

## DETERMINANT OF HALAL INDUSTRY PRODUCT SELECTION

Feri Dwi Riyanto<sup>1</sup>, Ikhsan Maksum<sup>2</sup>, Naufal Dzakwana<sup>3</sup>

<sup>1,2,3</sup>Islamic State University of Maulana Malik Ibrahim, Malang

Corresponding author: <sup>1</sup>feri.riyan@uin-malang.ac.id, <sup>2</sup>ikhsan.maksum@uin-malang.ac.id

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**Abstract:** This paper aims to analyze the determinants of Malang people's perceptions in choosing the halal industry. In this study, using product knowledge, accessibility, and information/promotion as exogenous variables, while religious and the perception of the halal industry as an endogenous variable and also halal Certification as a moderating variable. The government has prepared a masterplan to develop the halal industry. One of the goals of the government in making a masterplan is to foster public perceptions of the halal industry. So that is expected to be able to encourage the growth and development of the halal industry market in Indonesia, which is meant by the halal industry, including halal tourism, halal culinary, and halal hotels. Data's collected through a questionnaire of 160 respondents. This research uses the Partial Least Square (PLS) method based on variants approach. The results showed that all exogenous variables influence the endogenous variable, except information that does not significantly influence the religious and product knowledge also does not significantly influence the perception of the halal industry. While the halal certification variable as a moderating does not have a weakening or strengthening effect on the other variables.

**Keywords:** religious, halal Certification, halal industry, Partial Least Square (PLS)

**Abstrak:** Penelitian ini bertujuan untuk menganalisa determinan persepsi masyarakat Malang dalam memilih industri *halal*. Dalam studi ini menggunakan pengetahuan produk, aksesibilitas, dan informasi/promosi sebagai variabel eksogen, sementara agama dan persepsi dari industri halal sebagai variabel endogen dan juga sertifikasi *halal* sebagai variabel moderasi. Pemerintah telah menyiapkan *masterplan* untuk mengembangkan industri *halal*. Salah satu tujuan pemerintah dalam membuat *masterplan* adalah mendorong persepsi publik tentang industri *halal*. Sehingga diharapkan dapat mendorong pertumbuhan dan perkembangan pasar industri *halal* di Indonesia, yang dimaksudkan oleh industri *halal* termasuk pariwisata *halal*, kuliner *halal*, dan hotel *halal*. Data dikumpulkan melalui kuesioner 160 responden. Penelitian ini menggunakan metode Partial Least Square (PLS) berdasarkan pendekatan varian. Hasil penelitian menunjukkan bahwa semua variabel eksogen mempengaruhi variabel endogen, kecuali informasi yang tidak berpengaruh signifikan terhadap religiusitas dan pengetahuan produk juga tidak berpengaruh signifikan terhadap persepsi industri *halal*. Sementara variabel sertifikasi *halal* sebagai moderator tidak memiliki efek melemahnya atau memperkuat pada variabel lain.

**Kata kunci:** religi, sertifikasi halal, industri halal, Partial Least Square (PLS)

## INTRODUCTION

Indonesia ranks 4th with the most significant number of people in the world. 85% of Indonesia's total population is Muslim, making Indonesia the largest Muslim nation in the world (as big as 13% of all Muslims in the world, (Pew Research Center, 2012). Many Muslim populations in Indonesia become a separate opportunity for the development of the halal industry in Indonesia. Indonesia is ranked 10th in the global Sharia economic indicator in 2018. The Global Islamic Indicator measures the health and development of the Islamic economy.

Halal is interpreted as a quality standard by Islamic law and used in all activities conducted by Muslims (Bohari, Abdul Manaf, Cheng Wei Hin, 2013). Then (Nordin, Husain, Yulia, Abu Basar, & Fuad Salleh, 2017) also argued similarly that the halal certificate affects the market share of a product, while (Nurcahyo & Hudrasyah, 2017) do research that the halal Certification affects the intention of paying.

Religious play an essential role in the halal industry market. Is because the halal industry mostly addressed to Muslims. The research of (Nurhayati & Hendar, 2019) shows that religiosity affects the intention of buying halal products. In line with the research idea (Ahmed, Najmi, Faizan, & Ahmed, 2019) found that religiosity influences the desire to pay halal products.

The government has been severe in developing the halal industry market in Indonesia, evidenced by the creation of the Indonesian Sharia economics Masterplan 2019-2024, which covers the strengthening of the Halal Value Chain. There are main programs in the strengthening of halal value chains such as halal regional hubs, halal certifications, halal lifestyle campaigns, investment incentives, and international cooperation. The purpose of the halal industry in Indonesia can be developed and socialized to the public about the halal industry in Indonesia.

The development of the halal industry market requires information or promotion. Information or promotion is a medium to invite consumers to buy or visit. In the study of (Mardiyani, 2015) The promotion is influential on tourism visits in Semarang. Besides, (Aziz & Chok, 2013), also reveals that the promotion affects buying interest.

Accessibility also has a role in the development of the halal industry market. (Fangdong, CAO, HUANG Zhenfang, WU Jiang, XU Min, 2012) research showed that accessibility played

a decisive role in promoting overall tourism results generally, on a local scale, the role was still under control. In line with (Russo, 2002) said that accessibility became an essential requirement for active tourism development.

Product knowledge is vital to understand for consumers. It is essential because consumers will buy a product according to the consumer's understanding of the product. The research of (Nurhayati & Hendar, 2019) states that the knowledge of halal products significantly affects the intention of buying halal products.

## **LITERATURE REVIEW**

### ***Product knowledge***

Consumer knowledge of Halal products can also interpret as mapping to products that believed to be halal. (Kussujaniatun & Wisnalmawati, 2011), measuring the knowledge of halal products through 4 indicators: first is product quality insight, second is product safety insights, third is know the product content and fourth information on the excavation of halal products.

### ***Accessibility***

According to (Gamal, 2000), accessibility is a tool that connects tourists and attractions. It can be either transportation or information. (Gamal, 2000) described accessibility has four indicators, namely: first is transportation, second is accessibility, third is travel convenience, and fourth is road conditions.

### ***Information and Promotions.***

Promotional Media is a way for companies to attract consumers to be interested in buying the goods and services offered. The author formulates information and promotions with three indicators, namely: first is online media, second is offline advertising, and third is environments.

### ***Religious Level***

Religion affects the pattern of consumer behavior. Due to provisions on the rules for consuming the product, it set in religion (Shafie & Othman, 2008). (Bonne & Verbeke, 2006) makes an indicator of the level of rebased on four things: first is the insight of Aqidah, second is the obedience of Aqidah, third is sharia discipline, and fourth is a religious environment.

### ***Halal Certification.***

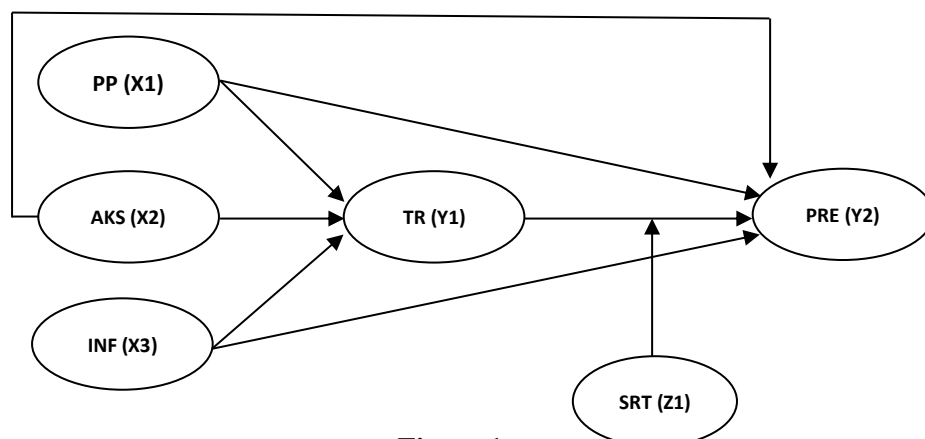
Halal certification label relating to the guarantee issued by authorized against a kosher product. Consumers become increasingly confident with the halal or whether the product can be seen from the certificate. Researchers formulate information and promotions with three indicators: label, halal writing, and BPOM certification.

### ***Halal Perception***

According to Sheth, Mittal, & Newman (1999), halal label perception is the process by which one chooses, regulates, and interprets various halal information received from the environment. Sheth et al. (1999) measure the perception of halal labels using four indicators, among others: the first is security, the second is a religious value, third is a health and fourth specificity.

### **METHOD**

This study uses a quantitative research approach with primary data. Data collected through the questionnaire obtained a sample of 160 respondents. The method of analysis used in this study is Partial Least Square (PLS). PLS is an analysis of the structural equation model (SEM) based variant that can simultaneously conduct measurement model testing and simultaneously testing the structural model. The measurement model in PLS differentiated into two outer model test of validity and reliability test, the second inner model testing namely Test Goodness of Fit (GoF) and hypothesis testing (Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, 2014). The following models presented the research framework.



**Figure 1**  
**Research Framework**

There are three exogenous variables (PP, AKS, INF), two endogenous variables (TR, PRE), and one moderation variable (SRT). In each of these variables have the research indicators, which are all reflective.

## RESULTS AND DISCUSSION

Results and discussion will be presented regarding the inferential statistical testing of PLS from the results of the outer model and inner model test and discussed the findings of the research.

### *Testing of Research Instruments (Outer Model)*

Instrument tests consist of validity and reliability tests. The results of the instrument test will discuss in the sub-chapter below:

#### a. Validity Test

If the P-value's significant value is less than Alpha (5%), it meets the validity of convergent, or it can be said to be a valid (precise) research indicator. Here is the P-value of all research indicators.

**Table 1**  
**Combined Loadings and Cross-Loading**

Variable	Variable Symbol	Indicator	Loading factor	P-value**	Description
Product Knowledge (X <sub>1</sub> )	PP	X.1.1	0.693	<0.001	Valid
		X.1.2	0.724	<0.001	Valid
		X.1.3	0.630	<0.001	Valid
		X.1.4	0.707	<0.001	Valid
		X.1.5	0.468	<0.001	Valid
		X.1.6	0.331	<0.001	Valid
Accessibility (X <sub>2</sub> )	AKS	X.2.1	0.807	<0.001	Valid
		X.2.2	0.815	<0.001	Valid
		X.2.3	0.835	<0.001	Valid
		X.2.4	0.335	<0.001	Valid
Information/Promotion (X <sub>3</sub> )	INF	X.3.1	0.807	<0.001	Valid
		X.3.2	0.809	<0.001	Valid
		X.3.3	0.657	<0.001	Valid
Religious Level (Y <sub>1</sub> )	TR	Y.1.1	0.710	<0.001	Valid
		Y.1.2	0.645	<0.001	Valid
		Y.1.3	0.760	<0.001	Valid
		Y.1.4	0.659	<0.001	Valid
		Y.1.5	0.761	<0.001	Valid
		Y.1.6	0.667	<0.001	Valid
		Y.1.7	0.617	<0.001	Valid
Halal Industry Perception (Y <sub>2</sub> )	PRE	Y.2.1	0.781	<0.001	Valid
		Y.2.2	0.878	<0.001	Valid

Variable	Variable Symbol	Indicator	Loading factor	P-value**	Description
Halal Certificate (Z <sub>1</sub> )	SRT	Y.2.3	0.889	<0.001	Valid
		Y.2.4	0.839	<0.001	Valid
		Z.1.1	0.897	<0.001	Valid
		Z.1.2	0.897	<0.001	Valid

\*\*\*) Signifikansi level 5% (0.05)  
Sumber: Output WrapPLS 6.0

Based on the results, all indicators meet the criteria of the P factor < 0.001 (or P-value < Alpha (0.05) it means all indicators meet convergent validity or it can say that all indicators in this study are valid (precisely) describing the variable.

#### b. Reliability Test

The next step is the reliability test, which is testing the instrument to see the consistency of the research variables.

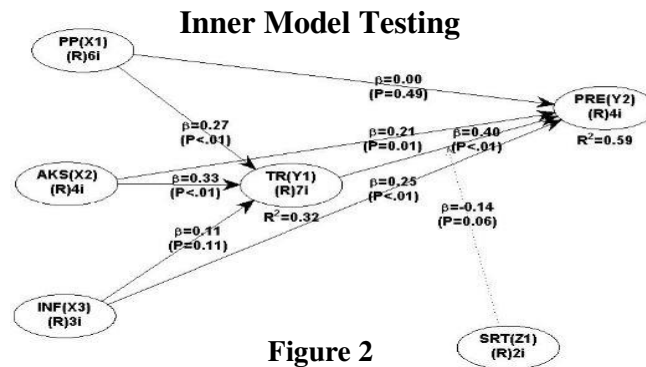
**Table 2**  
**Composite Reliability and Cronbach's Alpha**

Variable	Variable Symbol	Composite reliability coefficients	Cronbach's alpha coefficients
Product Knowledge (X <sub>1</sub> )	PP	0.770	0.643
Aksesibilitas (X <sub>2</sub> )	AKS	0.806	0.675
Information/Promotion (X <sub>3</sub> )	INF	0.804	0.633
Religious Level (Y <sub>1</sub> )	TR	0.864	0.815
Persepsi Halal Industri (Y <sub>2</sub> )	PRE	0.911	0.869
Sertifikasi Halal (Z <sub>1</sub> )	SRT	0.892	0.757

Sumber: Output WrapPLS 6.0

Based on the output in the table above, composite reliability coefficients, all research variables show a value higher than 0.70 (MS Solimun, 2002). Thus, it means that the questionnaire for the entire research variable meets the reliability of the composite. Whereas on Cronbach's Alpha coefficients of the whole variable shows a higher than 0.60. It means the questionnaire for the entire variable meets the reliability of internal consistency. Based on both tests, the whole research variable is consistent and trustworthy; thereby, the next testing phase is a hypothesis testing (model influence).

### Model Hypothesis Testing (Inner Model)



**Figure 2**  
**Result**

This test uses the Bootstrap Resampling Method on PLS-SEM. Hypothesis testing finished by T-Test or partial influence test. When the P-value is  $\leq 0.10$ , its significance is weak. When P-value is  $\leq 0.05$ , it is significant, while P-value  $\leq 0.01$  is said to have high significance (Solimun, AAR Fernandes, 2017)—in this study, using assumptions p-value  $\leq 0.05$ . This study used the assumption of P-value  $\leq 0.05$ . Based on the results of the hypothesis testing, as Figure 2 obtained the result of variable influence as follows.

**Table 3**  
**Hypothesis Testing Results of The Research Model Influence**

Relationship Variable	Path Coefficients	P-Value	Description
PP (X <sub>1</sub> ) → TR (Y <sub>1</sub> )	0.266	0.001**	Significant
AKS (X <sub>2</sub> ) → TR (Y <sub>1</sub> )	0.325	0.001**	Significant
INF (X <sub>3</sub> ) → TR (Y <sub>1</sub> )	0.109	0.115**	Not significant
PP (X <sub>1</sub> ) → PRE (Y <sub>2</sub> )	0.001	0.494**	Not significant
AKS (X <sub>2</sub> ) → PRE (Y <sub>2</sub> )	0.205	0.011**	Significant
INF (X <sub>3</sub> ) → PRE (Y <sub>2</sub> )	0.246	0.003**	Significant
TR (Y <sub>1</sub> ) → PRE (Y <sub>2</sub> )	0.404	0.001**	Significant
SRT (Z <sub>1</sub> ) * TR (Y <sub>1</sub> ) → PRE (Y <sub>2</sub> )	-0.143	0.056**	Not significant

\*\*) Signifikasi level 5% (0.05)  
Sumber: Output WrapPLS 6.0

### The Relationship Product Knowledge, Religious Level, and Halal Product Perception

The product knowledge variable (X1) does not have a direct influence on the variables of the halal product perception (Y2) because of the P-value above Alpha ( $\alpha = 0.05$ ). It can indicate that like religion, the majority of perceptions posed by the public that all halal industries are halal, waive the knowledge of products. Meanwhile, product knowledge variables have an indirect influence on the perception of halal products through variable mediation of religiosity

level (0.107). The value of the coefficient is obtained from multiplication between the direct coefficient of influence of product knowledge variable to religiosity level amounting to (0.266) with the direct coefficient of influence of religious level variable to the perception of the halal product (0.404).

***The Relationship Accessibility, Religious, and Halal Industry Perception.***

Accessibility variables have a direct influence on the variable of halal product perception of (0.205) significant positive, and it can indicate that ease of access makes a person has a good perception of the halal industry. In contrast, the accessibility variables have an indirect influence on the perception of halal products through a variable mediation of religious levels (0.131). The value of the coefficient derives from the multiplication between the direct coefficient of influence variable accessibility to the religiosity level of (0.325) with the direct coefficient of influence of religious level variables to the perception of Halal products (0.404).

***The Relationship Information/Promotion, Religious Level, and Halal Industry Perception.***

Information/promotion variables have a direct influence on the variable perception of halal products of (0.246) significant positive, and it can indicate that the information/promotion received by consumers related to the halal industry, gives the community that the industry is indeed halal. In contrast, the variable information/promotion has an indirect influence on the perception of halal products through variable mediation of religiosity level (0.044). The value of the coefficient derives from the multiplication between the direct coefficient of influence of information/promotion variables against the religiosity level amounting to (0.109) with the direct coefficient of influence of religious level variables on the perception of halal products (0.404).

***The Relationship Between Religious Level and Halal Industry Perception.***

The results of the hypothesis test proved there was a significant influence between the religiosity level of halal conception, evidenced by the P-value < 0.001. Someone religious indicates only to consume products/services that are assured of the goods and halal because they are aware of the consequences when violating their religious teachings. It is in line with the research of (Ahmed et al., 2019) that religiosity can affect the buying intention.



### ***Moderation Effect of Halal Certificates***

The results of hypothesized testing proved there was a weakening influence in the modeling of this moderation, evidenced by the P-value = 0.056. Perceptual perception of the community is high in line with a high religious level. The Halal Certification to make the community a high level of religiosity needs to use halal industry.

### **CONCLUSION**

From the results of the analysis using the model PLS that test the level of perception on halal products found, there are five relationships between significant variables and two relationships between the insignificant variables, as well as one insignificant relationship of moderation variables. Relationship between variable information and the level of religiosity have insignificant results. Moreover, some respondents argued that the information obtained is not very influential or neutral to its religiosity level. Then the relationship of product knowledge variables and the perception of the halal industry is also not significant. They are known because some respondents considered halal perceptions to be less influenced by product knowledge.

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