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Table of Content

African Journal of Business Management

Full Length Research Paper

Investigation of the factors that influence Non-Muslims on the purchasing intention of Halal food in Korea

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The study aims to investigate the factors that influence South Korean non-Muslim customers' intention of purchasing Halal restaurants "cooked foods". There are three factors. This study indicated the intention of the non-Muslim customers to purchase Halal restaurant cooked foods is influenced by the healthiness, safety, and cleanness of foods and the Suwon area of South Korea. The attitude and subjective norm can help *non*-Muslim consumers form positive attitude towards Halal restaurant cooked foods. The finding will benefit both the academics and entrepreneurs who manage Halal business on how to improve their business. The outcome of the study supports a valuable situation applicable to non-Muslim legal bodies on the present purchasing intention of non-Muslim customers towards Halal restaurant's program. This will likewise help manufacturers and advertisers to serve their clients better to amplify their benefit. It defines a total base for non-Muslim government officials to underwrite the inclusion of non-Muslim business visionaries in the Halal cooked foods administration industry to improve the financial branches of its supporters and fulfilling their strict duties to Halal food restrurants.

Key words: Attitude, perceived behavioural control, purchasing intention, non-Muslim, Halal restaurant. foods.

INTRODUCTION

Recently, the worldwide trend in food industries is moving toward healthy, safe, and clean food and people are willing to pay more to consume food with higher standard quality (Ayar and Gürbüz, 2021). The halal food, which must satisfy the shariah (Islamic Law) requirements in terms of hygiene, sanitation and safety aspect, has been gaining consumers' attention in the world who are concerned about food safety and healthy life style (Abd Rahim et al., 2018). As a result, the global halal market has been expanded in the last few years with halal food products recording $632 billion sales, which is equivalent to 16% of the entire global food industry (Izberk-Bilgin and Nakata, 2016). It is not surprising since health-related quality is one of the main determinants of food quality dimensions (Lim et al., 2020).

Also there is a strong demand for Halal products even from many non-Muslim countries (Wilkins et al., 2019). Wibowo and Ahmad (2016) stated that at least 79 percent of non-Muslim consumers acknowledged Halal principles and showed that their awareness of Halal had been enhanced through advertisements. Halal requirements satisfy or exceed a number of well-known quality standards, such as ISO9000, Good Hygienic Practice (GHP), Good Manufacturing Practices (GMP), and Hazard Analysis and Critical Control Point (HACCP). Halal accreditation is considered as one of the benchmarks for food quality assurance and its benefits can be enjoyed not only by Muslim consumers but also

non- Muslim consumers. It has been shown that non-Muslim consumers do respond positively to halal food certification (Billah et al., 2020).

South Korea is a non-Muslim country, but the government has been providing positive support for Korean Muslim business environment (Park and Mohamad, 2018). For example, South Korean government launched a smartphone application called *Halal Korea* which provides various information about halal food in South Korea. This application shows halal restaurants and supermarket location and also comes with a barcode scanner sensor for food products so that tourists will be able to know whether the product already has halal certificate. Also Korea Tourism Organization KTO (2017) established four categories of halal guidance for restaurants in South Korea. "Halal Certified" means that the restaurant has been certified by Korean Muslim Federation (KMF) which is an organization that can provide official certification of halal product in South Korea. "Self-Certified" means the restaurants in this category have not been officially certified, but the restaurant provides food that Muslims can consume. "Muslim Friendly" indicates that the restaurant provides some halal food, but still sells alcoholic beverages. "Pork Free" indicates that the restaurant does not provide pork. Organizations like Korea Halal Association (KHA) have been trying to raise awareness of high quality measures of Halal requirements and to promote Halal businesses in South Korea.

Due to the growing interest in Halal, there have been a number of studies that investigated Halal related topics in South Korea. Majority of them were tourism related (Son et al., 2019). We found that there were a limited number of studies which put their focus on Halal food and culinary business in South Korea. Lim et al. (2020) attempted to identify the factors which influence the Muslims purchase intention to consume Halal food in Korea, with the research subject limited to only Pakistani Muslims in Korea. Yousaf and Xiucheng (2018) analyzed the marketing strategies to promote Halal cuisines and culinary tourism of of China, South Korea, Japan and Thailand on their national tourism bureaus official websites. Pratiwi (2018) provided a detailed report on how religious education of Islamic rules influence Muslim immigrants and particularly showed the influence on their consumption of Halal food in South Korea. Even though these studies provide meaningful insights for Halal food and culinary business in South Korea, all of them were performed for either the Muslim consumers in South Korea or the visiting Muslim tourists to South Korea. We found that there are a lack of studies which target their research on the non-Muslim consumers for Halal food and culinary business in South Korea.

The purpose of this paper is to examine the factors that affect non-Muslim customers' purchasing intention of Halal food in the Halal culinary business in South Korea, in order to make contributions for Halal entrepreneurs, manufacturers, and marketers on how to expand their markets to non-Muslim population. The remainder of the paper is organized as follows. Section II provides the theoretical foundation and the research hypotheses. In Section III the methodology employed in this paper is presented. Then the results are described in Section IV, followed by Section V which presents the discussion and conclusion of the paper.

Research hypotheses

The theory of planned behavior (TPB) (Ajzen, 2020) is a well-known instrument for measuring cognitive factors of consumers. It argues that individuals' intention for a certain behavior is affected by individuals' attitude, perceived behavioral control and subjective norms, where perceived behavioral control refers to the degree to which behavior is perceived to be under control and subjective norms represent the perceived social influence or pressure by the individual. TPB has been applied to many different research areas, including the food choices of consumers such as the investigation of purchasing intention of organic foods (Aslan and Aslan, 2016) and the analysis of consumer's online purchasing behavior (Rachbini, 2018).

According to Ajzen (2020) attitude is ''the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question'' and it is likely that an individual's positive attitude toward a certain behavior strengthens the intention to perform the behavior. Also the attitude toward a behavior is believed to be a function of one's primary beliefs (Ashraf, 2019). Rashid et al. (2019) state that a person's choice to purchase a product depends upon his spiritual context. Therefore it is not surprising, in the framework of TPB, that for Muslim consumers their religious belief cultivates strong positive attitude toward the purchasing behavior of Halal food. Even though the non-Muslim consumers have either different religions or beliefs, those consumers are getting more concerned about food safety and investing more resources to obtain healthy life style ((Abd Rahim et al., 2018). Furthermore, Rashid et al. (2019) argue that the non-Muslim consumers associate Halal foods with moral consumerism and have belief that Halal foods are safe, clean, hygiene and related to social animal welfare. Also Billah et al. (2020) showed that non-Muslim consumers do respond positively to halal food certification. Therefore it is possible that positive attitude related to Halal product can foster confidence and trust of non-Muslim consumers, which may lead to their intention of purchasing Halal food. Thus we posit the following hypothesis:

H_0: The attitude of the non-Muslim consumers toward Halal food does not affect their intention to purchase Halal food.

H₁: *The attitude of the non-Muslim consumers toward Halal food affects their intention to purchase Halal food.*

Subjective norm is related to the motivation of consumers to behave with the expectations of their important people (Rashid et al., 2019). Ayar and Gürbüz (2021) stated that nowadays people are willing to invest in food with higher standard quality measures, such as organic food and Halal food. The accreditation process for Halal food is considered as one of the benchmarks for food quality assurance. Billah et al. (2020) reported that non-Muslim consumers consider Halal food certification positively. Therefore, if the behavior of purchasing halal food is perceived as socially desirable behavior by many people around an individual, which is true particularly for young parents of new generations, it is possible that the individual will be influenced by their reference groups and become more likely to have intention to purchase Halal food. Through a similar logic, Bai et al. (2019) found that the subjective norms of consumers have a positive relationship with the purchasing intention of consumers for organic food, which has very comparable characteristics with Halal food. Hence, we hypothesize the following:

H₀: *The subjective norm of the non-Muslim consumers toward Halal food does not affect their intention to purchase Halal restaurant foods.*
H₂: *The subjective norm of the non-Muslim consumers toward Halal food affects their intention to purchase Halal restaurant foods.*

Ajzen (2020) stated that perceived behavioral control is the extent to which a person feels able to engage in a certain behavior. It is related to the perception of people of their available resources and time, which affect how a person feels confident about being able to do a certain behavior. In the context of Halal food purchases in non-Muslim countries, the main determinants of the degree of perceived behavioral control of consumers are most likely the availability and the price of Halal food. As previously stated, organic food and Halal food share comparable characteristics in terms of the food itself and the trend in the world wide food markets. Among the studies that investigated the purchasing intention of organic food, Elseidi (2017) identified the financial resources of a consumer as the key determinant for purchasing organic food. Rana and Paul (2017) showed that the price and the availability of organic food are the critical factors for organic food purchasing behavior. Considering the facts that the global halal market has been expanded in the last few years, Izberk-Bilgin and Nakata (2016) study how consumers feel about the availability of Halal food and how confident consumers are in terms of their financial resources to afford the price of Halal food will determine their perceived behavioral control of Halal food purchase. Consequently, the more the behavioral control a

consumer feels about purchasing halal food, the more likely a consumer will have intention to purchase Halal food and vice versa. Therefore we posit the following hypothesis:

H₀: *The perceived behavioural control of the non-Muslim consumers toward Halal food does not affect their intention to purchase Halal restaurant foods.*
H₃: *The perceived behavioural control of the non-Muslim consumers toward Halal food affects their intention to purchase Halal restaurant foods.*

METHODS

Data collection

The data collection method was carried out by the use of random sampling survey questionnaires. The survey questionnaire method is conducted in the Suwon area for non-Muslim respondents only. Most of the respondent were students. Halal restaurant food issues among Korean consumers from various fields shared their opinions and advised on the current attitude, perception, and behaviour of Halal food purchasing intention.

Respondents were composed of various demographics in terms of age, gender, income, education and marital status. Especially maximum young participants attended to the questionnira part. Table 1 presents the characteristics of the sample in our research. Self-administered questionnaires were distributed among the respondents using simple random sampling technique. 300 surveys were spread in the Suwon area in South Korea. 259 were returned and only 229 questionnaires were finalized and analyzed. The questionnaire was designed in a statement format and then tested for descriptive analysis and confirmatory factor analysis (CFA) structural equation modelling (SEM). The confirmatory factor analysis (CFA) and structural equation modelling (SEM) were analyzed by IBM Amos 22 software (Lim et al., 2020).

Measurement

The questionnaire consisting of 24 items was adapted and modified based on previous studies (Haryani et al., 2018). The survey questionnaire was written in two different languages; English and Korean. Five-point Likert scale was used for measurement of all the items ranging from "Stronly Disgree (1)" to "Strongly Agree (5)", and the items were separated into four segments. Segment 1 surveys the consumers' Attitude. Segment 2 investigates the consumers' Subjective Norm, while Segment 3 asks their behavioural control. Segment 4 consists of statements on consumers' purchasing intentions (Table 1).

Data analysis

We performed the data analysis by a structural equation model (SEM) with AMOS ver. 22.0. SEM provides a state-of-the-art approach for analyzing mediated relationships among variables, particularly when multiple measures are required to capture the focal variables. Based on Haryani et al. (2018) the two-step approach was employed where first the measurement model is examined with a confirmatory factor analysis (CFA), which is then followed by the analysis of the structural model for testing the proposed research hypotheses.

Table 1. Characteristics of the sample.

	Frequency	Proportion (%)
Age		
Bellow and 18	10	4.4
19 – 30	103	45.0
31 – 40	88	38.4
41 – 50	24	10.5
50 and more	4	1.7
Marital Status		
Single	119	52.0
Married	110	48.0
Gender		
Male	143	62.4
Female	86	37.6
Education		
High School Degree	74	32.3
Undergraduate Degree	54	23.6
Master Degree or more	101	44.1
Occupation		
Student	164	71.6
Work in a company	37	16.2
Doing own business	19	8.3
Others	9	3.9

Table 2. CFA results for the measurement model

Construct	Item	Factor Loading	p-value	Cronbach Alpha	CR	AVE
Attitude	A4	0.746		0.718	0.719	0.561
	A5	0.752	< 0.001			
Subjective Norm	SN2	0.532		0.715	0.719	0.461
	SN3	0.638	< 0.001			
	SN4	0.608	< 0.001			
	SN5	0.577	< 0.001			
Perceived Behavioral Control	PBC4	0.743		0.723	0.733	0.481
	PBC3	0.910	< 0.001			
	PBC5	0.603	< 0.001			
Purchasing Intention	PI3	0.576		0.780	0.801	0.578
	PI4	0.701	< 0.001			
	PI5	0.74	< 0.001			

CR: Composite Reliability AVE: Average Variance Extracted

RESULTS

Measurement model

The validity and reliability of the model were checked by a CFA and the results are illustrated in Table 2. First, the items with low factor loadings were excluded from the analysis. The scale reliabilities of all the constructs (by Cronbach's alpha) exceeded the recommended cutoff of 0.70 (Fikkers et al., 2017) and all the items in the model

Chi-square = 112.566; df= 48
p value (>=0.05) =.000
;Relative Chi-Sq (<=2) = 2.345
GFI (>=0.95) = .928; AGFI (>=0.9) = .883
CFI (>=9) = .934; RMSEA (<=.08) = .077
(Standardized estimates)
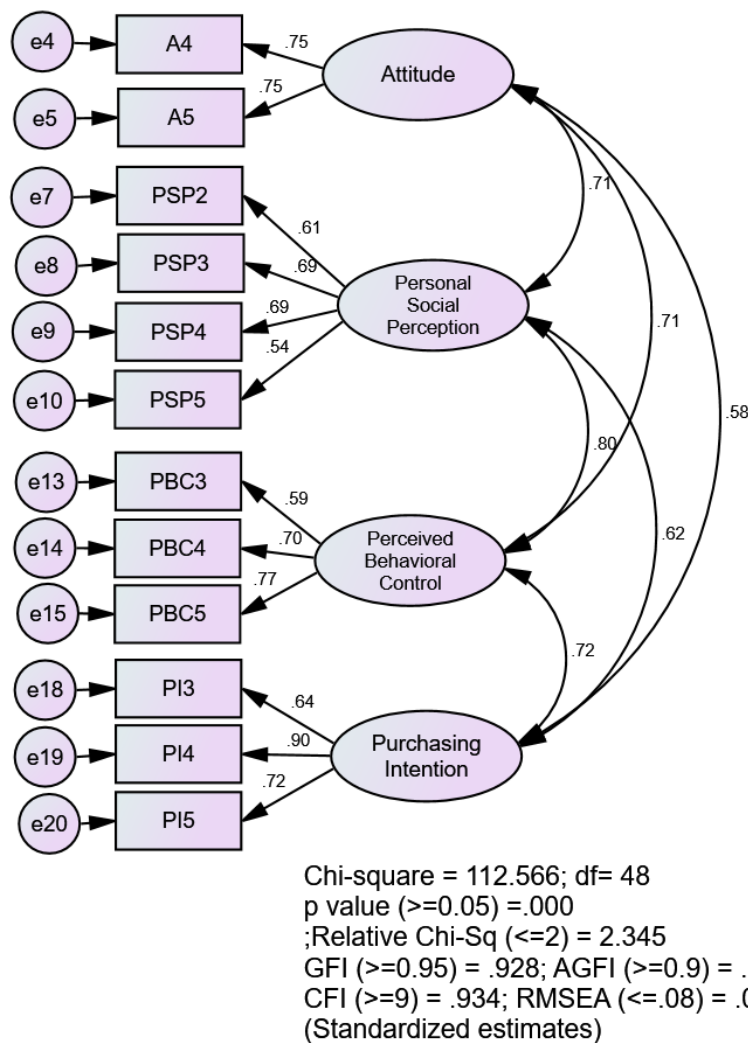
Figure 1. Measurement Model

loaded significantly on their corresponding constructs (p- value < 0.001). The model fit statistics showed the measurement model has a good fit with the data (Hair, 1998) - the Chi-Square (χ2) was 112.566 (df=48, P<0.000), with the χ2/df of 2.345, the root mean square error of approximation (RMSEA) was 0.077, the comparative fit index (CFI) was 0.934, the goodness of fit index (GFI) was 0.928, and the adjusted goodness of fit index (AGFI) was 0.883. The composite reliability (CR) values of the constructs were all above 0.7 and some of the average variance extracted (AVE) were little less than 0.5. Therefore, we checked VIF(Variance Inflation Factor) for the possibility of multicollinearity and all the constructs showed VIF values between 1.5 and 2.0 (Attitude: 1.525, Subjective Norm: 1.758, Perceived Behavioral Control: 1.734), which did not indicate multicollinearity. According to Fornell and Larcker (1981), if AVE is less than 0.5 but composite reliability is higher than 0.6, the convergent validity of the construct is still adequate. Therefore we

concluded that AVE values are acceptable. Normality check of the data showed that all the observed variables have absolute values of skewness less than 2 and absolute values of kurtosis less than 7, which indicates the data demonstrate sufficient univariate normality for maximum likelihood estimation for SEM analysis (Fikkers et al., 2017).

Structural model

Since the measurement model and the structural model are equivalent models, we already showed that the fit statistics are good (Figures 1 and 2). Table 3 summarizes the results of the structural model in terms of the research hypotheses posited in Section II.

Our results showed that there was not enough evidence to support that the attitude (H1) and the subjective norm (H2) of non-Muslim consumers affect the purchasing

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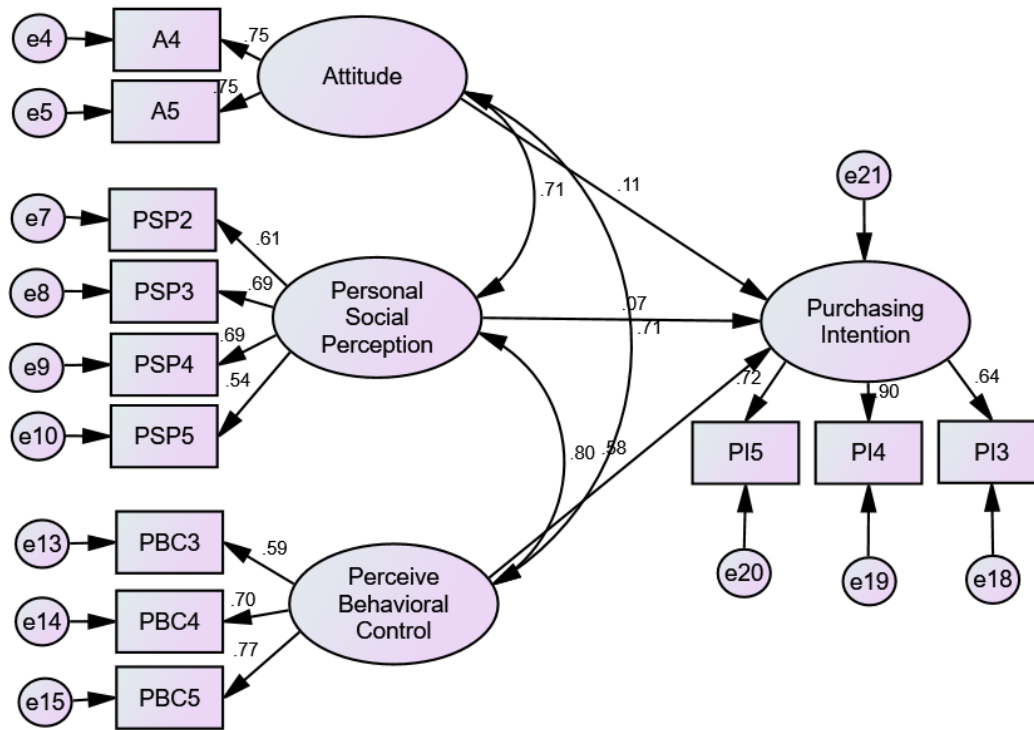
Figure 2. Structural Model

Table 3. Hypotheses results.

Hypothesis	Path		Std. Coeff.	S.E.	C.R.	p-value
	From	**To**				
H1	Attitude	Purchasing Intention	0.097	0.114	0.848	0.396
H2	Subjective Norm	Purchasing Intention	0.074	0.179	0.415	0.679
H3	Perceived Behavioral Control	Purchasing Intention	0.439	0.14	3.148	0.002*

* p-value < 0.05.

intention of Halal food in the Halal culinary business in South Korea. Meanwhile the perceived behavioral control (H3) of non-Muslim consumers did affect positively the purchasing intention of Halal food in the Halal culinary business.

DISCUSSION

In this paper we attempt to identify the factors that affect the purchasing intention of Halal food in South Korea. An

SEM-based analysis was conducted and revealed that only the perceived behavioral control of non-Muslim consumers was the significant factor. For the attitude of non-Muslim consumers, it is possible that the overall awareness of non-Muslims in South Korea for Halal principles has not reached at the level where it is enough to form distinctive attitudes. This finding is consistent with past findings (Haryani et al., 2018) where the authors found that the attitude of the non-Muslim customer's towards Halal restaurant foods was not strong enough to be significant. It is plausible that environmental awareness

is not enough for the non-Muslim consumers to exercise awareness in their daily life (Bozoglu et al., 2016) wheras Muslims' awareness is firm based on their religious belief.

Regarding the subjective norm of the non-Muslim consumers, unlike Islamic countries where halal products are majority and accepted by the society, it is probable that the acceptance of non-Muslim consumers in South Korea is not strong enough yet to accept the social influences regarding Halal food from their reference groups. Also the limited availability of Halal culinary businesses in South Korea could be a factor in this outcome. Previous research such as Pratiwi (2018) indicated that generally Halal foods are not widely recognized and accepted in non-Muslim societies and non-Muslim consumers are more independent in choosing their foods.

The significant factor that affected the purchasing intention of non-Muslim consumers in South Korea was the perceived behavioral control. This finding is consistent with the related past studies Haryani et al. (2018). Even though Halal food is not common and well known yet, it is possible that people in South Korea at least are aware that Halal food is safe, healthy and clean. Considering the worldwide trend in food industries for higher standard quality measures (Ayar and Gürbüz, 2021)) it is conceivable that the high-quality/healthy perception of Halal food can provide consumers with the motivation and intention to purchase Halal foods. It indicates that we may positively affect the purchasing intention of non-Muslim consumers by increasing their degree of perceived behavioral control for Halal food through enhancing the availablilty and the affordability of the Halal culinary business in South Korea.

LIMITATION AND RECOMMENDATION

This research has potential limitations. The effect estimates in the structural model are based on investigated and eventual observational studies. The sample of respondents was from young higher learning institute which may have influenced our model estimates. However, the hypothesis analysis may construct with the mass *non*-Muslim respondents observation randomly with confirmatory analysis. Our estimates may be stronger with significance attitude and subjective norm of *non*-Muslim consumers' purchasing intention. Therefore, future studies should be extended to the population of all classes and professions will be rewording to influence *non*-Muslims consumers' towards purchasing intention of Halal restaurants cooked foods in South Korea.

CONCLUSION AND IMPLICATION

This paper examines the factors that affect non-Muslim customers' purchasing intention of Halal food in the Halal cooking business in South Korea by an SEM-based analysis. We try to offer the entrepreneurs, manufacturers, and marketers with meaningful insights to progress their business. The results showed that perceived behavioural control has a significant and positive influence on non-Muslim consumers' purchasing intention, whereas the attitude and the subjective norm did not significantly influence the non-Muslim consumers' purchasing intention.

Based on our findings, there are several managerial recommendations that can help Halal food entrepreneurs expand their markets to non-Muslim population. First, the entrepreneurs need to think about how they can improve the availablilty and the affordability of their businesses in order to increase the degree of perceived behavioral control of non-muslim consumers in South Korea. For example, first they may develop more fast food style menus instead of authentic, premium types so that people can feel affordable for Halal food. Also put more focus on opening many small shops instead of full scale restaurants may increase the availability. Second, business owners of Halal food must focus on aggressiviely promoting the healthiness, safety, and cleanness of Halal food over other foods, so that consumers form a strong, positive, and distinctive attitude towards Halal food. It is likely that non-Muslims consumers at least have a good, positive perception about Halal food but not enough to form distinctive attitudes at this stage in South Korea. Lastly, if the Halal food entrepreneurs connect their efforts on the previous two recommendations with the social media platforms, it may accelerate the impact of subjective norms among non-Muslims in South Korea. Once the positive traits of Halal food such as the high quality measures and possibly the affordability spread out through the social media, the social influence of people's reference groups may be amplified quickly.

For future research, a survey with more focused groups such as young parents can be implemented so that we can investigate the target populations which are more sensitive to high quality measures in culinary businesses with further detailed variables. Additionally, further studies can be performed under diverse geographical settings. A comparative study which compares and contrasts different areas such as college towns, condensed residential areas with multiple apartment complexes, commercial areas in a large city can be meaningful to generate impactful business insights.

CONFLICT OF INTERESTS

The author has not declared any conflicts of interest.

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What are the causes of small business failure in Burao, Somaliland?

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Small business failure has been a wider problem in Somaliland in general and Burao in particular for years. Therefore, this study was conducted to identify internal and external causes that contribute to small business failure in Burao, Somaliland. This study was a survey research in which questionnaires were used to collect data from 200 respondents who were owners of failed small businesses. The data was analyzed using descriptive statistical tools with help of SPSS 21. Moreover, Relative Importance Index (RII) was employed to ascertain the most significant internal and external factors that cause small business failure in Burao, Somaliland. With regard to factors caused failure of the small businesses, the study found that the most powerful internal causes were: Lack of consultation with experienced and professional business people; ineffective advertising or promotional strategy; poor business site location; lack of knowledge of current business situation, lack of specific target market. Furthermore, the study exposed that the most significant external causes that brought small business failure were: poor economic conditions; high operating expenses like rents and wages, higher competition.

Key words: Internal causes, external causes, small business failure.

INTRODUCTION

Small business failure is one of the severe economic problems that are observed in the contemporary economies both in developed and developing ones, and its causes have been target of many research projects conducted in different contexts. In Somaliland, a high percentage of firms are recently established, and they belong to those operated by families (Ministry of Planning and National Development, 2017). Moreover, Somaliland business sector in general is tackling a variety of challenges such as access to finance, access to land, expensive electricity, transportation problems and tax rates (Ministry of Planning and National Development, 2017). Similarly, World Bank (2016) stated some challenges

like customs and trade regulations, unavailability of water, inadequate of educated workforce and unregistered practices, but the report claimed that these obstacles were not as severe as other hindrances mentioned by Somaliland national development plan II. Farah and Ainebyona (2019) identified that tax is a noteworthy factor which is obstacle to small business performance in Somaliland. Likewise, Noor and Ampornstira (2019) pointed that lack of security, lack of public services, and competition are factors hindering small business performance in Somalia. According to Ali et al. (2013), in Somalia, small businesses fail due to inaccessibility to loan. As stated by Ahmed (2020),

inadequate management skills and government policies are main obstructions for small and medium-sized enterprises in Somalia. Similar difficulties are also facing small businesses in Burao city, since the business environment of the country is homogeneous.

In Burao, small businesses leave the market constantly as reported by Burao chamber of commerce in 2019. All small businesses, regardless of sectors and industries cease operations persistently, but most observed failing small businesses are restaurants, teashops snake bars, clothes shops, boutiques, pharmacies and small retailor shops. The problems that are facing these businesses include incapableness to pay costs which forces owners to pay part of the costs. Entrepreneurs or owners of these businesses try to tackle the difficulties, but the last viable option is always dissolution. Moreover, no one can accurately explain real factors that contribute to this severe business failure.

If this terrible problem is not solved, it could create awful effect on the economy in general and particularly on the local investors, consumers, labor force and government. The potential consequences of the small business failure may include development of imperfect markets, inflation, unemployment, lower consumer purchasing power and reduction in both local and central government's tax revenue. Therefore, it is necessary to study this difficulty in order to avoid all these potential problems.

Keats and Bracker (1988) developed a model of small business performance. Their model shows that performance of small business is determined by two factors which are entrepreneurial characteristics of the owner and contextual or task environment factors. Entrepreneurial characteristics of owners are something related to the concept of the entrepreneur. Dollinger (as cited in Keats and Bracker, 1988,p. 54) stated that environmental factors includes customers and clients, vendors and suppliers, potential employees, bankers, lawyers and accountants (external consultants), trade and business associations, regulatory and union officials, stockholders and creditors, competitors and unspecified others. Thus, the model of Keats and Bracke claims that small business performance is influenced by these two categories of factors (entrepreneurial characteristics of owners and task environment factors). The current study is guided by this model in that it studied internal and external sources of small business failure.

Internationally, there are different definitions of the concept of small business, and most of these definitions concentrate on size aspect of the businesses to clearly delimit the concept of small business or to distinguish small business from medium and large business. Most of the available definitions are based on company's acts of the western countries. In UK, a small business is a business that has maximum revenue of £5.6 million, a maximum total balance sheet of £2.8 million and maximum of 50 employees, while in European Union

countries, small business is any business organization that has a maximum of 50 employees (Lee-Ross and Lashley, 2010). On the other hand, in Australia small business means the one that has a number of employees between 5 and 20, but in USA, a given business to be small business it should have a maximum of 100 employees (Lee-Ross and Lashley, 2010). For the purpose of this research, small business is any business organization that has maximum employees of 20 and maximum yearly revenue of $200,000.

The term business failure has also been defined in different ways by different researchers; for example, Mcgrath (1999) defined business failure as closure of business activity that has failed to meet its goals. Business failure is defined "as firms earning a rate of return on investment which is less than the company's opportunity cost" (Ibrahim and Ellis, 2015, p.18.). These definitions are different in terms of scope and aspects of failure that they are considering; however, for the purpose of this study, McGrath's definition is suitable. Therefore, throughout the study, business failure means closure of business activity that has failed to meet its goals.

The specific objectives of this study were to identify internal factors that cause small business failure of Burao businesses and to discover external factors that contribute to small business failure of Burao businesses. To achieve these objectives, the study used survey research design in which questionnaire data were collected from 200 owners of failed small businesses.

A large number of research articles were written about factors affecting small business failure, but most of these studies are outdated; therefore, the current study cited only those which were conducted in the last five years. The relevant literature concentrated on both external and internal causes of small business failure, and this is congruent with the objectives of this study as they also targeted both external and internal causes. Apart from other factors, poor managerial skills of the owners is a major source of business failure (Robleh, 2017; Al-Ghamri, 2016; Twesige et al., 2020; Alshami et al., 2020; Lussier, 2016; Malecka and Luczka, 2018).This is evidence for how owner's managerial skills are indispensable factor of small business success. Managerial skills are part of the entrepreneurial skills, and there are some other researchers who claimed that poor entrepreneurial skills of the owners/managers of the small business are causes of small business failure; for example, Radzi et al. (2017) and Bushe (2019) indicated that entrepreneur incapacity of the owner/manager of the small businesses is a source of failure. On the other hand, Aisyah et al. (2017) claimed that entrepreneurial skills have no effect on small business performance. Okpalaojiego (2021) discovered that immoral government policies, economic marginalization, ethnic or religious imbalances, bad economic conditions and lack of security are major sources of small business failure in Nigeria. In

contrast, some other researchers stated that small business failure is caused by competition facing them in both their local markets and foreign markets (Rahman et al., 2018). Differently, Truong (2019) claimed that performance of small businesses is determined by staff skills, suitability of the product to the market demand, location and availability of financial resources.

There are other researchers who divided sources of small business failure into external and internal causes; for instance, Atsan (2016) identified that there are internal sources of small business failure such as bad relationship between partners, poor financial skills and lack of necessary information and monitoring. Atsan also argued that there are some external causes of small business bankruptcy which includes undesirable economic conditions and unfavorable changes in government policy. Although all of them did not declare directly, the findings of the above cited studies stated that small businesses can fail as a result of both internal and external causes, and that is why the current study is trying to identify external and internal factors that bring small business bankruptcy in the Burao context. However, a noteworthy gap that exists in the literature is that there is no sufficient number of researches that focus on the causes of small business failure in Somaliland. Thus, this study enriches the literature in that it identified sources of small business failure in Somaliland context where considerable studies of this kind had not been conducted before.

MATERIALS AND METHODS

This research used survey research design to achieve its objectives, and its target population was all previous owners of the small businesses that had been discontinued in the last three years which used to operate in Burao city. This study employed cluster sampling method; moreover, since there was no reliable governmental records of businesses that had been terminated,400 businesses which had failed in the last three years were registered by the research team in seven different villages and areas (October, Plaza-Ukubo, Hodankaylo, Sha,abka, Keny-Sailada, Mohamed-Ali and the city center) of Burao city. Then, 200 businesses were selected randomly to study.

Data collection method was questionnaire, and statistical data analysis such as frequency distribution tables, percentages and Relative Importance Index (RII) were used to analyze and interpret data. The RII is an average value of an item which is scaled to have a value between 0 and 1. A five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used, and then they were changed into relative importance indices (RII) by using the following formula: RII = $\frac{\sum W}{A*N}$, where W is a weight given to each factor by the research participants (ranging from 1 to 5), A is the highest weight (5 in this case), and N is the total number of respondents. The RII value has a range of values from 0 to 1 .The higher the value of RII, more important was the role of the factor in the small business failure. Furthermore, reliability of the data was assessed by using Cronbach's Alpha. Moreover, factor analysis was conducted to evaluate validity of the questionnaire.

Apart from the characteristics of the failed businesses and their owners, the studies have two categories of research variables. Category one consists of group of internal variables which could contribute to the small business failure. Category two contains set of external variables which also may cause small business failure. These two dimensions of small business failure are in harmony with the Keats and Bracker model which they developed in 1988, so the study is guided by this model. Their model claims that performance of small business is determined by two group of factors which are entrepreneurial characteristics of the owner and contextual or task environment. Entrepreneurial characteristics of owners is relevant with the entrepreneurial skills of the owner which influence the business performance while the environmental factors are influential elements within the business surroundings such as customers and clients, suppliers, potential employees and bankers.

To identify characteristics of the failed businesses and their owners, normal close ended questions which were related to age, gender, education level, previous business experience, business type, business age and form of business organization were written in the questionnaire.

To ascertain the internal factors, the following items were used: Lack of a specific target market; poor business site location; Failure to generate a long-term business plan; personal problems (health, marital, etc.); Ineffective advertising or promotional strategy; inadequate knowledge of pricing strategy; inflexible decision making; premature business growth or overextension; inadequate financial accounting record keeping; Lack of managerial experience, skills, and training; Lack of a formal college education and etc. To respond, participants showed to what extent these factors contributed to their business failure by choosing answer from this scale of five options: Strongly disagree, Disagree, Neutral, and Agree and strongly agree. These items were used by Gaskill et al. (1993) in their research of small business failure.

In order to determine the external factors that may cause business discontinuity, the research used items like high taxes; high interest rates; high operating expenses (wages, rent, etc.); government regulations; poor economic conditions; difficulties in receiving merchandise; lack of financial support from banks and financial institutions and competition from discount stores. Owners of failed businesses indicated to what extent these external factors had caused the failure of their businesses, and again the above mentioned five points scale were used in answering these questions. Similarly, these items were used by Gaskill et al. (1993).

RESULTS

As stated in the material and methods section, the sample size of the study was 200, and due to the effort and follow-up that student data collectors made, the response rate was 100%. Thus, the data analyzed in this section was collected from 200 owners of failed businesses.

Demographic information

Table 1 shows analysis of the demographic information of the respondents such as gender, age, education level, marital status and their business experience. The table shows that the 66% of the owners of the failed businesses were male while 34% of them were female. The table also signifies that age of 30.5% of the owners of the failed businesses were under 25 years old, 53.5% of them were between 25 and 45 years in age and 16% of them were above 45 years old. When it comes to marital status, 36% of the owners of the failed businesses

Table 1. Demographic information of the respondents.

Demographic profile	Frequency	Percent	Cumulative percent
Gender			
Male	132	66	66
Female	68	34	100
Total	200	100	
Age (year)			
<25	61	30.5	30.5
25-45	107	53.5	84.0
>45	32	16	100
Marital status			
Single	72	36.0	36.0
Married	102	51.0	86.5
Widowed	10	5	91.5
Divorced	16	8	100
Total	200	100	
Educational level			
No formal education	71	35.5	35.5
Elementary	34	17.0	52.5
Secondary	44	22.0	74.5
Diploma	11	5.5	80.0
Bachelor's degree	36	18.0	98.0
Master's degree	4	2.0	100
Total	200		
Previous business experience			
Yes	91	45.5	45.5
No	109	54.5	100
Total	200	100	
Total	200	100	

were single, 51% of them were married, 5% of them were widowed and 8% of them were divorced. Table 1 also indicates the education levels of the respondents. In this regard, 35.5% of the owners of the failed businesses had no formal education, 44.5% were elementary, secondary and diploma level while 20% of them were bachelors and master's degrees levels. Moreover, the previous business experience of the owners of failed businesses were investigated, and 45.5% of the owners had business experience before their failed businesses while 54.5% them had no previous business experience.

Characteristics of the failed businesses

The below Table 2 shows the features of the failed businesses by targeting specific aspects like type of the business, its location, business age in the failure time and form of the business ownership. The table shows that the percentage of manufacturing, service providing and farming businesses was 2, 7.5 and 4% respectively. Additionally, the table indicates that 12.5% of the failed businesses were wholesalers while 74% of them were retailers. This means that the vast majority of the failed businesses were retailers. These retailers were the small shops known as Tukaan in Somali which sell commodities that households buy on daily and monthly basis. On the other hand, Table 2 displays the locations of the failed businesses, and the result shows that 37% of the businesses located in the city center while 63% of them are located in October, Plaza-Ukubo, Hodankaylo, Sha,abka, Kenya-Sailada and Mohamed-Ali villages. The percentages of the businesses which located in each of these villages were not highly different as can be seen

Table 2. Characteristics of the failed businesses.

Business characteristics	Frequency	Percent	Cumulative percent
Type of the business			
Manufacturing	4	2.0	2.0
Service provider	15	7.5	9.5
Farming	8	4.0	13.5
Wholesaler	25	12.5	26.0
Retailer	148	74.0	100
Total	200		
Location of the business			
October	23	11.5	11.5
Plaza-Ukubo	24	12.0	23.5
Hodam-kaylo	25	12.5	36.0
Kenya-Sayladda	19	9.5	45.5
Mohamed-Ali	27	13.5	59.0
Sha,abka	8	4.0	63.0
Downtown	74	37.0	100
Total	200	100.0	
Business age in the failure time			
Less than one year	65	32.5	32.5
Between one year and two years.	82	41.0	73.5
Between two years and five years	35	17.5	91.0
More than five years	18	9.0	100
Total	200	100.0	
Ownership of the business			
Sole proprietorship	163	81.5	81.5
Partnership	37	18.5	100
Total	200	100.0	

Table 3. Reliability of the questionnaire.

Cronbach's Alpha	The number of items
0.71	31

from the table. Business age in the failure time was also one of the dimensions that were targeted, and Table 2 shows that ages of 32.5% of the failed businesses were less than one year, 41% were between one year and two years in age, 17.5% were between two years and five years while 9% of them were more than five years in age at the failure time. What is more, the table indicates that 81.5% of the failed businesses were sole proprietorship while 18.5% of them were partnerships.

Reliability and validity

This section presents validity and reliability of the questionnaire items, and this is important for assessing the quality of the findings.

Reliability

In general, reliability measures whether a given data collection instrument such as questionnaire yields constant results in different times when the phenomena under the investigation is not changing. Cronbach's alpha is the most frequent used test to measure reliability of data collection instrument. A given questionnaire to be reliable, the result Cronbach's alpha must be a minimum of 0.7 (Bolarinwa, 2015). The following Table 3 shows the reliability test result of the questionnaire items.

Validity

To investigate the validity of the questionnaire items,

Table 4. KMO and Bartlett's test.

Kaiser-Meyer-Olkin measure of sampling adequacy		0.675
Bartlett's test of sphericity	Approx. chi-square	1181.497
	df	465
	Sig.	0.000

Table 5. Ranking of internal causes.

Causes	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	Rank
Lack of specific target market	31.5	21	7.5	26	14	0.540	**5**
Poor business site location	19	22	3.5	31	24.5	0.635	**3**
Failure to generate a long-term business plan	28.5	29.5	6	19	17	0.533	**7**
Personal problems (health, marital, etc.)	41.5	23.0	4.0	19.0	12.5	0.476	**13**
Ineffective advertising or promotional strategy	15.0	19.0	11.0	26.0	29.0	0.670	**2**
Inadequate knowledge of pricing strategy	41.0	32.0	7.5	13.5	6.0	0.423	**15**
Inflexible decision making	22.0	29.5	20.0	15.0	13.5	0.537	**6**
Premature business growth or overextension	54.5	26.0	3.0	10.5	6.0	0.375	**20**
Inadequate financial accounting record keeping	49.5	30.0	2.5	15.0	3.0	0.384	**17**
Lack of managerial experience, skills, and training	29.5	36.5	6.5	17.0	10.5	0.485	**12**
Lack of a formal college education	39.0	28.0	3.5	8.0	21.0	0.486	**11**
Poor cash flow control Fraud/disaster	45.0	34.0	8.0	11.5	1.5	0.381	**18**
Lack of knowledge of current business situation	22.0	26.5	14.0	24.5	13.0	0.560	**4**
Lack of experience in the product line	25.5	30.0	15.0	19.0	10.0	0.516	**8**
Lack of consultation with experienced and professional business people	12.0	22.0	10.0	29.0	27.0	0.674	**1**
Inventory difficulties	44.5	36.0	8.5	7.0	4.0	0.380	**19**
Not selling what is demanded by the customers	36.5	20.5	11.0	18.0	14.0	0.505	**10**
Poor relationship with suppliers and customers	50.0	29.5	7.0	10.0	3.0	0.373	**21**
Poorly trained sales people	34.0	22.0	9.0	20.0	15.0	0.514	**9**
Lack of interest and dissatisfaction in work or at the work place	51.5	24.5	6.0	13.5	4.5	0.390	**16**
Problems of partnership and team work	65.5	16.5	3.5	6.5	8.0	0.350	**23**
Negative influences by the family	50.0	19.0	5.0	14.0	12.0	0.438	**14**
Inconsideration of legal issues	55.5	24.5	10.5	3.5	6.0	0.360	**22**
Overall						0.480	

principle component analysis (CPA) was applied, and 31 items measuring both internal and external causes of the small business failure was analyzed. 23 items were measuring internal causes while 8 items were measuring external causes. Correlation matrix of the items was assessed to determine whether they are correlated or not. In this regard, every item of these 31 items had a minimum correlation of 0.17 with at least another item and this shows that there is a satisfactory level of correlation between the items. Kaiser-MeyerOlkin (KMO) test was also applied to investigate whether linear relationship exists between the questionnaire items and as can be seen from Table 4, the overall KMO was 0.675 which is greater than 0.5 (the minimum acceptable level). Bartlett's test of sphericity was significant (p < .0005)

showing that the data was suitable for factor analysis.

Descriptive statistics

Relative importance index for internal causes of small business failure

Table 5 shows the relative importance index (RII) of the 23 items representing internal causes of small business failure. RII was calculated to identify the significance of cause (item) and then the causes were ranked based on their RIIs. According the rankings in the table, the five most important internal causes of small business failure

Table 6. Ranking of external causes.

Causes	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	Rank
High taxes	55.0	20.0	2.5	11.5	10.5	0.403	**4**
High interest rates	64.0	23.0	5.0	3.5	4.5	0.323	**8**
High operating expenses like wages and rents	35.5	14.0	2.5	25.0	23.0	0.572	**2**
Government regulations	58.5	24.5	3.5	4.5	9.0	0.362	**7**
Poor Economic conditions	9.0	7.5	6.0	39.5	38.0	0.780	**1**
Difficulties in receiving merchandise	49.0	26.5	4.0	16.5	4.0	0.400	**5**
Lack of financial support from banks and financial institutions	55.5	21.5	5.0	8.0	10.0	0.391	**6**
Competition from similar businesses	34.0	17.5	6.0	17.5	25.0	0.554	**3**
Overall						0.473	

in Burao city as perceived by owners of the failed businesses were: (1) lack of consultation with experienced and professional business people (RII = 0.674);(2) Ineffective advertising or promotional strategy (RII = 0.670); (3) Poor business site location (RII = 0.635); (4) Lack of knowledge of current business situation (RII= 0.560); (5) Lack of specific target market (RII = 0.54). Thus, these were the five most powerful internal causes of small business failure in Burao city. Furthermore, the overall RII of the internal causes of the small business failure was 0.480 as can be seen from the Table 5.

Relative importance index for external causes of small business failure

RII was computed to also assess the significance of each of the eight external causes that the study targeted. Therefore, the below Table 6 indicates the raking of the external causes with respect to their RIIs. For the owners of the failed businesses, the three most influential external causes of their business failure were: Poor economic conditions (RII = 0.780); High operating expenses like rents and wages (RII = 0.572); Competition from similar businesses (retailers) and wholesalers. Moreover, the table shows that the overall RII of the external causes was 0.473 which is slightly less than the overall RII of the internal causes (0.480).

Ranking of the eight most influential causes of small business failure

Table 7 presents the eight most powerful causes of the small business failure in Burao. Five of these eight causes were internal causes while three of them were external causes. According to the owners of the failed businesses, the eight most powerful causes that contributed to the failure of their businesses were: poor

economic conditions (RII= 0.780); lack of consultation with experienced and professional business people (RII = 0.674); ineffective advertising or promotional strategy (RII = 0.670); poor business site location (RII = 0.635); high operating expenses (RII = 0.572); lack of knowledge of current business situation (RII = 0.560); competition (RII = 0.554); lack of specific target market (0.540).

DISCUSSION

Internal causes of small business failure

The current study revealed that the five most significant internal factors that caused the small business failure in Burao were: lack of consultation with experienced and professional business people; ineffective advertising or promotional strategy; poor business site location; lack of knowledge of current business situation; lack of specific target market. The findings of this study are different from what majority of the other researchers found regarding to the internal causes of small business failure; for example many researchers mentioned that lack of managerial skills is the major internal source of small business failure (Robleh, 2017; Al-Ghamri, 2016; Twesige et al., 2020; Alshami et al., 2020; lussier, 2016; Malecka and Lucezka, 2018). However, the current study is partially in agreement with the result of Truong (2019) who mentioned that inappropriate business location is one of the factors that cause small business failure. The aforementioned findings of this study are also partially congruent with the argument of Atsan (2016) who pointed out that small businesses fail if the owners/managers lack the necessary information that is needed to run the business effectively. However, when it comes to internal causes of small business failure, the findings of this study are not in harmony with most of the arguments of the cited research articles. The majority of the cited studies were conducted in some other contexts, so this contextual difference may cause findings to be also dissimilar.

Table 7. The Ranking of the eight most influential causes of small business failure.

Causes	Source	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	Rank
Poor Economic conditions	External	9.0	7.5	6.0	39.5	38.0	0.780	**1**
Lack of consultation with experienced and professional business people	Internal	12.0	22.0	10.0	29.0	27.0	0.674	2
Ineffective advertising or promotional strategy	Internal	15.0	19.0	11.0	26.0	29.0	0.670	**3**
Poor business site location	Internal	19	22	3.5	31	24.5	0.635	4
High operating expenses like rents and wages	External	35.5	14.0	2.5	25.0	23.0	0.572	**5**
Lack of knowledge of current business situation	Internal	22.0	26.5	14.0	24.5	13.0	0.560	**6**
Competition from discount stores	External	34.0	17.5	6.0	17.5	25.0	0.554	**7**
Lack of specific target market	Internal	31.5	21	7.5	26	14	0.540	**8**

External causes of small business failure

The current study disclosed that the most significant three external causes of small business failure were: poor economic conditions; high operating expenses like rents and wage; competition. Poor economic condition means lack of sufficient demand and existence of large credit sales which their payments were not always successful. According to respondents, the competitions that they faced were two forms: competition among similar small businesses and competition between weak small businesses (retailers) and wholesalers who sell commodities to the small businesses. As stated by the respondents, wholesalers also retail commodities with a price which is lower than that of retailers. This study is in line with Okpalaojiego (2021) who considered poor economic conditions as external factors of small business failure. Rahman et al., 2018) identified that competition is a cause of small business bankruptcy. This is in harmony with the findings of the current study. The result of the current study is also in line with Gaskill et al. (1993) as they mentioned that inability to overcome competition in the market is one of the

external causes of small business failure.

Conclusion

This study investigated causes of small business failure in Burao, Somaliland where small business failure has been a severe problem in the last years. The study aimed at identifying external and internal sources of small business discontinuity, for there are some theories which categorized factors that cause small business failure into internal and external. Small businesses are very important economic units in every economy regarding to their role in the employment and economic growth. Therefore, studying their problems is an indispensable thing. The current study found that there are some internal causes of small businesses failure such as lack of consultation with experienced and professional business people, ineffective advertising or promotional strategy, poor business site location, lack of knowledge of current business situation and lack of specific target market. This research indicated that these are five most influential factors when it comes to internal factors that bring

small business bankruptcy. On the other hand, this research identified that poor Economic conditions, high operating expenses like rents and wages and competition are key external factors that cause small business failure. In my point of view, these findings are objective and logical, and sustainable solutions could be made if all concerned parties consider the argument of this study carefully. Furthermore, personally I met several small business owners claiming that they had been challenged by bad Economic conditions and severe competition. Thus, the claim of the current research could be applicable in Somaliland context and other neighboring regions which have similar social and business features. However, this study was a survey research which did not carried out a deep inferential data analysis, and this may be considered as the key limitation of this study. Therefore, this study implies that the other sophisticated research designs are needed to deeply comprehend the sources of small business failure, so I recommend that other researchers who are interested in this area of research conduct correlational research in Somaliland. However, the findings of this research are useful; besides, the findings imply that

Somaliland's ministry of business, other relevant public institutions and business owners should consider these recommendations that were made in this study to reduce small business failure.

Recommendations

1. Poor economic conditions are prevalent problems throughout the country. Somaliland central government should make efforts by using fiscal and monetary policies to create job opportunities so that purchasing power of consumers can be increased. The Somaliland government must also use the aforementioned policies to mitigate inflation which is also another challenge for both small businesses and consumers.
2. Private and public consulting firms should be established to provide skilled advisory services to small businesses.
3. Small business managers/owners must consult experienced and professional business people and consulting firms in order to tackle problems facing their businesses successfully.
4. Small businesses have to advertise their businesses by using cost effective simple methods like attractive brand names; brochures, good-looking billboards, magazine ads and social media.
5. At the beginning, businesses must be located in a site which is convenient for the potential customers. Costs of rents, access to suppliers and locations of competitors must also be taken into account when deciding business site locations.
6. The major operating costs like salaries and rents must be kept in a reasonable level through bargaining and negotiations. Job enlargement must also be exercised as a cost minimization method.
7. Owners of the small businesses must always be aware of the dynamic market conditions regarding to demand, supply, prices and government interventions. The information could be found by contacting suppliers, trade unions, chamber of commerce, competitors and the relevant government institutions.
8. To outdo the competitors, owners of small businesses must come up with effective strategy. In this regard, Michael Porter stated two strategies: cost leadership and differentiation. That means either minimize costs to be able to sell at lower price, or sell unique commodities or services which your competitors do not have. Moreover, to improve their competitive advantage, small business owners should consider the followings factors: quality, price, location, selection (choices available) and speed. On the other hand, concerned government institutions should examine and punish wholesalers who also retail their commodities at a cheap price with which weak retailers cannot sell.
9. Target market must also be clear. Your products or services may not be needed by everyone in the market; thus, small business owners should target specific segment of the market based on geographic, demographic, psychographic or behavioral differences of the potential customers.

CONFLICT OF INTEREST

The author has not declared any conflict of interest.

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