Conference Paper

The Intention of Halal Certification by Micro Business

Suparti Sudarmiatin, Faris Khoirul Anam, and Vega Wafaretta
Universitas Negeri Malang

Abstract

Only about 10% of all micro business in Indonesia have been halal certified. This study aims to understand the factors that can encourage these businesses to undertake a halal certification. Of the 30 respondents who have not yet applied for a halal certificate, this study found that halal awareness, halal knowledge, and challenges in obtaining certification do not affect intention. The businesses surveyed knew about and understood the process of halal certification, but this knowledge did not guarantee they would apply. Challenges were also not a barrier of halal certification. However, internal and external pressures – such as the desire to have standardized products, encouragement from government, and consumer expectations of halal products – do foster the intention to gain halal certification. This study concludes by demonstrating the importance of real encouragement and assistance to motivate businesses to obtain halal certification for their products.

Keywords: Halal certification, intention.

1. Introduction

Consumers begin to be sensitive to the term halal, both halal-certified products and in a broader form of halal tourism. In Indonesia the Indonesian Ulema Council (Majelis Ulama Indonesia - MUI) has made it easy for the halal certification process by providing guidance on the Halal Guarantee System and halal certification procedure. These guidelines and practical procedure are intended to ease in obtaining halal certification.

Of the many Micro, Small and Medium Enterprises (MSMEs) in Indonesia, entrepreneurs who are halal certified are still a little bit. At the beginning of 2019, 57,536 out of a total of around 59.2 million MSMEs, or about 10% of business have been halal certified (www.halalmui.org, www.kominfo.go.id). The reasons for the low level of halal certification vary, such as lack of knowledge of the procedure and the costs required, the procedure is seen as quite complicated, and it needs time and money to carry out the procedure (Prabowo, Abd Rahman, Ab Rahman, & Samah, 2015; Zailani, Iranmanesh, Aziz, & Kanapathy, 2017).
In addition, employers have not yet realized the real impact of halal certification. In fact, halal certification can increase sales turnover. Halal certification that reflects fulfilling halal criteria will give consumers confidence in the product (Iranmanesh, Zailani, Kanapathy, & Tieman, 2015), so consumers will prefer products that are halal certified than those that are not. This belief can ultimately contribute to the company’s finances, which is encouraging sales and profits (Soltanian, Zailani, Iranmanesh, & Aziz, 2016; Azmi, Abdullah, Musa, & Mahmood, 2019; Zailani, Iranmanesh, Jafarzadeh, & Foroughi, 2019). The increase in turnover will further lead to an increase in the market share of business (Yusuf, Shukor, & Bustamam, 2016).

Based on this background, this study intends to examine the intention of micro entrepreneurs who have not been halal certified to process halal certification and the factors influence. As regulated in Undang-Undang Republik Indonesia No. 20 Year 2008, micro business is a business with net assets maximum of Rp50 million and revenue maximum of Rp300 million. Micro business has its characteristics with limited resources, so that it is interesting to know how far they are willing to process halal certification. They may face obstacles related to costs and time in obtaining halal certification. This study refers to the constructs of the Theory of Planned Behavior (TPB). The constructs of attitude, subjective norms and perceived behavioural control in the TPB are adjusted to the context of halal certification to be a number of factors that encourage or hinder micro business from taking care of halal certification. These factors include whether micro business has awareness, knowledge, willingness, motivation, and challenges to obtain halal certification.

2. Literature Review

The level of perception, intention, and internal and external factors that encourage halal certification from the business side have been carried out. Internal factors originate from awareness, knowledge, and human capital owned by entrepreneurs. External factors come from market demand, government push, and the level of competition.

Elias, Othman, Yaacob, & Saifudin (2016) surveyed students participating in entrepreneurship programs related to their level of awareness and knowledge about halal products, as well as their desire to become halal entrepreneurs. Awareness, knowledge, and the existence of a halal market/economy are positively related to the intention and behaviour of producing halal products.

Iranmanesh, Zailani, Kanapathy, & Tieman (2015) examined external factors namely halal market demand, government support, and the level of competition; and internal
factors, namely social responsibility, expected benefits to be obtained, entrepreneurial intensity, and halal integrity towards halal strategy orientation. The result is halal market demand, government support, expected benefits to be obtained, and halal integrity have positive effect or encourage employers to adopt a halal strategy.

Rajagopal, Ramanan, Visvanathan, & Satapathy (2011) found that students are familiar with the concept of halal, but awareness and knowledge related to halal were very low. These results indicate that consumers have not received enough information regarding halal certification and halal products. Abdul, Ismail, & Mustapha (2013) stated that consumers believe that halal products can attract consumers to buy, but they have not obtained sufficient information related to halal. In fact, knowledge is important to have as a basis for building adequate confidence in halal products.

Soltanian, Zailani, Iranmanesh, & Aziz (2016) found several factors that influence the desire of Small and Medium Enterprises (SMEs) to become halal entrepreneurs, including the concept of halal entrepreneurship, efforts to find opportunities, intrinsic motivation, desires (expectations), friend influence, perceptions of business feasibility, and government support. Meanwhile, innovation and creativity, integrity, risk-taking, profits, and family support do not affect the desire to do business lawfully. Azmi, Abdullah, Musa, & Mahmood (2019) found that perceptions of halal products are related to three things, namely perceptions about the benefits of halal products, integrity, and organizational readiness to adopt halal business, which this perception affected the adoption of halal business.

Prabowo, Abd Rahman, Ab Rahman, & Samah (2015) identified factors that prevent employers from making halal certification of their products. In general, they feel they have low awareness and knowledge of halal products because of the lack of socialization and information they obtain from the government. In addition, other obstacles perceived by entrepreneurs are the problem of costs, lack of understanding of halal certification procedure, low awareness of the importance of halal certification, view that halal certification is not required, difficulty in obtaining halal materials, requires time and costs to process and access offices for certification and low human resources to process halal certification.

The low level of halal certification can be overcome by adequate human capital (HR) (Rafiki and Wahab, 2016). Experience, training obtained, motivation, and education of business actors influence decision making to obtain halal certification.
3. Hypothesis Development

![Conceptual Framework]

3.1. Attitude

Attitudes reflecting one's judgment on something whether it is pleasant or not. Assessment is in the form of negative or positive evaluation will affect intention (Ajzen, 1991). The attitude (assessment) regarding halal certification includes construct 1) awareness as a form of self-assessment whether they realize of halal certification, halal certification procedure, and benefits of halal certification (Elias, Othman, Yaacob, & Saifudin, 2016; Soltanian, Zailani, Iranmanesh, & Aziz, 2016); 2) halal knowledge as a form of self-assessment whether they have adequate knowledge regarding halal certification and halal certification procedure (Elias, Othman, Yaacob, & Saifudin, 2016); and 3) acceptance of halal certification as a form of positive evaluation of halal certification. These three factors are described as follow.

3.2. Halal Awareness on Intention

Halal awareness reflects an awareness of the concept of halal. This awareness is influenced by the background, level of religiosity, education, and culture of the entrepreneur. This will lead to the fulfilment of the responsibility for producing goods and services that are permissible in sharia so that they can be consumed by Muslim consumers (Elias, Othman, Yaacob, & Saifudin, 2016). In addition to awareness of the concepts and procedure of halal certification, employers also need to be aware of the benefits.
obtained from halal certification, such as improving the quality of products that attract consumers. Halal-certified products will increase consumer responses in the form of confidence, trust, and customer satisfaction (Azmi, Abdullah, Musa, & Mahmood, 2019; Abdul, Ismail, & Mustapha, 2013), especially Muslim consumers who focus on the safety of food and health products (Soltanian, Zailani, Iranmanesh, & Aziz, 2016). The next impact, employers can increase profits (Soltanian, Zailani, Iranmanesh, & Aziz, 2016; Azmi, Abdullah, Musa, & Mahmood, 2019). When entrepreneurs obtain information about the benefits of halal certification, they will be motivated to do business lawfully (Iranmanesh, Zailani, Kanapathy, & Tieman, 2015; Soltanian, Zailani, Iranmanesh, & Aziz, 2016). Thus, the hypothesis is:

H1a: Halal awareness affects the intention of halal certification positively.

3.3. Halal Knowledge on Intention

Halal knowledge is the level of understanding and willingness of employers to practice business in accordance with the concepts of halal and in the right way (tayyib). This concept is implemented in all production value chains, starting from the procurement of direct and auxiliary raw materials to be used, proper storage without being mixed with other unclean ingredients, material processing (production) including cleaning of cooking utensils (Rahman, Ahmad, Mohamad, & Ismail, 2011), warehouse, and packaging that are not only permissible (halal); but the ways are also good (tayyib) as they are safe, hygienic, and do not torture animals (Azmi, Abdullah, Musa, & Mahmood, 2019). Thus, the products produced will be in accordance with sharia (Elias, Othman, Yaacob, & Saifudin, 2016). Obtaining information will lead to the willingness to take action (Islam and Rahman, 2017). Business people who gather and have broad knowledge of halal will be motivated by halal certification, because halal certificates become a marker that business actors have truly produced halal products. The hypothesis is:

H2a: Halal knowledge affects the intention of halal certification positively.

3.4. Halal Certification Acceptance on Intention

Acceptance reflects the attitude of accepting that halal certification is indeed necessary and should be processed. When employers find that halal business is attractive and there is a desire to do halal business, they will implement halal business, one of which is the halal certification of products (Soltanian, Zailani, Iranmanesh, & Aziz, 2016). This acceptance is one stage before readiness for implementation. Admission is limited to
acknowledging that halal certification is indeed needed. If the business actor accepts that halal certification is necessary, then this will encourage them to immediately obtain halal certification. Thus, the hypothesis is:

H3a: Acceptance of halal certification affects the intention of halal certification positively.

3.5. Subjective Norms

Subjective norms reflect pressure from the social to do something or not (Ajzen, 1991). Social influence in this study is internal motivation, namely the desire to improve product quality and from the external, namely the characteristics of consumers and the government especially from MUI. This motivation can affect employers for halal certification as outlined below.

3.6. Motivation on Intention

Muslim consumers become potential market share for halal products. Muslim consumers need and have a preference for buying halal products (Elias, Othman, Yaacob, & Saifudin, 2016; Iranmanesh, Zailani, Kanapathy, & Tieman, 2015; Talib, Sawari, Hamid, & Chin, 2016; Azam, 2016). This is because Muslim consumers are based on their beliefs (religiosity) and attitude (assessment) that the products purchased are supposed to be clearly labelled as halal (Vanany, Soon, Maryani, & Wibawa, 2019; Soon and Wallace, 2017). Halal branding is important to attract consumers’ willingness to buy (Awan, Siddiquei, & Haider, 2015; Nurcahyo and Hudrasyah, 2017). Especially for products that are not familiar to Muslim consumers, if the product is halal certified, it will increase wider market share (Boni and Forleo, 2019). The magnitude of this market opportunity provides opportunities for halal entrepreneur as reflected in halal certification, to be able to obtain financial benefits and competitive advantages (Zailani, Iranmanesh, Jafarzadeh, & Foroughi, 2019; Iranmanesh, Zailani, Kanapathy, & Tieman, 2015). This demand from consumers for halal certification will ultimately encourage business to seek halal certification (Khan, Najmi, Ahmed, & Aman, 2019).

Motivation does not only originate from consumer expectation, but also government support in the form of policies, regulations, and incentives such as consultation or assistance (Talib, Sawari, Hamid, & Chin, 2016; Iranmanesh, Zailani, Kanapathy, & Tieman, 2015). In this case, the government is the MUI which makes halal certification procedure
online to simplify and accelerate MSME certifying their products. MUI encourages Muslim entrepreneurs to become entrepreneurs in a halal manner that is in accordance with sharia. When employers perceive that the government has supported and promoted halal certification, this will encourage employers to conduct halal business (Soltanian, Zailani, Iranmanesh, & Aziz, 2016), including processing halal certification. Thus, the hypothesis is:

H4a: Motivation affects the intention of halal certification positively.

3.7. Perceived Behavioural Control

Perceived behavioural control is something that facilitates or inhibits someone from doing something (Ajzen, 1991). In this study, perceived behavioural control is replaced by challenge constructs. Challenges reflect factors that have the potential to prevent business people from carrying out halal certification, as outlined below.

3.8. Challenges on Intention

Inhibiting factors for business actors processing halal certification include lack of knowledge, difficulty in understanding the procedure for halal certification, costs needed, and time taken until halal certificates are obtained. In addition, business can also experience fear if their products are found not meeting halal criteria. Weak internal control in the business is also feared if there is a production process that is out of control and not in accordance with sharia (Prabowo, Abd Rahman, Ab Rahman, & Samah, 2015). The greater this obstacle is perceived by business actors, the lower their intention for halal certification. Thus, the hypothesis is:

H5a: Challenges affect the intention of halal certification negatively.

4. Methodology

The initial construct of attitude in the TPB is further divided into several constructs, namely halal awareness, halal knowledge, and acceptance of halal certification. Subjective norms are represented by motivational constructs, while perceived behavioural control is represented by the challenges construct. The construct details and questionnaire statements are presented in Table 1 below.
<table>
<thead>
<tr>
<th>Initial Constructs</th>
<th>Constructs and Statements</th>
<th>References</th>
</tr>
</thead>
</table>

### Halal Certification

I am aware of halal certification. (X1_1)

I am aware that halal certification is the process of obtaining a halal certificate to prove that the materials, production processes, and halal guarantee systems are in accordance with the provisions from Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI). (X1_2)

### Halal Certification Process

I am aware of the halal certification procedure by MUI. (X1_3)

I realize that LPPOM MUI has issued halal certification procedure. (X1_4)

### Benefit

I realized the benefits that I could get from a halal certificate. (X1_5)

I realize the quality of my business production can be better if I have obtained a halal certificate. (X1_6)

I realize that halal certificates can increase buyer interest and market share. (X1_7)

### Halal Knowledge

Halal certificate is a written fatwa issued by MUI which states the halal criteria of a product. (X2_1)

### Halal Certification Process

I know that there are several stages in the halal certification process. (X2_2)

### Halal Certification Acceptance

I realized that a halal certificate for my food product is indeed necessary. (X3_1)

I should have started processing halal certification for my product. (X3_2)
The questionnaires were given directly to thirty (30) respondents. Respondents in this study were micro business in one business community in Malang who have not obtained halal certification of their food or beverage products. Actually most micro business has similar characteristics, so that this study used the business in those community as samples. The business period also varies from less than 1 year to a dozen years.

Data were analysed using SPSS. Tests carried out include tests of validity, reliability, classic assumption (normality, non-autocorrelation, non-multicollinearity, and homoskedasticity), and regression test. Regression test was to determine the factors that influence the intention of halal certification. The one-tailed test was used to determine the direction of the influence of factors on intention.

5. Results and Discussion

The correlation between indicators and constructs have a significance of less than 0.5. This means that each indicator can explain the related construct. The reliability results are indicated by the Cronbach's Alpha score, which all constructs show the value of more than 0.6. Therefore, all indicators and constructs can be analysed.
TABLE 2: Respondent demographic data

<table>
<thead>
<tr>
<th>Constructs</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
</tr>
<tr>
<td>Female</td>
<td>28</td>
</tr>
<tr>
<td>Business Type</td>
<td></td>
</tr>
<tr>
<td>Foods</td>
<td>28</td>
</tr>
<tr>
<td>Drinks</td>
<td>2</td>
</tr>
<tr>
<td>Business Term</td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>9</td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>16</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>5</td>
</tr>
</tbody>
</table>

Based on Table 2, 30 business as samples in this study run the business in the field of food and beverages that require halal certification. Regarding the length of business that has been run, 9 business have been running for less than 1 year, 16 business for 1-5 years, and 5 business that have been more than 5 years.

TABLE 3: Descriptive data

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halal Awareness</td>
<td>4.7389</td>
</tr>
<tr>
<td>Halal Knowledge</td>
<td>4.5667</td>
</tr>
<tr>
<td>Halal Certification Acceptance</td>
<td>4.6667</td>
</tr>
<tr>
<td>Motivation</td>
<td>4.5222</td>
</tr>
<tr>
<td>Challenges</td>
<td>3.2778</td>
</tr>
<tr>
<td>Intention</td>
<td>4.6667</td>
</tr>
</tbody>
</table>

Based on Table 3, on average all business have high halal awareness and halal knowledge, indicated by the mean values of 4.7389 and 4.5667. This figure shows high awareness and knowledge regarding halal certification, the halal certification process, and the benefits of halal certification. This indicates that business are actually aware of and know about the concept of halal certification, the procedure for halal certification regulated by the MUI, and the benefits the business can be expected after obtaining halal certification. This can be because the MUI has made clear and coherent halal certification procedure which can be accessed on the website. Not only that, but there have also been many independent institutions that have helped and provided assistance to micro business specifically to process halal certification. This condition adds the knowledge and awareness of business actors regarding halal certification. Business
actors are also aware of the benefits that are expected to be obtained if their products are halal certified, specially can attract consumer interest.

The acceptance of halal certification is also high of 4.6667. This figure reflects that business are aware that they need and should immediately process halal certification. Furthermore, the average motivation of 4.5222 shows the desire to improve the quality of production from halal certification, government support in the form of regulations or related procedure, and the existence of consumer needs for halal-certified products become motivation for business to arrange halal certification. The challenge of 3.2778 means that the procedure is not too difficult for business actors to do. Difficulty in understanding the procedure is low, the procedure is also considered not too complicated, and there have been several parties or institutions that accompany halal certification. The average intention of 4.6667 shows the high magnitude of the intention of business to process halal certification.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halal Awareness</td>
<td>-0.424</td>
</tr>
<tr>
<td>Halal Knowledge</td>
<td>-0.921</td>
</tr>
<tr>
<td>Halal Certification Acceptance</td>
<td>3.812***</td>
</tr>
<tr>
<td>Motivation</td>
<td>2.587**</td>
</tr>
<tr>
<td>Challenges</td>
<td>0.737</td>
</tr>
</tbody>
</table>

Note: **, *** significant at 5%, 1%

Based on Table 4, halal awareness, halal knowledge, and challenges do not affect the intention to process halal certification. Meanwhile, acceptance of halal certification and motivation have positive effect on intention. Halal awareness that does not affect the intention of halal certification is different from Iranmanesh, Zailani, Kanapathy, & Tieman (2015) and Soltanian, Zailani, Iranmanesh, & Aziz (2016) who found that business actors who realized the benefits of halal certification would be encouraged to do business lawfully. The absence of influence indicating awareness of halal products does not necessarily foster the intention of business actors for halal certification. That awareness exists, but it can be blocked by other factors that hinder the intention of halal certification.

Knowledge of halal products does not affect the intention of business actors for halal certification. This shows that knowledge of halal products does not guarantee business actors will intend to make their products become halal certified. Similar to the previous reason, there could be other factors that hinder intention. As with Elias, Othman, Yaacob, & Saifudin (2016) who found that halal knowledge encouraged the intention to produce halal goods, but does not mean aiming to process halal certification.
The acceptance of halal certification affects the business actor’s intention to halal certification positively. If the business actors accept halal certification, then this acceptance leads to the desire to immediately process halal certification. This desire will encourage the behaviour to implement halal products (Soltanian, Zailani, Iranmanesh, & Aziz, 2016), which is characterized by halal certified.

Motivation affects the intention of halal certification positively. Internal motivation to ensure consistent and standardized production quality, as well as externals, such as MUI’s encouragement and consumer expectations increase the intention of business actors for halal certification. Regulation and assistance from the government and other parties for halal certification can encourage business to do halal business (Iranmanesh, Zailani, Kanapathy, & Tieman, 2015; Soltanian, Zailani, Iranmanesh, & Aziz, 2016). In addition, consumers as the main stakeholders of business actors play an important role. As long as the certification of halal products can attract the market (Iranmanesh, Zailani, Kanapathy, & Tieman, 2015), especially Muslim consumers (Elias, Othman, Yaacob, & Saifudin, 2016), business operators will be motivated for halal certification. Muslim consumers tend to choose products that have been labelled halal based on their belief that they should choose products that are clearly halal (Awan, Siddiquei, & Haider, 2015; Vanany, Soon, Maryani, & Wibawa, 2019). Then, halal products will indirectly increase sales and business profits (Soltanian, Zailani, Iranmanesh, & Aziz, 2016; Azmi, Abdullah, Musa, & Mahmood, 2019).

Challenges do not affect the intention of halal certification. The halal certification procedure and the existence of parties who are ready to assist business actors in processing halal certification do not affect the intention. The halal certification procedure does not encourage or reduce intentions, so the procedure is not a factor that deter halal certification.

6. Conclusion and Limitation

Halal awareness, halal knowledge, challenges to halal procedure are not factors considered by business for halal certification. Business actors who are aware, possess the knowledge and understand procedure do not mean they intend to conduct halal certification. The main factors that drive halal certification are acceptance of halal certification, willingness of standardized production, and external encouragement from MUI and consumer expectations. External motivation reflects the benefits that business will get if the product is halal certified. The limitation of this study is the limited number
of respondents. Future research can add other factors and expand the scope of the research subject.

7. Implication

The results of this study have implications for stakeholders and other parties to continue encouraging halal certification for micro business. Policies that are supported by tangible assistance will increase the intention of business to certify their products.

References


