Awareness of *Halalan Toyyiban*, HAS Practices, Export Readiness and Food SMEs’ Business Performance in East Coast Region, Malaysia

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**Abstract:** Halal food refers to food and beverages that are strictly prepared as per the rules emphasised by Islamic dietary law. According to the law, alcohol, blood, pork, animals that died before slaughtering, and animals that were not killed in the name of Allah are considered haram or not allowed to be eaten. In addition, halal food is packaged and stored in utensils that have been cleaned in accordance with prescribed guidelines. This study aims to investigate the importance of halal compliance and export readiness in the small and medium-sized enterprise (SME) halal food industry and its impact on business performance in the East Coast region of Malaysia. In addition, this study also tested the relationship between Halalan Toyyiban Awareness and Halal Assurance System (HAS) Practices. There are four research constructs included in this study, including halal and toyyiban awareness, HAS practice, export readiness, and business performance. The questionnaires were distributed to the SME food companies, of which 205 can be used for organisation-level analysis. The research design method used in this study is quantitative, and the main data collection method is a questionnaire survey. A simple random sampling method was used to select the sample. The data was analysed by the Statistical Package for Social Science (SPSS) version 26.0 for descriptive, reliability, correlation, and multiple linear regression analysis. The results showed a significant correlation between Halalan Toyyiban Awareness and HAS Practices. There are also noteworthy relationships between HAS Practices, export readiness, and business performance. Export readiness partially mediates the relationship between HAS Practice and business performance. In general, this shows the importance of

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HAS Practices and export readiness in boosting SMEs’ business performance. It may persuade government agencies to provide more incentives or programmes in both aspects (HAS Practices and export readiness) to assist SMEs in the halal food industry.

1. Introduction

The global Halal food market is one of the fastest-growing consumer markets in the world. According to the Global Islamic Economic Status Report 2018/19 released by Thomson Reuters, in 2017, about 1.8 billion Muslims worldwide were consumers of halal lifestyle products, and the global halal economy totalled USD2.1 trillion. Halal food products are the largest category, with global consumer spending USD1.3 trillion, followed by halal clothing at USD270 billion, halal media and entertainment products at USD209 billion, halal tourism at USD177 billion, halal medicines at USD87 billion, and USD61 billion in halal cosmetics. The report predicts that the global halal economy will reach USD3 trillion by 2023. The annual global halal food market of USD580 billion has opened up tremendous market opportunities and potential for the halal food business. It is expected to bring positive investment to the national economy (Abdullah, 2006). According to Kabir et al. (2014), the global halal food industry has a turnover of approximately USD700 billion and is expected to continue to grow at an annual rate of 7% from time to time.

Halal is an Arabic word meaning legal, permitted or allowed by Islamic law. The opposite of halal is haram, which means illegal or prohibited (Riaz & Chaudry, 2004). The increasing awareness of Muslims all over the world to uphold their religious beliefs has created the demand for halal food that meets their religious requirements. As the Muslim population increases, this demand for halal food is expected to continue. In addition, awareness of halal food is expanding globally, especially in non-Muslim countries, creating huge new markets for halal food.

Nowadays, the adoption of halal certification is becoming more popular around the world. It has become one of the most widely adopted certification systems in many countries. According to Al-Harran and Low (2008), compliance with the requirements will undoubtedly lead to the positive growth of the halal food industry to the SME food industry. Mohd Nawi and Mohd Nasir (2014) believed that the company’s sales revenue and profitability performance is influenced by the halal certification issued by Jabatan Kemajuan Islam Malaysia (JAKIM). In recent years, there has been a significant increase in the number of food companies implementing halal certification (Abdul-Talib & Abd-Razak, 2013). Many believe that halal certification is a ticket that can increase consumer confidence, expand existing markets, and increase sales and profit for the company’s business performance.
Numerous studies have shown that customers respond positively to halal products. However, compared to the consumers’ perspective, there is a lack of empirical evidence to show the impact of halal certification on business performance.

2. Literature Review

2.1. An Overview of the Halal Food Industry in Malaysia

Malaysia's food retail market is expected to grow at a 10% annual rate. Meanwhile, the revenue of the food retail market is expected to reach USD22.5 million in 2016, rising to USD76 million by 2020 (Statista, 2015). Consumers' preferences for halal food have shifted in recent years because of heightened knowledge of the importance of consuming halal goods in Malaysian society. Given that Muslims account for 60% of Malaysia’s population, the demand for halal food on the Malaysian market has soared in recent years (U.S. Department of Agriculture, 2021).

The Malaysian government has given its full support to the development and promotion of Malaysia as an international halal hub. The support is translated into numerous opportunities for Malaysian food manufacturers. Since 2012, the halal food industry has been Malaysia's largest halal food export by product category (Halal Industry Development Corporation, 2014). Malaysia is currently a leading country in the global halal industry and is making good progress with market capitalisation estimated to be USD2.2 trillion (GIER, 2019). The demand for halal certified products (including food) adds value to the Malaysian food industry and creates a huge global market potential. Businesses, especially SMEs, are urged to capitalise on this growth potential.

2.2. An Overview of the Small and Medium Enterprises in Malaysia

SMEs are an essential component of many economies around the world. In terms of the growth, success, and development of entrepreneurs in small businesses, it is assumed that these businesses are potential businesses that will make waves in the economic world. In Malaysia, SMEs have played an important role in economic growth and industrial development (Saleh & Ndubisi, 2006). According to a survey of institutions and businesses conducted by the Malaysian Department of Statistics (Department of Standard Malaysia, 2014), 99.3% (645,136) of Malaysian business institutions are SMEs. The service industry has the highest concentration of SMEs, accounting for 90% of the total organisation, followed by manufacturing (5.9%), construction (3%), agriculture (1%), and mining and quarrying (0.1%) (Abdul Aziz et al., 2014; Tehseen & Ramayah, 2015).

Malaysian SMEs have gradually risen to prominence as major contributors to the Malaysian economy because of their size and nature of business, their number, and the increase in their
share of employment and Gross Domestic Product (GDP). SMEs are recognised and valued in Malaysia for their various contributions, such as creating regional income, providing seed beds for growth and opportunities, saving, introducing innovation, training, assisting large companies, and stimulating competition (Hashim, 1999).

2.3. Halal Certification in Malaysia

Halal certification is governed by Islamic law, with the primary goal of addressing the issue of product status for Islamic consumers. It is also the added value of commercial trading to persuade and provide great opportunities for growth in the domestic and global markets (Mahmod, 2011). Achieving good business performance through halal certification implementation can also improve the company's financial performance. The increased financial benefits as a return on assets (ROA) and investments allow SMEs halal food industry to ensure that the products are safe and acceptable to the Muslim community.

Halal certification is a valuable marketing strategy for both Muslim and non-Muslim producers. Certification enables the company to enter foreign markets. According to Fikru (2014), if a company competes on a global scale, it is more likely to implement certification because compliance with local business regulations allows it to legally sell products. It is critical for businesses to expand into international markets because it increases their chances of increasing sales, and market share, and becoming internationally recognised brands (Escanciano & Santos-Vijande, 2014; Fotopoulos et al., 2010; Macheka et al., 2013; Maldonado-Siman et al., 2014; Psomas & Kafetzopoulos, 2014). Compared to other quality certification systems such as ISO 9001, ISO2200, and HACCP, there seems to be lack of studies conducted for halal certification, especially in the East Coast Region of Malaysia — States of Pahang, Terengganu, and Kelantan. SMEs in the halal food industry could benefit from this study as it could encourage them to fully comply with halal requirements, be adequately prepared to export, and improve their business performance.

Since 2004, the government agency JAKIM has authorised and governed halal requirements in Malaysia. In addition to being entrusted with implementing relevant halal laws and regulations, JAKIM as the halal authority as well as the certification body also plays a leading role internationally through halal standards such as MS 1500:2009 (Tieman & van Nistelrooy, 2014).

The inspection of food processing processes such as slaughter, cleaning, processing, handling, application, storage, transportation, and management practices are part requirements for halal food certification (Hakimah, 2004). All halal actors, from farm to table, should follow these guidelines (Lokman, 2012). The halal certification process is extremely stringent in order to ensure that all products meet the requirements of Islamic law.
Many applicants failed to pass the requirements because of the rigorous nature of the process. As part of the requirement, halal certificate holders also need to implement Halal Assurance System.

2.4. Association between Halalan Toyyiban Awareness and Halal Assurance System (HAS) Practice

As previously stated, halal refers to permitted or allowed by Islamic law. When it comes to consumption, Muslims must ensure that the foods and beverages they consume are not only halal (permissible), but also toyyib, nutritious, high-quality, hygienic, authentic, and safe (Saifuddeen et al., 2006). The concept of halal has been specifically mentioned and confirmed in Islam, such as the prohibition of pork and alcohol to Muslims. The concept of toyyiban on the other hand is universal.

The concept of toyyib integrated in the Malaysian Standard MS1500: 2019 Halal Food-General Requirements (Third Revised), which governs halal food and toyyib processing in Malaysia. As both halal and toyyib requirements have been specified in the MS1500:2019, the standard can be said to cover the process of ensuring the quality and safety of goods in large part. Determining a good process to ensure food quality and safety requires a great deal of discretion over best practices.

The Halal Assurance System prior to the introduction of the Malaysian Halal Management System (MHMS 2020), introduced in 2011, is based on the concept of quality assurance, which necessitates dedication, consumer demand, and low-cost improvement (Ceranić & Božinović, 2009). The system, according to Hassan et al., (2015), ensures the integrity of halal food in production by ensuring halal status and food quality.

General principles of HAS include:

1. Determination of Halal Critical Points (HCP)
2. Development and Verification of Flow Chart
3. Implementation of Control Measures
4. Development of Corrective Action
5. Documentation System and Management of Records
6. Process of Verification

Companies, especially the employees must have awareness or specifically knowledge or perception of a situation/fact pertaining to principles of halal and toyyib to be able to effectively implement Halal Assurance System (HAS). In food safety context, for instance, previous study also showed strong relationship between knowledge about food safe and practices (Abdul-Talib & Abd-Razak, 2013). There is a consensus that employees in
companies must have adequate food safety knowledge and the ability to apply such knowledge in handling food (Mortlock et al., 1999). Similarly, in this context, awareness and knowledge of halal toyyiban is expected to have a strong association with Halal Assurance System (HAS) Practices.

2.5. Association between Halal Assurance System Practices and Business Performance

Meanwhile, certified firms in the United States (Corbett et al., 2005; Terlaak & King, 2006) and Spain (Heras et al. 2002) demonstrate that assurance or quality systems increase return on assets (ROA) and return on sales (ROS). These benefits are realised through increased productivity as a result of cost reduction, higher and consistent quality, and improved production process efficiency, as well as market benefits, such as lower transaction costs, price premiums, increase market access, market share growth, reduced customer complaints and increased ability to attract new customers (Corbett et al., 2005; Fouayzi et al., 2006; Herath, 2007; Herath & Henson, 2006; Jayasinghe-Mudalige & Henson, 2006; Terlaak & King, 2006). This clearly shows that effective quality assurance system implementation improves business performance for export readiness among SMEs in the halal food industry.

Halal certification provides improved market positioning, which communicates competitive advantages, which has a significant impact on business performance (Chan, 2011). Some halal certification literatures have cited that certification can help businesses to perform better (Al-Harran & Low, 2008; Chan, 2011; Rajagopal et al., 2011; Syed Marzuki et al., 2012). Halal certification can have a big impact on customer satisfaction and the number of new customers the company gets, which in turn increases sales, market share, and profits. According to Rajagopal et al. (2011), when a company obtains halal certification, its products gain global recognition, resulting in increased sales and financial performance. Similarly, Syed Marzuki et al. (2012) emphasised that customers can buy halal products with confidence that they do not contain any harmful substances. As a result, it contributes to the company's financial profitability. Albawaba (2007) also stated that companies that have obtained halal certification tend to achieve good business performance by increasing financial returns.

Consumption of halal food has increased because of strong economic growth in some countries and an increase in income levels, creating more opportunities for halal food manufacturers. Multiple publications have linked halal certification implementation or practices with multiple external and internal benefits (Mohd Nawi & Mohd Nasir, 2014; Syed Marzuki et al., 2012; Tieman & van Nistelrooy, 2014). Some benefits mentioned include ease market entry; market expansion and growth; increase number of customers; enhanced consumer confidence and satisfaction; affects customer decision; customer retention;
increase revenue and sale; better management; logistics performance; and financial performance.

There are different ways to assess business performance in the literature. Financial and non-financial indicators (financial performance and export performance) were used in this study to assess the business performance of SMEs halal food industry in the East Coast Region, Malaysia. This is consistent with Said (2005) and Phongpetra and Johri (2011), who believe that companies can measure their business performance using both financial and non-financial indicators. Sales, revenue, and profits are financial indicators, whereas the number of employees, market share, reputation, and even awareness are non-financial indicators.

Financial performance refers to a company's financial growth, which is typically measured by financial indicators, such as operating profit, profit growth, turnover growth, new product success, employment growth, sales growth, asset growth, return on assets (ROA), return on investment (ROI), and return on equity (ROE). Financial performance, on the other hand, is defined as the monetary outcome of accounting data and market value from various business activities (Gonzalez-Benito & Gonzalez-Benito, 2005). Sharma (2005) investigated the impact of certificates on three dimensions of financial performance, namely profit margin, sales growth, and earnings per share, in a previous study, while Corbett et al. (2005) conducted a survey to demonstrate ROS, ROA, and lower Cost of Goods Sold (COGS).

Non-financial business success refers to when a company measures its success through factors other than financial indicators, such as export performance, employee count, efficiency, reputation, and awareness. Zack et al. (2009) and Tseng (2010) highlighted the number of employees, future strategies, and other stakeholders as non-financial indicators of a company's success. Non-financial indicators are commonly referred to as qualitative indicators. However, in terms of non-financial indicators, the concept of SMEs' business success primarily shows how the business is exposed over time with the support of appropriate financial practices, even if it is referred to as a non-financial business success.

2.6. Association between Export Readiness and Business Performance

Export readiness is a term used frequently by export aid organisations. It demonstrates that a company possesses the characteristics, capabilities, and courage to engage in export business. Compared to companies that are still learning to export and lack the financial or organisational commitment required to enter foreign markets, it qualifies companies for export assistance at a slightly more consistent, challenging, and complex level. The term "export readiness" usually refers to a company that is eager to obtain the information, resources, and assistance it offers and put it to good use. Exporting is one way for many SMEs to get involved in international business, and it usually brings positive returns for the
companies involved. Leonidou et al., (2007) provide a comprehensive overview of factors that may have a stimulating effect on exports.

Export performance is associated with multinational corporations that have the resources and capabilities to enter foreign markets. SMEs are typically associated with low export capacity due to their relatively limited resources, such as a low level of research and development, limited human skill development, and high levels of international competition. In Malaysia, the failure rate of SMEs is estimated to be 60% (Ahmad and Seet, 2009; Khalique, 2011). According to Liesch and Knight (1999), the level of willingness to participate in international markets depends on the level of knowledge of foreign target markets and the means of accessing them.

Management commitment refers to any current action that connects the organisation to future actions. If the action limits the options available to emerging exporters and costs capital reserves, the action becomes a commitment (Sull, 2003). The strategic plan is a road map that will guide the organisation from now until the deadline (Waldron et al., 1997).

Product considerations can take many forms, including introducing new products, processes, or services for relatively minor improvements, product adaptation, product line expansion, or imitating competitive products (Kalantaridis & Pheby, 1999; Mittelstaedt et al., 2006). The product consideration process encourages businesses to broaden their current technology, marketing, and management capabilities in order to be ready to adapt to changes and create value in the export market (Morgan & Katsikeas, 1997; Wolff & Pett, 2006).

Human resources are critical to any business implementation (Zailani et al., 2015). The role of management is as important as the availability of employees. The management is responsible for ensuring sufficient manpower, appointing Muslims, and establishing a halal committee, as mentioned in the MS1500. According to Riaz and Chaudry (2004), hiring Muslims with strong religious beliefs and behaviors, as well as a thorough knowledge of food safety and quality, production control, sanitary handling, and equipment handling is critical.

Previous studies have linked export readiness and business performance, especially in terms of export performance (Ecel et al., 2013; Gerschewski et al., 2020; Rosnan et al., 2016; Van Eldik & Viviers, 2005). According to Rosnan et al. (2016), assessing export readiness is vital, as studies have linked export readiness with export performance. This would mean that the more prepared a firm is to export, the better its chances of success in the international market. In the context of SMEs, export readiness is also linked to superior export performance (Gerschewski et al., 2020).
2.7. Association between Export Readiness as Mediator between Halal Assurance System Practices and Business Performance

Exporting firms in developing countries must adhere to standards in order to gain and/or maintain access to higher-value markets. Further, the process of conforming to a standard can serve as a catalyst for capacity expansion and a foundation for competitive positioning (Jaffee, 2003; Henson & Mitullah, 2004). Furthermore, operating within an established system of standards may result in significant efficiency gains in lower trade costs (Raballand & Aldaz-Carroll, 2007). At the same time, the associated non-recurring and recurring costs of compliance can be significant (The World Bank, 2005), with significant changes to established supply chains frequently being associated. Assuming a company has access to the necessary financial and technical resources, its compliance decision will be influenced by perceptions of the associated costs and benefits of business performance. These costs and benefits will, in turn, be influenced by the company’s resource capacity, the markets in which it operates, and the nature and size of possible target markets.

Research Conceptual Framework

![Research Conceptual Framework](image)

Figure 1. Research conceptual framework.

Based on the previous literature review in the previous sections, this study has, therefore, developed a conceptual framework (Figure 1) that consists of Halalan Toyyiban Awareness, HAS Practices, export readiness, and business performance. The following hypotheses were formed as below:
**H1**: There is a significant positive relationship between Halalan Toyyiban Awareness and HAS Practices among SMEs.

**H2**: There is a significant positive relationship between HAS Practices and Business Performance among SMEs.

**H3**: There is a significant relationship between Export Readiness among SMEs and their impact on Business Performance.

**H4**: Export Readiness mediates the relationship between HAS Practices and Business Performance among SMEs.

3. **Methods**

Quantitative research was used to conduct an organisational-level analysis of the study unit. Given that the data for this study were gathered from a representative sample of the population at a specific time, the simple random sampling method and self-administered questionnaire were used. The primary data was gathered from 325 respondents from the SME halal food industry in the East Coast Region, Malaysia. These companies were chosen as the target sample based on the three following criteria:

1. Obtained halal certification from JAKIM
2. Operated in food industry
3. Must be SMEs

This primary data is derived from the questionnaire. In this study, a questionnaire with six parts was used. Part 1 is about personal background; Part 2 is about company information. Meanwhile, Halalan Toyyiban Awareness is covered in Part 3, HAS Practices in Part 4, and Export Readiness in Part 5. These scales were measured by using a five-point Likert scale ranging from “Strongly Disagree” (1) to “Strongly Agree” (5). Finally, in Part 6, choices for Business Performance were ranked on a five-point scale ranging from “Strongly Unsatisfactory” (1) to “Strongly Satisfactory” (5).

A total of 325 questionnaires were distributed to 325 halal-certified SME food companies in the East Coast Region, Malaysia ($N = 325$). About 211 questionnaires were collected. This resulted in a raw response rate of 65%. In this study, 2.8% of the questionnaires were unusable. This resulted in 205 usable questionnaires and a 97% adjusted response rate.

The data was analysed using SPSS version 26.0 for four statistical analyses, including descriptive, reliability, correlation, and multiple linear regression.
4. Results

4.1. Respondents’ Demographic Profile

Table 1 shows the demographic profile of the respondents. Out of the 205 questionnaires, 72.2% were male \((n = 148)\) and 27.8% were female \((n = 57)\). For age category, the higher age group fell within the age range of 41–45 (24.9\%, \(n = 51\)), and 12.2\% \((n = 25)\) of the respondents were recorded as being lower at the age of > 46. Furthermore, 77.6\% of the respondents \((n = 159)\) were Malay, 13.7\% of the respondents \((n = 28)\) were Chinese, and 8.8\% respondents \((n = 18)\) were Indian. In terms of level of education, 77.1\% of the respondents \((n = 158)\) were Diploma/Bachelor’s Degree holder, and the lowest 4.9\% of the respondent \((n = 10)\) were Professional Certificate qualification. In the job position category, 43.9\% were Executive, 39.5\% were Manager, and 16.6\% of the respondents were at the Top Management level. Lastly, for length of employment, respondents who have been in the company for 10–15 years (25.9\%, \(n = 53\)) were higher than those with less than three years (at 9.8\%, \(n = 20\)).

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency ((n))</th>
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<tr>
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<tr>
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<td>72.2</td>
</tr>
<tr>
<td>Female</td>
<td>57</td>
<td>27.8</td>
</tr>
<tr>
<td>Age</td>
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<td></td>
</tr>
<tr>
<td>&lt; 25</td>
<td>27</td>
<td>13.2</td>
</tr>
<tr>
<td>26–30</td>
<td>29</td>
<td>14.1</td>
</tr>
<tr>
<td>31–35</td>
<td>29</td>
<td>14.1</td>
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<td>36–40</td>
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<td>41–45</td>
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</tr>
<tr>
<td>&gt; 46</td>
<td>25</td>
<td>12.2</td>
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<tr>
<td>Race</td>
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<td>Malay</td>
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<td>Chinese</td>
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<td>Indian</td>
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<td>8.8</td>
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<td>Level of Education</td>
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<td>Executive</td>
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<td>43.9</td>
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<td>Manager</td>
<td>81</td>
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<td>Top Management</td>
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<td>Length of Employment</td>
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<td>&lt; 3 years</td>
<td>20</td>
<td>9.8</td>
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<tr>
<td>4–9 years</td>
<td>51</td>
<td>24.9</td>
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</table>
4.2. Respondents’ Company Information

A total of 205 respondents, consisting of the SMEs in the halal food industry, had responded. When classified into forms of business ownership, about 96 respondents (46.8%, \( n = 96 \)) were from Private Limited companies, and five respondents were from public companies, which represented 2.4%. As for business size, about 67.8% of the surveyed companies belong to medium-scale companies with 139 respondents, while 32.2% are categorised as small-scale businesses with 66 respondents. The food and beverage sectors are 79.5% \( (n = 163) \) and 20.5% \( (n = 42) \), respectively. The majority of the respondents who replied were located in Pahang, 90 (43.9%). This was followed by 66 (32.2%) of the respondents located in Kelantan. Meanwhile, only 23.9 % of the respondents identified were in Terengganu, totalling 49 respondents. According to the respondents’ statements, 54 enterprises or 26.3% of businesses operate their business between 8–11 years, and only 19 (9.3%) respondents have their business for less than three years. About 64 enterprises are found to have more than 50 employees, which is equivalent to 31.2%. On the other hand, the remaining 15 (7.3%) respondents are observed in the group of fewer than five employees category. The data shows that 59 (28.8%) respondents achieve an annual sales turnover of more than RM 1 million. Out of 205 respondents, only 19 (9.3%) make less than RM 50,000 annual sales turnover. The majority companies export their products to ASEAN countries, with the total number of 202 (98.5%) of the respondents. The lowest regions where companies export their products are Africa and Latin America/Caribbean which is 7 (3.4%). As expected, most companies (121, or 59%) exported to fewer than three countries. Only 17 (8.3%) companies exported to 10–7 countries. These responses are shown in Table 2.

<table>
<thead>
<tr>
<th>Characteristics</th>
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<th>Percentage (%)</th>
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</thead>
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<td>Ownership Business</td>
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<td>Sole Proprietorship</td>
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<tr>
<td>Partnership</td>
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<td>24.9</td>
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<td>96</td>
<td>46.8</td>
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<td>Small</td>
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<td>Medium</td>
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<td>67.8</td>
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<tr>
<td>Nature of Business</td>
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<td></td>
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<tr>
<td>Food</td>
<td>163</td>
<td>79.5</td>
</tr>
</tbody>
</table>
Beverage 42 20.5

**Company Location**
- Pahang 90 43.9
- Terengganu 49 23.9
- Kelantan 66 32.2

**Year of Establishment**
- < 3 years 19 9.3
- 4–7 years 39 19.0
- 8–11 years 54 26.3
- 12–15 years 48 23.4
- > 16 years 45 22.0

**Number of Employees**
- < 5 15 7.3
- 6–16 26 12.7
- 17–27 33 16.1
- 28–38 33 16.1
- 39–49 34 16.6
- > 50 64 31.2

**Annual Sales Turnover**
- < RM 50,000 19 9.3
- RM 50,000–RM 250,000 40 19.5
- RM 250,000–RM 500,000 46 22.4
- RM 500,000–RM 1 million 41 20.0
- > RM 1 million 59 28.8

**Exported Region**
- ASEAN
  - No 3 1.5
  - Yes 202 98.5
- Asia (excluding ASEAN)
  - No 139 67.8
  - Yes 66 32.2
- Africa
  - No 198 96.6
  - Yes 7 3.4
- Europe
  - No 173 84.4
  - Yes 32 15.6
- Latin America/Caribbean
  - No 198 96.6
  - Yes 7 3.4
- Northern America
  - No 194 94.6
  - Yes 11 5.4
- Oceania
  - No 187 91.2
  - Yes 18 8.8

**Number of Countries Exported**
- < 3 121 59.0
- 4–6 31 15.1
- 7–9 18 8.8
- 10–12 17 8.3
- > 13 18 8.8
4.3. Descriptive Analysis of the Variables

The means of all four variables were calculated. Based on Table 3 below, it was clear that the means for all four variables were close to the range of 3.77 to 4.21. The variable Export Readiness was the highest, with a mean of 4.21, followed by the Halal Assurance System Practice, Halalan Toyyiban Awareness, and the mean of Business Performance with a mean value of 4.17, 4.16, , and 3.77, respectively.

Table 3. Descriptive analysis of the variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halalan Toyyiban Awareness</td>
<td>4.16</td>
</tr>
<tr>
<td>Halal Assurance System Practice</td>
<td>4.17</td>
</tr>
<tr>
<td>Export Readiness</td>
<td>4.21</td>
</tr>
<tr>
<td>Business Performance</td>
<td>3.77</td>
</tr>
</tbody>
</table>

4.4. Reliability Analysis

The reliability test (Table 4) is conducted in order to ensure consistent measurement across time and over the various items in the instrument (Tabachnick & Fidel, 2001). The independent variables, mediating variable, and dependent variable were tested on Cronbach’s Alpha coefficient for inter-item reliability. Items are considered reliable when the Cronbach’s Alpha is above 0.70 (Sekaran, 2006). The findings show all the factors were reliable. The independent variables show the range of Cronbach’s Alpha values between 0.874 to 0.917 and the dependent variable is .978. Meanwhile, for the mediating variable, Cronbach’s Alpha is 0.974. Thus, all factors are considered reliable.

Table 4. Reliability statistics.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Halalan Toyyiban Awareness</td>
<td>0.917</td>
<td>7</td>
</tr>
<tr>
<td>Halal Assurance System Practice</td>
<td>0.874</td>
<td>7</td>
</tr>
<tr>
<td><strong>Mediating Variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Readiness</td>
<td>0.974</td>
<td>22</td>
</tr>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Performance</td>
<td>0.978</td>
<td>16</td>
</tr>
</tbody>
</table>

4.5. Correlation Analysis

Correlation is a measure of the strength of the relationship between two variables. In this study, the correlations between four different variables were studied. Specifically, the Pearson correlation was used to measure the linear relationship between four continuous variables. In this study, the three variables measured are Halalan Toyyiban Awareness, Halal Assurance System Practice, Export Readiness, and Business Performance. The results in
Table 5 show a significant relationship between all the variables namely Halalan Toyyiban Awareness \((r = .555; p < 0.01)\), Halal Assurance System Practice \((r = .550; p < 0.01)\), Export Readiness \((r = .676; p < 0.01)\), and Business Performance. Although numerous researchers look at halal practices from different angles, the results obtained show that emphasis on the process is vital in improving the business performance of an organisation.

![Table 5. Correlations.](image)

4.6. Multiple Regression Analysis

The degree to which a set of independent variables contributes to the variance of the dependent variable is referred to as multiple linear regression. The greater the value of \(R^2\), the stronger the relationship between the independent and dependent variables, which ranges from 0 to +1.0. (Hair et al., 2010).

The statistical results of multiple regression of Halalan Toyyiban Awareness and Halal Assurance System Practice of the food industry and SMEs' business performance are shown in Table 6. The output demonstrates model \((F-value = 27.918, P-value = 0.00)\) predicted 43.9% of the sample outcome variance (Adjusted \(R^2 = 0.309\)). The \(R^2\) coefficient of determination \((R^2 = .317)\) indicates that the final model's goodness of fit is acceptable. It demonstrates that the independent variables could explain 31.7% of the variance in the dependent variable. As a result, the model can explain 31.7% of variations in SMEs' business performance. The remaining 63.8% of unexplained variations indicate that other factors, not included in this study, have an effect on SMEs' business performance.
**Table 6. Model Summary.**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.565&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.317</td>
<td>0.309</td>
<td>0.88687</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Halal Assurance System Practice, Halalan Toyyiban Awareness

**ANOVA<sup>a</sup>**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2</td>
<td>21.959</td>
<td>27.918</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>202</td>
<td>0.787</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>204</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Business Performance
b. Predictors: (Constant), Halal Assurance System Practice, Halalan Toyyiban Awareness

The results of multiple regression of Halalan Toyyiban Awareness and Halal Assurance System Practice of Food Industry and SMEs’ business performance are shown in Table 7. Two independent variables (Halalan Toyyiban Awareness and Halal Assurance System Practice) were found to be statistically significant.

According to the findings, Halalan Toyyiban Awareness ($\beta = 0.264$, sig. = 0.000) and Halal Assurance System Practice ($\beta = .214$, sig. = 0.017) are significant at the 0.05 level and have positive values, indicating a positive impact on the business performance of SMEs.

**Table 7. Coefficients<sup>a</sup>.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.812</td>
<td>0.410</td>
<td>1.983</td>
</tr>
<tr>
<td></td>
<td>Halalan Toyyiban Awareness</td>
<td>0.379</td>
<td>0.199</td>
<td>0.264</td>
</tr>
<tr>
<td></td>
<td>Halal Assurance System Practice</td>
<td>0.332</td>
<td>0.216</td>
<td>0.214</td>
</tr>
</tbody>
</table>


4.7. The Mediating Role of Export Readiness in the Relationship between Halal Assurance System Practice and Business Performance

The overall results (Table 8a and 8b) indicate that export readiness partially mediates the relationship between Halal Assurance System Practice and business performance. The analysis examines the relationship between Halal Assurance System Practice and business performance. Results indicate that Halal Assurance System Practice is a positive predictor of business performance ($t = 7.178$, $p = .000$; $R^2 = 0.20$). When export readiness is entered into the equation, the beta for Halal Assurance System Practice dropped from 0.450 to 0.281, but
it remains as a positive predictor to business performance, and the relationship is significant. Thus, there is partial support for the mediating role of export readiness in the relationship between Halal Assurance System Practice and business performance. Both Halal Assurance System Practice and export readiness accounts for 45% of the variance explained in the business performance.

Table 8a. Coefficients.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.860</td>
<td>0.412</td>
<td>2.088</td>
</tr>
<tr>
<td></td>
<td>Halal Assurance System</td>
<td>0.699</td>
<td>0.097</td>
<td>0.450</td>
</tr>
</tbody>
</table>

$R = 0.450^a$, $R^2 = 0.202$, Adj. $R^2 = 0.199$


Table 8b. Coefficients.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.586</td>
<td>0.371</td>
<td>1.577</td>
</tr>
<tr>
<td></td>
<td>Halal Assurance System</td>
<td>0.296</td>
<td>0.045</td>
<td>0.281</td>
</tr>
<tr>
<td></td>
<td>Export Readiness</td>
<td>0.487</td>
<td>0.047</td>
<td>0.418</td>
</tr>
</tbody>
</table>

$R = 0.676^a$, $R^2 = 0.457$, Adj. $R^2 = 0.452$


5. Discussion

This study is concerned with the factors of halal compliance and export readiness of the food industry as well as the business performance of SMEs in the East Coast Region, Malaysia. The study contributes to the research area on the SMEs food industry which will be useful to students, scholars, and researchers interested in the field of SMEs in Malaysia, specifically the SMEs halal food industry. Besides export readiness, other variables, such as operations, brand awareness and innovativeness, should be considered in future research.

In terms of managerial implications, this study makes a significant contribution to manufacturers and practitioners, particularly those who intend to enter the halal business market.
This result indicates the importance of HAS Practice and export readiness to improve business performance. It is critical for the food producers to understand these factors when entering the halal business market. Understanding the direct and indirect effects of the key factors affecting the business performance of the SMEs halal food industry in Malaysia is also important to boost the industry’s growth.

SMEs would be delighted if policymakers could allocate funds to promote both halal practices and halal food export activities in the industry. The impact is an increase in the export volume of halal food products because there is a double demand for the products — both domestic and foreign demand. As a result, the economics of the halal food industry can be measured by the demand for such products in domestic and foreign markets, as well as the development of affiliated and supporting industries in a country's halal economy.

The scope of this study is limited to SMEs operating in Pahang, Terengganu, and Kelantan located in the East Coast Region, Malaysia. Since most of the respondents are from these regions, they may be concerned about the fair representation of SMEs in the East Coast Region, Malaysia. Furthermore, the population of this study was limited to food companies and the ability to generalise the reported results to all industries such as cosmetic, personal care, pharmaceutical, and consumer goods consumable is limited. Few respondents were hesitant to take part in the study. This is because they were concerned that disclosing company information would have a negative impact on them and that competitors would use the information to outperform them. Besides that, they also worried that the information would be used for tax purposes by the government. It should be noted that the data collection was extra challenging due to the Covid-19 pandemic, which disrupted the collection of data, resulting in relatively slow research progress.

6. Conclusions

As a conclusion, the study's research objectives were eventually met. In order to achieve the research objectives, this study developed the research hypothesis and designed the research design. In this study, the determinants of the business performance of SMEs in the food industry could be regarded as SMEs' competitive advantage. The findings of this study show that the independent variables, HAS Practice, and export readiness have significant positive relationships with the business performance of the SME food industry. This research provides factual evidence to assist them in making business strategic decisions. Furthermore, this research that suggests and proves the relationship between halal food compliance and business performance can be a valuable addition to the body of literature. The findings may persuade government agencies to provide more incentives or programmes in both aspects (HAS Practices and export readiness) to assist the SME halal food industry in expanding their business.
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References


