

EXPLORING HALAL CERTIFICATION AND IMPACT ON BUSINESS FOR MSME'S

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Abstract: This study investigates the impact of halal certification on brand trust, consumer perception of quality, and business performance for Small and Medium Enterprises (SMEs). Using quantitative methods, data were collected through surveys from SMEs operating in a specific region. The results indicate a significant positive relationship between halal certification and both brand trust and consumer perception of quality. Additionally, brand trust and consumer perception of quality were found to positively influence business performance for SMEs. However, the study acknowledges limitations related to sampling biases and regional specificity. Future research is recommended to broaden the scope and consider qualitative methods for deeper insights. Overall, this study underscores the importance of halal certification in enhancing brand trust, consumer perception of quality, and business performance for SMEs.

Keywords: halal certification, brand trust, consumer perception quality, impact on business,

INTRODUCTION

In the dynamic global marketplace, the demand for halal-certified products has been steadily increasing, driven by the growing Muslim population and rising awareness of halal standards among non-Muslim consumers. Halal, an Arabic term meaning permissible, extends beyond food to include pharmaceuticals, cosmetics, finance, and tourism. The significance of halal certification lies in its ability to guarantee that products and services comply with Islamic law, thus providing assurance to Muslim consumers about the permissibility and quality of their purchases (Tieman, 2011).

Small and Medium-sized Enterprises (SMEs) play a crucial role in the economic development of countries, particularly in emerging markets. They contribute significantly to employment, innovation, and GDP. However, SMEs often face challenges such as limited access to capital, technology, and markets (Beck & Demircuc-Kunt, 2006). In this context, halal certification emerges as a strategic tool that can enhance the competitiveness of SMEs by opening new market opportunities, improving product quality, and building consumer trust (Khan & Haleem, 2016).

The economic benefits of halal certification for SMEs are multifaceted. Firstly, halal certification can facilitate access to a global market with a significant Muslim consumer

base. According to the State of the Global Islamic Economy Report 2020/21, the global halal market is projected to reach USD 2.4 trillion by 2024, offering vast opportunities for businesses that meet halal standards (DinarStandard, 2020). SMEs that obtain halal certification can tap into this profitable market, expanding their customer base beyond local boundaries.

Secondly, halal certification can serve as a mark of quality assurance, attracting not only Muslim but also non-Muslim consumers who associate halal products with strict hygiene, ethical production practices, and overall product safety (Wilson & Liu, 2010). Consumer perception of quality is a critical determinant of purchasing behavior and brand loyalty. Quality perception encompasses various dimensions, including product safety, nutritional value, ethical production practices, and overall reliability (Zeithaml, 1988). For Muslim consumers, halal certification serves as an assurance that products meet strict religious and ethical standards, thereby significantly enhancing their perception of product quality (Alserhan, 2010).

The impact of halal certification on consumer perception of quality is multifaceted. Firstly, halal certification ensures that products are free from any components prohibited by Islamic law, such as pork derivatives and alcohol, which is essential for Muslim consumers. This

assurance not only addresses religious dietary requirements but also enhances the perceived purity and wholesomeness of the products (Rezai, Mohamed, & Shamsudin, 2012). Secondly, the rigorous process of obtaining halal certification, which includes thorough inspections and audits by certification bodies, reinforces the perception of high-quality standards and stringent quality control measures (Tieman, 2011).

Moreover, halal certification often aligns with broader ethical and hygiene standards, appealing to both Muslim and non-Muslim consumers. The principles of halal, which emphasize cleanliness, humane treatment of animals, and ethical business practices, resonate with the growing consumer demand for ethically produced and sustainable products (Ayyub, 2015). This broader appeal can enhance the overall perception of product quality, making halal-certified products attractive to a diverse consumer base.

In an era where consumer awareness and ethical considerations are becoming more prominent, halal certification has emerged as a critical factor influencing brand trust, particularly among Muslim consumers. The assurance provided by halal certification not only meets religious obligations but also addresses broader concerns about product safety, hygiene, and ethical standards (Bonne & Verbeke, 2008). Brand trust is a pivotal component of consumer behavior and brand loyalty, serving as the foundation upon which long-term customer relationships are built (Chaudhuri & Holbrook, 2001). For businesses, especially in the food, cosmetics, and pharmaceutical industries, achieving and maintaining high levels of brand trust can lead to increased customer loyalty, positive word-of-mouth, and higher market share. In this context, halal certification can play a significant role in enhancing brand trust among consumers who prioritize religious adherence and ethical consumption.

The impact of halal certification on brand trust is multifaceted. Firstly, it provides a guarantee that products are free from any components forbidden by Islamic law, such as pork derivatives or alcohol, which is crucial for Muslim consumers (Rezai, Mohamed, & Shamsudin, 2012). This assurance helps build trust as consumers feel confident that their religious dietary requirements are being met

without compromise. Additionally, halal certification is often associated with rigorous quality control and high standards of hygiene, appealing not only to Muslim consumers but also to non-Muslim consumers who are concerned about product safety and ethical production practices (Tieman, 2011).

Moreover, halal certification can enhance the perceived credibility and integrity of a brand. In markets where halal awareness is high, consumers may view halal-certified brands as more trustworthy and reliable compared to non-certified counterparts. This perception is supported by the stringent requirements and regular audits conducted by certification bodies, which ensure ongoing compliance with halal standards (Mukhtar & Butt, 2012). Consequently, brands that obtain halal certification can differentiate themselves in competitive markets, fostering a loyal customer base and enhancing their overall brand equity.

Despite these potential benefits, obtaining halal certification can be challenging for SMEs. The certification process can be costly and time-consuming, requiring investments in training, infrastructure, and compliance management. Additionally, SMEs may face difficulties in navigating the diverse and sometimes complex halal standards across different countries and certifying bodies (Fischer, 2011). Addressing these challenges requires supportive policies and frameworks that facilitate the certification process for SMEs, enabling them to leverage the economic advantages of halal certification effectively.

This research aims to explore the economic benefits of halal certification for SMEs, focusing on how it impacts brand trust, consumer perception of quality, and overall business performance. Through quantitative methods, this study seeks to provide a comprehensive understanding of the value proposition of halal certification for SMEs and identify best practices and strategies for successful implementation.

By highlighting the economic advantages of halal certification, this research contributes to the broader discourse on halal market dynamics and the role of SMEs in driving economic growth. It also provides practical insights for policymakers, industry stakeholders, and SMEs on how to harness the potential of halal certification to achieve sustainable business success.

CONCEPTUAL FRAMEWORK

Halal Certification

Halal certification is a crucial process that ensures products and services comply with Islamic dietary laws and ethical standards. The term "halal" means "permissible" in Arabic, indicating that a product is lawful for consumption or use by Muslims. Halal certification covers a wide range of products and services, including food, beverages, pharmaceuticals, cosmetics, logistics, and tourism (Bonne & Verbeke, 2008).

The certification process involves rigorous inspections and audits conducted by recognized certifying bodies to ensure that the entire production chain, from sourcing raw materials to final processing, adheres to halal standards. This includes ensuring that no prohibited substances, such as pork or alcohol, are used and that the production process meets strict hygiene and ethical guidelines (Riaz & Chaudry, 2004). The integrity of halal certification is maintained through regular compliance checks and audits to guarantee ongoing adherence to these standards (Tieman, 2011).

Brand Trust

Brand trust is a vital component of consumer behavior and significantly influences brand loyalty and consumer purchasing decisions. Trust in a brand signifies the consumer's confidence in the brand's reliability and integrity, reflecting the expectation that the brand will consistently deliver on its promises (Chaudhuri & Holbrook, 2001). This confidence is built over time through positive experiences and interactions with the brand, leading to a belief that the brand will continue to meet consumer expectations.

According to Morgan and Hunt (1994), brand trust is a key element in relationship marketing, where trust leads to long-term relationships and loyalty. Trust reduces perceived risk and uncertainty, making consumers more comfortable with their purchase decisions (Erdem & Swait, 2004). Delgado-Ballester and Munuera-Alemán (2001) further define brand trust as a feeling of

security held by the consumer in their interaction with the brand, based on the perception that the brand is reliable and has the consumer's interests and welfare in mind.

Research indicates that brand trust is influenced by several factors, including brand reputation, past experiences, product quality, and the consistency of brand communications (Lassoued & Hobbs, 2015). Moreover, trust is reinforced when brands demonstrate transparency and authenticity in their operations, which is particularly important in the context of halal certification, where ethical and religious compliance is critical (Mukhtar & Butt, 2012).

Consumer Perception of Quality

Consumer perception of quality is a multidimensional construct that significantly impacts consumer behavior and brand equity. Quality perception is the consumer's judgment about a product's overall excellence or superiority (Zeithaml, 1988). This perception is influenced by various factors, including product features, brand reputation, and consumer expectations.

Parasuraman, Zeithaml, and Berry (1988) outline that perceived quality is shaped by both intrinsic attributes (e.g., product performance, durability) and extrinsic cues (e.g., price, brand name, and packaging). Holbrook and Corfman (1985) highlight that consumer perception of quality is also affected by personal preferences and cultural influences, which can vary widely across different consumer groups.

In the context of halal certification, consumer perception of quality is closely linked to the assurance that products comply with Islamic law, ensuring they are free from prohibited substances and produced according to ethical and hygienic standards (Bonne & Verbeke, 2008). Halal certification enhances perceived product quality by providing an additional layer of assurance regarding the purity, safety, and ethical production of products (Tieman, 2011). This assurance is critical for Muslim consumers who seek to comply with their religious dietary laws and for non-Muslim consumers who associate halal certification with high-quality standards.

METHODOLOGY

This research employs a qualitative approach using purposive random sampling. The sample consists of 150 MSMEs in the Surabaya area. Data collection was conducted via a Google Form distributed through social media. The collected data were then analyzed using SmartPLS.



Figure 1. Framework

RESULTS AND DISCUSSION

Results

1. Convergent Validity

Convergent validity assesses whether multiple indicators of a construct correlate highly, indicating they measure the same underlying concept, with an expected value typically above 0.60 (Chin, 1998).

Table 1. Convergent Validity

Variable	Indicator	Outer Loading
Halal Certification	HC1	0.852
	HC2	0.825
	HC3	0.800
	HC4	0.825
	HC5	0.852
Brand trust	BTR1	0.742
	BTR2	0.742
	BTR3	0.709
	BTR4	0.800
Consumer Perception Quality	CPQ1	0.824
	CPQ 2	0.888
	CPQ 3	0.842
	CPQ4	0.875
	CPQ5	0.743
Impact on Business	BS1	0.784
	BS2	0.714
	BS3	0.894
	BS4	0.831

Variable	Indicator	Outer Loading
	BS5	0.790

2. Average Variance Extracted (AVE)

Hair et al. (2010) explain that Average Variance Extracted (AVE) is a measure of the amount of variance that is captured by the construct in relation to the amount of variance due to measurement error. AVE for each indicator should be greater than 0.5 for a good model.

Table 2. AVE

Variable	Average Variance Extracted (AVE)
Halal Certification	0.814
Brand Trust	0.700
Consumer Perception Quality	0.844
Impact on Business	0.842

3. Composite Reliability and Cronbach's Alpha

Hair et al. (2010) state that composite reliability is a measure of the internal consistency of a construct, which considers the actual loadings of the indicators and is generally considered more accurate than Cronbach's Alpha for measuring construct reliability. Cronbach's Alpha is a measure commonly used to assess the reliability or internal consistency of a set of items in a scale or measurement instrument. Cronbach's Alpha values range from 0 to 1, with higher values indicating better reliability. Generally, a Cronbach's Alpha value above 0.70 is considered adequate for research.

Table 3. Composite Reliability and Cronbach's Alpha

Variable	Cronbach's Alpha	Composite Reliability
Halal Certification	0.824	0.873
Brand Trust	0.841	0.876
Consumer Perception Quality	0.800	0.891
Impact on Business	0.844	0.899

4. Testing Hypothesis

To verify the study findings, hypothesis testing involves testing a direct effect. The sign (») indicates the way one variable affects another. The subsequent results are the outcomes derived from testing the hypotheses:

Table 4. Hypothesis

Variable	Original Sample (o)	P-Values
Halal Certification » Brand Trust	0.642	0.001
Halal Certification » Consumer Perception Quality	0.642	0.000
Brand Trust » Impact on Business	0.803	0.003
Consumer Perception » Impact on Business	0.777	0.000
Halal Certification » Brand Trust » Impact on Business	0.833	0.000
Halal Certification » Consumer Perception Quality » Impact on Business	0.700	0.000

Discussion

Halal Certification's Positive Effect on Brand Trust

The positive relationship between halal certification and brand trust among SMEs is significant, as evidenced by the p-value of 0.001. This indicates strong statistical support for the notion that halal certification positively influences brand trust in the context of SMEs. This finding suggests that SMEs that obtain halal certification are likely to experience higher levels of brand trust among consumers. This trust is built on the assurance that products comply with Islamic dietary laws and ethical standards, leading to increased consumer confidence in the brand's reliability, quality, and integrity. Moreover, halal certification can enhance the perceived credibility and integrity of a brand. In markets where halal awareness is high, consumers may view halal-certified brands as more trustworthy and reliable compared to non-certified counterparts. This perception is supported by the stringent requirements and regular audits conducted by certification bodies, which ensure ongoing

compliance with halal standards (Mukhtar & Butt, 2012). Consequently, brands that obtain halal certification can differentiate themselves in competitive markets, fostering a loyal customer base and enhancing their overall brand equity.

Halal Certification's Positive Effect on Consumer Perception of Quality

The results of this research indicate that halal certification has a significant positive influence on consumer perception of quality, with a p-value of 0.000. The positive influence of halal certification on consumer perception of quality suggests that consumers perceive halal-certified products as being of higher quality, safer, and more aligned with ethical values. For example, a study by Rezai, Mohamed, and Shamsudin (2012) found that non-Muslim consumers in Malaysia had a better understanding of halal principles after products were given halal certification. They tended to perceive the product as higher quality and safer to consume. Likewise, research by Mukhtar and Butt (2012) shows that consumers' intention to choose halal products is influenced by their religiosity. Consumers who are more religious tend to prefer halal products because they perceive these products as higher quality and in line with their beliefs. Thus, halal certification not only provides a guarantee of compliance with religious principles but also improves consumers' perception of overall product quality. This provides a strong basis for companies to consider obtaining halal certification as a strategy to enhance product reputation and win consumer trust.

Brand Trust's Positive Effect on Business Impact

Brand trust significantly impacts the overall business performance of MSMEs, as indicated by the p-value of 0.003, showing a positive relationship between brand trust and business impact. Consumers who have a high level of trust in MSME brands can bring various significant benefits, including increased sales, higher customer loyalty, and a stronger brand image in the market. Research by Chaudhuri and Holbrook (2001) found that the level of consumer trust in a brand has a direct relationship with higher customer loyalty. Consumers who trust a brand tend to be more loyal and more likely to choose the products or

services offered by that brand, even in situations of intense competition. Another study by Morgan and Hunt (1994) highlights the importance of trust in building long-term relationships between brands and customers. Relationships based on high levels of trust tend to be more stable and sustainable over time, potentially bringing long-term benefits to MSME businesses. Thus, the level of consumer trust in brands has a direct impact on MSME business performance, influencing aspects such as sales, profitability, and market growth. Therefore, building and maintaining brand trust must be a priority for MSMEs that want to achieve sustainable success in the market.

Consumer Perception of Quality's Positive Effect on Business Impact

The positive influence of consumer perception of quality on business impact for MSMEs, indicated by a p-value of 0.000, shows that consumer perception of product or service quality has a significant impact on the overall business performance of MSMEs. When consumers have a positive perception of the quality of products or services offered by MSMEs, this can bring various benefits, including increased sales, higher customer loyalty, and a better brand image in the market. Zeithaml (1988) shows that consumer perceptions of product quality have a strong correlation with purchasing behavior and customer satisfaction. Consumers tend to be more likely to choose and purchase products from brands they perceive to be of high quality and are more likely to recommend those products to others. Another study by Parasuraman, Zeithaml, and Berry (1988) highlighted the importance of perceived product quality in forming a strong brand image. A positive brand image, supported by a high perception of quality, can help MSMEs differentiate themselves from competitors, attract new customers, and retain existing customers. Thus, increasing consumer perceptions of product quality is an important strategy for MSMEs to achieve business success. By focusing on delivering high-quality products or services and ensuring that consumers have a positive experience with their brand, MSMEs can increase customer loyalty, expand market share, and strengthen their position in the market.

Mediating Role of Brand Trust and Consumer Perception Quality in the Impact of Halal Certification on Business

The influence of halal certification through brand trust and consumer perception of quality on MSME business performance shows that halal certification can affect consumer perceptions about brands and product quality, which in turn can impact the overall business performance of MSMEs. The results of this study show a significant positive relationship, with a p-value of 0.000. A study conducted by Razalli et al. (2014) found that halal certification has a positive impact on MSME businesses through increasing brand trust and consumer perception quality. They found that halal certification directly contributes to increasing brand trust and consumer perception quality, which then improves MSME business performance. Additionally, research by Ali, Zhou, Hussain, and Tariq (2018) shows that brand trust mediates the relationship between halal certification and the intention to purchase halal products. This indicates that halal certification can increase consumer brand trust, which in turn influences their purchasing behavior. Thus, halal certification not only provides a guarantee of compliance with religious principles but can also strengthen brand trust and consumer perception quality, ultimately positively impacting MSME business performance.

CONCLUSION

This study highlights that halal certification has a significant positive effect on brand trust and consumer perception of quality. It indicates that MSMEs obtaining halal certification tend to experience increased consumer trust in the brand and a higher perception of product quality. Furthermore, brand trust and consumer perception of quality also have a significant positive effect on the business impact for MSMEs. This suggests that the level of consumer trust in the brand and perception of product quality can influence MSMEs' overall business performance.

Despite these significant findings, there are several limitations to consider. Firstly, this study employed a quantitative method through surveys, which poses potential respondent biases. Additionally, it was conducted only within specific regions, limiting the

generalizability of the results. Moreover, the study only considered specific variables and did not account for other factors that might influence the relationship between halal certification, brand trust, consumer perception of quality, and business impact.

For future research, it is recommended to broaden the scope by involving SMEs from various regions or countries to gain a more comprehensive understanding of the relationship between halal certification, brand trust, consumer perception of quality, and business impact. Additionally, future research could consider using qualitative methods to gain deeper insights into consumer perceptions of halal brands and product quality. Lastly, research could expand its scope by including additional relevant variables, such as external factors influencing consumer perceptions and SMEs' overall business performance..

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