



# Readiness and Interest in Halal Certification: Evidence of the Importance of Self-declare Literacy and Types of Business of Indonesian MSMEs

Heri Pratikto, Yuli Agustina<sup>(✉)</sup>, and Titi Mutiara

Universitas Negeri Malang, Malang, Indonesia  
yuli.agustina.fe@um.ac.id

**Abstract.** Currently, the Indonesian government is completing the work of enforcing halal certification and achieving Indonesia's vision of being the center of the global halal product business. The rapid growth of Islam in Indonesia compels corporate actors to obtain halal certifications in order to gain the public's trust. Regarding halal certification, the interest and preparedness of each MSMEs business actor varies. The willingness and interest of MSMEs in halal certification can be inferred from their self-reported literacy and company type. This study intends to examine the impact of self-declared literacy and business type on the preparedness and interest in halal certification among Indonesian MSMEs, particularly in the Greater Malang region. The research sample consisted of 200 respondents who were all members of the Malang Raya MSME and who were recruited using the Purposive Sampling Technique. The data utilized are primary data collected through the completion of a questionnaire by respondents. This study uses Structural Equation Modeling (SEM) with the SmartPLS application to handle data. Self-Declare Literacy and Business Type have a favorable and statistically significant effect on the Readiness and Interest of MSME Business Actors in Halal Certification. This indicates that the preparedness and interest of MSME business actors in preparing for the need for halal certification is heavily influenced by their knowledge, understanding of the significance of halal recognition, and the type of business they operate, all of which serve to increase consumer interest in a product. This is evident by the significant desire of business actors to prepare for all requirements and the halal certification process.

**Keywords:** self-declare · business types · halal certification

## 1 Introduction

Vice President of the Republic of Indonesia, K.H. Ma'ruf Amin, stated that the Indonesian government is currently attempting to complete a large task, namely the obligation to have halal certification for all food and beverage products, while also realizing Indonesia's vision as a center of the global halal product industry [1]. This is supported because the majority of the people in Indonesia is Moslem and it is required to consume halal

products. According to figures from the Ministry of Home Affairs (Kemendagri), as of December 31, 2021, 237.53 million Indonesians have embraced Islam [2]. This represents 86.9 percent of the entire population of Indonesia. According to Islamic law, adherents of Islam must pay close attention to whether a product is halal or not before consuming it. Therefore, it is crucial for Muslims to determine whether a product is halal before consuming it. But in reality, many business actors who are more concerned with their products than with halal certification can enter the market [3]. In contrast, business actors with halal certification can provide them with numerous benefits.

Halal certification is an extremely crucial factor for business actors. Halal certificates are provided by the Halal Product Guarantee Agency (BPJPH) based on a written fatwa issued by the Indonesian Ulema Council (MUI) [4]. Halal items can be interpreted as products that adhere to Islamic law's norms or regulations [5]. This is an endeavor to improve consumer trust in the items' manufacturers. So that people have no reservations about purchasing a food or beverage product. Additionally, various advantages for business actors with halal certifications might boost their competitiveness.

Halal literacy or halal understanding is essential for business actors who self-declare as halal. This is because, in order to self-declare, business actors must be aware of halal and non-halal product constituents. Self-declaration is highly helpful for business actors to complete the halal certification process. Self-declaration is described as an independent declaration by business actors regarding the halal status of the products they sell [6]. Self-declaration must still adhere to BPJPH's criteria and regulations. If business actors choose to self-declare, they must satisfy specific requirements, one of which is the presence of a recognized Halal Product Process (PPH) companion [6].

The type of business that business actors operate influences whether or not halal certification is required for the products they offer. Priority is given to businesses that produce food, beverages, cosmetics, or medicines for halal certification [7]. If a business actor manufactures or sells products that are not intended for human consumption, halal certification is not necessary. The introduction of Law No. 33 of 2014 concerning Halal Product Assurance (UU JPH) brought about modifications to halal certification, which was formerly voluntary but is now mandatory for commercial actors [8].

According to the Department of Cooperatives and SMEs of East Java Province, the business actors referred to in JPH Law No. 33 of 2014 are persons or business entities in the form of legal entities or non-legal entities that conduct business activities on Indonesian territory [8]. This, Micro, Small, and Medium-sized Enterprises (MSMEs) are also required to comply with halal certification regulations. MSMEs play a crucial role in the nation's economy, particularly in terms of Gross Domestic Product (GDP), employment, and poverty reduction [9]. As the number of micro, little, and medium-sized enterprises (MSME) business actors continues to rise, they are compelled to increase the quality and originality of their products in order to remain competitive.

The number of micro, small, and medium-sized enterprise (MSME) business actors in tourist cities is relatively high, therefore they must compete with other MSME company actors. Malang is one of Indonesia's major tourist destinations. Thousands of MSMEs contribute to the growth of the regional economy in Malang. As a tourism destination, Malang's SMEs are expected to enhance product quality assurance, including the guarantee of halal items, so that consumers feel more at ease and satisfied when consuming

them [10]. In actuality, however, not all MSME company actors certify their products as halal due to a lack of readiness and a lack of motivation in doing so. Based on this description, the researcher wishes to determine the effect of self-declaration literacy and the type of business conducted by business actors on the preparedness and interest in halal certification among Malang Raya's MSMEs.

## 2 Literature review

Halal Readiness and Interest in Halal Certification.

Halal certification is the process of acquiring a halal certificate in compliance with relevant requirements. Halal certification is a series of tests that establish the halal status of a product based on its ingredients and manufacturing practices [11]. In Indonesia, the Institute for the Study of Food, Drugs, and Cosmetics of the Indonesian Ulema Council has the authority to regulate halal certification (LPPOM MUI). Halal certificates are provided by the Halal Product Guarantee Agency (BPJPH) based on a written fatwa issued by the Indonesian Ulema Council (MUI) [4]. The MUI Halal Certificate is a formal fatwa from the Indonesian Ulema Council declaring the Islamic law compliance of a product (LPPOM-MUI, n.d.). This certificate is required to get a permission for the halal labeling of packaged products.

Readiness can represent various possibilities, including “ready,” “not ready,” and “not ready as a group” [12]. Individuals or groups are prepared when they have the information, skills, talents, and attitudes necessary to achieve their objectives. While interest is the desire, inclination, or disposition of people or groups toward something. Readiness and interest in halal certification refer to the level of business actors' interest and willingness in halal certification, as well as their knowledge, skills, capacities, and attitudes towards the implementation of halal certification for their products.

### 2.1 Self-Declare Literacy

Self-declare can be viewed as a statement made independently by business actors regarding the halal status of the products they sell [6]. Self-declaration must adhere to all applicable regulations and circumstances so that its validity cannot be questioned. One of the prerequisites for business actors to self-declare is to be overseen by an institution trusted by BPJPH; this institution is LPH (Halal Inspection Agency)[13]. Self-declaration literacy is knowledge, expertise, or information pertaining to self-declaration or independent halal statement. Before declaring that their products are halal, business actors must be aware of everything that is or is not halal.

### 2.2 Business Type

According to [14], business can be defined as a process that involves taking risks in order to run it yourself and capitalize on the various opportunities to create new businesses with innovative ideas, so that the managed business can develop and survive independently in the face of various challenges. There are numerous business types. According to the Law on Micro, Small and Medium Enterprises (MSMEs) No. 20 of 2008, the types

of businesses themselves are micro-enterprises, small-scale businesses, medium-sized businesses, and large businesses [15]. According to the governing law, (1) Micro Business is a productive business owned by individuals and/or individual business entities that meet the Micro Business characteristics. (2) Small Firm is a stand-alone, economically viable business that is operated by persons or business entities that are not subsidiaries or branches of corporations controlled by Medium Enterprises or Large Businesses that fit the specified criteria for Small Business. (3) Medium Enterprises are productive economic businesses that stand alone and are conducted by persons or business entities that are not subsidiaries or branches of corporations owned by Small Enterprises or Large Enterprises and have a regulated net worth or yearly sales revenue. Medium Enterprises are state-owned or private national firms, joint ventures, and international businesses doing economic operations in Indonesia (Table. 1).

### 3 Research Method

The type in this research was descriptive quantitative research. Quantitative research was used to calculate the testing of the theories of the relationship between research variables. While descriptive research was used to explain and describe in detail how the relationship between research variables. This research used the Structural Equation Modeling Partial Least Square (SEM-PLS) analysis method to calculate and test the relationship between research variables. For more details related to this research, the following is a picture of the research design (Fig. 1.)

Data for this study came from both primary and secondary sources. Using a Google Form questionnaire that was distributed to respondents, the researcher acquired primary data directly from respondents. In contrast, secondary data for this study were gathered indirectly from numerous publications, pamphlets, websites, and samples of comparable prior research.

The population utilized in this study consists of all Malang Raya MSMEs. In this study, sampling was conducted by purposive sampling. To prevent data input errors, the researchers in this study collected 200 samples. This study employed a number of sampling circumstances, including consideration of the MSME business items in operation, the duration of business operations, and the characteristics of business actors in preparation for halal certification.

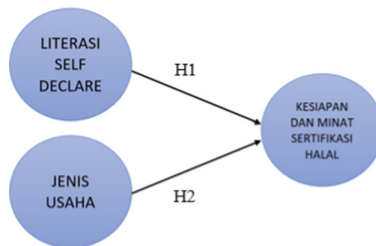


Fig. 1. Conceptual Model

## 4 Results And Discussion

According to [16], if the loading value in a study is between 0.50 and 0.60, it is still acceptable. According to [17], an indicator can be eliminated or omitted from a study if the indicator's loading factor calculation is less than 0.4, and if the indicator's loading factor calculation is 0.7 or more, it is deemed acceptable. Each indication in each variable in this study has a value of at least 0.5. Consequently, this circumstance demonstrates that the indicators for each variable have performed in accordance with the validity test analysis standards. *Estimate* for Path Coefficients is utilized while testing hypotheses. This test considers whether the influence between study variables is significant or not by focusing on the coefficient number and t statistic number, specifically by employing the bootstrapping approach [16]. If the coefficient or Original Sample (O) number is positive, then there is a positive influence, and if the t-statistic number is greater than 1.96 and the p-value is less than 0.05, then there is a statistically significant effect. Independent variable or independent of the dependent or dependent variable. The following are the outcomes of utilizing Estimate for Path Coefficients to test hypotheses (Fig. 2.).

Table 1 displays the findings of the analysis of the hypothesis testing that has been conducted and concludes that hypothesis 1 is supported. It can be demonstrated that the variable of Self-Declaration Literacy has a positive and statistically significant effect on the variables of Readiness and Interest in Halal Certification among MSMEs in Malang. This is evident from the original sample's positive results, the fact that the t-statistic is greater than 1.96 (3,181) and the p-value is less than 0.05 (0.002).

Providing business actors with literacy, knowledge, or comprehension through socialization and help can boost their preparedness and interest in halal certification. According to [18], the way to enhance halal certification among MSMEs is to offer help, training, and socializing. Thus, MSME company actors will comprehend the halal certification process and its significance. Self-declaration can aid in gaining halal certification for business actors. The method for acquiring halal certification must be provided by the Ministry of Religion (Kemenag), and business actors must meet the conditions assessed by BPJPH prior to obtaining halal certification (Mukidi, 2018). Self-declare means that not only can MSMEs independently declare their products as halal, but they

**Table 1.** Hypothesis testing

	<b>Origin Sample (O)</b>	<b>Sample Average (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics (  O/STDEV  )</b>	<b>P Values</b>
<b>Business Type - &gt; Halal Readiness and Interest</b>	0,414	0,426	0,091	4,549	<b>0,000</b>
<b>Self-Declare Literacy - &gt; Halal Readiness and Interest</b>	0,301	0,324	0,095	3,181	<b>0,002</b>

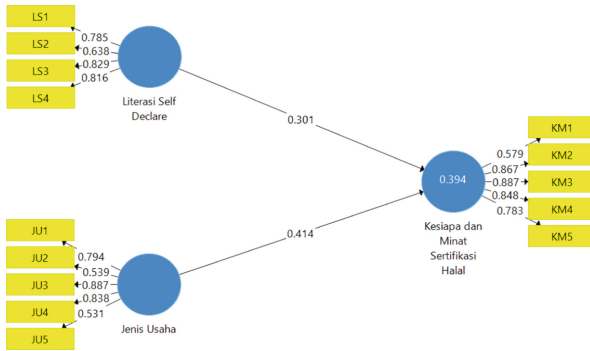


Fig. 2. Validity Testing

can do so under the supervision of BPJPH. Therefore, the presence of self-declaring literacy among MSME business actors will increase their interest and readiness for halal certification.

Moreover, based on the findings of the analysis performed and displayed in Table 1, it is concluded that hypothesis 2 is supported. Readiness and Interest in Halal Certification on MSMEs in Malang Raya are positively and significantly affected by the type of business. The original sample value is positive, the t-statistic findings are greater than 1.96 (4.549), and the p-value is less than 0.05 (0.000).

MSME business actors' preparedness and interest in halal certification are also contingent upon the type of business they conduct. For business actors who lack awareness of halal certification, the size of their business leads them to believe that halal certification is unnecessary. In addition, according to study conducted by Sari, making halal certification demands a price, which decreases their enthusiasm for halal certification [20]. In addition, not all sorts of enterprises that require halal certification are obliged to be halal-certified, specifically food-related firms [21]. This enables the business type of MSME business players to indicate their preparedness and interest in halal certification.

## 5 Conclusion and Suggestions

In accordance with the present government's primary purpose of implementing mandatory halal certification for all food and beverage goods and simultaneously making Indonesia the center of the world's halal product industry, business actors are required to undergo halal certification. The willingness and interest of business actors to conduct halal certification can be determined by their self-reported level of literacy and the types of enterprises they operate. Based on the research conducted, it can be concluded that self-declaring literacy has a positive and statistically significant effect on the preparedness and interest in halal certification of Malang Raya MSME company players. It also relates to the type of enterprise that has a strong favorable effect on the MSMEs of Malang Raya's readiness and interest in halal certification. This study can be used as a reference for business actors based on its findings. First, MSME business players should increase their knowledge of halal certification so that they understand its significance.

Second, business players should quickly pursue halal certification to strengthen MSMEs' competitiveness and improve product quality assurance for customers. Thus, buyers will feel secure and comfortable without having to worry about halal certification. In order for manufacturers to earn consumers' confidence in the things they sell. As for future research, it is preferable to include a variable that can serve as a gauge between other factors.

## References

1. K. K. Informatika, "Wapres Minta Sertifikasi Halal Produk UMKM Dipermudah. Kementerian Komunikasi Dan Informatika Republik Indonesia.," 2022.
2. D. Bayu, "Sebanyak 86,9% Penduduk Indonesia Beragama Islam. Data Indonesia," 2022.
3. A. R. Kamalina, "Pelaku UMKM Perlu Utamakan Sertifikasi Halal, Ini Alasannya.," 2022.
4. W. Wardo and S. Samsuri, "Sertifikasi Halal dan Implikasinya Bagi Bisnis Produk Halal di Indonesia," *Al Maal J. Islam. Econ. Bank.*, vol. 2, no. 1, 2020, <https://doi.org/10.31000/alm.aal.v2i1.2803>.
5. M. Puspaningtyas and D. M. Putri, "Sertifikat halal bagi produk makanan dan minuman untuk meningkatkan citra umkm di kabupaten blitar," 2019.
6. F. Rafianti, R. Krisna, and E. Radityo, "Dinamika Pendampingan Manajemen Halal Bagi Usaha Mikro dan Kecil Melalui Program Self Declare.," vol. 6, pp. 636–643, 2022.
7. A. Makhtum and M. E. Farabi, "Pemetaan Potensi Sertifikasi Halal Pada Sektor Produk Makanan dan Minuman Unggulan di Kabupaten Bangkalan.," no. June, pp. 214–225, 2021.
8. S. Gunawan, Juwari, H. W. Aparamarta, R. Darmawan, and A. Rakhmawati, "Pendampingan Berkelanjutan Sistem Jaminan Halal Bagi Usaha.," vol. 5, no. 1, 2021.
9. L. Anggraeni, H. Puspitasari, S. El Ayubbi, and R. Wiliasih, "Akses UMKM Terhadap Pembiayaan Mikro Syariah dan Dampaknya Terhadap Perkembangan Usaha : Kasus BMT Tadbiirul Ummah , Kabupaten Bogor The Access of MSME towards Islamic Microfinancing and Its Impact on Business Development : A Case of BMT Tadbiirul Ummah , Bogor.," vol. I, no. 1, pp. 56–67, 2013.
10. B. A. Agustina, Y. Pratikto, H., Churiyah, M., & Dharma, "Pentingnya Penyuluhan Sertifikasi Jaminan Produk Halal Untuk Usaha Kecil Menengah (UKM).," *J. Graha Pengabdian*, vol. 1, no. 2, 2019.
11. S. U. Fauziah, K. B. Seminar, I. Hermadi, and N. E. Suyatma, "DECISION SUPPORT SYSTEM DOCUMENT PROVIDERS IN HALAL CERTIFICATION SUBMISSION.," vol. 27, pp. 261–270, 2017, doi: <https://doi.org/10.24961/j.tek.ind.pert.2017.27.3.261>.
12. B. E. Bitjoli *et al.*, "ANALISA KESIAPAN KOTA CERDAS ( STUDI KASUS : PEMERINTAH KOTA MANADO )," vol. 12, no. 1, 2017.
13. A. M. I, N. S. Imaniyati, A. H. Zakiran, P. I. Hukum, F. Hukum, and U. I. Bandung, "Pencantuman Label Halal dalam Produk UMKM Tauco Cianjur menurut Undang-Undang Jaminan Produk Halal sebagai Upaya Perlindungan Konsumen.," pp. 506–513, 2014.
14. E. Hadiyati, "Kreativitas dan Inovasi Berpengaruh Terhadap Kewirausahaan Usaha Kecil. Jurnal Manajemen Dan Kewirausahaan.," vol. 13, no. 1, 2011.
15. Y. R. Suci, "( USAHA MIKRO KECIL DAN MENENGAH )," 2013.
16. H. Ghozali, I., & Latan, *Partial Least Squares: Konsep Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0*. Badan Penerbit Undip Badan Penerbit Universitas Diponegoro, 2015.
17. R. R. Henseler, J., Ringle, C. M., & Sinkovics, "The Use of Partial Least Squares Path Modeling in International Marketing. In *Advances in International Marketing*," *Emerald Gr. Publ. Ltd.*, vol. 20, 2009.

18. S. Aprilia and A. Priantina, "ANALISA STRATEGI PENINGKATAN SERTIFIKASI HALAL," vol. 2, no. 1, pp. 50–71, 2022.
19. Mukidi, "Media Komunikasi dan Informasi Hukum dan Masyarakat JURNAL HUKUM KAIDAH Media Komunikasi dan Informasi Hukum dan Masyarakat," *J. Huk. Kaidah*, vol. 19, no. 3, 2818.
20. D. Siregar, G., Sibuea, M. B., & Novita, "Laporan Akhir Penelitian Hibah Bersaing [Universitas Muhammadiyah Sumatera Utara," 2016.
21. N. Nasori, S. Indrawati, E. Endarko, and M. Mashuri, "Pemetaan Usaha Mikro Kecil dan Menengah Jawa Timur Menuju Sertifikasi Halal Tahun 2024," vol. 6, no. 1, 2022.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

