



Factors Affecting Consumers Willingness to Pay Towards Purchasing Halal Product in Indonesia

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Abstract. Halal products have a significant impact on the global market. This research is going to describe the components influencing purchase intention of halal products in Indonesia. The method used in this study is quantitative with data analysis using Partial Least Square – Structural Equation Modelling (PLS-SEM). This study involved 386 respondents consuming halal product during the last three years. This research shows that the existence of halal certification, marketing, consumer attitudes, and the level of belief in religion have a positive and significant effect on the consumers' willingness to pay for halal products in Indonesia. Meanwhile, subjective norms have no influence on willingness to pay.

Keywords: Willingness to pay · halal product · PLS-SEM Introduction

1 Introduction

With such a rapid development of technology, the production process can be carried out with various sophisticated stages. Sophisticated processes can produce an assortment of products. But the manufacturing process and the ingredients contained in such products are unknown to consumers. Whereas currently people prefer products that are Halal certified because they think the ingredients they use in these products are healthier and the production process is more hygienic. Awareness of halal products and the ingredients contained in these products significantly affects people's purchasing value [1, 2]. Even today the demand for Halal-certified products is not only in Muslim countries but non-Muslim countries also have a high interest in products that have Halal certificates [3]. So that Halal certificates are currently very interested in several countries around the world [4].

The halal food sector showed the most significant achievement compared to other halal sectors, over time moslem spending around the world increased by 6 percent in a period of 3 years, starting from 2015 to 2018 [5]. The increasing trend for products with halal certification in the international market leads many countries in the world to have an interest in competing and participating in the international halal market that can bring profits for them [6]. However, international business is not easy for some countries to enter, because each country has a different culture so that it can pose many challenges [7]. Understanding the organizational culture of a country becomes important to be able to win international market competition [8].

A halal company is defined as a company that carries out an activity that includes warehousing, distribution, and retail aspects based on Islamic law [9]. Indonesia is the largest Muslim population with around 215 million Muslims or 13 percent of the total Muslims in the world. In 2017 it brought the ranking for the global Islamic economy from 11th to 10th. The increase in halal products was driven, one of which was by the public awareness of halal food consumption [10].

Currently, the halal market is no longer only limited to the food and beverage sector, but has expanded to various scopes, namely cosmetics, aviation, financing, and so on. The emergence of halal products has proven to be well accepted by non-Muslim consumers, even many of them use these products. The values promoted by the halal industry bring consumers interest, namely environmentally friendly, concern for the earth, economic and social justice, welfare, and ethical investment [11].

The halal market also has an important role in the sustainable development of the United Nations, such as the eradication of poverty, better nutrition, especially in muslim-majority countries, and reduced hunger [11]. In addition to the important role for the world, the halal certification process in many part of the world has facing several challenges, one of which is the number of producers who claim to sell halal products without submitting certification to authorized institutions [5, 12].

The purpose of this study is to determine the factors that influence consumers in buying halal products in Indonesia. By knowing these factors, this study is expected to give understanding to producers of halal certified product in order to enhance the quality of their halal goods. This research can also provide a new perspective for the government to develop halal product policies.

2 Research Method

This study aims to analyze the factors that influence consumers' purchasing intentions towards halal products. Data were obtained from questionnaires totalling 386 respondents. With the criteria, namely being Muslim and purchasing products with the halal logo for the last three years. The variables in this study used independent variables and dependent variables. The independent variables are attitude, subjective norms, halal concern, religiously, and marketing. While the dependent variables are willingness to pay and halal certification. In analyzing the data, this research is using the Partial Least Square-Structural Equation Model (PLS-SEM) method. In managing the data, researchers use SmartPLS 3.0 software. Items used in variables use point scales ranging from 1 "strongly disagree" and 7 "strongly agree".

Hypotheses:

- H1: Attitude positively affects the consumers' willingness to pay
- H2: halal certification positively affects the willingness to pay
- H3: marketing positively affects willingness to pay
- H4: religiously positively affects the willingness to pay
- H5: subjective norms negatively affect willingness to pay
- H6: willingness to pay has a positive effect on certification

3 Result and Discussion

After conducting data analysis for 386 respondents, the result can be shown in Table 1 (Fig. 1).

According to the PLS-SEM calculation, the majority of hypotheses proposed in this research are accepted. The first variable is attitude which has a significant influence on willingness to pay. The attitude of someone who has a tendency to buy halal-certified products can affect the increase in consumers' purchase intentions towards halal products in the future. In line with the research of Suárez-Cáceres, et al. [13] and Nursalwani, et al. [14], the influence of consumer knowledge, attitudes, and willingness can have a significant effect on buying a product (Table 2).

The halal certification were originally initiated by the moslem community in the United States in the middle of 1960s. The certification was started in order to provide

Table 1. Validity and Reliability

	Cronbach Alpha	Composite Reliability	rho_A	Average Variance Extracted (AVE)
Attitude	0.809	0.913	0.813	0.839
Subjective Norms	0.852	0.900	0.845	0.618
Halal Concern	0.766	0.842	0.773	0.516
Religiously	0.830	0.877	0.846	0.588
Marketing	0.745	0.886	0.762	0.796
Willingness to pay	0.737	0.832	0.778	0.559
Halal Certification	0.669	0.857	0.681	0.750

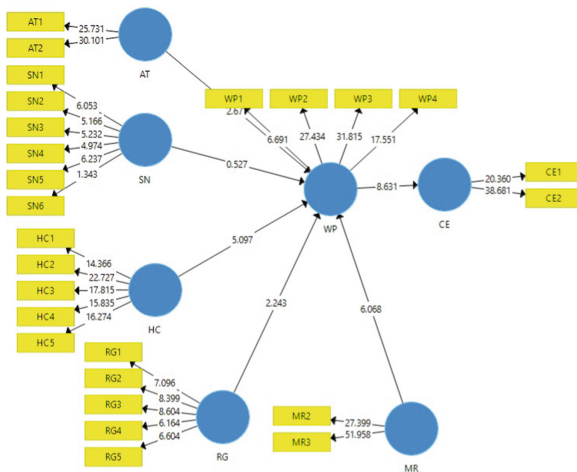


Fig. 1. Path Analysis

Table 2. Hypotheses Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Stat	P Values	Decision
Attitude -> Willingness to pay	0.186	0.192	0.070	2.671	0.008	H1 Accepted
Halal concern -> Willingness to pay	0.322	0.304	0.063	5.097	0.000	H2 Accepted
Marketing -> Willingness to pay	0.352	0.333	0.058	6.068	0.000	H3 Accepted
Religiously -> Willingness to pay	0.164	0.188	0.073	2.243	0.025	H4 Accepted
Subjective norms -> Willingness to pay	0.018	0.018	0.034	0.527	0.599	H5 Rejected
Willingness to pay -> Certification	0.516	0.521	0.060	8.631	0.000	H6 Accepted

Source: Processing Data from SmartPLS

security and certainty for moslem's community in consuming halal products [15]. Halal certificates have close relation with product hygiene and safety. In Indonesia, halal certification is carried out by Indonesia Ulema Council (MUI). The steps that must be taken to the company to be able to apply for a halal certificate are by filling out the application formula provided by Halal Certification Body (LPPOM-MUI). After the forms and attachments of documents have been filled out completely, they are sent to the LPPOM MUI Secretariat for assessment. Furthermore, LPPOM will process and the audit results will be evaluated and discussed at the time of the LPPOM meeting, after the appropriate will be submitted to the MUI Fatwa Committee meeting to obtain Halal status, the halal certificate will be issued by the MUI [16].

People who want to buy products only if they have a halal certificate, know the halal logo, and know about halal products can continuously affect consumers' buying intentions towards halal product. This is similar with Yunus, et al. [2] in his research which said that product ingredients can significantly affect muslims' willingness to buy halal consumer good. In addition, public figures and influencers who promote halal products through social media and advertisements on social media can influence consumers' buying intentions towards halal products and can influence others to buy these halal

products. This is the most influential factor to be able to increase consumers' purchase intentions for halal products.

Moslem community tend to avoid things that are forbidden by religious rule. They will be careful about using or eating something by finding out in advance whether the product has a halal logo or not [17]. So they will continue to buy products with the halal logo.

However, the subjective norm variable is obtained from buying halal products because the demands of family, lecturers or teachers, friends, and the government cannot affect people's purchasing intentions towards halal products. So it contradicts the research of Bhattacharjee [18], which says the influence of the demands of family, friends, and the government affects the purchasing intentions of consumers, because it has a p-value of >0.05 .

Willingness to pay will have a positive impact on the emergence of halal certificates. Because the Muslim community will buy halal products if the product has a halal certificate. This statement is in line with Verbeka, et al. [19], who said that Muslim consumers would be willing to pay a higher price for a certified halal label. Having a halal certificate can attract Muslim consumers to buy products [20].

4 Conclusion

After conducting data analysis, most respondents are very aware of halal products that are so important for a Muslim. However, there are variables that do not have a significant influence on consumers' purchasing intentions on halal products, namely the subjective norm obtained from the demands of family, friends, the government, and so on. Significant relationships are also obtained from attitude, halal concern, religiously, and marketing. These variables will affect the intention to buy halal products. On the other hand, the relationship between the willingness to pay variable will have a significant influence on halal product certificates.

Indonesia, which has a Muslim majority population, has a high interest in halal products in Indonesia. Therefore, the presence of high interest in halal products can open up opportunities for producers in various sectors to be able to improve their products and expand to the global market, so as to encourage healthy competition and increase state revenue with exports to other countries.

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