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## Halal Certification for MSMEs: What Drives the Interest of MSMEs in Indonesia and Malaysia?

Sri Abidah Suryaningsih<sup>1</sup>, Rachma Indrarini<sup>1</sup>, Fira Nurafini<sup>1</sup>, Maryam Bte Badrul Munir<sup>1</sup>, Zalina Binti Zakaria<sup>2</sup>, Shinta Lintang Nurillah<sup>3</sup>

Islamic Economics Study Program, Faculty of Economics and Business, Universitas Negeri Surabaya

Department of Syariah dan Law, Academy of Islamic Studies, Universiti Malaya

Departemen of Islamic Economics, Faculty of Economics and Business, Universitas Airlangga

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### Abstract

*This study explores the factors influencing interest in halal certification, focusing on certification fees, government involvement, and the certification process, particularly for halal MSMEs (Micro, Small, and Medium Enterprises). A survey of 65 respondents from businesses in Indonesia and Malaysia was analyzed using Smart PLS 3.0, a tool for Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that certification fees ( $p$ -value = 0.226) and government involvement ( $p$ -value = 0.966) do not significantly affect interest, while the certification process ( $p$ -value = 0.009) has a significant impact. These findings suggest that simplifying the certification procedure could increase participation, especially for MSMEs facing challenges related to cost and understanding the process. The study's practical implication is that certification bodies should prioritize simplifying the process to encourage more MSMEs to pursue halal certification. This research provides valuable insights for academic research, industry practices, and MSME empowerment.*

**Keywords:** Halal Certification, MSME, Certification Process, Government's Role, Certification Fee

## Sertifikasi Halal untuk UMKM: Apa yang Mendorong Minat UMKM di Indonesia dan Malaysia?

### Abstrak

*Penelitian ini mengkaji faktor-faktor yang mempengaruhi minat terhadap sertifikasi halal, dengan fokus pada biaya sertifikasi, peran pemerintah, dan prosedur sertifikasi, khususnya untuk UMKM halal (Usaha Mikro, Kecil, dan Menengah). Survei yang melibatkan 65 responden dari bisnis di Indonesia dan Malaysia dianalisis menggunakan Smart PLS 3.0, alat untuk Partial Least Squares Structural Equation Modeling (PLS-SEM). Hasil penelitian menunjukkan bahwa biaya sertifikasi ( $p$ -value = 0,226) dan peran pemerintah ( $p$ -value = 0,966) tidak berpengaruh signifikan terhadap minat, sementara prosedur sertifikasi ( $p$ -value = 0,009) memiliki pengaruh signifikan. Temuan ini menunjukkan bahwa menyederhanakan prosedur sertifikasi dapat meningkatkan partisipasi, terutama untuk UMKM yang menghadapi tantangan terkait biaya dan pemahaman proses. Implikasi praktis dari penelitian ini adalah lembaga sertifikasi harus memprioritaskan penyederhanaan proses untuk mendorong lebih banyak UMKM untuk mengikuti sertifikasi halal. Penelitian ini memberikan wawasan berharga untuk penelitian akademik, praktik industri, dan pemberdayaan UMKM.*

**Kata Kunci:** Sertifikasi Halal, UMKM, Proses Sertifikasi, Peran Pemerintah, Biaya Sertifikasi

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Author correspondence

Email: [sriabidah@unesa.ac.id](mailto:sriabidah@unesa.ac.id)

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## A. Introduction

Indonesia's trade relations with Malaysia have the potential for further development. The value of trade in 2019 between Indonesia and Malaysia was quite high, with a surplus of 263 thousand United States dollars (Rp 3.7 billion). An example of how trade relations between Indonesia and Malaysia for MSME products can be enhanced is that some products from Indonesia, such as the Bali or Kalimantan regions, can synergise with business actors from Malaysia to provide mutual profits and benefits.

In 2019, the number of MSMEs in Indonesia totalled 1,271,440<sup>1</sup> A large number has the potential to support empowerment and accelerate economic equality. The existence of MSMEs needs to receive optimal attention to increase the competitiveness of national and international class markets. One way to increase market competitiveness is by having halal certification. Global awareness of halal certification or halal labels is increasing. Halal certification for MSMEs not only increases the competitiveness of MSMEs, but also provides a means of protecting consumer rights and increasing public trust<sup>2</sup>.

The potential to reach a wider market, especially in countries with a majority Muslim population, is increasing. The data show that the trend of demand for halal products is increasing in Muslim countries around the world. This is not only due to the growing number of Muslims in the population but because of the increasing purchasing power of Muslims. This is an opportunity for business actors, especially MSMEs.

Indonesia and Malaysia share many similarities with respect to culture, customs and religion. Indonesia and Malaysia are countries that are included in the 25th largest population of all Muslim countries in the world<sup>3</sup>. Data from Muslim countries illustrate great opportunities for MSME products because the religious

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<sup>1</sup> Kementerian Perdagangan. 2023. Peluang dan Tantangan. Online <https://bkperdag.kemendag.go.id> Accessed at 12 July 2024

<sup>2</sup> Nurillah, Shinta 2023, "The Importance of Halal Certificates in Halal Food Using the Digital Platform," *International Journal of Law Dynamics Review*. DOI: 10.62039/ijldr.v1i2.20

<sup>3</sup> Statista, 2024. Top 25 countries with the largest number of Muslims in 2022 (in millions). Online <https://www.statista.com/statistics/374661/countries-with-the-largest-muslim-population/> Accessed at 12 July 2024

background of these countries shows an emotional attachment to the halal lifestyle. The Halal lifestyle concept has become a world trend and has touched products in a wide range of areas such as fashion, tourism, food, beverages, medicines and cosmetics. Several facts related to the halal lifestyle include a high level of awareness of the importance of the halal label and of consumer understanding regarding the halal product purchased. However, on the other hand, several MSMEs still do not fully understand the importance of halal certification as shown in research results<sup>456</sup>, The vast majority of MSMEs do not yet have halal certification. The proportion of MSMEs who have become certified is less than 10 %.

Previous research shows that the majority of research focuses on consumer behavior such as awareness of certified halal products<sup>7</sup>, consumer intention to use applications in checking halal products.<sup>8</sup> There is a positive relationship between halal certification and SMEs<sup>9</sup>, and there are still things that are not discussed such as reducing the process time and certification costs in order to help accelerate the development of SMEs<sup>10</sup>, and the role of the government in providing policies underlie this research. The main reason for conducting this study is the identification of previous research related to halal certification that needs to be explored further. The implications from previous studies suggest that the implementation of halal certification policies should consider various indicators of policy acceptance, especially from the perspective of business actors who are

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<sup>4</sup> Yani, Turhan M, Suryaningsih, Muslim Consumer Behavior in Consuming Halal Product, *al Uqud: Journal of Islamic Economics*, Volume 3 Issue 2, July 2019

<sup>5</sup> Segati,Ahda, 2022, model strategi pengembangan umkm dalam halal lifestyle di masa pandemi covid-19, *Jurnal Pengabdian Kepada Masyarakat (JPKM)*, Vol 1, no.1

<sup>6</sup> Pujiono, Arif,dkk. Strategi Pengembangan UMKM Halal di Jawa Tengah dalam menghadapi Persaingan Global, *indonesian journal of halal*, Vol 1, No. 1, 2018

<sup>7</sup> Usman, Hardius et al., 2021. Between awareness of halal food products and awareness of halal-certified food products. *Journal of Islamic Marketing* Vol. 14 No. 3, 2023 pp. 851-870. DOI 10.1108/JIMA-07-2021-0233.

<sup>8</sup> Karyani, Etikah et al., 2024. Intention to adopt a blockchainbased halal certification: Indonesia consumers and regulatory perspective. *Journal of Islamic Marketing* Vol. 15 No. 7, 2024 pp. 1766-1782 DOI 10.1108/JIMA-03-2023-0069.

<sup>9</sup> Amer, Mahmoud. 2023. Linkage among halal quality standard certification and SME's performance: Palestinian food halal certified SME's context. *Arab Gulf Journal of Scientific Research*. Vol. 42 No. 4, 2024 pp. 1414-1425. DOI 10.1108/AGJSR-03-2023-0109

<sup>10</sup> Susanty et al., 2024. Prediction of the performance of halal food industry using a system dynamics simulation model. *Journal of Islamic Marketing* Vol. 15 No. 11, 2024 pp. 2785-2822. DOI 10.1108/JIMA-02-2024-0094

responsible for the implementation of these policies.<sup>11</sup> Second, the implementation of halal certification policies must also consider the heterogeneous characteristics of business actors, with samples taken from Indonesia and Malaysia in this study.<sup>12</sup>

Indonesia and Malaysia have great opportunities to develop the halal industry. Strategic planning for the development of the halal industry proposes optimising Halal MSMEs to be highly competitive, ready to expand their national and international market reach and ready to compete with imported halal-certified products. Several strategies that can be adopted to achieve this goal include increasing halal certification for MSMEs. The reasons why most MSMEs are not yet certified despite the importance of halal certification warrants further investigation.

## **B. Theory and Hypothesis**

### ***Halal Certification Interest***

Interest is defined<sup>13</sup> as a part of the human self in the form of an urge or high passion or a great desire for a particular object. Schiffman and Kanuk described interest as a psychological activity based on the presence of one's feelings and thoughts about a desired object<sup>14</sup>. Indicators of consumer interest in a product or service are evident before the decision whether or not to carry out activities, including Interest and Attention, Confidence and Desire<sup>15</sup>. In the context of halal certification, interest is reflected in how businesses and consumers engage with and pursue the certification process. This interest often arises from the desire to meet consumer demand, build trust, and ensure the credibility of the products offered in the market. Furthermore, the growing awareness and demand for halal-certified products can motivate businesses to seek halal certification, ultimately enhancing their competitiveness in the market. Research findings related to the

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<sup>11</sup> Darmalaksana, W. 2023. How is the halal certification policy implemented? Perspective analysis of small and medium enterprises (SMEs) in Indonesia. Journal of Islamic Accounting and Business Research. DOI 10.1108/JIABR-12-2022-0342

<sup>12</sup> Ibid.

<sup>13</sup> Syah, Muhibbin. 2010. Psikologi Pendidikan dengan Pendekatan Baru. Bandung: Remaja Rosdakarya

<sup>14</sup> Putra, Gagah Bimo Setyo, dkk. (2015). Pengaruh Citra Perusahaan Terhadap Minat Berkunjung dan Keputusan Berkunjung (Survei pada pengunjung Taman Rekreasi PT. Selecta, Kota Batu, Jawa Timur). Jurnal Administrasi Bisnis, 26 (2).

<sup>15</sup> Natali. 2008. Perspektif Manajemen dan Perilaku Konsumen. Yogyakarta: Penerbit Andi

implementation of halal certification for small-scale online agri-food sellers show that they earn two to three times higher income compared to those who do not adopt halal certification.<sup>16</sup>

### **C. Government's Role**

The role of the government is crucial in the halal certification process, which includes both policy development and enforcement. Malaysia, despite not having the largest Muslim population, has appointed JAKIM (Department of Islamic Development Malaysia) as the authority responsible for halal certification. Similarly, in Indonesia, the Halal Product Assurance Agency (BPJPH) plays a key role in meeting the needs of the Muslim-majority population. Both countries have great potential in the development of halal certification<sup>17</sup>. The government's involvement in facilitating halal certification for MSMEs is important in assisting businesses that wish to obtain halal certification for their products. Currently, public awareness of halal certification is relatively high, which should motivate the government to support the growing demand for halal products<sup>18</sup>. Therefore, it is expected that the government will play an active role in assisting producers by ensuring halal certification for products to meet societal needs<sup>19</sup>. While the halal industry is expected to continue growing, it is vital for government halal certification coordinators to rigorously fulfill their responsibilities to ensure that certification procedures align with industry standards and sharia law.<sup>20</sup> The hypothesis in this study is formulated as follows:

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<sup>16</sup> Permani, Risti et al., 2023. Research findings related to the implementation of halal certification for small-scale online agri-food sellers show that they earn two to three times higher income compared to those who do not adopt halal certification. *Journal of Agribusiness in Developing and Emerging Economies*. DOI 10.1108/JADEE-10-2022-0231

<sup>17</sup> Faiqoh, Faiz et al., 2024. Comparative Study Of Halal Certification Mechanism: Indonesia, Malaysia And Mexico. *Journal of Middle East and Islamic Studies*. Vol. 11, No. 1 [2024], Art. 7

<sup>18</sup> Darmalaksana, Wahyudin. 2023. How is the halal certification policy implemented? Perspective analysis of small and medium enterprises (SMEs) in Indonesia. *Journal of Islamic Accounting and Business Research*. Emerald Publishing Limited 1759-0817. DOI 10.1108/JIABR-12-2022-0342

<sup>19</sup> Noordin, Nurulhuda, et al., 2014. Strategic Approach to Halal Certification System: An Ecosystem Perspective. *Procedia - Social and Behavioral Sciences* 121 : 79-95

<sup>20</sup> Ambali, A.R. and Bakar, A.N. 2013. People's awareness on Halal foods and products: potential issues for policy-makers, Malaysia

**H1: There is an Influence between the Government's Role on the Interest in Halal Certification.**  
***Certification Fee***

Certification costs refer to the expenses required to obtain halal certification. In Thailand, individuals who wish to obtain halal certification must undergo halal training and pay certification fees, which vary depending on the size of the business and its location.<sup>21</sup> In Indonesia, the Halal Product Assurance Agency (BPJPH) explains on its website that there are two schemes for obtaining halal certification: the regular halal scheme and the self-declaration scheme.<sup>22</sup> The self-declaration scheme aims to assist MSMEs that meet the criteria and do not need to incur additional costs for facility modifications to comply with halal standards. Previous research has indicated that higher income has a positive and significant influence on the willingness of MSMEs to adopt halal practices<sup>23</sup>. This implies that if the cost of obtaining a halal certificate is high, MSMEs may be less inclined to adopt it. On the other hand, if the cost of halal certification is affordable or reasonable, MSMEs are more likely to adopt halal certification. Based on this, the following hypothesis is proposed:

**H2: There is an Influence between The Cost of Certification on Interest in Halal Certification**  
***Certification Procedure***

Limited information makes it difficult for many business actors to clearly understand the procedures for halal certification registration, this is like research in the Maldives related to fishery products whose certificates are constrained because the processed products contain additional ingredients whose halalness is still in doubt.<sup>24</sup> Several procedures must be followed in the standard halal system. The lack of professional guidance often becomes a barrier for organizations in obtaining

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<sup>21</sup> Wannasupchue, Wannasiri et al., 2021. Challenges to obtain halal certification among restaurants in northeast Thailand. *Journal of Islamic Marketing*. Vol. 14 No. 2, 2023 pp. 607-621. DOI 10.1108/JIMA-04-2021-0124

<sup>22</sup> BPJPH. 2023. Indonesia-Malaysia Jalin Kerjasama Pengakuan Sertifikat Halal. Online <https://bpjph.halal.go.id/detail/indonesia-malaysia-jalin-kerja-sama-pengakuan-sertifikat-halal> Accessed at 9 July 2024

<sup>23</sup> Silalahi et al., 2020. Factors affecting intention to adopt halal practices: case study of Indonesian small and medium enterprises. *Journal of Islamic Marketing* Vol. 13 No. 6, 2022 pp. 1244-1263. DOI 10.1108/JIMA-05-2020-0152

<sup>24</sup> Muneeza et al., 2020. Halal certification process for fisheries products in Maldives. *Journal of Islamic Marketing* Vol. 12 No. 2, 2021 pp. 451-466. DOI 10.1108/JIMA-02-2019-0035

certification. Professional guidance from outside the company is necessary for implementing quality standards. This aims to clarify various requirements and familiarize business actors with the procedures needed during the implementation process. The presence of a consulate can reduce administrative barriers by allocating the manager's time and energy to organize documents. The lack of understanding by producers regarding halal certification can serve as evaluation material for the relevant institutions, both in Indonesia and Malaysia. By providing clearer and more accessible information and guidance to business actors, this will help strengthen understanding of halal certification, making the process smoother for businesses and encouraging greater participation in obtaining certification.<sup>25</sup> In addition, reducing the time of certification procedures supports the ease of accelerating the development of halal certification adoption in MSMEs.<sup>26</sup> The hypothesis in this study is formulated as follows:

**H3: There is an Influence between Halal Certification Procedures on Interest in Halal Certification**

Based on the existing hypothesis, the research framework is shown in **Error!**  
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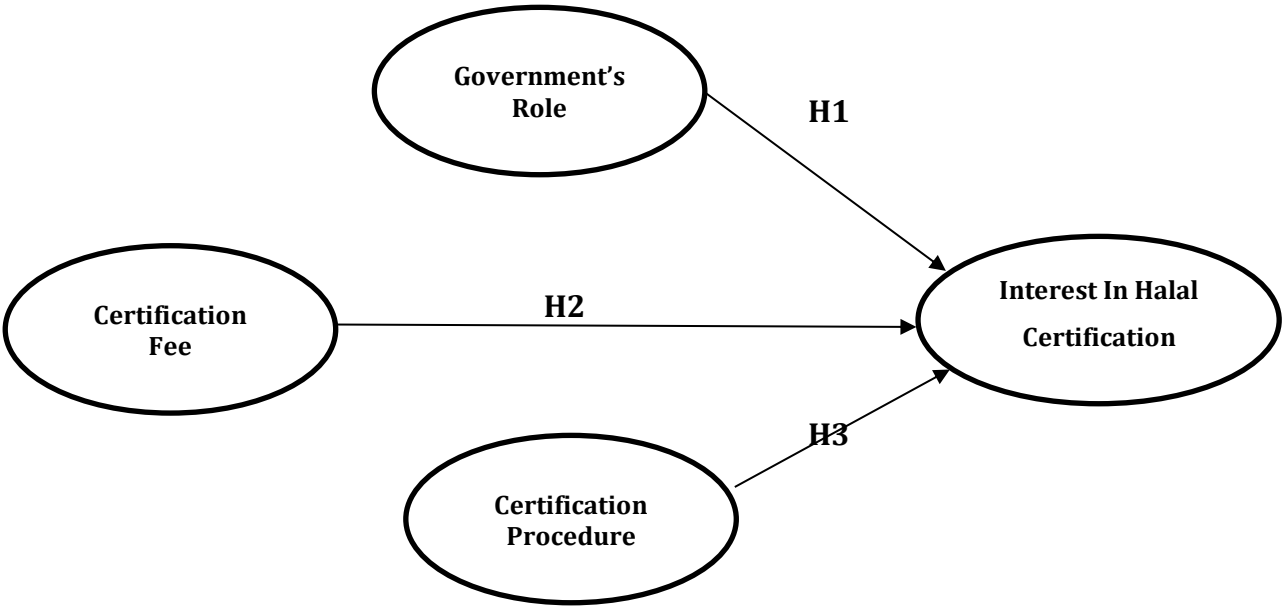


Figure 1. Research FrameworkSource(s) : Figure generated by author

<sup>25</sup> Hud: ifikasi Halal (Studi kasus di Surakarta). Jurnal Politik Hukum Islam. 10(1): 1- 13

<sup>26</sup> Susanty, et al., 2024. Prediction of the performance of halal food industry using a system dynamics simulation model. Journal of Islamic Marketing Vol. 15 No. 11, 2024 pp. 2785-2822. DOI 10.1108/JIMA-02-2023-0039



#### D. Research Method

This study used a quantitative research approach. The population in this study consisted of MSMEs in Surabaya, Indonesia and Kuala Lumpur, Malaysia. These cities were chosen because they are considered to be host to many varied MSMEs and are among the largest cities in each country<sup>27,28</sup>. The sampling technique uses a non-probability sampling technique, which is a sampling technique that does not provide equal opportunities for members of the population to be selected for inclusion in the sample<sup>29</sup>. The criteria used for sampling are MSME owners who have been operating a business for more than 3 years. The sample size used should be at least 10 times the number of variables in the model. In this study, the number of variables is 4, so multiplying by 10 means the minimum total sample size for this study is 40<sup>30</sup>. Partial Least Squares Structural Equation Modeling (PLS-SEM) is a statistical analysis method used to test models that involve causal relationships between latent variables, as well as to measure the relationships among these variables within a structural and measurement model system. PLS-SEM is designed to handle more complex models with numerous latent variables, especially in situations where data do not meet normality assumptions or when the sample size is limited<sup>31</sup>.

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<sup>27</sup> Mubyarsah, Latu. 2022. Surabaya Jadi Kota dengan Pembelanjaan UMKM Terbesar Se-Indonesia. Jawa Pos. Online <https://www.jawapos.com/surabaya-raya/01421935/surabaya-jadi-kota-dengan-pembelanjaan-umkm-terbesar-seindonesia>. Accessed at 9 July 2024

<sup>28</sup> Aman, Azanis. 2024. Malaysian MSMEs making strides in scaling up. NST. Online <https://www.nst.com.my/business/corporate/2024/07/1084507/malaysian-msmes-making-strides-scaling-ewon>. Accessed at 9 July 2024.

<sup>29</sup> John W. Creswell, Research Design: Qualitative, Quantitative, and Mixed Methods Approaches (5th ed.; Thousand Oaks, CA: SAGE Publications, 2018), 146.

<sup>30</sup> Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A primer on partial least squares structural equation modeling (PLS-SEM) (2nd ed.). SAGE Publications.

<sup>31</sup> Hair, J. F., Ringle, C. M., & Sarstedt, M. (2013). Partial Least Squares Structural Equation Modeling: Rigorous Applications, Better Results and Higher Acceptance. Long Range Planning, Vol. 46, pp. 1–12. <https://doi.org/10.1016/j.lrp.2013.01.001>



Table 1. Measurement Construct

Construct	Measurement Item	Source
Government's Role	<ol style="list-style-type: none"> <li>1. The government has laws and regulations related to halal certification.</li> <li>2. The government carries out outreach activities to promote the laws and regulations regarding halal certification.</li> <li>3. The government imposes penalties on those who violate the laws and regulations concerning halal certification.</li> <li>4. The government facilitates easy access to obtaining halal certification.</li> <li>5. The government organizes training programs to enhance understanding of halal certification.</li> <li>6. The government runs a support program for halal certification assistance.</li> </ol>	Yunos dkk, (2014)
Certification Fee	<ol style="list-style-type: none"> <li>1. The cost of halal certification is affordable.</li> <li>2. The payment for halal certification is easy to make.</li> </ol>	<p>Ambali dan Ahmad, (2014)</p> <p>Hamid dkk, (2015)</p>

	<ol style="list-style-type: none"> <li>3. The components of the halal certification fee are not excessive.</li> <li>4. The components of the certification fee are calculated reasonably.</li> <li>5. The certification fee components are paid in a single payment.</li> </ol>	
Certification Procedure	<ol style="list-style-type: none"> <li>1. The outreach activities carried out by the halal certification body are sufficient.</li> <li>2. The halal certification body frequently conducts outreach activities.</li> <li>3. The procedures explained by the certification body are easy to understand.</li> <li>4. Producers need professional guidance to better understand the steps required for halal certification applications.</li> <li>5. The halal certification body provides clear and easy-to-understand guidelines.</li> <li>6. Halal certification guidelines are easily accessible.</li> <li>7. The process for applying for halal</li> </ol>	<p>Talib, (2015)  Prabowo, (2015)  Maryati, (2016)</p>

	<p>certification is straightforward.</p> <p>8. Preparing the necessary documents for halal certification application is simple.</p> <p>9. The halal certification application process is fast.</p>	
Interest In Halal Certification	<p>1. I am actively seeking information about the halal certification process.</p> <p>2. I am interested in joining the halal certification counseling or support program.</p> <p>3. I am eager to go through the halal certification process.</p> <p>4. I find the halal certification process easy to navigate.</p>	(Natali, 2008)

## E. Results and Discussion

### Results

#### *Description of the respondents*

A total of 65 sets of responses were collected from 39 respondents in Indonesia and 26 respondents in Malaysia. The age range, business sector and length of business of the respondents can be seen in Figure 1, Figure 2 and Figure 3 below, respectively.

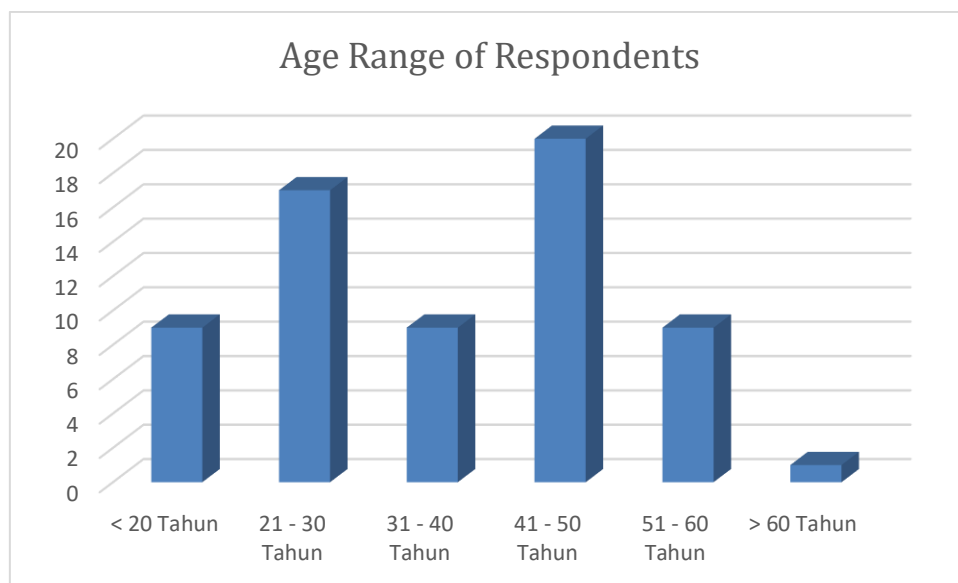


Figure 1. Age Range of Respondents

*Source(s) : Data processed (2024)*

Figure 1 shows that most of the respondents are in the age range of 41-50 years. Other respondents aged less than 20 years (9 respondents), 21-30 years (17 respondents), 31-40 years (9 respondents), 41-50 years (20 respondents), 51-60 years (9 respondents), and more than 60 years (1 respondent). The type of business of the respondents can be classified into the categories of agribusiness, fashion, culinary and others. Figure 2 describes the respondents based on the type of business.

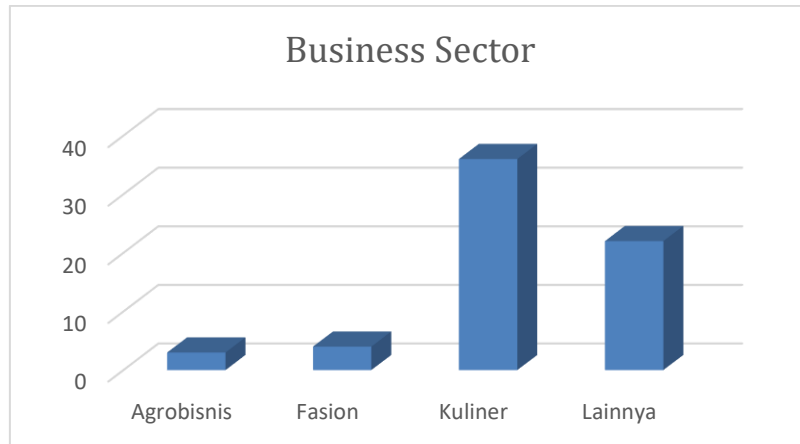


Figure 2. Business Sector

Source(s) : Data Processed (2024)

Figure 2 shows that the culinary field is the business sector with the highest number of respondents with 36 respondents. Meanwhile, in the type of agribusiness there were three respondents, in the type of the fashion industry there were four respondents, and 22 respondents were from other sectors. In addition, based on the length of business, it can also be classified as less than 1 year of business, between 1-3 years of business, 3-5 years of business and more than 5 years of business. Figure 3 shows the respondent's data based on the length of business.

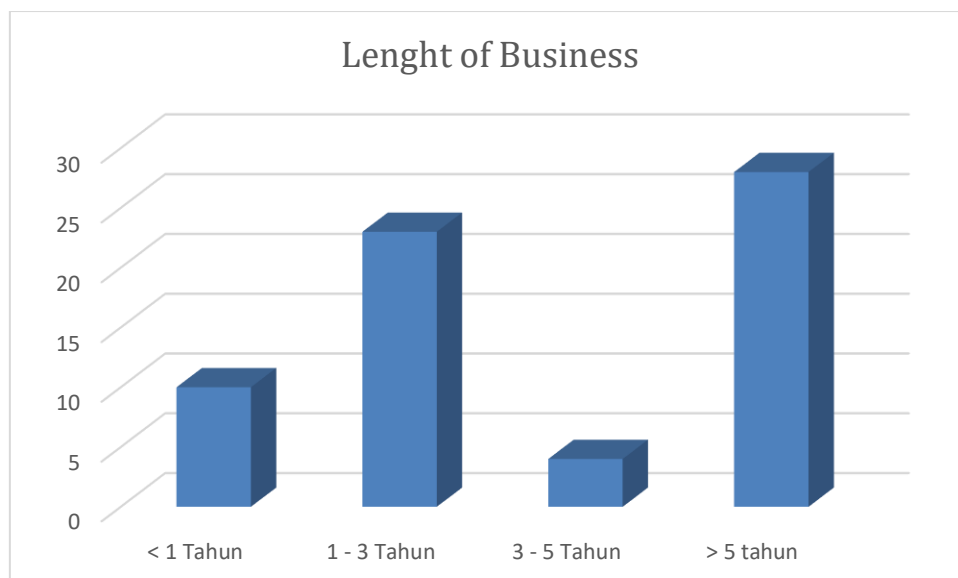


Figure 3. Length of Business

Source(s) : Data Processed (2024)

Based on Figure 3, it can be seen that most of the respondents had owned a business for more than 5 years. Ten respondents had owned a business for less than one year. A total of 23 respondents had owned a business for between 1-3 years. Four respondents had owned a business for between 3 and 5 years. In addition, there were 28 respondents who had owned a business length for more than 5 years.

### **Data processing results**

#### *Measurement Model Test (Outer Model)*

Outer Model testing is used to determine the validity and reliability of a model so that it can be determined whether the data obtained are also valid and reliable. The processing of the data collected in this study was conducted using the Smart PLS 3.0 application, and analyzed using the PLS algorithm. If the values of all indicators or latent variables do not meet the requirements set by PLS-SEM, then testing with the PLS algorithm can be done many times until these conditions are met. The validity and reliability of this research model can be increased by removing indicators and latent variables that do not meet the requirements. A convergent validity test is a model test with reflective indicators indicated by indicators and latent variable scores. An indicator can be used if the outer loading value is above 0.7.

Table 1. Convergent Validity Test with Factor Loading Results

<b>Indicators</b>	<b>Variable</b>	<b>Factor Loading</b>	<b>Factor Loading &gt; 0,7</b>	<b>Result</b>
Government's Role	X1,1	0,665	0,7	Invalid
	X1,2	0,802	0,7	Valid
	X1,3	0,672	0,7	Invalid
	X1,4	0,816	0,7	Valid
	X1,5	0,916	0,7	Valid
	X1,6	0,882	0,7	Valid
Certification Fee	X2,1	0,900	0,7	Valid
	X2,2	0,885	0,7	Valid
	X2,3	0,839	0,7	Valid
	X2,4	0,900	0,7	Valid
	X2,5	0,841	0,7	Valid
Certification Procedure	X3,1	0,826	0,7	Valid
	X3,2	0,847	0,7	Valid
	X3,3	0,876	0,7	Valid

Indicators	Variable	Factor Loading	Factor Loading > 0,7	Result
	X3,4	0,571	0,7	Invalid
	X3,5	0,890	0,7	Valid
	X3,6	0,848	0,7	Valid
	X3,7	0,879	0,7	Valid
	X3,8	0,918	0,7	Valid
	X3,9	0,814	0,7	Valid
Interests	Y1	0,803	0,7	Valid
	Y2	0,919	0,7	Valid
	Y3	0,809	0,7	Valid
	Y4	0,863	0,7	Valid

Source(s) : Data Processed (2024)

#### *Discriminant Validity Test*

Discriminant validity was measured using the Heteroite-Monoroite Ratio (HTMT). Heteroit-Monoroite is the best measurement, where if the value of Heteroit-Motonoroit (HTMT) is <90 then a construct has good discriminant validity.

Table 2 Discriminant Validity Test Results

	Certification Fee	Certificat ion Procedure	Government's Role	Interest in Halal Certification
Certification Fee	0.873			
Certification Procedure	0.752	0.835		
Government's Role	0.838	0.762	0.798	
Interest in Halal Certification	0.580	0.619	0.544	0.850

Source(s) : Data Processed (2024)

#### *Reliability Test*

The instrument used to measure whether a questionnaire is reliable or not in this study is the reliability test. A questionnaire is called reliable if the answers from the respondents are relatively fixed or consistent over time. The results of the reliability test calculation are based on the composite reliability value, meaning that



if the composite reliability value is greater than 0.7, a questionnaire is adjudged to be reliable<sup>32</sup>.

Table 3 Reliability Test Results

Variable	Composite Reliability	Condition	Result
Certificate Fee	0,941	0,7	Reliable
Interest in Halal Certification	0,912	0,7	Reliable
Government's Role	0,917	0,7	Reliable
Certificate Procedure	0,954	0,7	Reliable

*Source(s) : Data Processed (2024)*

#### *Inner Model Test*

##### *Fit Model*

The next step in defining the correctness of a model statistically according to is to test the fit of a model. The overall fit of the model (Overall Fit) can be described by many indications of fit, each of which has its own advantages and disadvantages. suggested reporting the value of  $\chi^2$  and Standardized Root Mean Square Residual (SRMR) to be a complement to other indications such as the Root Mean Square Error of Approximation (RMSEA) or Comparative Fit Index (CFI) An SRMR value less than 0.10 is acceptable as a fit model. Since the SRMR value is 0.084 (less than 0.10), the model meets the fit model criteria.

##### *R-Square*

The results of calculations from testing the structural model or inner model in PLS-SEM are indicated by the size of the percentage of variance. The percentage of variance can be explained by looking at the R-Square value. The R-Square value for each endogenous latent variable serves to predict a structural model. The R-Square rating range is: >0.75 (very strong); 0.6-0.750 (strong); 0.450-0.599 (moderate); 0.2-0.449 (weak) and <0.200 (very weak). The greater the R-Square value means the model predictor is getting better at explaining the variance. The R-

<sup>32</sup> Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A primer on partial least squares structural equation modeling (PLS-SEM) (2nd ed.). SAGE Publications.

Square in this study was 0.413 or 41.3%, which means that changes in the variation in the disinterest variable can be explained by an exogenous variable of 41.3%.

### Bootstrapping

Hypothesis testing is done by bootstrap resampling method. The test statistic used is the t statistic or t test, with the following decisions:

1. If the calculation results obtained t-statistics > t-table or p-value <  $\alpha$  (0.05) it means that the coefficient is declared significant.
2. If the calculation results obtained t-statistics < t-table or p-value >  $\alpha$  (0.05) it means that the coefficient is declared not significant.

The research model can be described as follows:

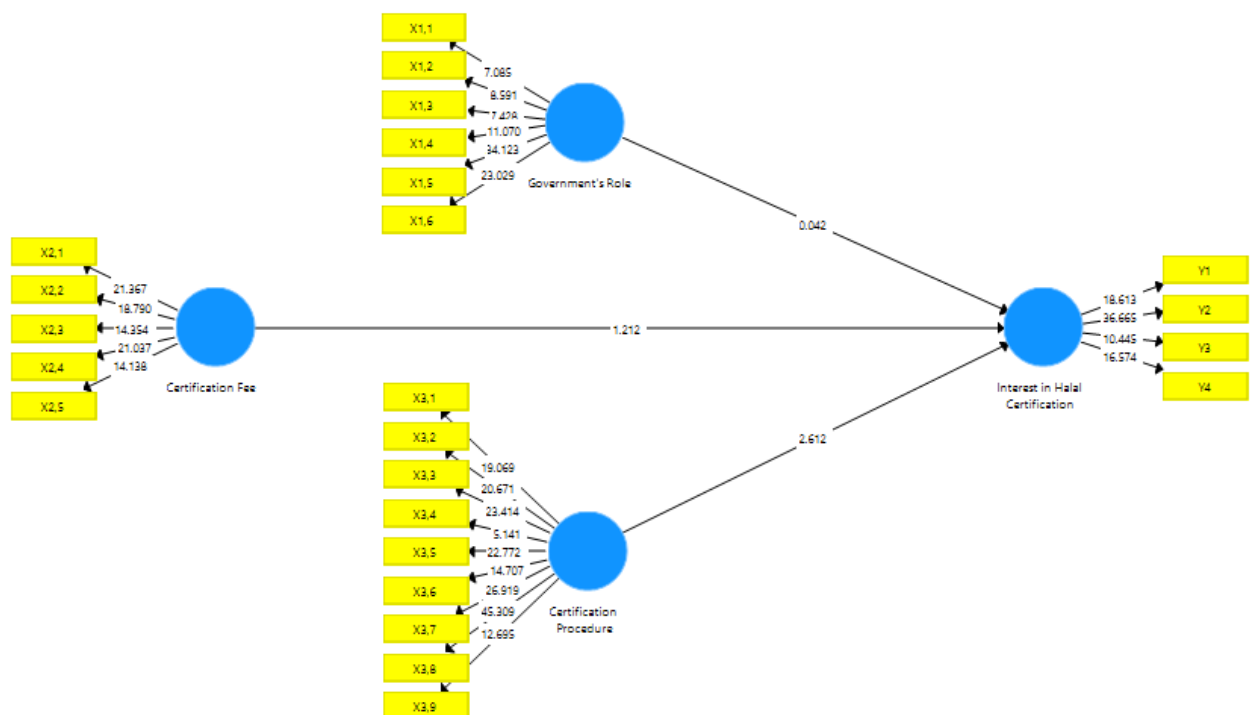


Figure 4. P Value Test Result (Bootstrapping)

Source(s) : Data Processed (2024)

From Figure 5 above it can be concluded that most of the hypotheses are accepted. The results of the path analysis equation are clearly and completely shown in **Error! Reference source not found.** below:

Table 5. Bootstrapping Test Result

Variable	P Values	Condition	Result
Certificate Fee	0,226	0,05	Not significant
Government's Role	0,966	0,05	Not significant
Certificate Procedure	0,009	0,05	Significant

*Source(s) : Data Processed (2024)*

The results of the P Value calculation show that only the certificate procedure hypothesis is accepted while the cost of the certificate and the role of the government are rejected with the following details:

1. The hypothesis of the government's role variable is rejected so that there is no significant influence between the government's role on the interest of MSMEs in registering halal certification
2. The hypothesis of the variable cost of certification is rejected so that there is no significant effect between the cost of certification on the interest of MSMEs in registering halal certification
3. The hypothesis of the certification procedure is accepted which means that there is a significant influence between the certification procedure on the interest of MSMEs in registering halal certification

## F. Result and Discussion

The results of this study reject Hypothesis 1, which posits that the government's role does not influence MSMEs' motivation to adopt halal certification. This finding also contradicts previous research suggesting that the government's role is crucial in the halal certification process, including policy development and enforcement.<sup>33</sup> Currently, in countries like Malaysia, public awareness of halal certification is relatively high, meaning that government support is not the primary motivator for adopting halal certification.<sup>34</sup> In Indonesia, halal certification is

<sup>33</sup> Noordin, Nurulhuda, et al., 2014. Strategic Approach to Halal Certification System: An Ecosystem Perspective. *Procedia - Social and Behavioral Sciences* 121 : 79-95

<sup>34</sup> INTERNATIONAL TRADE ADMINISTRATION. 2022. Sertifikasi Halal Malaysia. Online <https://www.trade.gov/market-intelligence/malaysia-halal-certification>. Accessed at 12 Desember 2024.

mandatory under Law No. 33 of 2014<sup>35</sup>, which regulates Halal Product Assurance<sup>36</sup>. However, in Malaysia, halal certification is voluntary and driven by community demand. Cultural factors and public interests lead to differences in the government's influence between the two countries, making the government's role insignificant in MSMEs' interest in registering for halal certification.

Although the role of the Indonesian government has been carried out well, as evidenced by the issuance of laws, many MSMEs still do not have halal certificates. This is due to the large number of MSMEs in Indonesia, which are spread across the country, while the number of human resources or officers tasked with socializing halal certification is still limited. The government should be able to collaborate with legal institutions to carry out socialization and open private Halal Certification Bodies (LPH) under the government's supervision. For example, universities located in certain areas can help socialize halal certification and become LPHs that are accountable to the government. Alternatively, a CV (Commanditaire Vennootschap) could become an LPH and promote halal certification.

The effect of certification costs or fee on the interest of MSMEs in registering for halal certification The results is no effect of certification costs on interest in registering halal certification in both Indonesia and Malaysia. Price is not a major problem for MSMEs, as long as the process is not complicated and the price is clear. In Malaysia, companies, whether competing locally or internationally, are indirectly encouraged and motivated to obtain halal certification because it can enhance their image and reputation.<sup>37</sup> In Indonesia, the cost of halal certification is in the range of

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<sup>35</sup> Pemerintah Republik Indonesia. (2014). Undang-Undang Republik Indonesia Nomor 33 Tahun 2014 tentang Jaminan Produk Halal. Lembaran Negara Republik Indonesia Tahun 2014 Nomor 298.

<sup>36</sup> BPJPH. 2024. Produk ini harus Bersertifikat Halal di Oktober 2024, BPJPH Imbau Pelaku Usaha Segera Urus Sertifikasi Halal. Online <https://bpjph.halal.go.id/detail/produk-ini-harus-bersertifikat-halal-di-oktober-2024-bpjph-imbau-pelaku-usaha-segera-urus-sertifikasi-halal> . Accessed at 12 July 2024

<sup>37</sup> Thalib, Mohamed et al., 2015. Motivations and limitations in implementing Halal food certification: a Pareto analysis. British Food Journal Vol. 117 No. 11, 2015 pp. 2664-2705. DOI 10.1108/BFJ-02-2015-0055

Rp. 300,000 – Rp. 5,000,000.<sup>38</sup> It is not expensive as long as the government is open about the certification costs incurred by the community and is clear in its allocation.

The results obtained in this study indicate a significant influence between halal certification procedures and the intention to register products for halal certification. This means that the better the procedures used or implemented, the more people are interested in certifying their products as halal. The results of this study also confirm that halal certification procedures that are not complicated will support the ease of MSME actors in adopting halal certification.<sup>39</sup> The mechanism for halal certification implementation in Indonesia and Malaysia has similarities, although there are also differences. The need for better governance of various processed products is a valuable input for future research.<sup>40</sup> Halal certification needs to receive special attention from business actors, especially MSMEs, which are very diverse in terms of type, both in offline and online stores. Therefore, if there is good communication between halal certification facilitators and participants, it will be possible to create a certification process that is easier, safer, and faster in the future.

## **G. Conclusion and Recommendation**

This research aimed to investigate the factors influencing interest in halal certification. The results indicate that the cost of certification and the government's role do not significantly impact the decision to pursue halal certification. However, the certification procedure itself was found to have a significant influence on interest. These findings suggest that making the certification process clearer and simpler could motivate more businesses and producers to obtain halal certification, as opposed to focusing primarily on reducing fees or altering government involvement.

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<sup>38</sup> BPJPH. 2024. Pelaku UMK: Urus Sertifikasi Halal Mudah dan Gratis. Online <https://bpjph.halal.go.id/detail/pelaku-umk-urus-sertifikasi-halal-mudah-dan-gratis> . Accessed at 12 July 2024

<sup>39</sup> Susanty, et al., 2024. Prediction of the performance of halal food industry using a system dynamics simulation model. Journal of Islamic Marketing Vol. 15 No. 11, 2024 pp. 2785-2822. DOI 10.1108/JIMA-02-2023-0039

<sup>40</sup> Muneeza et al., 2020. Halal certification process for fisheries products in Maldives. Journal of Islamic Marketing Vol. 12 No. 2, 2021 pp. 451-466. DOI 10.1108/JIMA-02-2019-0035

The findings of this study have important implications for several areas. For academic research, it contributes to expanding the body of knowledge on halal certification, especially by highlighting the importance of the certification procedure over economic and governmental factors. From an institutional perspective, it suggests that certification bodies should prioritize streamlining and improving the certification process to encourage greater participation. This could include providing more accessible guidelines or training programs to simplify the procedure for applicants. For society, the research highlights the potential benefits of creating clearer pathways to halal certification, which could increase transparency and trust in halal products, benefiting both producers and consumers.

Although this study provides valuable insights, there are some limitations. The research focused on a specific group of respondents, which may limit the generalizability of the results to other regions or industries. Additionally, the study relied on survey data, which could reflect the subjective views of the participants. Future research could explore the influence of cultural or religious factors on the decision to pursue halal certification and examine how awareness campaigns or training programs impact engagement with the certification process. Expanding the research to different industries or geographical areas would provide a more comprehensive understanding of the diverse factors that shape interest in halal certification.

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