Imperative Muslimpreneurs’ Characteristics towards New Venture Creation

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Abstract:

Purpose: This paper aims to investigate the relationship between muslimpreneurs characteristics and readiness of Muslim Malaysia students in Universiti Sains Islam Malaysia towards new venture creation.

Design and Methodology: This study obtained data through a survey on a randomly selected sample of four hundred and eighteen (418) would-be graduate Muslimpreneurs of The Universiti Sains Islam Malaysia. This study used hypothetical deductive approach through structural equation model. The proposed hypotheses show the relationship between four variables and Readiness towards new venture creation.

Findings: The empirical findings revealed that muslimpreneurs characteristics (β=0.866, p=***) have positive and significant relationship on readiness towards new venture creation. The findings also pointed that the factors influencing muslimpreneurs characteristics such as education (β=1.069, p=***), taqwa (β=0.128, p=**), ethics (β=0.962, p=***) and halal earnings (β= 1.039, p=***) have positive and significant relationship on readiness towards new venture creation.

Practical implications: The long term implication is that if business characteristics are based on taqwa, knowledge, halal and ethical practices, the new venture will gain high customer trust, honesty and generate more sales. Hence, there will be less exploitation and the number of ethical business will increase in turn.

Originality/value: The framework link prospective Muslimpreneurs characteristics with readiness towards new venture creation in line with Islamic principles. The discussion centred on the need for graduate muslimpreneurs to possess good image because their characters will make them to fear Allah, be ready to create halal business and be ready to set up new venture that will not only increase job creation, but will also reduce exploitation and increase the number of ethical businesses.

Keywords: Education, Taqwa, Ethics, Halal earnings, New venture creation

I. Introduction

In the recent studies the term “Muslimpreneurs” has started gaining momentum. The term is simply used to describe Muslim entrepreneurs [1]. Therefore, prospective muslimpreneurs as used in this study are the would-be Muslim entrepreneurs that intend to create new venture after graduating rather than being a salaried workers. As it has been seen in the previous western studies the personality of an individual is very important to every business start-up [16] [17]. Using Quantitative genetics analysis of 347 pairs of monozygosity (MZ) and 303 pairs of same-sex dizygosity (DZ) twins, the findings show that the tendency toward entrepreneurship of individuals is about 48 percent based on character factors [16]. The entrepreneur’s characteristics is formed early in life, and it is likely locked into place by the person’s late adolescence [17].

New Venture Creation is devoted to helping students develop compelling business ideas [18]. Based on this description, the new venture creation concept is established and the central activity in entrepreneurship is the formation of new organizations. Therefore, readiness of Muslim students towards New venture creation is an important aspect that every Islamic economy that aims to change the orientation of Muslim students from being a salaried workers to set up a certain business prospect that will shape the growth of the economy at large. In the process of creating a business, there are some certain personal characteristics that are expected of individuals [1]. The characteristics are influenced by human capital theory as it was used in the past literatures.

There are various business that has been created both in Islamic and non-Islamic countries by muslims but after looking at the business prospects it may likely be difficult to accept those businesses were own by muslims due to the characters of the owner and also due to the involvement in non halal activities relating to such business. Various characteristics have been identified by Muslim scholars in the past [2] which may likely influence readiness towards new venture creation.

The characters and humility of the Prophet are very good example that every muslimpreneurs should abide in order to be a successful entrepreneurs. Character in business activities is very important because it will make the consumers have trust in the business.

Abu Darda (R.A) related the hadiths of the Prophet that: “There is nothing which is heavier upon the balance than the good character.” This hadith explained that through character, the Muslim turns enemies into
friends, opponents into companions, and harsh people into those who are mild. Character is a commodity which is almost something rare amongst the people today, except amongst those who sincerely worship Allah alone, who are honest and true in the worship of the Lord of the Worlds. So good character refines the soul and enables people to think toward creating a venture that will improve the life of the community [3].

As far as it can be ascertained, the relationship between muslimpreneurs characteristics and readiness towards new venture creation has been suggestive rather than empirical. For this reason the purpose of this study is to investigate empirically the relationship between muslimpreneurs characteristics and readiness of the students in Universiti Sains Islam Malaysia towards new venture creation. From the following discussions, the study intends to look at the various determinant factors of muslimpreneurs characteristics that will influence readiness towards venture creation.

II. Literature Review And Theoretical Framework

1. Background
In the past studies, personality of an individual in relation to venture creation has been seen as an important element. In reality it is quite difficult to separate muslimpreneurs characteristics and the kinds of business they engage in. Muslims who intend to follow the steps of the prophet are expected to fear Allah, engage in creation of halal earnings, and do ethical business. In most cases, these are not usually the case. Therefore, this study intends to investigate and answer the questions on whether there is positive relationship between muslimpreneurs characteristics and readiness towards halal venture creation and to evaluate the determinant factors of muslimpreneurs characteristics. The first question serve as the main hypothesis of this study.

2. Conceptual Framework
This study specifically focuses upon the determinant factors of Muslimpreneurs’ characteristics towards new venture creation. It is expected that the characteristics of individual entrepreneurs would be highly correlated with readiness towards venture creation. Thus, those who have fear of Allah should feel ready to create ethical business that are halal in nature or earn their living in halal way. However, human capital theory suggests that muslimpreneurs characteristics may be related to other factors as well. A review of the recent literature indicates that human capital theory has been one of the most frequently used theoretical framework for investigating entrepreneurs’ personal characteristics as predictors of success. Based on this theory, entrepreneurs with higher quality “inputs” should report superior “outputs” [4] [5]. The term human capital (HC) is generally used when referring to a hierarchy of skills and knowledge [5]. In the recent study, Muslim scholars have outlined a number of characteristics to be practiced by Muslim entrepreneurs. Among these are honesty, truth, justice, love of Allah is the priority, humble, shura, knowledge, taqwa and avoidance of corruption [2]. This study aim to look at the following characteristics that can influence Muslim students’ readiness towards new venture creation. The proposed theoretical framework in this study is shown in “Fig. 1”.

[Insert Figure 1]

2.1. Factors influencing Muslimpreneurs Characteristics
There are various factors that can influence muslimpreneurs characteristics towards new venture creation. This study specifically investigates four of those possible determinants: entrepreneurial education, Taqwa, Ethics and Halal. These factors are mostly considered from theories such Taqwa, halal as a priority [1], new venture creation [6], entrepreneurial education [7] and Islamic ethics [8]. The following determinants are discussed thus:

2.1.1 Education
Knowledge is very important in Islam. The importance of education is established in (Qur’an 2:239). This verse shows that muslimpreneurs can learn various aspect of knowledge which they knew not before. Knowledge of new venture creation can be learnt through entrepreneurship training or course. As it is quite conversant in many tertiary institutions, USIM Muslim students are thought various kinds of knowledge on both Islamic and conventional so that they can meet the demand of the society at large. The knowledge which also include entrepreneurship course, training is belief to have positive impact on moral attitude of the students in influencing their readiness towards setting up new venture.

Knowledge, skills, compassionate, trustworthy, istiqamah, execution are very important characteristics that muslimpreneurs must possess [9]. This will help muslimpreneurs in the sustaining the running of the businesses. The Holy Prophet (s) of Islam said: “Seeking knowledge is incumbent upon every Muslim, male and female.” (Al-Majlis Bihar al-Anwar, vol. 1. p. 177). Every muslimpreneurs are expected to seek knowledge that will add to the input of the society. In essence, Muslim students can be empowered through this entrepreneurial skills, training in other for them to set up these ventures in turn employ the jobless people in the society.
Even though organizational environment need for Islamic knowledge is becoming more important day by day, only a few Muslims are going well with accurate ways of gaining objectives of Islam in organizations [10]. Some others may be able to contribute something well to his or her organization but only work in non-Islamic culture, and some others may involve in healthy competition between firms but with wrong Islamic background knowledge. From the discussions above the hypothesis is developed thus:

**H1a**: There is Positive and Significant Relationship between Education and Muslimpreneurs Characteristics on Readiness towards New Venture Creation.

### 2.1.2 Taqwa

Abu Maryam explained that taqwa is the best investment a believer can make for himself and for his children after him. It is the best provision a Muslim can carry if he wants to reach Allah’s Pleasure[11]. Taqwa is an abundant treasure, a precious trait, an honourable substance, a great success and it assembles the best of both worlds. See how many virtues are attached to it and remember how many promises and fortunes Allah has made in return for it. The relevance and importance of taqwa (piety, righteousness) has been established from (Qur’an 2: 197). These virtues are characteristics that are expected of muslimpreneurs in creating new venture that will earn them the reward of the world and hereafter.

Taqwa and worship has formed the basic framework of Islamic Muslimpreneurs Characteristics [1]. Muslimpreneurs Characteristics also entails the following values, such as prioritizing the lawful, do not waste, adopting the high moral, trustworthy, concerned about the welfare, knowledgeable and concern to the community and environment are also very important factors of muslimpreneurs characteristics. From the discussion above the following hypothesis is formed:

**H1b**: There is Positive and Significant Relationship between Taqwa and Muslimpreneurs Characteristics on Readiness towards New Venture Creation.

### 2.1.3 Halal Earnings

Allah has made it compulsory for every Muslims to see halal product as a priority and consume food that is halal (lawful) and of good quality with sufficient minerals and vitamins because halal and good quality will improve their physical health and alertness and can also serve as a determinant factor that will increase gratefulness (syukur) and Allah-fearing (taqwa) [12].

Earning lawful (Halal) living is tenable through engagement in productive activities such as undertaking entrepreneurial activity [1]. This view is evidenced from (Qu’ran 5:88). This verses and hadith show that consuming and creating lawful products have positive impact on our closeness to almighty Allah and acceptance of one’s prayer.

The Prophet Muhammad (peace be upon him) was asked what type of earning was best, and he replied: “A man’s work with his hands and every lawful (Halal) business transaction.” Al-Tirmidhi, Hadith 846.

Nu’man b. Bashir (Allah be pleased with Him) reported:

“I heard Allah’s Messenger (ص) as having said this (and Nu’man pointed towards his ears with his fingers): What is lawful is evident and what is unlawful is evident…” [Riyadh-us-Salaheen, Hadith 588].

The hadith shed more light on being pious to Allah in halal ways: “In addition to the following verses the prophet mentioned (the case of) the man who, having journeyed far, is disheveled and dusty and who stretches out his hands to the sky (saying): "O Lord! O Lord!” (While) his food was unlawful, his drink was unlawful, his clothing was unlawful, and he is nourished with unlawful things, so how can he be answered?” (Muslim). This shows in the process of identifying opportunity, muslimpreneurs should be aware that every business they intend to set up must be halal and meet customers’ need. There are three general approaches entrepreneurs use to identify halal business opportunity [15]:

a) **Observe trend**: There is need to observe trend such as economic trends, technological trends, social trends, political actions and regulatory changes because all these factors create opportunity for muslimpreneurs to pursue.

b) **Solving a problem**: There are many problems that Muslims encounter that are yet to be solved. These problems can be recognized by observing the day to day activities of people in the community. In line with this point, many organizations have been set up by people who have experienced some challenges in their lives and then turn the challenges to a business opportunity after solving the problems.

c) **Finding gaps in the market place**: business opportunity can also be identified through finding the gap in the market place and proffering necessary solutions in order to meet the need of the consumers. In capitalising on environmental trends, solving a problems or possibly filling a gap in the marketplace therefore a new venture has to deliver on its promise.
It is important to note that to produce the halal products, Muslimpreneurs should concentrate on the usage of halal resources and halal ingredients, applying halal work procedures such as not cheating; no usury practices and maintains cleanliness [1]. The Muslimpreneurs must also comply with all the standards and regulations set by the authorities. To facilitate this process, they are encouraged to strive to obtain Halal certification. Halal certificate will help them to increase their consumer level of confidence, boost the ratings of products and companies, and they automatically also have the shari’ah compliance monitoring schedules. From the discussion above the following hypothesis is formed:

H1c: There is Positive and Significant Relationship between Halal Earnings and Muslimpreneurs Characteristics on Readiness towards New Venture Creation.

2.1.4 Ethics

Islamic ethics is defined as akhlaq (plural of khuluq) which means character, nature, and disposition [8]. The character, nature and disposition are the characteristics expected of a good muslimpreneurs. Every Islamic business must be based on good ethics. In training the Muslim students on the various ethics expected of them in Islam, this can guide their business values later in future.

Islam has laid down the guideline in which high moral value businesses can be set up. Islam does not encourage unethical trade practices such as bribery (Qur’an, 2:188); riba (interest) (Qur’an, 2:188); fraud (Qur’an, 3:161); stealing and robbery (Qur’an, 5:38); Gambling; Wine and its business (Qur’an, 5:90) and Income from sources of vulgarity (Qur’an, 24: 19).

Islam places very much emphasis on the importance of ethics and its significance for the development of Muslim individuals and society [8]. Good muslimpreneurs may produce a good society at large. This is explained in the following verse (Qur’an 3:104). Doing good can be through creating enterprise culture in the mind of Muslim students in which the purpose may be to maximize the welfare of the society. From the discussion above the following hypothesis is formed:

H1d: There is Positive and Significant Relationship between Ethics and Muslimpreneurs Characteristics on Readiness towards New Venture Creation

III. Method

The study is based on Muslim characteristics on readiness towards new venture creation. Hence, USIM was used because the knowledge base of USIM is based on the naqli (revealed) and aqli (human) knowledge. 95% of the students are Muslims from different family background and location. This makes USIM a perfect sample size for the study. A total of 10000 students of Universiti Sains Islam Malaysia represent the population of this study. According to [13], 370 samples is the sample size of 10000 population. Therefore, the study used 418 respondents to represent the sample size of the study from 12 states in Malaysia. The target respondents was unrestricted to undergraduate’s students in USIM. There are eight main faculties in USIM. The sampling design was drawn in the form of simple random sampling. A cross-sectional survey of a questionnaire was designed and distributed through self-administered method. The questionnaire was divided into two sections-descriptive characteristics and 5 point likert-scale questions. The instruments of the independent variables consist of questions related to the respondents’ taqwa, ethics, halal earnings, education. On the aspect of Taqwa, it was agreed by the group of intellectuals at ICBM (2014) that index is the best method to measure taqwa and ibadah. Therefore, this study used index as a measure of taqwa. The two statistical analyses, namely the descriptive and structural equation model analyses were adopted in this study.

3.1 Descriptive Statistics

The profile of the individual respondents indicate a higher number of females (296) respondents than males (122) representing 70.8% and 29.2% respectively. Majority of the respondents of this study are between 20-25 years old, representing 93% responses. From this study the respondents age between 15-19 shows 6.5% response rate on readiness towards venture creation. Majority of the respondents are in Year3 (35%). Most of the respondents from year 3 to year 5 have 61.24% students that participated in the study. This is due to the fact that the students are already preparing for the global market.

3.2 Validity and Reliability

In order to ascertain the factor of this study (as shown in “Fig. II”) certain fitness indexes for the pooled constructs do achieve the required level. When the study examined the factor loading, the loading for item education, taqwa, halal as priority, ethics are above 0.6 suggested by [14]. The modification index were checked to determine if there are redundancy. Therefore there was redundancy at e7=17.1 which is greater than 15.
threshold [14] and these two correlated measurement errors of redundant items were set as a “free parameter” and the new measurement model was re-run.

[Insert Fig. II]

Based on “Fig. II”, the AVE of muslimpreneurs characteristics is 0.542 and readiness has AVE of 0.577. The Cronbach’s Alpha of muslimpreneurs characteristics is 0.824 and that of readiness is 0.785 which are above 0.7 threshold [14]. The composite reliability is 0.825 for MC while readiness has composite reliability of 0.801. The normality assessment can be made by assessing the measure of skewness for every item. The absolute value of skewness 1.0 or lower indicates the data is normally distributed [14]. In “Table I” the absolute value of skewness and kurtosis ranges from 0.020 to 0.198 and 0.019 to 0.442 respectively which indicate the data is normally distributed. In “Fig. II”, the correlation between muslimpreneurs characteristics and readiness towards new venture creation is 0.70 which is less than 0.85 threshold [14].

3.3 Hypothesis Testing and Structural Equation Model Analysis

In this study the direct effect was tested on the measurement for the pooled constructs. The result of the path analysis was shown in the “Fig. III” and the regression estimate values were shown in “Table III”. All the conditions of the fitness index were achieved.

[Insert Fig. III]

3.3.1 Results

As shown in “Fig. III”, the first hypothesis is to answer the main research question on whether there is positive and significant relationship between muslimpreneurs characteristics and readiness towards new venture creation. The findings revealed that muslimpreneurs characteristics have positive and significant relationship on readiness towards new venture creation. The findings revealed that when muslimpreneurs characteristics improved by 100%, readiness of Muslim graduates toward new venture rise by 86.6%. From this finding, this imply the business created by Muslim represent his image.

The second question is based on what are the determinant factors of muslimpreneurs characteristics that can influence readiness towards new venture creation? The findings revealed that H1a, H1b, H1c and H1d have positive and significant relationship on muslimpreneurs characteristics and can influence readiness towards new venture creation. Out of the four determinant factors Taqwa (β=1.173, p=***) is the most important factor of muslimpreneurs characteristics that can influence readiness to create new firms. If muslimpreneurs characteristics improve by 100%, taqwa in Muslims will rise by 117.3% in turn will influence readiness to create new firms that will help Muslim Ummah. This shows how important Muslims entrepreneurs need to be closed to God in all their business activities. Another factor of muslimpreneurs characteristics is ethics (β=1.111, p=***)). Every Muslim entrepreneurs should aim at doing ethical business because if muslimpreneurs characteristics improve by 100%, ethical businesses will increase by 111.1%. The next factor is Halal earnings (β=1.039, p=***)). Apart of fear of Allah and ethics, in every productive activity that Muslim entrepreneurs want to engage in, they should put Halal as a priority. From the findings if muslimpreneurs characteristics improve by 100%, halal priority will rise by 103.9%. The final aspect of muslimpreneurs characteristics in relation to new venture creation is Education (β=0.962, p=***)). Knowledge is very important for both Muslims male and female in both naqli (revealed) and aqli (human). Knowledge is one of the most important characteristics that every Muslims must have. From the findings, if muslimpreneurs characteristics improve by 100%, education increases by 96.2%. All the hypothesis are supported.

IV. Figures And Tables

Fig. 1: Conceptual Framework of the Study [source: [1][6][7]]

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MUSLIMPRENEURS CHARACTERISTICS</strong></td>
<td><strong>Readiness towards New Venture Creation</strong></td>
</tr>
<tr>
<td>Education+</td>
<td></td>
</tr>
<tr>
<td>Taqwa+</td>
<td></td>
</tr>
<tr>
<td>Ethics+</td>
<td></td>
</tr>
<tr>
<td>Halal Earnings+</td>
<td></td>
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</tbody>
</table>
Imperative Muslimpreneurs’ characteristics Towards New Venture Creation

Fig. II: Pool CFA Measurement Model of the Latent Construct Of the Study

Table 1: Assessment of normality and Modification Indices (Group number 1 - Default model)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min</th>
<th>Max</th>
<th>Skew</th>
<th>c.r.</th>
<th>Kurtosis</th>
<th>c.r.</th>
<th>Par Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q13</td>
<td>1.000</td>
<td>5.000</td>
<td>-1.30</td>
<td>-1.085</td>
<td>-0.019</td>
<td>-0.081</td>
<td>e7 ----&gt; Readiness</td>
</tr>
<tr>
<td>Q16</td>
<td>1.000</td>
<td>5.000</td>
<td>-0.65</td>
<td>-5.39</td>
<td>-1.14</td>
<td>-1.476</td>
<td>e7 ----&gt; MC</td>
</tr>
<tr>
<td>Q17</td>
<td>1.000</td>
<td>5.000</td>
<td>-1.198</td>
<td>-1.657</td>
<td>-4.42</td>
<td>-2.843</td>
<td>e5 ----&gt; e7</td>
</tr>
<tr>
<td>Q23</td>
<td>1.000</td>
<td>5.000</td>
<td>0.135</td>
<td>1.124</td>
<td>-0.094</td>
<td>-1.391</td>
<td>e4 ----&gt; e7</td>
</tr>
<tr>
<td>Q24</td>
<td>1.000</td>
<td>5.000</td>
<td>0.020</td>
<td>-1.163</td>
<td>1.123</td>
<td>0.974</td>
<td>e3 ----&gt; e4</td>
</tr>
<tr>
<td>Q25</td>
<td>1.000</td>
<td>5.000</td>
<td>-0.097</td>
<td>-0.810</td>
<td>0.077</td>
<td>0.323</td>
<td>e2 ----&gt; e5</td>
</tr>
<tr>
<td>Q26</td>
<td>1.000</td>
<td>5.000</td>
<td>0.087</td>
<td>0.725</td>
<td>-0.391</td>
<td>1.631</td>
<td>e2 ----&gt; e4</td>
</tr>
<tr>
<td>Multivariate</td>
<td>12.391</td>
<td>11.285</td>
<td>-0.097</td>
<td>0.077</td>
<td>0.323</td>
<td>1.631</td>
<td>e1 ----&gt; e5</td>
</tr>
</tbody>
</table>

Fig. III: Structural Equation Model Regression Weight
Based on the findings it was revealed that characteristics of muslimpreneurs have direct impact on their business activities. The determinant factors of muslimpreneurs characteristics such as taqwa, ethics, halal earnings and education have positive and significant relationship on readiness towards new venture creation. This finding is consistent with the results of the paper presented at conference proceedings carried out using multivariate analysis techniques. The results of the paper show that muslimpreneurs characteristics have positive and significant relationship on readiness towards new venture creation [19]. There are many Muslims that intend to set up business in order to contribute to the success of Muslim Ummah in the world. To would-be entrepreneurs who intend to set up new ventures, it is very important for them to have fear of Allah in any business activities that they will set up, engage in ethical business, choose halal earnings as priority of their business and have knowledge of world and hereafter.

As mentioned earlier fear of Allah should not be taken with levity in the process of setting of business. This will influence praying at the right time, paying zakat after making gains and helping the needy. Fear of Allah will make muslimpreneurs to know that success of business will be achieved only if Allah will and not through exploitation of customers.

Also, doing ethical business is another characteristics that muslimpreneurs should embraced. Every Muslim entrepreneurs should avoid bribery to influence customers, interest rate, stealing and hijacking other business customers. Therefore, ethical business will make muslimpreneurs to feel fulfilled both in this world and hereafter.

In addition, there are many products outside the world that are not halal in nature, prospective entrepreneurs should invest into the halal venture as a market gap that has not been adequately tapped into by most entrepreneurs . Muslims that intends to create new ventures should take halal as priority in their entrepreneurial activities. Producing halal products will improve healthy living of the people around the world.

Knowledge of the “deen” and human knowledge are very important characteristics that muslimpreneurs should possess. In order to be ready for new venture creation, it is important to have various skills related to such businesses. The skills include managerial skills, marketing skills, financial skills, administrative skills, team building task and ability to write effective business plan and above all the knowledge of halal and ethical business. Having this knowledge will develop Muslims students’ characters, ability to make decisive career decision and increase their readiness towards venture creation.

This study solely employed quantitative data and cross sectional methods. Further, research need to be carried out using longitudinal methods in order to get richer insight of the study. And triangulation method can be used in the future to determine the various factors that can influence muslimpreneurs characteristics towards new venture creation.

In conclusion, the findings of this study extends new venture creation and muslimpreneurs characteristics literature especially at individual level, of which there were minimal empirical research especially in Malaysia. It was revealed majority of the studies discussed new venture creation at firm level. The characteristics of Muslimpreneurs had been discussed in the past whether it can be measured quantitatively, therefore this study will serve as new empirical way of investigating the relationship between readiness of students towards new venture creation and the characteristics expected of them to practice in their daily business activities. Thus it is hoped that this study will be invaluable in providing directions for future research in this evolving fields especially in the Islamic entrepreneurship.

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