

Factors Contributing to Non-Compliance of the Halal Standard among Restaurant Operators in Malaysia

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Abstract. This study investigates the factors of non-compliance among the restaurant operator towards Trade Description Order 1975 (Use of Halal Expression) using the Theory of Planned Behavior (TPB). It is important to identify those factors in order to design an appropriate policy that can enhance the compliance of restaurant operator towards the Halal standard. However, literature has shown that limited research has been conducted. Seven factors were examined through self administrated questionnaire distributed to 350 restaurant owners in Kuala Lumpur but only three are found to be significant namely lack of knowledge, supplier issues and governance issues. The finding shows that attitude and perceived behavioral control have significant relationship with behavior of non-compliance but subjective norm has no significant relationship with the behavior of non-compliance. This result will help relevant authorities to understand the critical factors that influence the non-compliance of Halal standard among restaurant operators to help them improve the formulation of appropriate policies in enhancing restaurant operators' compliance towards Halal practices.

Keywords: Consumer behaviour, theory of planned behaviour, restaurant operators, Halal

1. Introduction

Halal is a permissible and lawful act according to Shari'a law which includes doing profitable business, consuming healthy food and beverages, and other daily practices (Al-Qardhawi, 2001). Halal food means food and beverages and/or their ingredients that are permitted under the Shari'a law and fulfil the following conditions (MS 1500:2009);

- not containing any parts of animals that are non-Halal or not slaughtered according to Shari'a law
- not containing 'najs'
- safe for consumption, non-poisonous, non-intoxicating or non-hazardous to health
- not prepared, processed or manufactured using equipment contaminated with 'najs'
- does not contain any human parts or its derivatives that are not permitted
- during the food preparation, processing, handling, packaging, storage and distribution, it must be separated from any other food that does not meet the requirements stated in items a, b, c, d or e or any other things that have been decreed as 'najs' by the Shari'a law.

Muslim consumers are very sensitive towards the issue of Halal food. Reports of fraudulent practices by food operators in mass media and the majority of food premises displaying various type of private Halal logo nowadays has confused the consumers and creating doubt over the Malaysia's Halal logo validity. The reasons for non-compliances among restaurant operators towards Halal requirements need to be studied because it is important to know the major problems faces by the restaurant operators for not complying with the better practices of Halal requirements in the restaurant industry.

The Halal industry grows rapidly due to the religious values it offers from farm to table. This is due to the increase in awareness among Muslims all over the world to consume Halal food. The estimated market for global Halal products is projected to reach USD 500 billion in 2010 (Halal Journal, 2008). According to International Market Bureau of Canada, estimated per capita expenditure for food is USD 0.85 per day. With

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the estimated of 1.8 billion world Muslim population, the demand for Halal food product will be reaching USD 580 billion a year.

In Malaysia, the application of Halal certification is still not mandatory. However the Department of Islamic Development of Malaysia (JAKIM) strongly recommended industry players to obtain Halal certification. Also, most companies obtain Halal certification due to customer demands and top management decisions (Abdullah, 2006). Besides, Halal practices not only fulfil Muslims requirement but also international good practices standard such as GMP (Good Manufacturing Practices) and HACCP (Hazard Analysis Critical Control Point). Therefore, products that are certified Halal not only fulfil Muslim requirement, but also perceived as safe for consumption and having good nutritious value and quality.

Malaysia legislation related to Halal matters is specified in Section 15A, Trade Description Act 1972. This is a common law used to protect consumers from company or individual who apply false trade description in their offering. The Trade Description Order 1975 (Use of Halal Description) regulates the correct usage of terms such as “Halal” “Ditanggung Halal” or “Food for Muslim” or in other words and manner, which describes the food is fit for Muslim consumers. The new amendment of this Act approved by Parliament in May 2011 allows only JAKIM to issue Halal certification and the Malaysia Halal Logo (Berita Harian, 2011). In relation to this amendment, any Halal logo or certification from private organization are no longer allowed to be displayed on their products or premises.

Malaysia has developed the Halal Standard (known as Malaysian Standard), Halal Food-Production, Preparation, Handling and Storage General Guidelines (First Revision) 2004; (MS1500:2009-Second Revision). This Halal Standard is a technical document which specifies the minimum requirements that must be complied to, not only during production, but also at all stages in the production and supply chain including procurement of raw materials and ingredients, logistics and transportation, packaging and labeling of food and so on. This stresses the importance of food to be safe and not poisonous, intoxicating or hazardous to health. In January 2009, this standard has been reviewed for second revision by the special committee and experts and some modifications have been made. As a result, the Malaysia Halal Logo was established, which is recognized and well-accepted worldwide.

2. Restaurant Industry in Malaysia

The total sales of the foodservice sector is projected to grow to USD 7.5 billion by 2010 due to the rising disposable income in Malaysia, urbanisation and the growing popularity of eating out in foodservice establishments (Sungkar, 2008). Hence, Malaysia is ranked 9th among the top ten of world’s tourism destination most visited by tourists based on the total arrival of 23.6 million tourists which generates RM 53.4 billion of the tourists total receipt (Tourism Malaysia, 2009). In 2010, food and beverages expenditures registered about RM 9.72 billion from the components of tourist expenditures (Tourism Malaysia, 2010). With the high volume of tourists and increase in Malaysia population to 28 million, the demand for foodservice will grow tremendously in Malaysia. This in turn will also increase the demand for Halal food.

Restaurants in Malaysia consist of full service restaurants, fast food restaurants, coffee shops and hawker stalls. It serves both international and local dishes. This industry is projected to grow at 5% to RM 9 billion and 3% growth in outlet numbers to reach 9,715 outlets (Euromonitor, 2009). These growths are due to the increase in popularity in retail and travel locations with more shopping venues being established together with airports expansion. Malaysian market consists mainly of families from middle to high income groups, business persons, affluent young Malaysians and also expatriate, business visitors and tourists. Consumers prefer food from restaurants because of better eating style, comfort, and access to the best culinary standards offered by them.

Among the most popular food outlet is the fast food restaurant such as McDonald’s, which offer Halal food. This is due to their top management commitment and understanding of Halal issues in Malaysia. Mc Donald’s also ensures the Halal compliance through their supply chain infrastructure which consists of partners and exclusive suppliers which constantly strive for quality and continuity. Some of the challenges faced by McDonald’s includes high speed manufacturing production line using mechanical slaughtering for chickens, animal welfare issues, differing practices of Muslim Halal organizations, which makes it harder to

comply. The Halal status of animal feed used for cattle is also being challenged (Kamaruzaman, 2008). These are some of the requirements that makes it more challenging to comply with the Halal practices.

3. Conceptual Framework

The theoretical model for the study is based on the Theory of Planned Behavior (TPB). This model consists of factors towards non-compliance which is considered as 'perceived behavioral control (PBC)'; attitude towards non-compliance as 'attitude'; religion as 'subjective norm' and non-compliance behavior of restaurant operators as 'behavior'. Other studies have found that TPB is a valid model that can be used to predict behavior in food choices. It also shows that attitude and subjective norm are good predictors of such behavior (Bredahl 2001; Thompson and Thompson 1996).

Attitudes influences consumer's trust, confident, feeling, value and tendency to act which will produce stimulation whether to support or to dispute (Schiffman & Kanuk, 1994). Subjective norm or motivation to comply is individual's perception of social normative pressures, or relevant others' beliefs that he or she should or should not perform such behavior. There are many studies which have proven that religion could influent consumers' attitude and behavior (Delener, 1994; Pettinger et al., 2004). PBC also captured the motivational factors that influence the behavior and indicate how hard people are willing to try to perform the behavior in question (Ajzen, 1991). In this study, it is hypothesised that the higher the perceived level of non-compliance toward Halal Standard, the more likely the individual will not comply toward Halal requirement.

4. Method

The data collection method used in this study was personal interviews using self-administered questionnaires distributed to restaurant owners (n=287) whose jobs involved decision making and supervising the restaurant operators. They are employed in restaurants which served food to Muslim in Kuala Lumpur area. The location is chosen because they have high growth in restaurant number. Stratified sampling method was used in order to obtain enough respondents from the selected categories of restaurants. A total of 350 questionnaires were distributed, however a total of 287 final usable samples were obtained, thus giving the response rate of 82%.

In addition, a series of focused group discussions have been carried out to identify possible factors of non-compliance toward the Halal Standard. From the discussion, seven factors of non-compliance were identified which are 'lack of knowledge in Halal concept', 'cost of implementation', 'cost of changes', 'supplier issues', 'demand from consumer', 'governance issues' and 'lack of monitoring and enforcement'. These seven factors of non-compliance were included as perceived behavioural control component of the TPB model. All the statements in the components of the model were measured using 5 point Likert Scale.

5. Result and discussion

In summary, the respondents consist of 62% of male and 80% are Muslim. Most of respondents have at least a diploma or degree (60 %) and almost 90% have experience in restaurant industry in which 44% of them have between 2 to 5 years' experience. The normality of the data is acceptable due to large sample obtained (n=287), therefore central limit theorem could be applied.

Multiple linear regressions were used to test relationship among the components developed in the TPB model. The result as in Figure 1, exhibits that there is a significant relationship between attitudes and behavior of the restaurant owner not to comply with the Halal Standard ($\beta = 0.550$, $\rho < 0.05$). Secondly, it revealed that subjective norm and behavior of non-compliance among restaurant operators have no significant relationship ($\beta = 0.034$, $\rho > 0.05$). Finally, perceived behavior control which consists of factors of non-compliance were also found to have significant relationship with the behavior of non-compliance towards the Halal Standard ($\beta = 0.346$, $\rho < 0.05$). However, out of the seven factors only three are found to be the significant factors of non-compliance, which consists of lack of knowledge ($\beta = 0.586$, $\rho < 0.01$), supplier issues ($\beta = 0.177$, $\rho < 0.01$), and governance issues ($\beta = 0.277$, $\rho < 0.01$).

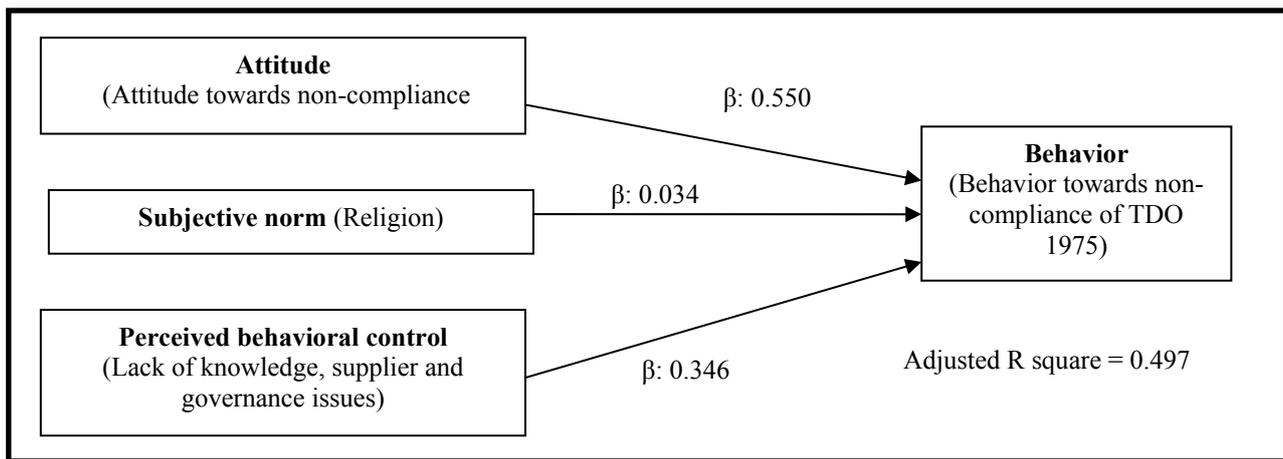


Figure 1: Result of the Multiple Regression Analysis

The adjusted R square obtained in this study was 0.497 which indicates that 49.7 % of the variance in the behavior of non-compliance towards Halal standard was explained by attitudes, subjective norm and perceived behavioral control. There is a significant relationship between attitude, and perceived behavioral control and behavior of non-compliance among restaurant operator towards Halal Standard. Subjective norm which is represented by religion was found to have no significant relationship with behavior of non compliance. This can be due to the fact that being a Muslim, restaurant operators are automatically obligated to comply with the Halal Standard.

6. Conclusion

The Halal market is expanding very rapidly and Halal issues are a serious matter to Muslim consumers in choosing the right eating establishment. It is reported in the media that the problem of non-compliance among restaurant owners toward Halal practices (TDO 1975) is very serious. For instance, it is reported that only 8% of hotel restaurants obtain Halal certificates indicating their compliance with the Halal practices. The study indicated that attitudes of non-compliance is the most influential factor followed by perceived behavioral control, which consists of lack of knowledge, supplier and governance issues, contributed to the non-compliance behavior toward halal practices among restaurant owners. However religion is not found to be the significant contributing factor. Therefore, a specific policy need to be formulated addressing to improve the attitude and lack of knowledge among restaurant owners, and to solve the suppliers and governance issues that mainly contributed to the non-compliance toward the Halal practices. This is important to guarantee consumers getting not only Halal food, but also the Tayyiban aspects of the food preparation, which consist of quality, safety and reliability of such food products and the complementing services.

7. Acknowledgements

This study is financially supported by the University Putra Malaysia Research Grant, under the Research University Grant Scheme [06-01-09-0686RU].

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