MOTIVATIONAL FACTORS UNDERLYING THE INTENTION OF HERBAL SOAP ENTREPRENEURS TO OBTAIN HALAL CERTIFICATE IN MALAYSIA

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Abstract

The goal of this study is to determine the motivation factors underlying Herbal soap entrepreneurs’ intention to obtain Halal certificate in Malaysia. This is a quantitative study that employs questionnaires as a research tool and uses Dimaggio and Powell’s (1983) model on institutional theory to study the intention of Herbal soap entrepreneur in getting Halal certificate. The study predicted that there are positive links between Malaysian Herbal soap entrepreneurs’ motivation factors (coercive isomorphism, normative isomorphism and mimetic isomorphism) and the intention to obtain a Halal certificate. This study will have significant implications for various Halal stakeholders. Furthermore, despite the fact that many studies have focused primarily on the Halal food sector, there is a need for more research into the Halal Herbal soap market. More empirical and non-empirical research is needed to reveal more concerns with Halal certification in the Herbal soap industry.

Keywords: Herbal soap, Halal certificate, Coercive isomorphism, Normative isomorphism, Mimetic isomorphism

INTRODUCTION

Halal is important in every element of an individual Muslim’s life, including income, product choices, and other religious conduct (Hashim and Mat Hashim, 2013). Besides that, to be considered as Halal, products shall not be dangerous or harmful to one’s health (Department of Islamic Development of Malaysia, 2014). Halal is also seen as a set of standards for quality, hygiene, and safety. Moreover, the Halal business encompasses more than just food; it also encompasses a wide range of services provided to Muslims such as Meat and poultry, non-meat food, personal care, cosmetics, medicines, and health goods are all examples of Halal products (Basir et al., 2018).
Nowadays, Halal pharmaceuticals and cosmetics are growing in popularity and demand among the world's 2.4 billion Muslim customers (Sugibayashi et al., 2019). Until 2024, the worldwide Halal market is expected to increase at a compound annual growth rate of 6.8% (Trent, 2018). Cosmetics are defined by the Federal Food, Drug, and Cosmetic Act (FD and C Act) as “articles designed to be rubbed, poured, sprinkled, or spray on, introduced into, and sometimes applied to the human body for cleaning, beautifying, enhancing attractiveness, or modifying the appearance.” Cosmetics are classified into the following categories: Cosmetics, Makeup, Hair Care, and Fragrance Cosmetics, Body and Oral Care Cosmetics, Makeup, Hair Care, and Fragrance. Besides that, Halal beauty goods relate to eco-ethical principles, cruelty-free, ecologically friendly, natural, organic, and acceptable items that are devoid of hazardous chemicals. Finally, there must be a component of fair commerce and non-exploitation of people. Besides, Yusuf and Yajid (2017) noted that, pigs, carrion, blood, human body parts, predatory animals, reptiles, and insects, among other things, are forbidden from being used in Halal cosmetics. Cosmetic components derived from allowed animals must be slaughtered in accordance with Islamic law to be labelled Halal.

Furthermore, according to Elasrag (2016) and Danjuma (2021), an analyst has predicted that the profitable Halal food business will be followed by the burgeoning Halal cosmetics and personal care market. The demography of young, religiously concerned, and energetic professional Muslims is the major driver of this massive demand for Halal cosmetics and beauty goods (Elasrag, 2016). Besides that, a report by Grandview research (2020) noted another element affecting consumer patterns is the growing desire for organic products. People are becoming more interested in natural goods as rules promoting the use of ecologically friendly components in cosmetics and the food and beverage sector continue to be implemented. According to transparency market research report (2021), because of the growing need for cosmetics and toiletries, Malaysia has a lot of potential to become a worldwide Halal centre. There is also a report by industry research (2021) on Herbal soap market, during the forecast period 2020 to 2026, the Herbal Soap market is expected to grow at a significant rate.

Nevertheless, because cosmetics manufacturing is dominated by non-Halal cosmetic firms, whose production techniques may not meet the criteria of Halal science, the need of Muslim consumers for Halal cosmetics go unfulfilled (Sugibayashi et al., 2019). Besides that, according to Azmi et al. (2018), because Halal business is difficult, SME entrepreneurs should be taught in Halal entrepreneurship. To foster Halal entrepreneurship in Malaysia, the variables influencing SMEs entrepreneurs' intentions to adopt Halal certificate must be studied. Furthermore, according to Ab Talib, Abdul Hamid and Ai
Chin (2015), there were just a few research that looked at the various motivations and limitations that people faced before applying for Halal certification. As a result, motivation became a concern, and a constraint to Halal certification was the need for adequate attention. Hence, based on prior research, this study is expected to disclose a critical component in the motivation of Herbal soap entrepreneurs' decision to pursue Halal certification that other researchers have been unable to examine.

**LITERATURE REVIEW**

This study investigates the behavior intention of Herbal soap entrepreneur in Malaysia in getting Halal certificate, focusing on motivation of the entrepreneur on applying Halal certificate. The relationships between the motivation constructs are explained by institutional theory by DiMaggio and Powell (1983). The following description explains the study's constructs and discusses the research hypothesis of the study.

*Halal certificate*

The Department of Islamic Development (JAKIM) and the Islamic Religious State Council (JAIN) administer Halal certification in Malaysia, with the concept of *Halalan toyyiban* often used in the process. Halal certification, according to JAKIM, is more than simply a religious requirement; it is also a way of life. Several Halal certification guidelines have been developed, including the “Malaysian Halal Certification Procedure Manual (Domestic) 2020,” the most recent edition of a Halal certification guideline. Meanwhile, MS 2200-1:2008-Islamic Consumer Goods is the guideline that must be followed to apply for a Halal certificate for cosmetics products, as according to Malaysian Standards Department. Furthermore, a Halal assurance system must be in place in addition to the cosmetic manufacturing regulations such as Good Manufacturing Practice (GMP), International Organization for Standardization (ISO), and others that producers must follow (Sugibayashi et al., 2019). Department of Islamic Development would only issue the establishments a Halal certificate and allow them to use the Halal logo on their products provided they passed severe inspections by the Department of Islamic Development and followed all requirements. Although a halal certificate is not mandatory in Malaysia, the opportunities and benefits it can provide to companies cannot be ignored as the halal market is growing in demand.

*Herbal soap market*

Mordor intelligence report (2021) on organic soap market - growth, trends, covid-19 impact, and forecasts (2021 - 2026) has reported there are growing demands for natural and organic beauty and personal care products as a result of increased consumer knowledge about the negative effects of certain
chemicals included in skincare, hair care, and deodorant products, such as parabens and aluminum compounds thus pushing the demand for organic soap. Moreover, according to MarketWatch (2021) press release on Global “Herbal Soap Market” 2021 report, Herbal soap is a natural way that would include plant extracts. Many people prefer herbal soaps because they are allergic to the chemicals in regular soaps, or because they want to stick to their personal commitment to using more natural products. In addition, during the forecast period, 2020 to 2026, the Herbal Soap market is expected to grow at a rapid pace.

Furthermore, in the local market news reported by Moneycompass (2020), Malaysia has a lot of potential in the Herbal sector, in which the herbs can be processed to make a range of goods like soaps, lotions, and so on. It was also reported that government help in the form of technological, financial, and other forms via the Malaysian Agricultural Research and Development Institute (MARDI), which should drive more Malaysian businesses would pursue possibilities in this sector. Furthermore, Grandview Research (2020) stated in its market analysis report "Essential Oils Market Size, Share, Analysis Report, 2020-2027" that another factor influencing consumer patterns is the growing desire for organic products. Moreover, the continued adoption of legislation encouraging the use of environmentally friendly components in cosmetics and the food and beverage industries has piqued people's interest in seeking out natural-ingredient-based goods. To conclude, based on previous discussion, there are many opportunities for Halal cosmetics especially Herbal soap to penetrate the product market given the increasing demand of Halal personal care cosmetics products in Malaysia and international. Nevertheless, the decisions to adopt halal certificate could be influenced by a range of motivational factors.

Motivation factors
According to institutional theory, organizational decisions are influenced not just by balanced proficiency objectives, but also by cultural and political variables, as well as concerns about authenticity. Due to isomorphic weights and authenticity values, the theory ensures that organizations become progressively comparative (Dimaggio and Powell 1983). Mimetic pressure occurs when a company adopts a method or product that imitates one of its competitors (Soares-Aguiar and Palma-Dos-Reis 2008). Dimaggio and Powell (1983) defined coercive pressures as a set of official or informal factors used by other organizations on which the former organizations rely. Meanwhile, relational partnerships, in which firms share certain information, norms, and standards, create normative pressure. Below are the details of the relationships between Coercive isomorphism, Normative isomorphism and Mimetic isomorphism and intention to get halal certificate.
Coercive Isomorphism

Coercive isomorphism, according to Gauthier (2013), refers to external pressures made by legal, government, or other official authorities to follow the methods or systems that they favour. Besides that, according to the notion of coercive isomorphism, enterprises operating in an institutional (regulated) framework are driven by the need to do lawful business while remaining competitive (Williams et al., 2009; Ye et al., 2013). The regulations set are examples of pressure from authorities or governments put on an organisation, as according to DiMaggio & Powell, 1983 and DiMaggio & Powell, (2000). Furthermore, according to Baker et al. (2014), "legitimacy-seeking behaviour may induce regulatory systemic changes." This shows that logistics businesses pursue Halal certification in reaction to regulatory influence and to obtain market recognition. Failing to comply with halal certification management is a validation and guarantee of the status of halal food; failure to do so may result in the company being fined (Mohd Nawi & Mohd Nasir, 2014). As a result, businesses must guarantee that laws, rules, and standards are consistently applied.

Normative Isomorphism

Normative isomorphism occurs because of relationship collaborations in which organizations exchange specific information, norms, and standards. Sharing these norms across network members via relational networks fosters agreement, which in turn increases the strength of these norms and their potential influence on organisational behaviour (Powell and DiMaggio 1991). To compete more effectively in the Muslim market, both domestically and globally, firms must win public confidence through halal certification. This is referred to as normative pressure on organisations and is the standard in today’s industry (Eksan and Amin, 2018). Moreover, as stated by Rezai et al. (2012), comprehending how adherence to industry rules influences a company’s image and reputation is especially crucial in understanding the Muslim market. Thus, businesses must guarantee the halal status of their product.

Mimetic Isomorphism

Mimetic isomorphism develops when company executives adopt a concept or method that is similar to that of competitors in order to meet market standards or laws (Oliveira et al., 2014). According to studies by Mariotti et al. (2014), firms are encouraged to implement halal certification because they want to replicate the success that other organisations have had with halal certification. This increases the pressure on methods to mimic the activities of successful competitors. Besides, the motivation for imitating is to ensure
company sustainability by employing halal marketing techniques to represent safety and quality (Aziz & Chok, 2013), since consumers are more inclined to purchase certified halal products (Verbeke, Rutsaert, Bonne, & Vermeir, 2013).

Furthermore, Talib, Bakar, and Too (2019) explore Institutional Theory’s coercive isomorphism (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) as a mediator between Halal certification and logistical success. Companies operating in an institutionalized (regulated) context are driven by the necessity to conduct lawful business while remaining competitive, as per concept of coercive isomorphism (Williams et al., 2009; Ye et al., 2013). Thus, logistics businesses are adopting Halal certification in response to regulatory pressures and to achieve market acceptability. In addition, as Elasrag (2016) stated, in the Middle East and Asia, the market for Halal cosmetics is expanding and across the Middle East, Halal cosmetics are growing at a 12 percent yearly rate and furthermore, in Asia, notably Malaysia and Indonesia, as well as Europe, there has been a boom in demand for Halal cosmetics. Moreover, a report by Mordor intelligent (2021) on the Organic Soap Market - Growth, Trends, Covid-19 Impact, and Forecasts (2021 - 2026) stated consumers’ rising awareness about their health and cleanliness has increased demand in the region for natural or organic soap. Such considerations have forced manufacturers to enhance their product offerings to meet the ever-changing customer demands. So, the demand for organic or Herbal soap are highly anticipated; the addition of Halal certificate could help penetrate local and international market.

Besides that, Fischer (2016) has defined the Halal market as being thoroughly institutionalized by the government, which includes the formation of various aspect connected to the company’s operation, including the management of Halal certification. As a result of these developments, businesses in this market are under pressure to adjust their Halal certification business objectives. Therefore, institutional theory may be used to handle environmental challenges in Halal certification management. Given on the above research and numerous other prior research, institutional theory appears to be relevant in providing a fuller understanding of the motivational factor of entrepreneur in getting Halal certificate in Malaysia. Thus, it is hypothesised that:

H: There is a positive relationship between Coercive isomorphism toward Herbal soap entrepreneur behaviour intention in getting Halal certificate

H: There is a positive relationship between Normative isomorphism toward Herbal soap entrepreneur behaviour intention in getting Halal certificate
H. There is a positive relationship between Mimetic isomorphism toward Herbal soap entrepreneur behaviour intention in getting Halal certificate

**Herbal soap entrepreneur intention to get Halal certificate**

As discussed by Ab Talib, Abdul Hamid and Ai Chin (2015), to make effective and efficient Halal application decisions, managers’ attention and commitment was necessary, this might be impacted by motivations factors. Furthermore, entrepreneur must be prepared for several challenges, including those linked to Halal application, to deliver effective services for Halal products (Tarmizi et al., 2014). One of the most difficult challenges is to maintain SME entrepreneurs’ enthusiasm for Halal entrepreneurship (Soltanian, Zailani and Iranmanesh, 2016). To foster Halal entrepreneurship in Malaysia, the variables influencing SMEs entrepreneurs’ interests to apply for Halal certificate must be studied. Thus, the entrepreneurs could benefit from Halal certificate to target Muslim customers, and hence, increasing their chances of being a successful enterprise. Figure 2.1 below is the conceptual framework of this study.

**Figure 2.1: Conceptual framework**

There are three independent variables in this framework (IV). The three-independence variable (IV), coercive isomorphism, normative isomorphism, and mimetic isomorphism are adapted from Institutional theory by DiMaggio and Powell (1983). Meanwhile, the dependent variable (DV) in this framework is Herbal soap entrepreneur intention to get Halal certificate.

**METHODOLOGY**

The goal of this study is to see if the independent variables stated may significantly support the DV, motivational factor towards Herbal soap entrepreneur behaviour intention toward Halal Certification. This study uses...
quantitative research that takes the form of a questionnaire-based survey. Questionnaires are used to collect a lot of vital and information from respondents in order to acquire more responses. Furthermore, researchers may use this technique to integrate traditional statistical analysis based on classical theory tests with modern statistical analysis such as Structural Equation Modelling (SEM). As a result, the questionnaire-based survey approach is the most appropriate strategy for this study. Purposive sampling will be selected as the sampling approach. It is a deliberate choice of an informant based on the characteristics of the responder. Essentially, the researcher determined what information are required and set out to identify respondents who could and were willing to offer it based on their expertise or experience (Lewis & Sheppard 2006). Five-point scales will be used to measure these dimensions. Meanwhile, Herbal soap entrepreneur will be the target population for this study. A self-administered questionnaire will be designed to collect the data required. There are four dimensions that will be measured. The dimensions consist of the questionnaire items as shown in table 1.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Breakdown item</th>
<th>Total</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coercive isomorphism</td>
<td>• Our parent company directs us to apply Halal certificate in producing Herbal soap</td>
<td>4</td>
<td>Adapted from; Md Shah Azam 2014</td>
</tr>
<tr>
<td></td>
<td>• Our major customers demand we have Halal certification in producing Herbal soap</td>
<td></td>
<td>Tom yoon (2009)</td>
</tr>
<tr>
<td></td>
<td>• Customers that matter to us expect us to have Halal certification in producing Herbal soap</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• We may not retain our important customers without having Halal certificate in producing Herbal soap</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mimetic isomorphism</td>
<td>• All of our competitors have already had Halal certificate in producing Herbal soap</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Our main competitors that have Halal certificate in producing Herbal soap have benefitted a great deal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Many of our competitors are currently having Halal certificate in producing Herbal soap

Our competitors that have Halal certificate are perceived favorably by others in our Herbal soap industry

Many of our suppliers are currently having Halal certificate

Industry sources (e.g., industry or trade associations) are pressuring our firm to have Halal certificate

We often receive information regarding halal certification from sources outside our organization (such as industry associations, professional associations, or trade newsletters)

We participate actively in industry, trade, or professional associations that promote Halal certification

The firm is in the process of applying to get Halal certified

The firm has plan to get Halal certified

The firm has no plan to get Halal certified

The firm will continue to get Halal certified after the present certificate expires

The firm will stop to get Halal certified after the present certificate expires

CONCLUSION
In conclusion, this paper has proposed an Institutional theory by Dimaggio and Powell (1983) aiming to investigate motivation factor of Herbal soap entrepreneur intention in getting Halal certificate in Malaysia. There are three major factor proposed by institutional theory which are Coercive isomorphism; Normative isomorphism; and Mimetic isomorphism. Furthermore, the purpose of this study is to determine the link between motivating factors.
(Coercive isomorphism; Normative isomorphism; and Mimetic isomorphism) and the behavioural intention of Herbal soap entrepreneurs to pursue Halal certification. This study is expected to uncover crucial elements in Halal certification choices that were not examined by prior studies. The academician might utilize the proposed technique derived from the study’s findings to guide future Halal research. It would also help policymakers like the Department of Islamic Development Malaysia (JAKIM), the Ministry of International Trade and Industry (MITI), and the Halal Development Corporation (HDC) better understand the motives of entrepreneurs to get Halal certification. Furthermore, while a large amount of literature and studies focus on Halal food products and Halal certification, the importance of Halal cosmetics, particularly the Herbal soap business, should not be overlooked. Besides that, with the risen of demand for Halal cosmetics (Elasrag, 2016), the motivating factor of Herbal soap entrepreneurs seeking Halal certification in Malaysia should be investigated. Since this research is conceptual, further empirical and non-empirical research is needed to find factors that influence Herbal soap entrepreneurs’ desire to obtain a Halal certificate in Malaysia. However, the study only looks at motivation and exclude other factors that can prevent entrepreneurs from obtaining a Halal certificate in Malaysia.

REFERENCES


Penafian
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