The Influence of Government Regulations on the Intention to Register For Halal Certification for Micro and Small-Scale Food Businesses

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ABSTRACT: This study aims to provide an understanding of halal certification to maintain food that is indeed fit for consumption properly. The methodology used in this study is analyzed using SPSS and SEM-PLS. A total of 461 samples were used in this study, where the government regulation variable is a moderator variable in encouraging the interest of food producers to register for halal certification. This study is expected to help policy makers in accelerating the fulfillment of halal certification as required by law. The results of the study are that Attitude has a positive but not significant effect on Intention to Halal Certification. While Subjective Norm and Perceived Behavior Control have a positive and significant effect on Intention to Halal Certification. Furthermore, the Halal Awareness and Perceived Benefits variables through the Perceived Behavior Control variable also have a positive and significant effect on Intention to Halal Certification.

KEYWORDS: Halal Certification, Halal Product Assurance, Theory of Planned Behavior, MSMEs

I. INTRODUCTION

Indonesia is the largest halal economy market in the world, driven by a Muslim population of 229.6 million in 2020, the largest in the world. Total spending on halal economy products and services reached $184 billion in 2020 and is projected to grow annually by 14.96% to reach $281.6 billion or 11.34% of global halal spending by 2025. In this regard, all stakeholders in the halal industry sector need to strive so that Indonesia is not only a target market, but also able to encourage increased production of halal products domestically (Bank Indonesia, 2023).

In the National Strategy for the Development of the Halal Industry in Indonesia in 2019 published by the National Committee for Sharia Economics and Finance (KNEKS), there are 5 national strategies for the development of the Indonesian halal industry abbreviated as GRIPS, namely the Global Hub Development Strategy, Research and Regulation Strategy, Industrialization Strategy, Halal Preference Strategy, and SME's Development Strategy. The implementation of the national strategy has been carried out quite a lot by various related parties (KNEKS, 2019).

Strategy from the regulatory side, the government has issued regulations, namely Law No. 33 of 2014 concerning halal product assurance and Government Regulation (PP) No. 39 of 2021 concerning the Implementation of the Halal Product Assurance Sector. In the regulation, the obligation to ensure the halalness of food and beverages in accordance with the Law will be enforced starting October 17, 2024.

Although halal product certification is being carried out more intensively, until October 2022, a total of 749,971 products have been certified halal. This value is still quite far from the main target of 10 million halal product certifications. This contradiction shows that the intention of MSMEs to register for halal certification for their businesses is still low. They may not be aware of the benefits of halal certification or have a negative perception of halal certificates. In the context of the Halal Preference Strategy, various activities have been carried out by various related parties to increase public awareness of halal products and halal lifestyles. Activities such as seminars, talk shows, and public discussions are one of the main means used to increase public awareness of the development of the halal industry in Indonesia. One of the agendas initiated by Bank Indonesia, namely the International Sharia Economy Festival (ISEF), is also an effort to convey the development of the halal industry sector in Indonesia.

Several studies on public perceptions of halal-certified food products have been conducted, but most focus on consumer perceptions of consuming halal food (including Bukhari, 2023; Bashir, 2019; and Lim, 2021). Research discussing the preferences of food producers to register for halal certification is still lacking. Therefore, this study will discuss the factors that influence the interest of food producers to register for halal certification for their products. In addition, this study also includes government regulation variables as moderating variables in encouraging the interest of food producers to register for halal certification. This study is expected to help policy makers in accelerating the fulfillment of halal certification as required by law.

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II.   LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Intention is the result of a person's evaluation after obtaining a perception of the value of something, whether they want to act or not. Meanwhile, from a guaranteed perspective, halal certification is authentic evidence that business actors have verified the halalness of their products and meet applicable rules. In addition, halal certification is an obligation for a Muslim to run a business with noble morals in accordance with sharia. So cumulatively it can be defined that the intention to register for halal certification is the willingness of producers to fulfill halal product procedures in producing and certifying the halalness of their products (Margarena & Ikhwan Setiawan, 2022).

Attitude is the extent to which a person has a good or bad evaluation of a behavior in question. Attitude defines an individual's intention towards a particular product. The more favorable the consumer's attitude, the greater the individual's intention to perform the behavior (Saputra et al., 2023).

Subjective norms refer to various types of peer coercion that exist in a place where the situation influences the intention to do something and then results in behavior towards a product. A person's normative beliefs are formed from basic expectations of the characteristics that the person experiences from individuals and groups of individuals who are important to the person. Subjective norms are a form of social encouragement in humans (Saputra et al., 2023).

Awareness is explained as the ability to understand and perceive an event and object known to Muslims based on the provisions of Islamic law regarding what is permissible to eat and drink, by including religious values as a commitment to religion. Halal food is categorized as clean and healthy food, and all food products with the halal logo are allowed to be consumed (Aslan, 2023).

In marketing science, perceived value is defined as the perceived benefit value of something to the point of being the basis for someone to have an intention before taking an action. While for more specific ones, perceived benefit is a derivative of economic value that is specifically felt by individuals in this case MSMEs. The economic benefit is then interpreted as a benefit that refers to the positive consequences that underline a person's intention to act which is then called perceived benefit in this study. This perception is also part of the producer's expectations in expecting higher benefits to generate the producer's behavioral intentions. So, in this study it can be explained that perceived benefit is the extent to which MSME actors perceive the value of economic benefits that will be converted into an intention to register for halal certification on their products. In the context of marketing behavior, the higher the perceived economic benefit value, the higher a person's intention to behave (Margarena & Ikhwan Setiawan, 2022).

Behavioral control (PBC) is explained by an individual's belief about the ease of behaving to achieve a targeted goal based on past experiences and the individual's own evaluation. The greater the PBC, the stronger a person's intention to perform a certain behavior (Aslan, 2023).

Regulation is one of the main supporting factors in the success of the halal certification process. Government regulation is the producer's point of view regarding the complexity of the certification application process. So far, the certification process that has been carried out has not been effective, takes a long time, and is expensive, thus affecting the desire of producers to carry out halal certification for their products. In addition, regulation is also considered to be the cause of the good and bad image of the certification body, which in the end all of its policies are considered by producers in carrying out halal certification for their products (Margarena & Ikhwan Setiawan, 2022).

According to the Theory of Planned Behavior (TPB), intention is determined by three independent factors, namely attitude towards behavior, subjective norms, and behavioral control. A positive attitude supported by people around (as subjective norms) and there is a perception of ease in performing the behavior being considered (as behavioral control), then the individual's intention to behave will be higher (Ajzen, 1991).

HYPOTHESIS DEVELOPMENT

According to Waluyo (2013), the intention to register for halal certification is greatly influenced by religious understanding and profit-seeking motivation, because MSMEs generally agree that halal certification provides various benefits (Giyanti, 2019). However, the procedure for obtaining a halal certificate is relatively difficult, thus reducing the intention of MSMEs to register for halal certification. Referring to the Theory of Planned Behavior (Ajzen, 1991), the intention to register for a halal certificate is influenced by the attitude to produce halal products, supported by halal awareness, and the perception of the ease of the procedure for obtaining a halal certificate. This study identifies the variables of attitude (Attitude), subjective norm (Subjective Norm), halal awareness (Halal Awareness), perceived benefits (Perceived Benefits), behavioral control (Perceived Behavior Control), government regulations related to halal certification (Government Regulation) and the intention to register for a halal certificate. The measurement items of each variable were then compiled from previous studies (Giyanti, 2019; Waluyo, 2013; Ambali, 2014; Abdul, 2014; Abdul, 2013; Ngah, 2014). The relationship between these variables is compiled in a conceptual model to analyze the influence of government regulations on the intention to register for halal certification (Figure 1).

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Figure 1: Conceptual model of the influence of government regulations on the intention to register for halal certification.
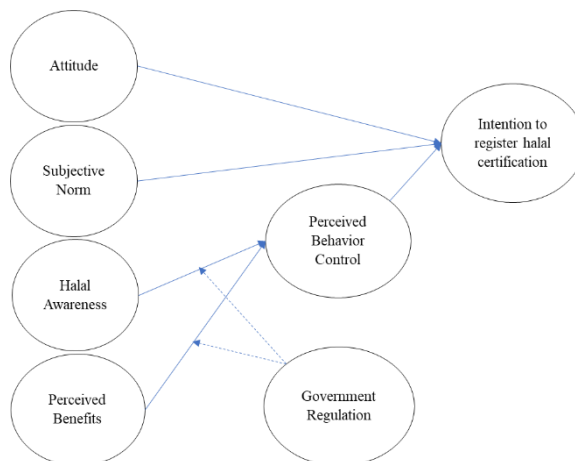
III. METHODOLODY OF RESEARCH

The population of this study is MSMEs in the Riau Islands Province that have the Indonesian Standard Business Classification Code (KBLI) 10 and 11 (food and beverage industry) totaling 8,925 MSMEs (BPS Kepri, 2020). Based on this population, this study will take a sample of 461 culinary MSMEs in the Riau Islands Province. The respondents selected are MSMEs that produce non-slaughtered meat processed culinary products. Respondents in this group were selected in the study because this group receives facilities from the government in the form of free halal certification and in the process does not require complex laboratory procedures. Respondents were selected using the purposive sampling method. Purposive sampling is a data collection technique with certain considerations (Sugiyono, 2012).

The questionnaire was chosen as the research instrument. The questionnaire used was administered based on previous literature. The questionnaire was translated from English to Indonesian, except for references that were already in Indonesian. The questionnaire consists of two parts, the first part is the socio-demographic information of the respondents, consisting of age, gender, social status, religion and business turnover. The second part includes attitudes, subjective norms, halal awareness, perceived benefits, perceived behavior control, government regulations related to halal certification and intention to register for halal certification. The measurement scale uses a five-point Likert scale as stated by (Gwinner, 2006; Vagias, 2006), namely (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree.

Data analysis is divided into two parts, namely descriptive analysis and PLS-SEM. PLS-SEM is suitable when the goal is to identify the main drivers of the construct, which in this study refers to determining the factors for registering halal certification. Furthermore, SmartPLS software is used for analysis and testing. The data collected is then analyzed using SPSS and SEM-PLS, which allows researchers to evaluate the relationship between independent variables and dependent variables. SEM-PLS is a structural equation modeling program. SEM-PLS is a statistical system in the form of a cause-and-effect model. SEM is used to compile and display the influence of variables in a structural model. While PLS (Partial Least Square) is a regression-based technique to create a model with the assumption that research data is free of distribution, in other words, the research data collected is not based on the size of the distribution.

IV. RESULT AND DISSCUSIONS

Based on the analysis, most of the respondents were women, namely 408 respondents (88.5%). In terms of age, respondents were dominated by the 36–55-year age range of 327 respondents (70.93%), with most education levels being high school graduates/equivalent, namely 293 respondents (63.56%). The types of products from the MSMEs that were respondents consisted of wet food businesses (214 respondents), packaged food businesses (201 respondents) and beverage businesses (46 respondents). Respondents had been running their businesses for more than 5 years, as many as 193 MSMEs, while the length of business was 1-5 years as many as 204 MSMEs, and those who had only been running their businesses for less than 1 year were 64 MSMEs. Most of the MSMEs that were respondents did not have halal certificates, as many as 247 MSMEs (53.58%) and the majority of annual turnover was less than 100 million rupiah, as many as 406 MSMEs (88.07%).

Figure 2. PLS Calculate Results
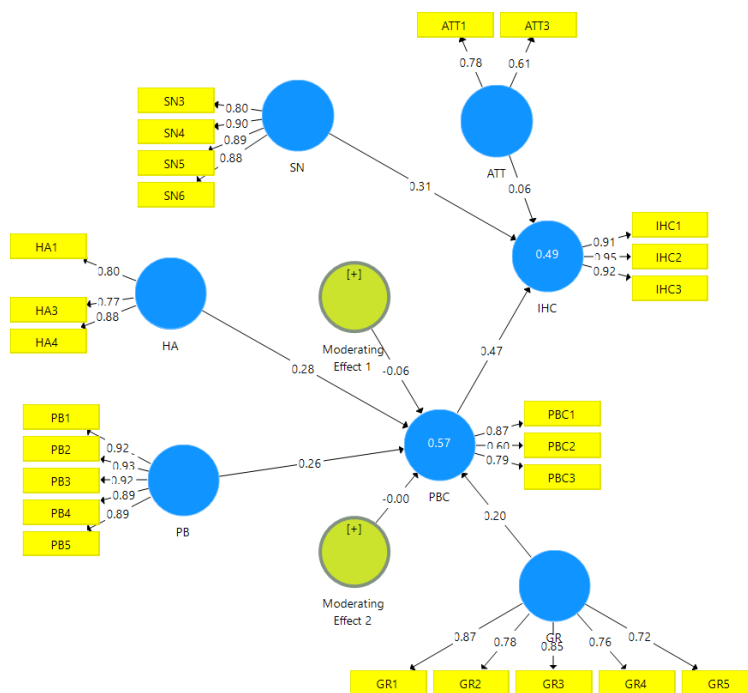
Measurement Model

The measurement model is assessed through confirmatory factor analysis (CFA) which tests the convergent and discriminant validity of the constructs studied (Table 3). The convergent validity of the construct is determined through the composite reliability (CR) and average variance extracted (AVE) values. The results of the convergent validity test in Table 3 show that the outer loading factor is > 0.6 for each indicator so that it can be stated that all indicators are valid so that further analysis can be carried out.

The results of the reliability test show that the overall composite reliability figure is more than 0.6 and the Cronbach's alpha value of all variables is more than 0.6 except for the Attitude variable which has a negative value (-0.04). To see the convergent validity based on AVE, it is proven by the AVE value which is more than 0.5 (Ghozali, 2021). Furthermore, the convergent validity test is met if the AVE value is > 0.5 (Hair et al., 2014). Based on the table, all AVE values for each variable are > 0.5 except for the Attitude variable. Although the AVE value of the Attitude variable is <0.5, Fornell and Larcker state that when the AVE value is less than 0.5 but the CR value is greater than 0.6, it is acceptable (Larcker & Fornell, 1981). So, it can be concluded that the CFA formed has met the requirements for convergent validity.

Another method to test discriminant validity is the Fornell-Larcker Criterion. The results of measuring the square root of AVE for each construct are smaller than the correlation between constructs in the model, which is good discriminant validity. Henseler, et al. (2015) recommend that HTMT less than 0.9 is very good and means that discriminant validity is achieved. The value of the correlation between constructions is less than 0.9, so based on this criterion the data has met discriminant validity. However, for the Attitude variable, its discriminant validity was not achieved.

Tabel 1. Results of Hypothesis-testing

Hypothesis		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Conclusion
H1	ATT -> IHC	0.063	0.07	0.038	1.645	0.100	Not Significant
H2	SN -> IHC	0.308	0.308	0.052	5.948	0.000	Significant
H3	HA -> PBC	0.28	0.29	0.068	4.092	0.000	Significant
H4	PB -> PBC	0.259	0.258	0.081	3.194	0.001	Significant
H5	PBC -> IHC	0.474	0.47	0.058	8.15	0.000	Significant
H6	HA -> PBC -> IHC	0.13	0.14	0.04	3.63	0.000	Significant
H7	PB -> PBC -> IHC	0.12	0.12	0.04	2.87	0.004	Significant

H8	HA*GR -> PBC -> IHC	-0.03	-0.03	0.03	0.88	0.377	Not Significant
H9	PB*GR -> PBC -> IHC	0.00	0.00	0.03	0.01	0.992	Not Significant

Source; main data processing pls 3.0 (2024)

From Table 1, it can be concluded that Attitude has a positive influence of 0.07 on Intention to Halal Certification. This means that the higher the Attitude value, the higher the Intention to Halal Certification. Conversely, if Attitude decreases, it will cause Intention to Halal Certification to decrease. The significance of this influence can be seen in the t statistics and P Values columns. The t statistic value is less than 1.96, and P-values are more than 0.05 indicating that Attitude does not have a significant effect on Intention to Halal Certification.

Table 2. Results of R Square

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
IHC	0.49	0.494	0.078	6.323	0.000
PBC	0.57	0.576	0.059	9.589	0.000

Source; main data processing pls 3.0 (2024)

Table 2 The results of the R Square Test show that the R Square value for the Intention to Halal Certification variable is 0.494, which means that Attitude, Subjective Norm and Perceived Behavior Control can explain Intention to Halal Certification by 49.4%, the rest is explained by variables that are not in the model in this study. Furthermore, the results of the R Square Test show that the R Square value for the Perceived Behavior Control variable is 0.576, which means that Halal Awareness and Perceived Benefits can explain Perceived Behavior Control by 57.6%, the rest is explained by variables that are not in the model in this study. In accordance with the criteria of Hair et, al. (2019), the R squares value> 0.50 indicates the prediction results in the "Strong" category. GoF or Goofness of fit is a comparison between a specified model and a covariance matrix between indicators or observed variables. GoF shows a result of 0.608, so Gof is said to be "Strong" Gof because it is more than 0.36.

$$GoF = \sqrt{Comm \ x \ \overline{R^2}}$$

$$\overline{Comm} = \frac{0.49 + 0.76 + 0.67 + 0.83 + 0.58 + 0.64 + 0.87}{7} = 0.691$$

$$\overline{R^2} = \frac{0.494 + 0.576}{2} = 0.535$$

$$GoF = \sqrt{0.691 \ x \ 0.535} = 0.608$$

GoF: Goodness of Fit Criteria to measure quality index (model accuracy)
Comm: Average communalities (Average Variance Extracted/AVE)
R2: Average R squared

V. CONCLUSIONS AND RECOMMENDATION

Based on the results of the hypothesis test with SmartPLS, Attitude has a positive but insignificant effect on Intention to Halal Certification. While Subjective Norm and Perceived Behavior Control have a positive and significant effect on Intention to Halal Certification. Furthermore, the Halal Awareness and Perceived Benefits variables through the Perceived Behavior Control variable also have a positive and significant effect on Intention to Halal Certification. From the results of the analysis, Government Regulation as a moderate variable on Perceived Behavior Control does not have a significant effect.

Suggestions for further researchers can expand the scope of the research and add variables and research objects so that the scope of the research is wider. The addition of indicators in the Attitude variable for further research can be considered to produce a better model. This research is expected to be a consideration for policy makers to be able to encourage MSMEs to obtain halal certificates.

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