. However, Malaysia is the global leader in the Halal market, a secure Muslim nation with stable economic and social development, as well as cultural and political stability.

As a pioneer in the halal market, Malaysia's success storey began in 1974 when the Research Centre for Islamic Affairs of the Prime Minister's Office began issuing halal certification letters for products that met the halal requirements at the time. A significant landmark for Malaysia was the first halal standards published in 2000, when it became the first country to have a recorded and systematic halal assurance scheme (Malaysia Halal Industry, 2018). According to Business Today (2020), statistics from Halal Development Corporation Berhad (HDC) indicate that Halal food and beverages continued to hold its position at RM22.05 billion as the top contributor to the domestic halal economy in 2019. China remains the largest importer of our goods (RM4,69 billion), with Singapore (RM4,54 billion), the USA (RM2,58 billion), Japan (RM 2,35 billion) and Indonesia at RM 2,06 billion in terms of bilateral trade, Hairol said (Business Today, 2020). In 2019, there were 1,876 exporters of halal registered and show a growth rise of 2.7 percent compared to 1,827 export in 2018. Initially, Malaysia annual Halal exports were expected to reach an estimated RM50 billion by 2020. However, this has been a struggle to begin with, in view of the ongoing instability in oil markets and the COVID-19 crisis, when we face a global challenge on a colossal scale by the Halal Development Corporation (HDC). (Business Today, 2020). The Halal Centre will allow groups directly involved in the halal industry, including halal producers, halal distributors, halal traders, halal logistics providers, halal certification bodies and halal customers, to collaborate and improve communication.

Operational Strategy

Halal Certification and Packaging

Halal certification and packaging is part of the operational strategy that run the industry over the world to supply domestic and export to other Muslim country. As the halal industry and its supply chain are rising worldwide, it is increasingly important that a specific location be set up to serve as a global halal platform. According to Talib et al. (2017), halal food certification is a means of labelling that reminds consumers that a food commodity is made in compliance with strict Islamic requirements in the means of a licence, logo, seal or stamp. Halal specifications in Malaysia are the responsibility and authority of the government entity Malaysia Department of Islamic Development (JAKIM). (Zailani et al., 2015) (Mohd Saifudin, Adam et al.,2018). This certification agency is also responsible for enforcement in Malaysia of the applicable law, legislation, and regulations relating to halal specifications, while its halal norms, for instance MS 1500:2009 are a pioneer on the international level. (Zailani et al., 2015). The key factor behind Muslim consumers buying halal food is because the goods approved by halal conform with Sharia Law. This maintains that the halal certification and packaging have an immediate effect on financial performance as it requires accurate and detailed organisational performance and study has shown that there is an effect relationship between halal food certification to operational strategy (Talib et al., 2017).

Product Quality and Cost

Two organisational performance mechanisms were analysed in this research: product consistency and cost. The first important result was the product quality and product cost effect toward operational strategy both were positive. This showed that a product quality and product cost have a significant direct influence on organisational efficiency. Product Quality from the point of view of the consumer is related to the ability of the product to meet the needs of the customer (Cui, Anna and Fang Wu, 2016). Jiang, Jun & Yang, (2016) pointed out areas of quality evaluation, such as the relative value of each performance dimension to various customers, the adaptability of the product to the changes in demand, the performance of the product over its lifespan, and details on the uses and limitations of the product.

Competitive Priorities-External Factor

Government Support

Government funding carries the sense of government policies; regulations; government agencies; and benefits such as grants, financing, training, and consulting. (Zailani et al., 2015). In Malaysia, government support for the development is one of the reason booming halal industry. Prime Minister Tan Sri Muhyiddin Yassin said the government-established Halal Industry Development Council (HIDC) has an important role to play in driving and overseeing the entire Halal Malaysia ecosystem to make Malaysia a global halal hub. (Bernama, 2020) The Halal Industry Master Plan (HIMP) 2008-2020, which aims to make Malaysia the global halal centre, is the most recent and obvious evidence. The literature outlined in this section overall highlights the government's position in the halal food industry strongly supported by government. Furthermore, research into existing logistics shows that government's role can be supported financially and non-financially. According to Halal Industrial Development Corporation official website, Malaysia has a business-friendly government that provides fiscal and other benefits to investors. The Government has introduced policies and effective institutional infrastructure to develop the halal industry or otherwise to create a favourable operating environment. Halal food industry is receiving support from the government in terms of programmes, incentives and support to increase level of recognition. Government financing is a core component of the external economic sector (Zailani et al., 2015). Government funding in Malaysia is important due to the high competition of Halal Food Suppliers in other nations, for example Indonesia. Nation funding is also required to enable halal vendors to comply with halal provisions.

Competitive Intensity

The strength of competition refers to the demand generated in terms of costs, technical supply and creativity by competing competition with other firms (Antón, Ederer, Giné & Schmalz, 2018). A business has a significant effect on the level of competitiveness in a market in designing a new approach (Hussain & Jahanzaib, 2018). Intensive global consumer conditions force advertisers to find ways to separate their goods (Calder, Isaac & Malthouse, 2016). Swail, & Marlow, (2018) claimed that market value techniques and methods are easily imitated or embraced in competitive environments. Halal food in Malaysia becomes important as the majority of food producers in Malaysia are Muslim, and many visitors come to Malaysia out of the Middle East. As a result, more factories deliver halal goods to take advantage of that kind of demand. In this case, customers will not impose Halal Food from the suppliers until a certain quality of output is provided (Ahmad, Sabar, Udin, Abd Latif & Zainuddin, 2019). Thus, the adoption of halal food industry in food processing according the halal standards is a vital factor for companies or organisations in effort to achieve a competitive advantage. Competitive strength is one of the factors that contributes to environmental hostility (Ilyas, Le Loarne & Rizvi, 2019). Competitive intensity is a situation where rivalry is intense due to the number of players on the market and the lack of new opportunities for more development. As competition increases more, the outcomes of the firm 's conduct will no longer be deterministic but unpredictable, as the behaviour is highly affected by the acts and contingencies of the competitors. As a consequence, predictability and certainty decreases under conditions of growing rivalry (Yeniaras & Unver, 2016).

Competitive Priorities -Internal Factor

Intensity of Entrepreneurship

Entrepreneurship intensity refers to the level of innovation or the degree of commitment to entrepreneurship shown by entrepreneurship (Giordano Martínez, Herrero Crespo & Fernández-Laviada, 2017). In a new volatile market, businesses must have clear entrepreneurial power in the workforce or management teams to ensure they will become competitive in global business (Sundarakani, Abdul Razzak & Manikandan, 2018). The concept of entrepreneurial force underpinning entrepreneurial behaviour and behaviour is based on three key dimensions: creativity, risk-taking and pro-activeness (Beynon, Jones & Pickernell, 2016). To the extent that an undertaking demonstrates a certain degree of creativity, risk-taking and proactiveness, it can be called an entrepreneurial event and the person behind it can be considered an entrepreneur. A particular person or group is capable of generating a variety of entrepreneurial events and experiences (Spigel, 2017). Davis, Hmieleski, Webb & Coombs, (2017) defined entrepreneurship in five types of events: the introduction of new products or new product quality, the opening up of a new market ,the introduction of new manufacturing methods, the use of new sources of supply and the adoption of new organisational forms (Witkowski, 2017).

Halal Integrity

The integrity of Halal refers to the legitimacy of the definition of Halal, and particularly the accuracy, coherence, and reliability of the material, process, and method of Halal (Andini, 2018). Companies must have a halal-oriented integrated structure. In all levels of Halal honesty, and the consistency and durability of halal-based goods are extremely demanding for customers (Elias, Nawi, Pozin, Yaakob & Ahmad, 2019). The value for the manufacture of products compliant with Halal specifications is to maintain maximum transparency in any area of staffing, component materials, manufacturing procedures, transport, and storage (Ulewicz, Jelonek & Mazur, 2016). Farm to Fork Food Supply Chain is involved with not only food but with origin, transparency, capacity for bribery and malpractices, enhanced consumer confidence, traceability (trackback and forward) and consistency issues (Barnett, Begen, Howes, Regan, McConnon, Marcu & Verbeke, 2016). Halal integrity also would always state clearly the details of the halal certification of the product and assure that halal requirements

as specified are satisfied. Regulation points for halal slaughter of livestock and halal implementation of critical control points for various production processes (Abdullah, Borilova & Steinhauserova, 2019). Soon et al. (2017) argued it is a difficult task to maintain the halal quality of the investigation supply chain, as it requires constant supervision, financial investments and professional staff. Nevertheless, increasing demand for halal food products from consumers and the pressure from the supply side concept of religion (i.e. the expansion of halal markets due to the initiative of the manufacturing side to manufacture more halal food) will promote the need to retain halal food status. Malaysian halal bodies play a significant role in the certification of halal food products, although governments will actively participate as certification bodies and provide independent control the halal food chain (Soon et al., 2017).

The Research Framework and Hypothesis

The study examines the influence of operational strategy and competitive priorities on performance of the Halal food industry in Malaysia. The study used performance of the Halal food industry as dependent variable and the operational strategy and competitive priorities as independent variables. Therefore, the research framework developed which explicates the association between dependent variable in one hand and independent variables in another hand as shown in Figure 1 below:

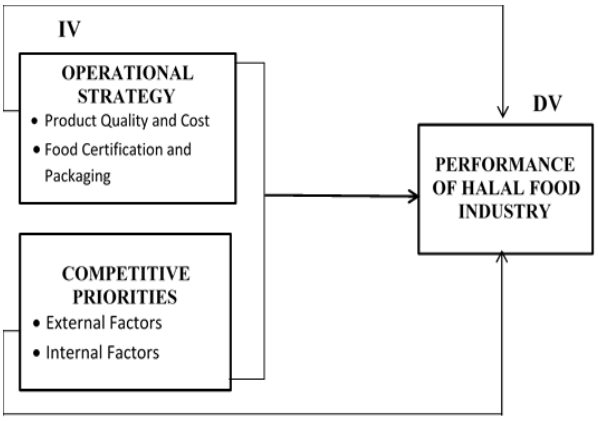


Figure 1: Research framework

Research Hypotheses Development

This study integration of operational strategy and competitive priorities towards the performance of halal food industry in Malaysia. Prior studies examined the relationship between operational strategies and performance of the Halal food industries as well as food certification and packaging towards performance of Halal food industry mostly in advanced countries of the world (Zailani et al., 2015; Kim et al., 2017; Omar et al., 2008), but little attention were paid to it in the developing nations like Malaysia. Hence, the hypotheses were developed in the Table 1 below:

Table 1: Research Hypotheses

Operational Strategy	
Product quality and cost	H1. Product quality and cost influences the performance of halal food industry in Malaysia positively.
Food certification and packaging	H2. Food Certification and packaging influences the performance of halal food industry in Malaysia positively.
Competitive Priorities - External Factor	
Government support	H3. The funding of government influences the performance of halal food industry in Malaysia positively.
Competitive intensity	H4. Competitive pressure has a positive impact on the performance of halal food industry in Malaysia.
Competitive Priorities – Internal Factor	
Intensity of entrepreneurship	H5. Entrepreneurial strength has a beneficial impact on the performance of the halal food industry in Malaysia.
Halal integrity	H6. Halal integrity honesty affects the performance of halal food industry in Malaysia positively.

Research Methods and Materials

This study conducted survey on the Operational strategies and competitive priorities towards performance of Halal food Industry in Lumpur Malaysia. Thereby, only 242 questionnaires were derived as the sample size through Krejice and Mogan (1970) sampling techniques. Also, this study formulate a questionnaire that comprised all items from the pilot study (40 items). The first part of survey were asked respondents to indicate their level of agreement with the statements on change using 5 point likert scale ranging from 1 strongly disagree (SD-1) to 5 strongly agree (SA-5). Based on the variable measurement, eight (8) items were used to measure the performance of Halal food industry as adapted from Elias et al. (2019) and Ahmad et al (2019). Whereas, the independent variables such as, operation strategies were measured with thirteen (13) items adapted from Kim et al. (2017) and Omar et al. (2008); and Competitive priority measured with nineteen (19) items adapted from Zailani et al. (2015) and Omar et al. (2008). Table 2 indicated the summary of the measurement of the variables with the source and reliability values after the pilot test.

Table 2: Measurement of the Variables with Reliability and Sources

S/N	Variables	Items	Reliability	Sources
1	Operational Strategies			Kim et al. (2017); Omar et al. (2008)
	Production Quality and Cost	8	0.820	
	Food Certification & Packaging	5	0.723	
2	Competitive Priorities			Zailani et al. (2017); Omar et al. (2008)
	External Factors	10	0.755	
	Internal Factors	9	0.805	
3	Performance of Halal Food Industry	8	0.752	Elias et al. (2019); Ahmad et al. (2019)

The study finally distributed 242 copies of questionnaire to the managers and owners of the selected Halal food industry in Kuala Lumpur. A total number of 185 copies of completed questionnaires were retrieved representing 76.5% of the total questionnaire distribution. Out of which, only 164 questionnaires were usable for the analysis after data cleaning. Finally, PLS-SEM was used to analysed as a

popularly accepted model to justify the theory with the observation data as suggested by Hair et al. (2018). This software offers a valuable tool for Halal food and cosmetic research owing to the high grade of flexibility as it is provides for the relationship between data and theory, which indicates the importance given the present state of study.

Analysis Result and Interpretation of Findings

This study examined the measurement model by assessing the convergent validity, construct reliability, and discriminant validity as suggested by Hair et al. (2018). In the first place, this study examined to construct reliability by examining the composite reliability and Cronbach alpha. Meanwhile the result of the composite reliability from the measurement model shows between 0.823 – 0.888 and the result of the Cronbach alpha value ranged from 0.765 – 0.869 as reported in the Table 3. As recommended by the Hair et al. (2018), the results are higher than the suggested value of 0.7, which shows that the measurement model is reliable and fit for the model. Based on the result of the convergent validity of the instruments, it was indicated through the average variance extracted (AVE) (Henseler, 2012). Thereby, the result of the AVE of all the constructs were ranged between 0.515 – 851, which is higher than the threshold value >0.50, displaying that this model's convergent validity is accepted as recommended by (Hair et al., 2016). Hence, the summary of the result of the convergent validity and construct reliability showing indicated in the Table 3 below and the measurement model image indicated in the Appendix A.

Table 3: Summary of the Measurement Model Result

Constructs	Cronbach Alpha	CR	AVE	R2
Operational Strategies				
Production quality and Cost	0.802	0.861	0.515	
Food Certification and Packaging	0.777	0.873	0.655	
Competitive Priority-External Factor				
Government Support	0.721	0.827	0.545	
Competitive Intensity	0.815	0.888	0.677	
Competitive Priority-Internal Factor				
Integrity of Entrepreneurship	0.788	0.863	0.614	
Halal Integrity	0.685	0.823	0.609	
Performance of Halal Food Industry	0.869	0.875	0.851	0.649

Discriminant Validity (Fornel-Larcker Criteria)

This study discussed the result of the discriminant validity and Heterotrait-monotrait Ratio (HTMT). This was examined through the fornel-larcker criterion, cross loading and mean and standard deviation. Thereby, according to Henseler (2012), the square root of the AVE as the diagonal elements is greater than the off-diagonal correlation in the column and row, indicating the achievement of the fornel-larcker criterion. Finally, the joint results of the fornel-Lacker criterion, and descriptive statistics revealed that the discriminant validity of the data is satisfactorily as indicated in Table 4 below.

Table 4: Discriminant Validity (Fornel-Larcker Criterion) and Descriptive of Latent Variable

Constructs	Mean	SD	CI	FC	GS	PER	HI	IE	PC
Competitive Intensity	4.043	.818	**.823**						
Food Certification Packaging	3.962	.797	.603	**.809**					
Government Support	4.039	.809	.588	.711	**.738**				
Halal Food Performance	3.933	.759	.683	.539	.602	**.922**			
Halal Integrity	3.904	.826	.437	.340	.364	.491	**.781**		
Intensity Entrepreneurship	3.925	.944	.854	.604	.556	.697	.539	**.784**	
Production Quality and Cost	3.909	.790	.486	.383	.463	.643	.394	.480	**.718**

Structural Model (Testing of Hypotheses)

In consistence with the research objectives, the hypothetical model is formulated to analyse the relationships of the variables. This study tested the hypothesis from the two-step contexts, which includes the significance of the direct path analysis with the set constructs where 5000 bootstrapping samples were adopted to determine the path coefficient. Hence, to measure the structural model's explanatory power, the R2 value employed as endogenous construct. The structural model amounted to 65% of the variance in performance of Halal food industry, which confirms the predictive validity as suggested by Hair et al. (2016). Thus, the study tests the relationship between exogenous construct and performance of Halal food industry by path coefficient (beta value); t-value and p-value. The result of the structural model showing in the table 4 below and the diagram result in Appendix B.

Table 4: Structural Model Results (Testing of Hypotheses)

Hypotheses	Beta	SD	T Value	P Values	Decision	F2	Q2
Operational Strategies							.251
Production Quality & Cost -> Halal Food Performance	0.322	0.062	5.189	0.000	Supported	.202	
Food Certification Package-> Halal Food Performance	0.156	0.074	2.103	0.029	Supported	.025	
Competitive Priority-External Factor							
Government Support -> Halal Food Performance	0.179	0.091	1.966	0.025	Supported	.039	
Competitive Intensity -> Halal Food Performance	0.162	0.118	1.374	0.085	Not Supported	.018	
Competitive Priority-Internal Factor							
Intensity Entrepreneurship -> Halal Food Performance	0.251	0.110	2.279	0.012	Supported	.041	
Halal Integrity -> Halal Food Performance	0.090	0.062	1.459	0.073	Not Supported	.016	

Based on the result of the operational strategies in Table 4 above, the result of the production quality and cost indicates there is a positive significant relationship of production quality and cost towards performance of Halal food industry (β= 0.322; t= 5.189; p<0.01). This revealed that production quality and cost is a vital determinant for the best performance of Halal food industry. Hence, the hypothesis H1 is supported. In addition, food certification and packaging has found positive relationship with performance of Halal food industry with (β= 0.156; t= 2.103; p<0.05). Thus, hypothesis H2 was supported. This indicates that food certification and packaging is a predictor for the performance of Halal food industry.

As regards to the result of the external factor of the competitive priority in Table 4 above, the result of the government support revealed that there is a positive significant relationship of government support towards performance of Halal food industry (β= 0.179; t= 1.970; p<0.05). This revealed that government support is essential determinant for the meaningful performance of Halal food industry. Therefore, the hypothesis H3 is supported. However, competitive intensity has found insignificant with performance of Halal food industry with (β= 0.162; t= 1.374; p>.085). Thus, hypothesis H4 was not supported. This result showing no relationship between competitive intensity and performance of Halal food industry in Malaysia.

With regards to the result of the internal factor of the competitive priority in Table 4 above, the result of the intensity of entrepreneurship implied that there is a positive significant relationship of intensity of entrepreneurship towards performance of Halal food industry (β= 0.251; t= 2.279; p<0.05). This shows that intensity of entrepreneurship is predictor for the best performance of Halal food industry. Therefore, the hypothesis H5 is supported. However, Halal integrity found insignificant with performance of Halal food industry with (β= 0.162; t= 1.374; p>.085). Thus, hypothesis H6 was not supported. This result revealed little or no relationship with performance of Halal food industry in Malaysia.

Conclusions and Recommendations

Suggestion/Future Study

The results indicate that the operation of the Halal Food System in Malaysia has a positive impact on operational efficiency and better performance of Halal food industry in Malaysia. Moreover, the results have shown that government support, entrepreneur intensity, production quality and cost, and food certification and packaging honesty have had a positive impact on the performance of halal food industry in Malaysia. These topics need to be addressed for future study. In addition, future research may also examine the effects on the Malaysian Halal Food Industry on the integration of the operational strategy and the strategic goals 'before and after Halal Certification.

Conclusion

The goals of this study are to explore the study that drive halal food companies in Malaysia support by halal operating strategy and competitive priorities. The structure presented the first step towards a more systematic and theoretical approach to understanding the halal food industry in Malaysia. Results shown that government support, intensity of entrepreneur, production quality and cost and food certification and packaging honesty have a positive effect on halal food industry in Malaysia. The after effect of the investigation additionally shows that the motivation behind most respondents utilizing Halal food industry benefits in Malaysia is for everyday use. The outcome of the study will benefit decision makers and food companies consider the external and internal generators in aspect of competitive priorities and operational strategy, which will effectively encourage the introduction of halal food industry in Malaysia. For future exploration, different factors could be applied in other to look in this field.

REFERENCES

Abdullah, F. A. A., Borilova, G., & Steinhauserova, I. (2019). Halal criteria versus conventional slaughter technology. Animals, 9(8), 530.

Ahmad, H., Sabar, R., Udin, Z. M., Abd Latif, M. F., & Zainuddin, N. (2019). Quality management of internal supply chain in Halal food manufacturer. International *Journal of Supply Chain Management*, 8(4), 1047-1052.

Ahmad, N., & Shariff, S. M. (2016). Supply chain management: sertu cleansing for halal logistics integrity. Procedia Economics and Finance, 37, 418-425.

Andini, M. (2018). Factors Influencing Halal Cosmetics Adoption among Young Muslim in Jakarta (Doctoral dissertation, President University).

Antón, M., Ederer, F., Giné, M., & Schmalz, M. C. (2018). Common ownership, competition, and top management incentives. Ross School of Business Paper, (1328).

Barnett, J., Begen, F., Howes, S., Regan, A., McConnon, A., Marcu, A., ... & Verbeke, W. (2016). Consumers' confidence, reflections and response strategies following the horsemeat incident. Food Control, 59, 721-730.

Bernama. October 06, 2020. Malaysia ready to work together towards halal food self-sufficiency. *The Edge Communications Sdn. Bhd.* Retrieve on October 18, 2020, from https://www.theedgemarkets.com/article/malaysia-ready-work-together-towards-halal-food-self sufficiency

Beynon, M. J., Jones, P., & Pickernell, D. (2016). Country-based comparison analysis using fsQCA investigating entrepreneurial attitudes and activity. *Journal of Business Research*, *69*(4), 1271-1276.

Burns, M., Wiseman, G., Knight, A., Bramley, P., Foster, L., Rollinson, S., ... & Primrose, S. (2016). Measurement issues associated with quantitative molecular biology analysis of complex food matrices for the detection of food fraud. Analyst, 141(1), 45-61.

Business Today. March 25, 2020. Malaysia halal industry stays resilient despite challenging times. Retrieve on October 19, 2020, from https://www.businesstoday.com.my /2020/03/25/malaysia-halal-industry-stays- resilient-despite-challenging-times/

Calder, B. J., Isaac, M. S., & Malthouse, E. C. (2016). How to capture consumer experiences: A context-specific approach to measuring engagement: Predicting consumer behavior across qualitatively different experiences. *Journal of Advertising Research*, *56*(1), 39-52.

Cui, Anna S., and Fang Wu. "Utilizing customer knowledge in innovation: antecedents and impact of customer involvement on new product performance." *Journal of the academy of marketing science* 44.4 (2016): 516-538.

Davis, B. C., Hmieleski, K. M., Webb, J. W., & Coombs, J. E. (2017). Funders' positive affective reactions to entrepreneurs' crowdfunding pitches: The influence of perceived product creativity and entrepreneurial passion. *Journal of Business Venturing*, *32*(1), 90-106.

Elias, M. E., Nawi, M. N. M., Pozin, M. A. A., Yaakob, M., & Ahmad, M. F. (2019). The impact of entrepreneurial orientation and halal orientation toward organizational performance of micro-sized enterprises. Int. J Sup. Chain. Mgt Vol, 8(1), 916.

Giordano Martínez, K. R., Herrero Crespo, A., & Fernández-Laviada, A. (2017). Influence of perceived risk on entrepreneurial desirability and feasibility: multidimensional approach for nascent entrepreneurs. Journal of Risk Research, 20(2), 218-236.

Hair Jr, J. F., Hult, G. T. M., Proksch, D., Sarstedt, M., Pinkwart, A., & Ringle, C. M. (2018). Addressing endogeneity in international marketing applications of partial least squares structural equation modeling. *Journal of International Marketing*, *26*(3), 1-21.

Hair Jr, J. F., Sarstedt, M., Matthews, L. M., & Ringle, C. M. (2016). Identifying and treating unobserved heterogeneity with FIMIX-PLS: part I–method. *European Business Review*.

Halal Industry Development Corporation (2019) Retrieved on October 18, 2020, from http://www.halalpark.com.my/publisher/bhi_why_malaysia

Henseler, J. (2012). PLS-MGA: A non-parametric approach to partial least squares-based multigroup analysis. In Challenges at the interface of data analysis, computer science, and optimisation (pp. 495-501). Springer Berlin Heidelberg.

Houssain Kettani, "Muslim Population in Europe: 1950 – 2020," International Journal of Environmental Science and Development vol. 1, no. 2, pp. 154-164, 2010.

Hussain, S., & Jahanzaib, M. (2018). Sustainable manufacturing–An overview and a conceptual framework for continuous transformation and competitiveness. Advances in Production Engineering & Management, 13(3), 237-253.

Ilyas, M. A., Le Loarne, S., & Rizvi, W. H. (2019). Entrepreneurial cognition process within a hostile business environment: A research study of high, medium and low performing entrepreneurs of Pakistan. IBA Business Review, 14(2).

Jiang, L., Jun, M., & Yang, Z. (2016). Customer-perceived value and loyalty: how do key service quality dimensions matter in the context of B2C e- commerce?. *Service Business*, *10*(2), 301-317.

Kim, H.T., Mohd, H.A., Zafir, M.M. and Azman, I. (2017), "The impact of external integration on halal food integrity", Supply Chain Management: An International Journal, Vol. 22 No. 2, pp. 186-199.

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement*, *30*(3), 607-610.

Mahidin, Norlila and Othman, Siti Norezam and Mohd Saifudin, Adam (2016) A preliminary study of halal logistics issues among food manufacturing companies. Journal of Technology and Operations Management, 11 (1). pp. 18-25. ISSN 1823-514X

Malaysia Halal Industry. (2018). Halalanquality.com. Retrieved on October 18, 2020, from http://www.halalanquality.com/index.php/halal/halal-industry/malaysia-halal-industry

Mohd Saifudin, Adam et al. Foods ingredients management: inbound and outbound halal management best practice. Journal of Technology and Operations Management, [S.l.], v. 13, n. 2, p. 34-44, dec. 2018. ISSN 2590-4175. Retrieve on October 18, 2020, from http://e-journal.uum.edu.my/index.php/jtom/article/view/9436

Omar, W. M. W., Muhammad, M. Z., & Omar, A. C. (2008, December). An analysis of the Muslim consumers' attitudes towards 'Halal' food products in Kelantan. In ECER regional conference (pp. 15-17).

Pearly Neo. (2019). Halal food leaders: Malaysia, Australia and Pakistan retain top APAC spots in Global Islamic Economy report's Top 10 list. *FoodNavigator- Asia*. Retrieved on October 18, 2020, from https://www.foodnavigatorasia.com/Article/2019/12/18/Halal-food-leaders- Malaysia-Australia-and-Pakistan-retain-top-APAC-spots-in-Global-Islamic- Economy-report-s-Top-10-listperformance.British Food Journal, 119(21), 1606–1618.

Portal Rasmi Jabatan Hal Ehwal Agama Islam Negeri Sabah. (2018). Retrieved October 18, 2020,from https://jheains.sabah.gov.my/index.php/perkhidmatan/khutbah-jumaat?layout=edit&id=129 Report for Halal industry master plan 2030

Safian, Y. H., Salleh, A. Z., Jamil, M. H., & Jamaluddin, M. A. (2017). Halal Governance in Malaysian Companies. International Halal Management Conference, 244-251.

Spigel, Ben (2017). "The relational organization of entrepreneurial ecosystems." *Entrepreneurship Theory and Practice* 41.1 (2017): 49-72.

Sundarakani, B., Abdul Razzak, H., & Manikandan, S. (2018). Creating a competitive advantage in the global flight catering supply chain: a case study using SCOR model. International Journal of Logistics Research and Applications, 21(5), 481-501.

Swail, J., & Marlow, S. (2018). 'Embrace the masculine; attenuate the feminine'– gender, identity work and entrepreneurial legitimation in the nascent context. Entrepreneurship & Regional Development, 30(1-2), 256-282.

Talib, M. S. A., Cin, T. A., & Fischer, J. (2017). Linking Halal food certification and business

Ulewicz, R., Jelonek, D., & Mazur, M. (2016). Implementation of logic flow in planning and prodction control. Management and production engineering review, 7.

Wahab, A. R. (200). Guidelines for the preparation of halal food and goods for the Muslim cnsumers. Retrieved October 18, 2020 from http://www.halalrc.org/images/Research%20Material/Literature/halal%20Guidelines.pdf

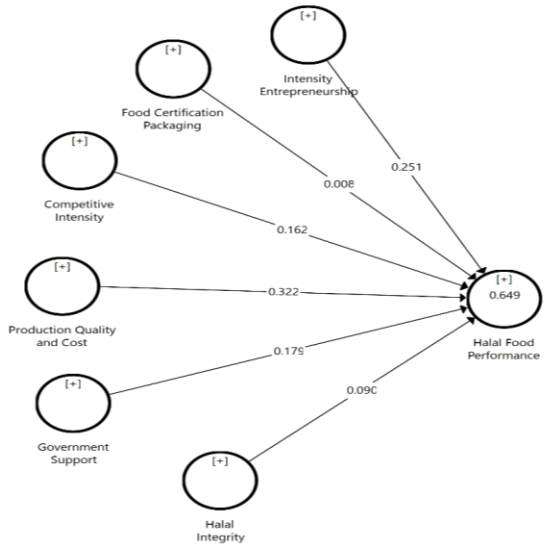
Witkowski, K. (201). Internet of things, big data, industry 4.0–innovative solutions logistics and supply chains management. *Procedia Engineering*, *182*, 763- 769.

Yeniaras, V., & Unver, S. (2016). Revisiting the mediating effect of entrepreneurial behaviour on proactiveness–performance relationship: The role of business ties and competitive intensity. European Management Review, 13(4), 291-306.

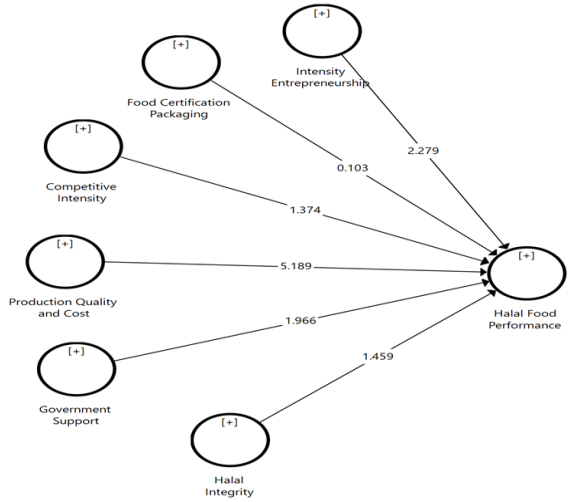
Zailani, S., Kanapathy, K., Iranmanesh, M. and Tieman, M. (2015), "Drivers of halal orientation strategy among halal food firms", British Food Journal, Vol. 117 No. 8, pp. 2143-2160.

APPENDICES

APPENDIX A: MEASUREMENT MODEL



APPENDIX B: STRUCTURAL MODEL



The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.97
https://journal.unisza.edu.my/jmtp



Food Value Chain, Sustainable Intensification and Food Security in Malaysia

[1]*Fakhrul Anwar Zainol, [2]Chua Kim Aik
[1&2]Faculty of Business and Management, Universiti Sultan Zainal Abidin, Terengganu, Malaysia
[2]Green World Genetics Sdn Bhd

***Corresponding Author Email: fakhrulanwar@unisza.edu.my**

Received: 24th February 2021 ***Accepted: 15th April 2021*** ***Published: 6th May 2021***

Abstract
Malaysian seed industry is at an early phase of development due to a lack of participation and an undeveloped seed industry, hence, previous research on this area is very limited. This research adopts Yin's case study approach which have been applied in a wide range of scholarly studies to the context of agribusiness research project. The findings of this study pertain to the components in the food value chain that influence food security which reveal that the respondents perceive food security is built on four important dimensions; namely, accessibility, availability, stability and utilization. Based on the respondents' view, Malaysia's food security status is not at the healthiest level since respondents noted the import bill remains at an all-time high causing an urgent need to address this problem. Most feel an increase in agriculture productivity is the most likely recommended option. Agriculture productivity depends on agriculture input of which, the seed is the fundamental component of the food value chain, hence, respondents suggested intensifying the seed industry to increase productivity.

Keywords: Food security, food value chain, sustainable intensification, agriculture, seed industry

OPEN ACCESS

INTRODUCTION

Seed plays an important role for starting point of any agricultural project whether it is in a small farm or on a large scale farm and true for any scale of production. Devising strategies and action plan to increase the supply of quality seed and farm materials which are still insufficient in Malaysia, have been the major focus by the Ministry of Agriculture and Food Industry (MAFI). Government efforts to spearhead agriculture in the countries due to current economic conditions would increase the demand for seeds due to implementation of various agriculture projects by the government and its related agencies and the private sectors as well as individual farmers.

A value chain on the other hand is defined as the activities in the whole value chain that are required to bring a product or service from farm to the end-consumer (Kaplinsky and Morris, 2002). Agricultural products buyers and producers that collaborate as strategic partners with other stakeholders such as aggregators, processors, distributors, retailers, and consumers are part of the total value chains (food) which represent a model of the business to reap financial gains through product differentiation that bring the impact towards social or environmental values. Initiating supreme products depends on cooperation and relationship need to be recognized by various partners in the business alliances. The food value chain model is becoming popular among scholars and practitioners since it put intense market pressure on various level of farmers, small or big sized farmers to ensure the farm productions are saleable and marketable.

In addition, Godfray, Beddington, Crute, Haddad, Lawrence, Muir, Pretty, Robinson, Thomas and Toulmin (2010) mutually agreed that sustainable intensification has been widely used in the discussions about the future of agriculture and food security. However, the term "sustainable intensification" was mentioned in the context of agriculture in Africa since 1990, where a major concern was a low yields and environmental deprivation (Foresight, 2011). In this context, the term refers to how to achieve targeted yields, rather than a details of current production systems; small- or large-scale farming methods. Even though the intensification related issues in agriculture have long been debates (Boserup 1965), sustainable intensification becomes a recent fear due to increase in global population and uncertain economic conditions. Although what sustainable intensification has been defined is, it offers a framework to identify what are the best practices based on the existing social, cultural and economic context and what should be the best practices to be adopted (McDermott, Staal, Freeman, Herrero and Van de Steeg, 2010).

A sustainable intensification can be categorized as an innovation as an agricultural development concept and as a component of achieving food security. Sustainable intensification concept like other innovations, has to adapt some conciliations that comes with advantages and disadvantages of implementing it. The implementation of the concept, demand high flexibility which means adhering to specific conditions of regions and countries that includes the combination of agriculture conservation and fostering best practices in agriculture for yields maximizing.

In spite of being an element for agriculture policy and strategy development that open for arguments and debates, sustainable intensification should be the way forward in order to enhance sustainable development and food security at national and global level. A bold action is indispensable in modernizing agriculture through innovation (Bertini, Glickman, 2013). Based on the above issues and debates this study is an attempt to answer this research question; **What are the components of the food value chain that influence food security in regard to the seed industry in Malaysia?**

METHODOLOGY

The objective, epistemology, methodology and methods that have been used in this study adopts Yin's (2003) definition of a case study. The Yin's case study protocol was used to guide implementation of the study. The field research undertaken in this study involved data collection by 12 semi-structured face-to-face interviews of seed experts. Collected data went through a transcription process before analysis. This process was to ensure consistency and accuracy; it began with transcription, follow by thematic coding and content analysis. Coding was necessary for efficient analysis and through it several replies may have been shortened.

Members of the National Seeds Association Malaysia (NSAM) has become the population and sample in this study. Despite the fact that the sample size in qualitative research is relatively small, the comments of the respondents contributes towards the richness of information and data (Maxwell, 1996). Furthermore, it shares same characteristics across all cases via multiple case study design (Farquhar, 2012) as well as providing details of the context and meaning of events and situations under study (Geertz, 1983). Thus, the 12 selected experts (sample) in this study was classified into three clusters; plant breeders, traders or managers and seed production experts. Each cluster was represented by 4 members. The NSAM was chosen as a sample for this study because its members' composition includes the breeders, traders and seed production experts. Participants were selected based on their profession and only plant breeders, production experts and traders or managers who were identified as working in the seed industry were selected in the survey frame.

RESULTS AND DISCUSSIONS

In this study, verbatim was used in order to produce the original of data transcription from the interviews. Atlas.ti version 7 has been used to analyze the qualitative data collected from the interview. Three themes have been generated in the analysis that include perception of food security, status of food security in Malaysia associated with sustainable intensification and components of the food value chain.

Perception of Food Security

The challenge of food security must be addressed immediately due to complex sustainable development issue faced by developing countries hindered them to achieve a sufficient food supply. Accordingly, of all the twelve respondents, four of them claimed that food security has been defined as existing food, to all people, at all times, as listed below:

P 1: Verbatim 1.docx – 1:3 (29:30)

…personally, I see food security as an adequacy of food by all people at all times to get healthy, balance and active life…

P 2: Verbatim 2.docx – 2:2 (29:29)

... food security referred to when people, got access to physical, economic, sufficient, safe, and nutritious food for a healthy and active life, at all times…

P 10: Verbatim 10.docx – 10:2 (59:59)

...food security achieved when all people meets their dietary needs and food preferences for an active and healthy life (sufficient, safe and nutritious food)

P 11: Verbatim 11.docx – 11:1 (47:47)

... to ensure sustainability of foods supply and demand where people can get adequate food supplies and basic foodstuffs

The remaining five respondents perceived that the most important item was to have economic access to sufficient, safe and nutritious food for a healthy and active lifestyle. The following quotations show their perception of food security:

P 6: Verbatim 6.docx – 6:2 (42:42)

So all nation has to make sure food supply are in order and enough, this is part of the social economic…

P 7: Verbatim 7.docx – 7:1 (41:41)

To me food security means there are enough food for everyone at any time, any place at affordable price.

P 8: Verbatim 8.docx – 8:1 (41:41)

As for my understanding, food security means we have enough for the nation whenever that is need.

P 9: Verbatim 9.docx – 9:1 (40:40)

Food security to my layman interpretation mean there are enough food for everyone at any time, any place at an affordable price.

P 12: Verbatim 12.docx – 12:13 (43:43)

…you know hungry people are angry people, it might lead to riot if that is not enough food. To me food security means, we have enough food for everyone any time any place.

Even so, two of them said that food security was when all people get enough food:

P 3: Verbatim 3.docx – 3:8 (30:30)

Production, supply, processing, distribution and market access are part of food security that contributes to poverty eradication

P 5: Verbatim 5.docx – 5:10 (30:30)

…is important to make sure that the country is in stable condition for the economy and also for their citizen.

Status of Food Security in Malaysia

In these responses, respondents perceive that there are many factors that affect food security to ensure sufficient levels of food in Malaysia. Good agricultural practices with good agricultural input will help to improve productivity and harmonize supply and demand. Currently, the food bill in Malaysia is causing a deficit. We have to produce more food locally to ensure self-sufficiency. The following shows that the status of food security in Malaysia is:

P 1: Verbatim 1.docx – 1:14 (35:35)

... in Malaysia will face a dangerous situation where the supply of the country is insufficient to meet the needs all residents.

All parties need to ensure the food security and future generations' nutrition are taken seriously. Thus, development of sustainable agricultural contributes to food security and

nutrition where food system plays crucial roles that ensures food security and nutrition for all.

In relation to sustainable intensification, its association with the status of food security in Malaysia was stated:

P 4: Verbatim 4.docx – 4:2 (30:30)

... in order to ensure the resilience of food security and nutrition for all, we need to strengthen and securing social responsibility of agriculture and food systems; sustainable agricultural development contributes to improving resource efficiency.

P 5: Verbatim 5.docx – 5:3 (40:41)

Households that possess enough financial resources can generate substantial economic demand that triggers the food supply. Hence, the sustainable food value chain development will prevent poverty among society.

Components of the Food Value Chain

With regard to food security being a widely debated issue, this topic encompasses issues built mainly on four dimension; food availability, food stability, food accessibility and food utilization. Food availability focus on the food security supply side which includes production, stock levels, trade and other factors. Food stability refers to the existence of the other three elements over time, how stable they are in any economic conditions. The person's ability to make use of food nutrients can be referred as an access to food includes household incomes and expenditures, markets, food prices and food utilization. Lastly, food utilization includes nutrients and sufficient energy requirements, good feeding practices, safe food preparation, dietary diversity, food distribution and health status. Some respondents remarked:

P 2: Verbatim 2.docx – 2:11 (34:35)

The components of food value chain that influences the food security including. Food availability, food utilization and also food stability…

P 3: Verbatim 3.docx – 3:12 (35:36)

Three major components of food security are first, availability of food that being determined by food production, stock and net trade. Second, food utilization can be referred to how body utilized the nutrients. Followed by food accessibility and food stability.

P 4: Verbatim 4.docx – 4:13 (34:35)

Key to food security lies in agricultural development where its contributes to food availability, stability and food utilization.

From the quotations above, it can be summarized that each of the participants perceived food security exists "when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary need and food preferences for an active and healthy lifestyle". The challenge of food security must be addressed immediately. With regard to food security in Malaysia, the participants were asked about the status of food security in Malaysia in association with sustainable intensification. They believed that for our nation to have a peaceful and stable life, we need to provide people with enough food at all times.

As for the supply, we cannot depend solely on imports. Currently, the food bill in Malaysia is causing a deficit. We have to produce more food locally and ensure self-sufficiency. As such, respondents suggested that we address the problem immediately. The population has increased to 32 million and will continue to increase; so too, the demand for food will naturally increase. In term of components of the food value chain, all respondents looked at four factors; accessibility, availability, stability and utilization. To increase productivity by increasing the cultivation area is not practical as land is decreasing due to an increase in population. The other alternative is to look at good production methods with the help of technology and good agricultural input. Agricultural input includes fertilizers, chemicals, knowledgeable workers and productive seed. Seed is fundamental for the entire chain. The detailed breakdown of the interview responses shown in Table 1 below.

Table 1: Summary of Results

Themes	Sub-themes	Codes	Respondent (Verbatim)	Industry/ Background
Perception of Food Security	• Existing Food • Enough Food • Most Important Item	PoFS	1, 2, 10 & 11 6, 7, 8, 9 & 12 3, 4 & 5	Plant Breeder (4), Production Expert (4) & Trader (4)
Status of Food Security in Malaysia	• Sustainable Intensification	Status	1, 4 & 5	Plant Breeder (2), Production Expert (1)
Components of Food Value Chain	• Availability • Stability • Accessibility • Utilization	CoFVC	2, 3 & 4	Plant Breeder (1), Production Expert (2)

CONCLUSIONS

Food security being a widely debated issue, encompasses many issues, but consisted by four main pillars or dimensions; food availability, food stability, food accessibility and food utilization. The world summit of 1996 held in Rome, Italy (Royal Society, 2009), defined food security as: "Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary need and food preferences for an active and healthy lifestyle". According to this study, all of the respondents understood the definition of food security and also shared the view that food security in Malaysia is rather weak. To achieve the goal of food security, the entire group of respondents suggested the issues of food security must be addressed immediately. These issues demand changes in agricultural practices and there is urgency for sustainable agriculture. Sustainable agricultural development is one of the most powerful tools for higher productivity.

According to the study, all of the respondents shared the same view. Fundamentally, good seed will lead to higher productivity in agriculture. It is the most crucial input component for any agriculture projects (Singh, Asokan and Asopa, 1990). Singh (1990) estimated that productivity can be increased by twenty per cent by having high quality seed alone. Furthermore, seeds are considered the fundamental sources of productivity of the total supply chain, though it contributed the least in total production costs, compared to other inputs such as labour, land, chemicals or fertilizer. Since there is very limited supply of good quality seeds and almost 90% of them are imported, Malaysia should put more efforts in developing seeds industry to increase overall agriculture performance in the country (Melon, 2003). As highlighted by Chin, Uma Rani Sinniah and Izham Ahmad (2006) the seed industry in Malaysia was lack behind in

comparative with other countries such as Europe, American, China or India.

The development of seed industry will determine the future of agriculture for any nation. Howe ever, its development and sustained growth require assets, that include both tangible assets and intangible assets. In today's highly competitive market, customers' preferences are constantly changing which requires firms to have a well-planned strategy to remain competitive and sustain growth (Porter, 1991; 1996). Industry conditions alone cannot ensure the sustained growth of overall agriculture sector, a bold direction from the companies and industry framework are required.

REFERENCES

Bertini, C. and Glickman, D. (2013). Advancing global food security, the power of science, trade and business. *Report issued by an Independent Advisory Group on Global Agricultural Development.*

Boserup, E. (1965). The conditions of agricultural growth: the economics of agrarian change under population pressure. *London: Allen & Unwin.* OCLC 231372.

Chin, Uma Rani & Sinniah (2013). Seed banks for future generation. In: Conservation of Tropical Plant Species. *Springer,* New York, (43-63). ISBN 9781461437758.

Farquhar, J. (2012) Case study research methods for business. *London: Sage Publications.*

Geertz, C. (1983). Local Knowledge: Further Essays in Interpretative Anthropology. *New York: Basic Books.*

Godfray, H.C.J., Beddington, J.R., Crute, R., Haddad, L., Lawrence, D., Muir, J.F., Pretty, J., Robinson, S., Thomas, S.M., Toulmin, S. (2010). Food security: The challenge of feeding 9 billion people. *Science,* 327(5967), pp. 812-818.

Izham, A. (2003). Production of quality seeds and planting materials by MARDI. Proc. 3rd National Seed Symposium, 8-9 April 2003, Putrajaya, (32-41)). *Kuala Lumpur: Malaysian Association of Seed Technologies.*

Kaplinsky, R and Morris, M. (2002). A Handbook for value chain Research. *Brighton: Institute of development studies*, University of Sussex.

Low, Sarah, A., and Stephen. (2011). Direct and Intermediated Marketing of Local Foods in the United States, ERR128, U.S. Department of Agriculture, *Economic Research Service, November 2011.* Web. http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/138324/err128_2_.pdf

Maxwell, J. A. (1996). Qualitative Research Design: An Interactive Approach. Thousand Oaks, CA*: Sage Publications.*

McDermott, J.J., Staal, S.J., Freeman, Herrero, M. and Van de Steeg, (2010). Sustaining intensification of smallholder livestock systems in the tropics. *Livestock Science:* 130(1), https://doi.org/10.1016/j.livsci.2010.02.014

Peter, S. (2011). Foresight: The Future of Food and Farming*, Final Project Report*, Prometheus, 29:3, 309-313, https://doi.org/10.1080/08109028.2011.628564

Porter, M. E. (1991). Toward A Dynamic Theory of Strategy. *Strategic Management Journal*, 12(5): 95-117.

Porter, M. E. (1996). What is Strategy, *Harvard Business Review*, 14(1): 179-191.

Royal Society. (2009). Reaping the benefits: science and the sustainable intensification of global agriculture. *London: The Royal Society*

Singh, G., Asokan, J. K. & Asopa, V. H. (1990). Seed Industry of India: A Management Perspectives. *The Business Review, Cambridge*, 9(1): 62-69.

Singh, J. (1990). A typology of consumer dissatisfaction response styles. *Journal of Retailing*, 66(1): 57-99.

Statistical Report for April General Conference (2015), *Department of Statistical Malaysia Official Portal* (DOSM). https://www.statistics.gov.my/.

Wan Jusoh, W.M (2006). Developing Malaysian seed industry: Prospects and challenges. *Economic and Technology Management Review,* Vol 1 No.1 (51-59).)

Yin, R. K. (2003). Applications of Case Study Research (2nd ed.). *United State: Sage Publications.*

Tonjang, S., & Thawesaengskulthai, N. (2020). A systematic literature review of TQM and innovation in healthcare. In ISPIM Conference Proceedings. *The International Society for Professional Innovation Management (ISPIM),* 1-17.

Torres, E. N. (2014). Deconstructing service quality and customer satisfaction: Challenges and directions for future research. Journal of Hospitality Marketing & Management, 23(6), 652-677. https://doi.org/10.1080/19368623.2014.846839

Viada-Stenger, M.C., Balbastre-Benavent, F., & Redondo-Cano, A. M. (2010). The implementation of a quality management system based on the Q tourist quality standard. The case of hotel sector. *Service Business*, 4(3-4), 177-196. https://doi.org/10.1007/s11628-009-0087-1

Wang, Y. J., Hernandez, M. D., & Minor, M. S. (2010). Web aesthetics effects on perceived online service quality and satisfaction in an e-tail environment: The moderating role of purchase task. *Journal of Business Research*, 63(9-10), 935-942. https://doi.org/10.1016/j.jbusres.2009.01.016

Wolkins, D. O. (1996). Total Quality: A framework for Leadership: *Portland Productivity Press*

Yi, Y. (1990). A critical review of consumer satisfaction. *Review of Marketing*, 4(1), 68-123. Available at https://deepblue.lib.umich.edu/bitstream/handle/2027.42/36290/b1412322.0001.001.pdf?sequence=2

Žabkar, V., Brenčič, M. M., & Dmitrović, T. (2010). Modelling perceived quality, visitor satisfaction and behavioural intentions at the destination level. *Tourism Management*, 31(4), 537-546. https://doi.org/10.1016/j.tourman.2009.06.005

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.101
https://journal.unisza.edu.my/jmtp



Developing Family Satisfaction with Care in Adult Critical Care Public Hospital Terengganu, Malaysia

[1]Wan Nor Aliza Wan Abdul Rahman, [2*]Abdul Karim Othman, [3]Yuzana Mohd Yusop, [4]Asyraf Afthanorhan [5]Hasnah Zani, [1]Siti Suhana Zakaria

[1 & 5] School of Nursing Science, Faculty of Medicine, UniSZA, Gong Badak Campus, Kuala Nerus, Terengganu.
[2] Department of Anaesthesia and Intensive Care, Faculty of Medicine, UniSZA, 20400 K. Terengganu, Terengganu.
[3] Department of Community Health, Faculty of Medicine, UniSZA, 20400 K. Terengganu, Terengganu.
[4]Faculty of Business and Management, University Sultan Zainal Abidin. UniSZA.

***Corresponding Author Email: karimothman@unisza.edu.my**

Received: 22nd March 2021 ***Accepted: 25th April 2021*** ***Published: 6th May 2021***

Abstract
In admissions to the intensive care unit (ICU), there is a high possibility of a life-threatening condition and possible emotional distress for family members. When the family is distressed and hospitalized, a significant level of stress and anxiety will be generated among family members, thereby decreasing their ability to make responsible decisions. As a result, the family members need full and up-to-date details, helping them to retain hope, and this contributes to lower stress levels. While there is growing evidence of the effectiveness of shared decision-making for family members who are directly involved in decisions, particularly regarding shared decision-making in the Malaysian context, there is less evidence that supported decisions help overall outcome. This study aims to developing the family satisfaction with decision making in the Intensive Care Unit (FS-ICU)-33 Malay language version of family member's satisfaction with care and decision making during their stay at the intensive care units. A quantitative, cross-sectional validation study and purposive sampling was conducted from 1st November 2017 and 10 October 2018 to January 2020 among 208 of family members. The family members of the ICU patients involved in this study had an excellent satisfaction level with service care. Higher satisfaction in ICU care resulting in higher decision-making satisfaction and vice versa.

Keywords*:* family, satisfaction, satisfaction care, care service, developing, adult critical care

OPEN ACCESS

INTRODUCTION

A family satisfaction had identified the importance of improving communication among physician and family members to increase family satisfaction in ICU (Ali et al., 2019). Effective communications are needed in fulfilling the families' needs for obtained information and supported by physician and nurses (Frivold et al., 2018) with the guideline to engagement and support when families present in ICU, structured information dan support during the consultation with their family (Brown SM, 2015; Davidson & Zisook, 2017) are important to increase satisfaction among family members in decision making.

Inconsistent information provided to the family members by the ICU staffs may influence their decision-making ability and overall satisfaction with ICU care (Hwang et al., 2014). Consistency of information had been identified as one of the predictors for family satisfaction (Pagnamenta et al., 2016). Exclusion from communication with ICU staffs (doctors or nurses) resulted in family members feeling left out during the decision-making process (Hansen et al., 2016). Organizing communication training programs for the health care professionals to increase their communication skills is one of the strategies that can be done to increase the satisfaction of families with ICU management and care (Ludmir & Netzer, 2019). The findings from the family surveys that covered different aspects of patients care especially in intensive care settings were used as an indicator for initiating quality improvement programs (Maxim et al., 2019). Besides, assessing family satisfaction is important because it was used to assess how well the health care staff took care of their patients (Scott et al., 2019). Previous studies measuring family satisfaction on ICU care using FS-ICU in UAE (Ali et al., 2019), Hong Kong (Lam et al., 2015), German(Schwarzkopf et al., 2013), Swiss (Stricker et al., 2009), Australia (McLennan & Aggar, 2020) and UK (Ferrando et al., 2019), reported that the high score was high both satisfaction with care and satisfaction with decision making. The characteristics for both patients (severity of illness) and their families (age, race, patient relationship and visitation frequency) had been identified as determinants for families' satisfaction (Ferrando et al., 2019). Thus, the study aimed to examine care for the family satisfaction level in the Intensive Care Unit, Hospital Sultanah Nur Zahirah Malaysia (HSNZ).

MATERIALS AND METHODS

Study design and sample size

A cross sectional study was conducted from 1 November 2017 to 10 October 2018 in the medical and surgical ICU Hospital Sultanah Nur Zahirah, Terengganu. This study involved closed family members of patients such as spouse, son or daughter, siblings or parents who stayed together with the patient and who accompanied the patient in the ICU for at least 48 hours of admission and exclusion criteria are under age 18 years, hospital staff (health care provider), unable to read and foreigner family patient. All family members attended the Intensive Care Unit at Hospital Sultanah Nur Zahirah, Terengganu was recruited in this study by using Roasoft sample size such as population size, confident interval and margin error. Sample size obtained for this study was 292 with 95% confident interval, margin error and population size 1200 patients who were admitted in adult ICU Hospital Sultanah Nur Zahirah, Terengganu.

Sampling frame and data collection

Purposive sampling was performed in this study. The purposive sampling is a type of non-probability sampling in which researchers use their own autonomy in selecting family members to take part in the study in the Intensive Care Unit. The purpose of choosing this method is because the researcher wants to avoid bias information given by among health care provider family during data collection according to exclusion criteria. Data were collected using a questionnaire form which consists of a dual language in Malay version. To protect the rights of the individuals participating in the research study, the participants were given the patient information sheet and consent form to be signed. The briefing was given to family members on the purpose of the study at awaiting room ICU. They also were explained in the data collection procedure. Before conducted this study, a pre-test questionnaire was administered to all respondents upon consent to participate was signed. The questionnaire was collected by the researcher once the respondents have completed it. The objective of the research was also explained. The questionnaires later were distributed personally by the researcher to the participant. As been said earlier code of numbering system was used to make the process of distribution and collecting back the questionnaire more organize.

Study instrument

Since many Malaysian populations are Malays and the Malays language are the national language, it is extremely crucial to validate FS-ICU into the Malay language. Hence, the phase one goal of this study is to adopt, adapt, modified, and translate the FS-ICU questionnaire (FS-Care) in intensive care settings among family members in a Malaysia culture context and to further inspire future researchers to conduct studies related to family satisfaction with ICU in Malaysia. The researcher to get granted permission from original author Daren K. Heyland Director Clinical Evaluation Research Unit, Kingdom General Hospital. This newer version family satisfaction with care subscale includes questions about the care of the patient and family members as well as nurse's communication skills. The score for questionnaire was calculated by transforming the scale in score ranging from 10 to 100.The present FS-ICU-18 Malay language satisfaction care item with through the process of forward and backward translation, content validation, and face-to-face validation and modified in the Malay language. The pre-test stage was conducted to check its clarity and duration taken by 30 family members to complete answering all the items in the questionnaire. Exploratory Factor Analysis was used to achieving experimental validity allow the researcher to explore the main variables to create a theory or model from set items. The presents of study, the three dimensions or domains that emerged, and their respective items resulted from the EFA procedure. The factor loading for every item should be greater than 0.6 to be retained for field study (Yahaya et al., 2018). Thus, one item from domain 1 (fsc19) needs to be deleted since it failed to achieve the minimum requirement for factor loading of 0.6 (Hoque et al., 2018; Noor et al.,2015). The deleted items due to low factor loading < 0.6 and the retained items.

Data analysis

Data were processed and analyses using SPSS version 23. Method of analysis was used descriptive statistics, validity, and reliability analyses. *Independent -Sample T-Test*, *One-way Anova* and correlation data analysis indicates the nature of a relationship between two variables and the magnitude of that relationship.

RESULTS

Table 1 showed the descriptive analysis total of 208 respondents participated and answered the questionnaires. Overall, 71.9% of them were between 17 to 45 years of age, with 190 (96.9%) respondents were Malays, and 132 (76%) respondents had secondary level education. Among the respondents, 95 (48.5%) were government servants and 84 (42.9%) were the patients' spouses.

Table 1: Sociodemographic characteristics of the respondents (n=208)

Variables	Frequency (n)	Percentage (%)	Mean (SD)
Age (Years)			41.21 (11.10)
20-41	86	41.3	
42-63	122	58.7	
Gender			
Male	74	35.6	
Female	134	64.4	
Race			
Malay	193	92.8	
Chinese	2	1.0	
Indian	9	4.3	
Others	4	1.9	
Marital Status			
Single	58	27.9	
Married	142	68.3	
Widow	8	3.8	
Education Level			
None	5	2.4	
Primary School	11	5.3	
Secondary School	103	49.5	
College	25	12.0	
University	64	30.8	
Occupation			
Government	55	26.4	
Private	27	13.0	
Self-employed	45	21.6	
Retired	8	3.8	
Housewife	38	18.3	
Unemployed	35	16.8	
Relationship			
Spouse	36	17.3	
Children	70	33.7	
Parents	59	28.4	
Sibling	43	20.7	

Table 2: Mean scores for ICU-Care Service satisfactions.

Variables	Mean Score (SD)	Category
Family Satisfaction ICU-Care Service	73.47 (9.52)	Excellent
Concern and Caring	76.28 (11.44)	Excellent
Consideration of Your Needs	69.64 (10.23)	Excellent
Skill, Competence and Atmosphere in ICU	74.49 (9.89)	Excellent

Table 3: Level of satisfaction with ICU-Care Service (n=208)

Level	Range Score	n (%)
Poor	≤ 40	0 (0.0)
Moderate	41-70	73 (35.1)
Excellent	>70	135 (64.9)

Family satisfaction with ICU-care service.

The satisfaction level of the family members related to intensive care service in the present study was excellent with the highest satisfaction on the concern and caring domain (1st domain) and the lowest satisfaction on the consideration of the domain of your need (2nd domain). In short, it means that the respondents of our study acknowledged the quality of care of ICU staffs (doctors, nurses) toward ICU patients. Our result was consistent with the study in India (Thimmapur et al., 2018), the United Kingdom (Ferrando et al., 2019) and Australian (McLennan & Aggar, 2020) as they also found that both concern and caring for patient by ICU staff were very highly satisfied with the ICU care service.

Concern and caring (1st domain) for patients by ICU staff was very highly correlated with overall satisfaction (Hunziker et al., 2012). Concern and caring showed by the ICU staffs, particularly nurses enable the family members established trusting relationships with nurses and feel a confidence that the nurses will be there for them and had their back which in turns enable them to leave at night and leave their relatives in the care of the nurses and other ICU staffs (Adams et al., 2017). In contrast, if the nurses showed lack of concerns toward the patients and the family members, then the family members will be reluctant and anxious to leave the patients under the nurses' care (Adams et al., 2017). However Recently study by (Frivold et al., 2018) in General hospital ,Kingston Canada found that family members were satisfied with care service to their loves during hospitalization with management of patient's agitation, breathlessness and pain.

In the 2nd domain (consideration of your needs), emotional support had the lowest mean satisfaction score. A study at a public hospital in the northern region of Malaysia had classified emotional support as the least important needs for the family members as they were more concerned about the patients' condition over their own needs (Hashim & Hussin, 2012). However, the present study proved otherwise as emotional support had the lowest satisfaction in the 2nd domain, which highlighted the importance of emotional support in the ICU care service. Moreover, the present study also highlighted the importance of emotional support if the health providers wanted to increase the satisfaction of the family members in the ICU care service. This is because emotional support influenced family satisfaction with ICU care (Schwarzkopf et al., 2013). The reason that our respondents had low satisfaction on the emotional supports might be due to a high level of distress, though there was no way to confirm this theory as we did not measure the stress level of the respondents. The other reasons might be because the ICU staffs related to emotional distress of the family and nature of ICU staff workload that makes it realistic to fulfil the high expectation of every family when being responsible for numerous critical ill patient (Carlson et al., 2015), time constraints with rapid changes of patient condition, workload of heavy clinical works and not enough staff. Lack of awareness such as a lack of soft skills, not in training module in critical care and improperly trained staff to deal with the emotional distress of the family members. The previous study had proved that emotional support was associated with higher decision quality (Torke et al., 2018). A study in at a tertiary hospital in Malaysia found that family members perceived support as the most crucial need for them to cope and adjust themselves to the stress and the situations/ environments (Alsharari, 2019). Nurses usually play an important role in providing emotional support to the family members as the majority of the family members felt comfortable communicating with the nurses because the nurses were there all the time (Hashim & Hussin, 2012) .Generally, nurses had the most contact with both patients and family members. Therefore, nurses need to pay more attention to family members by giving support to them and listening to their words and feelings (Mohamed, 2016) and it clearly indicates that the conversation and openness of the plans have a positive impact on the satisfaction of the ICU family (Hummel et al., 2020).

DISCUSSION

The respondents of this present study found to be satisfied with the skill and competence of the ICU nurses, which is similar to the study at the United States and Australian (Hunziker et al., 2012; McLennan & Aggar, 2020). Hunziker et al., 2012 also found that perceived nursing competence was strongly associated with dissatisfaction. Nurses' knowledge and competence were important to make family members feel confident in the care of their sick relatives (McKiernan & McCarthy, 2010). The family satisfaction level for all three domains in the FS-ICU care for the present study was excellent which is in par with the Indian study (JanardhanIyengar et al., 2019). Thus, we can summarize that the medical team and staff of our hospital did not lack skills, competence, and sincerity. Our study however only found that emotional support and atmosphere in the waiting room contributed to the lower FS-ICU service care score.

The respondents of the present study were less satisfied with the atmosphere in the ICU waiting room. As the family members mostly spent their time in the waiting room, thus the result obtained from the present study should be used to improve the quality and environment in the waiting room. The waiting room was overcrowding, and it was difficult to sleep, sit or talk in private in the waiting room because the room was shared with other families. Moreover, most of the government hospitals in Malaysia did not have a proper waiting room with basic amenities (Hashim & Hussin, 2012). This result was on par with the previous studies (Frivold, Slettebo, Heyland, Dale, et al., 2018; Hwang et al., 2014; Karlsson et al., 2011; McLennan & Aggar, 2020) highlighting area to target for improvement. Previous studies had emphasized the need for basic amenities in their ICU waiting rooms such as more chairs, refrigerator, tissues, television and clock (Henrich et al., 2011; Min et al., 2018a).One of the suggestions for improvement was to expand the space or area of waiting rooms for family members (Ahtisham et al., 2016). Some family members even felt the need for a private space or area during difficult times as they need to be alone to cope with their situations and stress (JanardhanIyengar et al., 2019; McLennan & Aggar, 2020). These spaces may

have a huge impact on the emotional aspects of family members. Besides, a previous study had identified that both the ICU waiting room and ICU atmosphere were independently associated with dissatisfaction (Hunziker et al., 2012). However, the respondents of the present study were satisfied with the ICU atmosphere. Previous studies also identified the atmosphere/ environment in the ICU as the factor that affects satisfaction (Janardhanlyengar et al., 2019)

This present study had several limitations. One of them was that this study did not cover all Malaysian hospital settings (government and private hospitals) since this study focused on the family members of patients admitted to the ICU of Hospital Sultanah Nur Zahirah. The family members' level of satisfaction may vary from the admission to discharge of the patients, and therefore the results of this study may not represent overall satisfaction for their whole ICU experience. Besides, the severity of illness and duration of ICU stay were not included and analysed in this study which might cause response bias in this study. Response bias could also occur as the family members who were dissatisfied with the quality of ICU care might not give consent to participate in this study. Second, in the study was limitation to proceed data collection due to pandemic COVID-19 to get more information from family patient's ICU to achieve in our target 292 respondent in the field.

Recommendation for future study

To our knowledge, this is the first study that used adapted and modified FS-ICU of Malay version to measure family satisfaction with ICU in Malaysia. This study will help the healthcare providers in Malaysia to improve the quality and management in the ICU as there was a lack of data and research on the family satisfaction with ICU in Malaysia, particularly in Terengganu. In this study, it was expected that level of satisfaction among family members with nursing intervention would be identified and method of basic care in this group would be introduced by using the Model Family-Centered Care in Intensive Care Unit, Hospital Sultanah Nur Zahirah. However, the implementation of family-based treatment for family members by recent studies indicates that families benefit from active participation and can help in decision-making and patient discharge preparation, involve in fundamental care (holistic), increase satisfaction, reduce long of stay and anxiety during hospitalization. The study will deliver information which contributes to the practice of nursing, nurse education and nursing administration." Nurse *Melati*" as our future research and the development of nursing research.

CONCLUSION

Firstly, implication on nursing practice, future studies should cover more ICU centres in Terengganu. This study only uses a quantitative approach, in which the respondents only need to rate their satisfaction level. Future studies should do both quantitative and qualitative surveys as it is important to learn more about the sources of their dissatisfactions toward the quality of ICU care and management as the respondents can provide written comments such as positive and negative feedback, suggestions, or even some gratitude/ appreciation (Min et al., 2018a). This knowledge can be used to modify ICU so that it can meet the need of the family members of the ICU patients. Thirdly, implication on family satisfaction, future studies also should measure the stress and depression level of the respondents as these two factors might influence their satisfaction with the quality of ICU care and management. (Lam et al., 2015; Thimmapur et al., 2018) The present study did not consider the level of satisfaction of the respondents based on the severity of the illness, or whether the patients survived, released, or died. Thirdly on health care provider, this study will implementation of a strategy to preserve family satisfaction with ICU staff interest and concern, frequency of communication with ICU physicians, (Frivold et al., 2018) easiness to get information and the family's sense of control over patient care (Mistraletti et al., 2017). Improvement surrounds how to better explain patient care treatment and educate patient-specific medication.

ACKNOWLEDGEMENT

We would like to thank the National Medical Research Register (NMMR-17-2388-37702), Director of Sultanah Nur Zahirah, Hospital, Head of Department, Anaestology of Sultanah Nur Zahirah, Hospital and Faculty of Medicine University Sultan Zainal Abidin for the approval to conduct this study.

REFERENCES

Adams, A. M. N., Mannix, T., & Harrington, A. (2017). Nurses' communication with families in the intensive care unit – a literature review. *Nursing in Critical Care*, *22*(2), 70–80. https://doi.org/10.1111/nicc.12141

Ahtisham, Y., Subia, P., & Gideon, V. (2016). Family satisfaction with patient care in critical care units in Pakistan: a descriptive cross-sectional study. *Nursing Standard (Royal College of Nursing (Great Britain) : 1987)*, *31*(13), 43–52. https://doi.org/10.7748/ns.2016.e10587

Ali, A., Krishnareddy, K., Loney, T., & Hon, H. (2019). Family Satisfaction with Intensive Care Services : A Survey from Three Tertiary Hospital Units. *Ibnosina Journal of Medicine and Biomedical Sciences*, *11*(2), 62–67.

Alsharari, A. F. (2019). The needs of family members of patients admitted to the intensive care unit. *Patient Preference and Adherence*, *13*, 465–473. https://doi.org/10.2147/PPA.S197769

Brown SM, R. D. et al. (2015). Defining patient and family engangement in the intensive care unit. *AM J Respiratory Critical Care*, *191*(3), 358–360. https://doi.org/doi:10.1164/rccm.201410-1936le

Carlson, E. B., Spain, D. A., Muhtadie, L., McDade-Montez, L., & Macia, K. S. (2015). Care and caring in the intensive care unit: Family members' distress and perceptions about staff skills, communication, and emotional support. *Journal of Critical Care*, *30*(3), 557–561. https://doi.org/10.1016/j.jcrc.2015.01.012

Davidson, J. E., & Zisook, S. (2017). Implementing family-centered care through facilitated sensemaking. *AACN Advanced Critical Care*, *28*(2), 200–209. https://doi.org/10.4037/aacnacc2017102

Ferrando, P., Gould, D. W., Walmsley, E., Richards-Belle, A., Canter, R., Saunders, S., Harrison, D. A., Harvey, S., Heyland, D. K., Hinton, L., McColl, E., Richardson, A., Richardson, M., Wright, S. E., & Rowan, K. M. (2019). Family satisfaction with critical care in the UK: a multicentre cohort study. *BMJ Open*, *9*(8), e028956. https://doi.org/10.1136/bmjopen-2019-028956

Frivold, G., Slettebo, A., Heyland, D. K., & Dale, B. (2018). Family members' satisfaction with care and decision-making in intensive care units and post-stay follow-up needs-a cross-sectional survey study. *Nursing Open*, *5*(1), 6–14.

Frivold, G., Slettebo, A., Heyland, D. K., Dale, B. B., Slettebø, Å., Heyland, D. K., & Dale, B. B. (2018). Family members' satisfaction with care and decision-making in intensive care units and post-stay follow-up needs—a cross-sectional survey study. *Nursing Open*, *5*(1), 6–14. https://doi.org/10.1002/nop2.97

Hansen, L., Rosenkranz, S. J., Mularski, R. A., & Leo, M. C. (2016). Family perspectives on overall care in the intensive care unit. *Nursing Research*, *65*(6), 446–454. https://doi.org/10.1097/NNR.0000000000000179

Hashim, F., & Hussin, R. (2012). Family Needs of Patient Admitted to Intensive Care Unit in a Public Hospital. *Procedia - Social and Behavioral Sciences*, *36*(June 2011), 103–111. https://doi.org/10.1016/j.sbspro.2012.03.012

Henrich, N. J., Dodek, P., Heyland, D., Cook, D., Rocker, G., Kutsogiannis, D., Dale, C., Fowler, R., & Ayas, N. (2011). Qualitative analysis of an intensive care unit family satisfaction survey. *Critical Care Medicine*, *39*(5), 1000–1005. https://doi.org/10.1097/CCM.0b013e31820a92fb

Hoque, A. S. M. ., Siddiqui, B. A., Awang, Z., & Baharu, S. M. A. . (2018). European Journal of Management and Marketing Studies Exploratory Factor Analysis Of Entrepreneurial Orientation In The Context Of Bangladeshi Small And Medium Enterprises (SMES). *European Journal of Management and Marketing Studies*, *3*(2), 81–94. https://doi.org/10.5281/zenodo.1292331

Hummel, K., Presson, A. P., Millar, M. M., Larsen, G., Kadish, H., & Olson, L. M. (2020). An Assessment of Clinical and System Drivers of Family Satisfaction in the PICU∗. *Pediatric Critical Care Medicine*, *21*(10), E888–E897. https://doi.org/10.1097/PCC.0000000000002394

Hunziker, S., McHugh, W., Sarnoff-Lee, B., Cannistraro, S., Ngo, L., Marcantonio, E., & Howell, M. D. (2012). Predictors and correlates of dissatisfaction with intensive care. *Crit Care Med*, *40*(5), 1554–1561.

Hwang, D. Y., Yagoda, D., Perrey, H. M., Tehan, T. M., Guanci, M., Ananian, L., Currier, P. F., Cobb, J. P., & Rosand, J. (2014). Assessment of satisfaction with care among family members of survivors in a neuroscience intensive care unit. *Journal of Neuroscience Nursing*, *46*(2), 106–116. https://doi.org/10.1097/JNN.0000000000000038

JanardhanIyengar, S. M., Srinivasan, R., Venkateshmurthy, B. M., Katari, Y., & Hiremathada, S. (2019). Family satisfaction in a medical college multidisciplinary Intensive Care Unit (ICU) - How can we improve? *Indian Journal of Critical Care Medicine*, *23*(2), 83–88. https://doi.org/10.5005/jp-journals-10071-23122

Jongerden, I. P., Slooter, A. J., Peelen, L. M., Wessels, H., Ram, C. M., Kesecioglu, J., Schneider, M. M., & Van Dijk, D. (2013). Effect of intensive care environment on family and patient satisfaction: A before-after study. *Intensive Care Medicine*, *39*(9), 1626–1634. https://doi.org/10.1007/s00134-013-2966-0

Karlsson, C., Tisell, A., Engström, A., & Andershed, B. (2011). Family members' satisfaction with critical care: a pilot study. *Nursing in Critical Care*, *16*(1), 11–18. https://doi.org/10.1111/j.1478-5153.2010.00388.x

Lam, S. M., So, H. M., Fok, S. K., Li, S. C., Ng, C. P., Lui, W. K., Heyland, D. K., & Yan, W. W. (2015). Intensive care unit family satisfaction survey. *Hong Kong Medical Journal*, *21*(5), 435–443. https://doi.org/10.12809/hkmj144385

Ludmir, J., & Netzer, G. (2019). Family-Centered Care in the Intensive Care Unit-What does best practice tell us? *Seminars in Respiratory and Critical Care Medicine*, *40*(5), 648–654. https://doi.org/DOI https://doi.org/ 10.1055/s-0039-1697957.

Maxim, T., Alvarez, A., Hojberg, Y., Antoku, D., Moneme, C., Singleton, A., Park, C., & Matsushima, K. (2019). Family satisfaction in the trauma and surgical intensive care unit: Another important quality measure. *Trauma Surgery and Acute Care Open*, *4*(1), 1–5. https://doi.org/10.1136/tsaco-2019-000302

McKiernan, M., & McCarthy, G. (2010). Family members' lived experience in the intensive care unit: a phemenological study. *Intensive & Critical Care Nursing*, *26*(5), 254–261.

McLennan, M., & Aggar, C. (2020). Family satisfaction with care in the intensive care unit: A regional Australian perspective. *Australian Critical Care*, *xxxx*. https://doi.org/10.1016/j.aucc.2020.01.003

Min, J., Kim, Y., Lee, J.-K., Lee, H., Lee, J., Kim, K. S., Cho, Y.-J., Jo, Y. H., Ryu, H. G., Kim, K., Lee, S.-M., & Lee, Y. J. (2018a). Survey of family satisfaction with intensive care units. *Medicine*, *97*(32), e11809. https://doi.org/10.1097/md.0000000000011809

Min, J., Kim, Y., Lee, J. J.-K. K., Lee, H., Lee, J. J.-K. K., Kim, K. S. K., Cho, Y.-J. J., Jo, Y. H., Ryu, H. G., Kim, K. S. K., Lee, S.-M. M., & Lee, Y. J. (2018b). Survey of family satisfaction with intensive care units A prospective multicenter study. *Medicine (United States)*, *97*(32), 1–7. https://doi.org/10.1097/MD.0000000000011809

Mistraletti, G., Umbrello, M., Mantovani, E. S., Moroni, B., Formenti, P., Spanu, P., Anania, S., Andrighi, E., Di Carlo, A., Martinetti, F., Vecchi, I., Palo, A., Pinna, C., Russo, R., Francesconi, S., Valdambrini, F., Ferretti, E., Radeschi, G., Bosco, E., … Iapichino, G. (2017). A family information brochure and dedicated website to improve the ICU experience for patients' relatives: an Italian multicenter before-and-after study. *Intensive Care Medicine*, *43*(1), 69–79. https://doi.org/10.1007/s00134-016-4592-0

Mohamed, Z. (2016). Needs of Family Members of Critically Ill Patients in a Critical Care Unit at Universiti Kebangsaan Malaysia Medical Centre. *Medicine & Health*, *11*(1), 11–21. https://doi.org/10.17845/mh.2016.1101.03

Norhayati Mohd Noor, Aniza Abd. Aziz,Mohd Rosmizaki Mostapa, Z. A. (2015). Validation of the Malay Version of the Inventory of Functional Status after Childbirth Questionnaire. *BioMed Research International*, *2015*(5). https://doi.org/http://dx.doi.org/10.1155/2015/972728

Osborn, T. R., Curtis, J. R., Nielsen, E. L., Back, A. L., Shannon, S. E., & Engelberg, R. A. (2012). Identifying elements of ICU care that families report as important but unsatisfactory: Decision-making, control, and ICU atmosphere. *Chest*, *142*(5), 1185–1192. https://doi.org/10.1378/chest.11-3277

Pagnamenta, A., Bruno, R., Gemperli, A., Chiesa, A., Previsdomini, M., Corti, F., Merlani, P., Cottini, S., Llamas, M., & Rothen, H. U. (2016). Impact of a communication strategy on family satisfaction in the intensive care unit. *Acta Anaesthesiologica Scandinavica*, *60*(6), 800–809. https://doi.org/10.1111/aas.12692

Schwarzkopf, D., Behrend, S., Skupin, H., Westermann, I., Riedemann, N. C., Pfeifer, R., Günther, A., Witte, O. W., Reinhart, K., & Hartog, C. S. (2013). Family satisfaction in the intensive care unit: A quantitative and qualitative analysis. *Intensive Care Medicine*, *39*(6), 1071–1079. https://doi.org/10.1007/s00134-013-2862-7

Scott, P., Thomson, P., & Shepherd, A. (2019). Families of patients in ICU: A Scoping review of their needs and satisfaction with care. *Nursing Open*, *6*(3), 698–712. https://doi.org/10.1002/nop2.287

Stricker, K. H., Kimberger, O., Schmidlin, K., Zwahlen, M., Mohr, U., & Rothen, H. U. (2009). Family satisfaction in the intensive care unit: What makes the difference? *Intensive Care Medicine*, *35*(12), 2051–2059. https://doi.org/10.1007/s00134-009-1611-4

Thimmapur, R. M., Raj, P., Raju, B., Kanmani, T. R., & Reddy, N. K. (2018). Caregivers satisfaction with intensive care unit services in tertiary care hospital. *International Journal of Critical Illness and Injury Science*, *8*(4), 184–187.

Torke, A. M., Callahan, C. M., Sachs, G. A., Wocial, L. D., Helft, P. R., Monahan, P. O., Slaven, J. E., Montz, K., Burke, E. S., & Inger, L. (2018). Communication Quality Predicts Psychological Well-Being and Satisfaction in Family Surrogates of Hospitalized Older Adults: An Observational Study. *Journal of General Internal Medicine*, *33*(3), 298–304.

Yahaya, T. A. B., Idris, K., Suandi, T., & Ismail, I. A. (2018). Adapting instruments and modifying statements: The confirmation method for the inventory and model for information sharing behavior using social media. *Management Science Letters*, *8*(5), 271–282. https://doi.org/10.5267/j.msl.2018.4.021

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.107
https://journal.unisza.edu.my/jmtp



Conceptual Framework of Factors Affecting SME Development: Moderating Factor on the Relationship between Determinant Factors Selection and Performance of SMEs in Indonesia

[1]* Dede Ansyari Guci,[2]Puspa Liza Ghazali, [3]Nik Hazimi Mohd Foziah and [4]Juliana Arifin

[1]Faculty of Economy, Universitas Prima Indonesia, Medan, North Sumatera, Indonesia
[1,2,3]Faculty of Business and Management, Universiti Sultan Zainal Abidin, Kuala Nerus, Terengganu, Malaysia

*Corresponding Author Email: dedeansyariguci@unprimdn.ac.id

Received: 20nd March 2021 *Accepted: 25th April 2021* *Published: 10th May 2021*

Abstract
Just a little part of SMEs are fruitful in accomplishing remarkable execution and maintainable development, The writing shows that there is as yet a hole for powerful approaches to expand the size of that division. This paper expects to contribute in filling the hole by distinguishing factors influencing SME execution and, subsequently, their turn of events; and to build up a reasonable system clarifying their connections. The writing uncovers that despite the fact that there is positive connection between government support, training, digital marketing, financial capital and SMEs performance, the relationship is as yet uncertain; proposing that there are mediating develops between the five builds. Field perceptions and writing surveys propose a second-request develops serving directing parts between government support, training, digital marketing, financial capital and SMEs performance that may explain the relationship, i.e., risk control. Albeit the connections among the six builds have been broadly concentrated in the surviving writing, this paper is one of only a handful few endeavors, assuming any, in researching the six develops in an extensive structure as a reason for additional examinations. On the off chance that exactly upheld, the proposed system may give a powerful option in helping business people and SMEs players to build up their venture all the more viably.

Keywords: Government Support, Training, Digtal Marketing, Financial Capital, and SMEs Performance.

OPEN ACCESS

INTRODUCTION

By number, most of the SMEs populace is the means ventures and little endeavors. Not many of those little undertakings can arrive at the medium size which, at last, a bit of them can possibly additionally form into huge ventures relying on the originators and the business people of those endeavors (Nichter and Goldmark, 2009).

One of the fundamental contrasts among SMEs and huge endeavors is the strength of the business people or the proprietors in the SME's associations and the board (Mill operator and Toulose, 1986a, 1986b). Altough there is proof that there is positive connection between a SME entrepreneur(s) - or owner(s)- and the SMEs performance, the builds that assume significant parts between the two are not yet explained.

The motivation behind this paper is to recognize a portion of the predecessors of SME performance that influence SMEs improvement, and to explore the connections among those precursors. Along these lines, this paper builds up a calculated structure for clarifying the jobs of directing develops between the business person and the SME performance.

Writing uncovered five develops that may direct the connection between determinant factors determination and SMEs performance, i.e., government support, training, digital marketing, financial capital, and performance of SMEs. This paper commitment is in incorporating those builds into an extensive calculated structure to empower a superior comprehension of the "what's" and the "how's" in endeavors for cultivating SMEs development and advancement.

The rest of this paper will be coordinated as follows. Initial, a concise portrayal of the reasonable structure will be presented. At that point, compact writing audits of every one of the six builds will be introduced trailed by important theories. Altogether, thirteen speculations on the connections among those six develops will be created. At last, end will be depicted.

THE PROPOSED CONCEPTUAL FRAMEWORK

This system is created dependent on an expansive writing audit to recognize develops that are critical in clarifying SMEs performance. The writing audit recognizes risk control that may direct the connection between determinant factors choice, i.e., (1) government support, (2) training, (3), digital marketing, (4) financial capital and performance of SMEs. Albeit every one of the five develops, just as the connections among a portion of those builds, have been concentrated

seriously in the surviving writing, the proposed theoretical structure perhaps one of only a handful scarcely any, endeavors to unite those develops in a solitary framework.

The proposed conceptual framework is appeared in Fig. 1. The exogenous constructs are government support, training, digital marketing, financial capital while a definitive endogenous construct is performance of SMEs.

LITERATURE REVIEW

Performance of SMEs

Performance of SMEs is normally estimated as monetary and nonfinancial execution measures. Monetary execution involves monetary effectiveness estimates like profit from venture and return on value, and benefit estimates, for example, return on deals and net overall revenue (Li, Huang, and Tsai, 2010).

Nonfinancial measures incorporate consumer loyalty, deals development, representative's development, and piece of the pie. A portion of the nonfinancial measures are end performance estimates, for example, piece of the overall industry and offer development, while some of them may fill in as driving markers of outcome financial performance.

When all is said in done, most SMEs utilize a predetermined number of monetary execution pointers, since they need HR expected to build up execution estimation and the proper culture to gather information for dynamic purposes (Heilbrunn, Rozenes, and Vitner, 2011) and will in general utilize abstract estimates more regularly than target measures (Dess and Robinson, 1984). SMEs regularly gauges their development by turnover development and business development (e.g., Leitner and Gudenberg, 2010).

Government Support

Support from government is very important to develop SMEs in Indonesia. Based on previous master research study by researcher (Guci, D. A., & Ghazali, P. L., 2017), where the study conduct in Batam, the result show that SME player in Batam was still not satisfied with the government support. In this study, researcher will divide the support from government in to two part such as Infrastructure and Business regulation.

Foundation is the physical and authoritative design which is fundamental and required for the activity of a general public or endeavor and it is the administrations and offices essential for an economy to work (Sullivan and Steven, 2003). Foundation can be characterized and clarify as a bunch of interconnected components that issue or give a system that help the whole construction for improvement, and it is a fundamental term for passing judgment on an area's or nation progress which is around the circle of advancement. The term alludes to specialized designs that guide and backing the general public, regarding water supply, power networks, spans, streets, broadcast communications, sewers, and furthermore framework is clarifying as the actual parts of interrelated frameworks that give items and administrations fundamental to maintain, empower, or upgrade cultural everyday environments (Fulmer, 2009). Practically, frameworks work with the creation of items and administrations, and furthermore work with the dispersion of completed merchandise to the business sectors, just as advance the fundamental social administrations like emergency clinics and school; for instance, streets empower the vehicle of crude materials to a plant (American, 2009).

Business regulation support from government is very important to develope small and medium enterprises. According to Apung Sumengkar (2014), to develope the small and medium enterprises, there are four things that government must focus in the small and medium enterprises such as small and medium enterprises asset, business service, business accelerate, and motivation.

Training

As indicated by Alois Wisnuhardana (2016), beginning the innovative action of effective business visionaries includes preparing, which controlled by the existential train by the achievement business players. This preparation used to aftereffect of lopsided benefit and lost in working together. Therefore, we can distinguish which was need to do or not to do in doing a business to become successful business visionaries.

Digital Marketing

According to Dwi Nova Syafitri (2017), Current technological developments that lead to the digital world have made the digital marketing business increasingly accepted and began to have its own market share. Digital Marketing in business is currently showing a positive trend and continues to increase significantly. Digital marketing efforts are preferred by business player rather than conventional marketing. Digital marketing system is more able to reach consumers in relevant and timely manner and directly to the people who will need the products.

Financial Capital

In an investigation directed by Pretorius and Shaw (2004) sets that financial capital can be inner or outer. Lion's share of SMEs relies upon inside account, inner money is frequently deficient for SMEs to endure and develop. Woodworker and Petersen (2002) find that development of SMEs is compelled because of reliance on inner account. Savage rivalry in the light of globalization patterns, quick mechanical turns of events, more limited item cycles, and advancement necessities has squeezed SMEs to speed up their improvement ventures. It is, nonetheless, progressively hard to keep the expenses inside the limitations of self-financing. In this way, SMEs need capital from outside sources.

Risk Control

Risk control implies staying away from the danger altogether or moderating the danger by bringing down the likelihood and greatness of misfortunes. Numerous dangers can't be kept away from, however practically everything dangers can be alleviated using misfortune control. Regardless, even misfortunes from alleviated dangers can be costly, so the two individuals and organizations generally move a portion of that risk to 3rdparties. Risk control centers around strategies for paying for misfortunes, which is important on the grounds that not everything misfortunes can be forestalled. Risk control is cultivated by holding the danger, and for certain dangers, a few or a large portion of the expense of potential misfortunes is moved to outsiders, as a rule insurance agency. In spite of the fact that protection is a significant method for bringing down the expense of misfortunes, all individuals and organizations hold risk somewhat, in any

event, for guaranteed misfortunes, on the grounds that most types of protection have deductibles, and some have copayments. Risk control is the last advance that a business person or organization should do after they know the dangers they will confront and investigate those dangers. Risk Control are incorporated of four piece of dangers; risk maintenance, risk move, risk decrease and risk aversion (Sanabila, 2015).

HYPOTHESES DEVELOPMENT

H_{1a}: There is positive significant effect between government support and performance of SMEs.
H_{1b}: There is positive significant effect between training and performance of SMEs
H_{1c}: There is positive significant effect between digital marketing and performance of SMEs
H_{1d}: There is positive significant effect between financial capital and performance of SMEs
H_{2a}: Risk control moderate the effect of relationship between government support and performance of SMEs
H_{2b}: Risk control moderate the effect of relationship between training and performance of SMEs
H_{2c}: Risk control moderate the effect of relationship between digital marketing and performance of SMEs
H_{2d}: Risk control moderate the effect of relationship between financial capital and performance of SMEs
H_{3a}: Performance of SMEs is significantly influence by government support
H_{3b}: Performance of SMEs is significantly influence by training
H_{3c}: Performance of SMEs is significantly influence by digital marketing
H_{3d}: Performance of SMEs is significantly influence by financial capital

In this paper the proposed conceptual framework is appeared in figure 1 as underneath

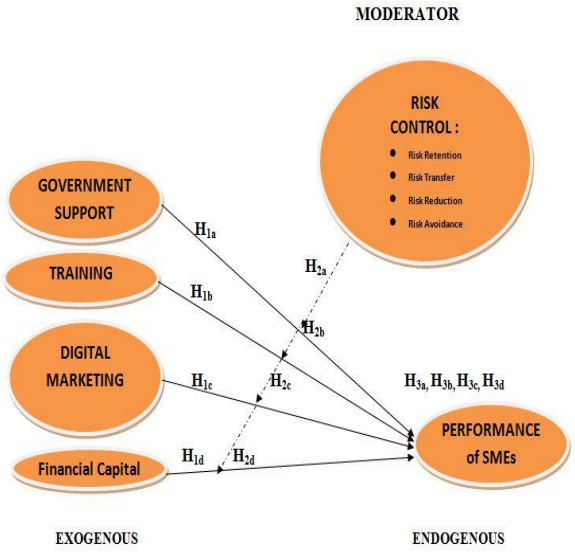


Figure 1: The proposed conceptual framework: moderator factor on the relationship between determinant factors selection and performance of SMEs

Conclusion

This paper has given a fundamental reasonable structure that could be helpful in encouraging performance of SMEs by contributing a bigger gestalt on factors influencing SMEs improvement. Surviving writing on this issues for the most part center around a predetermined number of builds, which may cloud the intricacy of the greater reasonable framework. The commitment of this system is in giving a bigger image of the develops.

A large number exist to improve the calculated structure and to additional expound the parts of every one of the develops in the reasonable system. A portion of the connections between two develops of this calculated structure may not generally straight. Upset U-shape connections have been accounted for in the writing for certain sets of builds. Therefore, explicit theories created at the operational level had been taken in this wonder.

REFERENCES

Alois Wisnuhardana. (2016). Jatuh Bangun dalam Berwirausaha. *Primagama Press.* Bandung.

Apung, S. (2014). Strategi Bisnis Komprehensif Melawan Krisis. *Jurnal IKRA-ITH Ekonomika, 4*(1), 45–47.

Carpenter, R. E., & Petersen, B. C. (2002). Is the Growth of Small and Medium Enterprises Constrained by Internal Finance?. *Review of Economics and Statistics*, *84*(2), 298-309.

Dess, G., & Roinson, R. (1984). Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firm and Conglomerate Business Units. *Strategic Management Journal, 5(3),* 265-273.

Dwi Nova Syafitri. (2017). Peluang dan Resiko Bisnis Digital Marketing. *Alphabet Press.* Jakarta.

Fulmer, Jeffrey. (2009). What in the World is Infrastructure. *PEI Infrastructure Investor,* 30-32.

Guci, D. A., & Ghazali, P. L., (2017). Analyze of Relationship between Government Support, Experience, Attitude towards Business and Woman Entrepreneurs Performance of Micro Enterprise. *World Applied Science Journal, 35(9),* 1869-1873. https://doi.org/10.5829/idosi.wasj.2017.1869.1873

Heilbrunn, S., Rozenes, S., & Vitner, G. (2011). An Idea Based Taxonomy to Map Successful SMEs. *International Journal of Business and Social Science, 2*, 232–241.

Leitner, K., & Guldenberg, S. (2010). Generic Strategies and SME Performance: A Longitudinal Study of Austrian SMEs. *Small Business Economy, 35,* 169-189.

Li, Y., Huang, J., & Tsai, M. (2009). Entrepreneurial Orientation and SMEs Performance: The Role of Knowledge Creation Press. *Industrial Marketing Management, 38*, 440–449.

Miller, D., & Toulose, J. (1986a). Chief Executive Personality and Corporate Strategy and Structure in Small Enterprises. *Management Science, 32(11)*, 1389–1409.

Miller, D., & Toulose, J. (1986b). Strategy, Structure, CEO Personality and Performance in Small Enterprises. *American Journal of Small Business, 10*, 47–62.

Nichter, S., & Goldmark, L. (2009). Small Enterprises Growth in Developing Countries. *World Development, 37(9)*, 1453–1464.

Pretorius, M., & Shaw, G. (2004). Business Plans in Bank Decision-Making When Financing New Ventures in South Africa. *South African Journal of Economic and Management Sciences*, *7(2),* p-221.

Sanabila, (2015). The Theory of Risk Control and Insurance, Erlangga Press, Jakarta.

Sullivan, A., & Steven, M. S. (2003). The Economic Crisis Lessons of Transportation Companies by Labour Productivity in Baltic and Central and Eastern Europe Countries. *Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport, 2(4)*, 94–103. https://doi.org/10.12691/jbe-2-4-3

Al-Khazali, O., Bouri, E., Roubaud, D., &Zoubi, T. (2017). International Review of Financial Analysis The impact of religious practice on stock returns and volatility. *International Review of Financial Analysis, 52,* 172–189. https://doi.org/10.1016/j.irfa.2017.04.009

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-1,
http://dx.doi.org/10.37231/jmtp.2021.2.2.105
https://journal.unisza.edu.my/jmtp



A Conceptual Paper for Educational Leadership Models in Malaysia

[1]* Aze Fauziah Suib, [2]Puspa Liza Ghazali, [3]Bahyah Binti Abdul Halim, and [4]Nik Hazimi Mohammed Foziah

[1,2,3,4]Faculty of Business and Management, University of Sultan Zainal Abidin, Kuala Terengganu, Terengganu, Malaysia

***Corresponding Author E-mail: azesuib@gmail.com**

Received: 13th April 2021 ***Accepted:17th May 2021*** ***Published: 20th May 2021***

ABSTRACT

Researchers are paying attention to leadership management in the field of education after the Ministry of Education placed high leadership in schools as a shift to improve the standard of Malaysia's education system in the Malaysia Education Blueprint 2013-2025. Leadership is mentioned as a necessity for reforming educational institutions. It has the potential to influence teachers' performance and academic success of students. Transactional, transformational, and instructional leadership models were found out to be the most prominent types of leadership in Malaysian educational institutions. However, only few studies on leadership models and teachers' performance have been conducted, especially in the field of special education. Therefore, this study was developed with the aim of proposing a conceptual framework involving the instructional leadership model and teacher success in order to fill a void in the current literature, based on previous scholars' recommendations. The paper started by giving an overview of the three types of models that are widely used before forming the conceptual structure and seeking past studies concerning leadership models and teacher-related factors. Finally, the constructs of teachers' self-efficacy and job satisfaction were applied to the proposed framework, which is intended to introduce new perspectives into the field of special education leadership.

Keywords: leadership model, instructional leadership, teachers' self-efficacy, job satisfaction, teachers' performance.

OPEN ACCESS

INTRODUCTION

Every country in the world relies greatly on education. Education has always been a top priority for the Malaysian government because they believe that education is a continuous effort to improve future well-being. This can be proven with the highest amount of government allocation for education involving RM50.4 billion or 15.6 percent in 2021 budget. The large sums of money spending on education was intended to ensure that our educational system is of high quality and on par with that of the world's leading nations. Quality education requires quality management. If we want the country's educational growth to advance mankind, we should therefore master management skills (Dhal, 2021). The degree to which all involved parties' interests and desires are met determines the quality of education (Anttila, 2019). In other words, quality can be described as something which best meets and exceeds the customers' demands. While management is defined as an art of getting things done through people, efficiently (doing things right) and effectively (doing right things) (Muniapan, 2007).

Effective management education is required in Malaysian organizations to develop world-class leaders. Quality management, according to Quang Ngoc (2020), is a management that keeps things in a stable and evolving state by combining three practices that are carried out concurrently and continuously. Setting targets and expectations, evaluating the condition in consideration of the standards, and improving the standard scenario are the three practices in quality management. Therefore, Malaysia's Ministry of Education has released the Malaysia Education Blue Print, which covers education planning from 2013 to 2025, in order to become one of the leading education countries. Eleven shifts are listed in the document to evolve our educational system; which one of the shifts is to ensure that every school has high-performing school leaders. This transition is focused on management efficiency in whether primary or secondary school in Malaysia. School leaders should be prepared and provided greater resources as a result of this change, which is proven to reflect student success indirectly (MOE, 2013). Managers in educational institutions can get a deeper understanding of why they do as they do in overseeing their organization by mastering about educational leadership models. Furthermore, understanding the models that they practice in organizing their institutions will enable them to rationalize and explain the decisions and actions that are taken. Leaders can determine whether and to what degree they ought to reassess and adjust their management style for the greater good of their institutions by reflecting on these models.

Unfortunately, despite the fact that leadership reflects teachers' job performance (Wahab et al., 2020; Achmad, 2017; Wenno, 2017), but its effect on job performance is barely investigated. More researches on instructional leadership model should be develop in the context of Asian countries to investigate how school leaders perform in various educational settings leadership of education (Medina et al.,2018). Therefore, as suggested by Nursohana & Mohd

Effendi (2020), new study must pay attention to the real needs of special education management and administration, particularly with the implementation of zero reject policy. The zero-rejection policy, which enables children with special needs to attend school for at least three months regardless of their disabilities, was implemented in 2019, posing a number of obstacles for special education educators. Learner erratic behaviour, job overload, insufficient learning opportunities, unpleasant working conditions, and self-doubt are all major challenges for special educators. (Amalina & Azita, 2016; Downing, 2017; Norazmi, Zaid & Rasid, 2020; Hester, Bridges & Rollins, 2020). With this challenging situation, it's difficult for the special educators to perform their job particularly if they did not get the support from the school leaders. Mosbiran et al. (2020) also revealed that only seven studies were published in Malaysia regarding special education leadership from 2011 to 2020. Due to these complexities, Mosbiran et al.(2020) indicated that future studies should focus on special education-related constructs such as teacher job satisfaction. Therefore, this paper aims:

1. to offer an overview of three educational leadership models that currently use in Malaysia;
2. to identify recent studies on the instructional leadership model and variables involving teachers in the Malaysian context;
3. to propose a new conceptual framework that includes instructional leadership and teacher performance, as well as two additional constructs; self-efficacy and job satisfaction.

To date, study involves the combination of instructional leadership, self-efficacy, job satisfaction and educators' performance has never been studied in Malaysia. Based on a limited existing literature and research, this study would contribute to the field's expertise and address a literature gap. Finally, a brief conclusion will be raised on the significance of applying this conceptual construct in the field of special education.

LITERATURE REVIEW

Educational leadership in school can be described as a process of control based on clear principles and beliefs that leads to a school vision. According to Chainani (2019), leaders articulate the goal in attempt to acquire staff and stakeholder devotion to the ideal of a brighter future for the school, its pupils, and stakeholders. A capable principal with strong leadership skills has a significant influence on others, especially teachers. Good and supportive leadership will influence the teachers to serve better (Tai & Omar, 2016). There have been numerous strong evidences from previous studies that leadership management style has an impact on teachers; such as teachers' performance (Wahab et al., 2020; Achmad, 2017; Wenno, 2017), teachers' self-efficacy (Thien et al., 2021; Thien, Lim & Adams, 2021; Musa et al., 2021; Jalapang & Raman, 2020; Baharuzaini et al. 2017; Liu & Bellibas, 2017; Shafinaz, Chua & Leong, 2016), commitment (Thien, Lim & Adams, 2021; Othman, 2020; Yusuf & Wahab, 2019), competency (Ismail et al., 2020; Narad, Dolizyi & Lakhanpal, 2020; Ismail et al., 2018; Wenno, 2017; Paturusi, 2017), development (Abdullah et al., 2020; Abas & Basri, 2019) and their job satisfaction (Veraya, 2020; Nurlaili & Abdullah, 2018; Ghavifekr, 2017; Ismail, 2017; Schwartz, 2017; Arokiasamy et al., 2016; Anantha, 2016). Leadership management will impact students' achievement too (Naz & Rashid, 2021; Azar & Adnan, 2020; Hassan, Ahmad & Boon, 2018; Nor, 2017; Baharuzaini et al., 2017). As a result, leadership would have an effect on overall school performance as well (Abubakar, Inuwa & Hamma, 2018; Arokiasamy et al., 2017; Lim & Jamal, 2016).

There are several typical models that had been implemented at school institutions level in Malaysia; transformational, transactional and instructional leadership management model based on previous researches done. Most models include the element of vision, which means the institution's leader has a goal to accomplish in the future. In this literature review, three typical models that applied in Malaysia school institutions and their features will be discussed in this literature review.

The Transformational Model

Transformational leadership is a process that involved interaction between leaders and members in the organizations to enhance the level of motivation and morale in working together. Through the transforming process, the objective of leaders and organization members have been converged; that it is fair to anticipate harmonious relationships and agreement that leads to agreed-upon decisions. The central goal of the transformational leadership model is to promote institutional capability growth and increase personal commitment to the organization (Veraya, 2020). Increased commitments and capabilities are expected to result in increased initiative and efficiency among organization members (Saidova, 2018). These leaders are more concerned about their followers' desires and motivations, and they strive to help them achieve their full potential. It has the potential to involve all stakeholders in the pursuit of educational goals when it operates well (Banu et al., 2019).

The Transactional Model

Transactional leadership is a type of leadership that is focused on an exchange of a valuable resource between leaders and teachers. Exchange is an established political strategy for members of organizations especially teachers. Teachers are motivated with leaders' promises, praises and rewards as an exchange in transactional leadership model (Sirin, Aydir & Bilir, 2018; Saidova, 2018). The transaction can provide advantages for all stakeholders to the deal. Leaders have jurisdiction because they are the official leaders of their organizations. However, in order to ensure the school's successful management, the leaders need teachers' cooperation. The major limitation of such a process is that it does not engage staff beyond the immediate gains arising from the transaction. Transactional leadership is short-term in nature, with leaders focusing solely on the organization members' current needs (Sirin, Aydir & Bilir, 2018).

The Instructional Model

Instructional leadership differs from the other educational leadership models because it focuses on the direction of influence, rather than its nature and source. Instructional model can be defined as clear planning behavior of the headmaster or principal who have the massive influence in guiding teachers and students to improve teaching and learning process to achieve school academic vision (Naz & Rashid, 2021; Lim & Jamal, 2016). Instructional leaders who are actively involved in teachers' development by planning, coordinating and evaluating the process of teaching and learning (T&L) in school (Hassan, Ahmad & Boon, 2018). Hallinger's Instructional Leadership Model (2011) introduced three dimensions which are:

i. defining school goal;
ii. managing instructional program;
iii. promoting school climate.

Among these three models, the instructional leadership management model seems to be the most appropriate for the nature of the teaching and learning process. As from the words "instructional" that came from "instructions" or in school context, we usually use "teaching", this type of leadership management model seems to be well-suited to the educational setting. Through the instructional leadership, we can ensure that the teaching and learning process will be improved and give impact to students' development. Despite the fact that this leadership model is over decades, it is still getting attention from researchers (Gumus et al., 2016). It shows that instructional leadership is one of the most trusted models in guiding schools to the right direction and by bringing a leader to increase the level of teachers' teaching and learning, as well as students' academic achievement (Naz & Rashid, 2021). Ismail et al. (2018) emphasized that school leaders are recommended to adopt instructional leadership in their practices to improve teachers' functional competency. Instructional leadership should be implemented to enhance teachers' self-efficacy as suggested by Baharin et al. (2017). It is also recommended by Saiful (2016) for school that wanted to improve the students, teachers and school performance as he found out that principals in high academic achievement school practice this leadership management model. Thus, instructional leadership model was chosen for this study because it could help school leaders in creating a positive school atmosphere, which has been one of the teachers' main challenges, as revealed in the problem statement.

METHODOLOGY

The first step in creating a conceptual structure was to look at similar articles and see if there were any connections between instructional leadership and teacher success. During this phase, related papers were found using search engines including Semantic Scholar (https://www.semanticscholar.org/), Science Direct (http://www.sciencedirect.com/), Google Scholar (https://scholar.google.com/), Sage Publications (https://journals.sagepub.com/) and Research Gate (https://www.researchgate.net). Keywords, such as 'instructional leadership', 'teachers' and 'Malaysia' were used in this process. As a result of these efforts, 5774 publications were identified; however, only 5765 remained after the second stage of the screening process. Then, we carefully selected articles focusing on the impact of instructional leadership on Malaysian teachers. The key sources for establishing the context of teacher performance were identified with eighteen papers, while the remaining articles included supporting materials for the current study (Table 1). The study's scope is the aspects of school teachers that are affected by instructional leadership model. The identified relationships allowed us to recommend four constructs; instructional leadership, teachers' self-efficacy, teachers' job satisfaction and teachers' performance. These recommendations are thought to be relevant for Malaysia's special education needs.

Table 1: Articles selected in formulating the basis of conceptual framework

Author (s) and year of publication	Constructs	Respondents
Naz & Rashid (2021)	Instructional leadership, teachers' motivation and students' achievement	Mainstream secondary school educators
Thien et al. (2021)	Instructional leadership, teacher professional learning, teachers' trust in the principal and self-efficacy	Mainstream primary and secondary school educators
Thien, Lim & Adams (2021)	Instructional leadership, teachers' self-efficacy and commitment	Mainstream primary and secondary school educators
Othman (2020)	Instructional leadership and teachers' commitment	Mainstream primary educators
Jalapang & Raman (2020)	Instructional leadership, principal efficacy, school climate & teacher efficacy	Mainstream primary educators
Wahab et al.(2020)	Instructional leadership and teachers' performance	Mainstream primary school educators
Abdullah et al. (2020)	Instructional leadership, teacher development and instructional coaching	School leaders
Hui & Singh (2020)	Instructional leadership and learning organization	Mainstream primary educators
Musa et al. (2020)	Instructional leadership, transformational leadership, teachers' self-efficacy and trust	Mainstream primary educators
Ismail et al. (2020)	Instructional leadership and teachers' functional competency	Mainstream primary educators
Abas & Basri (2019)	Instructional leadership, teacher development and instructional coaching	Mainstream secondary school educators
Hassan, Ahmad & Boon (2019)	Instructional leadership and learning organization	Mainstream educators
Yusof & Wahab (2019)	Instructional leadership and teachers' commitment	Mainstream secondary school educators
Ismail et al. (2018)	Instructional leadership and teachers' functional competency	Mainstream primary and secondary school educators
Mannan (2017)	Instructional leadership, teacher organizational commitment and teacher professional community	Mainstream secondary school educators
Ghavifekr (2017)	Instuctional leadership and teachers' job satisfaction	Mainstream secondary school educators

Baharin et al. (2016)	Instructional leadership and teachers' self-efficacy	Mainstream primary educators
Rodzi & Mansor (2016)	Instructional leadership and professional learning	Mainstream secondary school educators

Research Design

Researcher discovered that a number of researches concerning instructional leadership in primary and secondary schools in Malaysia have been conducted since 2016 based on secondary data collection. This study utilizes one independent variable, two mediators and one dependent variable as shown in Figure 1.

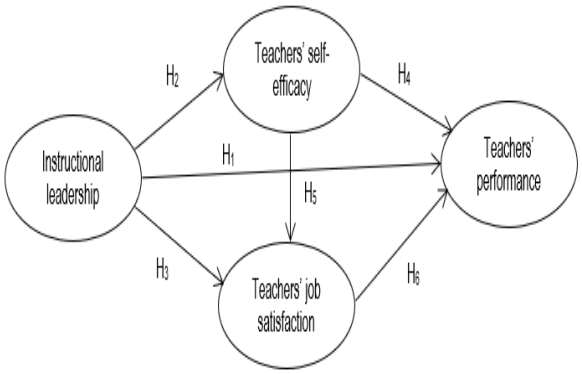


Figure 1 Conceptual framework

The research questions are as follows:

1. Does instructional leadership impacts teachers' performance?
2. Does instructional leadership impact teachers' self-efficacy?
3. Does instructional leadership impact teachers' job satisfaction?
4. Does teachers' self-efficacy impact teachers' performance?
5. Does teachers' self-efficacy impact teachers' job satisfaction?
6. Does teachers' job satisfaction impact teachers' performance?

CONCLUSION

The instructional leadership management model seems reliable to fit the nature of management in school institution that was the focus of this study. Educational leadership is critical to the achievement of a diverse set of educational goals. If the institution's primary goal is for students to succeed, instructional leadership seems to be a viable choice. Based on previous scholars' recommendations, this study has proposed a conceptual framework that focuses on special educators and instructional leadership. Currently, it appears to be relevant to the present situation in Malaysia, especially in the field of special education. This research aims to deter special education teachers from leaving the field by providing them with the adequate support from school administration.

References

Abas, N., & Basri, R. (2019). Relationship Between the Dimensions of Senior Subject Teachers'(GKMP) Instructional Leadership and the Learning Organisation at Schools. *International Research Journal of Education and Sciences (IRJES),3*, 2550-2158.

Abdullah, J. B., Suprammaniam, S. S., Mohamed, N. A. S., & Yusof, S. I. M. (2020). The Relationship of Instructional Leadership Towards Teachers' Development Through Instructional Coaching Among Malaysian School Leaders. *International Educational Research*, *3*(2), 9-20.

Abubakar, A.-M., Inuwa, B. B., & Hamma, M. (2018). *Principal Leadership Style towards Teachers' Motivation on Secondary Schools in Nigeria*. *125*(Icigr 2017), 88–90. https://doi.org/10.2991/icigr-17.2018.21

Armugam, B., Arshad, M. M., Ismail, I. A., & Hamzah, S. R. (2019). Investigating the Link between Transformational Leadership Style on Succession Planning Program in National Secondary Schools in Seremban District, Malaysia. *International Journal of Academic Research in Progressive Education and Development*, *8*(4), 201–214. https://doi.org/10.6007/ijarped/v8-i4/6489

Arokiasamy, A. R. A., Abdullah, A. G. K., @ Shaari, M. Z. A., & Ismail, A. (2016). Transformational Leadership of School Principals and Organizational Health of Primary School Teachers in Malaysia. *Procedia - Social and Behavioral Sciences*, *229*, 151–157. https://doi.org/10.1016/j.sbspro.2016.07.124

Arokiasamy, A. R. A., Zohir, M., Shaari, A., & Ismail, A. (2017). *A Qualitative Study on the Relationship between School Leadership Styles and the Governing Systems of School Principals in Peninsular Malaysia. 6256*, 764–770. https://doi.org/10.21276/sjhss.2017.2.9.2

Azar, A. S., & Adnan, E. J. (2020). The Impact of Effective Educational Leadership on School Students' Performance in Malaysia. *Education Quarterly Reviews*, *3*(2). https://doi.org/10.31014/aior.1993.03.02.127

Baharin, B., Adnan, M.H., Mohd Zin, M.H., Kamaludin, M.N. & Mansor, A.N. (2016). Gaya Kepimpinan Guru Besar Dan Tahap Efikasi Guru. *Journal of Personalized Learning*, *2*(1), 9–17. http://spaj.ukm.my/jplearning/index.php/jplearning/article/view/38/63

Chainani, P.A. (2020). A School Leader's Perspective on Instructional Leadership: Qualitative Study.

Dhal, P. (2021). *Quality Management in Education By Prof . Pravat Kumar Dhal HOD , Department of Education Pravatkumar.dhal@gmail.com Electronic copy available at : https://ssrn.com/abstract=3726921*. *January*. https://doi.org/10.13140/RG.2.2.22022.40004

Ghavifekr, S. (2017). Building Nation Through Effective Schools: Instructional Leadership Practices of Headmaster Towards Teachers'job Satisfaction. Prosiding Seminar Kebangsaan Majlis Dekan Pendidikan Universiti Awam *2017*, 108

Gumus, S., Bellibas, M. S., Esen, M., & Gumus, E. (2018). A systematic review of studies on leadership models in educational research from 1980 to 2014. *Educational Management Administration and Leadership*, *46*(1), 25–48. https://doi.org/10.1177/1741143216659296

Gyasi, K. (2015). *Participative leadership practice in junior high schools and actions to improve the practice: a case study of Sekyere south district, Ghana*. 3–10. https://jyx.jyu.fi/bitstream/handle/123456789/47230/5/URN-NBN-fi-jyu-201509303290.pdf

Hassan, R., Ahmad, J., & Boon, Y. (2018). Instructional leadership in Malaysia. *International Journal of Engineering and Technology(UAE)*, *7*(3.30 Special Issue 30), 424–432. https://doi.org/10.14419/ijet.v7i3.30.18346

Hassan, R. & Ahmad, J. & Boon, Y. (2019). Instructional Leadership Practice and Professional Learning Community in the Southern Zone of Malaysia. Universal Journal of Educational Research. 7. 42-50. https://doi.org/10.13189/ujer.2019.071906.

Herawati, R., & Tjahjono, H. K. (2020). The Influence of Instructional Leadership on Professional Competence Mediated by Self-Efficacy and Social Capital. *Jurnal Manajemen Bisnis*, *11*(2), 202-213.

Hui, L. S., & Singh, G. S. B. (2020). The Influence of Instructional Leadership on Learning Organisation at High Performing Primary Schools in Malaysia. *Asian Journal of University Education*, *16*(2), 69-76.

Ismail, A. Y. (2017). Gaya Kepimpinan Pengetua Dan Kepuasan Kerja Guru Di Sekolah Menengah Kebangsaan Daerah Marang, Terengganu. *Proceedings of the ICECRS*, *1*(1), 69–72. https://doi.org/10.21070/picecrs.v1i1.577

Ismail, A., & Mydin, A. A. (2019). *The Impact of Transformational Leadership and Commitment on Teachers' Innovative Behaviour*. *304*(Acpch 2018), 426–430. https://doi.org/10.2991/acpch-18.2019.100

Ismail, S. N., Don, Y., Husin, F., & Khalid, R. (2018). Instructional leadership and teachers' functional competency across the 21st century learning. *International Journal of Instruction*, *11*(3), 135–152. https://doi.org/10.12973/iji.2018.11310a

Ismail, S. N., Muhammad, S., Omar, M. N., & Raman, A. (2020). The Great Challenge of Malaysian School Leaders' Instructional Leadership: Can It Affect Teachers' Functional Competency across 21st Century Education?. *Universal Journal of Educational Research*, *8*(6), 2436-2443.

Jalapang, I., & Raman, A. (2020). Effect of instructional leadership, principal efficacy, teacher efficacy and school climate on students' academic achievements. *Academic Journal of Interdisciplinary Studies*, *9*(3), 82-82.

Khun-inkeeree, H., Ahmad, A. A., & MohdSofian, F. N. R. (2018). The Relationship between Principals' Instructional Leadership and Teachers' Self Efficacy in Religious Private School in Alor Setar District. *Rangsit Journal of Educational Studies*, *5*(2), 52-63.

Bellibas, M. S., & Liu, Y. (2017). Multilevel analysis of the relationship between principals' perceived practices of instructional leadership and teachers' self-efficacy perceptions. *Journal of Educational Administration, 55*(1), 49-69.

Liu, Y., Bellibaş, M. S., & Gumuş, S. (2021). The effect of instructional leadership and distributed leadership on teacher self-efficacy and job satisfaction: Mediating roles of supportive school culture and teacher collaboration. *Educational Management Administration & Leadership*, *49*(3), 430-453.

Mannan, F. (2018). The relationship between women principal instructional leadership practices, teacher organizational commitment and teacher professional community practice in secondary schools in kuala lumpur. *Instructional Leadership to The Fore: Research and Evidence*, *1*, 13.

Medina, N. I., Mansor, A. N., Wahab, J. L. A., & Vikaraman, S. S. (2018). Principals' Instructional Leadership in Small School-A Preliminary Study. *International Journal of Academic Research in Business and Social Sciences*, *8*(8). https://doi.org/10.6007/ijarbss/v8-i8/4623

Muniapan, B. (n.d.). *Issues and Challenges of Management*. 1–12.

Musa, J. B., Nazarudin, M. N. B., Noordin, Z. B., & Juati, N. A. Investigating Instructional Leadership, Transformational Leadership, Self-Efficacy and Trust among Primary School Teacher. International Journal of Education, Psychology and Counselling, 5(35), 237-248.

Narad, A., Kaitano, D. N. H., & Lakhanpal, S. (2020). Leadership styles and organizational climate as predictors of teacher effectiveness in secondary schools teachers. *European Journal of Molecular and Clinical Medicine*, *7*(7), 3446–3456.

Nasir, M. I. M., & Sin, I. (2016). Transformational Leadership among School Principals in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, *6*(11), 398–403. https://doi.org/10.6007/ijarbss/v6-i11/2408

Naz, F., & Rashid, S. (2021). Effective Instructional Leadership can Enhance Teachers' Motivation and Improve Students' Learning Outcomes. *Sir Syed Journal of Education & Social Research, 4(1*), 477-485. https://doi.org/10.36902/sjesr-vol4-iss1-2021(477-485)

Nor, S. A. M. (2017). Amalan Kepimpinan Pengetua Di Sekolah Prestasi Akademik Tinggi Dan Rendah di Daerah Kota Bharu, Kelantan. *Proceedings of the ICECRS*, *1*(1), 221–230. https://doi.org/10.21070/picecrs.v1i1.604

Nurlaili, A. W., & Abdullah, M. Y. (2018). Relationship between Leadership Style and Headmaster Management With Job Satisfaction of. *Jurnal Ilmi*, 136–150.

Othman, C. (2020). Hubungan Antara Kepimpinan Instruksional Guru Besar dengan Komitmen Guru di Sekolah Luar Bandar, Malaysia. *Proceedings of the International Conference On Education, Islamic Studies And Social Sciences Research*, *5*, 221–237. https://www.researchgate.net/publication/343228445_HUBUNGAN_ANTARA_KEPIMPINAN_INSTRUKSIONAL_GURU_BESAR_DENGAN_KOMITMEN_GURU_DI_SEKOLAH_LUAR_BANDAR_MALAYSIA

Paturusi, A. (2017). Contributions of Leadership Style, Managerial Skills of Principals and Compensation to the Performance of Teachers. *Journal of Education and Human Development*, *6*(4), 105–114. https://doi.org/10.15640/jehd.v6n4a12

Quang Giao, N., & Ngoc Thanh, H. (2020). Application of Quality Management Models Aiming Towards Innovation in Management at Vietnamese Universities. *Higher Education Research*, *5*(2), 52.

Sehgal, P., Nambudiri, R., & Mishra, S. K. (2017). Teacher effectiveness through self-efficacy, collaboration and principal leadership. *International Journal of Educational Management*, *31*(4)

Şirin, Y. E., Aydın, Ö., & Bilir, F. P. (2018). Transformational-transactional leadership and organizational cynicism perception: Physical education and sport teachers sample. *Universal Journal of Educational Research*, *6*(9), 2008–2018. https://doi.org/10.13189/ujer.2018.060920

Taylor, A., & Hill, F. (1993). Quality Management in Education. *Quality Assurance in Education*, *1*(1), 21–28. https://doi.org/10.1108/09684889310040712

Thien, L. M., Liu, S., Yee, L. Q., & Donnie, A. (2021). Investigating a multiple mediated-effects model of instructional leadership and teacher professional learning in the Malaysian School Context: A partial least squares analysis. *Educational Management Administration & Leadership*, 17411432211009892.

Thien, L. M., Lim, S. Y., & Adams, D. (2021). The evolving dynamics between instructional leadership, collective teacher efficacy, and dimensions of teacher commitment: what can Chinese independent high schools tell us?. *International Journal of Leadership in Education*, 1-23.

Velarde, J. (2017). Instructional leadership practices in international schools in Malaysia: A case study. *International online Journal of educational leadership*, *1*(1), 90-117.

Veraya, S.V.V. (2020). *Headmasters ' Transformational Leadership Style , Teachers ' Organizational Commitment and Job Satisfaction Headmasters ' transformational leadership style , teachers ' organizational commitment and job satisfaction : Mediating Role of organizational comm*. *1*, 39–46.

Veeriah, J., Chua, Y. P., & Siaw, Y. L. (2017). Principal's Transformational Leadership and Teachers' Affective Commitment in Primary Cluster Schools in Selangor. *International Online Journal of Educational Leadership*, *1*(1), 60–89. https://doi.org/10.22452/iojel.vol1no1.4

Wahab, J.A., Mansor, A.Z., Hussin, M., & Kumarasamy, S. (2020). Headmasters' Instructional Leadership and Its Relationship with Teachers Performance. *Universal Journal of Educational Research, 8*, 97-102.

Wenno, I. H. (2016). Effect of Principal Managerial Leadership and Compensation towards Physics Teacher Performance in Senior High School in Baguala District-Ambon. *International Education Studies*, *10*(1), 233. https://doi.org/10.5539/ies.v10n1p233

Yusof, R.M., & Wahab, J.A. (2019). Principal's Instructional Leadership And Its Relation To Teachers' Commitment In High Performance Schools (Hps) In Seremban District. *International Journal of Education, Psychology and Counseling, 4(33),* 107-121.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.108
https://journal.unisza.edu.my/jmtp



Zakah Collection and Distribution Management: A Case Study of MAIDAM in Terengganu

[1]Shahirah binti Mat Shaari, [2*] Md. Habibur Rahman

[1,2]Faculty of Business and Management (FPP), Universiti Sultan Zainal Abidin (UniSZA) Kampus Gong Badak, 21300, Kuala Nerus, Terengganu, Malaysia

***Corresponding Author Email:** habiburrahman@unisza.edu.my

Received: 16th May 2021 ***Accepted:18th June 2021*** ***Published: 25th June 2021***

ABSTRACT

Zakah is one of the systems to promote wealth-sharing among the Muslims in assuring a minimum standard of living for them. The problems associated with the distribution of zakah and poverty are damaging the performance and achievement of the zakah institution itself. The statistics on the distribution of zakah shows that the poor and extreme poor in Terengganu has been increased over the last few years. In addition, there are people who pay zakah directly to the asnaf while such payments of zakah are not being recorded. Thus, an efficient management for zakah in terms of collection and distribution can contribute to the achievement of the utmost objective of zakah. This qualitative mode of study investigates the activities of zakah collection and distribution that are being practiced by MAIDAM. This study uses the semi-structured interviews to collect the primary data. The study interviews the staff from the Majlis Agama Islam Dan Adat Melayu (Islamic Religious Council and Malay Customs), known as MAIDAM, whereby several issues have been asked and discussed to achieve the objectives. MAIDAM is the only organization that collects and distributes zakah in Terengganu. The study finds that MAIDAM has been using several channels for the zakah payers to make direct payments to MAIDAM. Besides, MAIDAM has collaborations with other organizations to distribute the funds effectively. The study posits that zakah is to be distributed in sustainable modes such as in a form of small financing for needy SMEs to achieve the objective of eradicating poverty line and minimizing income inequality.

Keywords: Zakah, Collection, Distribution, MAIDAM, Terengganu

OPEN ACCESS

INTRODUCTION

Zakah is the fourth pillar in the pillars of Islam, which is obligated towards all Muslims. The Malaysia's government as a medium had appointed Zakah institutions in collecting and distributing zakah efficiently. There are several mechanisms for zakah collection and distribution practiced by Zakah Institution in Malaysia. Based on MAIDAM website, zakah had been distributed in various ways as financial support to the recipient in Terengganu but most of zakah's consumption by recipients in short term only. Zakah is one of the systems that promote the wealth-sharing with Muslims in assuring a comfortable standard of living for the Muslims. The aim of zakah is to discourage the concentration of wealth towards the rich people and to eradicate the poverty among of the poor people (Rahman and Et Al, 2012). So, the proper and transparent zakah distribution will contribute to the direct impact on the distribution of fair society wealth. It reflects on the meaning of zakah to improve, offering security, to cleanse and grow (Al-Ayni, 1972). Even though, the collection of zakah is increasing but the issue of distribution of zakah still raises many debates and problems. The problems that relate with the distribution of zakah and poverty defame the performance and achievement of the zakat institution itself. It happens because the method of the distribution of zakah is still not proper. This is because the methods of zakah distribution is still ineffective and also the dissemination of information on zakah distribution is insufficient (Hassan et.al, 2012). This study will focus only in the area of Terengganu state. In Terengganu, MAIDAM is the only organization that collects and distributes zakah. There have several methods to distribute zakah in Terengganu which are towards sector of social and humanity, education and Institution of highest education, economy and entrepreneurship, and assistant for muallaf. Most of the methods above are based on financial support. However, the main method is just to give the money as a financial support to the poor people and there is no effort to assist for improving the poor people's standard of living. MAIDAM also had distributed zakah for the asnaf who want to run the business and also for asnaf entrepreneur's course for economy and entrepreneurships. However, the distribution of zakah statistics in JAWHAR shows, the destitute and poorest of poor in Terengganu has been increased over the last few years (jawhar.gov.my,2018). Despite the increment on the collection of *zakah*, the issue remains unsettled. For example, the non-compliance of some individuals in paying *zakah* particularly *zakah* property, and the occurrence of information leakage for individuals who pays *zakah*, the payment not being channeled through the religious department and being paid directly to *asnaf*. This action resulted in the payment of *zakah* not being recorded and excluded from the quote amount in the religious department. (Ahmad & Wahid, 2005). So, this paper aims to

know the way or the experience by MAIDAM in collecting and distributing the zakah.

LITERATURE REVIEW

Distribution of the *Zakah* Fund: The Recipient Categories

Individuals who fulfill the *nisab* are obligated to pay the *zakah* and there are also particular group of individuals that are eligible to receive it. Hence, to ensure on an equitable and efficient implementation of *zakah* collection and distribution, it is very important to understand the overall system of *zakah*, including *zakah* payers and *zakah* recipients. So, this section will briefly explain about the eight recipients of *zakah* which namely *faqir, miskin, amil, muallaf, al-riqab, al-gahrimin, fisabilillah*, and *ibnu sabil.* The recipients of *zakah* are outlined in the Quran on verses 60 of Surah at-Taubah: *"Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah and for the wayfarer; a duty ordained by Allah, and Allah is full of knowledge and wisdom" (at-Tauba: 60)*. Based on the verse above, it clearly shows that *zakah* is only permissible to be distributed among the eight categories of recipients, namely: *Faqir, Miskin, Amil, Muallaf, Al-Riqab, Al-Gharimin, Fisabilillah*, and *Ibnu Sabil*. (Khairuldin et al. (2013).

Hardcore Poor (Faqir): Faqir is a person who has no assets nor profession or a total income less than 50% of the daily needs for both him and his dependents. Under Islamic law, the minimum living standards including food, clothing, and shelter, as well as basic education and medical care. (Khairuldin et al. 2013). *Poor (Miskin):* The poor is defined as a person who has a profession, but his income is only able to satisfy part of his basic needs, without being able to meet other needs for both him and his dependents. (Khairuldin et al. 2013). *The Zakah Administrator (Amil):* An organization that is directly related to business institutions that manage and administer the collection, distribution and finance of *zakah*. For example, those who are qualified for *zakah* are collectors, distributors, guards, accountants, clerks, informants, and officials. (Khairuldin et al. 2013). *Those whose Hearts are reconciled to Islam (Muallaf):* A person who has the hope of converting to Islam, or whose faith still needs to be supported and reinforced because they are new to the religion. Thus, they are divided into two parts, those who converted to Islam and non-Muslims who can be persuaded to embrace Islam and do not harm Muslims. *Zakah* will be given as a way to help and support their new life as a Muslim. (Khairuldin et al., 2013).

Slaves and Prisoners (Al-Riqab): These are Muslims who are in the hands of slaves, physically or mentally dominated and captivated by the enemy. Therefore, *zakah* may be given as a form of redemption. Most Islamic scholars agree that *zakah* can be used to liberate a slave whose master is either Muslim or non-Muslim. (Khairuldin et al., 2013). *The Debtors (Al-Gharimin):* They are indebted people but obliged to meet their basic needs for life. In this case, the debt is essentially for legitimate purposes or does not violate Islamic law. According to Imam Shafie's view, someone who is indebted due to helping the community, to make peace or for the purpose of Islam is permitted to accept *zakah* to pay its debt. But *zakah* will not be distributed to the debtor for unlawful purposes such as gambling, alcohol consumption, and other immoral activities. But the debtor must try to settle the debts by himself before opting for *zakah.* (Khairuldin et al. 2013). *In the Cause of Allah (Fisabilillah): Fisabilillah* refers to a person or group involved in activities to promote, defend or prosecute Islam. Imam Abu Hanifa and Abu Yusuf explain that *fisabilillah* refers to fighters who defend Islam and the Muslim community, so *zakah* should be given to them even if they are rich. (Khairuldin et al. 2013). *The Wayfarer (Ibnu Sabil):* Ibn Sabil is the individual who travels from one country and needs aid during his travel even though he is rich. This practice is dedicated to protect the well-being of a *musafir*. However, the purpose of the travel should not be contrary to Islamic law. Nonetheless, before seeking for *zakah* aid, traveler should seek for other legal means to meet their needs. Therefore, *zakah* will only be provided when they cannot meet their needs in order for them to return home. (Khairuldin et al., 2013).

Zakah Collection and Distribution in Malaysia

Islam has been proclaimed by The Federal Constitution of Malaysia (1957) as the official religion of the federal. However, all issues pertaining to Islamic law and customs, and the administration of *zakah* are under the authority of each state, authorized by the Sultan, except for Federal Territory where the law and the Islamic administration are governed or managed by the federal government (Ahmed, 2004; Hudayati & Tohirin, 2010; Mahamud, 2011; MdSaad & Abdullah, 2011). In addition, the Sultan from each state would be advised by each State Islamic Religious Council which is knowns as Majlis Agama Islam Negeri (MAIN). Kelantan is the first state to establish its own State Islamic Religious Council known as "Majlis Ugama Islam dan Istiadat Melayu Kelantan" in 1915, followed by Terengganu, Pahang (1922), Perlis (1934), Kedah (1936) and other states in Malaysia (Mahamod, 2011). These organizations are responsible on all matters or problems related to the religion, and each state has set up its own *zakah* management institutions.

Table 1. List of State Islamic Religious Council and Zakah Institution in Malaysia (Nadzri et al., 2012)

State	State Islamic Religious Council and *Zakah* Institutions
Kelantan	Majlis Agama Islam dan Adat Istiadat Melayu
Terengganu	Majlis Agama Islam dan Adat Istiadat Melayu Terengganu
Pahang	Majlis Ugama Islam dan Adat Resam Melayu Pahang Pusat Kutipan Zakat
Perlis	Majlis Agama Islam dan Adat Istiadat Melayu
Johor	Majlis Agama Islam Negeri Johor
Kedah	Majlis Agama Islam Negeri Kedah Jabatan Zakat Kedah
Selangor	Majlis Agama Islam Selangor Lembaga Zakat Selangor
Perak	Majlis Agama Islam dan Adat Istiadat Melayu
Negeri Sembilan	Majlis Agama Islam Negeri Sembilan Pusat Zakat Negeri Sembilan
Melaka	Majlis Agama Islam Melaka Pusat Zakat Melaka
Penang	Majlis Agama Islam Negeri Pulau Pinang Pusat Urus Zakat Pulau Pinang

Wilayah Persekutuan	Majlis Agama Islam Wilayah Persekutuan Pusat Pungutan Zakat
Sabah	Majlis Agama Islam Sabah Pusat Zakat Sabah
Sarawak	Jabatan Agama Islam Sarawak Tabung Baitulmal Sarawak

Previous studies highlighted some issues related to the effectiveness of *zakah* in reducing the poverty in Malaysia. AbRahman et al. (2012) said the issue of inefficient distribution of *zakah* would affect the objective of combating poverty. From the findings, they discovered that there is a bureaucratic problem in the *Zakah* Institution in Malaysia which causes delays in the application process, such as requiring student to submit application annually to *Zakah* Institution despite their application being approved in their first year. The incompetency in collecting *zakah* has also been highlighted in addition to the distribution process. This can be proven by referring to PPZ / MAIWP (2010) reports, only 160,000 out of 2 million Muslims in Selangor (8%) paid *zakah*. Hence, AbRahman et al (2012) suggested that, to ensure in raising awareness among prospective *zakah* payers, ZI needs to be more proactive instead of waiting at the *zakah* counters. Ramli et al. (2011) addressed the issue on asnaf's attitude in receiving capital assistance from *Zakah* Institutions in Malaysia. From their study, they became aware that some capital aid recipients do not possess behaviors that are fit in becoming entrepreneurs. So, it affects their business performance. Moreover, Wahid et al (2004) says that they studied on the effects of *zakah* towards the quality of life of the *asnaf* by inquiring into their level of satisfaction towards the *zakah* received. Generally, the study found most of respondents wanted to relate the quality of life with matters such as transportation, communication, protection and health. Based on the survey conducted by Ahmad et al. (2006) on the level of satisfaction of paying *zakah* in Malaysia, 57% of 753 respondents were not satisfied with the current of distribution of *zakah* in Malaysia which significantly affects their payment of *zakah* to *Zakah* Institutions. This was also verified by Ahmed et al. (2006), Wahid et al. (2009) emphasizes that the transparency and speculative issues on the distribution method of *zakah* is the main reason for dissatisfaction with *Zakah* Institutions in Malaysia.

Zakah Management in Terengganu

The organization that is responsible to collect and distribute *zakah* is known as MAIDAM. This organization is not exempted from planning an initiative to develop entrepreneurs of poor *asnaf,* along with their effort to liberate them from the chains of poverty. This initiative aims to increase the ability of the group to be self-reliant in accordance with the philosophy of "give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime". Ghafar et. al (2017) said that, the Council of Islamic Religion and Customs Malay (MAIDAM) Terengganu is the sole institution responsible for handling *zakah* collection and distribution operations. The aim of MAIDAM in the distribution of *zakah* is to achieve the following objectives:

1. A more integrated and halal economic development by adopting an approach that is capable of liberating Muslims from the line of depravity, poverty and ignorance.
2. Increase the wellbeing of the orphans, children, women and senior citizens from various aspects, especially among the poverty, poor and *muallaf*.
3. Implementation of an efficient, fair and effective distribution of *zakah* and other resources.

At the state level, *zakah* administration is being placed under the Deputy Chief Executive who is responsible for several sections, including *Zakah* Distribution Section. *Zakah* Distribution Section contains several units including the Economic and Entrepreneurship Unit as well as the Training and Monitoring Unit that are directly involved with the development of *asnaf* entrepreneurs. In every region, *zakah* collection and distribution is done by MAIDAM regional branch office. Unlike Selangor and Federal Territories, *zakah* is managed entirely by MAIDAM and is not operated by privatized and special agencies such as the Federal Territories *Zakah* Collection (PPZ) and the Selangor *Zakah* Centre (PZS).

Collection and Distribution of Zakah in Terengganu

MAIDAM had received *zakah* collection amounting to RM 93,536,568.18 since January until October on 2014. Datuk Bentara Luar Omar Pilus said, the total amount that had been successfully collected in 2013 is RM 121,098,094.39, while in 2012 is RM 107,077,967.25 and RM 76,435,593.92 in 2010. For *zakah* collection as of October 2013 income *zakah* collection is the highest on record with RM38.3 million, followed by business *zakah* (RM25.05 million), savings (RM17.6 million) and *zakah* fitrah on cash (RM5.9 million). Others are property *zakah* amounting to RM5.4 million, silver *zakah* (RM659, 154.78), crops *zakah* (RM428, 620.35), livestock *zakah* (RM81, 281), *zakah* fitrah on rice (RM11, 301.70) and *zakah* fitrah (RM1, 025.70 cents). (http://www.utusan.com.my, 24/11/2014)

Based on the national news (11 January 2019), the collection of *zakah* increased around 160 million in 2018 from RM 137 million in 2017. The president of the Terengganu Islamic Religious and Indigenous Malay Council (MAIDAM), Datuk Osman Muda, said that from the sum collected, income *zakah* was the major contributor with RM78 million last year, followed by business *zakah* with RM41 million. Based on the record, he said the collection of income *zakah* is RM 126 million in 2015, RM 133 million in 2016 and RM 137 million in 2017. Ghafar et. al. (2017) shows in his study that Terengganu is among the state with the highest total *zakah* collection after Selangor and Federal Territory. Terengganu state *zakah* data for 2013 shows a collection of RM120, 884,757. From that total, RM67, 408,078 (55.7%) has been distributed. Hardcore poor *asnaf* received RM14, 742,658 (12.2%), while the poor *asnaf* received RM19, 989,502 (16.5%). In 2014, MAIDAM has managed to collect RM120, 116,379. A total of RM79, 154,981 (65.9) was distributed to *asnaf*. From the sum amount, RM26, 955,568 (22.4%) was given to the hardcore poor, while RM23, 587,020 (19.6%) was distributed to the poor.

Like other states of Islamic Religious Council in Malaysia, MAIDAM is liable to come up with an initiative to develop entrepreneurs of poor *asnaf,* in conjunction with their efforts to liberate them from the chains of poverty. This initiative aims to increase the ability of the group to be self-reliant in accordance with the philosophy of "give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime". This program is a form of providing capital assistance to eligible *asnaf* and fulfills the requirements to carry out a business

activity. These conditions are below the limits of *kifayah*, business being the backbone, having a business license except for small businesses, and having the basic and related business experience. This aid began with the help of small-scale capital to large-scale capital. (Ghafar et al., 2017).

METHODOLOGY

The research applied qualitative approach, which aims at having a deep investigation into the experience of MAIDAM in managing the zakah in Terengganu through collection and distribution. The research made use of the semi-structured interview because this kind of interview allows the researchers to both control the focus of the interview and have flexibility in gathering information (Cohen et al., 2007). The interview was held at MAIDAM with their staff at officer level in the respective department. The interview was conducted with four officials of MAIDAM. The first respondent (R-I) is from Zakah Institution of MAIDAM, who is the Assistant Manager of Economic and Business Unit. He has nine years of experience in managing this unit in MAIDAM. He is the person in charge for the project that collaborates with Aviation Distributors and Manufactures Association (ADMA's Company). The second respondent (R-II) is an Assistant Manager of Education and IPTA Unit. This manager has seven years of experience in managing this unit in MAIDAM, who is also responsible in conducting the project that is related to McDonald's Company. The third respondent (R-III) is an Assistant Manager of Social and Humanity Unit. This person has seven years of experience in managing this unit in MAIDAM, who is also responsible in handling the project that collaborates with Community College. The fourth respondent (R-IV) is an Amil (agent of zakah collection in MAIDAM), who has twenty years of experience in collecting zakah.

Table 2. Respondents of the study (Authors)

R-I	Assistant Manager of Economic and Business Unit, MAIDAM
R-II	Assistant Manager of Education and IPTA Unit, MAIDAM
R-III	Assistant Manager of Social and Humanity Unit, MAIDAM
R-IV	Amil, (Agent for *Zakah* Collection), MAIDAM

The interview was about asking several questions related to the experience of MAIDAM in collection and distribution of the zakah in Terengganu. Also, the interview discussion includes the challenges facing by MAIDAM in zakah collection and distribution, highlighting the possible solutions thereof. The interview is recorded and then transcribed accordingly. Apart from the primary data through interview, the study relies also on the secondary data including the related journal articles, books, data from MAIDAM website as well as other library materials. Moreover, the study applies the content analysis method to deal with the findings and results.

RESULTS AND DISCUSSION

Results and discussion have been made based on the qualitative interviews conducted with the respondents of the study, who are basically the personnel of various departments of MAIDAM. In addition, the website of MAIDAM is also have been used as one of key sources of data and information, as advised by the respondents of the study.

Sources of Zakah by MAIDAM

Plantation: Agriculture is among the most important *zakah* resources in Malaysia because agricultural sector is among the major sectors in which it became the backbone of the economy in Malaysia, along with the services and manufacturing sectors (Mohd Faisol Ibrahim & Suhana Musani, 2010). The rate for *zakah* on harvest / crop is different based on the methods used which are:

1. The *zakah* rate for plantation that uses modern technology is 1/20 (5%)
2. The *zakah* rate for plantation that uses rain water is 1/10 (10%)
3. *Nisab* for this *zakah* is 375 bushel = 937.5 Kg in Terengganu.

The techniques that had been used by the payee to pay *zakah* on plantation are direct payment at MAIDAM counter or via Amil (agent of *zakah* collection) because there is an *akad* between the payee and MAIDAM's staff or Amil. (MAIDAM, 2019)

Savings: *Zakah* on savings is a *zakah* that is imposed on any money deposited whether they are banknotes or coins that are equivalent to gold and silver. This *zakah* issued by depositors from savings that have been in full year and has reached the nisab. People who fulfill the requirements of this *zakah* needs to deal with MAIDAM's staff at the counter for the calculation of *zakah* on savings and along with paying *zakah* at the counter that was provided by MAIDAM. (MAIDAM,2019).

For Fixed Deposits, once they have reached 354 days of deposit and / or sufficient *nisab* (assuming RM11,504.44) they are obligated to pay zakah. While for basic savings, it is based on the lowest balance of one year or several savings accounts within one year. It should also be known for its *haul* period, which is the initial billing period and the end of *haul* for the deposit. For example, (The lowest balance for 2014 is RM15,000.00)
RM15,000.00 = RM15,000.00 x 2.5% = RM375.00 (*Zakah* is charged at RM375.00). If the term has been reached, then it is obligatory to pay *Zakah*. (http://www.MAIDAM.gov.my,10/5/2019)

Employees Provident Fund: Zakah is imposed when the EPF savings is issued and the *nisab* should be provided along with the issuance. If the withdrawal of the EPF is kept for a year, then it will be charged additionally as *zakah* on savings using the calculation (Total Output x 2.5% = Zakah). This *zakah* will be paid directly to MAIDAM at their counter. Besides, some payers will also pay via Amil or known as the agent of *zakah* collection in MAIDAM. (MAIDAM, 2019).

Livestock: The "livestock" here incudes bulls, buffaloes, goats and sheep that are not working and have reached their *haul* and *nisab*. The minimum rate of *Zakah* for cow or buffalo is 30 pieces, while for goat is 40 pieces. In Terengganu, most of the payee prefer paying through Amil (agent of *Zakah*) and also directly to MAIDAM at the counter. (MAIDAM, 2019)

Business: Zakah on business is an obligatory *zakah* derived from the business property whether it involves goods or services. Business forms including Private Business (Single), Partnership Business and Company Business. MAIDAM will send a reminder letter on the payment of *zakah* to the owner of the business, but without enforcement upon them. The

company would mostly pay directly to MAIDAM. For example, *zakah* business handover ceremony on 2017 by Co-opbank, CIDB Malaysia, McDonald's Malaysia, QSR Brands (M) Holdings Sdn Bhd and others to MAIDAM (http:// www. MAIDAM. gov. my,10/5/2019).

Investment: This *zakah* is calculated based on the current price if the investment is syariah compliant. If it is not in accordance with syariah, the calculation of *zakah* will be based on the current price or at a lower buying price, and if the stock is in form of a loan, the amount of *zakah* is calculated depending on the amount paid. For example, if the payer made an investment in an Islamic bank, he or she needs to pay by himself. The payer can make a direct payment to MAIDAM or through the Amil (agent for *zakah* collection) or via internet banking (http://www.bankislam.com.my,13/5/2019). The payers commonly prefer to make the payment directly. (MAIDAM, 2019)

Gold: Zakah on gold and silver are zakah on gold and silver jewellery, and women's jewellery. *Zakah* issued on gold depends on whether the gold is worn or stored, which has meet the *nisab* and *haul* (period). *Uruf* refers to the customs and practices of a certain society and are commonly different based on states. Gold is of two types, such as unused gold which means possessed gold that is being stored, unused nor worn even once within a year, either in form of jewellery or gold bar. The second type is women's gold jewellery is either being worn occasionally (as a permitted jewellery according to Islam) or continuously within the period of one year is not liable to *zakah*, unless if it's beyond the *urf* (excluding gemstones or anything identical). The minimum amount of gold for zakah to be obligated is 85g and the calculation method is gold value x 2.5%.

Silver: Muslim scholars have set a calculation (*nisab*) for *zakah* on silver for five *auqiyah* which is approximately 40 dirhams (5 x 40 = 200 dirhams) and equivalent to 595 grams. The calculation is silver value x 2.5%. Usually, the payer prefers making the payment of this *zakah* through Amil (agent for *zakah* collection of MAIDAM) or direct deal with MAIDAM's staff at the counter. (MAIDAM,2019).

Income: Income includes all types of incomes or revenues, in return for services in form of wages, bonuses, salaries, rental income, allowances, pensions and other forms of earnings and any incomes based on an individual's career or as a professional. There are many types of income such as salaries and that is the income of an individual as a reward in return to his service for an employer, or his own company. Employee income consists of Annual Salary, Retirement Salary, Fixed Remuneration and others (including Bonus or anything that can be considered as employment income). Second is free income and that's the income of an individual earned through his job or expertise or service, as a reward in return to his service. This free income includes Legal Services, Advisory Services, Consultant, Medical Treatment, Engineering, Artists and Miscellaneous. Third is the acquisition which means income derived from ownership such as plantation /estate revenues, rental houses, land lease revenues and other revenues. MAIDAM took an initiative to encourage people to pay income *zakah* via salary auto deduction at which the payer needs to get the form from MAIDAM to apply for it.

MAIDAM has provided the mobile counter for those who want to apply for this channel, and also to pay *zakah* directly to MAIDAM. Most of the payers are interested to pay via auto deduction of salary. (MAIDAM,2019).

Distribution of Zakah in Terengganu by MAIDAM

Based on *zakah* collection for last year in 2017, the total collection of *zakah* that had been accumulated is 140 million, and the distribution of *zakah* is 183 million. If the collection of *zakah* is high, the distribution *zakah* is high as well. The Surplus from past year's *zakah* collection would be distributed this year. *Zakah* will be distributed among eight recipients. MAIDAM gave various aids to overcome the problems of poverty and to ensure the poor have the access to a better life. There are four form of aid for them which are subsistence aid, home rental aid, monthly aid and medical aid. MAIDAM will prepare subsistence aid once a year. While MAIDAM will give RM300 per month to the head of the household and if he has dependents, they will add another RM50 for each dependent.

Table 3. The Collection and Distribution of Zakah in Terengganu from 2012-2016 (http://www.MAIDAM.gov.my, 5/1/2019)

Year	Collection			Distribution
	Wealth *Zakah*	*Zakah* Fitrah	Total Amount	
2012	101,347,442.38	5,732,998.87	107,080,441.25	84,518,495.97
2013	115,069,743.28	5,811,918.46	120,881,661.74	67,405,128.05
2014	114,138,603.60	5,977,776.00	120,116,379.60	79,195,981.72
2015	120,717,437.72	5,921,710.73	126,639,148.45	122,041,037.35
2016	127,323,041.93	6,037,022.45	133,360,064.38	165,894,689.77

Besides, MAIDAM also provide capital aid to asnaf who has a plan to start a business. But MAIDAM will ensure that the recipient has a place to start the business or else the capital aid won't be approved. Additionally, there is also a recurring aid on capital even when asnaf has started the business. MAIDAM will do a screening on their background as well as investigating the authenticity of the business. For example, one of asnaf in MAIDAM utilizes the capital aid given by MAIDAM with the amount of RM 1000. He runs a small business. After a month, he re-applies for the capital aid. MAIDAM will then check his business's progress. If the business is performing well and the progress is good, MAIDAM will approve it.

Collaboration between MAIDAM and Other Organizations

As the respondents of the study mentioned, there is no collaboration between MAIDAM (*Zakah* Institution) and Tekun Nasional (Microfinance Institution). But MAIDAM has collaborated with other companies that intend to assist the *asnaf*. For instance, Aviation Distributors and Manufactures Association (ADMA), McDonald's, Community College and Entrepreneur College.

ADMA's Company offered a course in aircraft component study and a collaboration with MAIDAM. This offer was then brought up and raised in the meeting. The main objective of this company is to help *asnaf*'s children and guaranteed job offers for them. Moreover, it would help them to escape

poverty. It takes a total of six months, with two months of theory lesson and four months of on the job training. After six months, they will start their job as a technician in the factory.

Second, McDonald's company appointed MAIDAM to look for *asnaf*'s children. McDonald's is a fast food restaurant which services are related to serving fast food to their customers. *Asnaf*'s children that had been selected will have to undergo for a training at McDonald's in Kuala Lumpur for one year, before acquiring the certification level one and two. They receive more benefit during their training with the allowance of RM1200, free accommodation and transportation. Once they are done with the training, they will be hired as a manager at any McDonald's branch.

Third, a collaboration between MAIDAM and Community College during which MAIDAM will hire Community College to teach all *asnaf* that are involved in sewing and decorating cakes courses. They will give the capital to *asnaf* after they finish the courses. Community College is a college that focuses more on practical rather than theory.

Table 4. Collaboration between MAIDAM and other organizations (Source: Interview with the respondents from MAIDAM)

Company	Areas of Collaboration
ADMA's Company, and that is related with course in aircraft component study.	The main objective of this collaboration is to help *asnaf*'s children. Guaranteed job offers for *asnaf*'s children. MAIDAM will pay the fee for six months. In Six month, which is two months for theory lesson and another four months for job training handled by ADMA's Company.
McDonald's Company, and that is related to provide Fast Food service for customers.	MAIDAM will look for the *asnaf*'s children. Training in Kuala Lumpur held by McDonald. Monthly allowance of RM1200 Free accommodation and transportation Guaranteed a Branch Manager position for *asnaf*'s children.
Community College and that is related to practical training.	MAIDAM focuses on *asnaf* from all ages between 18 – 50 years old. Community College provides lesson on sewing and decorating cake courses. MAIDAM will provide capital after finishing the courses.
Entrepreneur College, and that is related to business management.	This college offered MAIDAM to cooperate in helping *asnaf*'s children. This college offered RM6 million for 300 *asnaf*'s children. The fee for each *asnaf*'s children is RM4000 and sponsored by MAIDAM. Diploma program On the job training while studying.

Forth, collaboration between MAIDAM and Entrepreneur College. Entrepreneur College is focuses more on business management where students need to learn on how to manage or handle business both theoretically and practically. This college offered MAIDAM to work together in helping *asnaf*'s children. This college offered RM6 million for 300 *asnaf*'s children which made the amount that needs to be covered by MAIDAM for each of the *asnaf*'s children approximately RM4000 per person. This college offered diploma program. This program is applicable for individuals who are undergoing on the job training to work while studying, in which three days of attending class and three days of working. However, it is still in the process. The success rate of *asnaf*'s children is as follows:

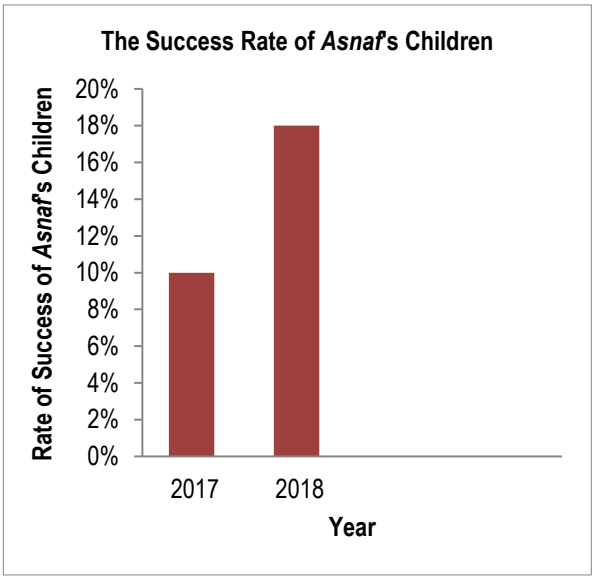


Figure 1. The Success Rate of Asnaf's Children (http://www.MAIDAM.gov.my, 5/1/2019)

The figure above shows the success rate of *asnaf*'s children in ADMA's Company. Based on the chart, the rate increased from 10% in year 2017 to more than 15% in the following year. *Asnaf*'s Children has managed to obtain a job under a crane build academy. The amount of succes rate by *asnaf*'s children is approximately about 13 out of 50 persons. However, it portrayed a positive feedback for *asnaf*'s children.

Challenges Faced by MAIDAM

MAIDAM is the institution that collects and distributes *zakah*. As the respondents of the study stated, there are few challenges faced by MAIDAM relating to the *zakah* collection and distribution. This is because MAIDAM needs to ensure that the distribution of *zakah* is being done among the right people and the recipient must utilize it wisely.

***Direct Payment to Asnaf**:* There is a challenge in *zakah* collection when the payer gives the *zakah* directly to *asnaf*. It would cause an issue in terms of the transaction records of *zakah* because the payment will not be documented by MAIDAM (formal institution). Hence, MAIDAM encourages all the payers to pay *zakah* through several payment channels such as the *zakah* counters in all nine branches of *Zakah* Affairs Centre (PUZ) across the state, *Zakah* Mobile Counter (Truck), Salary Deduction Scheme, *Zakah* Agent (Islamic Bank Counter and Pos Malaysia), Internet Banking (Maybank, CIMB Bank, RHB Bank, Bank Rakyat, Pos Malaysia, Affin Bank, HSBC), Islamic Debit Cards and Credit Cards, Money or Postal Order and *amil*. So, it is a convenience to the payer because they would not need to go to MAIDAM. (MAIDAM,2019).

***Equipment Aid**:* MAIDAM provides a machine to the *asnaf*, but he then sells the machine to others. So MAIDAM takes an action in which the said *asnaf* needs to make a financial compensation for the machine that had been sold. MAIDAM determines that for each aid provided to the *asnaf* particularly in form of equipment, the guarantee of the item will be in the possession of MAIDAM. Therefore, the recipient cannot use the equipment provided in an unrestrained manner. (MAIDAM, 2019).

Collaboration with ADMA's Company: The collaboration between MAIDAM and ADMA's Company also becomes a challenge for them. This is due to that MAIDAM is being subjected to a higher payment of cost for one student for RM14115.10 for six months only. After 6 months, the students will be working for the company but the salary earned is inconsiderable which only RM1000 is. It shows that there is a disparity between the cost of education and the income earned. So, few of the students decided to stop working for the company because of the amount of salary paid. MAIDAM wants to disburse the remaining contracts with ADMA's Company and will discuss further whether they want to continue the contract with ADMA's Company or not. (MAIDAM, 2019).

CONCLUSION

MAIDAM practiced many ways to distribute *zakah* effectively namely subsistence aid, home rental aid, medical aid, capital aid, recurring aid and education aid. It shows that, MAIDAM ensures that *asnaf* would receive a sustainable income and to help them to escape the poverty. The prominent part that has been exercised by MAIDAM in the distribution of *zakah* is through the education aid and capital aid. These would offer a sustainable amount of income to the *asnaf*. For example, education aid focuses on *asnaf*'s children which they will be guaranteed for employment once they have finished with their studies so that they can help their family to get out of poverty. Besides, the capital aid would also give a sustainable income for the business run by the *asnaf*. In point of fact, both methods had collaborated with other organizations which help to mitigate the poverty. Collaboration is one of the ways to distribute *zakah* effectively. Based on the view by Hudson Valley Business Journal (March 28, 2011), collaborations help in fulfilling the standard criteria which are leadership, communication, common mission and precise goals and objectives.

For future study, it is a crucial part for the researcher to look at all the limitations that may affect the study from getting a reliable result. Therefore, some recommendations are suggested in order to improve the future study on *Zakah*. Futures studies are recommended to suggest more on the collaboration between *Zakah* Institution and Microfinance Institution because up until today there no *Zakah* Institution has collaborated with Microfinance Institution. If *zakah* is being distributed based on microfinance, it would make revenue through project. Ultimately, this will help in terms of income sustainability for the *asnaf*. Next subtopic will show on how the process of *Zakah* Microfinance operates very well based on the experience in Selangor. It is also suggested to make a comparative analysis on the perspective of *Zakah* performance and distribution efficiency between Terengganu and our neighbourhood states such as Kedah, Perak, and Kelantan.

References

Ahmad, S., & Wahid, H. (2005). Persepsi agihan zakat dan kesannya terhadap pembayaran zakat melalui institusi formal. Jurnal Ekonomi Malaysia, 39(17), 53

Al-'Ayni, 1972. 'Umdah al-Qari' Sharh Sahih al-Bukhari, Mesir, Mustafa al-Halabi, Vol.VII. Abdul Rahman, A. R. (2007). < Islamic Economics: Theoretical and Practical Perspectives in a Global Context> Islamic Microfinance: A Missing Component in Islamic Banking.

Al-Qaradhawi, Y., (2006). *Fiqh Zakat*. Kaherah: Maktabah Wahbah.

Cohen, L. M., & Manion, L. (2001). l. & Morrison, K.(2007). *Research methods in education*, *6*.

Effective Collaboration-Where do we start? *Hudson Valley Business Journal*, March 28, 2011.

Ghafar M, Zakaria Z, Yusoff R, Kamaludin M & Ghani A. (2017), Model Pembangunan Asnaf MAIDAM (PUASMA), Proceedings of the International Conference on Islam, *Development and Social Harmony in Southeast Asia 2017*.

Hassan, N. M., Halim, A., & Rom, N. M. (2012, March). Embracing Microfinance: Proposed Collaboration Between Zakah Institutions and Microfinance Institutions. In 3rd INTERNATIONAL CONFERENCE ON BUSINESS AND ECONOMIC RESEARCH (pp. 1783-1804).

Hudayati, A. & Tohirin, A. (2010). *Management of Zakah: Centralised vs Decentralised Approach.* Paper presented at Seventh International Conference – *The Tawhidi Epistemology: Zakat and Waqf Economy*, Bangi

Jabatan Waqaf, Zakat dan Haji (2018), Statistik Agihan Zakat di Terengganu 2015-2016, http://intranet.jawhar.gov.my/spmj/public/zkt_agihan_tahun.php?kod_negeri=11&negeri=TERENGGANU

Khairuldin, W., Firdaus, W. M. K., & Mohammad, M. (2013). The Philosophy and Elasticity of Zakah Distribution in Islam. *International Journal of Education and Research*, *1*(8), 179-190.

Khairuldin, W., Firdaus, W. M. K., & Mohammad, M. (2013). The Philosophy and Elasticity of Zakah Distribution in Islam. *International Journal of Education and Research*, *1*(8), 179-190.

Mahamud, L. H. (2011). Alleviation of Rural Poverty in Malaysia: The Role of *Zakat,* A Case Study. Unpublished doctoral dissertation.The University of Edinburgh.RetrievedApril 25, 2012, from http://www.era.lib.ed.ac.uk/ handle /1842/5554

MAIDAM, Majlis Agama Islam dan Adat Istiadat Melayu, (2016), Agihan Zakat, http://MAIDAM.gov.my/index.php/ms/perkhidmatan-kami/agihan-zakat

MAIDAM, Majlis Agama Islam dan Adat Istiadat Melayu, March (2019), Pungutan Zakat, http://MAIDAM.gov.my/index.php/ms/perkhidmatan-kami/pungutan-zakat

MdSaad, N. & Abdullah, N. (2011).*Is Zakat Capable of Alleviating Poverty? An Analysis of the Distribution of Zakat Fund in Malaysia*.Paper presented at World Zakat Conferenece 2011.

Mohd. F. I., & Musani, S. (2010). *Zakat dan pelaksanaanya di Malaysia*. Universiti Malaysia Sabah.

Nadzri, F. A. A., Rahman, A., & Rashidah & Omar, N. (2012). Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia. *International Journal of Arts and Commerce*, *1*(7), 61-72.

Rahman, Ab. Azman, et al. (2012). Zakat Institution in Malaysia : Problems and Issues, *2*(1), 35–42.

Wahid, H., Ahmad, S., & Kader, R. A. (2009). Pengagihan zakat oleh institusi zakat di Malaysia: Mengapa masyarakat Islam tidak berpuas hati?. *Jurnal Syariah*, *17*(1), 89-112.

Wahid, H., Ahmad, S., & Kader, R. A. (2009). Pengagihan zakat oleh institusi zakat di Malaysia: Mengapa masyarakat Islam tidak berpuas hati?. *Jurnal Syariah*, *17*(1), 89-112.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.111
https://journal.unisza.edu.my/jmtp



Unfolding factors behind internet-banking adoption in Bangladesh: An extended application of UTAUT2 model with perceived security and trust

[1]Sharmin Akter, [2]* Najma Kabir, and [3]Tahmina Reza

[1]Assistant Professor, Department of Marketing, University of Chittagong, Chattogram-4331, Bangladesh. Email: shar_min@cu.ac.bd

[2]Lecturer, Department of Marketing, University of Chittagong, Chattogram-4331, Bangladesh. Email: najmakabir@cu.ac.bd

[3]Assistant Professor, Faculty of Business Studies, Premier University, Chattogram-4203, Bangladesh. Email: tahmina.reza@yahoo.com

***Corresponding Author Email: najmakabir@cu.ac.bd**

Received: 20th May 2021 ***Accepted:8th June 2021*** ***Published: 10th July 2021***

ABSTRACT

Over the last decade, Internet banking is making its own acceptance worldwide including both economically stable as well as in developing countries. Though an ample amount of research on Internet banking (IB) adoption is accessible in developed countries and in some developing countries, it is scant in Bangladesh. Therefore, the aim this study is to analyze the predictors that influences customers in IB adoption in Bangladesh. Incorporating two external variables, namely perceived technology security (PTS) and trust with the UTAUT2, a survey questionnaire was developed and distributed among Bangladeshi customers using online platforms. Using convenience sampling method as a nonprobability sampling technique, a total 280 responses were gathered in an online survey and analyzed following PLS-SEM strategy. This study revealed that PTS, performance expectancy, trust, effort expectancy (EE), social influence (SI), facilitating conditions (FC), price value (PV), and hedonic motivation (HM) have significant influences on IB adoption in the Bangladesh context while habit (HT) has found insignificant. Further, while we investigated the gender differences between the relationships of exogenous and endogenous constructs using PLS-MGA (multi-group-analysis), we found that trust, HT, PV, EE, and FC are significant for female whereas PTS, SI, and PE are significant for male respondents. Gender also moderates the relationships between HT and IB adoption, and, trust and IB adoption. This study contributes in the literature of IB adoption as well as offers some valuable implications for Banks in developing country to increase the IB adoption.

Keywords: Internet banking (IB) adoption, UTAUT2, perceived technology security, trust, Bangladesh

OPEN ACCESS

INTRODUCTION

In the realm of the current digitalization of service industry, use of wide range of information technology has been observed worldwide (Rahaman et al., 2021). Especially, in the banking sector, a remarkable breakthrough has come over the traditional service channel. This breakthrough is termed as "E-banking" or "Internet Banking" that allows the customers to take the banking services at their easy through online by using their own computer or laptop (Gholami, et al., 2008). By unlocking lots of opportunities, Internet Banking helps the banks to integrate faster and reliable banking services at their door step (Jahan et al., 2020). Badreldin et al. (2016) defines Internet Banking as the banking approach where customers can manage their bank accounts or do bank related works through the internet from their home, office or from any other places at their desired time to do so. More specifically, under Internet banking, banks use the internet as a remote delivery channel (Karen et al. 2000). Although, in the beginning of the internet banking, banks were only involved in sharing information of the products or services in their websites, but with the advancement of technological safety, they are now offering transactional services (Martin et al., 2014) like fund transfers, balance check-up, investments, bill payment, regular cheque requisition services through online to their customers (Merhi et al., 2019). Alsajjan and Dennis (2010) opine that, the intangible and informative nature of the banking products enhances the efficient uses of this technology by the banks. Banks using internet banking can lessen their operational and labor costs in comparison to that of the traditional human encounters (Alalwan, 2018). Moreover, by dissolving the time and place limitation, it can facilitate the banks to reach more customers with more services (Rawashdeh, 2015). Hence, to reduce the costs along with improving customer services more and more banks are now offering internet banking options (Martin et al., 2014). Indeed, among the other e-commerce activities, Internet banking has become one of the most cost-effective one (Lee, 2009). Importantly, the paramount role of IB in enhancing development, growth, innovation and competitiveness, has made it as a global phenomenon (Hasan, 2010). As such, its adoption is increasing in the developing countries along with the developed one (Yuen, 2010). Although, IB had been commenced in the developed country many years ago: in UK in 1983 (Islam & Mahfuz, 2014), in the US in 1994, in Australia in 1999 (Yuen, 2010), however, in the developing countries,

due to the underdeveloped information technology, computer illiteracy, digital division between rich and poor, lack of technological security and user-friendly law and regulations, IB has not been spread as much as expected (Nitsure, 2003).

According to Iqbal & Qureshi (2012), these developing nations are now also concerned about the urgency of participating in the continuing flow of internet banking. In turn, the traditional cash driven economy of the developing countries is going to be replaced by a modern and sophisticated online system (Chevan, 2013). Bangladesh, as one of the rising developing countries of South Asia, is not an exception. At present, there are around 61 public and private banks working in Bangladesh and most of these banks are now offering at least some basic online services to their customers (Islam, 2014). Indeed, Internet Banking has a great future in Bangladesh. Particularly, as the customers are becoming technology oriented (Sagib & Zapan, 2014; Barua, Aimin, & Akter, 2016), as well as the number of internet users is increasing geometrically here, so the potential of IB is also (Islam & Mahfuz, 2014). Looking at the current situation in Bangladesh, we see that the "Internet banking transactions have surged in recent months as people increasingly embraced the digital mode while opting not to visit branches" (Zamir, 2021). It is reported in the same article that the recent lockdown declared by the Government to control the spread of COVID-19 has sharply enhanced the customers' reliance on the internet banking transactions. In December 2020, the total number of such transactions was 23.44 lakh which was 41.88 percent higher than the previous year.

Typically, the successful implementation of the Internet Banking depends on the approval of the system by the customers and thereby justifies its investment in this sector (Alalwan, 2018; Curran and Meuter, 2007). Even after huge money and effort being implemented in some developing countries, like in Fiji (Sharma, 2020) or in Jordan (Alalwan, 2018), the IB adoption is not satisfactory. Particularly in developing countries IB adoption rates are not as high as predicted, and also in using such services customers are less interested (Alalwan et al., 2016; Hanafizadeh et al., 2014; Hossain and Dwivedi, 2014; Lin, 2011, 2013; Purwanegara, Apriningsih, & Andika, 2014; Püschel et al., 2010; Zhou, 2011, 2012; Weerakkody et al., 2013). In Bangladesh, use of the online channel is also slow. In reality, "for many firms, often the challenge is not managing the technology but rather getting consumers to try the technology" (Muter et al., 2005, p-78). In the report of Bangladesh Bank regarding Electronic Banking in the period of 2013-2018, the number of banks involved in IB and the volume of IB transactions, both have been found smaller comparing to Debit cards, Credit cards or ATM services in Bangladesh. For instance, according to Financial Stability Report (2013-2018) of Bangladesh Bank, in 2018, Number of Banks involved in Electronic Banking in Bangladesh in internet banking, credit card issue, debit card issue is 41, 39, 53 respectively (FSR, 2018). Therefore, to speed up the current upraising trend of the IB adoption and to ensure returns from the investments in this regard, banks need to have a clear understanding about the factors supporting or obstructing the adoption or acceptance choice of Internet Banking by the actual and potential customers here. After making a comprehensive literature review, it is seen that most of the previous research on Internet Banking has done in the perspective of the customers in developed nations (Tarhini, El-Masri, Ali, & Serrano, 2016; Chaouali, Yahia, & Souiden, 2016; Malaquias & Hwang, 2016). Again, in some recent papers (Alalwan et al., 2018; Badreldin, F., et al., 2016; Khalil & Michael, J., 2008), researchers focus the issue with respect to the customers of the specific developing country context. In contrary, researches in Bangladesh mainly took place on the prospects and problems of Internet Banking (Sarker et al., 2020, Rahman et al., 2017; Huda & Chowdhury, 2017; Sadekin & Shaikh, 2016; Mohiuddin, 2014; Rahman et al., 2012). Therefore, the study relating to the antecedent factors at the back of the complete adoption intention of Internet Banking in Bangladesh is quite urgent. Considering the above scenario, the current paper is an attempt to discover the factors behind the choice options of the customers to adopt Internet banking in Bangladesh. In order to do so, the widely accepted UTAUT2 model has been used to sort-out the priorities of the Bangladeshi customers in adopting Internet banking services. Although, the model has been applied in a satisfactory number of researches to investigate the customers' preferences in this respect on different developed and developing countries, there is no remarkable work in context of Bangladesh yet. Furthermore, as, we are investigating two sensitive issues, namely money and internet (Wang, Wang, Lin, & Tang, 2003), PTS and trust two additional constructs are integrated in this model in view of the risks involved in taking banking services over the Internet here. Besides, to understand the gender specific influences on the nature of the customers' IB adoption behavior, the role of gender on all hypothetical relationships of the current model will be tested. In order to do so, the paper has been organized into main six sections. Following the introduction, in the second section, literature review and research framework have been discussed. The third section covers hypothesis development for the empirical investigation. Research methodology including construct measurement, data collection and characteristics of the respondents has been described in the fourth section. Subsequently, data analysis and results are sequentially reported in the fifth section. Finally, before the conclusions, discussions of the empirical results and implications of them in theory and practice have been mentioned in the sixth part of this paper.

LITERATURE REVIEW AND RESEARCH FRAMEWORK

Many studies over the last decade have centered on factors affecting the adoption of IT (Heijden, 2003; Taylor and Todd, 1995). Aligning with these, surveys on digital financial platforms and reports on consumer adoption of online banking have received further coverage (Nguyen, Nguyen, Mai, & Tran, 2020). However, the literatures on Internet Banking have included the investigation of a wide range of factors and the validation of numerous theories (Tam and Oliveira, 2016; Martins et al., 2014; Orel and Kara, 2014; Zhu et al., 2013; Hung et al., 2012). All of these researches come with some insightful and analytical findings. Lee (2009), in the light of the Taiwanese business climate, states that as intervening variables, perceived usefulness, attitude, subjective norm, and perceived behavioral control all have a major influence on the intention to use internet banking. On the other hand, lack of facilitating conditions was identified as the main barrier of IB adoption. Again Martin et al. (2014) reported the important role of perceived expectancy (PE), effort expectancy (EE), and social influence (SI) on IB adoption. In another study, Kwateng, Atiemo, & Appiah, (2019) investigated the growth of online banking in Ghana, and their survey result showed that price value, habit, and trust have a substantial impact on behavioral intention, which in turn has a positive impact on real

technology use. Nguyen et al. (2020) investigated IB adoption among Vietnamese and found that PE, EE, hedonic motivation (HM), habit (HT), and trust all had substantial effects on customers' choice to espouse internet banking. In context of Pakistan, Rahi, Ghani, & Ngah (2018) concluded performance expectancy, effort expectancy and social influence as the major ancestors of the customers' willingness to accept internet banking. In contrary, the contribution of enabling situations, HT (habit) and price value (PV) was not proven on customer adoption intention in that study. Furthermore, Alhassany & Faisal (2018) conceptualized and confirmed the direct and indirect impacts (through perceived usefulness) of perceived ease of use and subjective norms on IB adoption decisions of the customers of North Cyprus. Even if, a substantial number of research models or theories have been developed through validating these factors in explaining customers' IB adoption, scholars have not still stopped their efforts to formulate a more effective theory in this respect. Such as, the Technology Acceptance Model (TAM) was a widely recognized model and collection of ideas that studied IB adoption (Davis, 1989). But, because of its shortcomings in illustrating customers' technology acceptance and use (López-Nicolás et al., 2008), the UTAUT (Unified Theory of Acceptance and Use of Technology) model was developed by Venkatesh, Morris, Davis, and Davis (2003) to assess independent variables (like; PE, EE, SI, FC) when analyzing internal and external motivation. In this continuous journey, Venkatesh, Thong, and Xu (2012) further created UTAUT2 by incorporating HM, PV, and HT to capture a more accurate picture of technology acceptance and usage (Negahban and Chung, 2014). At present, the impact of PTS and trust on IB adoption decisions is reported in some papers in a scattered way. In Slovakia, Vejacka and Tofa (2017) found that PTS and trust play a significant role in increasing customer intention to use internet banking.

According to Patel and Patel (2018), PTS, along with perceived usefulness, perceived ease of use, and SI have a major influence on IB adoption. Lee, M.-C. (2009) discovered a related finding in his study too. Similarly, trust has been identified as a significant factor that increases consumer intention to use internet banking (Lin, Wang, & Hung, 2020). In fact, the value of trust in IB adoption has been found in a group of studies (Ahmad & Soleymani, 2013; Grabner-Kräuter & Faullant, 2010; Nor & Pearson, 2007; Suh & Han, 2002; Sohail & Shanmugham, 2003). So, in view of the paramount significance of these PTS and trust in the Bangladesh context, a developing country, the current paper attempts to make a detailed analysis through testing them as additional constructs of this UTAUT2 model, as shown in Figure 1.

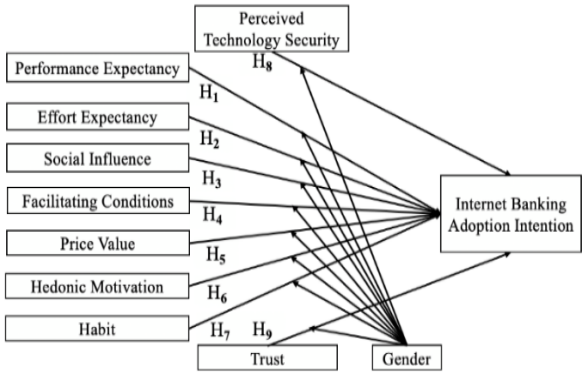


Figure 1. Research Model

HYPOTHESIS DEVELOPMENT

Performance Expectancy (PE)

PE is theorized whereas the services along with advantages are achieved by using pioneering means in respect of accessibility, modification, availability, proficiency, operating period, and exertion sparing (Venkatesh, Morris, Davis, & Davis, 2003). PE can be specified as the extent to which receiving an innovation will bring in efficiency to clients in completing certain endeavors (Venkatesh, Thong, & Xu, 2012). It is expounded that PE signifies user's awareness towards improvement by using of internet banking like ease of payment, fast response, and service effectiveness (Zhou, Lu, & Wang, 2010). Regarding internet banking Ali Abdallah Alalwan, Dwivedi, & Williams (2014) suggested that PE is counted as term of service that is confronted through utilization of internet banking. Therefore, we can hypothesize that:

H1: PE positively influences IB adoption.

Effort Expectancy (EE)

EE is the extent of comfort related to customers' usage of technical knowledge (Venkatesh et al., 2012). Corresponding to Miltgen, Popovič, & Oliveira (2013), EE extends a comprehensive forecast of intention to embrace an innovation. Prior studies stated that the latest innovations' practical simplicity is not a hurdle for advanced operators, as they generally come up with ample technical understanding besides applied competence (Wang, Jung, Kang, Chung, & Technology, 2014). Zhou et al., (2010) showed that once consumer believes that internet banking is simple to operate and no need to entail much attempt, they would have high opportunities to accept internet banking. Therefore, EE has impact on IB adoption. Thus, the relationship of effort expectancy is proposed as:

H2: EE positively affects the adoption of internet banking.

Social Influence (SI)

SI has been described as "the extent to which people comprehends that essential to other thinks, he/she ought to utilize the modern approach" (Venkatesh et al., 2003). Various practical aspects as user's companions, family, and bosses on performance have been revealed through SI (Venkatesh et al., 2003). As individual belongs to society, so they are bound to influence by others in their surroundings, as acquaintances, elders, kin, and loved ones, to utilize internet banking (López-Nicolás, Molina-Castillo, & Bouwman, 2008). The clients can take part in a decisive role in breeding consciousness and motivating the intentions regarding IT/IS usage (Alalwan, Dwivedi, Rana, Lal, & Williams, 2015; Alalwan, Dwivedi, Rana, & Williams, 2016; Alam, Hu, & Barua, 2018; Barua & Barua, 2021). A pragmatic research on IB services adoption performed by Chaouali, Yahia, and Souiden (2016) decided that SI and trust implicitly affects customers' IB adoption. Hence, the following hypothesis can be formulated:

H3: SI will have a positive effect on customers' IB adoption.

Facilitating Conditions (FC)

FC describes the customers' opinions of the properties as well as funding accessible to implement a behavior (Venkatesh et al., 2012). FC is termed as the consequence of structural and practical framework to assist the internet banking usage, such as user's understanding, competence, and supplies (Venkatesh et al., 2003). Apparent behavioral management and congeniality are the decisive ways of FC (Venkatesh et al., 2003). Relevance with the UTAUT2 model, it is recommended that FC completely impact intention to utilize

the technical innovation, heading toward the following hypothesis:
H4: FC have a positive impact on IB adoption.

Price Value (PV)
The aspect of PV is used to characterize consumers' intellectual exchange between the apparent benefits and financial cost, as consumers usually have to bear the cost of adopting a technology (Venkatesh et al., 2012). The apparent advantages of utilizing a technology are more when the PV is more, and the apparent financial charge is fewer (Oliveira, Thomas, Baptista, & Campos, 2016). The financial charges relate to the value being recognized in disparity to the paid price (Petrick, 2002), while the non-fiscal costs are the value being recognized in return for the reduced costs like effort and time (Boksberger & Melsen, 2011). Ultimately, PV has great influence in adopting internet banking. So, we can hypothesize that:
H5: PV has a positive effect on IB adoption.

Hedonic Motivation (HM)
HM is described as "the fun or delight developed from applying a technical knowledge" (Brown & Venkatesh, 2005). In the user perspective, HM has turned out to be an essential influencing aspect of innovation acceptance and usage (Venkatesh et al., 2012). Agreeing to Zhang, Zhu, & Liu (2012), the recognition of internet technology varies on the fun offered by technical innovation. Generally, when confronting challenging operating conditions, social anxieties, and other mental strains, users are further eager to repay interest to technologies delivering joy and delight. Therefore, we expect that:
H6: HM will make positive affect on IB adoption.

Habit (HT)
HT has been identified as "the extent to which people have a tendency to behave impulsively as a result of understanding" (Limayem, Hirt, & Cheung, 2007). HT is among the forecasters that is influencing peoples' behavior of adopting internet banking. HT is distinct from familiarity in two aspects. First, HT building does not inevitably require knowledge, and second, knowledge does not entail equal intensity of habit. Instead, the degree of utilizing the focus on expertise has changed habit (Venkatesh et al., 2012). Ajzen & review (2002) asserted that previous performance influences the current actions. HT has been discovered to have a immediate impact on adopting internet banking. Therefore, we posit the hypotheses:
H7: HT will make positive affect on IB adoption.

Perceived Technology Security (PTS)
PTS relates to the customers' awareness that the internet banking structure is secure for deals (Peković, Zdravković, & Pavlović, 2019). Vatanasombut, Igbaria, Stylianou, and Rodgers, (2008) clarified that PTS is denoted in following sense: in respect of users' knowledge about the network for spreading data as well as the clients' faith on the bank's internet usage. PTS can be upgraded by utilizing the user view of reliable and guaranteed operations while collaborating with the location (Vatanasombut et al., 2008). A pertinent research on technical innovation in Mauritius discovered that safety has a crucial role in the clarification of innovation acceptance (Juwaheer, Pudaruth, & Ramdin, 2012). Therefore, we make the following hypothesis:
H8: PTS has positive impact on adopting internet banking.

Trust
Trust was conceptualized as "personal readiness to be contingent founded on the principles of competence, generosity, and honesty" (Gefen, Karahanna, & Straub 2003). Trust has significant importance in Internet environments: full trust is needed for the successful operation of such computing environment (Coutu, 1998). Concerning Internet banking, a vigorous situation in consort with the desertion of corporal social collaboration, consumers have been initiated to mostly vary on trust to reduce their worries as well to support their choice to follow the embattled structure (Akhlaq & Ahmed, 2013; Eriksson, Kerem, & Nilsson, 2005; Gefen et al., 2003). Likewise, in internet centered operations the threat intensity is greater, and they are mainly triggered by insecurity in using technological structures in trade for knowledge, or it may be more vindicated by the individuals who are engaged in virtual operations (Gefen, 2002). Therefore, we make the following hypothesis:
H9: Trust will have positive impact on customers' intention to adopt Internet banking.

Gender Differences on the Relationships Between Dependent and Independent Variables
In many preceding studies, the moderating impact of gender has been broadly investigated as a core demographic variable in ICT adoption context (Parameswaran et al., 2015). Researchers noted that use of moderating parameters such as age, gender, understanding in the figure would help to have a deep insight on the directional relationships (Venkatesh et al., 2012; Barua, Aimin, & Hongyi, 2018). Moreover, gender is an important construct of an individual supposed to have a significant effect on the exploitation of strategy, applications, entrepreneurial activities as well as performances of the firm in Bangladeshi context (Hoque and Awang, 2019). There exists a variation in accepting technological innovation between male and female. The impact of gender is different on seven core UTAUT2 intention and usage determinants. For instance, the gender effect on EE, SI, FC and PV are stronger for female while the effect on PE, HM and HT is greater for male (Fuksa, 2013; Venkatesh et al., 2012). Gender is found to moderate the relationship between PE and IB adoption intention among users in such a way that the effect is greater on females. Gender regulates the relationship between EE and IB adoption intention among users in such a way that the effect is greater on females. This outcome tallies with the findings of (Venkatesh et al., 2012). However, more women than men are found to rely on others' opinions, views, values and preferences (Venkatesh et al., 2000), in comparison to men, women have a greater understanding level of others' feelings and therefore are more easily wedged by social stress and affiliated needs than men are. However, females seemed to be more relationship-oriented than males, as demonstrated by the females' online connections with service providers and other end-users (Richard et al., 2010). In this way, gender moderates the relationship between SI and IB adoption intention, in which the effect is stronger for females. The finding is identical with the findings of (Venkatesh et al., 2012). Females are more likely to be affected by their friends or family, but with reduced effects on IB adoption. This is probably because their friends or family may encourage them to spend more time with their family rather than on internet. Therefore, the tendency to have Internet access will be less. Female has greater effect of FC in IB adoption. The finding is supported by the findings of (Ameen & Willis, 2019). As females may not be aware of the benefits of having Internet

access, they may not explore more functions that can be conducted by using internet banking. Besides, females allocate greater importance to price value compared to males. The strategy to create price value is a continuous effort that needs to be made by Internet banking service providers. Gender is discovered to temper the correlation between HT and behavioral intention in such a way that females have more impact compared to males. The relationship between HM and IB adoption is observed to be tempered by gender where greater effects are found on females. PTS has greater impact on females rather than males. Females always prefer more secured and safe transaction. The moderating effect of gender on trust can be described as females has greater impact of trust as they are more careful about financial transaction. We, therefore, propose following hypotheses on gender differences.

H10a: Gender moderates the relationship between PE and IB adoption
H10b: Gender moderates the relationship between EE and IB adoption
H10c: Gender moderates the relationship between SI and IB adoption
H10d: Gender moderates the relationship between FC and IB adoption
H10e: Gender moderates the relationship between PV and IB adoption
H10f: Gender moderates the relationship between HM and IB adoption
H10g: Gender moderates the relationship between HT and IB adoption
H10h: Gender moderates the relationship between PTS and IB adoption
H10i: Gender moderates the relationship between trust and IB adoption

RESEARCH METHODS

Construct Measurement

A survey was carried out in Bangladesh to test the model of IB adoption. A survey instrument was developed incorporating items for each construct and demographic questions for the respondents. The measures for each variable were adapted from the current literature. We had changed some words of the measures considering the context. However, measurements for all UTAUT2 constructs were adapted from Venkatesh et al. (2012) except SI. The scale for SI was taken from Venkatesh et al. (2012) and Venkatesh et al. (2003). For the construct PTS, the scale of Rahi, Ghani, and Ngah (2018) was followed. The items for trsut were taken from Gefen, Karahanna, & Straub, (2003). Five items of IB adoption were adapted from Curran & Meuter (2005), Curran & Meuter (2007), and Martins, Oliveira, & Popovič, (2014). Each indicator of the construct was measured using a 5-point likert scale ranging from 1-strongly disagree to 5-strongly agree.

Sampling Technique, Sample Size, and Data Collection

The present study is aimed to explore the customer adoption intention of internet banking services in an emerging economy like Bangladesh by two additional paradigms with the original UTAUT2. However, as a nonprobability sampling technique, this study followed convenience sampling technique for data collection. The nonprobability sampling technique is suitable mainly when randomization is impossible like when the population is very large (Etikan, Musa, & Alkassim, 2016). Consequently, the people studied for this research is dynamic Internet banking customers who aged 18 years and over, who has one bank account at operation. The sample size was determined by using the sample-to-variable ratio suggested by Hair, Black, Babin, & Anderson (2018), where they noted that a minimum observation-to-variable ratio of 5:1. They also note that the ratio 15:1 or 20:1 is more suitable. The number of variable in this study model is ten that required 200 sample size, but for better prediction and accuracy of the model we tried to collect more data. Accordingly, the basic information is gathered, applying constructed survey questionnaire, from 280 respondents. We accumulated the data through an online survey. Online survey is suitable for the existing research as it is the most effective technique to gather basic data in this pandemic situation of COVID-19 (Barua et al., 2020). Links of the questionnaire were circulated by social media and e-mail (e.g., Messenger, Whats app, LinkedIn, etc.). Customers who were engrossed in the survey could get on the link, and they were instructed to the virtual questionnaire. We termed the research objectives and specifics in the first page of the questionnaire; users began the survey upon their approval of involvement. However, from 280 responses 9 were discarded since their inability to meet the criteria for inclusion in the final data set. Therefore, final data set retains 271 responses. The gender distribution of internet banking customers is well-adjusted, comprising of 47.97 percent male and 52.09 percent female.

DATA ANALYSIS METHOD AND RESULTS

Characteristics of the Respondents

From Table 1, we can explain that 47.97 percent were male, and 52.09 percent were female. A great fraction of respondents were young adults between the age of 26 to 35 years. Our records were broad in respect of skill as well as understanding of respondents.

Table 1. Respondents' characteristics

Items		Frequency	%	Items	Frequency	%
Gender	Female	141	52.09	**Education**		
	Male	130	47.97	SSC	03	1.10
Age	18-25	49	18.08	HSC	10	3.69
	26-35	136	50.18	Honors	35	12.92
	36-45	65	23.99	Masters	217	80.07
	46-55	21	7.75	Others	6	2.21
Professional Experience				**Experience in Using IB**		
Student		36	13.28	Less than 1 year	49	18.08
Service		170	62.73	1- 2 years	156	57.56
Business		59	21.77	3 - 5 years	56	20.66
Freelance		6	2.21	More than 5 years	10	3.69

Data Analysis Methods

The final data set is out of outlier and influential problems. As we mentioned earlier, the actual data set was of 280 respondents from whom we have deleted 9 responses considering the above problems. Normality of the data was measured employing Pearson's Skewness and Kurtosis parameters. Table 2 shows that the data is normally distributed with the highest range -1.29, where the normal range of parameters is between −2.58 and +2.58 (Azzalini, Browne, Genton, & McNicholas, 2014). Therefore, the data is out of both outlier problem and normality issues.

Table 2. Skewness and kurtosis of all variables

Statistics	PE	EE	SI	FC	PV	HT	HM	Trust	PTS	IB Adoption
Skewness	-.763	-.679	-.441	-.834	-.388	-.625	-.549	-.300	-.679	-.604
Kurtosis	-.824	-1.06	-1.29	-.657	-1.32	-1.08	-1.18	1.54	-.774	-1.16

This study used PLS-SEM as variance-based technique instead of co-variance-based SEM. There are some critical reasons for using PLS-SEM. First, Afthanorhan, Awang, and Aimran (2020) noted that PLS-SEM is suitable controlling multiple variables concurrently. The research model of this study holds multiple variables. Second, PLS-SEM is superior for prediction and theory development (Henseler, Ringle, and Sinkovics, 2009). Third, constructs with fewer items can be used in PLS-SEM (Hair, Ringle, & Sarstedt, 2011). Fourth, SEM required to established the criterion before conducting the measurement and structural model whereas PLS-SEM established to solve this problem (Afthanorhan, 2013). However, following the recommendation of Anderson and Gerbing (1982), this study adopted a two-staged approach of data analysis for PLS-SEM. Measurement model was validated in the first stage of the analysis while second stage was engaged to structural model evaluation. In the measurement model two types of validity were checked, namely -convergent validity and discriminant validity. However, this study employed SmartPLS 3.2.7 software for analysis of the data. The SmartPLS 3.2.7 is a component-depended technique that can be utilized for measuring reliability, validity, and associations among constructs. A great advantage of SmartPLS is bootstrap that can be used to resampling the data to get desire results (Afthanorhan, 2014).

Convergent Validity

Convergent validity was confirmed by inspecting internal consistency, CR and AVE. As internal consistency, Cronbach's alpha for all constructs was found more than the recommended value of 0.70 (Nunnally, 1978). All indicators' loading was also revealed to exceed threshold limit, ranging from 0.747 to 0.895, shown in the figure 2 measurement model. Hair et al. (2014) suggested that CR value 0.70 and more than that indicates convergent validity of the constructs. The convergent validity was also established through evaluation of AVE as advocated by Fornell and Larcker (1981). AVE values greater than 0.5 in the Table 3 indicates convergent validity.

Table 3. Indicator's loading, Cronbach's alpha, CR, and AVE

Constructs	Items	Loadings	Cronbach's alpha	CR	AVE
Performance Expectancy	PE1	0.859	0.888	0.922	0.748
	PE2	0.880			
	PE3	0.852			
	PE4	0.869			
Effort Expectancy	EE1	0.888	0.905	0.934	0.778
	EE2	0.872			
	EE3	0.895			
	EE4	0.873			
Facilitating Condition	FC1	0.810	0.840	0.893	0.676
	FC2	0.825			
	FC3	0.832			
	FC4	0.820			
Social Influence	SI1	0.835	0.857	0.903	0.699
	SI2	0.838			
	SI3	0.837			
	SI4	0.834			
Price Value	PV1	0.891	0.831	0.898	0.746
	PV2	0.823			
	PV3	0.876			
Hedonic Motivation	HM1	0.747	0.736	0.851	0.656
	HM2	0.881			
	HM3	0.796			
Habit	HT1	0.815	0.885	0.920	0.743
	HT2	0.859			

	HT3	0.887			
	HT4	0.885			
Perceived Security	PTS1	0.879	0.837	0.902	0.754
	PTS2	0.887			
	PTS3	0.839			
Trust	TR1	0.821	0.881	0.913	0.679
	TR2	0.860			
	TR3	0.843			
	TR4	0.863			
	TR5	0.725			
Internet Banking Adoption	IBA1	0.842	0.892	0.921	0.699
	IBA2	0.854			
	IBA3	0.827			
	IBA4	0.823			
	IBA5	0.833			

Discriminant Validity

Discriminant validity of the constructs was assessed by means of Fornell and Larcker (1981) criterion. Table 4 shows that the square root of the AVE was greater than the corresponding correlations that eventually specifies that the measure is discriminant. Further, items cross-loading was inspected and revealed that no items were loaded on other constructs with higher values than their respective constructive. Additionally, discriminant validity was checked following the suggestion of Henseler, Ringle, and Sarstedt (2015) using the Heterotrait-Monotrait Ratio (HTMT). HTMT values in Table 5 were unearthed less than threshold value 0.85 (Kline, 2011).

Table 4. Fornell-Larcker Criterion for Discriminant validity

	EE	FC	HM	HT	IBA	PE	PTS	PV	SI	TR
EE	0.882									
FC	0.686	0.822								
HM	0.312	0.317	0.810							
HT	0.646	0.649	0.296	0.862						
IBA	0.725	0.716	0.413	0.686	0.836					
PE	0.681	0.637	0.437	0.611	0.761	0.865				
PTS	0.493	0.472	0.326	0.509	0.666	0.593	0.868			
PV	0.337	0.354	0.207	0.321	0.447	0.363	0.386	0.864		
SI	0.456	0.448	0.238	0.472	0.514	0.496	0.336	0.222	0.836	
TR	0.364	0.456	0.051	0.359	0.475	0.362	0.340	0.270	0.190	0.824

PE- Performance Expectancy, EE - Effort Expectancy, SI - Social Influence, FC - Facilitating Conditions, PV - Price Value, HM - Hedonic Motivation, HT - Habit, PTS - Perceived Technology Security, TR - Trust

Table 5. Heterotrait-Monotrait Ratio (HTMT) for Discriminant validity

	EE	FC	HM	HT	IBA	PE	PTS	PV	SI	TR
EE										
FC	0.786									
HM	0.377	0.397								
HT	0.721	0.753	0.363							
IBA	0.804	0.825	0.502	0.769						
PE	0.760	0.737	0.538	0.689	0.853					
PTS	0.566	0.564	0.407	0.591	0.770	0.688				
PV	0.387	0.419	0.255	0.373	0.510	0.420	0.453			

SI	0.518	0.526	0.302	0.539	0.587	0.566	0.397	0.255	
TR	0.405	0.531	0.131	0.406	0.527	0.402	0.384	0.310	0.215

Common Method Bias (CMB)

In the context of PLS-SEM, CMB is a trait that is caused by the measurement process employed in a SEM study (Kock, 2015; Jordan & Troth, 2020).). Since the data for this study for both exogenous and endogenous variables were collected from the same respondents, this might result in CMB. According, we checked the CMB issues following several methods. First, as a procedural remedy, we included an introductory letter informing the respondents that they are free to reply the questionnaire as they believe and withdraw the responses at any time if they feel uncomfortable. Second, we investigated Harman one-factor test and revealed that no single factor explained variance more than 50% (Podsakoff et al., 2003). Therefore, CMB was not an issue in this study.

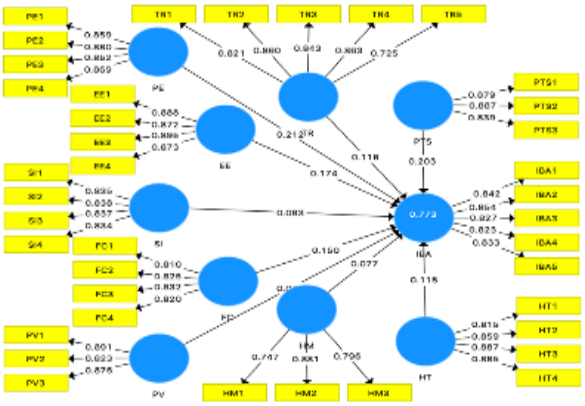


Figure 2. Measurement Model

Structural Model Evaluation

In this second stage of analysis, we tested the proposed relationships between exogenous and endogenous variables. Bootstrapping technique with 5000 resampling size was operationalized to check the hypothetical relationships (Hair et al., 2011). Fig. 3 and Table 6 show the results of Bootstrapping. For finding the significance of the hypotheses path coefficients (beta values), T-values, P-values was checked. However, result shows that all the hypotheses (H1, H2, H3, H4, H5, H6, H8, H9) were found significant except hypothesis H7.

Table 6. Test of hypotheses

Hypotheses	Relationships	Beta	T-value	P Values	Comments
H1	PE -> IBA	0.212	3.238	0.001	Supported
H2	EE -> IBA	0.172	2.937	0.003	Supported
H3	SI -> IBA	0.083	2.618	0.009	Supported
H4	FC -> IBA	0.152	2.436	0.015	Supported
H5	HM -> IBA	0.076	2.274	0.023	Supported
H6	PV -> IBA	0.078	2.377	0.018	Supported
H7	HT -> IBA	0.115	1.778	0.075	Not Supported
H8	PTS -> IBA	0.204	3.464	0.001	Supported
H9	TR -> IBA	0.114	3.145	0.002	Supported

Gender Differences and Moderating Effects

Gender differences for different relationships between exogenous and endogenous constructs were checked using multi-group analysis (MGA) in SmartPLS. Gender differences between the relationships of exogenous and endogenous constructs were investigated using PLS-MGA (multi-group-analysis). Results indicate that trust, HT, PV, EE, and FC are significant for female whereas PTS, SI, and PE are significant for male respondents. Further, we also noticed that gender also moderates the relationships between HT and IB adoption (H10g), and trust and IB adoption (H10i) (Table 7).

Table 7. Gender differences for different paths

Hypotheses	Directions	Path Coefficient (Female)	Path Coefficient (Male)	t-Value (Female)	t-Value (Male)	p-Value (Female)	p-Value (Male)	p-Value new (Female vs Male)
H10a	PE -> IBA	0.098	0.261	1.231	2.725	0.218	0.006	0.193
H10b	EE -> IBA	0.225	0.124	2.386	1.745	0.017	0.081	0.388
H10c	SI -> IBA	0.019	0.145	0.482	2.768	0.630	0.006	0.051
H10d	FC -> IBA	0.181	0.116	2.191	1.463	0.028	0.143	0.570
H10e	PV -> IBA	0.115	0.001	2.865	0.012	0.004	0.990	0.068
H10f	HM -> IBA	0.073	0.065	1.288	1.733	0.198	0.083	0.918
H10g	HT -> IBA	0.280	-0.040	2.928	0.524	0.003	0.601	0.007
H10h	PTS -> IBA	0.113	0.295	1.487	3.672	0.137	0.000	0.101
H10i	TR -> IBA	0.234	0.067	3.144	1.390	0.002	0.165	0.044

DISCUSSIONS AND IMPLICATIONS

Following the recommendation of Chin (2010), R^2, known as the explained variance of the dependent variable, was inspected to measure the predictive power of the independent variables. Figure 2 shows that the variables incorporated in the model have substantial predictive power of endogenous construct. All the variables explained 77.3% of the variance where it is documented that the R^2 values of endogenous latent variables is considered weak if R^2 is 19 % and higher, moderate if R^2 is 33 % and higher, and substantial if R^2 is 67 % and higher (Chin, 1998). However, in the present study we explored the antecedent factors influencing individual level customers' IB adoption decisions in Bangladesh. An extended UTAUT2 model with PTS and trust has been distinctively and successfully implemented here. Notably, the research statistically proved the strong relevance of PTS in context of IB adoption. In view of the possible risks of online financial transactions, the security capacity of the technologies dealing with the customers' personal and confidential data had got the highest consideration from the customers before choosing internet banking applications as this can secure their transactions. A similar finding was also reported in Cheng, Lam, and Yeung (2006)'s study on IB adoption. The direct and positive influence of perceived expectancy (PE) on customers IB adoption is also vigilant in this study. It is seen that individual's perceived benefits and advantages of IB can positively affect their inclination to involve in IB applications. Thus, individuals with higher level of performance expectancy are found to more likely accept IB options. The range of performance expectancy most importantly include time and effort saving, customization option, easy accessibility, convenience of location (Venkatesh et al., 2012). Regarding trust, the statistical findings proved that trust as a key determinant can predict customer's intension to use internet banking. This implies that customer will be more convinced in adopting internet banking services if using the system can ensure their trust and support them to achieve high level of security and reliability in their banking transactions. Relating to the use of technologies, a group of researchers (D. J. J. o. O. Gefen & Computing, 2003; Nicolaou & McKnight, 2006; Pavlou & Gefen, 2004) had reported the same relation of trusts on the users' intention to use.

Our study also discovered a substantial influence of effort expectancy on the Bangladeshi customers' IB adoption intention. Individuals normally go through a mental process involving the trade-off between perceived benefits of using technology and the efforts needed to use it (Alalwan et al., 2018; Celik, 2008) and thereby take the decisions to use technology only if the result is positive. Hence, by supporting the results of the previous related researches (Martins, Oliveira, & Popovič, 2014; Riffai, Grant, & Edgar, 2012), empirical finding of the current paper is an addition to the existing internet banking literature. Besides, social influence (SI), facilitating conditions (FC), price value (PV) and hedonic motivation (HM) all have also found positively related with IB adoption intention in Bangladesh. Additionally, in this research, the gender differences on path coefficients described the differences in effects according to male and female. Thus, the higher path loading toward IB adoption intention was established by their related significant t-values. Usually, men rather than women, undertake more attempts to conquer difficulties and challenges from their path of pursuing goals, whereas, women are more intended to consider the required efforts and the way of achieving their objectives (Henning & Jardim, 1977; Rotter & Portugal, 1969; Venkatesh & Morris, 2000). Thus, the influence of facilitating conditions on individuals' decision to use new technology is greater for female than for male. Again, as a customer, females are more susceptible to the prices and costs of products or services (Slama & Tashchian, 1985). Confirming these prior findings, in this current investigation women were found to be more sensitive to trust, price value, effort expectancy, facilitating conditions and hedonic motivation than men. In contrary, men had shown more preferences for social influence, PTS and PE comparing to women.

Theoretical contribution

This study has a notable contribution in the literature of IB as well as in the context of Bangladesh IB. For instance, this study extended the UTAUT2 framework considering the context of the study and the literature gap. Consequently, first, two external constructs, namely PTS and trust, are incorporated in the framework and revealed their significant contribution in predicting the model. Second, this study also searched the differences of preferences of male and female users of IB and disclosed their significant differences. However, these kinds of contributions are rare in the IB research domain. Thus, we anticipate that the suggested and examined new causal relationships would enlarge both the IB and IT research domain. On the other, the IB research has not been explored in the context of Bangladesh. As we mentioned earlier, only a few studies focused their attention on the problem and prospects of IB in Bangladesh. Till today, we did not find any study to extensively focus on the predictors of IB acceptance in Bangladesh. Therefore, to the best of our knowledge, this study is the first attempt in Bangladesh context to consider the wide range of factors including UTAUT2 along with PTS and trust. Hence, we believe that this research would influence bank marketing researchers in Bangladesh to take it at the advance level.

Managerial Implication

In addition to the theoretical implications, the findings of this study have some practical implications for the managers and policy makers in this area of the internet banking. From the practical perspective, the statistical results of this study unfold the importance of factors leading to customers' intention of IB adoption in Bangladesh and thus, make the banks enable to formulate strategies to influence customers to adopt it. In the current investigation, all the UTAUT2 constructs have found to exert significant influences on customers' IB adoption in Bangladesh, except hedonic motivation. Interestingly, PTS has found to have the highest-level of effect on the customers to adopt the Internet banking services. On the other hand, trust can also influence the internet banking behavior just after the performance expectancy, which is found as the second most important criteria for the customers to adopt Internet Banking here. Therefore, Bangladeshi bank managers should make the customer certain about the technological safety and security of their internet banking platforms. This can be communicated through the promotional messages focusing enhanced internet security and trust on this platform. They should also manage customers' concern relating to the online crimes, fraudulences, invasion of privacy and take the measures to provide error free online transaction facilities. They can also personalize the service link of the bank for the individual customer to achieve their trust. Additionally, money

back guarantees or customers' satisfaction guarantees can be displayed widely as risks reduction strategies. In realizing customers' performance and effort expectancy of using Internet banking, different work-shops can be organized by the banks to provide the know-how of using this platform and to clarify the advantages of using it. As the research findings have also pointed out the relevance of social influence, facilitating conditions and price value, the bank managers must focus on the aspects relating to these factors in their strategies to influence customers' intention to adopt Internet Banking. Suppose, for dealing the price value issue they can emphasize the customers' opportunity to save time, cost and effort in using Internet Banking. They can even make the use of these services free to their customers for strengthening their intentions to become actual users of Internet Banking rather than the potential one. Again, the reported differences of gender influences on the related and newly added constructs of UTAUT2 model will provide the direction to the managers about how they will deliver the messages or make the strategies to deal the customer depending on their gender. Comparing to the male, females are found more sensitive to perceived effort, social influence, facilitating conditions, hedonic motivation and trust, whereas, male are more concern about the performance expectancy and perceived security issue of the Internet Baking. Hence, banks should consider these aspects of gender differences in their endeavor to attract and satisfy customers of their Internet Banking system in general and in particular, the male and female customers to make a valuable long-term relationship with them.

Conclusion and Future Research Directions

This study tried to explore the predictors that influence Bangladeshi customers to adopt IB using and extending UATUT2 model. Considering the context UTAUT2 model is extended incorporating two important variables such as PTS and trust. However, this study revealed that PTS, PE, and trust as top significant predictors. This study also reported some significant differences in the perception of predictors for male and female respondents. For instance, for male, PTS, SI, and PE are more important than female IB customers. On the other, EE, FC, PV, HT, and trust are significant predictors for female participants. However, like many other studies, this study is also not out of some limitations. Caution should be taken to generalize the results of the studysince it used a small sample size comparatively. Further, this study did not consider all moderating variables that were suggested in the original UTAUT2 model. Therefore, future research would consider a large sample size as well as some other moderating variables including those that suggested in the original model.

References

Afthanorhan, A., Awang, Z., & Aimran, N. (2020). Five Common Mistakes for Using Partial Least Squares Path Modeling (PLS-PM) in Management Research. Contemporary Management Research, 16(4), 255-278. https://doi.org/10.7903/cmr.20247

Afthanorhan, W. M. A. B. W. (2014). Hierarchical component using reflective-formative measurement model in partial least square structural equation modeling (Pls-Sem). International Journal of Mathematics, 2(2), 33-49.

Afthanorhan, W. M. A. B. W. (2013). A comparison of partial least square structural equation modeling (PLS-SEM) and covariance based structural equation modeling (CB-SEM) for confirmatory factor analysis. International Journal of Engineering Science and Innovative Technology, 2(5), 198-205.

Ahmad, M., & Soleymani, S.A. (2013). Impact of Trust on Internet Banking Adoption: A Literature Review.

Ajzen, I. J. P., & review, s. p. (2002). Residual effects of past on later behavior: Habituation and reasoned action perspectives. 6(2), 107-122. https://doi.org/10.1207/S15327957PSPR0602_02

Akhlaq, A., & Ahmed, E. J. I. j. o. b. m. (2013). The effect of motivation on trust in the acceptance of internet banking in a low-income country. https://doi.org/10.1108/02652321311298690

Alalwan A, Dwivedi YK, Rana NP et al (2018) Examining factors influencing Jordanian customers' intentions and adoption of internet banking: Extending UTAUT2 with risk. Journal of Retailing and Consumer Services. 40: 125-138. https://doi.org/10.1016/j.jretconser.2017.08.026

Alalwan, A. A., Dwivedi, Y. K., Rana, N. P., & Williams, M. D. J. J. o. E. I. M. (2016). Consumer adoption of mobile banking in Jordan: Examining the role of usefulness, ease of use, perceived risk and self-efficacy.

Alalwan, A. A., Dwivedi, Y. K., Rana, N. P., Lal, B., & Williams, M. D. J. J. o. F. S. M. (2015). Consumer adoption of Internet banking in Jordan: Examining the role of hedonic motivation, habit, self-efficacy and trust. *20*(2), 145-157. https://doi.org/10.1057/fsm.2015.5

Alalwan, A., Dwivedi, Y. K., & Williams, M. D. (2014). Examining factors affecting customer intention and adoption of Internet banking in Jordan. UK Academy for Information Systems Conference Proceedings 2014, Paper 3, available at: http://aisel.aisnet.org/ukais2014/3

Alam, M. Z., Hu, W., & Barua, Z. (2018). Using the UTAUT model to determine factors affecting acceptance and use of mobile health (mHealth) services in Bangladesh. Journal of Studies in Social Sciences, 17(2).

Alam, M. Z., Hoque, M. R., Hu, W., & Barua, Z. (2020). Factors influencing the adoption of mHealth services in a developing country: A patient-centric study. International journal of information management, 50, 128-143. https://doi.org/10.1016/j.ijinfomgt.2019.04.016

Alhassany, H., Faisal, F. (2018). Factors influencing the internet banking adoption decision in North Cyprus: an evidence from the partial least square approach of the structural equation modeling. FinancInnov 4, 29. https://doi.org/10.1186/s40854-018-0111-3

Alsajjan, B., & Dennis, C. (2010). Internet banking acceptance model: Cross-market examination. Journal of Business Research, 63(9), 957-963. **https://doi.org/10.1016/j.jbusres.2008.12.014**

Ameen, N., & Willis, R. J. I. T. f. D. (2019). Towards closing the gender gap in Iraq: understanding gender differences in smartphone adoption and use. *25*(4), 660-685. https://doi.org/10.1080/02681102.2018.1454877

Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. Psychological bulletin, 103(3), 411, doi: https://psycnet.apa.org/buy/1989-14190-001

Assessing the role of gender. Journal of Business Research, 63(9), 926–934.

Azad, M. A. K. (2016). Predicting mobile banking adoption in Bangladesh: a neural network approach. Transnational Corporations Review, 8(3), 207–214. doi:10.1080/19186444.2016.1233726

Azzalini, A., Browne, R. P., Genton, M. G., & McNicholas, P. D. (2014). Comparing two formulations of skew distributions with special reference to model-based clustering. arXiv preprint arXiv:1402.5431.

Badreldin F. Salim, Mohamed H. Mahmoud and Hatim M. Khair(2016). Perceived factors affecting the Internet Banking implementation in Sudan: an application of (UTAUT2). International journal of applied business and economic research - New Delhi: Serials Publ., ISSN 0972-7302, ZDB-ID 2460416-1. - Vol. 14.2016, 1, p. 1-16

Barua, Z., Aimin, W., & Akter, S. (2016). Antecedents of perceived risk and their influence on satisfaction and behavioral intention toward self-service technologies. INNOVATION AND MANAGEMENT, 1921.

Barua, Z., Aimin, W., & Hongyi, X. (2018). A perceived reliability-based customer satisfaction model in self-service technology. The Service Industries Journal, 38(7-8), 446-466, doi: https://doi.org/10.1080/02642069.2017.1400533

Barua, Z., Barua, S., Aktar, S., Kabir, N., & Li, M. (2020). Effects of misinformation on COVID-19 individual responses and recommendations for resilience of disastrous consequences of misinformation. Progress in Disaster Science, 8, 100119, doi: https://doi.org/10.1016/j.pdisas.2020.100119

Barua, Z. and Barua, A. (2021), "Acceptance and usage of mHealth technologies amid COVID-19 pandemic in a developing country: the UTAUT combined with situational constraint and health consciousness", Journal of Enabling Technologies, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/JET-08-2020-0030

Boksberger, P. E., & Melsen, L. J. J. o. s. m. (2011). Perceived value: a critical examination of definitions, concepts and measures for the service industry. https://doi.org/10.1108/08876041111129209

Brown, S. A., & Venkatesh, V. J. M. q. (2005). Model of adoption of technology in households: A baseline model test and extension incorporating household life cycle. 399-426. https://doi.org/10.2307/25148690

Casaló, L.V., Flavián, C., &Guinaliu, M. (2007). The role of security, privacy, usability and reputation in the development of online banking. Online Inf. Rev., 31, 583-603. https://doi.org/10.1108/14684520710832315

Celik, H. J. I. J. o. B. M. (2008). What determines Turkish customers' acceptance of internet banking? https://doi.org/10.1108/02652320810894406

Chaouali, W., Yahia, I. B., Souiden, N. J. J. o. R., & Services, C. (2016). The interplay of counter-conformity motivation, social influence, and trust in customers' intention to adopt Internet banking services: The case of an emerging country. *28*, 209-218. https://doi.org/10.1016/j.jretconser.2015.10.007

Cheng, T. E., Lam, D. Y., & Yeung, A. C. J. D. s. s. (2006). Adoption of internet banking: an empirical study in Hong Kong. *42*(3), 1558-1572. https://doi.org/10.1016/j.dss.2006.01.002

Chin, W. W. (2010). How to write up and report PLS analyses. Handbook of artial least squares. Berlin, Heidelberg: Springer655–690. doi: https://doi.org/10.1007/978-3-540-32827-8_29

Chin, W. W. (1998). The partial least squares approach to structural equation modeling. Modern methods for business research, 295(2), 295-336.

Coutu, D. L. J. H. B. R. (1998). Trust in virtual teams. *76*(3), 20-22.

Curran, J. M., & Meuter, M. L. (2007). Encouraging existing customers to switch to self-service technologies: put a little fun in their lives. Journal of Marketing Theory and Practice, 15(4), 283-298, https://doi.org/10.2753/MTP1069-6679150401

Curran, J.M., & Meuter, M.L., 2005. Self-service technology adoption: comparing three technologies. J. Serv. Mark. 19 (2), 103–113. https://doi.org/10.1108/08876040510591411

Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. MIS quarterly, 319-340.https://doi.org/10.2307/249008

Dewan, A. and S. A. Nazmin 2007. "The opportunities of using Information and Communication Technology by small and medium enterprises in Bangladesh: The case of SMEs differences in individual technology adoption decision-making processes. Organizational Behavior and Human Decision Processes, 83(1), 33–60.

Eriksson, K., Kerem, K., & Nilsson, D. J. I. j. o. b. m. (2005). Customer acceptance of internet banking in Estonia. https://doi.org/10.1108/02652320510584412

Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of convenience sampling and purposive sampling. American journal of theoretical and applied statistics, 5(1), 1-4.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. Journal of marketing research, 18(1), 39-50, doi: https://doi.org/10.1177%2F002224378101800104

FSR, (2018). Financial Stability Assessment Report, July-September, 2018. Accessed on 07 June 2021 from https://bb.org.bd/pub/quaterly/finstab/jul_sep2018.pdf

Fuksa, M. J. P. C. S. (2013). Mobile technologies and services development impact on mobile Internet usage in Latvia. *26*, 41-50. https://doi.org/10.1016/j.procs.2013.12.006

Gefen, D. (2002). Reflections on the dimensions of trust in online-shopping. https://doi.org/10.1145/569905.569910

Gefen, D. J. J. o. O., & Computing, E. U. (2003). TAM or just plain habit: A look at experienced online shoppers. *15*(3), 1-13. DOI: 10.4018/joeuc.2003070101

Gefen, D., Karahanna, E., & Straub, D. W. (2003). Trust and TAM in online shopping: An integrated model. MIS quarterly, 51-90, doi: https://doi.org/10.2307/30036519

Gharaibeh, M., Arshad, M., &Gharaibeh, N. (2018). Using the UTAUT2 Model to Determine Factors Affecting Adoption of Mobile Banking Services: A Qualitative Approach. International Journal of Interactive Mobile Technologies (IJIM), 12(4), pp. 123-134. https://doi.org/10.3991/ijim.v12i4.8525

Gholami, R., Clegg, B. T., & Al-Somali, S. A. (2008). *Internet banking acceptance in the context of developing countries*. (Aston Business School research papers). Aston University.

Grabner-Kräuter, S., & Faullant, R. (2010). Internet Trust as a Specific Form of Technology Trust and its Influence on Online Banking Adoption. Int. J. Dependable Trust. Inf. Syst., 1, 43-60. DOI: 10.4018/978-1-61520-901-9.ch011

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2018). Multivariate Data Analysis (8th ed.). United Kingdom: Cengage Learning.

Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. Journal of Marketing theory and Practice, 19(2), 139-152, https://doi.org/10.2753/MTP1069-6679190202

Hanafizadeh, P., Behboudi, M., Koshksaray, A. A., &Tabar, M. J. S. (2014). Mobile-banking adoption by Iranian bank clients. Telematics and Informatics, 31(1), 62–78. https://doi.org/10.1016/j.tele.2012.11.001

Heijden HV. Factors influencing the usage of websites: the case of a generic portal in The Netherlands. Inform Manage 2003;40(2):541–9 .https://doi.org/10.1016/S0378-7206(02)00079-4

Henning, M., & Jardim, A. (1977). The Managerial Woman London: Marion Boyars.

Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. Journal of the academy of marketing science, 43(1), 115-135, doi: https://doi.org/10.1007/s11747-014-0403-8

Henseler, J., Ringle, C.M. and Sinkovics, R.R. (2009), "The use of partial least squares path modeling in international marketing", Sinkovics, R.R. and Ghauri, P.N. (Ed.) New Challenges to International Marketing (Advances in International Marketing, Vol. 20), Emerald Group Publishing Limited, Bingley, pp. 277-319. https://doi.org/10.1108/S1474-7979(2009)0000020014

Hernandez, J.M.C. and Mazzon, J.A. (2007) 'Adoption of internet banking: proposition and implementation of an integrated methodology approach', International Journal of Bank Marketing, Vol. 25, No. 2, pp.72–88. https://doi.org/10.1108/02652320710728410

Hoque, A. S. M. M., Awang, Z. B., 2019. Does gender difference play moderating role in the relationship between entrepreneurial marketing and Bangladeshi SME performance? Accounting, 5(1), 35–52. *DOI: **10.5267/j.ac.2018.6.001***

Islam, S., & Mahfuz, A. S. M. (2014). Adoption of e-banking in Bangladesh: Evolution, status and prospects. 16th Int'l Conf. Computer and Information Technology. doi:10.1109/iccitechn.2014.6997303

Jahangir, N., & Parvez, N. (2012). Factors Determining Customer Adaptation to Internet Banking in the Context of Private Commercial Banks of Bangladesh. Business Perspectives and Research, 1(1), 25–36. doi:10.1177/2278533720120103

Jayshree Chavan (2013). Internet Banking- Benefits and Challenges in an Emerging economy. International Journal of Research in Business Management (IJRBM) Vol. 1, Issue 1, June 2013, 19-2

Jordan, P. J., & Troth, A. C. (2020). Common method bias in applied settings: The dilemma of researching in organizations. Australian Journal of Management, 45(1), 3-14, doi: https://doi.org/10.1177%2F0312896219871976

Juwaheer, T. D., Pudaruth, S., Ramdin, P. J. W. J. o. S., Technology, & Development, S. (2012). Factors influencing the adoption of internet banking: a case study of commercial banks in Mauritius. https://doi.org/10.1108/20425941211250552

Karen Furst, William W. Lang, and Daniel E. Nolle (2000). Internet Banking; Development and prospects. Economic and Policy Analysis Working Paper 2000-9 September 2000

Khalil Md Nor & J. Michael Pearson (2008) An Exploratory Study Into The Adoption of Internet Banking in a Developing Country: Malaysia, Journal of Internet Commerce, 7:1, 29-73, DOI: 10.1080/15332860802004162

Kline, R. B. (2011). Principles and practice of structural equation modeling (3. Baskı). New York, NY: Guilford.

Kock, N. (2015). Common method bias in PLS-SEM: A full collinearity assessment approach. International Journal of e-Collaboration (ijec), 11(4), 1-10, DOI: 10.4018/ijec.2015100101

Lai, V.S. and Li, H. (2005) 'Technology acceptance model for internet banking: an invariance analysis', Information & Management, Vol. 42, No. 2, pp.373–386. https://doi.org/10.1016/j.im.2004.01.007

Lassar, W. M., Manolis, C., & Lassar, S. S. J. I. J. o. B. M. (2005). The relationship between consumer innovativeness, personal characteristics, and online banking adoption. https://doi.org/10.1108/02652320510584403

Lee, M.-C. (2009). Factors influencing the adoption of Internet banking: An integration of TAM and TPB with perceived risk and perceived benefit. Electronic Commerce Research and Applications, 8(3), 130–141. https://doi.org/10.1016/j.elerap.2008.11.006

Limayem, M., Hirt, S. G., & Cheung, C. M. J. M. q. (2007). How habit limits the predictive power of intention: The case of information systems continuance. 705-737. https://doi.org/10.2307/25148817

Lin W-R, Wang Y-H, Hung Y-M (2020) Analyzing the factors influencing adoption intention of internet banking: Applying DEMATEL-ANP-SEM approach. PLoS ONE 15(2): e0227852. https://doi.org/10.1371/journal.pone.0227852

Lin, F.-T., Wu, H.-Y., & Tran, T. N. N. (2014). Internet banking adoption in a developing country: an empirical study in Vietnam. Information Systems and e-Business Management, 13(2), 267–287. doi:10.1007/s10257-014-0268-x

Lin, H. F. (2011). An empirical investigation of mobile banking adoption: The effect of innovation attributes and knowledge-based trust. International Journal of Information Management, 31(3), 252–260. https://doi.org/10.1016/j.ijinfomgt.2010.07.006

Lin, H. F. (2013). Determining the relative importance of mobile banking quality factors. Computer Standards & Interfaces, 35(2), 195–204. https://doi.org/10.1016/j.csi.2012.07.003

López-Nicolás, C., Molina-Castillo, F. J., Bouwman, H. J. I., & management. (2008). An assessment of advanced mobile services acceptance: Contributions from TAM and diffusion theory models. *45*(6), 359-364. https://doi.org/10.1016/j.im.2008.05.001

Martins, C., Oliveira, T., & Popovič, A. J. I. j. o. i. m. (2014). Understanding the Internet banking adoption: A unified theory of acceptance and use of technology and perceived risk application. *34*(1), 1-13. https://doi.org/10.1016/j.ijinfomgt.2013.06.002

Mbrokoh, A.S. (2016). Exploring the Factors that Influence the Adoption of Internet Banking in Ghana. The Journal of Internet Banking and Commerce, 21.

Merhi, M., Hone, K., & Tarhini, A. (2019). A cross-cultural study of the intention to use mobile banking between Lebanese and British consumers: Extending UTAUT2 with security, privacy and trust. Technology in Society, 101151. doi:10.1016/j.techsoc.2019.101151

Miltgen, C. L., Popovič, A., & Oliveira, T. J. D. S. S. (2013). Determinants of end-user acceptance of biometrics: Integrating the "Big 3" of technology acceptance with privacy context. *56*, 103-114.

Negahban, A., & Chung, C. H. (2014). Discovering determinants of users perception of mobile device functionality fit. Computers in Human Behavior, 35, 75-84. https://doi.org/10.1016/j.chb.2014.02.020

Nguyen, Thuy & Nguyen, Hien & Mai, Hong & Tran, Tram. (2020). Determinants of Digital Banking Services in Vietnam: Applying UTAUT2 Model. Asian Economic and Financial Review. 10. 680-697. DOI:10.18488/journal.aefr.2020.106.680.697.

Nicolaou, A. I., & McKnight, D. H. J. I. s. r. (2006). Perceived information quality in data exchanges: Effects on risk, trust, and intention to use. *17*(4), 332-351.

Nitsure, R. R. (2003). "E-banking: Challenges and Opportunities," Economic and Political Weekly, vol. 38.

Nor, K. M., & Pearson, J. M. (2008). An Exploratory Study Into The Adoption of Internet Banking in a Developing Country: Malaysia. Journal of Internet Commerce, 7(1), 29–73. doi:10.1080/15332860802004162

Nor, K., & Pearson, J. (2007). The Influence of Trust on Internet Banking Acceptance. The Journal of Internet Banking and Commerce, 12, 1-10.

Nunnally, J.C., 1978. Psychometric Theory. McGraw-Hill, New York, NY.

Oliveira, T., Thomas, M., Baptista, G., & Campos, F. J. C. i. H. B. (2016). Mobile payment: Understanding the determinants of customer adoption and intention to recommend the technology. *61*, 404-414. https://doi.org/10.1016/j.chb.2016.03.030

Owusu Kwateng, K., Osei Atiemo, K.A. and Appiah, C. (2019), "Acceptance and use of mobile banking: an application of UTAUT2", Journal of Enterprise Information Management, Vol. 32 No. 1, pp. 118-151. https://doi.org/10.1108/JEIM-03-2018-0055

Parameswaran, S., Kishore, R., Li, P., 2015. Within-study measurement invariance of the UTAUT instrument: An assessment with user technology engagement variables. Information & Management, 52(3), 317-336. https://doi.org/10.1016/j.im.2014.12.007

Patel, K.J. and Patel, H.J. (2018), "Adoption of internet banking services in Gujarat: An extension of TAM with perceived security and social influence", International Journal of Bank Marketing, Vol. 36 No. 1, pp. 147-169. https://doi.org/10.1108/IJBM-08-2016-0104

Pavlou, P. A., & Gefen, D. J. I. s. r. (2004). Building effective online marketplaces with institution-based trust. *15*(1), 37-59.

Peković, J., Zdravković, S., & Pavlović, G. J. M. (2019). Social media influencers as a predictor of consumer intentions. *50*(3), 207-216.

Petrick, J. F. J. J. o. l. r. (2002). Development of a multi-dimensional scale for measuring the perceived value of a service. *34*(2), 119-134. https://doi.org/10.1080/00222216.2002.11949965

Pikkarainen, T., Pikkarainen, K., Karjaluoto, H., & Pahnila, S. (2004). Consumer acceptance of online banking: An extension of the technology acceptance model. Internet Research, 14(3), 224–235. https://doi.org/10.1108/10662240410542652

Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: a critical review of the literature and recommended remedies. Journal of applied psychology, 88(5), 879, doi: https://psycnet.apa.org/buy/2003-08045-010

Purwanegara, M., Apriningsih, A., &Andika, F. (2014). Snapshot on Indonesia regulations in Mobile Internet banking users' attitudes. Procedia-Social and Behavioral Sciences, 115, 147–155. https://doi.org/10.1016/j.sbspro.2014.02.423

Püschel, J., Mazzon, J. A., & Hernandez, J. M. C. (2010). Mobile banking: Proposition of an integrated adoption intention framework. International Journal of Bank Marketing, 28(5), 389–409. https://doi.org/10.1108/02652321011064908

Rahi, S., Ghani, M.A. and Ngah, A.H. (2018), "A structural equation model for evaluating user's intention to adopt internet banking and intention to recommend technology", Accounting, Vol. 4 No. 4, pp. 129-170, doi: 10.5267/j.ac.2018.3.002.

Richard, M., Chebat, J., Yang, Z., Putrevu, S., 2010. A proposed model of online consumer behavior: assessing the role of gender. https://doi.org/10.1016/j.jbusres.2009.02.027

Riffai, M., Grant, K., & Edgar, D. J. I. j. o. i. m. (2012). Big TAM in Oman: Exploring the promise of on-line banking, its adoption by customers and the challenges of banking in Oman. *32*(3), 239-250. https://doi.org/10.1016/j.ijinfomgt.2011.11.007

Rotter, G. S., & Portugal, S. M. J. J. o. A. P. (1969). Group and individual effects in problem solving. *53*(4), 338. https://doi.org/10.1037/h0027771

Sagib, G. K., & Zapan, B. (2014). Bangladeshi mobile banking service quality and customer satisfaction and loyalty. Management & Marketing, 9(3).

Sharif, A., & Raza, S. (2017). The influence of hedonic motivation, self-efficacy, trust and habit on adoption of internet banking: a case of developing country. International Journal of Electronic Customer Relationship Management, 11, 1.empirical investigation. Information Sciences, 150, 207-217. https://doi.org/10.1504/IJECRM.2017.086750

Sharma, R., Singh, G., & Sharma, S. (2020). Modelling internet banking adoption in Fiji: A developing country perspective. International Journal of Information Management, 53, 102116. doi:10.1016/j.ijinfomgt.2020.102116

Slama, M. E., & Tashchian, A. J. J. o. m. (1985). Selected socioeconomic and demographic characteristics associated with purchasing involvement. *49*(1), 72-82. https://doi.org/10.1177/002224298504900107

Sohail, S., & Shanmugham, B. (2003). E-banking and customer preferences in Malaysia: An empirical investigation. https://doi.org/10.1016/S0020-0255(02)00378-X

Suh, B., & Han, I. (2002). Effect of trust on customer acceptance of Internet banking. Electronic Commerce Research and Applications, 1(3-4), 247-263. doi:10.1016/ S1567-4223(02)00017-0.

Sum Chau, V., & Ngai, L. W. (2010). The youth market for internet banking services Perceptions, attitude and behaviour. Journal of Services Marketing, 24(1), 42–60. https://doi.org/10.1108/08876041011017880

Taylor S, Todd P. Assessing IT usage the role of prior experience. MIS Quart 1995;19(4):561–70. https://doi.org/10.2307/249633

Vatanasombut, B., Igbaria, M., Stylianou, A. C., Rodgers, W. J. I., & management. (2008). Information systems continuance intention of web-based applications customers: The case of online banking. *45*(7), 419-428. https://doi.org/10.1016/j.im.2008.03.005

Vejacka, M., &Štofa, T. (2017). Influence of security and trust on electronic banking adoption in Slovakia. E & M Ekonomie A Management, 20, 135-150. http://hdl.handle.net/11025/26616

Venkatesh, V., & Morris, M. G. J. M. q. (2000). Why don't men ever stop to ask for directions? Gender, social influence, and their role in technology acceptance and usage behavior. 115-139. https://doi.org/10.2307/3250981

Venkatesh, V., Morris, M. G., Ackerman, P. L., 2000. A longitudinal field investigation of gender differences in individual technology adoption decision-making processes. https://doi.org/10.1006/obhd.2000.2896

Venkatesh, V., Morris, M., Davis, G., & Davis, F. (2003). User Acceptance of Information Technology: Toward a Unified View. MIS Quarterly, 27(3), 425-478. doi:10.2307/30036540

Venkatesh, V., Thong, J., & Xu, X. (2012). Consumer Acceptance and Use of Information Technology: Extending the Unified Theory of Acceptance and Use of Technology. MIS Quarterly, 36(1), 157-178. doi:10.2307/41410412

Wang, T., Jung, C.-H., Kang, M.-H., Chung, Y.-S. J. B., & Technology, I. (2014). Exploring determinants of adoption intentions towards Enterprise 2.0 applications: an empirical study. *33*(10), 1048-1064. https://doi.org/10.1080/0144929X.2013.781221

Wang, Y.-S., Wang, Y.-M., Lin, H.-H., & Tang, T.-I. (2003). Determinants of user acceptance of Internet banking: An empirical study. International Journal of Service Industry Management, 14(5), 501–519. https://doi.org/10.1108/09564230310500192

Weerakkody, V. J. P., El-Haddadeh, R., Al-Sobhi, F., et al. (2013). Examining the influence of intermediaries in facilitating e-government adoption: An empirical in- vestigation. International Journal of Information Management, 33(5), 716–725, doi: https://doi.org/10.1016/j.ijinfomgt.2013.05.001

Yuen, Y. Y., Yeow, P. H., Lim, N., & Saylani, N. (2010). Internet banking adoption: Comparing developed and developing countries. Journal of Computer Information Systems, 51(1), 52-61. doi/abs/10.1080/08874417.2010.11645449

Zhang, L., Zhu, J., & Liu, Q. J. C. i. h. b. (2012). A meta-analysis of mobile commerce adoption and the moderating effect of culture. *28*(5), 1902-1911. https://doi.org/10.1016/j.chb.2012.05.008

Zhou, T. (2011). An empirical examination of initial trust in Mobile banking. Internet Research, 21(5), 527–540. https://doi.org/10.1108/10662241111176353

Zhou, T. (2012). Understanding users' initial trust in Mobile banking: An elaboration likelihood perspective. Computers in Human Behavior, 28(4),1518–1525. https://doi.org/10.1016/j.chb.2012.03.021

Zhou, T., Lu, Y., & Wang, B. J. C. i. h. b. (2010). Integrating TTF and UTAUT to explain mobile banking user adoption. *26*(4), 760-767. https://doi.org/10.1016/j.chb.2010.01.013

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.74
https://journal.unisza.edu.my/jmtp



Organisational Factors as Correlates of Non-Teaching Staff Job Performance in Kwara State Colleges of Education, Nigeria

Patricia Agnes O. ETEJERE[1], Adewale Omotayo AWODIJI[2], Saheed Azeez RAJI[3]

[1]University of Ilorin, Ilorin, Nigeria. Email: Patetejere@unilorin.edu.ng
[1]Al-hikmah University, Ilorin, Nigeria. Email: tayojss@gmail.com
[3]University of Ilorin, Ilorin, Nigeria. Email: raji48809@gmail.com

***Corresponding Author Email: tayojss@gmail.com**

Received: 6th November 2020 ***Accepted:18th June 2021*** ***Published: 10th July 2021***

ABSTRACT
Colleges of education can achieve their stated goals with careful and well-defined organisational culture, climate and employees' evaluation system. The study examined the correlation between organisational factors and job performance of non-teaching staff of colleges of education. Relationship between each of the organisational factors (climate, culture and performance appraisal) and performance of non-teaching staff were examined. Non-experimental design of correlation type was adopted. Stratified and convenience sampling techniques were employed to select 234 non-teaching staff of colleges of education. Adapted Organisational Factors Questionnaire (OFQ) and Job Performance Questionnaire (JPQ) with 0.891 and 0.801 were used for data collection. The result showed that organisational factors are positively and significantly correlate to job performance (r- value = 0.873, p=0.000). The implication of this is that organisational culture, climate and performance evaluation have a positive correlation with non-teaching staff's job performance. The study therefore recommended that colleges' administrators should consider improving organisational factors in order to increase staff's performance for global competiveness. Moreover, administrators are to create a sustainable working climate that will promote productivity of non-teaching staff via effective communication and participatory approach.

Keywords: Appraisal and Performance, Climate, Culture, Organisational Factors

OPEN ACCESS

INTRODUCTION

There seems to be a performance crisis in the various institutions including the educational system. Consequently, this becomes hazardous to man's existence. Colleges of education are saddled with the responsibility of training highly motivated classroom teachers required for basic education in Nigeria. In the attainment of college of education goals in Nigeria is the role of non-teaching staff who carry out administrative roles and whose effectiveness in performance can be predicted by the organisational factors. Successful outcomes of an organisation are product of the individual's contribution at all levels and the working environment or the factors that play out in such institution. Institutional performance will be enhanced if all members of staff are committed to work according to laid down standard. Hence, individual worker's job performance is considered important in the institutional success. Memari, *et.al*, (2013) described performance as the relation of an individual, non-teaching staff's effort as influenced by his/her capabilities and task perceptions in a given working condition and with the job description well spelt out. Education is an instrument for developing human potentials and this has been given a high preference in the production of human resources since the human capital formation is the key factor in the development of the people and the nation at large (Achugbue, 2013; Webb, *et al.* 2018). In realisation of the importance of education, the Nigerian government has established the school system of different types of levels ranging from primary to tertiary institutions; each having its aims and objectives of its establishment. Ijaiya (2012) stated that 'the worth of any education system as an investment lies in its capacity to continuously serve its clients better and remain relevant.' It is upon this that the quality of education will be acknowledged. This is supported by another assertion that accountability connotes taking responsibility for individual's behavior, job or role in goal achievement (Ijaiya, *et.al,* 2011). For colleges of education to achieve their stated goals and objectives, there is the need for careful and well-defined organisational culture, serene organisational climate and employees' evaluation system. Culture in an institution is best known in the form of rules, polices of behaviour and norms which are tagged to be very important for the organisation's success (Abdulkareem, *et.al,* 2015; Arogundade, 2020). However, organisational factors may produce favourable and unfavourable outcomes for the staff as well as the institution they work for (Naoum, 2001; Garg & Krishnan, 2003; Egan, *et.al,* 2004; Tseng, 2010; Adekola, 2012; Jie, et.al, 2020). It is against this background that this study was carried out on organisational factors and non-

teaching staff job performance in colleges of education in Kwara State, Nigeria. Studies have examined the relationship between various organisational factors such as organisational structure and organisational performance (Chen & Huang, 2007; Nahm, Vonderembse, & Koufteros, 2003; Mohammed & Abubakar, 2013; Raziq, *et.al,* 2019). However, most of them focused on organisational factors from firms or non-educational organisations. Also, organisational factors such as organisational structures have mainly been examined from the angle of permanent structure (Raziq, *et.al,* 2019). Moreover, studies such as Yazici (2009) considered other organisational factors such as culture. Organisational structures have been considered in terms of formalization and centralisation by scholars (Liu, *et.al,* 2008; Milosevic & Patanakul, 2005; Arogundade, 2020).

The problem of staff's job performance in Nigerian tertiary institutions especially, the colleges of education is critical as observed by the researcher and needs urgent attention, most especially, the quality of service rendered which tells on the institutions' systems in the country. Adekiya, *et al,* (2019) reported that students of tertiary institutions perceived that teaching staff, non-teaching staff, school environment are moderate in relation to requirements for quality of service. Also, Ezeokoli and Ayodele (2014) established a relationship between quality service and students' academic success in Nigerian tertiary institutions. Bello, *et al,* (2015) reported that employees in government owned colleges of education in Kwara State were unhappy, frustrated, uninspired, unmotivated as a result of poor working environments.

Organisational factors may bring positive and negative consequences for both institutions and the employees' performance (Garg & Krishnan, 2003; Egan, *et.al,* 2004; Tseng, 2010; Adekola, 2012). However, most of these studies either consider the contribution of these factors in isolation or ignore their possible correlation to employees' job performance at college of education. Considering the related literature so far, little, is thus known with regard to which of the various colleges of education organisational factors is conducive to non-teaching staff performance alongside the direction of correlation between the two variables (Idemudia & Kpakol, 2016). It is against this background that the study was carried out on organisational factors and non-teaching job performance in colleges of education in Kwara State, Nigeria.

RESEARCH OBJECTIVES

The following research objectives were set to be achieved:

i. To examine correlation between organisational factors and job performance of non-teaching staff.
ii. To examine direct relationship between Organisational factors (culture, performance evaluation system and climate) and job performance of non-teaching staff.

RESEARCH HYPOTHESES

H_1: Organisational factors do not significantly correlate to job performance of non-teaching staff in Kwara State Colleges of Education.

H_{02}: Organisational culture does not have direct relationship with job performance of non-teaching staffs.

H_{03}: Performance evaluation system does not correlate to job performance of non-teaching staff.

H_{04}: Organisational climate is not significantly related to job performance of non-teaching staff

LITERATURE REVIEW

Non-Teaching Staff Job Performance

Job performance is a very crucial construct factor in every organisation. It serves as indicators for institutional success which, in all aspects, is dependent on individual employee's performance. In other words, if an individual performs according to the expected standards, then the organisation's performance will be enhanced and improved (Chegin, *et.al,* 2010). It is a factor in which the organizations are differentiated and integrated by the allocation of work roles and activities (Tran & Yezhuang, 2013). Performance is opined as a measure which co-ordinates employees' behaviours within the framework of their assigned responsibilities, duties and position occupied.

Conceptual Framework on Organisational Factors and Non-Teaching Staff Job Performance

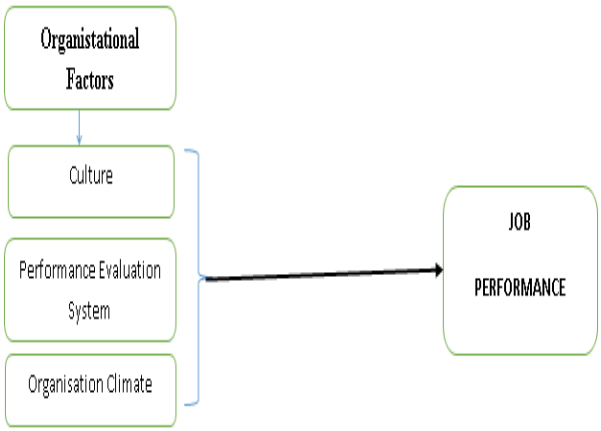


Figure 1. Organisational Factors and Job Performance Model

From Figure 1, the conceptual framework is a model that describes the linkage that exists between the organisational factors (Culture, Performance Evaluation System and Climate) and job performance as explained by the system theory. System theory is conceptualised as an interdisciplinary assumption about every organisation in nature as well as a framework (Mele, *et.al* 2010). Systems approach emanates from the shift in attention from the part to the whole (Jackson, 2003; Mele, *et.al* 2010). The system can be described as a set of elements joined together for a common objective. A subsystem is a part of a larger system with which one is concerned. The organisation, for instance, is a system and the parts (divisions, departments, functions and unit) are the subsystems. A system is a group of interrelated components working together toward a common goal by accepting inputs, processing it and producing outputs in an organised transformation process. In contrast, the relationships between the parts themselves and the events they produce through their interaction become much more important, with the result that system elements are rationally connected towards a shared purpose (Mele, *et.al* 2010). College of education as an organisation is an integral parts that make a whole. It is clearly shown from the model that the organisational factors as independent variable could be linked to employees' job performance.

The framework portrays that organisational culture, climate and organisational performance evaluation system is directly related to employees' job performance. Therefore, the model portrays the inter-linkage that exists between non-teaching staff performance and organisational factors in Figure 1. This

means that all constructs of organisational factors could improve non-teaching staff employees of colleges of education and promote college better outputs. For colleges of education to attain its set educational goals, the role of non-teaching staff cannot be jettisoned. Hence, institutional management should consider the factors considered in this model as instruments for job performances in colleges of education. This can be done by creating enabling environment that will promote staff commitment and productivity.

Organisational Culture and Non-teaching Staff Job Performance

Organisation culture as asserted by Nongo (2012) is socialisation process such as outlooks, viewpoints, attitudes and behaviours of members of an association geared to attainment of common goals. Memari *et.al,* (2013) expressed organisational culture as values, beliefs, norms, mission statement, employees' performance and employees' motivation established within a system. Cultural differences often lead to different degrees of conflict that could affect the employee's performance and ultimately could have negative impact on organisational output (Yazici, 2009). In recent times, scholars have studied on the organisational culture as predetermining factors for organisational success. Among these is Fakhar, *et.al,* (2013) in their study, they expressed that the culture of good rewarding system and continuous motivation promote employees' effectiveness. Agwu (2014) argued that the degrees of value attached to individual employee will promote their performance and increase system performance. In the same vein, Luva and Hossian (2013) linked shared value within a system to employee's performance. This implies that, the more value shared between the superior and subordinate, the increase in the system performance. Mohammed and Abubakar (2013) investigated on the association between organisational culture variables and intentions turnover of university librarians in South-south and South-east of Nigeria. It was reported that organisational culture of the sampled universities ($r = -0.34$, $p < 0.05$) is negatively significant level of turnover intentions of university librarians. Also, Nwakoby, et.al (2019) findings shows that innovative culture has significant effect on employees' performance of deposit money banks in Nigeria.

Abdulkareem, *et.al,* (2015) studied organisational culture (teamwork, lecturers' development, and research collaborations) in relation to universities' goal achievement in the Southwest geo-political zone, Nigeria. Ibidunni & Agboola (2014) conducted a study on the elements of organisational culture (quality consciousness, role clarity, employee concern, customer care and code of conduct) that predict universities' performance of private universities in Ogun State, Nigeria. The result showed that organisational culture was positively significant which predicts the performances of universities. Njugi and Nickson (2014) explored the effect of organisational culture (entrepreneurial, competitive, bureaucratic and consensual culture) on performance in Non-Governmental Organisations (NGO) in Kenya. The result indicated that organization culture (competitive culture, entrepreneurial culture, bureaucratic culture and consensual culture) with R= 0.844 has a positive significant association with employees' performance. In the related work, Salihu, *et.al,* (2016) showed that organisational culture (employee involvement, consistency, and organisational mission) has positive direct significant impact on the employee performance (efficiency, effectiveness, productivity) in Aso savings and loan, Nigeria using Ordinary Least Square (OLS) simple regression method of analysis. Jie *et.al*. (2020) study indicated that organisational culture is significantly related employees' performance within the multinational corporations.

The Performance Evaluation System and Non-teaching Staff Job Performance

Performance appraisal is a systematic way of evaluating the standard of an employee's performance. Performance appraisal as part of system culture has been used in the 18th Century mainly for administrative reasons such as salary, promotion, and placement (Khan, 2013; Awodiji, 2018). There is a paradigm shift in the application of it as an instrument for counseling and development in the management of employees (Muhoi, 2013; Awodiji, 2018). Institutions often adopt performance evaluation process with the purpose of fostering development and higher performance (Khan, 2013; Akpan, 2016; Rwothumio, *et.al,* 2021). In the process of enhancing employees comes the implementation of performance appraisal result. The culture of staff performance appraisal enables the institution to identify, evaluate and develop an individual so as to maintain a high-level of performance and to improve performance (Muhoi, 2018; Sułkowski, *et.al,* 2020). The University of California (2016) explained that staff performance appraisal system enables the management and employees to evaluate the extent at which the last performance expectations discussed have been met with the aim of improving the staff's performance and career growth.

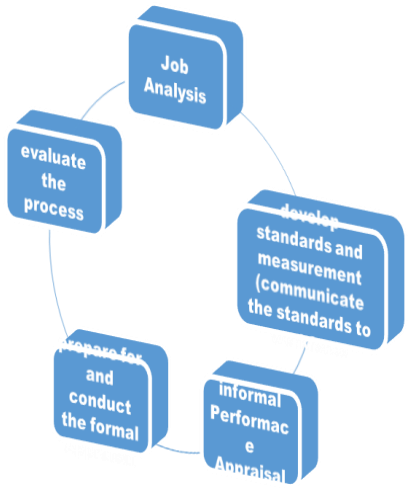


Figure 2. Process of Performance Appraisal System
Source: Researchers' design, 2020

Stemming from the mode in Figure 2, the following five-step approaches could be adopted in conducting a systematic performance appraisal:

1) Identify key performance indicators (Job Analysis): this enables easy evaluation of the non-teaching staff's performance in relation to expected standard.

2) Develop appraisal measures (develop standards of measurement): the development of standard measures in line with key performance indicators promote successful performance evaluation system.

3) Collect performance information from different sources (Informal Performance Appraisal): this enhances the validity

of the evaluation process and provides results void of prejudice and sentimentality. Thus, promoting fair and healthy working environment.
4) Conduct an appraisal interview (prepare for and conduct the formal appraisal): outside the initial process, oral interview could be organised to confirm the reliability and dependability of the appraisal report submitted for quality and standardised evaluation system.
5) Evaluate the appraisal process: The system should be subjected to regular evaluation in the light of trends and global practices (Khan, 2013).

Performance is understood as achievement of the organisation in relation to its set goals. It includes outcomes achieved, or tasks accomplished through the contribution of individuals or teams to the organisation's strategic goals (Birdsall, 2018). Staff's performance appraisal is a tool which enables the institution to identify, evaluate and develop an individual in order to maintain a high-level of performance and to improve performance (Muhoi, 2013; Akpan, 2016; Awodiji, 2018; Birdsall, 2018). Sopiah (2016) established a positive linkage between performance appraisal and staff's job performance. Mensah (2004) discovered that implementation of appraisal of employee's performance will lead to better job performance. Wahjono, *et.al*, (2016) worked on the performance appraisal impact on quality of supervisor-employee playing moderating on job satisfaction found out that with or without supervisor-employee, performance appraisal is related to employee's job satisfaction (r=0.221, p 0.00). This indicates that, a satisfied worker will likely perform his job as expected due to the satisfactory state of performance appraisal. Hence, performance evaluation process in colleges of education like in other educational institutions will promote non-teaching staff's job performance.

Organisational Climate and Non-teaching Staff Job Performance

Ozge and Erkut (2016) 'found that organisational climate exhibits a clear role in the dimensions of staff satisfaction and performance. Organisational climate can be viewed as a key variable in institutional effectiveness. This enhances understanding of all individuals with respect to institutional structure, frameworks and practices' (Poh Li & Mahadevan, 2017). Sanad, (2016) asserted that good communication between top-management staff and subordinates is a measure of effective organisational climate that will promote excellent job satisfaction. Bahrami, *et.al,* (2016) emphasised that workers' welfare has direct effect on the perception of employees and their performance. Therefore, promotion of workers' welfare will create better relationships between employees and the organisation.

Organisational climate differs from institution to institution. Persisting characteristics in a well-structured organisation which are recognised differently by various organisations include: workers' collective perceptions about their institution (fairness, support, self-sufficiency, cohesiveness, innovation, and recognition); staff's teamwork; expression; reflecting on the belief that institutional standards, qualities and attitudes; and serving as an impact for molding behaviours (Poh Li & Mahadevan, 201 7). In the study conducted by Jianwei andYuxin (2010) it was submitted that the institutional climate in staff professional development is germane to improve their capacity to perform better in work after necessary and related trainings have been given to put the employees in track and in the expected activities required of them in the organisation. Bai (2014) worked on the relationship between school organisational climate and burnout of physical education teachers of Ramian (Iran). The result revealed that organisational school climate is positively and significantly associated with teachers' burnout (r=0.384, P<0.01).

METHODOLOGY

We adopted survey design of correlational type. This is deemed appropriate, as the study collected facts on the relationship between organisational factors and job performance. This study was conducted in Kwara State government owned colleges of education and it involved the non-academic staff members of the colleges. There are three colleges of education owned by Kwara State (Kwara State College of Education, Ilorin; Kwara State College of Education, Oro and Kwara State College of Education (Technical), Lafiagi). Two sampling methods were adopted. Taro Yamae sample calculator was used to calculate the sample size from the 404 non-teaching staff with 201 sample size from the three colleges. To give room for attrition, addition 50% of the estimated sample size was made to arrive at 301 samples. Thus, stratified sample technique was used to select 301 participants proportionately across the three colleges of education in Kwara State. Furthermore, convenience sampling technique was employed to select participants from each institution.

An instrument was used to obtain data from the non-teaching staff of the sampled colleges. The instrument was adapted questionnaire titled Organisational Factors and Job Performance Questionnaire (OFJPQ) (Poh Li and Mahadevan, 2017; Wahjono, Marina, *et.al,* 2016; Salihu, *et.al,* 2016) which were administered to non-teaching staff of the colleges of education and which were based on five points Likert-type scale. The reliability of the two instruments was obtained as 0.89 with 22 items and 0.80 with 10 items respectively using Cronbach alpha approach. The internal consistency obtained which was above 0.70 indicates that the two instruments are reliable (DeVellis, 2003; Pallant, 2011). Out of the 301 copies of questionnaire distributed 220 copies were retrieved with a retriever rate of 94.02%. During the data entering and cleaning, only 207 survived the analysis with 89% survival rate and 19% mortality.

RESULT

Table 1. Correlation between Organisational Factors and Non-Teaching Staffs' Job Performance

Variables	1	2	3	4	5
Organisational Culture	1				
Organisational Climate	.619**	1			
Performance Appraisal	.683**	.598**	1		
Organisational Factors	.514**	.452**	.702**	1	
Job Performance	.228**	.202**	.266**	.873**	1

Significant @ p<0.05

Result from Table 1 shows the Pearson correlation analysis. Organisational factors value yielded .873 which is significant with p value .000 < 0.05. This shows a significant result. As such, the hypothesis is not accepted. This implies that

organisational factors have direct positive correlation with job performance of non-teaching staff in Kwara State colleges of education. Moreover, the result revealed that the Pearson correlation analysis value of organisational culture and job performance yielded .228 which is positive and significant with p value .001< 0.05. Therefore, organicational culture is positively and directly correlated with job performance. This implies a positive significant interaction between organisational culture and job performance of Non-academic staff in Kwara State colleges of education. Also, the results from the table indicated that organisational climate of the sampled colleges of education is positively correlated with staff job performance (r=0.202, p value .003< 0.05). It means that a positive significant relationship exists between the organisational climate and job performance of non-academic staff in Kwara State Colleges of Education. By implication, a better organisational climate will bring about an improvement in non-teaching staff performance. In the same vein, performance appraisal system yielded a positive significant correlation with job performance of non-teaching staff (r=0.266, p value .000< 0.05). This showed that there is a positive significant relationship between the performance appraisal and job performance. The implication is that better implementation of performance appraisal will bring about increase in job performance of the non-teaching staff.

DISCUSSION OF FINDINGS

The results of the study have shown that is positive and significant between organisational factors and non-teaching staff job performance. This implies that organisational factors (culture, climate and performance evaluation system) can positively promote the job performance of non-teaching staff. The implication of this is that the organisational culture, climate and performance evaluation have a strong basis to enhance non-teaching staff's job performance. The performance of non-teaching staff improves as the organisational factors improve and vice-versa. It was also gathered during the field work that every non-teaching staff is been motivated by what operates in their various institutions, especially in the area under study. This situation corroborates the findings of Chegin, *et.al,* (2010) which asserted that job performance is an extremely important criterion that relates to organisational factors. A positive and significant correlation was established between organisational climate and job performance of non-teaching staff. This implies that, a better organisational climate in colleges of education or any other educational institutions will promotes non-teaching staff performance. This finding is in consonance with Jianwei and Yuxin (2010) which posited that organisational climate in the career development of the non-teaching staff is very important to the improvement of their skills to perform better in work and expected activities required of them in the organisation.

In a related study, Sanad, (2016) confirmed that effective communication among the staff and upper management will promote staff satisfaction in work environment and increase better job performance. Bai (2014) revealed that organisational climate of schools is positively related significantly with teachers' burnout in Iran. Moreover, organisational culture was found to be positively and directly correlated with job performance. This means a positive significant interaction exists between the organisational culture and job performance of Non-academic staff in Kwara State Colleges of Education. Therefore, the organisational culture of these institutions will enhance the performance of the non-teaching staff positively and significantly. This result confirmed the studies such as Abdulkareem, *et.al,* (2015) organisational culture relates to university goal achievement and Ibidunni and Agboola (2014) established that organisational culture will positively improve the performance of universities. In the same vein, Njugi and Nickson (2014) agreed that organisational culture has a positive effect on performance in Non-Governmental Organisations (NGO) in Kenya. It is also consistent with Jie *et.al*. (2020) study that employees' performance is significantly related to organisational culture within the multinational corporations. On the contrary, Arogundade (2020) showed that organisational culture did not impact on employees, performance. Furthermore, positive significant association between the performance appraisal system and job performance was established. Thus, if performance appraisal system is well utilised, it will bring about increase in job performance of the non-teaching staff. This result supported Sopiah (2016), Mensah (2004) and Rwothumio, *et.al* (2021) who found a positive association between performance appraisal and staff job performance.

CONCLUSION AND IMPLICATIONS FOR PRACTICE

The study examined the job performance of the non-teaching staff of state government-owned colleges of education on how the organisational factors correlate with it. The study was able to establish that organisational factors (organisational culture, climate and the performance evaluation system) of the institution are very crucial to the performance of non-teaching staff. It was believed that the findings of this work will reduce the incessant strike experienced in the state colleges of education and other higher education system if the findings provided is uphold by the institution manager. We also hope that the study will contribute to the existing literature in the field of organisational behaviour, higher institution management and staff performance.

Based on the findings of the study, we therefore recommended that colleges' administrators should consider improvement of organisational factors in order to improve non-teaching staff performance for global competiveness. Moreover, administrators need to design a better administrative culture that supports innovative ideas generated from suggestions and comments of the non-teaching staff as this will give them a sense of responsibility and improve their performance. Also, institution management should create a sustainable working climate that will promote productivity of staff via effective communication and participatory approach. Lastly, performance appraisal process should be used continually and geared towards the improvement of non-teaching staff performance, welfares and training in order to enhance their job performance.

ACKNOWLEDGEMENTS

We acknowledge the support received from the management and staff of colleges of education used during the data collection. We are grateful to all authors whose works are used in the study.

ORCID: Omotayo Adewale Awodiji https://orcid.org/0000-0003-0766-4240

References

Abdulkareehm, R. L. (2015). *Corporate culture, lecturers' commitment and achievement of university goals in South West Geo- political zone, Nigeria.* (Unpublished Doctoral Thesis), University Ilorin, Ilorin, Nigeria.

Abdulkareem, R. L. Sheu, A. A. & Kayode, D. J. (2015). Corporate Culture and University Goal Achievement in South-West Zone, Nigeria. *eJournal of Education Policy*, 1-14. Retrieved from https://in.nau.edu/ejournal/fall-2015/ on 17/12/2019.

Achugbue, E. I. (2013). Education and human capital development through appropriate utilisation of information services. *African Research Review, 7*(3), 75-85DOI: http://dx.doi.org/10.4314/afrrev.v7i3.6

Adekiya, A. A., Bamidele, A., Paul, K. O., & Adamu, A. G. (2019). Perception of service quality in higher educational institutions: A study of selected universities in North-western region of Nigeria. *Journal of Finance and Marketing, 3*(3), 8-19.

Adekola, B. (2012). The Impact of organisational commitment on job satisfaction: A study of employees at Nigerian Universities. *International Journal of Human Resource Studies, 2*(2), 1-17 URL: http://dx.doi.org/10.5296/ijhrs.v2i2.1740

Agwu, M. O. (2014). Organisational culture and employees' performance in the National Agency for Food and Drugs Administration and Control (NAFDAC) Nigeria. Global *Journal of Management and Business Research: A Administration and Management, 14*(2), 1-10. https://globaljournals.org/GJMBR_Volume14/1-Organizational-Culture-and-Employees-Performance.pdf

Akpan, E. I. (2016). Performance appraisal: A quality assurance tool for lecturers' effectiveness in Nigerian Universities. *International Journal of Emerging Research in Management and Technology 5*(5), 25-28.

Arogundade, M. F. (2020). *Impact of organisational culture on employee performance A case study of IHS Towers Nigeria.* Master Degree Thesis, National College of Ireland. http://norma.ncirl.ie/4582/1/motunrayofeyisayoarogundade%20%20.pdf

Awan, A. G. & Tahir, M. T. (2015). Impact of working environment on employee's productivity: A case study of Banks and Insurance Companies in Pakistan. *European Journal of Business and Management,* 7(1), 329-345, https://core.ac.uk/download/pdf/234626193.pdf

Awodiji, O. A. (2018). *Staff development policies, practices and lecturers' job performance in Nigerian and Pakistani Universities.* (Unpublished Ph.D. Thesis) University of Ilorin, Ilorin, Nigeria.

Bahrami, M. A., Ghoroghchian M., Montazer-alfaraj R. & Ezzatabadi, M. R. (2016). Role of organisational climate in organisational commitment: The case of teaching-hospitals. *Res Perspect, 7*(2), 96-100. doi: 10.1016/j.phrp.2015.11.009

Bai, N. (2014). The relationship between school organisational climate and physical education teachers' burnout (Case study: Ramian-Iran). *European Journal of Experimental Biology, 4*(1), 600-602. Available online at www.pelagiaresearchlibrary.com

Bello, M. B., Daramola, D. S., Yusuf, A., & Amali, I. O. (2015). Shelving educational research findings: A threat to innovation in Nigeria. *The African Symposium, 15*(2), 63-68. https://www.musero.org.ng/publications/African-Symposium_2015_December_2015-1.pdf

Birdsall, C. (2018). Performance management in public higher education: Unintended consequences and the implications of organizational diversity. *Public Performance Management Review, 41*, 669–695. https://doi.org/10.1080/15309576.2018.1481116

Chegin, G. & Mehrdad, S. (2010). Customer loyalty and value key dimensions' interaction in organisation, *China-USA Business Review, 9*(8), 8-15.

Chen, C. J., & Huang, J. W. (2007). How organisational climate and structure affect knowledge management—The social interaction perspective. *International Journal of Information Management, 27*(2), 104-118. doi: http://dx.doi.org/10.1016/j.ijinfomgt.2006.11.001

DeVellis, R. F. (2003). *Scale development: Theory and applications (2nd edn)*. Thousand Oaks, California: Sage.

Egan,T. M., Yang, B. & Bartlett, K. R. (2004). The effects of organisational learning culture and job satisfaction on motivation to transfer learning and turnover intention, *Human Resource Development Quarterly, 15* (3), 279-301. **https://doi.org/10.1002/hrdq.1104**

Ezeokoli, R. N. & Ayodele, K. O. (2014). Dimensions of service qualityencountered by students on sustainability of higher education in Nigeria. *Developing Country Studies, 4*(6), 147-156.

Fakhar, S., Zahid, I., & Muhammad, G. (2013). Impact of organisational culture on employees' job performance: An empirical study of software houses in Pakistan. *Journal of Business Studies Quarterly, 5*(2), 2152-1034. https://docplayer.net/10640818-Impact-of-organizational-culture-on-employees-job-performance-an-empirical-study-of-software-houses-in-pakistan.html

Garg, G. & Krishnan, V.R. (2003). Transformational Leadership and Organisational Structure: The Role of Value-Based Leadership, In S. Bhargava (Ed.). *Transformational leadership: value-based management for Indian organisations*. New Delhi: Response Books (Sage Publication).

Güngör, P. (2011). The relationship between reward management systems. *Procedia Social and Behavioral Sciences*, 1510–1520. Retrieved from http://www.sciencedirect.com

Ibidunni, S. O. & Agboola, G. M. (2014). Predicting Performance through the Elements of Organisational Culture. *Archives of Business Research, 2*(6), 62-82. https://doi.org/10.14738/abr.26.736.

Idemudia, I. & Kpakol, A. G. (2016). Organisational structure and software project success: Implication of the mediating effect of corporate culture. The International Journal of Engineering and Science (IJES), 5(11), 22-29. Doi: 10.9790/1813-05011022029

Ijaiya, N. Y. S., Alabi, A. T. & Fasasi, Y. A. (2011). Teacher education in Africa and critical thinking skills: Needs and strategies. *Research Journal of Business Management, 5*(1), 26-34. doi=rjbm.2011.26.34

Ijaiya, N. Y. S. (2012). *Management that matters: Key to sustainable education*. University of Ilorin One hundred and thirteenth (113th) inaugural lecture. Ilorin: Unilorin Press.

Jianwei, Z. & Yuxin. L. (2010). Organisational climate and its effects on organisational variables: An empirical study. *International Journal of Psychological Studies, 2*(2), 189-201. doi:10.5539/ijps.v2n2p189.

Katavich, K. M. (2013). *The importance of employee satisfaction with performance appraisal systems*. Master's thesis Massey University, Albany, New Zealand. Retrieved from https://mro.massey.ac.nz/bitstream/handle/10179/4708/02

Khan, M. F. (2013). Role of performance appraisal system on employees' motivation. *Journal of Business and Management, 8*(4), 66-83.

Jackson, M. (2003). *Systems thinking: creative holism for managers*. Chichester: John Wiley & Sons, Ltd

Jie, I. L. C., Djubair, R. A., & Harun, M. Z. M. (2020). Impact of organizational culture on employees' performance: A study in multinational corporations in Sarawak. *International Journal of Business and Technopreneurship, 10*(2), 133-152, https://ijbt.unimap.edu.my/images/stories/IJBT%20JUN%202020/IJBT_Vol_10_June_2020_1_133-152.pdf

Liu, J. Y. C., Chen, V. J., Chan, C. L., & Lie, T. (2008). The impact of software process standardization on software flexibility and project management performance: Control theory perspective. *Information and Software Technology, 50*(9-10), 889-896.

Maninder, S. S. (2016). Methodology Series Module 3: Cross-sectional Studies. Indian Journal of Dermatology, 61(3), 261–264. doi: 10.4103/0019-5154.182410

Memari, H., Valikhani, M., Aghababaee, Z. & Davali, M. (2013). The effect of positive organisational behavior of the staff on organisational performance, based on the Luthans model in public organisations of Behbahan. *Interdisciplinary Journal of Contemporary Research in Business*, *4*(9), 568-583.

Mele, C., Pels, J., & Polese, F. (2010). A Brief Review of Systems Theories and Their Managerial Aapplications Service Science 2(1/2), 126 - 135, https://pubsonline.informs.org/doi/pdf/10.1287/serv.2.1_2.126

Mensah, J. K. (2004). Performance appraisal system and job performance of employees. *International Journal of Productivity and Performance Management, 64*(4), 89-120.

Milosevic, D. & Patanakul, P. (2005). Standardized project management may increase development projects success. *International Journal of Project Management, 23* (3), 181-192

Mohammed, A. I. & Abukar, A. A. S. (2013). The impact of organisational culture on employees' performance of Mogadishu Universities. *Academic Research International. 4*(6),382-391. Retrieved from www.savap.org.uk.

Muhoi, B. W. (2013). *Use of performance appraisal in staff training and development at the teachers' service commission*. (Unpublished Master dissertation), University of Nairobi,Nairobi, Kenya.

Musilek, J. (2019). *How to build a culture of health and wellness at work?* https://www.greatplacetowork.com/resources/blog/the-top-7-workplace-factors-that-impact-employee-health

Nahm, A., Vonderembse, M. A., & Koufteros, X. A. (2003). The impact of organisational structure on time-based manufacturing and plant performance. *Journal of Operations Management, 21* (3), 281-306.

Naoum, S. (2001). *People and organisational management in construction.* London: Thomas Telford Publishing.

Nongo, D. S. (2012). The impact of organisational culture on corporate effectiveness of the cement manufacturing industry in Nigeria. *International Journal of Business and Management Tomorrow, 2*(2), 1-9.

Njugi, A. W. & Nickson, L. A. (2014). Effect of organisational culture on performance in Non-Governmental Organisations (NGO) in Kenya.

International Journal of Scientific and Research Publications, 4(11), 1-12, www.ijsrp.org

Nwakoby, N. P., Okoye, J. F., & Anugwu, C. C. (2019). Effect of organizational culture on employee performance in selected deposit money banks in Enugu State. *Journal of Economics and Business, 2*(4), 1213-1225. DOI: 10.31014/aior.1992.02.04.162

Ozge, A., & Erkut A. (2016). *The effects of reengineering, org\anisational climate and psychological capital on the firm performance.* Procedia-social and Behavioural Sciences, 235, 320-331. doi:10.1016/j.sbpro2016.11.038

Pallant, J. (2011). *SPSS SURVIVAL MANUAL: A step by step guide to data analysis using SPSS 4th edition.* Australia: Allen & Unwin Publisher.

Poh Li, Y. & Mahadevan, A. (2017). A study on impact of organisational climate on employee performance in a Malaysian consultancy. *International Journal of Accounting and Business Management, 5*(1), 1-13. Doi:24924/ijabm/2017.04/v5.iss1/1.13

Raziq, M. M., Ahmad, M., Iqbal, M. Z., Ikramullah, M., David. M. (2019). Organisational Structure and Project Success: The Mediating Role of Knowledge Sharing. *Journal of Information & Knowledge Management, 6-3,* https://doi.org/10.1142/S0219649220500070

Rwothumio, J., Okaka, W., Kambaza, S., & Kyomukama, W. (2021). Influence of performance appraisal in determining academic staff performance in public universities in Uganda. *International Journal of Advanced Research, 3*(1), 20-32. https://doi.org/10.37284/ijar.3.1.281

Sanad, A. A. (2016). Organisational climate and its relationship to job satisfaction in Kuwaiti Industrial Companies. *Asian Journal of Management Science and Economics, 3*(2), 38-47. www.multidisciplanryjournals.com

Salihu, A. J., Salihu, M. B. R., & Musa, I. U. (2016) Impact of organisational culture on employee performance in Nigeria. *International Journal of Novel Research in Marketing Management and Economics, 3*(3), 48-65, Available at: www.noveltyjournals.com

Sopiah, (2016). The relationship between performance appraisal and job performance. *International Journal of Academic Research in Business and Social Sciences, 6* (6), 104-115. Doi:10.6007/IJARBSS/v6-i6/2182

Sułkowski, L., Przytuła, S., Borg, C. & Kulikowski, K. (2020). Performance appraisal in universities—assessing the tension in public service motivation (PSM). *Education Sciences, 10*(174), 1-19 doi:10.3390/educsci10070174

Tseng, S. (2010). The correlation between organisational culture and knowledge conversion on corporate performance. *Journal of Knowledge Management, 14*(2), 269-284. doi/10.1108/13673271011032409/full/html

Wahjono, S. I., Marina, A., Perumal, S. D. A. P., & Wardhana, A. (2016). The impact of performance appraisal on job satisfaction with quality of supervisor-employee as a moderating variable at state owned company. *International Journal of Advanced Scientific Research and Development, 3*(4), 224-237.

Webb, M., Kuntuova, I., Karabayeva, A. (2018). The role of education in realising youths' human capital: social philosophical analysis. *Pol. públ. Educ., Rio de Janeiro, 26(100), 968-985,* https://doi.org/10.1590/S0104-40362018002601727

Yazici, H. J. (2009). The role of project management maturity and organisational culture in perceived performance. *Project Management Journal, 40*(3), 14-33 http://dx.doi.org/10.1002/pmj.20121

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.118
https://journal.unisza.edu.my/jmtp



Framework of Mediating Role of MSEs Performance on The Relationship Between Entrepreneur Environment and Entrepreneur Satisfaction

[1,4]Dedi Iskamto [2,*]Puspa Liza Ghazali

[1,2,3]Faculty of Business and Management, Universiti Sultan Zainal Abidin, 21300 Kuala Nerus, Terengganu. Malaysia
[4]Program Study Manajemen, Sekolah Tinggi Ilmu Ekonomi Riau, Riau, Indonesia.

*Corresponding Author Email: puspaliza@unisza.edu.my

Received: 15th May 2021 *Accepted: 22nd June 2021* *Published: 10th July 2021*

ABSTRACT
This study aimed to determine the effect of MSE performance in modulating the relationship between the entrepreneurial environment and entrepreneurial satisfaction. The main problem faced by Small and Medium Enterprises (SMEs) in Indonesia today is poor entrepreneurial satisfaction. Many businesses fail because the founders couldn't operate them. It is related to the low performance of SMEs and an unsupportive entrepreneurial environment. As a result, entrepreneurs who fail will leave their businesses and return to being workers. The data for this research will be processed quantitatively using AMOS SEM. This research will conduct in Pekanbaru City, Riau Province, Indonesia. This research will broaden the understanding of the factors that influence the satisfaction of an entrepreneur in Indonesia.

Keywords: Small and Medium Enterprises, Indonesia, AMOS SEM, Entrepreneurial Environment, Entrepreneurial Satisfaction

OPEN ACCESS

INTRODUCTION

Challenges to the growth and sustainability of Small and Medium Enterprises (SMEs) arise from economic conditions, government policies, the social environment, digital technology, and increasing competition (Iskamto et al., 2019; Omerzel Gomezelj & Kušce, 2013). In a supportive environment, SMEs can grow, while in a non -supportive environment, SMEs decrease (Abdullah & Mansor, 2018). The external and internal environment is very influential on the satisfaction of an entrepreneur. When receiving awards from the environment, an entrepreneur feels satisfied and proud so he tries to improve the performance of his business. Conversely when entrepreneurs feel unappreciated by the social environment then they become disappointed (Binder & Coad, 2013). Furthermore, a substantial amount of study on self-employment performance has found that it is influenced by a variety of environmental elements, including inside, outside, and situational elements (Adel et al., 2020). The environment is a resource reservoir; the surplus of resources is referred to as environmental munificence, and it can have a direct influence on performance (Omerzel Gomezelj & Kušce, 2013). External influences might include elements of the surrounding environment as well as situational situations that are beyond of the entrepreneur's control. Various studies have found that extrinsic influences can influence behavioural entrepreneurship (Abdullah & Mansor, 2018)

LITERATURE REVIEW

Entrepreneur Environment

People's social systems and cultures collide to generate the Cultural and social Business Environment, and as a result, entrepreneurs are shaped by it (Omerzel Gomezelj & Kušce, 2013). The business environment is critical to the growth and commercial development of any country, and it encourages and creates opportunities for individuals to engage in various commercial ventures in order to improve the quality and level of life (Banham, 2010; Iskamto, Karim, et al., 2020). Moreover, the word "business environment" refers to the whole forces and elements that impact and effect company performance in a business environment, rather than the actual surroundings (Omerzel Gomezelj & Kušce, 2013). As a result, in order for their business to perform and be successful, small company owners must deal with the factors that impact their small company enterprises (Iskamto, Ghazali, & Afthanorhan, 2020). According to the findings of Mukhtar Shehu & Mahmood, (2015) study, there is a need to research the business environment since business enterprises do not function in a vacuum but rather in dynamic business settings. The business environment is critical for the survival and performance of small businesses, and there is also a need to investigate success factors that can improve small business performance during economic recessions, downturns, and crises in order to create an appropriate economic environment for small business growth (Döckel & Ligthelm, 2015). According to Omerzel Gomezelj & Kušce (2013) External sources and knowledge are required for SME enterprises. The environment is a collection of resources; the degree of resource richness is referred to as environmental benevolence, and it has a substantial impact on the business performance. There are many business environment factors but this study will only focus

on: training and development; business infrastructure; competitive position; access to infrastructural facilities; social and cultural norms. The importance of entrepreneurial training and development cannot be overstated. This refers to numerous formal education programmes as well as training programmes for entrepreneurs and small and medium-sized business personnel. External partnerships with other organisations, as well as partnerships with academic and research organisations, are extremely beneficial in the process of collecting information (Ahmad et al., 2018; P. L. Ghazali et al., 2015). The quality and affordability of businesses, as well as the legal and technological infrastructure required by rising firms, are all essential considerations (Banham, 2010). Varied advisors in their social networking sites (friends, family, buddies, etc.) and different major advisors are highly crucial for the success of entrepreneurs (Krishnan & Kamalnabhan, 2015). Newly founded businesses are able to thrive and thrive by providing a suitable business environment. Physical infrastructure, such as telecommunications, energy supply and utilities, and so on, should be widely accessible to entrepreneurs. (Nuryakin, 2018) outline the elements that determine a company's competitiveness in their research; further, they show that a company's competitiveness has a beneficial influence on a company's performance. Cultural and societal conventions, such as preference or aversion to coping with entrepreneurial activity, have a significant influence on entrepreneurial activity. More new enterprises will be formed in cultures where the culture appreciates those who have successfully started a new firm. Locations having a meeting space for entrepreneurs and potential entrepreneurs to exchange ideas, issues, and solutions typically have more enterprises than other areas (Adam et al., 2020; P. L. Ghazali & Mohd, 2012).

MSEs Performance

The research revealed a lack of consensus on what defines a successful measure. Some studies concentrated on the use of financial indicators, while others investigated non-financial success indicators. The former claimed that typical revenue growth indicators such as profitability, return on investment and sales turnover could foretell a firm's success or failure (Fried & Tauer, 2015). The academics who prefer financial indicator of success often stated that it is critical for the performance of firms to create money and profits, as well as showing some level of development as evidenced by their sales and revenue (Iskamto, 2020; Moorthy et al., 2012). Some scholars also believed that sustainability, rather than expansion, is the goal of many small firms, but the scholars of this group said that, while development is not regarded crucial, sustainability of a firm nevertheless necessitates financial health. The latter group, on the other hand, stressed the significance of non-financial indicators of performance (Trihudiyatmanto & Purwanto, 2018) . Likewise, (Bahari et al., 2018)defended the contribution of non-financial indicators by stating that financial successes are not as important as human qualities such as accountability, which are seen as primary criterion for accomplishment. The firm's performance represents two aspects: the firm's business performance and the entrepreneur's personal success and happiness (Dijkhuizen et al., 2018; Iskamto, Ghazali, & Aftanorhan, 2020). Exploring the elements that contribute to the success of businesses is a very popular topic in the literature. Performance may be seen from several perspectives, and agreement on the most dependable performance parameters has yet to be reached. There is no agreement on how to quantify the success of SMEs in specific. (Abreu et al., 2019) argue that the most strong indications of a small- or medium-sized enterprise's effectiveness and efficiency for the entrepreneur, i.e. the owner of a SME, are (in particular) job satisfaction and pleased customers. They validated the entrepreneur's impression of the firm's success and development had an effect on the performance of their SMEs (Bahari et al., 2018). Rather than optimizing the SME's incomes, the entrepreneur may choose the independence and lifestyle that entrepreneurship provides (Belasen & Hafer, 2012; P. L. Ghazali et al., 2019). The elements of a small company entrepreneur's personal performance assess the entrepreneur's non-financial goals, which may include personal fulfilment (Cooper & Artz, 1995; P. Ghazali et al., 2017). Entrepreneurs who chose to establish their own firm for motives other than financial gain report a higher degree of happiness than those who are driven into company just for financial gain (Kabir et al., 2017). If a business is fairly successful but does not reach the aims and objectives of the founders, its development is restricted, and the entrepreneur may even close such a business down.

Entrepreneur Satisfaction

Numerous researchers have consistently found that self-employed are more satisfied than workers, even when their salary is smaller (Carree & Verheul, 2012). The higher level of happiness among entrepreneurs may be due to the fact that discontent with a salaried job may foster the desire to become self-employed, however its impact on the actual start-up is unknown (Guerra & Patuelli, 2016). In any case, people who become self-employed report a greater rise in work satisfaction when compared to their prior employment than those who switch to another paid position (Andersson, 2008; Benz & Frey, 2008). According to Krishnan and Kamalnabhan (2015), women company owners are more satisfied with their possessions. The outcomes associated with initial expectations and enterprising females are two of the most intriguing. Female entrepreneurs may be more satisfied since they believe they have less tempting choices. Those with higher initial expectations are more fulfilled, according to the notion of difference. Many people who are optimistic about their initial prospects will have a better sense of ownership of the company, regardless of how things turn out. According to Delgado-García et al., (2012), favourable opinions influenced an entrepreneur to achieve large and aggressive aims, but unfavourable considerations influenced an entrepreneur to disclose a narrow range of aims. According to (Binder & Coad, 2013), entrepreneurship based on preference has benefited not just for job satisfaction but also for general happiness and enhanced health.

Firm Performance as A Mediator

According to (Carree & Verheul, 2012) research, its success as a mediator among intellectual resources, common human assets, inspiration, personal characteristics, and business satisfaction (income, well-being, and leisure time). It discovers that success has a beneficial impact on income fulfilment. Life Partners and six controls are variables that only have a little impact on satisfaction. Six variables have a substantial direct effect on satisfaction as well as a large impact on company performance. Life Partner and six venture-specific factors are the only variables that have an indirect influence on entrepreneur happiness. Along with the direct consequences, it provides indirect support for firm

performance. Both directly and indirectly, job correlation has a beneficial influence on income satisfaction (via business performance).

RESEARCH FRAMEWORK

The proposed study framework aims to investigate the output variables of MSEs in Indonesia. Figure 1 bellow depicts this pattern. The hypotheses listed below have been created for research purposes. Such theories will be mentioned based on the reference analysis's numbering scheme for Hypothesis. Because of the difficulties of answering hypotheses using the Structural Equation Modeling (SEM) approach, this statement type hypothesis was chosen.

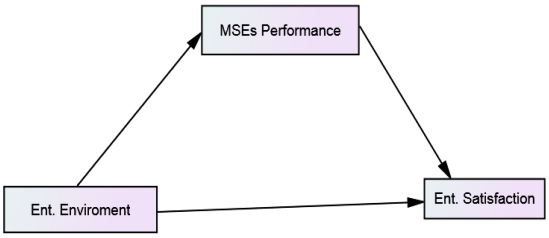


Figure 1: Research Framework

RESEARCH HYPOTHESIS

The following hypothesis is, therefore proposed:

H1: Entrepreneur Environment has a significant positive effect on MSEs performance

H2: MSEs performance has a significant positive effect on Entrepreneur Satisfaction

H3: Entrepreneur Environment has a significant positive effect on Entrepreneur Satisfaction

METHODOLOGY

The unit of analysis in this study is micro and small businesses in Pekanbaru, Indonesia. 400 MSMEs in the Indonesian city of Pekanbaru will be chosen as examples. Simple Random Sampling was used to choose the samples. Data about MSME entrepreneurs received from the Indonesian government. SPSS version 23 will be used to evaluate initial data and offer descriptive analyses regarding the thesis samples such as averages, standard deviation and variance, as well as to do Explorotary factor analysis (EFA) (Iskamto, Ghazali, & Aftanorhan, 2020). The AMOS Structural Equation Model (SEM) is used to analyse research data in order to analyse, validate, and test hypotheses (Awang, 2015; Babbie, 2010; P. Ghazali et al., 2012; Hair et al., 2018).

CONCLUSION

The goal of this study was to establish the relationship between entrepreneurial happiness and environmental variables that impact entrepreneurial performance. Entrepreneur satisfaction is predicted to improve with these specified characteristics. On the other side, the goal of this research is to establish a link between Entrepreneur Satisfaction, the entrepreneurial environment, and the performance of Micro, Small, and Medium Enterprises (MSEs) in Indonesia. I hope that this research will boost and improve entrepreneur happiness, as well as the performance of SMEs and the entrepreneurial environment.

References

Abdullah, Y. A., & Mansor, D. M. N. B. (2018). The Moderating Effect of Business Environment on the Relationship between Entrepreneurial Skills and Small Business Performance in Iraq. *International Journal of Entrepreneurship*, *22*(4). https://www.abacademies.org/abstract/the-moderating-effect-of-business-environment-on-the-relationship-between-entrepreneurial-skills-and-small-business-perf-7822.html

Abreu, M., Oner, O., Brouwer, A., & van Leeuwen, E. (2019). Well-being effects of self-employment: A spatial inquiry. *Journal of Business Venturing*, *34*(4), 589–607. https://doi.org/10.1016/j.jbusvent.2018.11.001

Adam, A., Yuniarsih, T., Ahman, E., & Kusnendi, K. (2020). The Mediation Effect of Organizational Commitment in the Relation of Organization Culture and Employee Performance. *Proceedings of the 3rd Global Conference On Business, Management, and Entrepreneurship (GCBME 2018)*. 3rd Global Conference On Business, Management, and Entrepreneurship (GCBME 2018), Jawa Barat, Indonesia. https://doi.org/10.2991/aebmr.k.200131.056

Adel, H. M., Mahrous, A. A., & Hammad, R. (2020). Entrepreneurial marketing strategy, institutional environment, and business performance of SMEs in Egypt. *Journal of Entrepreneurship in Emerging Economies*, *ahead-of-print*(ahead-of-print). https://doi.org/10.1108/JEEE-11-2019-0171

Ahmad, N. H., Suseno, Y., Seet, P.-S., Susomrith, P., & Rashid, Z. (2018). Entrepreneurial Competencies and Firm Performance in Emerging Economies: A Study of Women Entrepreneurs in Malaysia. In V. Ratten, V. Braga, & C. S. Marques (Eds.), *Knowledge, Learning and Innovation* (pp. 5–26). https://doi.org/10.1007/978-3-319-59282-4_2

Andersson, P. (2008). Happiness and health: Well-being among the self-employed. *The Journal of Socio-Economics*, *37*(1), 213–236. https://doi.org/10.1016/j.socec.2007.03.003

Awang, Z. (2015). *SEM made simple: A gentle approach to learning structural equation modeling*. MPWS Publisher.

Babbie, E. R. (2010). *The practice of social research*. Wadsworth.

Bahari, N., Yunus, A. R., Jabar, J. A., & Yusof, S. W. M. (2018). Entrepreneur Characteristics and Firm Performance: A Study on Malaysian Food Manufacturing Industry Sme's. *IOSR Journal Of Humanities And Social Science (IOSR-JHSS)*, *23*(2), PP 92-98. https://doi.org/10.9790/0837-2302079298

Banham, H. C. (2010). External Environmental Analysis For Small And Medium Enterprises (SMEs). *Journal of Business & Economics Research (JBER)*, *8*(10). https://doi.org/10.19030/jber.v8i10.770

Belasen, A. R., & Hafer, R. W. (2012). Well-being and economic freedom: Evidence from the States. *Intelligence*, *40*(3), 306–316. https://doi.org/10.1016/j.intell.2012.03.002

Benz, M., & Frey, B. S. (2008). Being Independent is a Great Thing: Subjective Evaluations of Self-Employment and Hierarchy. *Economica*, *75*(298), 362–383. https://doi.org/10.1111/j.1468-0335.2007.00594.x

Binder, M., & Coad, A. (2013). Life satisfaction and self-employment: A matching approach. *Small Business Economics*, *40*(4), 1009–1033. https://doi.org/10.1007/s11187-011-9413-9

Carree, M. A., & Verheul, I. (2012). What Makes Entrepreneurs Happy? Determinants of Satisfaction Among Founders. *Journal of Happiness Studies*, *13*(2), 371–387. https://doi.org/10.1007/s10902-011-9269-3

Cooper, A. C., & Artz, K. W. (1995). Determinants of satisfaction for entrepreneurs. *Journal of Business Venturing*, *10*(6), 439–457. https://doi.org/10.1016/0883-9026(95)00083-K

Delgado-García, J. B., Rodríguez-Escudero, A. I., & Martín-Cruz, N. (2012). Influence of Affective Traits on Entrepreneur's Goals and Satisfaction. *Journal of Small Business Management*, *50*(3), 408–428. https://doi.org/10.1111/j.1540-627X.2012.00359.x

Dijkhuizen, J., Gorgievski, M., van Veldhoven, M., & Schalk, R. (2018). Well-Being, Personal Success and Business Performance Among Entrepreneurs: A Two-Wave Study. *Journal of Happiness Studies*, *19*(8), 2187–2204. https://doi.org/10.1007/s10902-017-9914-6

Döckel, J., & Ligthelm, A. (2015). Factors responsible for the growth of small business. *South African Journal of Economic and Management Sciences*, *8*(1), 54–62.

Fried, H. O., & Tauer, L. W. (2015). An entrepreneur performance index. *Journal of Productivity Analysis*, *44*(1), 69–77. https://doi.org/10.1007/s11123-015-0436-0

Ghazali, P., Ghazali, B., Mamat, M., Omar, L., Hazimi, N., Mohammed Foziah, N. H., Guci, D., Abdullah, Y., Emmiey, N., Sazali, S., & Java, W. (2017). MEDICAL INTEGRATION MODEL OF FAMILY TAKAFUL FOR BLUE COLLAR. *Far East Journal of Mathematical Sciences*, *101*, 1197–1205. https://doi.org/10.17654/MS101061197

Ghazali, P. L., Abu Bakar, N. M., Tahir, I. M., Haron, M., Ismail, W. Z. W., & Mamat, M. (2015). Optimization of integration model in family takaful.

Applied Mathematical Sciences, *9*, 1899–1909. https://doi.org/10.12988/ams.2015.411930

Ghazali, P. L., Foziah, H., Mamat, M., Razak, R. A., Omar, L., & Afthanorhan, A. (2019). *Mathematical Concept in Integration Model of Education Plan Takaful*. *7*(5), 6.

Ghazali, P. L., & Mohd, I. (2012). Comparison Of Premium Life Tables Between Existing Model And Integration Model In Family Takaful. *Journal of Applied Sciences Research, 8*(3), 9.

Ghazali, P., Mohd, I., Ahmad, W. muhamad amir, & Mamat, M. (2012). Implementation of integration model for all. *Journal of Applied Sciences Research*, *8*(3), 1802–1812.

Guerra, G., & Patuelli, R. (2016). The Role of Job Satisfaction in Transitions into Self–Employment. *Entrepreneurship Theory and Practice*, *40*(3), 543–571. https://doi.org/10.1111/etap.12133

Hair, J., Black, W., Babin, B., & Anderson, R. (2018). *Multivariate data analysis* (8th ed.). Pearson Prentice Hall.

Iskamto, D. (2020). The Role of Leadership and Influence on Employee Performance in Digital Era. *Jurnal Manajemen Bisnis*, *17*(4), 470–484.

Iskamto, D., Ghazali, P. L., & Aftanorhan, A. (2019). Effect Contextual Factor Toward Entrepreneurial Intention Among Young Educated. *International Conference on Industrial Engineering and Operations Management Riyadh*, 7.

Iskamto, D., Ghazali, P. L., & Aftanorhan, A. (2020). Exploratory Factor Analysis (EFA) To Measure Entrepreneur Satisfaction. *The International Conference on Industrial Engineering and Operations Management*, 9.

Iskamto, D., Ghazali, P. L., & Afthanorhan, A. (2020). A Conceptual Framework for Entrepreneur Competence and Entrepreneur Performance: The Role of Gender. *The Journal of Management Theory and Practice (JMTP)*, *1*(1), 1–4. https://doi.org/10.37231/jmtp.2020.1.1.14

Iskamto, D., Karim, K., Sukono, & Bon, T. (2020). Impact of Employee Satisfaction on Work Discipline in Government Office in Indonesia. *The International Conference on Industrial Engineering and Operations Management*, 13.

Kabir, M., Ibrahim, H. I., & Shah, K. A. M. (2017). ENTREPRENEURIAL COMPETENCY AS DETERMINANT FOR SUCCESS OF FEMALE ENTREPRENEURS IN NIGERIA. *Indonesian Journal of Business and Entrepreneurship (IJBE)*, *3*(2), 143. https://doi.org/10.17358/ijbe.3.2.143

Krishnan, L., & Kamalnabhan, T. J. (2015). Success and Life Satisfaction Among Women Entrepreneurs in Micro enterprises. In M. J. Manimala & K. P. Wasdani (Eds.), *Entrepreneurial Ecosystem* (pp. 351–372). Springer India. https://doi.org/10.1007/978-81-322-2086-2_15

Moorthy, M. K., Tan, A., Choo, C., Wei, C. S., Ping, J. T. Y., & Leong, T. K. (2012). A Study on Factors Affecting the Performance of SMEs in Malaysia. *International Journal of Academic Research in Business and Social Sciences*, *2*(4), 16.

Mukhtar Shehu, A., & Mahmood, R. (2015). The Moderating Role of Business Environment in the Relationship between Entrepreneurial Orientation and Business Performance among Nigerian SMEs. *Jurnal Pengurusan*, *43*, 119–128. https://doi.org/10.17576/pengurusan-2015-43-11

Nuryakin. (2018). Competitive Advantage and Product Innovation: Key Success of Batik SMEs Marketing Performance in Indonesia. *Academy of Strategic Management Journal*. https://www.abacademies.org/articles/competitive-advantage-and-product-innovation-key-success-of-batik-smes-marketing-performance-in-indonesia-7164.html

Omerzel Gomezelj, D., & Kušce, I. (2013). The influence of personal and environmental factors on entrepreneurs' performance. *Kybernetes*, *42*(6), 906–927. https://doi.org/10.1108/K-08-2012-0024

Trihudiyatmanto, M., & Purwanto, H. (2018). Pengaruh Motivasi, Kompetensi dan Orientasi Berwirausaha Terhadap Kinerja Usaha pada Sentra Umkm Pande Besi di Wonosobo. *Journal of Economic, Management, Accounting and Technology*, *1*(1), 31–41. https://doi.org/10.32500/jematech.v1i1.210

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.112
https://journal.unisza.edu.my/jmtp



The Influence of Marketing Ethics and Consumer Ethics on Consumer Behaviour and Decisions Before and During COVID-19 Pandemic: A Literacy Study

[1] Sahri Prayitno, [2] Setyo Riyanto [3] Luthfita Ayu Diarta

[1,2,3]Faculty of Economic and Business, Universitas Mercu Buana, Jakarta, Indonesia

e-mail : [1]55120010021@student.mercubuana.ac.id, [2]setyo.riyanto@.mercubuana.ac.id, [3]55120010014@student.mercubuana.ac.id,

***Corresponding Author Email: 55120010021@student.mercubuana.ac.id**

ABSTRACT

One of the focuses of marketing in a company is how to achieve customer loyalty. That is reflected in how companies maintain brands, consumers, and product-consumer relationships. In some cases, companies focus solely on profit, resulting in the company losing its reputation. There is an opinion that consumers demand ethics and responsibility from companies to stakeholders, in this case, consumers. Consumers in this position can provide feedback regarding the company's marketing ethics. During the COVID-19 Pandemic, consumers are also more vigilant and careful in choosing products. So, with the COVID-19 Pandemic conditions like this, it is necessary to study whether consumer ethics in determining product choices and behavior towards products will be affected and whether a company's marketing ethics also influence product determination and consumer behavior towards products. This article aims to examine whether marketing ethics and consumer ethics influence consumer behavior and decisions to buy a product or interact further with the product, especially in the current era of the COVID 19 Pandemic. And the method used for this article is a systematic literature review. From this research, it is concluded that marketing and consumer ethics have a role in influencing consumers to choose to buy products and the responses given after making a purchase or through transaction experience with a company. And consumer behavior and decisions are very dependent on how ethical the company is in marketing its products both before and during the COVID-19 Pandemic

Keywords*:* Marketing Ethics, Consumer Ethics, Consumer Behaviour, Consumer Decision, COVID-19 Pandemic

OPEN ACCESS

INTRODUCTION

The company's marketing programs generally focus on how to achieve customer loyalty. That can be reflected in a favorable attitude towards the company regarding brand, consumer, and product evaluation. Its main goal is to increase its competitive advantage in the market. In today's rapidly changing marketing environment, building strong relationships and brand loyalty with consumers is becoming increasingly important for companies. Therefore, it is necessary to apply good marketing ethics in maintaining these relationships. Discussions about marketing ethics are currently very relevant because consumers always complain (Del Rio et al., 2001; Sadeghi & Rad, 2012).

In most cases, companies are too enthusiastic about increasing profits in various ways, including cutting operating costs and causing them to lose their reputation. In business, the pursuit of profit is a natural thing, as long as it does not harm many parties. The interests and rights of others need to be considered. Ethical behavior in business activities is important for the continuity of the business itself (Hasoloan, 2018). Faced with this problem, various marketing tactics are used by companies in an attempt to attract consumers to their brands and products. However, consumers generally consider things such as product features when deciding to make a product purchase. Consumers also demand that companies behave responsibly and ethically towards their stakeholders, including consumers (J. Y. Lee & Jin, 2019). Consumers can also be observed when they experience poor service or find a defective item during a purchase. They show negative emotions, displeasure, and anger. Marketing ethics aims to introduce company ethics in buying and selling products (Kumar & Mokhtar, 2016). However, many businesses have recognized the need to consider the ecological implications and human well-being when adopting sustainable development principles. That is because the increase in ethical consumer behavior has increased drastically, where ethical consumer behavior includes consideration of ecological issues and human welfare. It is not surprising that research related to ethical business practices is also increasing (Sudbury-Riley & Kohlbacher, 2016).

Suppose you look at the current conditions, where the COVID-19 Pandemic affects all humanity in the world. The COVID-19 Pandemic has certainly affected consumer purchasing decisions. Mehta et al. (2020) argue that human behavior can be pushed in different directions by several aspects of behavior in critical situations. The COVID-19 Pandemic is not a normal crisis, and to control the spread of the disease, and various measures are being taken, including lockdowns and restrictions on physical contact. That results in economic instability that changes the dynamics of the market. With an

unstable economy, consumers also experience behavioral changes.

Seeing the phenomenon that occurs that the COVID-19 Pandemic is sweeping the world and there are several changes in consumer behavior in choosing and interacting with products, there are things that want to be reviewed further through a literature review with a systematic literature review method related to marketing ethics and consumer ethics and their influence on consumer behavior and decisions during the COVID-19 Pandemic. So this article aims to examine whether marketing ethics and consumer ethics affect consumer behavior and decisions to buy a product or interact further with the product, especially during the current COVID-19 Pandemic.

Research conducted before COVID 19 related to marketing ethics and consumer ethics that impact consumer behavior and decisions is diverse. It's just how we look at which dimension. Like the research conducted by Kumar & Mokhtar (2016), which examined the dimensions of product safety, pricing, convenience when shopping, and the company's ethical actions in marketing products. In addition, the ethics raised by consumers such as being careful, acting fairly and wanting to get justice from a product, and giving a reaction or response to the product. Then during the COVID-19 Pandemic, there were issues of health, hygiene, and physical contact restrictions that impacted economic instability. Of course, this would trigger a new dimension in reviewing marketing ethics, consumer ethics, and their impact on consumer behavior and decisions. That is what becomes the basis for assessing these conditions and variables during the COVID-19 Pandemic.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Entering the 21st century, the company's ability to recognize and address complex business ethical issues is an important priority. In recent times, the publication of scandals related to product fraud has generated public outrage and demands for increased business ethics and greater corporate responsibility (Ferrell et al., 2019). Ethics in business consists of the principles, values, and standards that guide business conduct. Kind of business ethics is very broad, such as human resources, finance, operations, marketing, and consumers.

In various literature, the term "ethics" can be defined as a set of moral norms, principles, values, traits, and basics of morality that guide people's behavior, such as moral judgments, standards, and rules of conduct. The term "ethical" or "unethical" is described as a person's subjective moral judgment about right-wrong or good-bad. Naturally, moral sentiments can be neutral or associated with positive and negative things (Brunk, 2012).

Marketing Ethics

Marketing is an important function for business and the economy in general. Marketing connects businesses with existing and potential markets and customers (Becker, 2019). Marketing focuses on the boundaries between the firm and its dynamic environment to encourage the exchange of outputs, i.e., products and services, to an environment where consumers are the main constituency. Moreover, marketing is not static as it deals with new emerging phenomena, creates and adapts new concepts, theories and methodologies to develop new insights and influence its activities (Vaaland et al., 2008). Perreault et al. (2010) define marketing as an activity that seeks to achieve organizational goals by preparing contingency plans for consumer needs and directing the flow of satisfactory goods and services from producers to consumers. In addition to satisfying consumer needs, the market situation practically shows the interaction of consumers and organizations to achieve profitability without considering customer satisfaction.

Marketing ethics can occur because of the executive relationship between marketing and organizational members, consumers, competitors, and parties and includes public opinion in the exchange process. Business ethics requires setting minimum rules and standards related to responsibilities and behaviors that companies must follow, in other words, as an accountability system to carry out their roles ethically (Donaldson, 2002). If we look at previous research on business ethics, this research focuses on the relationship between ethical management and ethical activity. In addition, discussions related to community social responsibility are also referred to as ethics (Hur et al., 2014). Consumers not only demand more high-quality products, but they also make social reputation a preference in choosing products even at higher prices when determining the outcome of their choice (Trudel & Cote, 2009). Ethical marketing practices guide companies in dealing with ethical issues, and ethical marketing practices include product-related ethics, pricing-related ethics, place-related ethics, and promotion-related ethics.

There are many aspects of marketing to the consumer aspect, so we will also discuss consumption ethics when discussing marketing ethics. Consumers use their purchasing power to choose products that are more social and environmentally friendly. Another aspect focuses on vulnerable market segments. Children, the elderly, the disabled, and immigrants are examples of this market segment. So this segment tends to concentrate on the "base of the global pyramid" (Martin & Hill, 2015).

Consumer Ethics

There is a striking diversity in definitions of ethical consumer behavior, such as the Fair Trade Concept, which has evolved from a focus on producers to broader issues of social justice (Becchetti & Costantino, 2010). However, from a starting point that assumes ethical purchases are made consciously. They are based on certain ethical or social issues (Ethical Consumers, 2020). Such as environmental concerns (Trudel and Cotte, 2008) involving recycling issues (Autio et al., 2009; Vicente & Reis, 2007), perhaps because recycling household waste has become a daily routine for many people partly because of various recycling policies and programs in many countries. Then, social justice and human rights (Auger et al., 2010; Ethical Consumers, 2020; Trudel and Cotte, 2008). And finally, animal and community welfare issues include organic food for animal welfare or supporting local communities (McEachern et al., 2007).

Consumer ethics is seen as the behavior of a small group of conscientious consumers where consumer ethics can be defined as consumer behavior in allocating personal funds, including consumption and investment. Based on interests related to certain issues, be it human rights, social justice, the environment, or welfare animals (Kibert et al., 2012). Ethical consumer action involves a mode of engagement with the market. It is based on two approaches or orientations: (1) taking action through ethical forms of consumption and citizenship; and (2) abstention, not to consume or reduce the

aggregate level of consumption (Carrington et al., 2020). The new dimension also looks at consumer ethical beliefs but focuses more on positive consumer actions. The first dimension is actively benefiting from illegal activities. It is exemplified by changing the price tags on merchandise while still in the store or not getting a receipt. Here, the consumer must actively and consciously decide to engage in the action in question. The second dimension is passive benefit exemplified by making price changes or product layouts and saying nothing. In this case, the individual consumer is the recipient of the impact of the mistakes of others. The third dimension actively benefits from questionable (but considered legal) actions such as not telling the truth when negotiating the price of goods (Vitell, 2014).

Consumer Behaviour

Consumers are individuals or organizations who pay a certain amount of money to consume goods and services offered by companies or producers. Consumers can also be interpreted as end-users of goods and services produced by a company. In the Big Indonesian Dictionary (KBBI), consumers are defined as finished goods or service users (consumers and others). Consumers have an important role in the supply and demand chains in the economic system of every country. Producers of goods and services will have no motive or incentive to carry out production activities without a demand for their products and services.

Swastha and Handoko in Adnan (2018) identify consumer behavior as individual activities directly involved in obtaining and using goods and services, including the decision-making process in the preparation and determination of these activities. At the same time, Mowen in Adnan (2018) states that consumer behavior is the study of the unit of purchase and the exchange process involving the acquisition, consumer and disposal, goods, services, experiences, and ideas. Schiffman (2007) suggests that consumer behavior is the behavior that consumers display in searching for, buying, using, evaluating, and disposing of products and services they expect to satisfy their needs. While the American Marketing Association (2021) defines consumer behavior as referring to the study of how customers, both individuals, and organizations, satisfy their needs and wants by choosing, buying, using, and spending goods, ideas, and services.

Consumer behavior is very important in marketing management because it can help marketers understand what underlies their consumers to choose and use their products or choose products that match their products. According to Hasan (2013), consumer behavior involves when individuals or groups choose, buy, use, or assist products, ideas, or experiences to satisfy consumer needs and desires. Kotler and Keller (2009) state that consumer behavior studies how individuals, groups, and organizations select, buy, use and how goods, services, ideas, or experiences satisfy their needs and wants. The purchasing decision is a process by which an individual chooses, buys, and behaves post-purchase of goods or services purchased to fulfill his desires. This consumer behavior may change from time to time. That is because the needs and desires of consumers are increasingly diverse and follow the times.

According to Kotler & Armstrong (2008), the types of consumer buying behavior based on the level of involvement and the level of difference between brands are (1) Complex Buying Behavior, consumer buying behavior in situations determined by high consumer involvement in purchases, and differences that are considered significant. between brands. (2) Dissonance-Reducing Buying Behavior, namely consumer buying behavior in situations with a high involvement character, but there is little perceived difference between brands. (3) Habitual Buying Behavior, consumer purchasing behavior in situations that have the character of low consumer involvement and the perception of slight brand differences. (4) Variety Seeking Buying Behavior is a consumer buying behavior with a low consumer involvement character but with the assumption of significant brand differences.

Several factors influence consumer behavior, Adnan (2018) argues that purchasing decisions made by consumers will not be done by themselves. Every decision taken will go through several stages first. These stages include product introduction, analyzing users' needs, the benefits to be obtained, and various other stages: (1) Cultural factors. Cultural factors have a broad and deep influence on consumer behavior. Marketers must understand the role played by culture, subculture, and social class. (2) Social factors, consumer behavior is also impacted by social factors, such as small groups, families, and consumers' role and social status. (3) Personal factors, buyer decisions are also influenced by personal characteristics such as age and stage of the buyer's life cycle, occupation, economic situation, lifestyle, personality, and self-concept. (4) Psychological factors. A person's purchase choice is influenced by four main psychological factors: motivation, perception, learning, beliefs, and attitudes.

Consumer Decision

There is a statement that Kotler has submitted (2005) which more or less reveals that the decisions given by consumers when making purchases are a series of processes from solving consumer problems in the form of needs and desires analysis, making Information, evaluating products purchases. Alternatives, purchase decisions, and behavior. After purchase. Where purchasing decisions made by consumers consist of several factors, namely consumer characteristics, company stimuli which include product, price, place, promotion, and other stimulus conditions such as politics, economy, technology, and culture so that it will produce consumers. Responses to stimuli that will lead to product decisions, brand decisions, dealer decisions, timing, and quantity of purchases. The impact of consumer decisions is to make repeat purchases. That's an indication that consumers have decided to intend to make a purchase. Purchase intention itself is defined as an individual's judgment to purchase another designated service from the same company, considering his current situation and possible circumstances (Hellier et al., 2003).

Decision-making by consumers can be called problem-solving. In the decision-making process, consumers have goals or behaviors that they want to do to achieve these goals. According to Setiadi (2008), the purchasing decision process for a product can be divided into five stages: (1) Recognizing Needs. In this process, consumers feel that things are felt to be lacking and lead to fulfillment. Consumers knew that there is a difference between what they experience and what they expect. (2) Seeking Information to meet their needs in the best way, consumers try to find Information. This information search will vary in level depending on the consumer's

perception of the risk of the product to be purchased. (3) Evaluating Alternatives, Information obtained from these various sources will be considered for consumers to make decisions. Consumers will consider the benefits, including brand trust and the costs or risks of buying a product. (4) Making a Decision, After going through an evaluation carefully, the consumer will decide. Two factors influence buying decisions and purchase goals, namely the attitude of others and unpredictable (unpredictable) situational factors. (5) Evaluation After Purchase, Consumers will often evaluate after purchasing their decisions and actions. Suppose consumers assess the perceived performance of the product or service as equal to or exceeding what is expected. In that case, the consumer will be satisfied, and vice versa if the performance of the product or service received is less than expected, the consumer will be dissatisfied.

METHODS

The research method of this study uses a Systematic Literature Review (SLR), a literature review method that identifies, assesses and interprets findings on a pre-determined topic. SLR is used to identify, review, evaluate, and interpret research with phenomenal topic areas, with certain relevant research questions. The SLR method can be systematically reviewed and identified by journal articles (Aliyah and Mulawarman, 2020).

This research searches for articles related to marketing ethics, consumer ethics, consumer behavior, and decisions which fulfills the following statement,

Q1: Does the journal discuss topics among marketing ethics, consumer ethics, consumer behavior, and consumer decisions?

Q2: Does the journal have any connection between these topics (marketing ethics, consumer ethics, consumer behavior, and consumer decisions)?

Q3: Are the journals used for discussion taken in the period 2015 – 2019 (Before COVID-19) and 2020 – 2021 (During the COVID-19 period)?

To answer this, a search for journals related to the topic to be discussed is carried out, and from a search at https://scholar.google.com/. Furthermore, to prove the journal used fulfills the questions that were prepared previously, the table is compiled as follows:

Table 1: Assessment of Journals as Research Data

No	Author (Year)	Q1	Q2	Q3	Result
Before COVID-19					
1	Kumar & Mokhtar (2016)	Yes	Yes	Yes	Accepted
2	Abdulnasir (2015)	Yes	Yes	Yes	Accepted
3	Ricci et al. (2016)	Yes	Yes	Yes	Accepted
4	Zollo et al. (2018)	Yes	Yes	Yes	Accepted
5	Budhathoki et al. (2019)	Yes	Yes	Yes	Accepted
During COVID-19					
6	Widayat & Arifin (2020)	Yes	Yes	Yes	Accepted
7	Kartono & Tjahjadi (2021)	Yes	Yes	Yes	Accepted
8	Ahmed et al. (2020)	Yes	Yes	Yes	Accepted
9	Nadeem et al. (2020)	Yes	Yes	Yes	Accepted
10	L. Lee & Charles (2021)	Yes	Yes	Yes	Accepted

From the assessment carried out, the journals used as research data can answer the questions to be answered from this research, and the journals are worthy of being used as data to support this research.

The details of the research carried out are as follows: (1) Introduction: Reviewing the background such as the company's marketing focus, general cases of corporate marketing, the importance of marketing ethics, demands, decisions, and consumer ethics, and the COVID-19 pandemic conditions and changes in the market and consumers. (2) Literature review: Reviewing theories related to marketing ethics, consumer ethics, consumer behavior, and consumer decisions. (3) Method: Review the SLR method and explain the source of the data obtained, namely the search for related articles. (4) Discussion: Studies related to marketing ethics, consumer ethics, consumer behavior, and decisions before and during COVID-19. (5) Conclusion & Suggestion: conclude the results of the discussion and suggest the next research. (6) Abstract: Summary of research.

DISCUSSION

Marketing Ethics and Consumer Ethics on Consumer Behavior and Decisions Before the COVID-19 Pandemic

Several studies have examined the relationship between marketing ethics, consumer ethics, consumer behavior, and consumer decisions. Kumar & Mokhtar (2016) succeeded in revealing that when a product is equipped with adequate safety factors and prevention of all types of fraud, it directly impacts the formation of stronger consumer attitudes. The results of further research related to fair pricing and not practicing unfair pricing positively affect consumer attitudes. Kumar also revealed that consumers are sensitive to companies acting ethically to influence their product selection. This study also describes the ease and convenience of consumers in accessing the products they buy as part of the company's ethical marketing activities, which impact consumer buying interest. Research also shows that the company's marketing ethics influence the behavior and decisions of consumers from all segments, in this case in terms of caution, desire for justice, and not hesitate to show reactions to their buying experiences.

Furthermore, Abdulnasir (2015) researched small shops in the area and found that small business firms do not tell the complete truth about a product to consumers, thus causing consumer dissatisfaction. The unethical behavior of the company's marketing is discriminating treatment to consumers. Deceiving consumers by saying that one of the products is unique to their store or not available in other market areas and sold to them, no returns of high-priced defective products should be fair enough if charged the average price. This practice makes companies more substantial than consumers and narrows the opportunity to buy freely. After analyzing the data obtained, they can conclude that unethical marketing practices are negatively related to consumers' purchase intentions. However, a low level of awareness about unethical companies can reverse the negative relationship, as shown in the findings.

Ricci et al. (2016) examined ethics as a support for sustainable consumers. They conclude that there is an awareness of both producers and consumers in the era of post-modern society to be responsible for others globally, and they call it ethics. Then marketing and consumer ethics can be considered a bridge between production and consumption, reflecting how

increasing consumer awareness of information asymmetry issues such as consumer rights. The Right to Information, the right to choose, the right to be heard can positively affect the sustainability of consumer behavior. However, the debate about informative asymmetry does not explain the drawbacks of ethical buying behavior. That requires further discussion of the relationship between universal principles of ethical behavior and personal attitudes.

In the study of Zollo et al. (2018), they examine the influence of intuition into consumer ethics that affects purchasing decisions. Data analysis shows that intuition significantly triggers new ecological views, which, in turn, strongly influence the ecologically conscious dimensions of consumer behavior.

Finally, in the study of Budhathoki et al. (2019), This study takes the concept of ethical consumption from the survey literature and identifies the level of consumer understanding of ethical consumption. Furthermore, this study provides a comprehensive overview of the factors that hinder ethical consumption among consumers while providing some theoretical and analytical applications. The literature review conducted on various related studies reflects several factors that hinder the process of ethical consumption. The difference between consumers' attitudes towards ethical products and their actual consumption behavior, known as the ethical gap, is also understood through the review. Various studies have found that consumer attitudes toward ethical consumption and actual behavior differ across countries from differences in terms of psychological, social, economic and other personal factors. In this regard, factors such as product prices, subjective norms, and attitudes were found to be drivers of ethical disparities in several countries. In fact, lack of product information, product unavailability, lack of convenience were found to hinder ethical consumption in some other countries.

Marketing Ethics and Consumer Ethics on Consumer Behavior and Decisions During the COVID-19 Pandemic

In Widayat & Arifin's research (2020), it was found that the behavior that was raised by consumers when faced with the COVID-19 Pandemic was to believe that the virus that originated in China was dangerous, difficult to treat, and influenced consumer behavior in meeting food needs. So that the impact is that consumers care or pay attention to the food products they choose, the country of origin of the food producers they eat, and food ingredients. In addition, because the virus is dangerous and difficult to treat, consumers avoid direct contact with vendors or food providers, so they use payment tools to prevent the spread of the virus by using electronic money or avoiding using paper money. The seller must understand the conditions for this behavior change and must be fulfilled by the seller without cheating on the existing situation.

Kartono & Tjahjadi (2021) researched online food delivery services during COVID-19 and found that the perception of trust positively affected consumer attitudes towards the use of online food delivery services during the Coronavirus (COVID-19) outbreak. Therefore, sellers need to consider marketing to increase safety, reliability, and trust because it is proven to help increase consumer confidence, which can later positively affect their attitude towards use. In addition, consumers feel their work is more manageable, effective, and efficient. In addition, it promotes cost savings, thereby influencing consumer attitudes towards use because the service provides convenience. However, in this study, it was found that if consumers feel that the service is risky, they will not be comfortable using it. Therefore, online food delivery service providers should improve hygiene standards by following the COVID-19 protocol. That is where sellers must enforce the importance of marketing ethics.

In the research of Ahmed et al. (2020), COVID-19 is the strongest variable that affects consumer buying behavior. US citizens tend towards impulsive behavior when buying. Practical implications, especially for government agencies, policymakers, marketers, and other practitioners, are needed to create and institutionalize different strategies to deal with unexpected situations during the COVID-19 phenomenon. Marketers and brand managers can devise new ethical strategies to increase their brand's market share to achieve a competitive advantage in COVID-19 or similar panic situations in the future.

Nadeem et al. (2020) researched consumer values that affect consumer ethics, which showed that consumers' ethical perceptions influence their decisions to purchase products and affect the creation of value for consumers and company support. Compliance with ethics (ethical marketing) creates customer satisfaction, commitment, and trust. Then this study reveals that when businesses behave according to values that motivate consumers, such as ethics, consumer participation in joint creative activities increases.

Furthermore, this study reviews the research of L. Lee & Charles (2021), which examines the ethics of online retail and its consumers. The results of their research reveal that ethical issues in the online market are unique. Where the company's image seems blurry, but what distinguishes a company with established ethics or not is how its marketing strategy is. Online retailers should focus on maintaining positive consumer perceptions and implementing relevant promotions to retain consumers.

As part of the discussion, ethics for marketing and consumers, before and during the COVID-19 Pandemic, impact how consumers respond to products and determine their future purchases. Consumer ethics, which includes how consumers demand their rights, must be taken by the company to respond to this by showing ethics in its marketing. Consumer behavior and decisions about what to do next with their products depend on their marketing ethics.

CONCLUSION & SUGGESTION

Conclusion

The conclusion drawn from this research is that consumer behavior and decisions are highly dependent on how ethical the company is in marketing its products and the ethics that consumers have both before and during the COVID-19 Pandemic. Kumar's research (2016) shows that good product features, reasonable prices, convenience affects consumer decisions and development. Then Abdulnasir (2015) states a negative narrative when marketing ethics is not implemented, consumer disappointment arises. Ricci et al. (2016) also say that marketing and consumer ethics can be considered a bridge between production and consumption. They are reflecting how increasing consumer awareness about information asymmetry issues such as consumer rights. The Right to Information, the right to vote, the right to be heard can influence consumer behavior positively sustainably. Zollo et al.

(2018) states that intuition significantly triggers new ecological views, which, in turn, strongly influence the ecologically conscious dimensions of consumer behavior. And Budhathoki et al. (2019) states that consumer attitudes toward ethical consumption and actual behavior differ across countries from differences in terms of psychological, social, economic and other personal factors. In this regard, factors such as product prices, subjective norms, and attitudes were found to be drivers of ethical disparities in several countries. In fact, lack of product information, product unavailability, lack of convenience were found to hinder ethical consumption in some other countries.

Meanwhile, during the COVID-19 period, the behavior that was raised by consumers when faced with the COVID-19 Pandemic was to believe that the COVID-19 virus was dangerous and deadly so that consumers care or pay attention to the food products they choose and avoid direct contact. That must be understood and fulfilled by not cheating consumers (Widayat & Arifin, 2020). In Kartono & Tjahjadi's (2021) research, it was concluded that sellers should consider marketing that can increase safety, reliability, and trust because it has been proven to help increase consumer confidence which can later have a positive effect on their attitude towards use and improve hygiene standards by following the COVID-19 protocol. That is where the seller must uphold the importance of marketing ethics. Then Ahmed et al. (2020) found US citizens to be impulsive in dealing with COVID-19 when buying, so Marketers and brand managers can design new ethical strategies to increase their brand's market share to achieve competitive advantage COVID-19 or similar panic situations in the future. Then, as Nadeem et al. (2020) explain when businesses behave according to values that motivate consumers, such as ethics, consumer participation in joint creative activities increases. And lastly, Lee and Charles (2021) concluded that the online market is unique but related to ethics, consumer behavior, and decisions about what to do next to its product depending on its marketing ethics.

Suggestion

This article is a literacy study only. Hope for the future can be proven through direct research on how the relationship between marketing ethics and consumer ethics affects consumer behavior and decisions. The sector used as review material is still general, so it is necessary to provide limitations or focus for specific business fields if continued in research.

ACKNOWLEDGMENT

In this part, I will say my gratitude to Allah SWT for blessing and guiding us throughout this work. And I want to express my gratitude for the support and enthusiasm given by colleagues at the Master of Management Class, Mercu Buana University Regular 1 Meruya Campus.

Corresponding Author:55120010021@student.mercubuana.ac.id

References

Abdulnasir, A. (2015). Marketing Ethics Practices of Small Businesses and their Effect on Consumer Purchase Intention: An Empirical Investigation from Addis Ketema Sub-city. *Journal of Accounting & Marketing, 04*(02). https://doi.org/10.4172/2168-9601.1000133

Adnan. (2018). Pengaruh Perilaku Konsumen terhadap Keputusan Pembelian Susu Morinaga di Kota Lhokseumawe. *Jurnal Visioner & Strategis, 7*(2), 1-9. ISSN : 2338-2864

Ahmed, R. R., Streimikiene, D., Rolle, J. A., & Pham, A. D. (2020). The COVID-19 Pandemic And The Antecedants For The Impulse Buying Behavior Of US Citizens. *Journal of Competitiveness, 12*(3), 5. https://doi.org/10.7441/joc.2020.03.01

Aliyah, U. & Mulawarman. (2020). Kajian Systematic Literature Review (SLR) Untuk Mengidentifikasi Dampak Terorisme, Layanan Konseling dan Terapi Trauma Pada Anak-Anak. *Islamic Counseling : Jurnal Bimbingan dan Konseling Islam, 4*(2), 209-222. https://doi.org/10.29240/jbk.v4i2.1759

Auger, P., Devinney, T. M., Louviere, J. J., & Burke, P. F. (2010). The Importance Of Social Product Attributes In Consumer Purchasing Decisions: A Multi-Country Comparative Study. *International Business Review, 19*(2), 140–159. https://doi.org/10.1016/j.ibusrev.2009.10.002

Autio, M., Heiskanen, E., & Heinonen, V. (2009). Narratives of 'Green' Consumers – The Antihero, The Environmental Hero, and The Anarchist. *Journal of Consumer Behaviour, 58*, 40–53. https://doi.org/10.1002/cb.272

Becchetti, L., & Costantino, M. (2010). Fair Trade in Italy: Too Much "Movement" in The Shop?. *Journal of Business Ethics, 92*, 181–203. https://doi.org/10.1007/s10551-010-0578-y

Becker, C. U. (2019). *Business Ethics: Methods and Application*. Routledge.

Brunk, K. H. (2012). Un/ethical Company and Brand Perceptions: Conceptualizing and Operationalising Consumer Meanings. *Journal of Business Ethics, 111*(4), 551–565. https://doi.org/10.1007/s10551-012-1339-x

Budhathoki, P. (2019). The Gap between Attitudes and Behavior in Ethical Consumption: A Critical Discourse. *Quest Journal of Management and Social Sciences*,*1*(2). 285-295. https://doi.org:10.3126/qjmss.v1i2.27446

Del Rio, A. B., Vazquez, R., & Iglesias, V. (2001). The Effects of Brand Associations on Consumer Response. *Journal of Consumer Marketing, 18*(5), 410-425. https://doi.org/10.1108/07363760110398808

Donaldson, T., Werhane, P. H., & Cording, M. (Eds.). (2002). *Ethical Issues in Business: A Philosophical Approach* (Vol. 82007). Upper Saddle River, NJ: Prentice-Hall.

Ethical Consumer (2020). *Ethical Consumerism in the Pandemic*. Ethical Consumer Markets Report

Ferrell, O. C., Harrison, D. E., Ferrell, L., & Hair, J. F. (2019). Business Ethics, Corporate Social Responsibility, and Brand Attitudes: An Exploratory Study. *Journal of Business Research, 95*, 491–501. https://doi.org/10.1016/j.jbusres.2018.07.039

Hasan, Ali. (2013). *Marketing dan Kasus-kasus Pilihan*. Yogyakarta: CAPS

Hasoloan, A. (2018). Peranan Etika Bisnis dalam Perusahaan Bisnis. *Warta Dharmawangsa*, *57*. https://doi.org/10.46576/wdw.v0i57.141

Hellier, P. K., Geursen, G. M., Carr, R. A., & Rickard, J. A. (2003). Consumer Repurchase Intention. *European Journal of Marketing, 37*(11/12), 1762–1800. https://doi.org/10.1108/03090560310495456

Hur, W. M., Kim, H., & Woo, J. (2014). How CSR Leads to Corporate Brand Equity: Mediating Mechanisms of Corporate Brand Credibility and Reputation. *Journal of Business Ethics, 125*(1), 75–86. https://doi.org/10.1007/s10551-013-1910-0

Kartono, R., & Tjahjadi, J. K. (2021). Factors Affecting Consumers' Intentions to Use Online Food Delivery Services During COVID-19 Outbreak in Jabodetabek Area. *The Winners, 22*(1). https://doi.org/10.21512/tw.v22i1.6822

Kibert, C. J., Thiele, L., Peterson, A., & Monroe, M. (2012). *The Ethics Of Sustainability*. accessed on June 10, 2021. https://www.cce.ufl.edu/wp-content/uploads/2012/08/Ethics%20of%20Sustainability%20Textbook.pdf

Kotler, P., & Armstrong, G. (2008). *Marketing Principles*. Jakarta: Erlangga.

Kotler, Philip & Keller, K.L. (2009). *Marketing Management*, *13th ed*. Jakarta: Erlangga

Kotler, Philip. (2005). *Marketing Management*. 11th ed. United States: Pearson Prentice Hall.

Kumar, P., & Mokhtar, S. S. M. (2016). Ethical Marketing Practices Viewed Through Consumer Spectacles. *Market-Tržište, 28*(1), 29–45.

Lee, J. Y., & Jin, C. H. (2019). The Role of Ethical Marketing Issues in Consumer-Brand Relationship. *Sustainability, 11*(23), 1–21. https://doi.org/10.3390/su11236536

Lee, L., & Charles, V. (2021). The Impact of Consumers' Perceptions Regarding The Ethics of Online Retailers and Promotional Strategy on Their Repurchase Intention. *International Journal of Information Management, 57*(November 2020), 102264. https://doi.org/10.1016/j.ijinfomgt.2020.102264

Martin, K. D., & Hill, R. P. (2015). Saving and Well-Being at the Base of the Pyramid: Implications for Transformative Financial Services Delivery. *Journal of Service Research, 18*(3), 405–421. https://doi.org/10.1177/1094670514563496

McEachern, M. G., Schröder, M. J. A., Willock, J., Whitelock, J., & Mason, R. (2007). Exploring Ethical Brand Extensions and Consumer Buying

Behaviour: The RSPCA and the "Freedom Food" Brand. *Journal of Product and Brand Management, 16*(3), 168–177. https://doi.org/10.1108/10610420710751546

Mehta, S., Saxena, T., & Purohit, N. (2020). The New Consumer Behaviour Paradigm amid COVID-19: Permanent or Transient?. *Journal of Health Management, 22*(2), 291-301. https://doi.org/10.1177%2F0972063420940834

Nadeem, W., Juntunen, M., Shirazi, F., & Hajli, N. (2020). Consumers' Value Co-Creation In Sharing Economy: The Role Of Social Support, Consumers' Ethical Perceptions, And Relationship Quality. *Technological Forecasting and Social Change, 151*(October 2019), 119786. https://doi.org/10.1016/j.techfore.2019.119786

Perreault JWD, Cannon JP, McCarthy EJ (2011). *Basic Marketing: A Marketing Strategy Planning Approach*. 18th ed. McGraw-Hill

Ricci, C., Marinelli, N., & Puliti, L. (2016). The Consumer as Citizen: The Role of Ethics for a Sustainable Consumption. *Agriculture and Agricultural Science Procedia, 8*, 395–401. https://doi.org/10.1016/j.aaspro.2016.02.035

Sadeghi, T., & Rad, E. V. (2012). The Effects of Brand Associations on Consumer Response. African *Journal of Business Management, 6*(11), 4048-4056. https://doi.org/10.5897/AJBM11.1620

Schiffman, L., & Kanuk, L. L. (2008). *Perilaku Konsumen Edisi Ketujuh*. Jakarta : PT Index Group.

Setiadi, J. Nugroho. (2008). *Perilaku Konsumen : Konsep dan Implikasi untuk Strategi dan Penelitian Pemasaran*. Jakarta : Prenada Media.

Sudbury-Riley, L., & Kohlbacher, F. (2016). Ethically Minded Consumer Behaviour: Scale Review, Development, and Validation. *Journal of Business Research, 69*(8), 2697–2710. https://doi.org/10.1016/j.jbusres.2015.11.005

Trudel, R., & Cotte, J. (2008). Does Being Ethical Pay?. *Wall Street Journal*. Available at: http://online.wsj.com/news/articles/SB120187354902744 25, accessed on 10 April 2021.

Trudel, R.; Cotte, J. (2009). This Manufacture Pay to be Good?. *Mit Sloan Management Rev, 50*, 61–68

Vaaland, T. I., Heide, M., & Grønhaug, K. (2008). Corporate Social Responsibility: Investigating Theory and Research in The Marketing Context. *European Journal of Marketing, 42*(9–10), 927–953. https://doi.org/10.1108/03090560810891082

Vicente, P., & Reis, E. (2007). Segmenting Households According To Recycling Attitudes In A Portuguese Urban Area. *Resources, Conservation and Recycling, 52*(1), 1–12. https://doi.org/10.1016/j.resconrec.2007.01.005

Vitell, S.J. (2015). A Case For Consumer Social Responsibility (CnSR): Including A Selected Review Of Consumer Ethics/Social Responsibility Research, *Journal of Business Ethics, 130*(4), 767-774. https://doi.org/10.1007/s10551-014-2110-2

Widayat & Arifin, Z. (2020). Attitude And Behavior On Daily Food Purchasing Decisions In The Time Of COVID-19: A Case Study Of Indonesia Consumers. *Jurnal Inovasi Ekonomi, 5*(2), 37-44. https://doi.org/10.22219/jiko.v0i0.11866

Zollo, L., Yoon, S., Rialti, R., & Ciappei, C. (2018). Ethical Consumption And Consumers' Decision Making: The Role Of Moral Intuition. *Management Decision*. *56*(3). 692-710. https://doi.org/10.1108/MD-10-2016-0745

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.113
https://journal.unisza.edu.my/jmtp



Effect of Advertisement on Children's Purchase Intention: The Mediating Role of Advertisement Recall

[1]*Shanta Banik, [2]Sakhi Rani Dhar

[1]Associate Professor, Department of Marketing, University of Chittagong, Chittagong, Bangladesh. Email: shantobanikcu@yahoo.com

[2]Lecturer in Marketing, Faculty of Business Administration, BGC Trust University Bangladesh. Email: sakhidhar@yahoo.com

***Corresponding Author Email: shantobanikcu@yahoo.com**

Received:2nd June 2021 ***Accepted:4th July 2021*** ***Published: 20th July 2021***

ABSTRACT

Although advertisement is considered as an attention grabbing tool, however, existing literature largely ignored whether such advertisement has any effect on childrens to recall the advertised products. This study thus aims to examine the effects of television advertisement on childrens' purchase intention through the mediating role of advertisement recall in the Asian context. Since the target population is unknown, a non-probability sampling based convenient sampling approach was used to collect data. Data were collected from 245 parents of their 448 childrens in the context of confectionary products in Bangladesh. Partial least square based structural equation modeling was used to analyze the collected data. The results show that information, entertainment and product packaging displayed in advertisement significantly affect childrens' advertisement recall. Advertisement recall is also found to have influence on childrens' purchase intentions. Further, advertisement recall fully mediates in the relationships between information and purchase intentions; entertainment and purchase intentions; and packaging and purchase intentions. This study also offers significant theoretical and managerial implications.

Keywords*:* Advertisement, recall, information, entertainment, packaging, purchase intention

OPEN ACCESS

INTRODUCTION

Advertisement plays an important role in convincing audiences to purchase firms' products and services. It stimulates consumers to think, evaluate, purchase and consume the products or services (Haider and Shakib, 2018). More specifically, television advertisement catches the attention of target customers through a message and influences their purchase intentions (Broekemier et al. 2008; Weilbacher, 2003; Turley and Milliman, 2000). Nowadays, firms target childrens by designing attractive and persuasive advertisements to create an emotional attachment with the products (Wilcox et al., 2004). This study defined television advertisement "as that kind of paid commercial message which is delivered to the children during the television programs or after any other television program" (Quinn, 2002, p. 17-18). Since childrens are always connected with television and other electronic gadgets (Gutnick et al., 2011), they become an attractive segment for companies. Hence, marketers take this trend as an opportunity to advertise their products directly to them (Calvert, 2008).

Extant literature on television advertisement focuses on content creativity, music, sounds, voice, celebrity endorsement, brand name, consumer attitude, behavior and so on (Lewis et al., 2012; Lindner et al., 2009; Dews, 2012). The effect of television advertisement has been studied on children attitudes (Jolly, 2011; Preetha and Radhika, 2016), buying behavior (Jain and Kaul, 2014), unnecessary purchasing (Wilcox et al., 2004) and unhealthy food consumption (Sheik and Juliet, 2016). The findings of Apejoye (2013) suggest a positive relationship between celebrity endorsement and advertisement effectiveness. Although insightful, such line of research efforts mostly conducted in the Western context (Preetha and Radhika, 2016; Kelly et al., 2010; Nisbett, 2003). Few studies conducted in the Asian context that primarily focus on childrens' exposure to television advertisement, cognitive and behavioral efforts, (Chan, 2000; Islam and Goni, 2020; Kelly et al., 2016). For example, Chan (2000) examined Chinese children's perceptions, cognitive efforts and understanding of television advertising message and content. Han et al., (2013) and Karupaiah et al., (2008) identified that south Asian childrens are highly exposed to television advertisements. Islam and Goni (2020) found that television advertisement influenced the behavior of young childrens. Besides, Kelly et al (2016) stated that children in the Asia-Pacific region are more exposed to huge number of unhealthy food advertising on television. Although the aim of advertisement is to facilitate consumers' recall of their feelings and thoughts associated with the product or brand (Coulter et al., 2001; Heaton and Paris, 2006); however, there is lacking of research on the attributes that should be displayed properly in television advertisement and enhance childrens recall, which in turn lead them to purchase intentions. More specifically, how the attributes like information, entertainment, and product packaging displayed

in television advertisement influence childrens' advertisement recall is still remain under investigated. To the best of our knowledge, no research thus far explored such effects in the Asian context. Examining this research gap is particularly important because Asian market is large and growing fast (Coyle et al., 2004). Moreover, Asian consumers are more fascinated to advertisement attributes that seems familiar and reliable (Silayoi and Speece, 2007). Due to concern of the collectivist culture in Asia, childrens enjoy watching television together with their family members and exchange their enjoyment, memory with others that may facilitate them to remember the television advertisement at the purchasing point. Furthermore, the effectiveness of advertisement also depends on how far targeted consumers (e.g., childrens) understand and remember the delivered message at the point of purchasing. Therefore, studying such attributes of television advertisement in the Asian context is essential to devise appropriate strategies for the firms.

In this study, we argue that several attributes such as information, entertainment, and product packaging that are displayed in television advertisement influence childrens' advertisement recall. Television advertisement informs as well as entertains childrens in the form of music, storyline, animation, pleasant voice (Tarabashkina et al., 2018; Cotte et al., 2005). A nice looking display of packaging also attracts children the most (Gelperowic and Beharrell (1994). When childrens watch television advertisement for long or short-time, the favorite features of the advertisement saves in their mind for future processing (Ambler and Burne, 1999). It is well-known that childrens' memory is strong enough to save any sound or video shown in advertisement and recall them instantly (Galst and White, 1976). Therefore, this study posits that information, entertainment, and product packaging displayed in television advertisement influence childrens' advertisement recall, which eventually influence their purchase intentions.

The current study thus contributes to the existing advertisement literature in three ways. First, this study explores the effect of television advertisement's attributes on childrens' recall. Second, this study identifies how childrens' advertisement recall can influence their purchase intention. Third, this study examines such effects in the context of confectionary products in Bangladesh (a country in South Asia). Following this, conceptual model and hypotheses have been developed based on the extensive literature review. Subsequently, the results of data analysis are presented. Finally, we concluded with a discussion of our empirical findings, limitations and directions for further research directions and practical implications for Asian business.

CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

We adopted Mehrabian and Russell's (1974)'s "Stimulus Organism Response" (SOR) framework to develop the conceptual framework. The SOR framework suggests that stimulus affects organism, which affect customers' responses. In this study, stimulus is represented by a collection of attributes used in television advertisement such as information, entertainment and packaging. The organism, represented by recall, is an internal process work between stimulus and customers' responses. Finally, responses are the results from the stimulus and organism i.e., outcome i.e., in our study responses means childrens' purchase intentions. Therefore, this study examines how the attributes of advertisement such as information, entertainment and packaging (stimulus) influence purchase intention (responses) among childrens. The mediating role of advertisement recall (organism) has been incorporated in the below Figure 1.

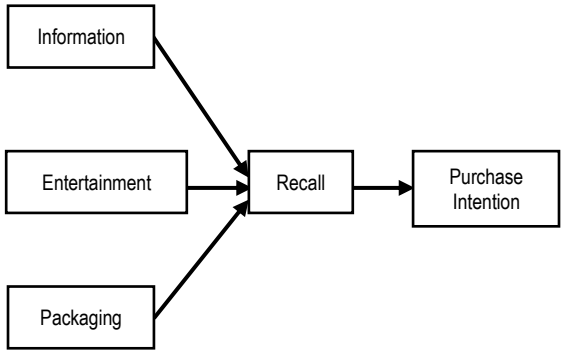


Figure 1. Conceptual Framework

Information and Recall

Advertising is always been considered as one of the most influencing tools for communicating product or brand with target customer, especially with children (Panwar, 2006; Caruana and Vassallo, 2003). It is also known as the key to enter customers' minds. Advertisements that provide relevant information help consumers resolve some ambiguity so that they may develop their understanding of how well a product will match their individual preferences while taking purchase decision (Thompson and Hamilton, 2006; Sujan, 1985). Many researchers have agreed that children as consumers also prefer informative advertisement (Abernethy and Franke 1996, Ducoffe, 1995) and if the information seems self-relevant, it may draw out their attention (Bettman 1979), which is essential for advertisement recall. It is worth remembering that informational clues are signals that consumers can use to understand their decision about a product or service during shopping (Olson and Jacoby, 1972). Thus, it is hypothesized that advertisements that provide useful information to children are very effective in persuading them to recall the advertised product.

H1: Information in advertisement influences advertisement recall.

Entertainment and Recall

Entertainment is the most preferable attributes used by marketers to target childrens through advertising of their products, which convey message about the fantasy and fun (De Veirman et al., 2019). Advertisements that contain impressive music, lyrics and rhythm, communicative messages, influential action, unique and catchy slogans, fine-looking scenes, shots and superior product demonstration are mostly recalled by the consumer, particularly by the children (Alexomanolaki et al., 2007). Therefore, firms use extensive techniques such as animation, funny voice, music and so on to make the advertisement entertained (Lewis at el., 2012). Earlier research argued that likeability is found to have an important role in influencing future recall of the product (Valkeinen, 2020) and purchase intention (DuPlessis 1994). Goldberg and Gorn (1978) stated that advertisements using humour, up tempo music and jingles, attract childrens the most. Few studies observed that childrens like advertisements because advertisements are entertaining and help them to recall the product (Norris and Colman, 1994;

Rolandelli, 1989; Ward, 1972). Other studies also found a significant relationship between entertainment and advertisement effectiveness (Lloyd and Clancy, 1991). It is also argued that whenever consumers find something funny triggers their minds (Karailievova, 2012). As a result, they can recall the product while shopping, which ultimately results in the purchasing of that product. So it is hypothesized that:

H2: Entertainment in advertisement influences advertisement recall.

Packaging and Recall

Packaging is the key component of communication (Ahmed et al., 2015) and has been described as a vehicle for communication and branding (Rettie and Brewer, 2000). Product packaging is known as one of the potential means to gain childrens' attention. It is also considered as a driving force that communicates product's attributes and benefits on it (Hill and Tilley, 2002). It is often said that children usually make their purchase decision based on product packaging (Mau et al., 2016). It may also attract attention and create excitement (Alexomanolaki et al., 2007). Child-oriented visual elements refer to graphics, size, shape, image, brand mascots, colors, logos, brand name, characters and premiums etc. (Hill and Tilley, 2002). Child-oriented packaging influences children the most and childrens are mostly recall the packaging with visual elements (Hota and Charry, 2014). Moreover, packaging color helps consumers to draw attention and visualize the products (Ahmed and Javed, 2015). Lemon et al., (2009) and Orth and Crouch (2014) argued that package catches buyer's mind to a specific product. According to Deliya and Parmar (2012), packaging has a role to change the mindset of consumers. Clement (2007) found an association between package's color and products' choice. He argued that childrens favor the colorful packaging since they try to relate color with tastes. Moreover, Elliott (2008) identified four colors (e.g., yellow, green, red, and blue) that childrens prefer the most for food products. Underwood et al. (2001) suggested that childrens are inspired by images than any words and children's products are featured with cartoons on packages (Hill and Tilley, 2002). Chapman et al., (2006) found that 75% of food products for children in Australia had cartoon characters on packaging. These arguments suggest us the following hypothesis:

H3: Packaging of products influence advertisement recall.

Recall and Purchase Intention

Recall is a psychological factor that reflects the strength of memory. As a measure of advertising effectiveness (Mehta and Purvis, 2006), it measures the advertisement's noticeability and attention, and shows the extent to which the advertisement's content has been captured a desirable place in the consumer minds (Donovan et al., 2003). Advertisement recall, in this study, is defined as the degree to which an advertisement is retrieved from memory spontaneously or with a cue. Since advertisers want children to be engaged by advertisements so that a memorial association can be created with the product, many researchers have recognized that recall is definitely a vital aspect of advertisement to be effective (Saleem, and Abideen, 2011). Thus, recall in advertisement is one of the most crucial among several attributes of advertising effectiveness (Mehta and Purvis, 2006).

Since consumers cannot remember everything about advertisement and some elements occupy space in consumer memories for a while and others fade away (Kumar, 2015), recall helps in identifying advertisement's strong points, which is useful for future purchase decision. Recall helps to acquire specific information regarding the product (Keller et al., 1998) and it is assumed that the more an individual remembers an advertisement, the more likely it is to come to mind while shopping (Bushman and Bonacci, 2002). Recalled brands have better chances of being selected rather than a brand that is not recalled by the audiences (Bressoud et al., 2010). Developmental psychology studies indicate that pictographic cues stimulate thoughts about objects (Kieras, 1978). Moreover, Macklin (1994) demonstrated that childrens are more likely to recall the brand names presented in advertisements, particularly when given associative visual cues. Thus, we hypothesize that:

H4: Recall influences childrens' purchase intention.

The Mediating Role of Recall

One of the key objectives of advertisement is to aid consumers to recall the thoughts and feelings associated with the product (Zaltman, 2003). Fan (2010) stated that television commercials can be primary source of information for childrens who are very attentive to new products, especially food products. Since children prefer informative advertisement (Abernethy and Franke 1996, Ducoffe, 1995), they can match their preferences at the time purchasing (Thompson and Hamilton, 2006; Sujan, 1985). Information also provides some signal that help to remember advertisements (Olson and Jacoby, 1972). Nora (2014) argues that childrens prefer visual information, which is a key source of television advertisement. Besides, childrens' minds catches fun and cartoon tagged with products advertisement and help them to recognize such products (Lapierre et al., 2011). Silayoi & Speece (2007) argues that customers are typically influenced by the visual aesthetics of packaging. Moreover, Zanot (1984) found that the customers prefer advertising that helps in decision making while purchasing. The SOR theory also suggests that an underlying mechanism (i.e., advertisement recall) works between stimulus (e.g., information, entertainment, and packaging) and responses (e.g., purchase intentions) among customers (Mehrabian and Russell, 1974). Thus, it is hypothesized that advertisement recall mediates between information, entertainment and product packaging and purchase intention among the childrens.

H5a: Recall mediates the relationship between information and childrens' purchase intention.

H5b: Recall mediates the relationship between entertainment and childrens' purchase intention.

H5c: Recall mediates the relationship between packaging and childrens' purchase intention.

METHOD

We examine the current research in the context of confectionary products in Bangladesh. Such context is appropriate and meets the study purpose since childrens prefer to have confectionary products (e.g., chocolates, wafer, chips, juice etc.) in their everyday lives. Moreover, 72.5% of childrens demand to purchase confectionary products after watching advertisement (Preetha and Radhika, 2016). Therefore, since parents usually buy these products on behalf of their childrens, data were collected from 245

parents of 448 childrens. A non-probability sampling based convenient sampling approach was used to collect data. Besides, a self-administered survey was conducted to collect data through a structured questionnaire.

Final sample size is 245 respondents with 83.3% female, 55.5% in the range of 31 to 40 years, and 38.8% experience with bachelor education. To reduce common method bias effect, we followed several steps. First, respondents' privacy were ensured and requested to answer carefully (Podsakoff et al., 2003). Second, we conducted the survey both peak and off peak hour of the eight week period. Third, we followed Harman's single-factor test and found that the first factor did not account for the majority of the variances (34 percent). Thus, common method bias is not an issue for this study.

The respondents were answered about information, entertainment, packaging, recall and purchase intentions related to television advertisement and other demographic questions. All the construct's items were taken from existing literature and contextualized to fit for the study. The scale items of the information and entertainment were adapted from the study of Gulla & Purohit (2013). Packaging items were adapted from Ogba and Johnson (2010). Moreover, the scale items of recall and purchase intentions were adopted from the studies of Wilcox et al (2004) and Hameed et al (2014), respectively. Items were formulated as statements and measured using seven point Likert Scale from 'Strongly disagree' (1) to 'Strongly agree' (7). To ensure the face and content validity, we discussed with the senior faculties of marketing and did necessary amendments in the questionnaire (Bryman, 2016). We also run a pilot survey among 30 respondents before the final survey to ensure its consistency.

DATA ANALYSIS AND RESULTS

We used PLS-SEM to test the conceptual model. Measurement model ensures that the scale items used to measure the constructs are reliable and valid for measuring the variables. We found that each indicator's outer loadings exceeded the threshold level of 0.65 (Hair et al., 2006) (see Figure 2). The Cronbach's alpha and composite reliability values were above the threshold of 0.70 (Hair et al., 2006). Convergent validity was tested by evaluating average variance extracted (AVE) and each construct's AVE value was higher than the threshold level of 0.50 (Fornell & Larcker, 1981) (see Table 1). Finally, cross-loadings values of all items were loaded highly on the respective constructs and did not loaded highly on other constructs. Thus, the hypothesized model confirmed adequate convergent and discriminant validity.

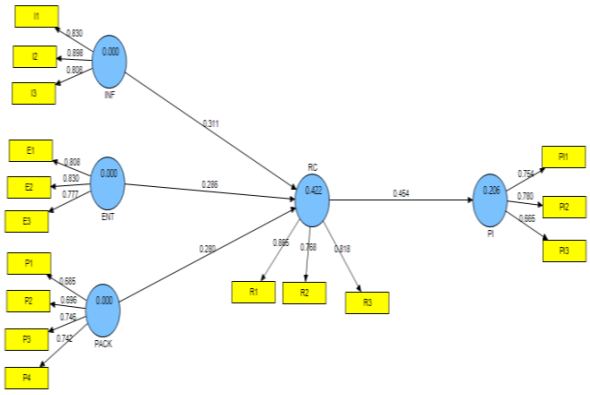


Figure 2. Factor loadings and path co-efficient

Table 1: Measurement model with correlation matrix

Constructs	α	CR	AVE	Entertainment	Information	Purchase intention	Packaging	Recall
Entertainment	0.73	0.85	0.65	1				
Information	0.80	0.88	0.72	0.3489	1			
Purchase intention	0.78	0.78	0.54	0.2585	0.33	1		
Packaging	0.71	0.81	0.51	0.3145	0.305	0.314	1	
Recall	0.75	0.86	0.67	0.482	0.4957	0.454	0.4647	1

Notes: CR - Composite Reliability, α - Cronbach's Alpha, AVE - Average Variance Extracted.

The structural model is evaluated by the estimation of path coefficients and R^2 values. Analysis show that recall was significantly affected by information (β =0.3106, t= 3.63, p <0.01); entertainment (β = 0.2855, t= 2.42, p <0.01) and packaging (β =0.2801, t = 3.04, p <0.01). Moreover, the effect of recall on purchase intentions (β = 0.4540, t = 4.85, p <0.01) was found to be significant (see Figure 3 and Table 2). These results support our hypotheses H1, H2, H3, and H4. The R^2 value of recall was 0.4217 indicate that information, entertainment and packaging jointly explained 42.17% of the total variance of recall. The R^2 value of purchase intention was 0.2061 indicate that the construct recall explain 20.61% of the variance of purchase intentions.

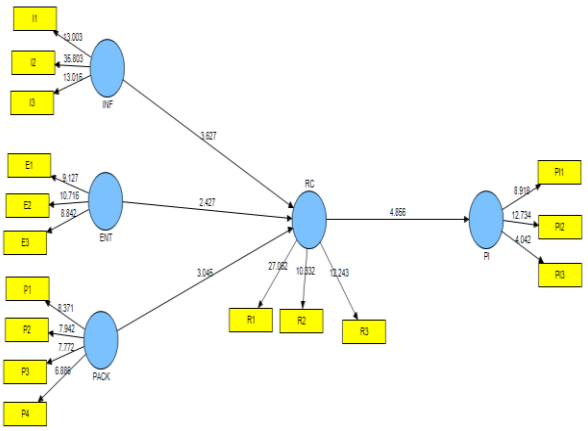


Figure 3. Structural Model

Table 2. Summary of structural model

Hypotheses	Path	Path Coefficient	Standard Error	t-value	Decision
H1	INF=>RC	0.3106	0.0855	3.63**	Supported
H2	ENT=>RC	0.2855	0.1106	2.42**	Supported
H3	PCK=>RC	0.2801	0.0941	3.04**	Supported
H4	RC=>PI	0.4540	0.1012	4.85**	Supported

Notes: INF - Information, ENT - Entertainment, PCK - Packaging, RC - Recall, PI - Purchase Intentions
**p<0.01

To test the mediation hypotheses (H5a, H5b and H5c), we used PLS-SEM. To do so, we run three models separately. For example, model 1 includes information → recall → purchase intention, model 2 includes entertainment → recall → purchase intention, and model 3 includes packaging → recall → purchase intention. To find the value of direct path (independent variable → dependent variable), we eliminated the mediator from the models and find the paths significant. When we added mediator again, the paths become insignificant. The direct effects of information on purchase intentions (β = 0.3337, t = 3.23, p <0.01), entertainment on purchase intentions (β = 0.2875, t = 2.06, p <0.05), and packaging on purchase intentions (β = 0.3942, t = 3.93, p <0.01) were found significant. Moreover, the indirect effect of information on purchase intentions (β = 0.1425, t = 1.21, p >0.05), entertainment on purchase intentions (β = 0.0566, t = 0.46, p >0.05) and packaging on purchase intentions (β = 0.1714, t = 1.32, p >0.05) via recall was found to be insignificant. Hence, the effects of information, entertainment and packaging on purchase intention are fully mediated by advertising recall. Therefore, hypotheses H5a, H5b and H5c were supported.

DISCUSSION

This study provides empirical evidence of the association between advertising attributes and childrens' purchase intentions through the mediating role of advertisement recall in the Asian context. This study revealed that product packaging, entertaining aspect of advertisement and advertisement information influence advertisement recall, which eventually enhances childrens' purchase intentions. Moreover, this study also found that advertisement recall fully mediates the effects of information, entertainment and packaging on purchase intention. The findings of the study are in line with the findings of Calvert (2008) who argued that commercial appeals to childrens have increased due to the extensive exposure of advertisements with the advent of cable television. The findings are consistent with the prior findings of Gulla (2013), who revealed that television advertisement affects childrens' attitude, which eventually affect childrens' buying behavior.

MANAGERIAL IMPLICATIONS

This study also offers practical implications for the managers, especially in the context of Asian business. Childrens in Asian countries seem to be more vulnerable to television advertising (Kelly et al, 2016) and the current study helps managers to understand the role of television advertisement attributes that affects childrens' purchase intentions. It is an important fact that the content of the television advertisement need to be presented in more attractive and audiovisual format so that it makes the childrens understand who are not even able to read properly and hence more concentration should be given on packaging and entertainment of the advertisement. Kelly et al., (2010) found that the marketers offer highest rates of television food advertising during childrens' peak viewing times in Asia. Considering the findings, advertisement should be an important source of enjoyment by integrating vital elements such as animation, jingles, humor, child oriented song, voice, emotions. Advertisers can also depict imaginary figures and animation movies to produce purchasing desire among the childrens. Besides, advertisers can use child celebrities to make advertisement more entertaining and informative to childrens. Incorporation of these features in the storyline of the advertisement would be helpful for the childrens to identify and remember the attributes of television advertisement.

In addition, marketers should scrutinize alternative strategies regarding packaging and advertisement appeals. If companies want children to recall the advertised products, they should develop packaging in such a way that attract childrens, and communicate relevant information to them. Therefore, since a well-packaged product is self-advertising and serves as a purchase appeal and add value to the product (Lifu, 2012), packaging elements such as colors, texts, images, structure, need to be combined properly to provide a real visual situation (Ampuero and Villa, 2006). Moreover, since childrens in Asian culture are more likely to pay attention to the moral behaviors in the advertising content (Chan, 2000), advertisement attributes would have to be tailored as per the ethical and moral issues of the Asian market to be successful.

Furthermore, since the area of advertising is growing day by day and the childrens make purchase decisions at the point of purchase (Underwood, 2003), advertisement recall plays significant role to influence childrens' purchase intentions. Since advertisements have the power to produce long-lasting effects in consumers' mind (Lodish et al., 1995) and childrens are spending a significant amount of time in watching television, there is a high chance to recall such advertised products while purchasing. In this connection, an effective advertising campaign has to be impressive enough to be memorable one. Hence, this study will help the practitioners to know the childrens' understanding of the message communicated through advertising. Hence, marketers should look for new ways to convince customers, reach them in different platforms and to build strong memory among them. Therefore, to enter into the Asian market, marketers should concentrate more on the information, entertainment and packaging features of television advertisement to create a strong memory among childrens so that they can remember advertisement during their shopping. This study thus helps marketing managers by exploring the advertisement attributes that need to consider within the context of Asian childrens.

LIMITATION AND FUTURE RESEARCH DIRECTIONS

The present study has pointed out some important attributes of advertisement like entertainment, information, packaging and their impact on recall and purchase intention among childrens in the Asian context. However, the study has few limitations. First, this study did not collected responses from

childrens directly rather considered their parents' responses. Second, this study considered only the advertisement related to confectionary products. Future research can address these limitations through an experimental study by involving childrens directly. Although recall is a necessary condition for advertising effectiveness; however not sufficient condition (Ambler and Burne, 1999), and hence future research can investigate other underlying mechanisms that play role between advertising attributes and purchase intention. Future research can consider the depth and breadth of childrens' recall to understand television advertisement. Further research can explore whether there is any role of child celebrity from home and abroad to enhance childrens' recall. Moreover, future research can test which attributes of advertisement telecasted in virtual and social media platforms affect childrens' the most in recalling the advertisement. In addition, since childrens may think differently based on their culture, future research can highlight how advertising is perceived by them within various cultural frameworks (i.e., East Asia vs. South Asia and Eastern vs. Western).

Reference

Abernethy, A.M. and Franke, G.R., (1996), "The information content of advertising: A meta-analysis", *Journal of advertising*, Vol.25 No.2, pp.1-17. https://doi.org/10.1080/00913367.1996.10673496

Ahmed Javed, S. and Javed, S., (2015), "The impact of product's packaging color on customers' buying preferences under time pressure", *Marketing and Branding Research*, Vol.2 No.1, pp.4-14. doi 10.33844/mbr.2015.60293

Alexomanolaki, M., Loveday, C. and Kennett, C., (2007). "Music and memory in advertising: Music as a device of implicit learning and recall". *Music, Sound, and the Moving Image*, Vol. 1 No.1, pp.51-73. https://muse.jhu.edu/article/269004

Ambler, T. and Burne, T., (1999), "The impact of affect on memory of advertising", *Journal of advertising research*, 39, pp.25-34.

Ampuero, O. and Vila, N., (2006), "Consumer perceptions of product packaging", *Journal of Consumer Marketing*, Vol. 23 No. 2, pp. 100 - 112. https://doi.org/10.1108/07363760610655032

Apejoye, A., (2013), "Influence of celebrity endorsement of advertisement on students' purchase intention", *Journal Mass Communication and Journalism*, Vol.3 No.3, pp.3-10. http://dx.doi.org/10.4172/2165-7912.1000152

Bettman, J.R., (1979), "Memory factors in consumer choice: A review", *Journal of Marketing*, Vol.43 No.2, pp.37-53. http://www.jstor.org/stable/1250740

Bressoud, E., Lehu, J.M. and Russell, C.A., (2010), "The product well placed: The relative impact of placement and audience characteristics on placement recall", *Journal of Advertising Research*, Vol.50 No.4, pp.374-385. 10.2501/S0021849910091622

Broekemier, G., Marquardt, R. and Gentry, J.W., (2008), "An exploration of happy/sad and liked/disliked music effects on shopping intentions in a women's clothing store service setting", *Journal of Services Marketing*., Vol. 22 No.1, pp. 59-67.https://doi.org/10.1108/08876040810851969

Bushman, B.J. and Bonacci, A.M., (2002), "Violence and sex impair memory for television ads", *Journal of Applied Psychology*, Vol. 87 No.3, p.557. https://doi.org/10.1037/0021-9010.87.3.557

Calvert, S.L., (2008), "Children as consumers: Advertising and marketing", *The future of children*, Vol. 18 No.1, pp.205-234. https://www.jstor.org/stable/20053125

Caruana, A. and Vassallo, R., (2003), "Children's perception of their influence over purchases: the role of parental communication patterns", *Journal of consumer marketing,* Vol.20 No.1, pp. 55-66. https://doi.org/10.1108/07363760310456955

Chapman, K., Nicholas, P., Banovic, D. and Supramaniam, R., 2006. "The extent and nature of food promotion directed to children in Australian supermarkets". Health promotion international, 21(4), pp.331-339. https://doi.org/10.1093/heapro/dal028

Chan, K., 2000. Hong Kong children's understanding of television advertising. *Journal of Marketing Communications*, *6*(1), pp.37-52. https://doi.org/10.1080/135272600345543

Chattopadhyay, A. and Alba, J.W., (1988), "The situational importance of recall and inference in consumer decision making", Journal of Consumer Research, Vol. 15 No.1, pp.1-12. https://doi.org/10.1086/209140

Clement, J., (2007), "Visual influence on in-store buying decisions: an eye-track experiment on the visual influence of packaging design", *Journal of marketing management*, 23(9-10), pp.917-928. https://doi.org/10.1362/026725707X250395

Cotte, J., Coulter, R. A., & Moore, M. (2005). Enhancing or disrupting guilt: The role of ad credibility and perceived manipulative intent. Journal of Business Research, 58(3), 361–368. https://doi.org/10.1016/S0148-2963(03)00102-4

Coulter, R., Coulter, K. and Zaltman, G., (2001), "In Their Own Words: Consumers Attitudes Toward Advertising", *Journal of Advertising*, *30*, pp.1-21. https://doi.org/10.1080/00913367.2001.10673648

Coyle, W., Gilmour, B. and Armbruster, W.J. (2004), "Where will demographics take the Asia-Pacific food system?", Amber Waves (USDA, Vol. 3, June, pp. 14-21, available at: www.ers.usda.gov/Amberwaves/June04/pdf/features_asiapacific.pdf (accessed June 2005). 10.22004/ag.econ.58368

De Veirman, M., Hudders, L. and Nelson, M.R., (2019), "What is influencer marketing and how does it target children? A review and direction for future research", *Frontiers in Psychology*, 10, p.2685. https://doi.org/10.3389/fpsyg.2019.02685

Deliya, M.M.M. and Parmar, M.B.J., (2012), "Role of Packaging on Consumer Buying Behavior â€"Patan District", *global Journal of management and Business research*, Vol.12 No.10. https://journalofbusiness.org/index.php/GJMBR/article/view/732

Dews, T., (2012), "The Power of Music: Song Serves as an Effective Recall Cue in Children". http://dclu.langston.edu/mccabe_theses?

Donovan, R.J., Boulter, J., Borland, R., Jalleh, G. and Carter, O., (2003), "Continuous tracking of the Australian National Tobacco Campaign: advertising effects on recall, recognition, cognitions, and behaviour", *Tobacco control*, Vol.12 No. 2, pp.ii30-ii39. http://dx.doi.org/10.1136/tc.12.suppl_2.ii30

Ducoffe, R.H., (1995), "How consumers assess the value of advertising", *Journal of Current Issues & Research in Advertising*, Vol.17 No.1, pp.1-18. https://doi.org/10.1080/10641734.1995.10505022

Du Plessis, E., (1994), "Recognition versus recall". *Journal of Advertising Research*, Vol. 34 No.3, pp.75-92.

Elliott, C., 2008. Marketing fun foods: a profile and analysis of supermarket food messages targeted at children. *Canadian Public Policy*, *34*(2), pp.259-273. 10.3138/cpp.34.2.259

Fan, Y. and Li, Y., 2010. Children's buying behaviour in China. *Marketing Intelligence & Planning*. https://doi.org/10.1108/02634501011029673

Fornell, C. and Larcker, D. F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research,* Vol. 18 No. 1, pp. 39-50. https://doi.org/10.1177/002224378101800104

Galst, J.P. and White, M.A., (1976), "The unhealthy persuader: The reinforcing value of television and children's purchase-influencing attempts at the supermarket", *Child development*, Vol.47 No.7, pp.1089-1096. https://doi.org/10.2307/1128446

Gelperowic, R. and Beharrell, B., (1994), "Healthy food products for children", *British Food Journal*. https://doi.org/10.1108/00070709410074623

Goldberg, M.E. and Gorn, G.J. (1978), "Some unintended consequences of T.V. advertising to children", Journal of Consumer Research, Vol. 5, No. 1, pp. 22-9. https://doi.org/10.1086/208710

Gulla, A and Purohit, H. (2013), "International Journal of Marketing, Financial Services & Management Research", Vol. 2, No. 6, pp. 103-117 www.indianresearchjournals.com

Gutnick, A.L., Robb, M., Takeuchi, L. and Kotler, J., (2011), "Always connected: The new digital media habits of young children", In *New York: The Joan Ganz Cooney Center at Sesame Workshop*.

Haider, T. and Shakib, S., (2018), "A study on the influences of advertisement on consumer buying behavior", *Business Studies Journal*, Vol.9 No.1, pp.1-13.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E. and Tatham, R. L. (2006), *Multivariate data analysis,* Upper Saddle River, NJ: Pearson Prentice Hall.

Han, E., Powell, L. M. and Kim, T. H. (2013) Trends in exposure to television food advertisements in South Korea. Appetite, 62, 225–231. https://doi.org/10.1016/j.appet.2012.10.015

Heaton, M. and Paris, K., (2006). The effects of music congruency and lyrics on advertisement recall. *Journal of Undergraduate Research IX*, pp.1-4.

Hill, H. and Tilley, J., (2002), "Packaging of children's breakfast cereal: manufacturers versus children", *British Food Journal*, Vol. 104 No. 9, pp. 766-777. https://doi.org/10.1108/00070700210443129

Hota, M. and Charry, K. (2014), "The impact of visual and child-oriented packaging elements versus information on children's purchase

influence across various age groups", International Journal of Retail & Distribution Management, Vol. 42, No. 11/12, pp. 1069-1082. https://doi.org/10.1108/IJRDM-08-2013-0159

Islam, M. and Goni, M.U., (2020). Impact of Television Advertisements on Children's Mental and Physical Development in Bangladesh. *ABC Research Alert*, *8*(1), pp.16-31. https://doi.org/10.18034/abcra.v8i1.448

Jain, L.N. and Kaul, R., (2014), Influence of Media on Kids Buying Behaviour in Indore City. *ELK Asia Pacific Journal of Marketing and Retail Management*, *5*(2), pp.73-82.

Jolly, R., (2011), *Marketing obesity?: junk food, advertising and kids*. Australia: Parliamentary Library.

Karailievová, I., (2012), "Impact of songs and jingles used in advertising on brand and product awareness", *Institute for Marketing Management*.

Karupaiah, T., Chinna, K., Mee, L. H., Mei, L. S. and Noor, M. I. (2008) What's on Malaysian television?—A survey on food advertising targeting children. Asia Pacific Journal of Clinical Nutrition, 17, 483–491.

Keller, K.L., Heckler, S.E. and Houston, M.J., (1998), "The effects of brand name suggestiveness on advertising recall", *Journal of marketing*, Vol. 62 No.1, pp.48-57. https://doi.org/10.1177/002224299806200105

Kelly, B., Halford, J. G., Boyland, E. J., Champman, K., Bautista-Castan˜o, I., Berg, C. et al. (2010) Television food advertising to children: a global perspective. American Journal of Public Health, 100, 1730–1736. https://doi.org/10.2105/AJPH.2009.179267

Kelly, B., Hebden, L., King, L., Xiao, Y., Yu, Y., He, G., Li, L., Zeng, L., Hadi, H., Karupaiah, T. and Hoe, N.S., 2016. Children's exposure to food advertising on free-to-air television: an Asia-Pacific perspective. *Health promotion international*, *31*(1), pp.144-152. https://doi.org/10.1093/heapro/dau055

Kieras, D., (1978), "Beyond pictures and words: Alternative information-processing models for imagery effect in verbal memory", *Psychological Bulletin*, Vol. 85 No.3, p.532. https://doi.org/10.1037/0033-2909.85.3.532

Kumar, P., (2015), "Understanding advertising and consumer behaviour", *International Journal of Education and Management Studies*, Vol. 5 No.2, p.169.

Lapierre, M. A., Vaala, S. E., and Linebarger, D. L. (2011). Influence of licensed spokescharacters and health cues on children's ratings of cereal taste. Arch. Pediatr. Adolesc. Med. 165, 229–234. 10.1001/archpediatrics.2010.300

Lewis, C., Fretwell, C. and Ryan, J., (2012), "An empirical study of emotional response to sounds in advertising", American Journal of Management, Vol.12 No.1, pp.80-91.

Lifu, F.L., (2012), "An analysis of the effect of product packaging on consumers' buying choice in Calabar Municipality, Cross River State, Nigeria", *Asian Journal of Business Management*, Vol.4 No.2, pp.186-191.

Limon, Y., Kahle, L.R. and Orth, U.R., 2009. Package Design as a Communications Vehicle in Cross-Cultural Values Shopping. Journal of International Marketing, 17(1). https://doi.org/10.1509/jimk.17.1.30

Lindner, K., Blosser, G. and Cunigan, K., (2009), "Visual versus auditory learning and memory recall performance on short-term versus long-term tests, *Modern Psychological Studies*, Vol.15 No.1, p.6.

Lloyd, D.W. and Clancy, K.J., (1991), "Television program involvement and advertising response: Some unsettling implications for copy research", *Journal of Consumer Marketing*. Vol.8 No.4, pp. 61-74. https://doi.org/10.1108/07363769110035162

Lodish, L.M., Abraham, M., Kalmenson, S., Livelsberger, J., Lubetkin, B., Richardson, B. and Stevens, M.E., (1995), "How TV advertising works: A meta-analysis of 389 real world split cable TV advertising experiments", *Journal of Marketing Research*, Vol.32 No.2, pp.125-139. https://doi.org/10.1177/002224379503200201

Macklin, M.C., (1994), "The impact of audiovisual information on children's product-related recall", *Journal of Consumer research*, Vol.21 No.1, pp.154-164. https://doi.org/10.1086/209389

Mau, G., Schuhen, M., Steinmann, S. and Schramm-Klein, H. (2016), "How children make purchase decisions: behaviour of the cued processors", *Young Consumers*, Vol. 17 No. 2, pp. 111-126. https://doi.org/10.1108/YC-10-2015-00563

Mehrabian, A. and Russell, J.A. (1974), An Approach to Environmental Psychology, MIT Press, Cambridge.

Mehta, A. and Purvis, S.C., (2006), "Reconsidering recall and emotion in advertising", *Journal of Advertising research*, Vol.46 No.1, pp.49-56. 10.2501/S0021849906060065

Nisbett, E.R. (2003), The Geography of Thought: How Asians and Westerners Think Differently ... and Why, The Free Press, New York, NY. https://doi.org/10.1177/108056990306600315

Nora, Z. (2014), "The impact of packaging colour on children's brand name memorization (7-12 years old)", *International Journal of Retail & Distribution Management*, Vol. 42 No. 11/12, pp. 1053-1068. https://doi.org/10.1108/IJRDM-08-2013-0168

Norris, C.E. and Colman, A.M., (1994), "Effects of entertainment and enjoyment of television programs on perception and memory of advertisements", Social Behavior and Personality: an international journal, Vol. 22 No.4, pp.365-376. https://doi.org/10.2224/sbp.1994.22.4.365

Olson, J.C. and Jacoby, J. (1972) ,"Cue Utilization in the Quality Perception Process", in SV - Proceedings of the Third Annual Conference of the Association for Consumer Research, eds. M. Venkatesan, Chicago, IL : Association for Consumer Research, Pages: 167-179.

Orth, U.R. and Crouch, R.C., (2014), "Is beauty in the aisles of the retailer? Package processing in visually complex contexts", *Journal of Retailing*, Vol.90 No.4, pp.524-537. https://doi.org/10.1016/j.jretai.2014.05.004

Panwar, J.S. and Agnihotri, M., (2006), "Advertising message processing amongst urban children", *Asia pacific Journal of Marketing and logistics*, Vol.18 No.4, p.303. https://doi.org/10.1108/13555850610703263

Podsakoff, P. M., Mackenzie, S. B., Lee, J. Y. and Podsakoff, N. P. (2003), "Common method biases in behavioral research: A critical review of the literature and recommended remedies ", *Journal of Applied Psychology,* Vol. 88 No. 5, pp. 879–903. 10.1037/0021-9010.88.5.879

Preetha R and Radhika S, (2016), "The effect of advertisement on children with special reference to confectionary products in Ernakulam district", *International Journal of Recent Scientific Research,* Vol. 7 No. 5, pp. 10776-10778.

Quinn, R.B.M., (2002), "Advertising and children", *Broadcasting Commission of Ireland, Dublin*, pp.1-55.

Rettie, R. and Brewer, C., (2000), "The verbal and visual components of package design", *Journal of Product & Brand Management*, Vol. 9 No. 1, pp. 56-70. https://doi.org/10.1108/10610420010316339

Rolandelli, D.R., (1989), "Children and television: The visual superiority effect reconsidered", *Journal of Broadcasting & Electronic Media*, Vol.33, No.1, pp.69-81. https://doi.org/10.1080/08838158909364062

Saleem, S. and Abideen, Z., (2011), "Effective advertising and its influence on consumer buying behavior", *European Journal of Business and Management*, Vol.3 No.3, pp.55-67.

Sheik, M.M.A. and Juliet, R.M., (2016), "A study on impact of television advertisement on children's attitude with special reference to confectionary product in Palayamkottal", *International Journal of Research-GRANTHAALAYAH*, *4*(4SE), pp.59-64. https://doi.org/10.29121/granthaalayah.v4.i4SE.2016.2744

Silayoi, P. and Speece, M., 2007. The importance of packaging attributes: a conjoint analysis approach. *European journal of marketing*. https://doi.org/10.1108/03090560710821279

Sujan, M., (1985), "Consumer knowledge: Effects on evaluation strategies mediating consumer judgments", *journal of Consumer Research*, Vol.12 No.1, pp.31-46. https://doi.org/10.1086/209033

Tarabashkina, L., Quester, P. and Tarabashkina, O., (2018), "Perceived informative intention in advertising and its attenuating effect on persuasion attribution among children", *Psychology & Marketing*, Vol. 35 No.10, pp.778-789. https://doi.org/10.1002/mar.21134

Thompson, D.V. and Hamilton, R.W., (2006), "The effects of information processing mode on consumers' responses to comparative advertising", *Journal of Consumer Research*, Vol.32 No.4, pp.530-540. https://doi.org/10.1086/500483

Turley, L.W. and Milliman, R.E., (2000), "Atmospheric effects on shopping behavior: a review of the experimental evidence", *Journal of business research*, Vol.49 No.2, pp.193-211. https://doi.org/10.1016/S0148-2963(99)00010-7

Underwood, R.L., Klein, N.M. and Burke, R.R. (2001), "Packaging communication: attentional effects of product imagery", *Journal of Product & Brand Management*, Vol. 10 No. 7, pp. 403-422. https://doi.org/10.1108/10610420110410531

Underwood, Robert L., (2003) "The communicative power of product packaging: creating brand identity via lived and mediated experience." *Journal of marketing theory and practice* Vol.11, No. 1, pp. 62-76. https://doi.org/10.1080/10696679.2003.11501933

Valkeinen, S., (2020), "Influence of music in advertising on consumer attitude and purchase intention: The effect of an international and local music on the Finnish audience". https://doi.org/10.1080/10696679.2003.11501933

Ward, S. and Wackman, D.B., (1972), "Children's purchase influence attempts and parental yielding", *Journal of Marketing Research*, Vol. 9 No.3, pp.316-319. https://doi.org/10.1177/002224377200900312

Weilbacher, W.M., (2003), "How advertising effects consumers", *Journal of Advertising Research*, Vol.43 No.2, pp.230-234. https://doi.org/10.1017/S0021849903030241

Wilcox, B.L., Cator. J., Dowrick, P., Kunkel, D., Linn, S., Palmer, E., (2004),"Report of the APA task force on advertising and children" American Psychological Association, Public Affairs Office.

Zaltman G. (2003), How Customers Think. Boston, Massachusetts: Harvard Business School Press.

Zanot, Eric (1984), "Public Attitudes Toward Advertising: The American Experience: International Journal of Advertising, 3 (I), 3-15. https://doi.org/10.1080/02650487.1984.11104995

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.115
https://journal.unisza.edu.my/jmtp



Examining the Factors that Influence Consumer Satisfaction with Online Food Delivery in Klang Valley, Malaysia

[1]*Tan Hui Kok, [2]Vincent Wee Eng Kim

[1,2]Business and Management, Veritas University College, Malaysia

***Corresponding Author Email: huikok23@gmail.com**

Received:13th June 2021 ***Accepted:4th July 2021*** ***Published: 20th July 2021***

ABSTRACT

In World War II, female volunteers participated in the work of delivering food to soldiers. The idea of food service delivery spread from the UK to the United States, and food delivery has become a new business model worldwide. In 1987, Pizza Hut began to order by phone and provide food delivery services to capture market share. With the development of the internet and the popularity of smartphone, online ordering and online food delivery (OFD) have become a trend, lifestyle and multibillion-dollar business. In 2017, Malaysia's online food delivery boomed. There are numerous food ordering service platforms on the market, including FoodPanda, Uber Eats (now changed to GrabFood), Honestbee, Dahmakan, DeliverEat, Running Man Delivery, etc. Hence, this research aims to identify factors that continue to influence Malaysian consumer satisfaction with online food delivery after the COVID-19 pandemic and in the future. The results show that perceived price, promotion & discount, convenience motivation, service approach quality, and food quality positively impact the trend factors of OFD services. These findings can provide essential insights for OFD service providers, the restaurant industry and academics, critical for OFD services to improve consumer satisfaction.

Keywords: Consumer Satisfaction, Perceived Price, Promotion & Discount, Service Approach Quality, Food Quality

OPEN ACCESS

BACKGROUND AND INTRODUCTION

With the development of technology and lifestyle change, online shopping has become one of the most popular online activities. Online food delivery (OFD) services can be regarded as one of the time-saving online activities. Online food delivery is similar to online shopping, which needs to attract and meet consumer wants. OFD services have gradually changed consumers' food buying habits (Troise, O'Driscoll, Tani, & Prisco, 2020). The OFD services business is worth billions of dollars worldwide. In 2020, OFD services revenue will exceed $136.431 billion US dollars. It is estimated that by 2024, the global market will reach 182.327 billion US dollars, with a growth rate of 7.5%. OFD services market has become the fastest growing industry in the food market, with revenues in Southeast Asia expected to reach $956 million US dollars by 2022. Since 2017, OFD services have begun to sweep significant cities in Malaysia, such as Klang Valley, Penang, Malacca, Kuching, Ipoh, Johor Bahru, etc. There are many food ordering service platforms on the market, including FoodPanda, Uber Eats (now changed to GrabFood), Honestbee, Dahmakan, DeliverEat, Running Man Delivery, Food Ninja, LalaFood, etc. Among them, the competition between FoodPanda and GrabFood is the most intense. These OFD services are currently only concentrated in urban areas.

The COVID-19 pandemic has led to the rapid growth of online food delivery. During the pandemic, many cities worldwide are under lockdown. The government encourages social distancing, and consumers cannot eat in restaurants to prevent the spread of the virus. In Malaysia, as customers choose to use online ordering food and buying food to maintain social distancing and prevent infection, online sales have increased by 90% between February and March. Online food ordering and online grocery applications or platforms have become popular. OFD service provides jobs to the delivery rider and brings profit opportunities for restaurants (Li, Mirosa, & Bremer, 2020). OFD services are growing faster than before and have become the new normal for more people (Hadi Mohamad, Athirah Hamzah, Ramli, & Fathullah, 2020). Consumer satisfaction is an essential factor that helps OFD service companies stand out. OFD service companies must meet the needs of consumers in this aggressive market to avoid out of existence. This study identified factors that will continue to influence consumers' decision to adopt online food delivery services after the COVID-19 pandemic. This research explores and integrates economic and non-economic factors that influence consumer satisfaction with OFD services. Hence, this research examines the relationship of economic factors (perceived price, promotion & discount) and non-economic factors (convenience motivation, service approach quality, food quality) with consumer satisfaction towards OFD services.

RESEARCH OBJECTIVE

The objectives of this study:

1. To investigate whether perceived price, promotion & discount, convenience motivation, service approach quality, and food quality affects consumer satisfaction using OFD services.
2. To determine the most important factor that influences consumer satisfaction using OFD services.

RESEARCH QUESTION

Therefore, to achieve the above research goals, this research will try to answer the following research questions:

1. What is the impact of perceived price, promotion & discount, convenience motivation, service approach quality, and food quality on consumer satisfaction using OFD services?
2. What is the most important factor impacting consumer satisfaction using OFD service?

LITERATURE REVIEW

For a long time, consumer satisfaction has been significant research in marketing strategy. Nowadays, marketing activities will continue to follow the needs of consumers as a basic assumption for developing appropriate strategies to improve consumer satisfaction (Karolina Ilieska, 2013). Consumer satisfaction can determine customer needs and determine what is of value to customers. Consumer satisfaction will help the product or service meet the excellent standard of a particular business.

Consumer Satisfaction

Customers are always the main key factor in market share and company development (Khadka & Maharjan, 2014). Satisfaction can be defined as meeting the needs and expectations of consumers. Consumer satisfaction measures the level and quality of services received by consumers (Brunero & Lamont, 2009). Therefore, satisfaction and loyalty are the key factors determining the successful implementation of the market. Tamminen (2016) said that consumer satisfaction forms the basis of a successful company. Satisfied customers ensure the company's competitive advantage over competitors and are the way to ensure the company's profit. Companies that want to gain market share need to provide customers with valuable and unique terms to beat competitors. Zhang & Pan (2009) confirmed that consumer satisfaction positively correlated with financial performance. The higher the consumer satisfaction score, the higher the profit margin.

Perceived Price

Price always plays an important role and determines the choice of product or service. Al-msallam (2015) indicated the price is an essential factor in generating consumer satisfaction because customers always evaluate the value of services based on their prices. Martın-Consuegra et al. (2003) showed that perceived price is directly affected by consumer satisfaction judgment. At the same time, perceived price fairness indirectly affects price acceptance through customer loyalty. Susanti (2019) stated that price is an essential factor in determining customer satisfaction because all consumers evaluate the value of the service received at the price they paid. As a result, perceived unfair prices may lead to brand abandonment and brand switching. Rothenberger's (2015) research shows that perceived price fairness is an effective way to evaluate consumer satisfaction and increase customer loyalty.

H1: Perceived price has a positive influence on consumer satisfaction using OFD services.

Promotion & Discount

Promotion & discount are marketing communication tools used to stimulate revenue. The attractiveness of promotion & discount may temporarily affect consumers' purchasing decisions (Shaddy & Lee, 2020). Sale promotions & discount activities also can influence consumers to change brands, increase purchases and overspending. Discount is considered the most stimulating means of promotion that affects consumers' purchase intentions (Neha & Manoj, 2013). Pi & Huang (2011) research found that promotion can maintain customer loyalty by improving consumer satisfaction, trust and commitment. The research results of Alipour et al. (2018) showed that appropriate promotional activities have a significant impact on consumer satisfaction. Nakarmi's (2018) research shows that customers are too satisfied with price discounts, coupons, free samples and "buy one get one free". Therefore, promotional practices will improve sales by influencing consumers' purchase behaviour.

H2: Promotion & discount has a positive influence on consumer satisfaction using OFD services.

Convenience Motivation

The digital age has affected our lifestyle and business models. Digitalization enables customers to online shopping, online banking, remote working and online food ordering at anytime, anywhere (Radon, 2015). Consumers can easily place orders via mobile phone (Sata, 2013). Jeneefa & Rajalakshmy (2020) research shows that perceived control and convenience are the keys to customers using online ordering, leading to higher satisfaction. Perceived control is demonstrated in a mature food ordering system that enables customers to monitor the status of their food and notify customers after completing the order (Lim, 2018). Online shopping convenience can reduce the non-monetary cost, including time, energy and effort spent acquiring goods or services (Zeithaml, 1988). Khazaei et al. (2014) confirmed that convenience is a vital service attribute that positively impacts consumer satisfaction and behavioural response in electronic banking and online shopping.

H3: Convenience motivation has a positive influence on consumer satisfaction using OFD services.

Service Approach Quality

When customers are satisfied with a brand or store, they will always choose it, increasing sales and profits for the company (Agbor, 2011). Brady & Cronin (2001) believes that measuring the gap between expectations and perceptions cannot obtain an excellent psychological evaluation of service quality. Susskind et al. (2003) found that customer service orientation has positively affected consumer satisfaction. Michelli (2009) pointed out that the four service-centric approaches can enable customers to meet related needs. These approaches are relevant**,** easy & consistent**,** speedy, and secure. Logistics services are part of online shopping transactions to enhance customer loyalty (Hong, Zheng, Wu, & Pu, 2019). For OFD services, the delivery rider plays a vital role in this. Johnson & Karlay (2018) find

responsiveness, empathy, and assurance of the quality of service that influences consumer satisfaction.
H4: Service approach quality has a positive influence on consumer satisfaction using OFD services.

Food Quality

Food is the basic need of all humankind (Mahendran, 2013). Food quality involves several aspects, including food appearance, taste, menu diversity, health and freshness. As we all know, food quality is at the core of meeting the needs of restaurant customers, which can achieve loyal customers and repeat purchases (Rozekhi, Hussin, Siddiqe, Rashid, & Salmi, 2016). Taste is the most important element of food quality and is considered a vital attribute of the gourmet experience. Kannan (2019) also found that food quality fundamentally affects consumer satisfaction and behavioural intentions. Several studies have shown that food quality positively impacts consumer satisfaction (Zhong & Moon, 2020). Petrescu et al. (2020) found that consumers said that food quality is related to freshness, taste and appearance. Savov & Kouzmanov (2014) showed that consumers assess the food quality based on price, taste and appearance.
H5: Food quality has a positive influence on consumer satisfaction using OFD services.

RESEARCH MODEL

The following conceptual model describes the relationship between perceived price, promotion & discount, convenience motivation, service approach quality, food quality and consumer satisfaction using OFD services.



Figure 1. Research model

METHODOLOGY

This study was conducted in Klang Valley, the most prosperous urban in Malaysia, within one month (8 March to 4 April 2021). A questionnaire survey was conducted through Google Form, and an online self-management questionnaire was used to enable participants to fill in and submit the questionnaire more flexibly and conveniently. A total of 646 respondents were collected. There are no incomplete data. This study uses non-probability sampling because it is more cost-effective and faster than probability sampling. Purposive or Judgmental Sampling allows the researcher to be more subjective, selective, and critical when selecting research samples. Compared with random samples, selecting participants has some characteristics, making it easier to generalize the sample. At the same time, due to the feasibility, cost and time constraints of the study, non-probability sampling will be highly reliable in this study.

The survey consists of six parts. Section A is demographic data, such as age, gender, marital status, level of education, and occupation category. Section B to G is the questionnaire items used to measure perceived price, promotion & discount, convenience motivation, service approach quality, food quality and consumer satisfaction using OFD services. The survey questions are evaluated using a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Researchers used descriptive analysis, reliability testing (Cronbach Alpha), and inferential analysis (ANOVA, Linear Regression, and Multiple Linear Regressions) to analyze the research data.

RESULTS

The composition of respondents is fairly balanced in terms of gender. Female respondents accounted for 50.3% (N=325), male respondents accounted for 49.7% (N=321). As for the age group, nearly half of the respondents, 44.7% were between 35 and 44 years old, followed by 21.1% between 45 and 54 years old, and 20.4% between 25 and 34 years old. The smallest group is 10.8% of young people under the age of 24 and 2.9% of those over 55 years old. The result indicates that singles prefer to use OFD services compare with married people, which comprises 69.3% or 448 respondents, followed by married, 30.7% or 198 respondents. In terms of education, the Degree-level respondents accounted for the highest 63.8%, followed by Master (20.9%), Diploma (11%), High School (3.1%), and PhD (1.2%). As for occupation categories, most of the respondents were employees, accounting for 62.2% or 402 respondents, followed by self-employed 13.6% or 88 respondents; students 11.8%, or 76 respondents; freelancers 8.7%, which is 56 respondents; and 3.7% of housewives/retirees, or 24 respondents. The majority respondents are an employee who is most suitable for this study as the primary customer in this OFD market.

Table 1. Demographic Data

	Frequency	Percent
Gender		
Female	325	50.3
Male	321	49.7
Age		
24 years old and below	70	10.8
25-34 years old	132	20.4
35-44 years old	289	44.7
45-54 years old	136	21.1
55 years old and above	19	2.9
Marital Status		
Married	198	30.7
Single	448	69.3
Education Level		
High School	20	3.1
Diploma	71	11.0
Degree	412	63.8
Master	135	20.9
PhD	8	1.2
Occupation		
Student	76	11.8
Self Employed	88	13.6
Employee	402	62.2
Freelancer	56	8.7
House Wife/Retired	24	3.7

Mean and Standard Deviation of Construct

The average mean of all constructs evaluated by the participants was 3.96. That means the factors affecting consumer satisfaction seem to affect positively, but there is still much room for improvement.

Table 2. Ranking of the mean

	Std. Deviation	Mean
Perceived Price	0.519	3.90
Promotion &Discount	0.635	3.82
Convenience Motivation	0.497	4.23
Service Approach Quality	0.530	4.04
Food Quality	0.679	3.84
Consumer Satisfaction	0.555	3.90

Reliability Testing Cronbach's Alpha

The reliability of a measure shows the degree to which there is no prejudice in ensuring consistent measurement across time and items in the instrument. As shown, five variables score 0.7 above and one variable score 0.6 above, the reliability of the data is verified.

Table 3. Cronbach's Alpha

	No. of Item	Cronbach's Alpha
Perceived Price	5	0.66
Promotion &Discount	5	0.76
Convenience Motivation	5	0.75
Service Approach Quality	5	0.82
Food Quality	5	0.93
Consumer Satisfaction	5	0.79

The impact of perceived price on consumer satisfaction using OFD services

Table 4. Model Summary of perceived price on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.516[a]	0.266	0.265	0.476

Table 5. ANOVA analysis of perceived price on consumer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Regression	52.848	1	52.848	233.739	.000[b]
Residual	145.609	644	0.226		
Total	198.457	645			

Table 6. Coefficients of perceived price on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.756	0.142		12.395	.000
Perceived price	0.551	0.036	0.516	15.289	.000

When consumer satisfaction using OFD services was predicted, it was found that perceived price (Beta = 0.55, $p < .01$) was a significant predictor. The overall model fit was adjusted $R^2 = 0.27$ and 27% of the variance in consumer satisfaction using OFD services can be explained by perceived price. Therefore, the increase in perceived price will affect the improvement of consumer satisfaction. The initial hypothesis is accepted.

The impact of promotion & discount on consumer satisfaction using OFD services

Table 7. Model Summary of promotion & discount on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.474[a]	0.225	0.224	0.489

Table 8. ANOVA analysis of promotion & discount on consumer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Regression	44.656	1	44.656	186.986	.000[b]
Residual	153.801	644	0.239		
Total	198.457	645			

Table 9. Coefficients of promotion & discount on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	2.317	0.117		19.727	.000
Promotion & discount	0.415	0.030	0.474	13.674	.000

The results show that promotion & discount (Beta = 0.42, $p < .01$) was a significant predictor by analyzing the relationship between promotion & discount and consumer satisfaction. The overall model fit was adjusted $R^2 = 0.22$ and 22% of the variance in consumer satisfaction using OFD services can be explained by promotion & discount. Therefore, the increase in promotions and discounts will affect the improvement of consumer satisfaction. The initial hypothesis is accepted.

The impact of convenience motivation on consumer satisfaction using OFD services

Table 10. Model Summary of convenience motivation on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.322[a]	0.104	0.102	0.526

Table 11. ANOVA analysis of convenience motivationon consumer satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Regression	20.561	1	20.561	74.433	.000[b]

Residual	177.896	644	0.276		
Total	198.457	645			

Table 12. Coefficients of convenience motivation on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Beta	Beta	t	Sig.
(Constant)	2.384	0.177		13.452	.000
Convenience motivation	0.359	0.042	0.322	8.627	.000

Subsequently, through the analysis of consumer satisfaction using OFD services, it was found that convenience motivation (Beta = 0.36, $p < .01$) was a significant predictor. The overall model fit was adjusted $R^2 = 0.10$ and 10% of the variance in consumer satisfaction using OFD services can be explained by convenience motivation. Therefore, the increase in convenience motivation will affect the improvement of consumer satisfaction. The initial hypothesis is accepted.

The impact of service approach quality on consumer satisfaction using OFD services

Table 13. Model Summary of service approach quality on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.560[a]	0.314	0.313	0.460

Table 14. ANOVA analysis of service approach quality on consumer satisfaction

Sum of Squares		df	Mean Square	F	Sig.
Regression	62.270	1	62.270	294.465	.000[b]
Residual	136.187	644	0.211		
Total	198.457	645			

Table 15. Coefficients of service approach quality on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.532	0.139		10.995	.000
Service approach quality	0.586	0.034	0.560	17.160	.000

Perform linear regression analysis on service approach quality and consumer satisfaction using OFD services. It was found that service approach quality (Beta = 0.59, $p < .01$) was a significant predictor. The overall model fit was adjusted $R^2 = 0.31$ and 31% of the variance in consumer satisfaction using OFD services can be explained by service approach quality. Therefore, the increase in service approach quality will affect the improvement of consumer satisfaction. The initial hypothesis is accepted.

The impact of food quality on consumer satisfaction using OFD services

Table 16. Model Summary of food quality on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.788[a]	0.621	0.602	0.342

Table 17. ANOVA analysis of food quality on consumer satisfaction

Sum of Squares		df	Mean Square	F	Sig.
Regression	123.242	1	123.242	1055.209	.000[b]
Residual	75.215	644	0.117		
Total	198.457	645			

Table 18. Coefficients of food quality on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Beta	Beta	t	Sig.
(Constant)	1.432	0.077		18.549	.000
Convenience motivation	0.644	0.020	0.788	32.484	.000

When predicting consumer satisfaction using OFD services, it was found that food quality (Beta = 0.64, $p < .01$) was a significant predictor. The overall model fit was adjusted $R^2 = 0.62$ and 62% of the variance in consumer satisfaction using OFD services can be explained by food quality. Therefore, the increase in food quality will affect the improvement of consumer satisfaction. The initial hypothesis is accepted.

The most important factor impacting consumer satisfaction using OFD service

Table 19. Model Summary of perceived price, promotion & discount, convenience motivation, service approach quality, and food quality on consumer satisfaction

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.841[a]	0.707	0.705	0.301

Table 20. ANOVA analysis of perceived price, promotion & discount, convenience motivation, service approach quality, and food quality on consumer satisfaction

Sum of Squares		df	Mean Square	F	Sig.
Regression	140.362	5	28.072	309.259	.000[b]
Residual	58.095	640	0.091		

Total	198.457	645			

Table 21. Coefficients of perceived price, promotion & discount, convenience motivation, service approach quality, and food quality on consumer satisfaction

	Unstandardized Coefficients		Standardized Coefficients		
	B	Beta	Beta	t	Sig.
(Constant)	0.070	0.128		0.549	.583
Perceived price	0.137	0.027	0.129	5.059	.000
Promotion & discount	0.089	0.022	0.102	4.144	.000
Convenience motivation	0.049	0.028	0.044	1.773	.077
Service approach quality	0.233	0.028	0.223	8.319	.000
Food quality	0.470	0.022	0.575	21.106	.000

The multiple linear regressions were carried out to investigate whether perceived price, promotion & discount, convenience motivation, service approach quality, and food quality could significantly explain consumer satisfaction using OFD services. The results of the multiple regression analysis showed that the model explained 71% of the variance and that the model significantly explains consumer satisfaction using OFD services, $F(5, 640) = 309.26$, $p < .01$.

Based on the standardized coefficient beta, food quality ($B = 0.58$, $p < .01$) significantly explained more of the variance in consumer satisfaction using OFD services compared to service approach quality ($B = 0.22$, $p < .01$), perceived price ($B = 0.13$, $p < .01$) and promotion & discount ($B = 0.10$, $p < .01$).Base on unstandardized coefficients beta, food quality ($B = 0.47$, $p < .01$), service approach quality ($B = 0.23$, $p < .01$), perceived price ($B = 0.14$, $p < .01$) and promotion & discount ($B = 0.09$, $p < .01$) has contributed significantly to the model. Convenience motivation ($B = 0.05$, $p < .01$) shows that this variable did not significantly explain the variance in the dependent variable, when the significance level of 0.08 exceeds 0.01.In conclusion, the most important factor explaining the variance in consumer satisfaction using OFD services is food quality.

The final predictive model is as follow:
Consumer satisfaction using OFD services = (0.47 * food quality) + (0.23 * service approach quality) + (0.14 * perceived price) + (0.09 * promotion & discount)

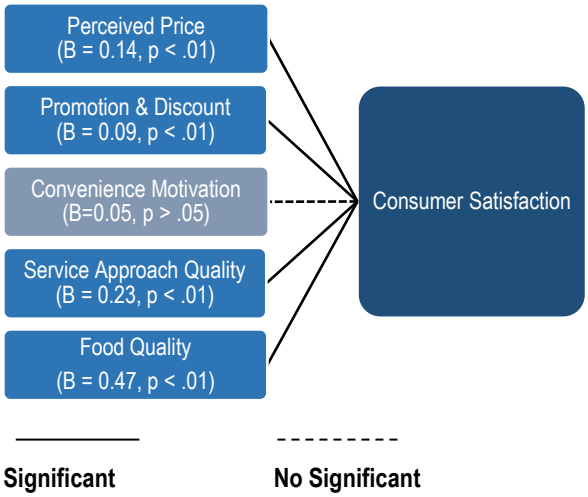


Figure 2. Framework Model and Results

DISCUSSION AND CONCLUSION

This study examines the relationship of perceived price, promotion & discount, convenience motivation, service approach quality, food quality with consumer satisfaction and clarifying what factors can continue driving the development of the food delivery market. It also investigated the relationship between consumer satisfaction and purchasing decisions using OFD services. The critical finding is that food quality has the most positive impact on consumer satisfaction, among other factors. The result is consistent with Kannan (2019), Mohaydin et al. (2017), Pfeifer et al. (2014), Rozekhi et al. (2016) and Zhong (2020) research. This research may help to understand better the significance of food quality in the foodservice industry and fill the gaps in research on factors that affect consumer satisfaction. This result may also show that the food quality (mean=3.84) provided has not yet met consumers' high expectations, and there is a lack of high-quality and high-value food.

Besides, service approach quality, perceived price, promotion & discount and convenience motivation significantly influenced the consumer using OFD services. OFD services can increase service quality to gain consumer retention, provide price fairness to fulfill customer needs, offer discounts to attract customers to repeat orders, and satisfy the customer's access & transaction convenience through innovation. These findings are consistent with Johnson et al. (2018), Arlanda & Suroso (2018), Zhang & Prasongsukarn (2017) and Khazaei et al. (2014) research into consumer satisfaction with service quality, perceived price, promotion & discount and convenience motivation.

Researchers found that compared with other variables, the convenience motivation of using OFD services has a minor impact on consumer satisfaction. Convenience motivation does not seem to be necessary anymore. It may be that consumers can easily get food without ordering online. This result is consistent with Radon (2015), that convenience is no longer a unisex perfume; it cannot fit everyone in one type. OFD service companies need to create a new definition of convenience for customers to improve consumer satisfaction. Huang & Oppewal (2006) pointed out that the delivery fee will affect consumers' reluctance to order food online because they are unwilling to pay the delivery fee.

Therefore, online food ordering companies need to ensure food quality, service approach quality, perceived prices and promotion & discount to improve consumer satisfaction. Consumer satisfaction can increase the company's revenue from loyal customers by providing high-quality food, reliable customer service, reasonable prices and effective promotional coupons. However, under different circumstances, the moderating effects of cities and countries may be other. There have been preliminary studies investigate differences in food quality in OFD service experience.

According to several researches, after-sales service (customer engagement) can maintain a profitable long-term relationship with customers and obtain customer satisfaction and loyalty. Customer engagement is crucial and essential so that customers can feel that they are valuable. Liu (2019) found that hedonistic motives and new experiences (customer experience) greatly affected consumer satisfaction with OFD services in Bangkok, Thailand. The research of Jelison (2017) and Ryu et al. (2010) also shows that perceived hedonic value is positively correlated with customer buying behaviour. Besides, there is a significant positive correlation between income level and consumer satisfaction. Rohman et al. had proved that the income level had affected consumer satisfaction towards customer loyalty (Rohman & Rahayu, 2015). Klopotan et al. (2016) found that the high-income level significantly impacts customer's attitudes towards loyalty. Thus, income level can be regarded as one of the influencing factors of consumer satisfaction with purchasing behaviour. There is a lack of research to investigate the impact of income levels on consumer satisfaction, especially in the food industry.

LIMITATION & FUTURE RESEARCH

The study was also affected by methodological limitations, which limited the nature of the questions and answers requested by participants. All factors in the current survey use 5-point Likert scales and restrict participants' ability to explain their answers further. Due to the limited abilities of the participants, it is impossible to explain in detail the reasons for their specific positions on the questions raised in the questionnaire, so the research results may not reflect the actual situation. It may be necessary to conduct in-depth qualitative research (such as interviews) to investigate the reasons for consumer satisfaction with OFD services. Therefore, in future research, it is could mix qualitative and quantitative approaches and examine new variables that affect Malaysian consumers' satisfaction with OFD services, such as after-sales service (customer participation), customer experience, hedonistic motivation, and income level.

References

Agbor, J. M. (2011). *The Relationship between Customer Satisfaction and Service Quality*. 270–271.

Al-msallam, S. (2015). Customer Satisfaction and Brand Loyalty in the Hotel Industry. *International Journal of Management Sciences and Business Research*, (9), 1–13.

Alipour, M., Pour, B. M., & Darbahaniha, A. (2018). The Effects of the 7P Marketing Mix Components on Sporting Goods Customer Satisfaction. *International Journal of Business and Management Invention*, *7*(1), 20–26.

Arlandza, R., & Suroso, A. (2018). The Influence of Food & Beverage Quality, Service Quality, Place, and Perceived Price to Customer Satisfaction and Repurchase Intention. *Journal of Research in Management*, *1*(1). https://doi.org/10.32424/jorim.v1i1.18

Brady, M. K., & Jr.Cronin, J. J. (2001). Some New Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach. *Journal of Marketing*. https://doi.org/10.1007/s10840-017-0265-3

Brunero, S., & Lamont, S. (2009). *Using and understanding consumer satisfaction to effect an improvement in mental health service delivery*. 272–278.

Farris, P. W., Bendle, N. T., Pfeifer, P. E., & Reibstein, D. J. (2010). *Marketing Metrics: The Definitive Guide to Measuring Marketing* (2nd ed.). New Jersey: Pearson Education.

Godiya Jis Jelison, by. (2017). *Factors Positively Affecting Purchase Behavior of Coffee Consumers in Wattana District in Bangkok*.

H, J., & Mh, R. (2020). A Study on Consumer Expectations and Satisfaction with Online Food Ordering Portals. *Journal of Emerging Technologies and Innovative Research*, *6*(71), 838–852.

Hadi Mohamad, A., Athirah Hamzah, A., Ramli, R., & Fathullah, M. (2020). E-Commerce beyond the Pandemic Coronavirus: Click and Collect Food Ordering. *IOP Conference Series: Materials Science and Engineering*, *864*. https://doi.org/10.1088/1757-899X/864/1/012049

Hong, W., Zheng, C., Wu, L., & Pu, X. (2019). Analyzing the relationship between consumer satisfaction and fresh e-commerce logistics service using text mining techniques. *Sustainability (Switzerland)*, *11*. https://doi.org/10.3390/su11133570

Huang, Y., & Oppewal, H. (2006). Why consumers hesitate to shop online: An experimental choice analysis of grocery shopping and the role of delivery fees. In *International Journal of Retail and Distribution Management* (Vol. 34). https://doi.org/10.1108/09590550610660260

Johnson, E. C., & Jesse S. Karlay. (2018). *Impact of Service Quality on customer Satisfaction*. *18*(5), 39–44. https://doi.org/10.9790/0837-1853944

Kannan, R. (2019). The Impact of Food Quality on Customer Satisfaction and Behavioural Intentions : A Study on Madurai Restaurant. *Innovative Journal of Business and Management*, (March 2017). https://doi.org/10.15520/ijbm

Karolina Ilieska. (2013). Customer Satisfaction Index – as a Base for Strategic Marketing Management. *TEM Journal*, *2*(294), 327–331. Retrieved from www.temjournal.com

Khadka, K., & Maharjan, S. (2014). Value, satisfaction and customer loyalty. *Marketing for Entrepreneurs and SMEs*, (November), 21–36. https://doi.org/10.4337/9781781955970.00008

Khazaei, A., Manjiri, H., Samiey, E., & Najafi, H. (2014). The Effect of Service Convenience on Customer Satisfaction and Behavioral Responses in Bank Industry. *International Journal of Basic Science & Applied Research*, *3*(1), 16–23.

Klopotan, I., Vrhovec-Žohar, K., & Mahič, E. (2016). Impact of Income on Customers' Loyalty: Are Customers with Higher Income more Loyal? *Business Systems Research Journal*, *7*(1), 81–88. https://doi.org/10.1515/bsrj-2016-0006

Li, C., Mirosa, M., & Bremer, P. (2020). Review of online food delivery platforms and their impacts on sustainability. *Sustainability (Switzerland)*, *12*(14), 1–17. https://doi.org/10.3390/su12145528

Lim, J. W. (2018). *Fast Food Ordering System Using Mobile Application a Report Submitted To*. (May), 131. Retrieved from http://eprints.utar.edu.my/3031/1/fyp_IB_2018_LJW_-_1402014.pdf

Liu, H. (2019). *Factors positively influencing customer satisfaction of online food delivery services of customers in bangkok and its vicinity*. 1–103. Retrieved from http://dspace.bu.ac.th/bitstream/123456789/4406/1/Haiyang Liu.pdf

Mahendran, A. (2013). A study on customer satisfaction on food delivery mechanism of universal PDS in Tamil Nadu (India). *International Journal of Agricultural Economics and Extension*, *1*(8), 61–67. Retrieved from www.internationalscholarsjournals.org

Martın-Consuegra, Department, D., Molina, A., & Esteban, A. (2003). An integrated model of price , satisfaction and loyalty : an empirical analysis in the service sector. *Journal of Product & Brand Management*. https://doi.org/10.1108/10610420710834913

Michelli, J. (2009). Are you service-centric? Retrieved from https://customerthink.com/are_you_service_centric/

Mohaydin, G., Chand, A., Aziz, B., Bashir, M., & Irfan, J. (2017). Effect of Food Quality on Customer Perceived Satisfaction Level and Mediating Effect of Food Safety on Them. *International Journal of New Technology and Research*, (1), 34–41.

Nakarmi, A. (2018). Effect of Sales Promotion on Consumer Behavior. *Seinajoki University of Applied Science*, *1*(33), 1–44.

Neha, S., & Manoj, V. (2013). Impact of Sales Promotion Tools on Consumer ' s Purchase Decision towards White Good (Refrigerator) at Durg and Bhilai Region of CG , India. *Research Journal of Management Sciences*, *2*(7), 10–14.

Petrescu, D. C., Vermeir, I., & Petrescu-Mag, R. M. (2020). Consumer understanding of food quality, healthiness, and environmental impact: A cross-national perspective. *International Journal of Environmental Research and Public Health*, *17*(1).

https://doi.org/10.3390/ijerph17010169
Pi, W., & Huang, H. (2011). Effects of promotion on relationship quality and customer loyalty in the airline industry: The relationship marketing approach. *African Journal of Business Management*, *5*(11), 4403–4414. https://doi.org/10.5897/AJBM10.1426
Radon, A. (2015). UTILIZING THE CONCEPT OF CONVENIENCE AS A BUSINESS. *Organizations and Markets in Emerging Economies*, (January), 6–21. https://doi.org/10.15388/omee.2015.6.2.14219
Rohman, F., & Rahayu, M. (2015). Customer Income as the Moderator on the Relation of Customer Satisfaction , Loyalty and Switching Intention (Study Case through Telkomsel Customers at Makassar City). *International Journal of Business and Management Invention*, *4*(2), 16–24.
Rothenberger, S. (2015). *Fairness through transparency: The influence of price transparency on price fairness perceptions*. *32*(15/008), 0–32.
Rozekhi, N. A., Hussin, S., Siddiqe, A. S. K. A. R., Rashid, P. D. A., & Salmi, N. S. (2016). The Influence of Food Quality on Customer Satisfaction in Fine Dining Restaurant: Case in Penang. *International Academic Research Journal of Business and Technology*, *2*(2), 45–50.
Ryu, K., Han, H., & Jang, S. S. (2010). Relationships among hedonic and utilitarian values, satisfaction and behavioral intentions in the fast-casual restaurant industry. *International Journal of Contemporary Hospitality Management*, *22*(3), 416–432. https://doi.org/10.1108/09596111011035981
Sata, M. (2013). Consumer Buying Behavior of Mobile Phone Devices. *Journal of Marketing and Consumer Research-An Open Access International Journal*, *2*(8), 8–15.
Savov, A. V, & Kouzmanov, G. B. (2014). *Food Quality and Safety Standards at a Glance*. *2818*(2009). https://doi.org/10.2478/V10133-009-0012-8
Shaddy, F., & Lee, L. (2020). Price Promotions Cause Impatience. *Journal of Marketing Research*, *57*(1), 118–133. https://doi.org/10.1177/0022243719871946
Susanti, C. E. (2019). The Effect of Service Quality and Perceived Price Fairness on Consumer Loyalty through Consumer Satisfaction on Budget Hotel in East Java. *Indian Journal of Science and Technology*, *12*(6), 1–7. https://doi.org/10.17485/ijst/2019/v12i6/141954
Susskind, A. M., Kacmar, K. M., & Borchgrevink, C. P. (2003). Customer Service Providers ' Attitudes Relating to Customer Service and Customer Satisfaction in the Customer-Server Exchange. *Journal of Applied Psychology*, (October 2014). https://doi.org/10.1037/0021-9010.88.1.179
Tamminen, T. (2016). *Development of Customer Satisfaction*.
Troise, C., O'Driscoll, A., Tani, M., & Prisco, A. (2020). Online food delivery services and behavioural intention – a test of an integrated TAM and TPB framework. *British Food Journal*. https://doi.org/10.1108/BFJ-05-2020-0418
Zeithaml, V. A. (1988). *Consumer Perceptions of Price Quality and Value*.
Zhang, C., & Pan, F. (2009). the Impacts of Customer Satisfaction on Profitability : a Study of State-Owned Enterprises in China. *Service Science*, *1*(1), 21–30.
Zhang, Q., & Prasongsukarn, K. (2017). A relationship study of price promotion , customer quality evaluation , customer satisfaction and repurchase intention : a case study of Starbucks in Thailand. *International Journal of Management and Applied Science*, *3*(9), 29–32. Retrieved from http://www.ccsenet.org/journal/index.php/ijbm/article/view/39568
Zhong, Y., & Moon, H. C. (2020). What Drives Customer Satisfaction, Loyalty, and Happiness in Fast-Food Restaurants in China? Perceived Price, Service Quality, Food Quality, Physical Environment Quality, and the Moderating Role of Gender. *Foods*.

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.132
https://journal.unisza.edu.my/jmtp



The Impact of Technology Adoption on the Success and Failure of Two Toys Industry: Hasbro and Toys R Us

[1]*Lee Hooi Kun, [2]*Abdul Rafiez bin Abdul Raziff

[1]School of Business and Communications, Veritas University College
[2]School of Digital Transformation, Veritas University College

***Corresponding Author Email: leehooikun@gmail.com**

Received:11th July 2021 ***Accepted:5th August 2021*** ***Published: 9th August 2021***

ABSTRACT
The value of play has mainly stayed consistent throughout time. Playing is, without a doubt, one of the essential things we can do. Playing in addition to supporting motor, neurological, and social development improves adaptation by encouraging people to explore diverse perspectives on the world and assisting them in developing methods for dealing with problems in a safe setting. The way we play and what we play with have been heavily affected by the quickly evolving technology shaping our daily lives. Artificial intelligence (A.I.) is now found in many products, including vehicles, phones, and vacuum cleaners. This extends to children's items, with the creation of an "Internet of Toys." Many learning, remote control, and app-integrated toys include innovative playthings that employ speech recognition and machine learning to communicate with users. This study examines the impact of technology adoption on the success and failure of two toys industry – Hasbro, Inc and Toys R Us, Inc. The research methodology of this study is based on case studies where the comparison of the two industries was made from a few areas. The finding of the study determines that corporations that evolved consistently with the change of technology will continue to grow in the market. In contrast, the corporation that failed to adopt digital transformation will be a force out of the market.

Keywords*:* Toys Industry, Digital Transformation, Digital Technology, Hasbro, Inc, Toys R Us, Inc

OPEN ACCESS

INTRODUCTION

In the year 2020, the breakout of pandemic also leads to the breakout of Artificial Intelligence. It is the year of the race for organizations to compete within themselves digitally and remain sustainable in the market. The pandemic crisis revealed supply chain vulnerabilities and limitations; organizations that effectively adapt will succeed, while those that fail will either go bankrupt, merge, or continue to thrive but face a significant financial strain. With the pandemic speeding up digital disruption in all sectors, it is essential to emphasize supply chains and their critical position in achieving sustainability goals. More outstanding sustainability initiatives will ensure the organization's growth, flexibility, and agility in adopting new technology as they work to reinvent themselves to succeed in these difficult times. Some companies might succeed in digital transformation and technology disruption in the industry, while some might fail.

This study examines the impact of technology adoption on the success and failure of the two toys industry. The first organization we will look into is Hasbro, Inc, which successfully transformed, while the second organization is Toys R Us, Inc, which failed in the transformation. In the second section, the researchers will define the disruption, the recent development of technology adoptions, the two organizations' backgrounds and business challenges faced by the industry. In the third section, the researchers will discuss the methodology based on the impact of the disruption on both organizations. In the fourth section, the researcher will determine the impact of the disruption, the successful elements in transformation for Hasbro, Inc, the failure elements in adopting the change for Toys R Us, Inc., and the financial performance for both organizations. In the final section, the researchers will discuss the proposal of digital trends which enable the organization to survive disruption.

LITERATURE REVIEW

The toy industry, as a significant industry in the corporate community, has faced several obstacles. Due to technological advancements, product design, price, and other barriers, challenges have arisen. Aside from that, the traditional toy industry's sales have been declining year after year due to the toys' lack of appeal. Based on the analysis report published by Grand View Research Group in 2019, the global toys and games market's valuation is USD 101.5 billion as of the year 2018. The demand is expected to grow at a compound annual growth rate (CAGR) of 4.6 % between 2019 and 2025 (Global Toys & Games Market Size, Share | Industry Report 2019-2025, 2019). The connected toys market demand is expected to increase dramatically from USD 5.7 billion to USD 13.8 billion within the year 2019 until the year 2024.

As a result of technological advancements such as AR/VR headsets, children increasingly adopt video games. According to research, millennial parents were raised with technology, which significantly affected their children's toy purchasing decisions (Bailey, 2016). These tech-savvy parents do their analysis before making a purchase (Yao, 2020). Hence, toys that are intact with technology will be their favourite choice compared to traditional toys. Further to that, as a part of the phenomenon of "kids becoming more developed at a young age," toy life spans are becoming shorter (Al Kurdi, 2017).

Table 1: US Retail Ecommerce Sales Share, by Product Category (2011, 2016 & 2021) by %

Product Category	2011	2016	2021
Electronics & appliances/ computer & office products	19%	24%	32%
Books & magazines/ music & videos	15%	21%	33%
Toys & sporting goods	10%	19%	28%
Apparel & footwear	9%	17%	28%
Furniture & home furnishings	6%	12%	18%
Drugs, health & beauty care	3%	6%	13%
Food & alcohol	1%	2%	5%
Note: read as in 2021, 5% of food and alcohol sales will be made digitally and 95% will be made in-store			

Source: eMarketer Editors, 2019

The technology transition – namely, the advent of digital shopping – has always been a driving force for creativity in the retail industry. The use of "third-platform technology to improve decision-making" is what digital transformation is all about. Rather than just updating or modernizing current legacy technologies, retailers must use innovations to open new creativity sources. A single feature, such as a shopping cart website, does not characterize digital disruption in retail. Operational, supply chain, product control, and customer relationship management systems must all undergo significant changes. The retailer must analyze data to forecast demand correctly, respond to consumer demands quickly, and ship goods efficiently. According to Kantar Retail reports (Table 1), e-commerce is estimated will account for 28% of overall toy and sporting goods revenue in the United States in 2021 (eMarketer Editors, 2019).

The two organizations that will be examining in this study are both very pioneers in the toys industry. Both Hasbro and Toys R Us was established and ventured into the toys industry in the earlier 19s. In the below section, the researcher briefly studies the background of both organizations.

Company Background Review

Hasbro, Inc

Hasbro, Inc. (Hasbro), formerly Hassenfeld Brothers, is a toy, board game, and media conglomerate based in the United States. Henry Hassenfeld and Hilal Hassenfeld formed the company in 1923. The company started to produce pencils boxes and cotton zipper pouches for 45 years before it shifted its focus to toys in 1942.

Today, under Hasbro's umbrella, brands like Transformers, Monopoly, G.I. Joe, Power Rangers, Rom, Micronauts, M.A.S.K., Furby, Nerf, Twister, and My Little Pony. Hasbro categorizes its products into four segments: Franchise Brands, Partner Brands, Hasbro Gaming and Emerging Brands (Investor Relations | Hasbro, Inc., 2021). Hasbro divided its operations into three segments, U.S. and Canada, International. Entertainment, Licensing and Digital, and eOne (Hasbro Reports Fourth Quarter and Full-Year 2020 Financial Results, 2021). Hasbro operates in 35 locations across the Americans, Europe, Middle East, Africa, and Asia. The toy products are available in more than 120 countries with collaboration through the world's leading retail and e-commerce platform.

Toys R Us, Inc

Toys "R" Us Inc., founded by Charles Lazarus in April 1948, is a major manufacturer of toys, children's wear, and infant goods in the United States (Toys "R" Us, Inc. - Company Profile, Information, Business Description, History, Background Information on Toys "R" Us, Inc., 2019). In the early 2000s, Toys "R" Us was the only national toy store chain in the United States. The company started as a baby furniture shop to meet the post-World War II baby boom generation's needs, followed by cradle gym toys, tricycles, books, and other products (Blakemore, 2019).

The corporation has been in the toy industry for over 65 years, with about 800 stores across the United States and approximately 800 worldwide, though these figures have slowly decreased over time. Toys "R" Us was once regarded as a classic example of a category killer. As of 2018, Toys R Us has more than 755 overseas stores and 250 licensed stores in 37 countries, with more than 70,000 employees worldwide.

METHODOLOGY

This study analyzed the impact of the technology transformation's disruption towards the two organizations – Hasbro and Toys R Us. The researchers selected the organizations based on the organizations' achievements in the industry. Both organizations were the pioneer in the toys' industry, incorporated in the early 19's. However, the results in the adoption of technology were significantly different between each other. The strategies implemented by both organizations were examined to determine each organization's success and failure elements towards adopting the technology in the toys' industry. The comparison of the financial ratio was analyzed for both organizations for 2016; as Toys R Us filled in bankruptcy in the year 2017, the financial data for the company after 2016 was not completed report. The researchers discussed and proposed the strategies which enable the organizations to survive through the disruption of technologies. Figure 1 below demonstrates the strategy used by the researchers in this study.



Figure 1: Strategy of investigation

RESULTS AND ANALYSIS

Table 2 below summarises the three components that researchers analyzed for both organizations. The first component is the impact of the disruption on both Hasbro and Toys R Us. The second component is the strategies implemented by both organizations in handling the disruption in the industry. The third element is the financial ratio comparison based on the annual report of 2016 for both organizations. The detail of every element will be explained in separate sections below.

Table 2: Summaries of the Finding

Descriptions	Hasbro, Inc	Toys R Us, Inc
Impact from disruption i. Industry shift to high-tech toys resulting intense rivalry in the market. ii. Consumer change their buying habits impacting sales of the company.	Beside competing with the traditional toys market, also need to compete with the new emerging high-tech toys in the market. Sales in the stores decrease due to online e-commerce platform.	Problem of retail apocalypse and intensely competitive rivalry from stores like Walmart, Amazon, and Target which offer discount price. Consumers prefer to choose and browse their choices from online platform.
Strategies implementation i. Adaption to technology transformation ii. Invest in new growing technology	Successful develop digital approach which includes the content that tailored according to the target audience.	Remained relatively unchanged the traditional way of its retailing stores business. Failure in adapting and fulfilling to the new Omnichannel demand approach
	Collaborate with major gaming companies and successful transform the traditional game into online game.	
Financial Ratio Analysis (2016 Annual Report) i. Profit Margin ii. Debt/Equity Ratio iii. Return on Equity (ROE) iv. Return on Assets (ROA) *(Note: Analysis was made using 2016 annual report as in 2017 Toys R Us had filed in bankruptcy)*	10.98% 0.92 28.62 10.47 *Source: Hasbro Financial Ratios for Analysis 2005-2021 | HAS, 2021*	-29.6% Negative Equity Negative Equity -35.2 *Source: Toys R US Inc earnings, ROA, ROE benchmarking (quarterly), 2017*

Impact of the Disruption

Hasbro, Inc

The industry shift for high-tech toys significantly impacts Hasbro. The company has to deal with other companies that produce video games, robotic toys, cell phones, and other similar products. When retailers compete in selling their private-label toys, the sales, and allocating shelf space to one form of product over another, the rivalry becomes intense. Online platforms such as Shopee and Amazon allow vendors to sell a wide range of toys and serve a wide range of product makers while maintaining low overhead, resulting in increased competition in the industry. The trend of e-commerce is driven by exponential consumer demand during the global pandemic crisis. Consumers were pushed to adapt to online shopping as stay-at-home orders moved from weeks to months, fueling exponential growth in the market. The retail e-commerce sales grow by 16.5% worldwide in the year 2020, which impact Hasbro which its' main distributor channel is physical retailers such as Toys R Us (Samet, 2020).

In fact, in the year 2018, the company's earnings for the crucial holiday period fell well short of projections, weighed down by inventory left on the shelves because of Toys R Us' demise. Hasbro's chairman and C.E.O., Brian Goldner, stated that shifting customer buying habits, a constantly developing online e-commerce platform, and decreased store inventory all lead to the company's sales decline of 13% that year (Vena, 2019). The absence of a new movie and Toys R Us' distribution network were not the only reasons for impacting sales. Hasbro also had to contend with a weakening economy in the United Kingdom due to the country's vote to abandon the European Union, also known as Brexit. Examining Hasbro's total revenue for the past ten years (Figure 2), the

toys and games industry has been faced with an intense rivalry.

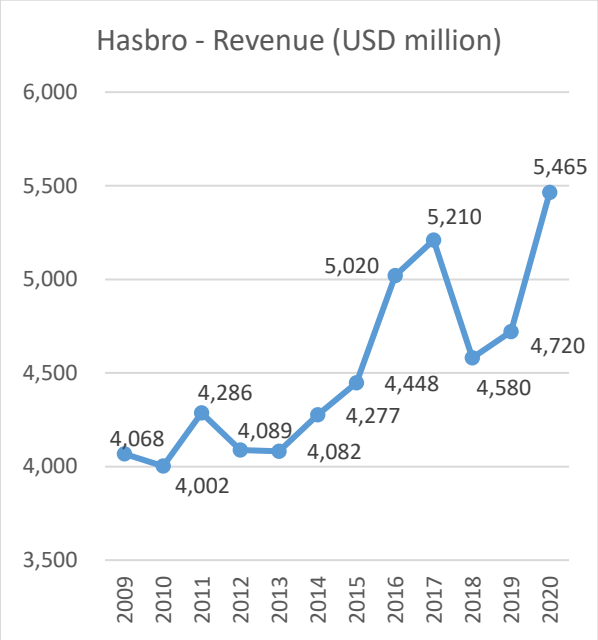


Figure 2: Hasbro Revenue 2009 – 2020
Source: Hasbro Revenue 2006-2020 | HAS, (2021)

Toys R Us, Inc

Toys R Us faced problems on the "retail apocalypse", which began around 2010 and intensely competitive rivalry from Walmart, Amazon, and Target, financial analysts place all the blame on management's shoulders. They reported that Toys R Us was having trouble driving innovation in its business strategy, incorporating technology, and adapting to changing consumer behaviour. Since 2013, the organization has not made a profit (Figure 3).

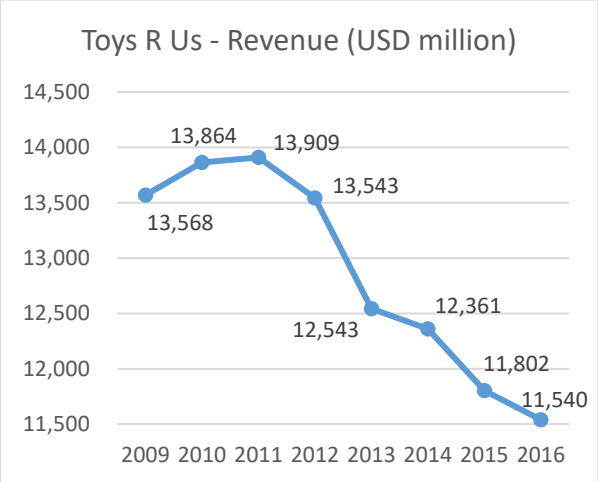


Figure 3: Toys R Us Revenue 2009 – 2016
Source: hermesauto, (2018)

In the quarter ended April 29, 2017, the organization announced a net loss of US 164 million. In the same timeframe the previous year, it cost US 126 million. It has been paying US 400 million a year to repay its loans, preventing it from investing in in-store investments (Figure 4).

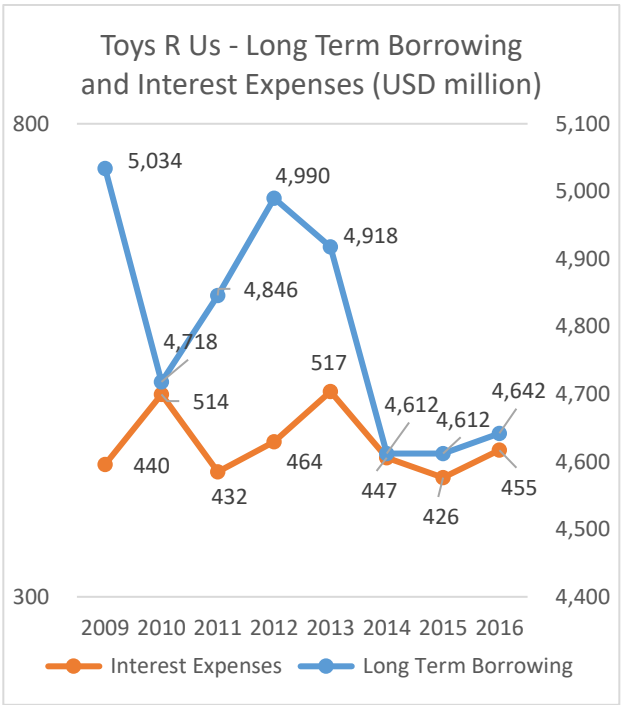


Figure 4: Toys R Us Long-Term Loan and Interest Expenses 2009 – 2017
Source: Sec.gov (2017)

Toys R Us' bankruptcy filing is partly due to fierce competition from discount stores, but the changing digital world continues to be the retailer's single most pressing obstacle. Even though Toys R Us e-commerce sales increased by 12.3% in the year 2016, however, it still cannot cope with the sales decrease from its retail store. Toys "R" Us has undergone sales losses for at least five years in a row since 2013. While digital outlets pose challenges to physical retailers in all stripes, the toy segment poses a unique set of challenges for toy retailers. First, consumers are more likely to 'play' online games rather than with physical toys. Second, as an impact of interactive play, the purchase trend has changed; consumers tend to choose their toys and games through digital browsing.

Today's customers would prefer a brand that can provide them with the best value of their purchase, and additional value-added services are always a good selling point. Customers expected the brands meet their expectations if the company fail to deliver and respond to customer, customers will tend to choose other brands. Customer engagement is one of the essential aspects that retail companies need to look into. Companies that failed to drive direct customer interaction will be out of business in the next five years. Toys R Us failed in customer engagement; when it should focus on delivering a quality experience to its core customer base, it focused on acquiring new business through an outdated digital experience. The importance of digital transformation can be illustrated by how it engages consumers personally, not by a shopping cart on a website. The most crucial objective is to keep track of the customer's lifecycle. Further, the data also use to educate future product offerings or new ways of supplying consumers with knowledge about getting the best out of their products.

Toys R Us struggled to comprehend how, where, and why consumers engaged with their company, such as making sales and accessing material (Fulkerson, 2018). The failure in using customers analysis to enhance the digital and in-store

customer experience make the situation worse. Meeting customer expectations during the customer experience is what direct customer engagement is all about, which Toys R Us ultimately struggled to do (Grover, 2019).

Strategies Implementation

Hasbro, Inc

In the year 2018, Hasbro has been caught in the backblast due to the most high-profile retail company in the toys industry, Toys R Us collapsed. If the company's revenue has taken a hit, the company has moved quickly to address the issue, not only by finding new physical outlets like Walmart and Target but also by beefing up its online business to gain more control over its route to market.

The first successful strategy that Hasbro developed is to include reviewing current consumer records in its digital development approach. Instead of concentrating on children, Hasbro noticed that it should be selling to their guardians, who are the ones who make the purchases. This approach enables Hasbro to customize its ads to cater to their actual clients by looking at how parents purchased their goods shopped. Data are used to develop tailored content strategies across various platforms, including a more robust social media drive. The information allowed the company to understand its consumers better and make specific toy and game recommendations to parents. Hasbro was able to build a frictionless interface related to data, and it was able to understand consumers better and anticipate their needs. Hasbro boosted its marketing budget by 1100%, using multimedia ads that made it possible to sell to their parents, who are the real consumers and reach these customers for product purchases (Sundaram et al., 2020). The investment was worth it as Hasbro sales increased dramatically after that.

The second strategy that helps boost the company's revenue is the successful investment in growing technologies and making the company stand out from its rivals. Through the acquisition of Backflip Studios and collaborations with major gaming companies such as Tencent, Ubisoft, and others, Hasbro has developed its robust pipeline of games. The free-to-play digital collectable card game has successfully transformed the traditional card game online (Perez, 2019). The swift has granted Hasbro the capacity to tap into the fast-expanding US109 billion-dollar streaming gaming industry rapidly. Besides that, Hasbro also realized that traditional T.V. subscriptions are no longer the only way to get video content. S.V.O.D., or subscription video on demand, is expected to rise 86% by 2021, according to Statista. The collaboration with Netflix, Amazon Prime, and other S.V.O.D.s is immensely beneficial, and they allow Hasbro to capitalize on potential growth opportunities. The content subsequently promotes commerce and improves Hasbro's Omni-Channel Ecosystem development over time. Further to the above strategies, as a pioneer in providing customers with new brand experiences. Hasbro introduced iOS mixed reality gaming Nerf Lazer Tag, HasCon (Hasbro's convention), theatre presentations, interactive amusement park rides, and virtual reality content as part of the new entertainment medium customers. Customers of all ages and backgrounds are enthralled by these events, which provide a fresh outlook on their preferred labels and boost sales through the brand blueprint (Figure 5).



Figure 5: Hasbro Brand Blueprint, 2020
Source: Investor Fact Sheet (2021)

The world we live in is now digital; the organization that accepts its effect on customers' daily personal and professional lives will prosper today, tomorrow, and far into the future. As one of the world's iconic toymakers, Hasbro has consistently evolved and witnessed a significant increase in its revenue due to digital transformation.

Toys R Us, Inc

How could a company like Toys R Us, a Goliath in the toys and games industry for more than 65 years, have been forced into bankruptcy? Today's retailers, particularly those in the trend segments, must continuously innovate. Retailers must be able to adapt to developments in the industry as well as consumer behaviour. A company like Toys R Us failed to grasp the necessary changes, and as a result, it has lost market share and out of existence.

Toys R Us's failure mainly derives from its inability to change and adapt to the rising tides of e-commerce, industry globalization, and game transition to the digital platform. When market pace and consumers' choice were changing quickly, the giant corporation remained relatively unchanged is a disadvantage in the industry. Toys R Us was unable to keep up with the rapidly changing business environment. In contrast to the competitors who embraced technology and innovation to respond to the new generation changing preferences and purchasing behaviour, the company also lost its market status because it could not keep ahead of technology. A good example to refer to is The Build-A-Bear store, where children can create their own personalized stuffed animals, which can be found in malls and cruise ships and at ballparks. The company also added a digital element to its products, such as bathe an online-created bear in a virtual tub. The company spends extra time and money, making the toys more engaging and competitive in the digital toy industry. Companies that tried to adapt and respond to the changes will thrive. In contrast, companies like Toys R Us failed to make sustained efforts to present themselves more interactively and appealingly will be forced out of the market.

The second element that has essentially impact the growth of Toys R us is a failure in supply chain management. The supply chain system has changed dramatically because of the structural transition, as digitization has increased the ability to track the supply chain. To adapt to omnichannel demand, retailers must reconsider their business model more broadly. To thrive today, stores must now serve as logistics hubs, which necessitates a new approach to fulfilling omnichannel demand (Verhoef et al., 2015). The retailer must first

comprehend the essence of the omnichannel retail world, in which sales in one channel will suffocate sales in another. Retailers must provide online ordering and schedule, log, and deliver orders in real-time to provide consumers with choices such as in-store delivery. When contemplating the whole omnichannel environment, rethinking the in-store experience to online pricing is addressed (Beck & Rygl, 2015). Toys R Us introduced "play labs" in a handful of its stores to differentiate itself from competitors. However, it was not generally adopted enough to make a significant difference in their losses, and their online costs remained consistently higher than those of their rivals.

In today's business world, retailers can use customer and market data to create personalized and tailored assortments as never before. Most retailers use Geotracking and inventory labelling technology, but they also require systemwide inventory visibility and deep forecasting capability to act as an effective fulfilment centre. Retailers must know what will appeal to consumers, and they must use data to define market behaviour and predictive planning models to predict accurately (Schallmo et al., 2017). The loss of the baseline for Toys R Us is due to failure to use the data, lack of preparation, and slowly adjusting and adaptation in the digital transformation era.

Financial Ratio Analysis (2016 Annual Report)

On September 18, 2017, Toys R Us filed for Chapter 11 bankruptcy in the United States, stating that it must liquidate its operations, which would result in the closing of hundreds of stores (Bolton et al., 2019). Based on the last financial report tabled by Toys R Us, the organization's profit margin at the end of 2016 is -29.6%. While at the same period, Hasbro, which is in the same industry, has achieved 10.98% profit margin.

Examining the financial ratio of Toys R Us, for 2016, one of the most important ratios debt-to-equity ratios was negative, which indirectly means that the company does not have its capital. The debt-to-equity ratio is a crucial financial ratio used to judge a company's financial standing, which the average value should be equal to or less than 1.5. On the other hand, for Hasbro for the same period, the debt-to-equity ratio was 0.92 within the normal range.

Return on equity (ROE), one of the important ratios that reflects the shareholders' profitability of the investment. The ratio for Toys R Us was negative for that period, which means the company was unable to generate any profit before leverage. The average, acceptable value for this ratio is 12% and above. The ratio for Hasbro for the same period is 28.62%.

The return of assets (ROA) ratio for Toys R Us for 2016 was also in a negative figure, -35.2 % which means the organization did not has a profitable asset. The acceptable value for ROA is 6% and above. For the same period, Hasbro's ROA ratio is 10.47%.

According to the results of the conducted analysis, Toys R Us was in critical financial status, which the organization does not have its sources of financing. The organization reported a loss in earnings before interest and taxes, and both investment and assets of the organization did not generate any profit.

Discussion and Conclusion

The toy and gaming business were shattered in 2017 when Toys R Us went bankrupt. It left many curious about what the future of the industry is. Moving ahead, the digital toys that use technology in inventive ways to enrich the experience are the trends that are penetrating the entire toy retail industry. Technology moves its way into physical toy stores and online platforms. Retail toy stores have been established as a disruptive model in the technology and gadget sectors. There are many digital touchpoints in the store, which children and their parents can shop in a more immersive manner. Digital is also having a significant impact on toy retail sales through online platforms. Walmart's online toy lab, which opened in 2019, features an immersive interface that aims to mimic how you would engage with a toy in person.

The new norm of shopping trend, Omnichannel, required retail companies to be ready for smooth and fast delivery. To create an actual omnichannel footprint, retailers complement their physical stores and e-commerce services with creative applications and social media. Retailers, e-tailers, and vertically integrated players with direct-to-consumer businesses will all benefit from expanding their omnichannel experiences (Piotrowicz & Cuthbertson, 2014). Based on Mckinsey's research, customers who shop online prefer to buy more, and they also make additional in-store purchases (Aryapadi et al.,2020). The study also identifies seven building blocks of a successful omnichannel supply chain (Figure 6).

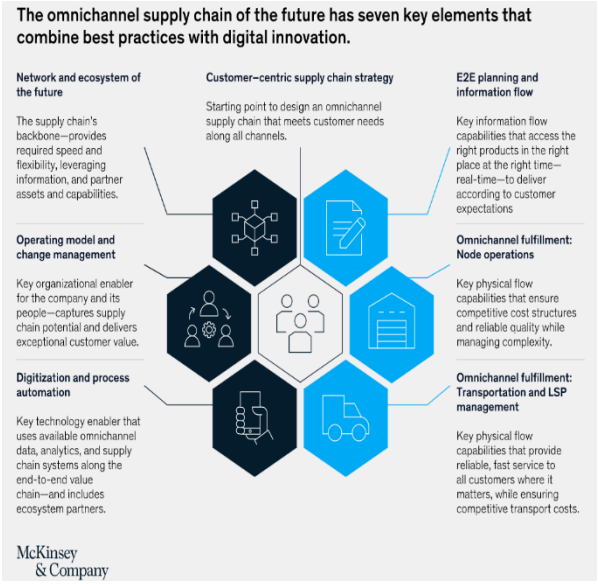


Figure 6: The Seven Supply Chain Building Blocks for Omnichannel Excellence
Source: Aryapadi et al. (2020)

Customer data must be harnessed to develop a detailed view of consumers. Customer-behaviour perspectives gleaned from customer interviews, findings, and the most current analysis from industry analysts, as well as evaluations of rivals' e-commerce offers, can be paired with this evidence. The advanced analytics tool is essential in analyzing all this data to better view consumer needs. A new way of thinking about supply chains is needed to enable a fully end-to-end omnichannel experience (Melacini et al., 2018). Companies should follow an agile strategy that helps businesses adapt rapidly to evolving patterns, choices, and consumer demands. The supply chain should be readjusted depending on changing business conditions.

The rapid advancement in technology has improved the supply chain, especially in the digital supply chain. If the century progresses, we can see a more integrated supply chain with more effective, reliable, and technologically sophisticated systems integration (Sundaram et al., 2020). The challenge is not about the amount of product they have on hand for a retail business, as it is about delivering it to the shop or the customer promptly. Retailers have traditionally handled supply chain data-based reorders from retailers to warehouses rather than factoring in frontline sales data, putting them months behind the loop, missing sales, and creating a slew of issues as a result (Frederico et al., 2019). Having a Point of Sale (P.O.S.) system that automatically registers any object in the network makes managing several warehouses and hundreds of product lines much simpler (Shankar et al., 2020). The system enables retailers to provide consumers with reliable product delivery times forecasts and better forecast demand, allowing retailers to eliminate customer waiting time.

For a company to achieve a successful marketing plan, the customer analysis process is essential. Companies can more reliably and accurately advertise their goods and services by using data and demographics, keeping interested — and revenue — strong. Discover the variables that influence the purchasing decisions of the existing and potential customers. Customer analysis uses market segmentation, predictive analytics, and other data collection tools to capture and analyze customer data to plan marketing strategies, customer experience, and overall business decisions. It enables the retailer to monitor the whole duration of the company's consumer engagement, determine what works and what does not, and make data-driven business decisions. Consequently, with AI-guided machine learning research that evolved in recent years, there are numbers of business intelligence tools available in the market today which allow the company to work with not just the quantitative data of total numbers, statistics, and percentages, but also the qualitative data of open-ended survey data, social media tracking, and collaborative filtering to get to the emotion and intention of customer input. Customer analytics also assists in detecting disgruntled consumers and avoiding brand degradation (Kitchens et al., 2018). The company can automatically review consumer feedback data for opinion polarity using text analytics techniques, including sentiment analysis (positive, negative, neutral, and beyond). Furthermore, emerging technology allows the company better to understand consumers' purchasing patterns and lifestyle preferences. Companies that can gather more knowledge about their customers will have more precise estimates of consumer behaviour.

Customers nowadays expect to connect with brands through social media and email and loyalty programs, customized content, and other methods. Customer engagement involves establishing and nurturing relationships with customers to foster brand loyalty. Customers who feel disconnected from the company will make them less likely to return. To keep up with this modern breed of "always-connected" consumers, the company must adopt technology to have an unparalleled service level. Emerging innovations such as augmented reality (A.R.) (Hilken et al., 2017; Yim et al., 2017), virtual reality (V.R.) (Beck & Crié, 2018), the internet of things (IoT) (Ng & Wakenshaw, 2017; Scholz & Duffy, 2018), smartphone applications (Narang & Shankar, 2019; Shi & Kalyanam, 2018), and facial recognition technology (Kodra et al., 2013) could have both planned and unintentional effects towards the customer relationship and the future of retailing. The result of positive consumer service is customer loyalty. In certain instances, the company's consumer service became the brand, for example, — Amazon. Customers' engagement is essential for understanding what they want when they need goods and where they need them. Excellent customer engagement is vital because it fosters trust, dedication to outstanding service, improved connectivity, positive customer relationships, sound customer awareness, and customer loyalty.

In today's ever-changing world, the pace of execution and resource efficiency are essential. Consequently, it's vital to take advantage of the current infrastructure and technologies on the market. Companies should keep their thinking agile and form a cross-functional team to build the potential supply-chain network, which involves identifying the right distribution solutions for each customer, product, and location segment and specifying the proper product flow. Lead time is the most challenging factor in every segment; each segment's best fulfilment solution must be determined when operating demands, such as costs to serve and volume constraints, are considered.

Consumers have become more technologically advanced, and they use digital tools to learn more about a product and equate it to other options, allowing them to decide who to trust and buy from. Since its inception, people are using the internet while handling their social, household, retail, and entertainment needs. Simultaneously, businesses must rethink their corporate strategies, generate optimum demand, and take advantage of opportunities to become more efficient.

Reference

Al Kurdi, B. (2017). Investigating the Factors Influencing Parent Toy Purchase Decisions: Reasoning and Consequences. International Business Research, 10(4), 104. https://doi.org/10.5539/ibr.v10n4p104

Aryapadi, M., Dekhne, A., Fleischer, W., Graf, C., & Lange, T. (2020, January 15). Supply chain of the future: Key principles in building an omnichannel distribution network [Review of Supply chain of the future: Key principles in building an omnichannel distribution network]. McKinsey & Company; https://www.mckinsey.com/industries/retail/our-insights/supply-chain-of-the-future-key-principles-in-building-an-omnichannel-distribution-network

Bailey, M. (2016, February 19). Moms Spending Big Money On Connected Toys For Their Kids [Review of Moms Spending Big Money On Connected Toys For Their Kids]. MediaPost Communications. https://www.mediapost.com/publications/article/307774/4-keys-to-appealing-to-millennial-mom-diyers.html

Beck, M., & Crié, D. (2018). I virtually try it … I want it ! Virtual Fitting Room: A tool to increase on-line and off-line exploratory behavior, patronage and purchase intentions. Journal of Retailing and Consumer Services, 40, 279–286. https://doi.org/10.1016/j.jretconser.2016.08.006

Beck, N., & Rygl, D. (2015). Categorization of multiple channel retailing in Multi-, Cross-, and Omni - Channel Retailing for retailers and retailing. Journal of Retailing and Consumer Services, 27, 170 - 178. https://doi.org/10.1016/j.jretconser.2015.08.001

Blakemore, E. (2019, March 15). Inside the Rise and Fall of Toys "R" Us [Review of Inside the Rise and Fall of Toys "R" Us]. A Maven Channel. https://www.history.com/news/toys-r-us-closing-legacy

Bolton, J., Farmer, J., Pennington, H., Pennington, & Heath. (2019). Recommended Citation Recommended Citation. https://ir.law.utk.edu/cgi/viewcontent.cgi?article=1055&context=utk_studlawbankruptcy

eMarketer Editors. (2019, February 12). The Challenge of Selling Toys in an Increasingly Digital World [Review of The Challenge of Selling Toys in an Increasingly Digital World]. EMarketer; Insider Intelligence Inc. https://www.emarketer.com/content/the-challenge-of-selling-toys-in-an-increasingly-digital-world

Frederico, G. F., Garza-Reyes, J. A., Anosike, A., & Kumar, V. (2019). Supply Chain 4.0: concepts, maturity and research agenda. Supply Chain Management: An International Journal, ahead-of-print(ahead-of-print). https://doi.org/10.1108/scm-09-2018-0339

Fulkerson, A. (2018, May 1). How Not To End Up Like Toys R Us [Review of How Not To End Up Like Toys R Us]. Forbes. https://www.forbes.com/sites/forbestechcouncil/2018/05/01/how-not-to-end-up-like-toys-r-us/?sh=8124fe263de1

Global Toys & Games Market Size, Share | Industry Report 2019-2025. (2019). Www.grandviewresearch.com. https://www.grandviewresearch.com/industry-analysis/toys-games-market

Grover, N. (2019). Enabling shift in retail using data: Case of Amazon. https://lib.dr.iastate.edu/cgi/viewcontent.cgi?article=1342&context=creativecomponents

Hasbro Financial Ratios for Analysis 2005-2021 | HAS. (2021). Www.macrotrends.net. Retrieved August 1, 2021, from https://www.macrotrends.net/stocks/charts/HAS/hasbro/financial-ratios

Hasbro Reports Fourth Quarter and Full-Year 2020 Financial Results. (2021, February 8). Www.businesswire.com. https://www.businesswire.com/news/home/20210208005366/en/Hasbro-Reports-Fourth-Quarter-and-Full-Year-2020-Financial-Results

Hasbro Revenue 2006-2020 | HAS. (2021). Www.macrotrends.net. https://www.macrotrends.net/stocks/charts/HAS/hasbro/revenue

hermesauto. (2018, March 15). Toys "R" Us to shut or sell all US stores: Reports. The Straits Times. https://www.straitstimes.com/business/companies-markets/toys-r-us-to-shut-or-sell-all-us-stores-reports

Hilken, T., de Ruyter, K., Chylinski, M., Mahr, D., & Keeling, D. I. (2017). Augmenting the eye of the beholder: exploring the strategic potential of augmented reality to enhance online service experiences. Journal of the Academy of Marketing Science, 45(6), 884–905. https://doi.org/10.1007/s11747-017-0541-x

Investor Fact Sheet. (2021). https://investor.hasbro.com/static-files/8dc080cb-70e3-4a4d-b351-658e9bafe783

Investor Relations | Hasbro, Inc. (2021). Investor.hasbro.com. https://investor.hasbro.com/

Kitchens, B., Dobolyi, D., Li, J., & Abbasi, A. (2018). Advanced Customer Analytics: Strategic Value Through Integration of Relationship-Oriented Big Data. Journal of Management Information Systems, 35(2), 540–574. https://doi.org/10.1080/07421222.2018.1451957

Kodra, E., Senechal, T., McDuff, D., & el Kaliouby, R. (2013). From dials to facial coding: Automated detection of spontaneous facial expressions for media research. 2013 10th IEEE International Conference and Workshops on Automatic Face and Gesture Recognition (FG). https://doi.org/10.1109/fg.2013.6553780

Melacini, M., Perotti, S., Rasini, M., & Tappia, E. (2018). E-fulfilment and distribution in omni-channel retailing: a systematic literature review. International Journal of Physical Distribution & Logistics Management, 48(4), 391–414. https://doi.org/10.1108/ijpdlm-02-2017-0101

Narang, U., & Shankar, V. (2019). Mobile App Introduction and Online and Offline Purchases and Product Returns. Marketing Science, 38(5), 756–772. https://doi.org/10.1287/mksc.2019.1169

Ng, I. C. L., & Wakenshaw, S. Y. L. (2017). The Internet-of-Things: Review and research directions. International Journal of Research in Marketing, 34(1), 3–21. https://doi.org/10.1016/j.ijresmar.2016.11.003

Perez, M. (2019, September 3). Not A Toy Story: How Brian Goldner Is Transforming Hasbro [Review of Not A Toy Story: How Brian Goldner Is Transforming Hasbro]. Forbes. https://www.forbes.com/sites/mattperez/2019/09/03/not-a-toy-story/?sh=57595b5d11a2

Piotrowicz, W., & Cuthbertson, R. (2014). Introduction to the Special Issue Information Technology in Retail: Toward Omnichannel Retailing. International Journal of Electronic Commerce, 18(4), 5–16. https://doi.org/10.2753/jec1086-4415180400

Samet, A. (2020, December 31). Ecommerce sales will decelerate this year globally – but certain national markets may see success. Business Insider. https://www.businessinsider.com/global-ecommerce-2020-report

Sec.gov. (2017). Document. https://www.sec.gov/Archives/edgar/data/1005414/000105414170000011/tru201610k.htm.

Schallmo, D., Williams, C.A. & Boardman, L. (2017). Digital Transformation of Business Models – Best Practice Enablers, and Roadmap. International Journal of Innovation Management, 21(08), 1740014. https://doi.org/10.1142/s1363919617400151

Scholz, J., & Duffy, K. (2018). We ARe at home: How augmented reality reshapes mobile marketing and consumer-brand relationships. Journal of Retailing and Consumer Services, 44, 11–23. https://doi.org/10.1016/j.jretconser.2018.05.004

Shankar, V., Douglass, T., Hennessey, J., Kalyanam, K., Setia, P., Golmohammadi, A., Tirunillai, S., Bull, J. S., & Waddoups, R. (2020). How Technology is Changing Retail. Journal of Retailing. https://doi.org/10.1016/j.jretai.2020.10.006

Shi, S. W., & Kalyanam, K. (2018). Touchable Apps: Exploring the Usage of Touch Features and Their Impact on Engagement. Journal of Interactive Marketing, 44, 43–59. https://doi.org/10.1016/j.intmar.2018.06.001

Sundaram, R., Sharma, D. R., & Shakya, D. A. (2020, June 17). Digital Transformation of Business Models: A Systematic Review of Impact on Revenue and Supply Chain. Papers.ssrn.com. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3628963

The Challenge of Selling Toys in an Increasingly Digital World. (2019). EMarketer. https://www.emarketer.com/content/the-challenge-of-selling-toys-in-an-increasingly-digital-world

Toys R US Inc earnings, ROA, ROE benchmarking (quarterly). (2017). Www.readyratios.com. Retrieved August 1, 2021, from https://www.readyratios.com/sec/TOY_toys-r-us-inc&type=quarterly

Toys "R" Us, Inc. - Company Profile, Information, Business Description, History, Background Information on Toys "R" Us, Inc. (2019). Referenceforbusiness.com. https://www.referenceforbusiness.com/history2/2/Toys-R-Us-Inc.html

Vena, D. (2019, February 9). Hasbro's Weak Earnings Show Challenges Remain. The Motley Fool. https://www.fool.com/investing/2019/02/09/hasbros-weak-earnings-show-challenges-remain.aspx

Verhoef, P. C., Kannan, P. K., & Inman, J. J. (2015). From Multi-Channel Retailing to Omni-Channel Retailing. Journal of Retailing, 91(2), 174–181. https://doi.org/10.1016/j.jretai.2015.02.005

Yao, R. (2020, October 29). The Expanding Role of Toys in Education and Parenting. Medium. https://medium.com/ipg-media-lab/the-expanding-role-of-toys-in-education-and-parenting-9af8eae575db

Yim, M. Y.-C., Chu, S.-C., & Sauer, P. L. (2017). Is Augmented Reality Technology an Effective Tool for E-commerce? An Interactivity and Vividness Perspective. Journal of Interactive Marketing, 39, 89–103. https://doi.org/10.1016/j.intmar.2017.04.001

The Journal of Management Theory and Practice (JMTP)
ISSN: 2716-7089, Volume-2, Issue-2,
http://dx.doi.org/10.37231/jmtp.2021.2.2.120
https://journal.unisza.edu.my/jmtp



Shari'ah Issues in Short Selling: Critical Analysis and The Alternatives

[1]Md. Habibur Rahman*
[2]Siti Noor Shafiqha Binti Ramle

[1,2]Faculty of Business and Management, Universiti Sultan Zainal Abidin (UniSZA)
Kampus Gong Badak, 21300 Kuala Nerus, Terengganu, Malaysia

***Corresponding Author: habiburrahman@unisza.edu.my**

Received:20th June 2021 ***Accepted:5th August 2021*** ***Published: 10th August 2021***

ABSTRACT
This study aims to investigate the Shari'ah issues related to short selling and a discussion on its alternatives. Short selling refers to selling the stocks that the seller does not own, expecting a price decline, and then the seller will be able to repurchase it and profit from the price difference. The study critically discusses three Shari'ah issues related to short selling: the issue of selling something without having possessed, the issue of getting any benefit out of a loan, followed by the issue of gambling and speculation in short selling. This is a library research study, which critically analyses the issues with the help of secondary data comprising the related academic materials in both English and Arabic languages. The study finds that with the presence of few Shari'ah issues, the practice of short selling does not comply with Shari'ah injunctions. Furthermore, in the context of Malaysia, though the inclusion of Securities Borrowing and Lending (SBL) principles in Regulated Short Selling (RSS) reduce uncertainty (*gharar*), it does not make the practice of short selling fully complied with Shari'ah principles. Finally, the study discusses the incorporation of *wa'd* (promise) and *salam* (forward delivery sale) in the practice of short selling.

Keywords: Gharar, Short Selling, Shari'ah, SBL, RSS

OPEN ACCESS

INTRODUCTION

Short selling is the execution of the sale of securities that one must buy in the market for completing a sale. Consequently, the seller does not own what he has sold. After completing the sale, the seller hopes the market prices will drop, which let him buy low what he has sold high. This transaction does not comply with Islamic principles since it involves selling what one does not own. Also, other issues contradict the Shari'ah principles, which are benefiting from a loan contract and the issue of gambling and speculation in short selling.

From financial and economic perspectives, short selling has it's good and bad. It helps to get rid of market inefficiencies, which makes arbitrage possible. Other than that, investors can use short selling as a tool for hedging with vulnerability to falling prices of stocks but cannot to sell promptly. The thing that is bad in short selling from the perspective of trading is the potential loss from its strategy is hypothetically boundless. Based on the macroeconomic perspective, unrestricted short selling pressure could bring to a slump in share prices.

The prime reasons for short selling are speculation and hedging. Financial managers and investors basically focus on the overpriced stocks in the market. They speculate that their prices will drop and accordingly, they sell short. Due to various risks involved, few managers just do not simply depend on speculation. Instead, they use short positions to offset the long positions they hold and thereby hedging their investment and future (Ramli, et al., 2013).

Therefore, the Securities Commission (SC) of Malaysia has ratified the new securities borrowing and lending guidelines (SBL) in view of the launching of the Malaysian financial futures and options market. SBL is a form of short selling that one borrows a security and then sells it, and later he must buy it back in the market to return to the lender. SC Malaysia introduced SBL at the end of 1995 to regulate short selling. However, it was suspended due to financial crisis at the end of 1997. Then, SBL is reinstated and during the 69th meeting on 18th April 2006, the Shari'ah Advisory Council (SAC) of SC sorted out that regulated short selling (RSS) is Shari'ah compliant as the addition of SBL principles in RSS reduces the element of uncertainty (*gharar*). The permissibility of short selling is based on public well-being (*istihsan* with *maslahah*), and this is to provide a clear advantage to the actual shareholders and to inject liquidity into the market. Also, short selling is allowed based on specific customary practices (*urf khass*) and particularly based on the market norms (*urf iqtisadi*), as short selling is a normal practice accepted in economic activities (Resolution of the SAC of SC Malaysia, 2007).

However, there are a couple of Shari'ah issues been raised against the validity of short selling. The practice of short selling goes against the known Shari'ah ruling that says selling

something that is neither available nor possessed is invalid. Also, the practice of short selling does not comply with the Shari'ah maxim says, '*any loan that brings benefit is riba'*. In the coming sections of the paper, a few Shari'ah issues related to short selling have been critically examined along with a discussion on the alternatives to short selling. This is a library research study, and it has been accomplished based on the secondary data including the related academic materials in both English and Arabic languages.

LITERATURE REVIEW

Definition of Short Selling:

Short selling is a sale of a security such as common stocks that does not own by the seller at the time of sale. To simplify, short selling is regarding to sell what a person does not own. Short sellers usually expect that they have a possibility to buy the stock at a price lower than the price that they sold short. Hence, to have an understanding about Islamic position on short selling, one needs to know about the practical operation and investors' profit-maximizing behaviour.

Bursa Malaysia defines short selling as 'the action of a person selling shares which he does not own at the time of selling'. In addition, BNM (2014) defines short selling as 'a sale of eligible securities where the seller does not have presently exercisable and unconditional rights to vest the eligible securities in a purchaser at the time of the sale' (ISRA, 2015).

Regulated Short Selling:

In Bursa Malaysia, short selling is regulated under Regulates Short Selling (RSS) and Securities Borrowing and Lending guidelines (SBL), which were introduced to the market in January 2007 (ISRA 2015). Bursa Malaysia defines Regulated Short Selling (RSS) as "the selling of approved securities where the seller does not, at the time of the execution of the sale, have an exercisable and unconditional right to vest such securities in the purchaser but has, prior to the execution of the sale, executed an agreement to borrow the approved securities as will enable delivery of the same to be made to the purchaser under the said sale, in accordance with the Rules relating to delivery and settlement" (Bursa Malaysia, 2006).

In other words, RSS means investors sell a share that he does not own but have to borrow from the Central Lending Agency (CLA). It is managed by Bursa Clearing which lending and borrowing activities take place. As mentioned above, short selling indicates sale of a security that does not own by the investor during the transaction. Its concept involves borrow stock that investors do not own and then sell it. Then, investors buy and return the stock when the price falls.

Operation of Short Selling:

This section explains how short selling is transacted in the stock market. Let say Nurul foresees that Mudajaya Group Berhad common stocks, and it is overpriced at RM 20 per share. She wants to benefit from it if her judgment is correct. Then, she calls her broker, Mr. Afif, specifying that she wants to sell 100 shares of Mudajaya which is she does not own. As Nurul's broker, Mr. Afif will do two things which are to sell 100 shares of Mudajaya on behalf of Nurul and set out to borrow 100 shares of the stock to deliver to the buyer. Proceed at the second option. Mr. Afif manages to sell the stocks for RM 20 and borrows them from Ain. Then, the shares will be delivered to the buyer. This kind of activity is allowed in the Malaysian stock market under SBL guidelines.

From the above sale, the proceeds will be RM 2,000. But it does not go to Nurul since she did not give yet to Mr. Afif the 100 shares. Therefore, Nurul is considered to be "short 100 shares". Let say after five days, Mudajaya's price falls to RM 15 per share. Nurul may order her broker to buy 100 shares of Mudajaya which will cost her RM 1,500. Then, those shares will be delivered to Ain, who was lending out her 100 shares at the first place. Hence, Nurul does not has any commitment towards her broker, Mr. Afif or to Ain. In other words, Nurul has covered her short position. She then now authorized to the funds in the account generated from the selling and buying activities.

As a summary from the example, Nurul sold the stock for RM 2,000 and bought it for RM 1,500. So, she made a profit amounted to RM 500. She has no exception to pay some fees like commissions, fees charged by Ain as the lender of the stock and also dividends paid by Mudajaya Group Berhad. If let say the share price increases to RM 28, Nurul will lose RM 800 since she has to cover her short position (adapted from ISRA, 2015; Farj, 2013).

CRITICAL ANALYSIS

Issues in Short Selling:

One needs to understand that there are two contracts involve in short selling which are sale and loan contract. Sale contract happens when the seller sells the stock that he does not own, meanwhile, loan contract happens when the seller borrows stock from the original owner of the stock through a broker as an intermediary and then sells the stock to the buyer. The owner of the stock may charge fees and gets some profit from the transaction out of lending the stocks. Hence, this section will discuss about three main issues. They are selling of what one does not own, benefiting from a loan contract, and the issue of gambling and speculation in short selling.

***Selling what the seller does not own*:**

The first issue to be discussed is selling what the seller does not own. In order to validate a sale contract, *mahall al-'aqd* or the other name is *ma'qud 'alayhi* (objects in trade) must be existed. It is also must be owned at the time of the contract.

According to Imam Abu Hanifah, Imam Shafi'i and Imam Malik, the meaning of the hadith "do not sell what you do not possess" is that one cannot sell what he does not own (Ministry of Awqaf and Islamic Affairs, 1987). However, owning something or possession is not the main issue according to Imam Ahmed Ibn Hanbal, Imam Ibn Taymiyyah and Ibn Al-Qayyim but, the ability to deliver it is the issue. According to majority of the jurists, the meaning of "do not sell what is not with you" is not to sell what one does not own during the time of sale. In short selling concept, this hadith explains that nobody whether the short seller or the broker are possessing the stocks. Hence, the transaction cannot be proceeded. This argument is arguable in case of naked or uncovered short selling where the stocks is sold by the seller that he does not own or that he borrowed them (Dusuki & Abozaid, 2008).

In Arabic term, *qabd* is taking possession of an object of sale or exchange. *Qabd* is not an essential element in sale but a supplementary condition, according to Hanafis. An authentic sale by uncertified person that does not own the object but sell

it is considered plainly validate. The sale is considered valid but only becomes effective after getting permission from the owner. Therefore, as mentioned above, *qabd* is not a precondition for a contract to be valid. In other words, it can be delayed later. However, *qabd* is a precondition for a contract to be valid in *ribawi* items' transactions (Rahman, 2020).

According to Malikis, *qabd* is only pertain to food grains. Other than that, which means non-food grains, even before taking possession on it, it can be sold. Maliki has two viewpoints regarding to non-*ribawi* food. Firstly, it is forbidden before taking possession based on the opinion of Ahmad and Abu Thawr that food should be measured and weighed. The second viewpoint is that it is allowed. The real meaning behind 'do not sell what is not with you' based on the understanding of the latter jurists is not sell what one cannot deliver, and it is does not necessarily what one does not own. *Salam* and *istisna'* have no exceptions to the rule but are authorized contracts in their own right (Dusuki & Abozaid, 2008).

Salam is a contract where the seller is received payment in advance from the buyer. However, the purchased goods are delivered later at a certain date. The seller does not have to possess the goods that he sells, but there are certain conditions to be followed. Firstly, in *Salam* contract, the delivery date of the goods must be fixed. Secondly, the goods do not have to be necessary in the possession of the seller and also the payment must be made during the time of transaction. Other than that, it is only permissible for the goods that can be determined by quantity and quality (Rahman & Amanullah, 2020). Meanwhile, *istisna'* is an order-to-manufacture sale contract where a buyer gives instruction to produce something based on his preferences to the manufacturer. The subject matter is a product that must be made, and the buyer can pay anytime during the contract, which has been agreed during the time of contract (Rahman & Amanullah, 2019).

Non-existence of an object does not form a reason for banning, according to Ibn Qayyim. He said that because there is no prohibition in al-Quran and Sunnah on the selling of on-existing object. Also, based on the mentioned hadith, it shows that the legal effective cause is not non-existence but the uncertainty which indicates the incapacity to deliver it. Referring to Imam Shafi'i and others, it is only applicable to non-fungible objects, meanwhile, according to Ibn Taymiyyah and Ibn Qayyim, the prohibition to sell something is what the seller is incapable to deliver (Dusuki & Abozaid, 2008).

However, the prohibition of the hadith is no longer exists, according to Yusuf al-Qaradawi and some well-known contemporary jurists. It is because they compared the market of Madinah with nowadays market. It is obviously a different situation and reality. The instruments and equipment that is convenient nowadays reduce the inability to deliver.

This is in line with the question from Hakeem Ibn Hizaam that was responded by the Prophet SAW. Hakeem Ibn Hizaam inquired whether he can enter into a contract to supply goods which he did not have, and the Prophet SAW prohibited it. The jurists sense that Madinah was a small market and the probability of Hakeem entered into the contract to provide goods but unable to deliver it was the reason that Prophet SAW prohibited it. That is how the contemporary jurists came up with reasoning that behind the real meaning of "do not sell what is not with you" is that it does not necessary what one does not own but, not to sell what one is unable to deliver (Dusuki & Abozaid, 2008).

However, the concept of *bay' al-fudhuli* were applied by some in the implementation of short selling. *Al-fudhuli* is the person who makes a transaction or signs a contract without a permission or *wakalah* from the owner. It is clearly forbidden in short selling since *bay' al-fudhuli* is forbidden, because the seller does not own the stocks he is selling. However, it is invalid to argue because the comparison of both concepts which are short selling and *bay' al-fudhuli* are different (Ramli, et al., 2013).

To recap back from the above discussion, it is only valid according to Ibn Taymiyyah and Ibn Qayyim regarding to the sale of what one does not own during the transaction in other than *Salam* contract. However, majority of scholars were unanimous that it is invalid. This is because, the element of uncertainty (*gharar*) that is very clear will bring argument between the parties involved. Islam is very meticulous. Because the element of uncertainty is high and to avoid any damage from occur, any transactions relating to *bay' ma'dum* (sale of something that does not exist) is clearly forbidden.

Nevertheless, the Shari'ah Advisory Council (SAC) of the Securities Commission (SC) of Malaysia has its own perspective that the element of uncertainty can be dealt in and therefore, get rid of it in the Regulated Short Selling with an incorporation of Securities Borrowing and Lending (SBL) principles. Thus, the SAC of Securities Commission sorted out that RSS is Shari'ah-compliant as the addition of SBL principles in RSS gets rid of the element of uncertainty (Resolution of the SAC of SC Malaysia, 2007).

Since with RSS the short seller sells stocks that he does not own but have to borrow it, hence, it can be borrowed from the Central Lending Agency (CLA). It is managed by Bursa Clearing which lending and borrowing activities take place. In other words, the sold stocks will be delivered without worrying the element of uncertainty. Therefore, it can be classified as Shari'ah-compliant since the uncertainty can be removed from the transaction.

***Benefiting from a loan contract*:**

This is the second issue to be discussed. The issue raised because the original owner loans his stocks to the broker that is appointed by a short seller. It concerns whether the benefit that the original owner gets from lending the stocks is permissible or not.

There is an Islamic legal maxim states, "every loan resulting in a benefit is *riba*." Thus, no benefit shall be taken by the lender in return for a loan. Any form of benefit, whether tangible or intangible, shall be considered interest (al-Zuhayli, 2009). Irvine (2002) argues that profits are ill-gotten when they involve the misery of others. This argument is refined for the short selling setting by Angel and McCabe (2009), who posit that the profits from short sellers come from the financial suffering of other investors.

As Bursa Malaysia acts as a counter party, a minimum of 50,000 shares to a central lending pool will be given two percent return on lending to the original owner of the stocks which is based on the new Malaysian Short Selling regulation.

Any extra amount that is more than the loan is obviously forbidden even though the extra is the same type to the loan belongings or from contrasting type. The extra amount nullifies the consideration as the basis in a loan contract, although the extra is the smallest amount.

There are many sayings from the well-known regarding to this. According to Ibn Hazm, *riba* in loan can be in *ribawi* and non-*ribawi* belongings. Hence, it is illegal to return the loan less or more than the quantities or in a different type. As mentioned above, the basis in a loan contract is not to nullify the consideration as it is to help the borrower. That is why any extra amount is forbidden. Any increase or extra amount charged by the lender is contradict with the purpose of benevolent contract, even though the gain is only in particle size.

As stated, "any loan contract which benefits the lender amounts to *riba*", a maxim that is established by the scholars. It was initially described as hadith. However, the reliability of the hadith and its narrations was in questions and has been criticised. It is considered as a weak hadith, but scholars have endorsed its meaning. Majority of scholars allowed benefits on a loan contract only if it is not specified by any party and is given based on one's free will. However, Malikis School did not agree with the majority of scholars. According to Malikis, it is prohibited for the borrower to give any benefit or gift just to defer its debt. This also applies to the lender, which cannot accept the benefit or gift given by the borrower. But Malikis permit any increase in the repayment of debt without any condition if the debt is from a sale. It is clearly prohibited if the debt is from a loan, and it is specified by any party and was promised (Dusuki & Abozaid, 2008).

To be short, if the lender puts condition for any increase or profit as a return of the loan he gives, it is obviously prohibited and illegal. For any increase that is specified, Hanafis said that the condition for any increase in a loan contract that is specified is clearly invalid, but the contract is considered valid. However, according to Shafi'is, both the condition and the contract are invalid.

In the case of short selling, the stockbroker borrows the stocks from someone else in the market while the lender charges a fee for this service. Typically, this happens in the form of margin interest which the seller pays continuously to the stakeholder, until he has covered the position. Thus, this would be a prohibited practice as it falls under the category of a loan that brings benefit (Resolution of IFA-MWL, 2006; Ramli, et al., 2013).

***Speculation and Gambling*:**

Speculation is one of the key issues that have been critically discussed with relation to the short selling. Although it is generally agreed that speculation is somewhat inevitable in business, particularly in the trading of stocks, many scholars argue that in short selling the speculative behaviour could leads to the uncertainty and gambling (Ramli, et al., 2013). Gambling is defined as a two or multi person game of chance which ends up in redistributing total stakes committed by the game's players among only one or a few of them (Tag El-Din and Hassan, 2007). In short selling, it involves the speculation that is virtually the same as gambling. Similarly, within the gambling field, population surveys of gambling participation sometimes include questions about high-risk stocks, speculative investments, and/or day trading in addition to traditional forms of gambling (Williams, et al., 2012).

Short selling resembles gambling when one party obtains gain on the losses or suffering of the other party. The issue of gambling is not only associated with short selling, but it is also related to the market regulations. Short selling may be misapplied if it is not handled properly, merely the same as other financial instruments. When the speculation is not used properly, it will make the market as a gambling place. Therefore, it is important to have a sufficient market structure designed in a proper control and ruling to stop misapply of the instruments in the market. Mostly, the short selling arrangement includes fraud, deception, misrepresentation, hoarding, artificial price hiking, which ultimately makes the contract falling under the category of consuming other people's wealth unjustly which is undoubtedly prohibited by Islamic rulings (Resolution of IFA-MWL, 2006; al-Sharif, 2006).

To sum up, there is a difference between a commercial speculation and that which is tantamount to gambling and transgression. If speculation has been done based on an educated guess depending on the careful consideration in the market movement, then it shall not be objectionable in Shari'ah. On this ground, speculation in short selling could be lawful as typically it is based on the learned consideration, subject to that it shall be intended for trade only and not for unnecessary speculation and gambling (Ramli, et al., 2013).

SHARI'AH-COMPLIANT ALTERNATIVES TO SHORT SELLING

This section discusses the alternatives to the short selling. Though short selling is not allowed by the jurists, there are perspectives that may result Shari'ah compliant alternatives to conventional short selling. They are known as *Wa'd* and *Salam* based structures.

Wa'd Based Structure

The structure of *Wa'd* is a merge with *murabahah* contract which is based on two irrevocable promises. The first step in *Wa'd* based structure performs as the stocks will be bought by the short seller from a broker for a *murabahah* price in a *murabahah* contract. After that, the stocks will be sold based on market price to the other party. Then, the broker will act his role by preparing a unilateral promise and give it to the short seller. The unilateral promise contains that the stocks will be bought back in the future by the short seller at a pre-agreed price. A unilateral promise will also be given by the short seller to the broker to sell the stocks at that date at the agreed price.

Bursa Malaysia adopted the based structure as presented by Calder (2010) to duplicate short selling by using *Wa'd* based structure. The based structure has two prime characteristics. The mechanism as presented by Calder (2010), there is no lending and borrowing transaction take place, in fact, the stocks will be sold by the stocks' supplier to a central facilitation agency (CFA). Then, the supplier of the stocks will sell to the user of stocks. After that, the stocks will be sold back to the CFA by the user and the supplier will receive the stocks back as the CFA sell them back to the supplier. Based on the example, *Wa'd* based structure will make sure that at the end of the agreement, the supplier will buy back the stocks from CFA at a pre-agreed price. It is known as a binding unilateral promise in Bursa Malaysia (Al-Yahri, et al., 2015).

Salam Based Structure

Salam is a sale whereby the seller undertakes to provide some specific commodities to the buyer at a future date for an advance, mutually agreed price paid in full (Dar, 2007). The Salam based short selling is a simultaneous cash sale and Salam purchase of a stock (Nejad, 2009). *Salam* based structure explains that the owner of the stocks sells his stocks for cash to the short seller. Concurrently, the same number of stocks will be bought by the owner from the short seller at an agreed price through *Salam*. Dividends and an amount equal to interest on proceeds of shorted stocks are included in credit purchase price. The ownership of the shares is transferred to the short seller instead of paid cash, so he can now sell them to a third party at market price (Al-Yahri, et al., 2015).

Constriction the use of *Salam* for shares by AAIOFI has been greatly criticised as a Shari'ah alternative to conventional short selling. The stock does not stand-alone, in fact, it involves the assets of the company. Therefore, a seller is unable to deliver to the buyer that requested for the same stocks since the assets of the company's value is changing. But the use of *Salam* for shares has been allowed by the Malaysian *Shari'ah* Advisory Council (SAC) of the Securities Commission. Shares can still be considered as item in *Salam* if it is obtainable at the execution of the *Salam* contract. Based on that reason, SAC permits the *Salam* based structure to be applied in Malaysia.

SAC believes that with regulated short selling (RSS), the existence of the shares in the market and the ability to delivery upon maturity can be ascertained. Based on the characteristic of RSS, if the investors who sell the shares that he does not own, they can borrow from the Central Lending Agency (CLA). It is managed by Bursa Clearing where lending and borrowing activities take place. If stock does not exist during the time of the delivery for a reason such as a company decides to discontinue for a while the trading of its stocks, buyer will have two options to decide. Firstly, buyer may decide to terminate the contract. Or secondly, buyer may decide to wait until the company continues the trading of its stocks. Conversely, if the seller knows in advance that the stock is not available before the delivery date, in this case, the contract must be terminated by the seller.

Short-Selling Application in Malaysia

This section discusses Shari'ah compliant short selling in Malaysia since Malaysia offers short selling that complies with Shari'ah principles. In Malaysia, there are two principles namely 'Securities Borrowing and Lending (SBL)' and 'Regulated Short Selling (RSS)' have been incorporated to offer a Shari'ah compliant short selling product. The inclusion of both SBL and RSS principles reduces the element of uncertainty (*gharar*) in short selling. Accordingly, application of these principles increases the possibility of delivery of the shares sold in short selling arrangement. Since the probability of delivery of the shares is high, the amount of *gharar* becomes minor and insignificant (ISRA, 2015).

Shari'ah Advisory Council (SAC) has its perspective that the element of uncertainty can be dealt in and therefore, get rid of it in the Regulated Short Selling with an incorporation of Securities Borrowing and Lending (SBL) principles. As mentioned previously, during the 69th meeting on 18th April 2006, the SAC of Securities Commission sorted out that RSS is Shari'ah compliant as the addition of SBL principles in RSS that get rid of the element of uncertainty. Since with RSS the short seller sells stocks that he does not own but must borrow it, hence, it can be borrowed from the Central Lending Agency (CLA). It is managed by Bursa Clearing where lending and borrowing activities take place. In other words, the sold stocks will be delivered without worrying the element of uncertainty. Therefore, it can be classified as Shari'ah compliant since the uncertainty can be removed from the transaction (Resolution of the SAC of SC Malaysia, 2007).

Obviously, the application of naked or uncovered short is not permitted and not applicable in Malaysia. To make sure that seller can realize his deal obligations with respect to short selling, the Securities Borrowing and Lending (SBL) agreement must support the Regulated Short Selling (RSS). As mentioned previously, investors can borrow the stocks from the Central Lending Agency (CLA). It is managed by Bursa Clearing where lending and borrowing activities take place. CLA will charge 2% as a charge fee. Other than that, investors can borrow from over the counter and may negotiate the fees among the borrower and lender.

CONCLUSION

To sum up the transaction of short selling is where the investors borrow stocks and sell them. After that, the investors must return the same stocks. Based on these three issues discussed, we can conclude that there is still defenceless issue that need further study and resolution. Even though the issue regarding to the ownership of stocks could be resolved, other issue still need an attention. As discussed, the issue regarding benefiting from the loan contract is considered *riba*. This is because any increase that has been specified is disallowed. Hence, Shari'ah Advisory Council (SAC) needs to look again into the permission of the Regulated Short Selling (RSS) transaction.

SAC should investigate every aspect so that there will be no issue arises in the transaction. SAC needs to overcome other issue which is the *riba* issue since what SAC considered was only regarding to the issue of *bay' ma'dum*, i.e., sale on non-existent item. The Shari'ah alternatives to short selling could be implemented frequently as it will become common with people involve in short selling. However, SAC needs to come with resolution on the issue of benefiting the lender as it is should be top priority of concerned. This is because it is clearly forbidden for a specified profit. But it seems that this issue has been settled but still, there is a need to investigate again and to come up with a new regulation to all the players in the market. Nevertheless, further studies need to be done to work out on the alternatives to short selling as found that the current practice of short selling does not fully comply with Shari'ah injunctions.

Reference

Al-Yahri, W.B., Elsiefy, E. & Abdulazeem, A., (2015). Shari'ah Issues in Short Selling and Its Potential Implementation in Qatar Stock Exchange, *International Business and Management*, 62-78.

Dusuki, A.W. & Abozaid, A., (2008). Fiqh Issues in Short Selling as Implemented in the Islamic Capital Market in Malaysia, *JKAU: Islamic Econ*., 63-78.

Farj, A.A. (2013). *Ahkam al-Mutajarah bil Hamish, Dirasah Fiqhiyyah Muqaranah*. Faculty of Shariah and Law at Cairo. Al Azhar University.

Islamic Fiqh Academy,IFA-M.W.L., (2006), *Resolution on Margin Trading*, Makkah: Muslim World League.

ISRA, (2015), *Islamic Capital Markets: Principles and Practices*, Kuala Lumpur.

ISRA, (2016), *Islamic Financial System: Principles and Operations*. Kuala Lumpur: Millennia Comms.
Jennifer, N., Arthur, R. J. (2016), The Conceptual and Empirical Relationship between Gambling, Investing, and Speculation. *Journal of Behavioural Addictions*, 1-12.
Ministry of Awqaf and Islamic Affairs, (1987). *Al-Mawsu'ah al-Fiqhiyyah*. Kuwait.
Muhammada, M.Z. (2007), The Contract of Bay' al-Salam and Istisna in Islamic Commercial Law: A Comparative Analysis. *Labuan e-Journal of Muamalat and Society*, 21-28.
Najeeb, S.F., (2014), Trading in Islam: Shari'ah Rules and Contemporary Applications. *Journal of Emerging Economics and Islamic Research*, 1-26.
Nejad, H.S., (n.d.), *Islamic Viewpoint of Short Selling*, 1-11.
Putri Swastika, G.D., (2014), Does Restricted Short Selling Bring Benefit to Stocks Listed in Islamic Capital Market? New Evidence from Malaysia Based on Dynamic Panel. *Heterogeneous Techniques*, 1-19.
Rahman, M.H. (2020). Applications of Constructive Possessions in Islamic Banking Products: Shariah Analysis. *Turkish Journal of Islamic Economics, TUJISE, 7(1)*, 81-102.
Rahman, M.H. & Amanullah, M. (2019). Articles of the Mejelle on Istisna' Contract: Juristic Evaluation and Applications. *Journal of Shariah Law Research, 4(2)*, 159-176.
Rahman, M.H. & Amanullah, M. (2020). Articles of the Mejelle on Salam Contract: Juristic Evaluation and Applications. *Jurnal Syariah, 28(3),* 359–382.
Ramli, R., Ismail, M.N., & Shaarani, A.Z.M., (2013), *Issues in Islamic Finance from the Practitioners Perspective*, Kuala Lumpur: IBFIM.
Robert, J. & Bianchi, M.E., (2015), *On the Ethics of Short Selling*, Research Gate, 1-20.
Al-Sharif, H.B.H., (2006). *Al-Ahkam al-Shar'iyyah li Tijarat al-Hamish*, Makkah: Islamic Fiqh Academy, Muslim World League.
Securities Commission, (2007), *Resolutions of Shariah Advisory Council*, Kuala Lumpur, Malaysia.
Al-Zuhayli, M.M., (2009). *Al-Qawa'id al-Fiqhiyyah wa Tatbiqatuha fi al-Mazahib al-Arba'ah*. Damascus: Dar al-Fikr.