

THE IMPACTS OF E-COMMERCE ADOPTION ON BUSINESS GROWTH IN  
SMEs HALAL FOOD INDUSTRY IN MELAKA.

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4 BTEC / 2019

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## SUPERVISOR APPROVAL

I hereby declare that I have read this thesis and in my opinion this is adequate in term of scope and quality for award the Bachelor of Technopreneuership (Honor)

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SMEs HALAL FOOD INDUSTRY IN MELAKA.

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This report is submitted as a partial fulfillment for the award  
Bachelor of Technopreneurship (Honor)

Faculty of Technology Management and Technopreneurship (FPTT)  
Universiti Teknikal Malaysia Melaka

JUNE 2019

## DECLARATION

I declare that this report entitles '**The Impacts of E-Commerce Adoption on Business Growth in SMEs Halal Food Industry in Melaka**' is original work and all references have been cited adequately as required by the university

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Date : .....

## DEDICATION

This research is dedicated to my great parents, my father Mohamad Yusof bin Atan Hasan and my mother Rosmah binti Mosman, who never stop give of support in a countless way and have been my constant source of inspiration. Thank you to my beloved siblings and my whole family and not forget all my friends, who lead me through all the hardship in conducting this research with the light of hope and support. This research could not be completed without help and support from them.

## ACKNOWLEDGMENT

Alhamdulillah, first and foremost, I was really grateful to Allah for giving me good health and strength in finishing this research project. During the progress of this research, I have received many bits of help, suggestion, opinion, creative ideas and advice from my supervisor, colleagues, and others. Therefore, I would like to show my gratitude for valuable guidance and support from my supervisor Dr. Amiruddin Bin Ahamat.

An honorable mention goes to my families and my colleagues for their knowledge sharing and their understanding as well as supports me in completing this research. I am very grateful to my family members, especially my mother and father for giving moral support and encouragement me to further my studies at University Technical Malaysia Melaka (UTeM). Without their prayerful, motivation and blessing, I would not pursue this course completely.

Thousands of thanks dedicated to all my friends, lecturers, and person who involve direct or indirect in my research. Without help from them I would face many difficulties while doing this report. Lastly, I also want to thank the reader of my research proposal that would like to spend their time to read about my study. Thank you.

## ABSTRACT

Nowadays, small and medium enterprises (SMEs) in the halal food industry in Malaysia seen has developed rapidly and it is very important to the development of Malaysian's economy. SMEs will give a huge contribution as a global player in the increasing market of the halal food industry. This research discusses about e-commerce adoption among SMEs especially in the halal food industry in their business operation. Actually, e-commerce can give many advantages to business who implement it, where it allows businesses to easily make transaction speedily and cheaply with the customer. This study was carried out among SMEs halal food industry in Melaka, where sets of questionnaires were sent out via mail and by hand. In this research, there are 159 respondents have involved in this survey and respond for the questionnaires. The survey intends to find out the relationship of e-commerce adoption with the business growth of SMEs in the halal food industry in Melaka. There are three variables has been identifying, which is increasing in sales, expanding market and business efficiency. This study investigates all three impacts of e-commerce adoption either have a relationship with the business growth of SMEs in the halal food industry in Melaka. The results of this survey are generated from the Statistical Package for Social Sciences (SPSS) version 22.0, frequency analysis, regression analysis, and correlation analysis. In conclusion, the results showed that all three variables (increasing in sales, expanding market and business efficiency) have a relationship with the dependent variables (business growth). Then, regression analysis results show that business efficiency is the highest impacts of e-commerce adoption on business growth of SMEs in the halal food industry in Melaka.

**Key words:** small and medium enterprises (SMEs), halal, e-commerce, business growth, food industry

## ABSTRAK

Pada masa kini, perusahaan kecil dan sederhana (PKS) dalam industri makanan halal di Malaysia dilihat telah berkembang pesat dan ia amat penting untuk pembangunan ekonomi Malaysia. PKS akan memberi sumbangan besar sebagai pemain global dalam peningkatan pasaran industri makanan halal. Penyelidikan ini membincangkan tentang penggunaan e-dagang di kalangan PKS terutamanya dalam industri makanan halal dalam operasi perniagaan mereka. Sebenarnya, e-commerce boleh memberikan banyak kelebihan kepada perniagaan yang melaksanakannya, di mana ia membolehkan perniagaan dengan mudah membuat transaksi dengan cepat dan murah dengan pelanggan. Kajian ini dijalankan di kalangan industri makanan halal PKS di Melaka, di mana set soal selidik dihantar melalui e-mel dan dengan tangan. Dalam kajian ini terdapat 159 responden yang terlibat dalam kajian ini dan menjawab soal selidik. Tinjauan ini bertujuan untuk mengetahui hubungan penggunaan e-dagang dengan pertumbuhan perniagaan PKS dalam industri makanan halal di Melaka. Terdapat tiga pembolehubah telah mengenal pasti, yang semakin meningkat dalam jualan, mengembangkan kecekapan pasaran dan perniagaan. Hasil kajian ini dihasilkan dari SPSS versi 22.0, analisis kekerapan, analisis regresi, dan analisis korelasi. Kesimpulannya, hasilnya menunjukkan bahawa ketiga-tiga pembolehubah (peningkatan jualan, pertumbuhan pasaran dan kecekapan perniagaan) mempunyai hubungan dengan pembolehubah bergantung (pertumbuhan perniagaan). Kemudian, keputusan analisis regresi menunjukkan bahawa kecekapan perniagaan adalah impak tertinggi penggunaan e-dagang terhadap pertumbuhan perniagaan PKS dalam industri makanan halal di Melaka.

**Kata kunci:** perusahaan kecil dan sederhana (PKS), halal, e-dagang, pertumbuhan perniagaan, industri makanan



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**LIST OF ABBREVIATION**

<b>SYMBOL</b>	<b>DESCRIPTION</b>
SMEs	Small and Medium Enterprise
DOSM	Department of Statistics Malaysia
GDP	Gross Domestic Product
SSM	Suruhanjaya Syarikat Malaysia
F&B	Food and Beverage
HDC	Halal Industry Development Corporation
ICT	Information and Communication Technology
SPSS	Statistical Package for Social Sciences
MRA	Multiple regression analysis
HOPE	Halal Outreach Programme
HBT	Halal Business Transformation
GHSC	Global Halal Support Centre

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Background

The small and medium enterprise (SMEs) is one of the Government's initiatives to decrease the level of poverty in Malaysia and additionally to decrease the earnings gap between the rural and city population (Zaimah and Abdullah, 2017). Furthermore, SMEs and young entrepreneurs are also seen as a major contributor to the nation's development process. This is due to SMEs able to boost and propel the economy by increasing Malaysia's Gross Domestic Product (GDP) and providing employment opportunities. However, in this new era, SMEs seen have a capability to upgrade and advanced their business through the internet or digital platform to increase their income.

Electronic commerce (e-commerce) is one of the new platforms that fastest growing in the business world and industries over the world including Malaysia. These kinds of application can give more benefits and advantages to the performance of business or SMEs to grow. According to Awiagah, et al., (2016), e-commerce is

widening the concept of business from an easy transactional strategy to a broader and more complex concept of inter-firm co-operation. However, the potential of e-commerce to implement is still under the infancy stage by some SMEs.

The use of e-commerce among SMEs is expected to increase to 50 percent by 2020 from 32 percent in 2016, due to the growing interest of SMEs in online businesses (Sepawi, 2017). Through this expected SMEs capable to become the main contribution to the growth of the e-commerce industry in the future. On the other hand, the government also play a vital role in giving some support for SMEs to involve and take advantage in the digital free trade zone (DFTZ) by embracing e-commerce. As mentioned by Datuk Hafsah Hashim, Chief Executive SME Corporation Malaysia, the article of Berita Harian online that “there are 17 ministries and 65 agencies in Malaysia who have programs aimed at supporting SMEs in any form of assistance” (Bernama, 2016).

The adoption of e-commerce by SMEs is very important as an element of marketing strategy and expanding market reach. According to Turban (2010), the key benefits revealed through the extant e-commerce literature are decreased cost, increased sales, increased productivity, reduced time processing, extended market reach, and increased consumer loyalty. E-commerce offers many advantages to SMEs where it is as a key strategy for them to sustain in the market and business at once growing up. For example, there are many regional e-commerce business startups such as EasyParcel and Photobook, have successfully expanded their business scale from Malaysia into the regional market (Sinar Harian Online News, 2018).

Nowadays, the halal industry has seen able move together with the growth of SMEs. This is due to there are many SMEs self-involved in manufacture halal products and enter the halal marketplace. As stated by Pew Research Center's Forum on Religion & Public Life, the Muslim population of the world is also estimated to increase by 35 percent to 2.2 billion by 2020, thus encompassing 27 percent of the world's population. In that regard, this sizeable market opens up opportunities for Malaysia companies especially SMEs to explore halal service and products abroad as another alternative to generating income (Zuki, 2017).

Halal industry or the halal global market is extremely large because it includes not solely food items however it also nonfood product, such as cosmetics, ingredients, and pharmaceuticals (Soltanian, M. et al., 2016). Actually, when talking about halal it's not only about the products but also about the procedure to make the product where must be halal from raw material, machines, tools, and others until the end process of the product. Nowadays, the halal industry gets attention in the food industry over the world, this is because Muslim and non-Muslim entrepreneurs seeing this is an opportunity and necessity to commercialize and also to market product globally.

E-commerce is seen as playing an important role in the halal industry to spur its growth. This is because the potential of the halal industry in the global market is huge and able to increase the economy of countries. As mentioned by Datuk Seri Mustapa Mohamed, Minister of International Trade and Industry (MITI), an article of new straits times that the halal industry players must embrace the e-commerce push as the traditional brick and mortars mode of doing business and it will play a more important role in going forward (New Straits Times Online, 2017). Therefore, e-

commerce is the right track for the halal industry to further drive into the global marketplace and enhance the awareness of this industry in the world.

Basically, the e-commerce platform will empower SMEs in constructing their business capabilities, connecting with digital ecosystem partners, promoting international exports and growing into a competitive global market in any industry. So, it is turned to the SMEs by self either to accept or not the change and take the opportunity, then use it the best possible. There are many positive impacts that SMEs will gain when they implement this e-commerce in the management.

This background of the study is to state the relationship between the e-commerce adoption in SMEs halal food industry and the impact of e-commerce adoption on business growth. Besides that, the researcher also wants to investigate the most impact of e-commerce adoption and the relationship with the business growth of SMEs halal food industry.

## **1.2 Problem Statement**

Nowadays, in the digitalization of the world today SMEs seen have a trend to adopting and using the technology as a platform to move forward in growing their business. It cannot be denied because the Malaysian Government briskly in develop any program of awareness and informative for educative, encouraging and helping SMEs to involve in the e-commerce platform. Digital Free Trade Zone (DFTZ) and

the revolution of industrial 4.0 is the core of digital technology where it actuates local SMEs to attract with the e-commerce market.

E-commerce has recently changed the face of retail, services, and global business strategies where it influences the operation of the company on how companies sell and market their products, as well as how people make their purchases (Awiagah, et al., 2016). Apart from that, the factor of e-commerce adoption by SMEs will be entailed maybe because of push and/or pull factors in the environmental context. Pressure from competitors and trading partners (Ahmad, et al., 2014) is the several factors that can be influencing and encourage SMEs to apply this platform (e-commerce) in the organization in order to explore how this platform will give effect to them.

The problem to be addressed is why still have SMEs afraid to implement and adopt e-commerce in their management and organization. There are three most important reasons why SMEs were still unwilling to adopt e-commerce technology, this is because the lack of success stories, not having knowledge or skill in e-commerce and lack of knowledge about the potential impact of e-commerce implementation on business performance (Salwani, et al., 2009). Whereas many incentives are provided by the government in promoting SMEs to adopt e-commerce within their company, but they still fearful and doubtful to invest in this technology.

Actually, when SMEs have totally integrated on the e-commerce into their business operations have grown rapidly and increased their customer base compared to a business that has not done so (Jahanshahi, et al., 2011). This proves that e-commerce can give benefit to SMEs especially to them that adopt it in the organization and successful to sustain. Thus, the proper understanding of e-commerce has not yet explored in terms of the impact of adoption on the business performance and operations. This is the reason why the researcher study on the impact of e-commerce adoption on business growth in SMEs halal food industry in Melaka. Next, with the positive impact and positive contribution, it will show why e-commerce is needed to adopt by halal SMEs within their organization.