

Determinant Factors Influencing the Interest in Halal Certification: The Perspective of MSMEs in Indonesia

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Abstract. The halal industry is overgrowing, including in Indonesia, with the largest Muslim population in the world. Indonesia is ranked 19th as a producer and ranked 3rd as a consumer in the global halal industry. Although one of the halal certifications for MSMEs is free, only 1% of MSMEs in Indonesia are already halal certified. This study aims to analyze empirically the factors that influence the intensity of MSMEs in Indonesia to register for halal certification. A quantitative approach is used in this research by distributing questionnaires using the Likert scale to MSMEs. A total of 122 valid data collected were analyzed by adopting SEM-PLS. The analysis found that external factors had a dominant influence on the intention of MSMEs to register their products in halal certification, consumer pressure with a t-statistic of 4.328, and government policies with a t-statistic of 2.976. Moreover, one of the internal factors, awareness, is accepted with a t-statistic of 2.065. Meanwhile, benefits, competitors, and religiosity are not proven to affect halal certification. The data will help plan interventions from the government to encourage MSMEs to register their products in halal certification. The government should focus on assisting halal certification for MSMEs intensively.

Key words: External factors, halal certification, intentions, internal factors, MSMEs.

Abstrak. Industri halal terus berkembang, termasuk Indonesia. Sebagai negara dengan populasi Islam terbesar di dunia, Indonesia menduduki urutan ke-3 sebagai konsumen, namun berada di urutan ke-19 sebagai produsen halal. Meskipun pemerintah Indonesia memberikan sertifikasi gratis kepada UMKM, namun hanya 1% dari total UMKM yang bersertifikat halal. Penelitian ini bertujuan untuk menganalisis faktor-faktor yang memengaruhi UMKM Indonesia untuk mendaftar sertifikat halal. Pendekatan kuantitatif digunakan pada penelitian ini dengan menyebarkan kuesioner kepada UMKM menggunakan skala Likert. Sebanyak 122 data valid dikumpulkan dan dianalisis menggunakan SEM-PLS. Hasil menunjukkan bahwa faktor eksternal berpengaruh kuat terhadap intensi UMKM untuk melakukan sertifikasi halal, terdiri dari faktor tekanan konsumen (t-statistic=4.328) dan faktor kebijakan pemerintah (t-statistic=2.976). Selain itu, beberapa faktor internal seperti kesadaran secara positif memengaruhi UMKM untuk melakukan sertifikasi halal dengan t-statistic 2.065. Sementara itu, faktor manfaat, pesaing, dan religiusitas tidak memengaruhi UMKM untuk melakukan sertifikasi halal. Hasil penelitian dapat digunakan pemerintah sebagai acuan untuk mendorong UMKM melakukan sertifikasi halal. Salah satunya adalah secara intensif mendampingi proses sertifikasi halal.

Kata Kunci: Faktor eksternal, faktor internal, intensi, sertifikasi halal, UMKM.

INTRODUCTION

The halal industry is overgrowing in various countries and becoming a rising lifestyle trend (Bashir, 2019). The halal industry is not only related to food products but also non-food products such as cosmetics, pharmaceuticals, clothing, tourism, and banking services (Junaidi, 2020). With the increasing growth of the Muslim population in the world, the halal industry has excellent potential. For a Muslim-majority country like Indonesia, the halal concept is the primary key to producing and consuming products and services. Indonesia is in 19th place as a producer of halal products and in third place as a consumer of halal products in the halal industry in the world (Kementerian Perindustrian RI, 2021).

With the most significant number of Muslims worldwide, Indonesia has an excellent opportunity to become a halal producer, not only as the most prominent target market. Indonesian Government issued the Islamic Economics Masterplan 2019-2024 with the main target of becoming a center for halal products globally by 2024 (Giyanti et al., 2021). Based on the explanation, the Indonesian Government encourages MSMEs to register their products to obtain a halal certification with the issuance of UU No. 33 Tahun 2014 concerning the Halal Product Guarantee, which requires all products to be halal certified.

In addition, the government also issued the Decree of the Head of BPJPH No. 141 Tahun 2021 concerning Determination of Tariffs for BPJPH BLU Services and BPJPH Regulation No. 1 Tahun 2021, which mentions the implementation of two halal certification tariff schemes, self-declare and regular lane. So MSMEs will no longer be hindered by problems with funding sources in the management of halal certification. With the existence of halal certification, consumers no longer need to hesitate with all materials and production processes (Ab Talib and Chin, 2018).

This study aims to analyze empirically the factors that influence the intention of MSMEs in Indonesia to register their products on halal certification. This study focuses on MSMEs because this sector is an economic driver, as evidenced by the contribution to Indonesia's Gross Domestic Product of 60% (Masitoh and Winarto, 2021). In addition, MSMEs were chosen as the focus of research since MSMEs have several obstacles to obtaining halal certification, including a lack of knowledge about the procedures and benefits of halal certification, limited resources, inadequate technology, and low commitment from top management or business actors. So MSMEs that have been certified halal in Indonesia is only 10% and come from the food sector (Ab Talib et al., 2015; Giyanti et al., 2021; Prabowo et al., 2015). With the existence of halal certification owned by MSMEs, it can help MSMEs in Indonesia to advance to class and to compete in the global halal industry.

Previous studies only used one theoretical approach to explain the interest of MSMEs in implementing halal certification (Bashir, 2019; Giyanti et al., 2021; Kurniawati and Savitri, 2019; Othman et al., 2017; Zakaria et al., 2018). This study uses two theoretical approaches, institutional theory (DiMaggio and Powell, 1983) and the Resource-Based Model (RBM) (Barney, 1991). These two theories combine external factors (government, competitors, and consumers) and internal (religiosity awareness, benefits) that affect the interest of MSMEs in registering their products to obtain halal certification. This study emphasizes the determinant factors that influence the interest of producers to register their products to obtain halal certification. Several previous studies (Bashir, 2019; Zakaria et al., 2018) examined the effect of halal certification on consumer interest, while previous research discussed the impact of consumer pressure on producers' interest in registering their products to obtain halal certification was rarely explore.

LITERATURE REVIEW

Consumption in Islam has a good purpose in meeting human needs so that people can perform their duties as caliphs on Earth (Sadali et al., 2024). The goal of consumption in Islam is to achieve individual and social welfare (*maṣlahah*), and the higher goal is to achieve the pleasure of God

(Furqani, 2017). Islamic economics exists to criticize the capitalist economy and straighten consumption in a capitalist economy by (1) a Muslim's consumption priority is the fulfillment of basic needs to be able to live properly, so it should not be excessive; and 2) there should be no waste of resources in all aspects of the economy, especially in production and consumption activities (Choudhury, 1986).

Theoretical Ground

This study uses two theoretical approaches, institutional theory (DiMaggio and Powell, 1983) and the resource-based model (RBM) (Barney, 1991). These two theories help explain the factors that influence the interest of SMEs in Indonesia in registering their products to obtain halal certification. A business unit operates in an environment bound by rules and policies (Clegg et al., 2013). Meanwhile, in institutional theory, DiMaggio and Powell (1983) mention that organizational strategies and actions are reactions to external pressures. In addition, DiMaggio and Powell classify institutional theory into three; coercive, normative, and mimetic isomorphism.

Coercive isomorphism is an institutional theory that describes an organization's reaction to political forces and regulations imposed by the government (Ab Talib et al., 2016; Fikru, 2014). Normative isomorphism is the pressure from industry norms and societal expectations, in this case, consumers (Ab Talib et al., 2016; Fikru, 2014). Meanwhile, mimetic isomorphism is an organizational action that imitates the strategies of its competitors (Ab Talib et al., 2016; Mariotti et al., 2014). The second theory, called RBM, explains internal organizational factors influencing interest in registering and implementing halal certification. In this study, halal certification owned by MSMEs is considered a competitive strategy in the market.

Awareness

Awareness is knowledge of an event, object, and purpose (Kurniawati and Savitri, 2019). According to Bashir (2019), awareness is defined as a person's level of knowledge then applied in daily life into a habit. Awareness of halal products means the knowledge a person has about a good and whether the product follows sharia values regarding materials, tools, and processes (Zakaria et al., 2018). Clouders are one of the internal factors influencing food companies in Malaysia to implement halal standards (Ab Talib and Chin, 2018).

In addition, in the study of Giyanti et al. (2021), awareness is defined as the commitment of management or business owners to implementing halal standards. Giyanti et al. (2021) mention that awareness positively affects the application of halal standards to MSMEs in Solo. According to Othman et al. (2017), awareness in organizational management is the organization's ability to understand the intricacies of sharia principles guided by the Qur'an, Sunnah, and related laws. This study also explains that the awareness of the company's management positively affects the implementation of halal certification in Malaysia. Based on the results of the studies, the hypotheses in this study:

H1: Awareness has a positive effect on the interest of MSMEs in getting halal certification

Religiosity

Religion is one of the internal dimensions of the individual (Ibrahim and Ismail, 2015). Internally, a person can have knowledge related to religious identity to develop attitudes, values, and religious beliefs. Organizations must use an intangible asset approach in a knowledge-based economy, such as knowledge and human resource competencies, to develop a competitive advantage. Based on the concept of the resource-based model, it is explained that creating corporate value through knowledge management will increase competitive advantage (Barney, 1991). In this case, religion is an internal factor that can affect people cognitively and behaviorally. Thus, how strong the MSMEs' commitment to their religiosity is considered in understanding the nature of MSMEs' behavior in producing goods.

For Muslim MSMEs, the aspect of religiosity affects the interest in using a technology product or the application of a system (Muhamad et al., 2017). Vristiyana (2019) found a significant influence between religion and the development of knowledge on purchasing behavior or the use of a halal product. Manufacturers need to improve product quality with a halal certification program. In this case, the MSMEs's perspective, religiosity influences the decision to join the halal certification program for products (Vristiyana, 2019). From previous studies, several focus indicators can measure a person's religiosity. Religious values, beliefs, and rituals are indicators of religiosity (Iriani, 2019; Muhamad et al., 2017). Therefore, this study uses religious values, religious beliefs, and rituals with statement items that have been adjusted to use. Based on the results of the related studies, the hypotheses in this study:

H2: Religiosity has a positive effect on the interest of MSMEs in getting halal certification

Benefit

The benefit is a level where users believe that by using a product or project that is offered, they will feel the benefits derived from using the product or project. In the resource-based model, the benefit is an internal factor of the human resource element. In this study, the benefits are related to the desire of MSMEs to register products in halal certification because they understand the program's benefits. Company will apply more supervision to the product if they can identify and understand the potential benefits (Massoud et al., 2010). Meanwhile, found that emotional benefits significantly affected behavioral intentions in product use, while epistemic benefits did not. The MSMEs's behavior in question is the intention to use the halal label on the product (Kim and Choe, 2019).

From the point of view of producers, halal certification can trigger efficient internal processes and significantly improve their products' image and reputation (Ab Talib, 2017). A company can gain internal benefits such as increased sales, improved product quality, and highly motivated employees, or enjoy external goods such as market share or a better image and reputation. It can increase customer trust, leading to more significant customer purchases and increased sales (Ab Talib, 2017). Ideally, companies struggle to register halal certification in response to the demand for halal products. In addition, the considerable benefits of implementing halal certification can encourage companies to register products in the halal certification program.

Moreover, according to Hersberger-Langloh et al., (2021) and Khan and Haleem (2016), the halal certification process provides benefits for consumers and a competitive advantage for products owned by MSMEs. For consumers, the benefits of halal certification are that consumers do not have to bother checking all ingredients and learning all about production. It also supports consumers to make informed choices at the time of purchase confidently. Halal certification of goods ensures the customer that the food complies with by sharia law, as in providing the customer trust that the food served is halal and healthy, as well as hygiene and sanitation procedures are in the best possible outcome.

Nowadays, non-Muslim consumers are also demanding halal goods. Halal certificates will attract all halal consumers, both Muslim and non-Muslim. Halal certification can be used as a product differentiation technique to increase company revenue and selling power, especially for halal consumers. If MSMEs plans to export, a halal certificate will ensure the halal of consumers in the importing country. At the international level, providing benefits can increase the marketability of products, especially for Muslims in countries because there is an increase in awareness from Muslim consumers around the world. Based on the results of the related studies, the hypotheses in this study:

H3: Benefit has a positive effect on the interest of MSMEs to get halal certification

Government

In the organizational context explained by DiMaggio and Powell (1983), organizations in the whole perspectives from recognized aspects of institutional life; resources and product consumers, key suppliers, regulatory agencies, and other organizations, which produce resemblant products or

services. Direct or indirect pressure from imposed regulations affecting the decision to attain business legitimacy is called coercive isomorphism (Ab Talib et al., 2016). Facing an environment which is same conditions, isomorphism is used to force a unit in a population to bear a resemblance to one another. Coercive isomorphism stems from the legitimate problem and political influence. Coercive isomorphism is generated from informal and formal external organizational pressures, which are dependent on an expectation of culture. Government mandate is directly responded to by a corporate change in some circumstances (DiMaggio and Powell, 1983).

Several aspects of organizational structure and behavior are affected by regulation (DiMaggio and Powell, 1983). Hersberger-Langloh et al. (2021) found that coercive pressure might take mission drift in the organization. Balancing between external and internal drivers can be effectively implemented in innovative practices. One of the external factors emerges from government regulations. Some previous research used the theory of institutional isomorphism by DiMaggio and Powell (1993). A study of environmental management accounting (EMA) in South Africa is shown that coercive pressure as one of the institutional isomorphisms is the prime determinant (Iredele et al., 2020). The success of legal compliance in developed countries such as Japan is due to the influence of the Japanese Government, which means that DiMaggio & Powell's institutional isomorphism is applied independently (Aizawa, 2018).

In the halal context, Ab Talib et al. (2016) explained that external factors such as industrial norms, consumer demands, and government regulations are reasons for firms to pursue certification of halal food. Intervening the government to halal certification is significant. In Malaysia, Halal Food Standard (HFS) is impacted by government regulations (Ab Talib and Chin, 2018). Based on study literature of institutional theory and previous research, hypothesis 4 is proposed:

H4: The government has a positive effect on the interest of MSMEs to get halal certification

Competitor

Based on institutional theory, organizational behavior and decisions are based not only on rational assessments but also on fulfilling stakeholders' expectations (consumers, competitors, suppliers, government) as well as social factors and legitimacy (Scott, 1987). DiMaggio and Powell (1983) added that an organization tends to adjust to external pressures by making adoption or isomorphism divided into mimetic, coercive, and normative. Mimetic isomorphism is a process of organizational adjustment by imitating other organizations in the same industry and is considered to have been successful, both in imitating organizational routines and organizational culture. Imitating other organizations is done to be able to win the competition, especially in times of uncertain conditions (Latif et al., 2020; Rudyanto, 2019). Adopting systems or actions taken by other organizations is a safe way to keep on industry competition.

Mimetic isomorphism is influenced by perceptions and actions from competitors, consumers, and suppliers. In privately managed MSMEs, the option to perform mimetic isomorphism is potentially implemented (Brammer et al., 2012). Generally, MSMEs will adopt a business system from the mature business with similarities in objectives, commodities, consumers, and suppliers (Teo et al., 2003). For MSMEs, mimetic isomorphism is carried out for several benefits, namely search cost efficiency, experimentation cost, and an effort to mitigate risk as a new or small-scale business.

A previous study has found that competitor affects the interest in implementing a system and organizational behavior as a form of mimetic isomorphism (Tsai et al., 2013; Ukobitz and Faullant, 2022). So industrial pressure affects the behavior of MSMEs in carrying out an action, one of which is registering the management of halal certification.

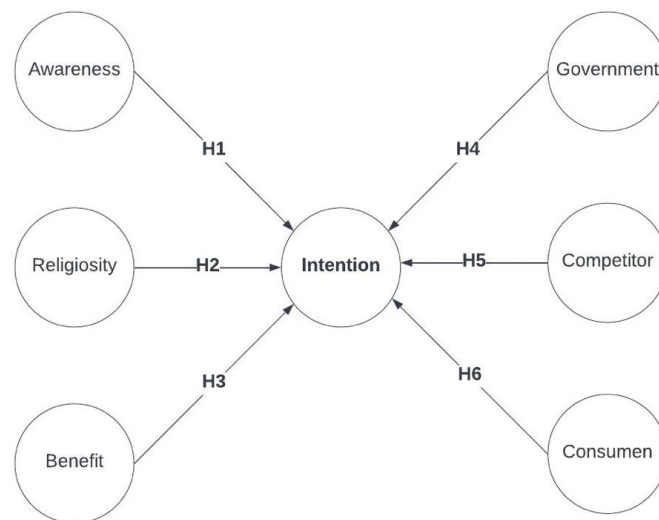
H5: Competitor has a positive effect on the interest of MSMEs to get halal certification

Consumer

According to institutional theory, organizations/companies tend to do normative isomorphism caused by pressure from suppliers, consumers, trade union organizations, the media, and the social environment (DiMaggio and Powell, 1983). Latif et al. (2020) said that these pressures affect the norms and social responsibility of companies/organizations and their implications for organizational behavior, especially in developing countries. Supported by previous research, public pressure can encourage companies' intention to adopt advanced technology in retail companies (Tsai et al., 2013). In addition, normative pressures have the most significant influence on the interest of companies to make sustainability reports (Wang et al., 2018) and implement good corporate governance (Brammer et al., 2012). Also, the adoption of the financial electronic data interchange (FEDI) system (Teo et al., 2003) and the adoption of a green supply chain system in the manufacturing industry in Indonesia (Maulamin et al., 2020).

In the context of MSMEs, a consumer significantly influences business decisions. Because MSMEs are a type of business that has direct contact with consumers, it is essential to fulfilling consumer expectations and needs. For Indonesian majority Muslim consumers, the existence of halal certification and logos is an influential factor in purchase decisions (Izzuddin, 2018; Zakaria et al., 2018). By looking at halal-certified products, consumers feel safe to consume because the product complies with halal standards. So, it can be supposed that consumer pressure to get products with halal standards will affect the intention of MSME to register for halal certification. Figure 1 is shown the theoretical framework based on the literature study.

H6: Consumer positively affects the interest of MSMEs to get halal certification



Source: Authors, 2022.

Figure 1 Theoretical framework for the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

METHOD

This research is quantitative research with data collection techniques using online questionnaires. The questionnaires were distributed from 1st April 2022 to 1st May 2022 to MSMEs in East Java, Indonesia. The research questionnaire was addressed using a Likert scale from 1 (strongly disagree) to 4 (strongly agree). In terms of its objectives, this research is an explanatory study that provides descriptions and reasons for a relationship between different aspects of the research scope (Anshori and Iswati, 2017). Positivism research is usually used in large samples. When the target population is impossible to address and hard to define, the non-probability sample is applied.

Data analysis was carried out using Structural Equation Modeling Partial Least Square (SEM-PLS) on valid data. Evaluation of the measurement model consist of two steps, the construct validity testing and reliability testing. Validity test by looking at the loading factor value > 0.7 and reliability by looking at Cronbach's alpha value 0.6. Hypothesis testing is comparing t-statistic value with the t-table value.

Definition of Operational Variable

The definition of variables is described in Table 1:

Table 1 Definition of operational variable for the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

Variable	Indicators	Sources
Awareness	<ul style="list-style-type: none"> • Have good knowledge about the process of halal products • Have good knowledge about the process of halal products • Have an effort to ensure the products or materials through a process that follows Islamic principles • Have efforts to ensure materials/tools in the production process are halal 	<ul style="list-style-type: none"> ➤ (Aziz & Chok, 2013) ➤ Kurniawati and Savitri (2019)
Religiosity	<ul style="list-style-type: none"> • Putting Islamic principles as a priority • Implementation 5 pillars of Islam • Have a belief that Islamic rules regarding halal products are true • Decided to produce halal-certified products following Islamic principles • Have a feeling of security and calm when selling halal products 	<ul style="list-style-type: none"> ➤ Alam et al. (2011) ➤ Nasrullah (2015) ➤ Muhammad (2020) ➤ Iriani (2019)
Benefit	<ul style="list-style-type: none"> • Believing halal certification can increase product selling • Believing that halal certification can improve product quality • Believing that halal certification can improve image • Believing halal certification can expand market share 	<ul style="list-style-type: none"> ➤ Ab Talib (2017) ➤ Khan and Haleem (2016) ➤ Massoud et al. (2010)
Government	<ul style="list-style-type: none"> • Trusted institution of halal certification in Indonesia • The government requires that all products traded in Indonesia are halal certified • Understand the regulations (laws) that require the existence of a halal label on products produced/sold in Indonesia • Halal certification requirements provided by the government are easy to complete • The halal certification procedure provided by the government is easy to implement 	<ul style="list-style-type: none"> ➤ Chen (2013) ➤ Ab Talib et al. (2015) ➤ Hersberger-Langloh et al. (2021) ➤ UU No. 33 Tahun 2014 ➤ Giyanti and Indriastiningsih (2019) ➤ Luo et al. (2022) ➤ Abdul et al. (2009)

Table 1 Definition of operational variable for the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia (continue)

Variable	Indicators	Sources
Government	<ul style="list-style-type: none"> • Costs incurred for halal certification are affordable • The government is active in the supervision of halal certification 	
Competitor	<ul style="list-style-type: none"> • MSMEs who have been certified halal get many benefits • Halal-certified MSMEs have a good reputation in the community • MSMEs who have been certified halal influence to other MSMEs • MSMEs interest in halal certificates because other MSMEs influence them 	<ul style="list-style-type: none"> ➤ Ukobitz and Faullant (2022) ➤ Latif et al. (2020) ➤ Tsai et al. (2013) ➤ Wang et al. (2018)
Consumer	<ul style="list-style-type: none"> • Consumers' attention to halal labels encourages them to take care of halal certification • Halal certification is a moral responsibility as a MSMEs • Consumers prefer to buy/consume halal-labeled products • Halal-labeled products affect consumer loyalty 	<ul style="list-style-type: none"> ➤ Ukobitz and Faullant (2022) ➤ Latif et al. (2020) ➤ Tsai et al. (2013) ➤ Wang et al. (2018)
Intention	<ul style="list-style-type: none"> • Interested in getting a halal certificate • Desire to register products to be halal certified • Have the intention to register a halal certificate, even though they believe that they have used halal materials and tools • Recommend/invite other business partners to register for halal certification • Having an understanding of halal certification is a necessity for all business actors in Indonesia 	<ul style="list-style-type: none"> ➤ Usman et al. (2021) ➤ Giyanti and Indriastiningsih (2019) ➤ Nurhayati and Hendar (2020) ➤ Garg and Joshi (2018)

RESULT AND DISCUSSION

Result

The respondents included 349 women (66%) and 180 men (34%). The education level of the head of household consisted of 227 diploma/bachelor's graduates (43%), 176 High School graduates (33%), 60 postgraduates (11%), 25 Junior High School graduates (5%), and School Basic 8 people (8%). The type of work of the household heads of respondents was dominated by private employees as many as 145 people (27%), followed by entrepreneurs/SMEs 99 people (19%), public servants, police, and the army as many as 85 (16%), other types of work, such as photographers, online drivers, etc., as many as 75 people (14%), 41 teachers and lecturers (8%), 38 farmers/fishers (4%), 18 entrepreneurs (3%), and 8 professionals (2%).

The data collection provides in-depth information based on survey data related to the determinant factors influencing the interest in halal certification. The perspective of MSMEs in Indonesia is based

on awareness, benefits, competitors, consumers, government, and religiosity. The survey involved 150 MSMEs in East Java, Indonesia. However, the valid data in this study were 122. The data included two large groups of variables: (A) Individual demographics, including those related to gender, age, religion, current place of residence, line of business, length of business, annual turnover, and the halal certification status of the products sold. (B) The measurement item of the determinant factors influencing the interest of halal certification in which it measures awareness, benefit, competitor, consumer, government, and religiosity factors. The demographic characteristics of the respondents are presented in Table 2.

Table 2 Respondents demographic based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

No	Characteristics	Total	Percentage	
1	Religion	Islam	166	95 %
		Non-Islam	6	5 %
2	Field of Business	Material/Manufacturing	3	2 %
		Fashion	15	12 %
		Service	13	11 %
		Food/drink	84	69 %
		Etc	7	6 %
3	Long time doing business	< 5 year	90	74 %
		5-10 year	25	20 %
		>10 year	7	6 %
4	Omzet/year	<50 million	94	77 %
		50 - 500 million	20	16 %
		500 million - 10 billion	5	4 %
		>10 billion	3	3 %
5	Halal Certification	Already	32	26 %
		Not yet	90	74 %

Source: Authors, 2022 (processed data).

Based on research on 122 MSME respondents in East Java, the demographic data of Muslim respondents is 95%. At the same time, non-Muslims are 5% with 2% manufacturing business, 12% fashion, 11% services, 69% food/beverage, and 6%. Length of business less than five years 74%, five years - 10 years 20%, over ten years 6%. Annual turnover <50 million 77%, 50 million-500 million 16%, 500 million-10 billion 4%, above 10 billion 3%. Meanwhile, MSMEs that already have a halal certificate are 26%, and those who do not have it are 74%.

Table 3 is shown the outer loading results; in testing the convergent validity, the indicator value must be higher than 0.70. Thus, the value below the set must be deleted (Hair et al., 2011)

Table 3 Outer loadings result based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

	Awareness	Benefit	Competitor	Consumen	Government	Intention	Religiosity
AWR1	0.823						
AWR2	0.773						
AWR3	0.886						
AWR4	0.881						
BEN1		0.870					
BEN2		0.924					
BEN3		0.895					
BEN4		0.895					
CON1				0.797			

Table 3 Outer loadings result based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia (continue)

	Awareness	Benefit	Competitor	Consumen	Government	Intention	Religiosity
CON2				0.886			
CON3				0.881			
CON4				0.857			
CPR1			0.892				
CPR2			0.930				
CPR3			0.904				
GOV1					0.787		
GOV2					0.786		
GOV3					0.785		
GOV4					0.902		
GOV5					0.891		
GOV6					0.803		
GOV7					0.868		
INT1						0.822	
INT2						0.928	
INT3						0.932	
INT4						0.852	
INT5						0.901	
RLG1							0.933
RLG2							0.846
RLG3							0.919
RLG4							0.919
RLG5							0.897

Source: Authors, 2022 (processed data).

Furthermore, after eliminating several indicators, it is known that all indicators of each latent variable are quite feasible to be used as measurements because they already have an AVE value > 0.50 and a Cronbach Alpha value > 0.70. In Table 4, it can be concluded that the value meets the assumptions of reliability and validity. Thus, these variables can represent the constituent indicators.

Table 4 Construct reliability and validity result based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Awareness	0.863	0.868	0.907	0.710
Benefit	0.918	0.919	0.942	0.803
Competitor	0.895	0.903	0.934	0.826
Consumen	0.878	0.880	0.916	0.733
Government	0.927	0.932	0.941	0.695
Intention	0.932	0.934	0.949	0.789
Religiosity	0.944	0.951	0.957	0.816

Source: Authors, 2022 (processed data).

Then, Table 5 shows that the results of the discriminant validity test show that the AVE root for each construct is greater than the correlation of each construct with other constructs, which is more than 0.70. Thus, it can be concluded that the construct or variable in this study has a good discriminant validity value.

Table 5 Discriminant validity result based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

	Awareness	Benefit	Competitor	Consumen	Government	Intention	Religiosity
Awareness	0.842						
Benefit	0.503	0.896					
Competitor	0.339	0.588	0.909				
Consumen	0.479	0.674	0.734	0.856			
Government	0.337	0.529	0.523	0.526	0.833		
Intention	0.554	0.728	0.632	0.786	0.634	0.888	
Religiosity	0.552	0.732	0.320	0.507	0.437	0.611	0.903

Source: Authors, 2022 (processed data).

In testing the hypothesis, T-statistics and P-values are used. The coefficient can be categorized as significant when the t-statistic value is higher than 1.96, with a significance level of 5% (Hair et al., 2011). Table 6 shows the results of hypothesis testing. Awareness, consumers, and government factors significantly influence the intention of MSMEs to register their products in halal certification (for each variable, t-statistics = 2.065; 4.328; and 2.976 with P-values = 0.039; 0.000 and 0.003). While the benefits, competitors and religiosity factors have no significant effect (for each variable, t-statistics = 1.449; 0.326; and 0.892 with P-values = 0.148; 0.744 and 0.373).

Table 6 The result of hypotheses testing based on the research of determinant factors influencing the interest in halal certification from the perspective of MSMEs in Indonesia

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Awareness → Intention	0.129	0.133	0.062	2.065	0.039
Religiosity → Intention	0.088	0.092	0.099	0.892	0.373
Benefit → Intention	0.183	0.170	0.126	1.449	0.148
Government → Intention	0.219	0.213	0.074	2.976	0.003
Competitor → Intention	0.032	0.047	0.098	0.326	0.744
Consumen → Intention	0.418	0.415	0.097	4.328	0.000

Source: Authors, 2022 (processed data).

H1: Awareness has a positive effect on the interest of MSMEs in getting halal certification

The analysis results show that awareness significantly affects the intention with t-statistics of 2.065 and P-values = 0.039. Based on the results of data processing that has been carried out, awareness has a positive effect on the interest of MSMEs in obtaining halal certification. Previous studies support the result; by Bashir (2019), Zakaria et al. (2018), Ab Talib and Chin (2018), Giyanti et al. (2021), and Othman et al. (2017).

The higher the level of awareness owned by MSMEs, the higher the interest of MSMEs to register their products to get halal certification. MSMEs with a high level of awareness mean that they understand that every product produced must comply with Islamic values in terms of tools and materials used in the production process. So, business actors are encouraged to register their products to obtain halal certification. According to Ab Talib and Chin (2018), the awareness of MSMEs is an internal factor influencing the implementation of halal standards. This is related to one of the theories used in this research, namely the resource-based model (RBM) (Barney, 1991), which states that to win the market, MSMEs must have extensive knowledge of their products and markets so that they can

win their position in the market. So, with the awareness owned by MSMEs, MSMEs will encourage MSMEs to proactively register their products to obtain halal certification without any pressure from external parties so that their products have added value compared to other similar products on the market.

H2: Religiosity has a positive effect on the interest of MSMEs in getting halal certification

The analysis results show that religiosity does not affect intention with t-statistics of 0.892 and P-values = 0.373. Based on these results, it can be concluded that the hypothesis is rejected. These results mean that any increase in religiosity cannot affect the intention of MSMEs to register their products for halal certification.

Business people must apply business ethics in trading, and the goal is to get maximum profit and get blessings. To achieve intentions, the role of religion is centrally applied in ethical and lawful business. The understanding of business people about the law in fiqh al-muamalat is fundamental. Both in terms of the law of the product being transacted, the law of the transaction process, and the purpose of halal guarantees. Thus, compliance with sharia does not only represent an operational system but becomes a work culture through worship practices (Muhammad, 2020).

H3: Benefit has a positive effect on the interest of MSMEs to get halal certification

The analysis results show that the benefit does not affect the intention with t-statistics of 1.449 and P-values = 0.148. Based on these results, it can be concluded that the hypothesis is rejected. These results mean that any increase in benefits cannot affect the intention of MSMEs to register their products for halal certification.

Ideally, companies can gain significant benefits from implementing halal certification. The benefits enjoyed by one company can encourage other companies, including competing companies, to pursue certification, like the opinion of Ab Talib (2017), which explains that companies that implement halal certification can experience benefits. A company can reap increased sales, improved product quality, and highly motivated employees. It can also enjoy market share or a better image and reputation and increase customer trust, leading to more significant customer purchases and increased sales.

However, this study found that the benefit factor did not significantly affect MSMEs in Indonesia registering their products in halal certification. The findings of this study are that most MSMEs do not have a good understanding of the potential benefits of doing halal certification on the products they sell. In addition, the impact of halal certification cannot be directly felt by MSMEs, so it is less attractive for them to register their products because halal certification has a long-term impact.

The result follows the previous research which explains that a company will be more likely to apply certification to its products if it can identify and understand the potential benefits (Massoud et al., 2010). So, with the uneven distribution of MSMEs who understand the benefits of halal certification, many in Indonesia still do not want to register their products. Kim and Choe (2019) also found that the emotional benefits of using a product significantly affected behavioral intentions, while the epistemic benefits had no effect. In addition, the findings show that participants view halal certification as an essential aspect that can provide benefits for the sale of their products. However, some MSMEs do not understand the process of managing halal certification, so it is considered complicated to achieve a halal certification label; therefore, most of their products are not certified (Qadariah et al., 2021).

H4: The government has a positive effect on the interest of MSMEs to get halal certification

The analysis showed that government pressure to oblige and provide facilities for MSMEs to register their products in halal certification significantly affects intentions with t-statistics of 2.976 and P-values of 0.003. It can be concluded that the hypothesis is accepted. Any increase in government pressure to require halal-labeled products can affect the intention of MSMEs in registering their products for halal certification.

This finding is correlated to the theory of coercive pressure of institutional isomorphism, which explains that in some circumstances, organizations adapt due to government regulation (DiMaggio

and Powell, 1983). Halal certification obligations in Indonesia have been regulated by the government. The regulation is written in Undang-Undang Nomor 33 Tahun 2014, which states that all products entered, circulated, and traded in the territory of Indonesia must be halal certified. According to the law, it is explained that the Indonesian Government appeals to all Indonesian MSMEs in Indonesia to have halal certification.

Furthermore, the result of hypothesis 4 is supported by several previous studies, which explain that coercive isomorphism influences business or organizational practice (Ab Talib et al., 2015; Aizawa, 2018; DiMaggio & Powell, 1983; Hersberger-Langloh et al., 2021; Iredele et al., 2020). The finding is also under previous research, explaining that the halal industry is influenced by government policies (Ab Talib et al., 2015; Ab Talib and Chin, 2018).

Human factors influence organizational performance, including sensitivity to governmental policy (Othman et al., 2017). As a business actor in a particular country, it is appropriate to comply with government regulations. Perceived governmental support influences the entrepreneurial propensity of halal MSMEs (Soltanian et al., 2016). Based on the period described by Jeyaraj and Zadeh (2020), coercive pressure was significant in the near term. Therefore, this study's results prove that the government's role affects halal certification.

H5: Competitor has a positive effect on the interest of MSMEs in getting halal certification

The analysis results show hypothesis is rejected with t-statistics of 0.326 and P-values = 0.744. Based on results, it is not proven that pressure from competitors can affect the intentions of MSMEs to register for halal certification. A mimetic isomorphism from competitors can be a strategy to deal with environmental uncertainty (Latif et al., 2020; Rudyanto, 2019). Especially for new and small-scale organizations, adopting other successful organizations is a safe and efficient cost (Teo et al., 2003). In general, the organizational structure of MSMEs is still simple, so the adoption of other organizational systems is easy to do. Competitors' good performance will stimulate MSMEs to adopt the system. Adopting the system is in line with previous research, which found that organizations tend to imitate the systems, values, and behaviors of other organizations that face the same social conditions. Even the choice of MSMEs to fulfill the halal aspect by registering halal certification.

However, this study proves that competitors have not affected the intention of MSMEs to register for halal certification. Halal certification has not become a priority for MSMEs compared to aspects of capital and promotion. It is evident from the percentage of halal certification in Indonesia, which is still 1%, even though the majority of the population is Muslim (Prakoso, 2021). Because there are still few who have registered for halal certification, it is not a driving factor for mimetic isomorphism for MSMEs. So it can be concluded that the intention of MSMEs to register for halal certification is not due to pressure from other business actors/competitors but is influenced by other variables, such as pressure from laws and regulations.

H6: Consumer has a positive effect on the interest of MSMEs to get halal certification

The analysis results show the hypothesis is accepted with t-statistics of 4.328 and P values = 0.000. Based on the results, consumer pressure significantly affects the intention to register for halal certification for MSME. In Indonesia, the halal aspect is an essential issue in industry and manufacturing because it used to be a business competition strategy. In mid-2021, the growth of the halal industry consisting of halal food, halal fashion and halal tourism increased by 8.2% and made Indonesia fourth-ranked in the 2020-2021 Global Economy (Wirakurnia et al., 2022). It is supported by consumers' increasing halal awareness and the demand for halal products. Halal lifestyle has become a trend for Muslim consumers and non-Muslim populated countries (Haque et al., 2015).

Halal is a way of life that has developed in food, pharmaceutical, beauty, and tourism products. Halal certificates can be value-added, influencing purchasing decisions because the product is guaranteed safety and health (Bashir, 2019). Because the product has met sharia compliance, halal and *tayyib*, standardized processing, and distribution processes are separate from non-halal products. In addition, it also meets environmentally friendly standards and labor ethics (Zakaria et al., 2018). Therefore, to

increase market share, MSMEs can meet consumer expectations by registering halal certification as a normative isomorphic act.

CONCLUSION

Awareness owned by MSMEs affects MSMEs interest in registering their products to obtain halal certification. MSMEs understand that every product sold must comply with Islamic principles, from the tools and materials to the process. However, not all MSMEs have high awareness, so the government and the MSMEs community need to disseminate information about halal certification. Because most MSMEs have not internalized beliefs in the form of morals applied in daily activities, religiosity is not a driving factor for MSMEs to register their products in halal certification. Religious activities still adopt as rituals. In addition, for MSMEs, the halal certification process is carried out as a strategy to expand market share, not as a fulfillment of religious aspects. Benefits are not a driving factor for MSMEs to register their products in halal certification because MSMEs is not fully understand about the potential benefits of halal certification and the benefits of halal certification cannot be perceived in the short term.

The government is positively related to the intention of halal certification. Regulation of halal certification is stated in Pasal 4 Undang-Undang Nomor 33 tahun 2014. As coercive pressure is significant in the near time and the entrepreneurial propensity of halal MSMEs is dependent on perceived governmental support, the government needs to play a role in halal certification comprehensively. Not only by maximizing the halal socialization of halal certification but also in the halal certification process for MSMEs. Intensively, the government should focus on assisting halal certification for MSMEs. Because of the increasing awareness of consumers toward halal products, consumers can influence MSMEs to register for halal certification. Halal certifications will increase public trust and a sense of security in consuming products.

Competitors are not a driving factor for MSMEs to register for halal certification because there are still few MSMEs with halal certification. It is necessary to conduct research with a larger sample, MSMEs throughout Indonesia. Therefore, the results can be generalized and the government has a broader view to mapping areas that need special attention to increase interest in obtaining halal certification.

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