

# The Effect of Self-Efficacy on the Relationship between Subjective Norms and SME Ethical Behavior in Malaysia: A PLS SEM Analysis

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## Abstract

*The issue of ethical crises affecting the SMEs owner in Malaysia despite evidence of ethical business practice has been highlighted in various literatures. Protruding self-efficacy has a guideline for enhancing ethical behavior SMEs owner, this study aims to examine the moderating influence of self-efficacy on the magnitude of subjective norms effect on SME ethical behavior in a developing country. A survey data was collected from 384 owners/managers of SMEs that are duly registered member of Malaysia Association of Small and Medium Enterprise in all states in. Using Smart PLS SEM as the analytical tool to perform the analysis of data received from the respondents. The findings of the study reveal that though self-efficacy exert significant positive influence on SME ethical behavior, the ethical behavior was improved with the moderating effect of self-efficacy. Therefore, a contribution of novel insight to literature and practice that the practice of self-efficacy imbues ethical practices that would positively enhance effectiveness, efficiency and harmonious working environment that would result to improved ethical behavior among businesses. Limitations and areas for future research are discussed.*

**Keywords:** Subjective norms, self-efficacy, ethical behavior, SMEs

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## 1.0 Introduction

Business practices involve explicit or implicit harm and injustice to the contracting parties or to the public at large are disapproved by Islam (Abeng 1997). Current literature shows that study on work ethics is gaining popularity among researchers for a very obvious reason on moral hazard. Cases of corporate scandals and collapse provide evidence that morality misconducts among the employees contribute to the financial disaster of the company (Norlela 2010). The contemporary business world faces various issues related to business ethics. Despite the progress made, problems related to business ethics continue to rise periodically (Rice, G., 2008) Misconduct in businesses can be attributed to the greed of business people and their incapability of managing their wealth and business assets wisely (Norasmah Othman & Norsaidah Alias 2016).

Today's business is aware of the fact that ethical misconduct in business is something that is detrimental to the company, not only to the company but to the whole society (Abiodun & Oyeniya 2014). Approaches to business are a priority for business owners, especially SME business owners (Sraboni & Sharmistha 2011). Therefore, business owners need to behave ethically in protecting their business interests if they want to remain competitive in today's marketplace (Abiodun & Oyeniya 2014). According to Shacklock, Manning, & Hort, (2011) research, defined as a worker's belief in their ability or ability to carry out ethical behavior. According to (Fischbach, 2015) some individuals are aware of their ethical abilities and there is also no ethical ability in dealing with ethical situations. According to research issues described earlier, the factors causing unethical behavior may be due to the inability of SMEs to deal with ethical situations. Business will be faced with a variety of situations that would jeopardize one's ethics.

Self-efficacy is an individual's belief in himself and his ability to successfully portray certain behaviors Bandura, (1993). This belief is also about the challenges that will be encountered, sometime taken to deal with and overcome the problems that rise Bandura, (1993). Individuals with high level of self-efficacy will be more confident to succeed in solving the ethical problems faced. Individuals with high self-efficacy will be seen to have high self-esteem and optimistic behavior. This facilitates cognitive and performance processes in multiple domains, including in decision-making quality. According to Aronson & Mettee's (1968) research suggest that ethical behavior is more consistent than self-perception of value altitude. Confidence in personal individuality reflects the high self-efficacy of an individual, necessarily allowing them to believe that a success can be achieved without using unethical ways Beu, Buckley, & Harvey, (2003).

According to (Fischbach, 2015) some individuals are aware of their ethical abilities and there is also no ethical ability in dealing with ethical situations. Self-efficacy has been found to be associated with successful performance on positive behavior across multiple domains such as jogging, reducing alcohol consumption, weight loss Tipton & Worthington (1984); reduction of smoking, Colletti, Supnick & Payne (1985), reducing the concern of Friedlander, Keller, Peca-Baker & Olk (1986) counselor, reducing depression, Moe & Zeiss (1982); weight loss Weinberg et al. (1984); reduction of pain in Dolce (1987); opazo depression, Andreani & Allende (1983). Little research has been done on the association of the concept of self-efficacy on ethical behavior.

## **2.0 Literature Review**

### **2.1 Self-efficacy**

Self-efficacy refers to an individual's belief in his or her capacity to execute behaviors necessary to produce specific performance attainments (Bandura, 1977, 1986, 1997). Self-efficacy reflects confidence in the ability to exert control over one's own motivation, behavior, and social environment. Self-efficacy influences a person's choice of activities, avoiding tasks judged too difficult or impossible and embracing activities deemed manageable. This concept was derived from self-efficacy theory, which proposed that self-efficacy enhances performance through increasing the difficulty of self-set goals, escalating the level of effort that is expended and strengthening persistence (Locke, 2003). Self-efficacy theory focuses on continuous improvement through discrepancy creation (Bandura, 1997). It is defined as an individual's confidence about his/her abilities to mobilize the motivation, cognitive resources and courses of action needed to successfully execute a specific task within a given context (Stajkovic & Luthans, 1988). People having high self-efficacy are expected to make better use of resources to deal with demanding tasks. Researchers found that people with high levels of self-efficacy are better able to solve difficult situations than low self-efficacious individuals. Self-efficacy beliefs are among the most widely documented predictors of achievement, which has been documented in domains including industry, military and education (Dinther et al, 2011).

According (Christa Speier & Michael Frese 1997) may function as moderator. Research (Stone and Hollenbeck, 1984; Zedeck, 1971) has proven self-efficacy has a moderator relationship between development and work control initiatives. In addition, the research (Kura, 2014) has reviewed the relationship of efficacy moderator to group norms on deviant behavior. According to (Christa Speier & Michael Frese 1997) self-efficacy is proven on work condition and personal initiative. Previous studies also have examined the moderating role of self-efficacy on the relationship between scholastic aptitude and persistence in academic performance (Brown, Lent, & Larkin, 1989), transformational leadership and work-related attitudes (Walumbwa, Lawler, Avolio, Peng, & Kan, 2005), transformational

leadership and job performance (Walumbwa, Avolio, & Zhu, 2008) and exposure to workplace bullying health complaints (Gemzøe-Mikkelsen & Einarsen, 2002). Generally, the findings of these studies supported the notion that self-efficacy can influence tendency of business owner to exhibit positive work-related attitudes and behaviors. Yet, despite the substantial evidence that self- efficacy can influence the tendency of SMEs owner to behave in ethical behavior, researchers still do not adequately understand moderating role of self-regulatory efficacy on the effects of subjective norm on ethical behavior.

Bandura's (1986) self-efficacy theory may provide insight into the moderating role of self-efficacy on subjective norms on ethical behavior. Self-efficacy theory postulates that all aspects of human life such as health activities, academic activities and job related activities are influenced by perceived self-efficacy. The stronger individual's self-efficacy beliefs to resist peer pressure the more likely he or she will behave ethical behaviors. From managerial perspective, it can be argued that subjective norms alone are not sufficient to increase the occurrence of ethical behavior among SMEs owners.

## **2.2 Ethical Behavior**

Ethics refers to behavior that is subject to valuation based on accepted norms (Hegarty, W. H. & Sims, 1979; Treviño, Weaver, & Reynolds, 2006). There are numerous researches in ethics; various researches resulting in duplication of intentions have resulted in the interchange of ethical meanings in various fields of research. According to (Ford & Richardson, 1994; O'Fallon & Butterfield, 2005) a major weakness in ethical research is that most research does not provide theoretical definition of clear ethical behavior. So the theoretical definition of ethical behavior for this research is any behavior within individual environments tied to ethical judgments and assessed whether ethical or unethical based on moral or ethical norms, moral standards and general rules used in their lives. A behavior is said to be ethical in complying with norms, standards and moral rules accepted by individual and unethical behaviors if they do not comply or violate them. Therefore, this research will discuss the exact meaning of ethics and ethical conduct domain in detail to develop the theoretical definition of ethical behavior to be used in this research. Therefore, ethical behavior will be discussed to explain the relevance of the research literature survey on the factors that have been influenced by ethical behavior.

In the context of business, the theoretical definition of ethical behavior in business is any behavior within an organization bound to an ethical assessment and is assessed whether ethical or unethical based on moral or ethical norms, moral standards and general rules used in a business organization. In addition, a behavior is said to be ethical if it complies with the norms, standards and moral rules used in the business and violates business and government law, and it is unethical to fail to comply or violate it. In the context of individual religions, it

is associated with religious belief, if an individual violates his religious instruction, then the individual is classified as practicing unethical behavior.

### **2.3 Subjective Norms**

A broad definition of perceived or subjective norm is "the perceived social pressure to perform or not to perform the behavior" in question (Ajzen, 1991, p. 188). Subjective norm is also measured as normative belief without including motivation to comply. A subjective norm is one's belief in a particular individual or group as a reference to the conduct of a behavior. Hence, in order to develop the concept of subjective norm, it must be developed so that the role of this reference group can be clearly identified. A subjective norm is also a standard that largely controls the behavior of a group. Subjective norms have strong influence on group-behavior and difficult to change. The subjective norm also refers to the influence of parents, peers, organizations, couples and mass media (Zainol, 2008). According to (Fraedrich & Iyer, 2008) subjective norms is the closest person refers to a partner, business associate and superior officer. Hence the influence of the person's ethical behavior is defined as individual level of focus influenced by any behavior bound to ethical judgments based on ethical norms, moral standards and general rules used in the organization performed by colleagues and their superiors. According to Ajzen (2005), the referral group is a function of a person's belief in social influences or referent groups. Beliefs based on this reference group are known as normative beliefs. Normative belief is a form of a person's belief that a particular individual or group referred to agrees or otherwise conducts a behavior. This belief is also made to assess whether the social group is doing or not doing, the behavior. When this assessment is made, a perception that results in an individual wants or does not want to do a planned behavior.

### **2.4 Subjective Norm and Ethical Behavior**

Research results of subjective norms are also carried out in determining the influence of the group. After the study, there was a strong relationship between subjective norms and behavior (Stephen et al 1994). The results of this research were also supported by (Hollinger & Clark, 1983; Hornung 1970) in Mcmanus & Subramaniam, (2009) revealing that unusual behavior such as crime, often agreed upon or supported by a group, individual. According to (Awang, Ismail, & Rahman, 2016) the finding of this research found that subjective norms influenced the mismanagement of financial data reporting on participants in the process of reporting the financial status of the company. Subsequently in research (Awang et al, 2016) subjective norms are also applied to insurance agents in determining the ethical behavior of insurance agents. According to (Zukarnain et al., 2006) shows a subjective norms relationship to ethical behavior in the use of information technology services in cybercafés in Malaysia. Research on the influence of friends and family influence also plays a role in influencing ethical behavior among managers (Samir Ahmad Abuznaid, 2009). Previous research has also proven that the decline in one's ethical behavior has proven to be influenced by subjective norms such as leaders or leaders, co-workers and families. Previous research also does not rule out the possibility of abuse of power, mismanagement, corruption is due to the influence of subjective

norms (Dabney 1995; Ames et al. 2000).

### **2.5 Moderator self-efficacy with ethical behavior**

Research on self-efficacy states that self-efficacy can affect the choice and response to one's emotions (Marilyn E & Mitchell, 1992). According to (Bandura 1986), self-efficacy will affect the self-regulatory process, which will affect one's behavior. More specifically, some researchers have emphasized the role of self-efficacy in influencing one's ability and willingness to exercise, the most important factor is self-control. The constructive self-efficacy constructs demonstrate that all variables such as work, task autonomy, decision-making, and job enlargement are related to self-efficacy (Parker & Sharon, 1998). Moreover, research (Parker & Sharon, 1998) suggests that improvements in work autonomy, decision-making, and communication quality can improve self-efficacy. Although Parker & Sprigg, 1999) have studied the background of self-efficacy, the relationship between self-efficacy and ethical behavior has not been tested (Parker, 1999). Research on self-efficacy has found that self-efficacy is closely linked to improved work performance (Barling & Beattie, 1983; Orpen, 1995) and also enhances personal initiative (Speier & Frese, 1997). According to (Litt, 1988) in his research, self-efficacy can influence a person to exercise control even if it will have a negative impact on behavior. The degree of self-efficacy of a person who determines whether he or she will evaluate the circumstances and difficulties that will apply. Person with high self-efficacy will have confidence in his ability to control and to exhibit better ethical behavior compared to someone with low self-efficacy (Litt, 1988). As noted by Parker (1999), and (Jex & Bliese, 1999) also found that highly self-contained military forces were lower for unethical behaviors when compared to high-efficacy forces exhibiting ethical behavior. In line with the above statement, expectations of self-efficacy will make one feel capable of carrying out various activities, they will be more likely to improve ethical performance. In previous research, documenting that research shows that teachers with high self-efficacy will exhibit different behavioral characteristics related to work ethics and teaching pedagogy when compared to teachers with low efficacy. For example, teachers with high self-efficacy will work harder to improve teaching efforts such as identifying student mistakes and trying new teaching methods (Gibson & Dembo, 1984; Guskey, 1987). Recent research has shown that the relationship between self-efficacy with ethical behavior has to do with the positive significance (Sukserm & Takahashi, 2012). In addition, research conducted by (Galperin, 2002) shows that self-efficacy has a less significant relationship when it acts as a mediator or mediator between work autonomy and the construction of an unethical behavior.

According to previous research, when a self-contained SME with high efficacy will be less likely to engage in unethical behavior. Therefore, SMEs with high self-efficacy will have a

positive relationship to the performance of ethical behavior. By the higher the self-efficacy of the person then the lower the unethical behavior to be performed. In previous research, some researches on the efficacy of ethics as done by (Ogilvie & Stewart, 2010) in measuring student self-efficacy for academic mismanagement. Further research (Nelson et al., 2012) examines the self-efficacy of ethical management and they found self-efficacy has a distinctive effect on ethical behavior (Bing et al., 2012) does not lead to self-efficacy but his research studies self-perceived cognitive abilities. Research from (McNabb & Worthley, 2008) also examined the self-efficacy of ethical behavior and found self-efficacy had a direct connection to whistleblowing. Research from (Stone and Hollenbeck, 1984; Zedeck, 1971) has proven self-efficacy has a moderator relationship between development and work control initiatives. In addition, the research (Kura, 2014) has reviewed the relationship of self-regulatory efficacy moderator to group norms on deviant behavior.

The focus of this research is the role of self-efficacy moderator. The role of moderators is important in measuring a relationship between variables. Accordingly, the role of self-efficacy moderator in the research will be introduced. These self-efficacy constructs are somewhat synonymous as mediators in previous investigations, but for self-efficacy constructs as moderators is something most recently used in ethical behavior. Nevertheless, there is an effective research as a moderator in the field of ethics and has been described in the research (Kura, 2014). But his research used self-regulatory-efficacy as a moderator of behavioral deviating at the workplace, and the research found that moderator relations had a significant effect between the variables. In this regard, the efficacy constructs are best suited to expanding this research to contribute to future research. Hence, the contribution of self-efficacy research as a moderator is crucial in determining the relationship between ethical work ethics and subjective norms on ethical behavior in the context of SMEs. Furthermore, self-efficacy variables in the context of ethics as moderators have been reviewed and developed by (Mitchell et al., 2008) as efficacy in human ethics. Researchers will develop this research from the point of self-efficacy in context of business. This research will examine the extent of self-efficacy affecting subjective norms on ethical behavior of SME business owners in Malaysia. From past literature research, also limited on research on self-efficacy and ethical work ethics of ethical behavior among SMEs owners in Malaysia. In addition, research on the role of self-efficacy moderators in identifying relationships between subjective norms among relationships with ethical behavior is particularly interesting to be developed. The limitation of self-efficacy on ethical constructs as a moderator in past research has become a major factor in the research being carried out as a new contribution in research.

## 2.6 Research Framework

Based on the literature review, the framework for the study is proposed as shown in figure 1. The framework proposed that Islamic works ethics and self-efficacy can influence SMEs owner ethical behavior, and that self-efficacy moderate the relationship between Islamic works ethics and SMEs owner ethical behavior. Importantly, this framework is grounded in self-efficacy, the Bandura theory introduced context of an explanatory model of human behavior, in which self-efficacy causally influences expected outcomes of behavior, but not vice versa (Bandura, 1986c, 1995, 1998, 2004, 2006b). Self-efficacy beliefs exert their diverse effects through cognitive, motivational, emotional, and decisional processes. Efficacy beliefs affect whether individuals think optimistically or pessimistically, in self-enhancing or self-debilitating ways. They play a central role in the self-regulation of motivation through goal challenges and outcome expectations. (Mark & Campbell, 2011). This theory is appropriate for this present study.

Based on the above empirical evidences, a proposed research framework for this study illustrating the moderating role of self- efficacy on the influence of Islamic works ethics on ethical behavior is depicted in Figure 1.

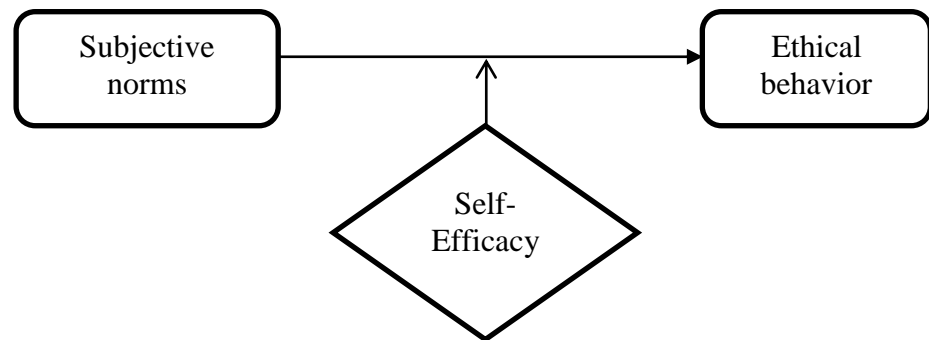


Figure 1 Research framework

## 3.0 Research Methodology

### 3.1 Sample and measures

The state is to represent the north, south, east and west zones of Malaysia. Starting from the state of Penang (40,824) for the northern zone, Selangor (125,904) west zone, Kelantan



(37,097) east and Johor (68,874) southern zone of Malaysia. According to information at the Companies Commission of Malaysia, in 2015, 283,200 companies from 645,136 registered companies are bumiputera companies. The research sample represents the entire bumiputera PKS in Malaysia. Cluster sampling will be used on selected states representing their respective zones throughout Malaysia. This research covers the natural and well-defined population groups, such as the states in Malaysia. After selecting the cluster formed, the researchers will randomly select samples from each cluster. In this research, researchers used cluster sampling to test the level of ethical behavior among bumiputera SMEs in four selected states representing the North and East South East zones. Data collection is from respondent's business owners of the Village Entrepreneurship Carnival (KUD) program and information from the Ministry of Rural Development (KKLW). Subjective norms use instruments from the Hansen and Graham scale in this variable. Self-efficacy is measured by adapting the instruments used by Parker's (1998), the self-efficacy RBSE role (Role breadth self-efficacy). The last variable is the item for the dependent variable is ethical behavior of Bumiputera PKS, adapted from (Bucar, Glas, & Hisrich, 2003) were utilized for the questionnaire and all items were scored on a 7-point Likert scale with 1 = strongly disagree to 7 = strongly agree

**Table 2: Measurement items, Factor loadings, Composite reliability, Cronbach's alpha, rho\_A and Average variance extracted**

| <b>Constructs &amp; Items</b> | <b>FLs</b> | <b>CR</b>    | <b>AVE</b>   |
|-------------------------------|------------|--------------|--------------|
| <b>SUBJECTIVE NORM</b>        |            | <b>0.885</b> | <b>0.605</b> |
| NS1                           | 0.742      |              |              |
| NS3                           | 0.776      |              |              |
| NS4                           | 0.776      |              |              |
| NS5                           | 0.790      |              |              |
| NS6                           | 0.806      |              |              |
| <b>SELF EFICACY</b>           |            | <b>0.900</b> | <b>0.574</b> |
| EFK1                          | 0.778      |              |              |
| EFK2                          | 0.778      |              |              |
| EFK3                          | 0.715      |              |              |
| EFK4                          | 0.715      |              |              |
| EFK5                          | 0.728      |              |              |
| EFK6                          | 0.728      |              |              |

|                          |       |              |              |
|--------------------------|-------|--------------|--------------|
| EFK7                     | 0.645 |              |              |
| EFK8                     | 0.585 |              |              |
| EFK9                     | 0.678 |              |              |
| <b>ETHICAL BEHAVIOUR</b> |       | <b>0.923</b> | <b>0.534</b> |
| TB1                      | 0.863 |              |              |
| TB10                     | 0.712 |              |              |
| TB11                     | 0.712 |              |              |
| TB12                     | 0.863 |              |              |
| TB13                     | 0.644 |              |              |
| TB2                      | 0.863 |              |              |
| TB3                      | 0.863 |              |              |
| TB4                      | 0.644 |              |              |
| TB5                      | 0.606 |              |              |
| TB9                      | 0.560 |              |              |

Note: FLs- Factor loadings, CR- Composite reliability,  $\alpha$ - Cronbach's alpha, AVE- Average variance extracted.

Regarding the issue of common method bias in studies that use a self-administered cross-sectional survey (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), Herman's single factor test was conducted to detect any common method issue. Thus, single factor did not arise and the variance of first factor is less than 50% as recommended by Podsakoff et al. (2003), indicating that majority of the variance is not linked to the first factor, then common method bias is not seen to be an issue in this study.

### 3.2 Measurement model

This study conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) for the assessment of measurement model. Five items were deleted during the EFA because they did not have adequate values required of indicator reliability. The measures used for final analysis were summarized in Table 2 above. The model utilized for CFA consists of three latent constructs and 29 measurement items was analyzed with SmartPLS version 3.2.7. The output indicates and confirms that all the reliability and validity were met. The factor loadings range from 0.560 to 0.863, composite reliability,  $\rho_A$ , cronbach's  $\alpha$  ( $\geq .70$ ), and AVEs ( $\geq .50$ ) exceeded recommended values, thus supporting the overall validity and reliability of the construct measures used for analysis (Fornell & Larcker, 1981; Hair et al., 2014). However, evidence for discriminate validity was provided in Table 3 indicating the squared root of AVEs for each construct greater than the inter-construct correlation estimates (Hair et al. 2017).

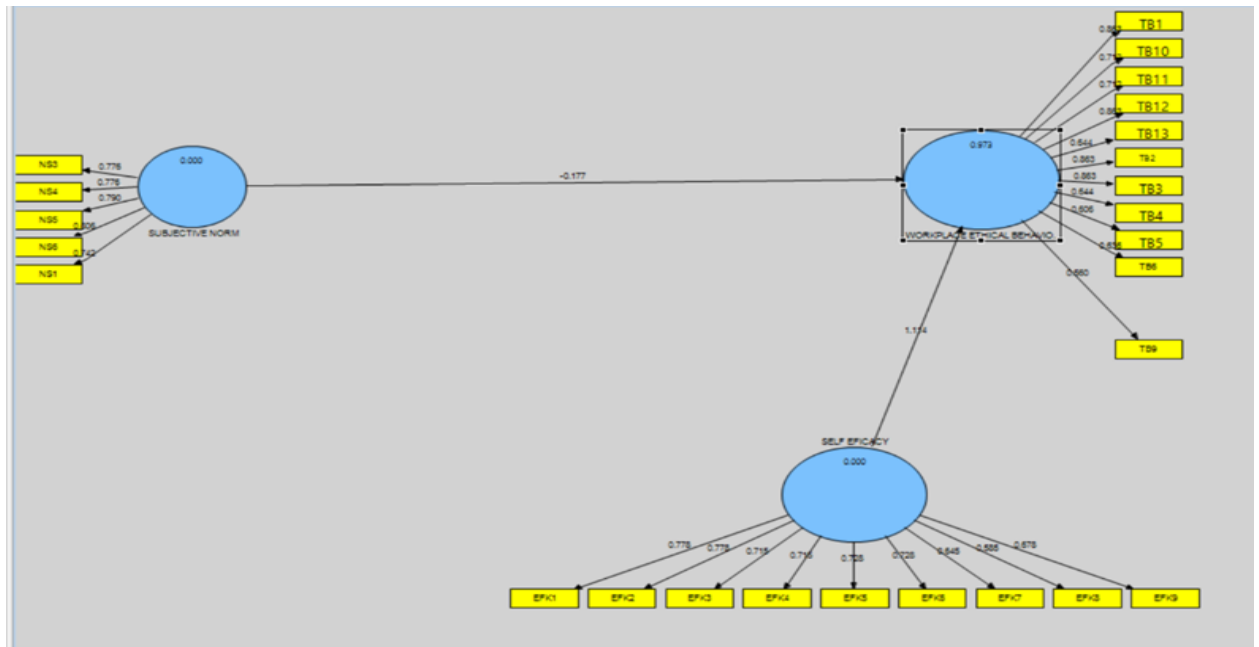


Figure 2: Measurement model

Table 3: Latent Variable Correlation

| Constructs        | SUBJECTIVE NORM | SELF EFFICACY | WORPLACE ETHICAL BEHAVIOUR |
|-------------------|-----------------|---------------|----------------------------|
| SUBJECTIVE NORM   | <b>0.778</b>    |               |                            |
| SELF EFFICACY     | 0.457           | <b>0.757</b>  |                            |
| ETHICAL BEHAVIOUR | 0.625           | 0.522         | <b>0.731</b>               |

**3.3 Structural model and hypotheses testing**

At this stage, SmartPLS SEM software was used to test the hypothesized relationship between all the variable concerned (i. e. H1 – H2). Structural model for direct relationship shows the linkage between subjective norms (SN) independent latent variable and workplace ethical

behavior (WEB) dependent latent variable as depicted in figure 3. The structural model that shows the moderating effect of self-efficacy on the relationship between SN and WEB was illustrated in figure 4. While, Table 5 shows the results of both the direct relationship as well as interaction effect (moderating effect).

The finding as shown in Table 5 revealed that market orientation ( $\beta = 0.627$ ,  $t = 40.964$ ) have a strong positive and significant relationship with SME ethical behavior, this was in support of H1 as hypothesized in the study. This result was in agreement with extant studies that found positive impact of SN on SME ethical behavior (e. g. Hornung 1970; Hollinger & Clark, 1983; Stephen et al 1994; Dabney 1995; Ames et al. 2000; Zukarnain et al., 2006; Samir Ahmad Abuznaid, 2009; Awang, Ismail, & Rahman, 2016)

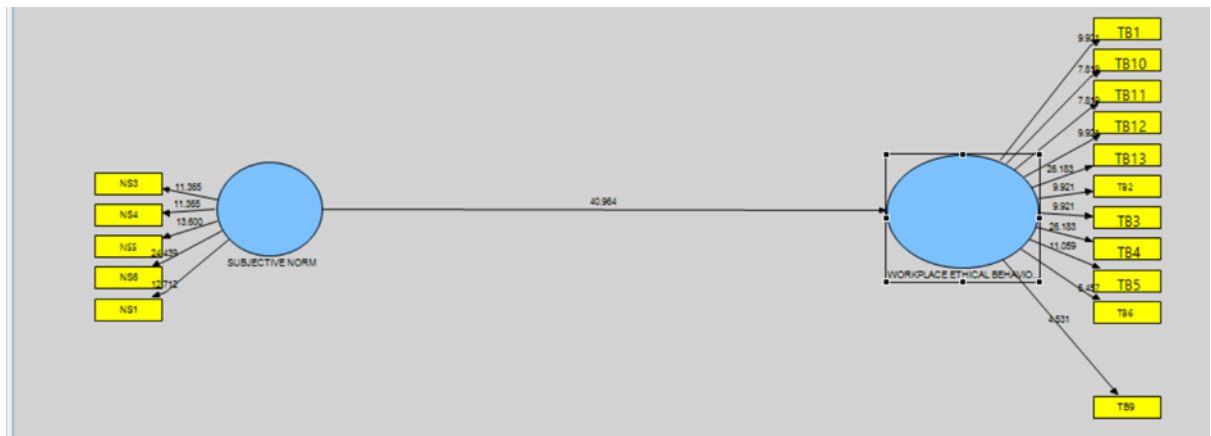
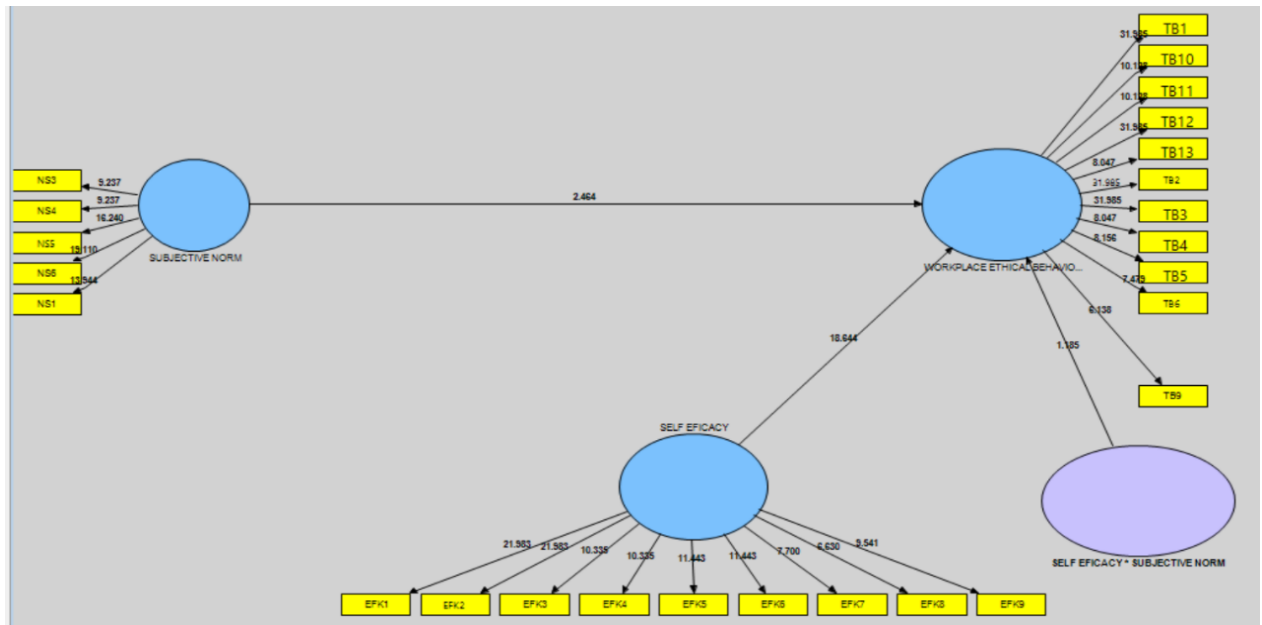


Figure 3: Structural Model for Direct Relationship

Table 5: Result for direct relationship and interaction effect

| Paths         | Beta  | STDEV | T Statistics | Remark   |
|---------------|-------|-------|--------------|----------|
| SN -> WEB     | 0.627 | 0.051 | 40.964       | Accepted |
| SE*IWE -> WEB | 0.054 | 0.037 | 1.985        | Accepted |



**Figure 4: Structural model for interaction effect**

In testing the moderating effect, the concept of interaction term is used to facilitate the inclusion of a moderation variable in a statistical model. Two-stage method was used to estimate the interaction effect of independent and moderating variables on the dependent variable (Dawson, 2013; Hair, Hult, Ringle&Sarstedt, 2016; Henseler& Chin, 2010; Henseler&Fassot, 2010). This method was used due to its universal applicability in terms of whether the independent and/or moderating variables are measured formatively or reflectively and on the basis that it exhibited a higher level of statistical power (Hair et al., 2016). Figure 4 shows the interaction effect of SE and SN on EB. The result from Table 5 shows ( $t = 1.985$ ), in support of hypothesized H2 at the significant level of 10% (0.1). Hence, Self-Efficacy positively moderates the relationship between subjective norms and SME ethical behavior in Malaysia. To furtherance the analysis of the moderating effect, a simple two-way interaction slope was plotted using the path coefficients obtained from the model together with interaction effects for hypothesis H2 (Preacher, Curran, & Bauer, 2006). This probes the conditional effect to better understand the structure of the relation of the significant interaction. Figure 5 shows the interaction slope that explains the strength of SE on SN and EB.

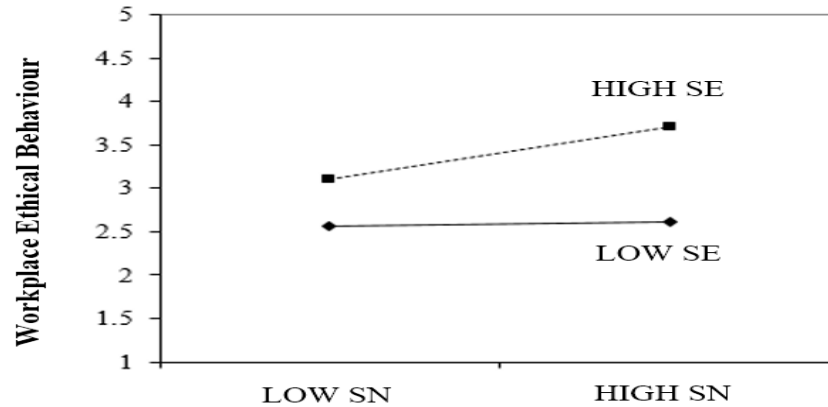


Figure 5: Interaction Slope

In relation to the moderating effect of SE on the relationship between SN and EB. The positive relationship between SN and EB is strengthening in the case of high level of SE practices. The low level of SE does not translate to weak relationship between SN and EB, the level of EB is stronger with higher SE. This means that the higher the SE by the owners/managers of SMEs in Malaysia, the stronger and better the positive relationship between SN and EB

#### 4.0 Discussion

In the process of economic transformation of Malaysia, Small and Medium Enterprises (SMEs) with microenterprises played an important role in fostering growth, employment and income. The Government of Malaysia aims to provide small and small businesses with at least 40% of economic growth in 2016. The government must be clear about which sector of its economy is the most important contributor, which has the potential to generate more future growth and which sectors are weak and which need survival in the competitive economy (Tahir, H. M., Razak, N. A., & Rentah, F. 2018). This would lead to a degrading of the business performance of the company and compromise its performance and survival if good management practices could provide an impetus for competitive performance (Manan et al., 2013; Marri et al., 1998). The literature however underlined the impact on business performance with different dimensions and findings of a market orientation. However, there is scarce literature informing current knowledge on the interactive effect of auto-effectiveness with regards to the link between the ethics of subjective norms in SMEs. This study therefore intends to contribute to the research by providing new insights into how self-efficacy can reinforce the impact of subjective norm on SME ethical conduct. In particular, this study suggested that self-efficacy practices provide guidelines that would provide organizations

with the incentive to enhance effective management practices and help their future performance.

#### 4.1 Contributions and future research

The study provided empirical evidence to demonstrate that SME ethical comportment requires self-efficacy and subjective norms. The relationship between subjective norms and SME ethical behaviour was found to be significantly modulated by self-efficacy. In other words, the more self-effective the owner / manager of the organization and its commitment in subjective norms is the more likely it is that the SME behavior is more ethical. This is in line with current research, which acknowledges that if SME owners have self-efficacy and subjective norms in companies can better satisfy their customers ' needs than competitors can improve their ethical behavior among SME owners (Mitchell et al., 2008; Kura, 2014). In addition, this research provided contextual explanations for self-efficacy and ethical behavior among owners of small and medium-sized enterprises and Malaysia. Past research shows that most subjective norms studies have been carried out in western and few developing countries (Rokhman, 2010).

In practical terms, the research results show that high self-efficacy can improved ethical behavior that reduces any type of unethical behavior and also enhances the efficiency and quality of the company. This paper thus emphasized that Islamic labor values exhibited by the managers in an organization will serve as a role model and as a motivation for workers to work hard, reliably, novelty, duty and organizational loyalty and thus to improve their ethical behavior.

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