

## The Effect of Halal Certification on SME Competitiveness Through Consumer Trust

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### ABSTRACT

**Introduction:** In the contemporary dynamics of the Islamic market, halal certification has transcended its theological roots to become a strategic instrument determining the economic viability of MSMEs, thus this study aims to dissect the influence of halal certification on business competitiveness by positioning consumer trust as a mediating mechanism.

**Methods:** Utilizing a causal-explanatory quantitative approach, primary data were gathered from 150 respondents in the Banten region through purposive sampling and subsequently analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).

**Results:** The empirical analysis demonstrates that halal certification significantly contributes to fostering consumer trust while simultaneously accelerating MSME competitiveness, where the most critical finding confirms the role of consumer trust as a mediator that bridges the gap between legal compliance and market performance.

**Conclusion and suggestion:** This underlines that while halal certification serves as a quality signal to reduce information asymmetry, its effectiveness in driving competitive advantage is heavily contingent upon how well that signal is internalized as a trust asset by the consumer. Consequently, the study suggests that the synergy between regulatory compliance and reputation management is a fundamental strategy for MSMEs to achieve sustainable business scalability within the halal economic ecosystem.

**Keywords:** Halal Certification, Consumer Trust, MSME

Competitiveness, Signaling Theory, PLS-SEM.

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## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economic structure, contributing significantly to the Gross Domestic Product (GDP) and employment absorption. However, amid globalization and rising consumer standards, MSMEs face substantial challenges in enhancing their competitiveness. Competitiveness is not merely the ability to survive in the market but also the organizational capacity to deliver added value that distinguishes it from competitors. In Indonesia, where the majority of the population is Muslim, the halal attribute of a product has evolved from a mere religious obligation to a quality standard and competitive parameter that determines MSMEs' market positioning (Muntholip & Setiawan, 2025; Syari et al., 2025). The Indonesian government, through Law No. 33 of 2014 on Halal Product Assurance, mandates halal certification for various products circulating in the market. This policy aims to provide protection and certainty for Muslim consumers. For MSME actors, halal certification is regarded as a strategic instrument to gain competitive advantage. The halal label serves as a quality signal that reduces information asymmetry between producers and consumers. With an official certificate issued by the Halal Product Assurance Organizing Agency (BPJPH), an MSME product gains strong legitimacy to access broader markets, both nationally and internationally (Wardiyah et al., 2025).

Despite extensive discussion on the urgency of halal certification, field observations indicate a research gap regarding how certification effectively enhances MSMEs' competitiveness. Previous studies have shown that halal certification does not automatically increase sales volume if not accompanied by strong consumer trust. Consumer trust is a crucial psychological variable; today's consumers tend to be selective and critical of unilateral claims by producers. Trust arises when consumers are confident that the promised halal standards are genuinely integrated throughout the production process (Halik et al., 2025). Therefore, the future welfare and sustainability of MSMEs heavily depend on their ability to manage consumer trust through formal instruments such as halal certification. Consumer trust acts as a mediator connecting regulatory compliance (halal) with the ultimate outcome of competitive advantage. Without trust, certification remains an administrative formality with no tangible economic impact on firm competitiveness (Apriliyanto, 2023).

The rapid growth of the global halal industry has transformed halal certification from a religious compliance instrument into a strategic business tool that influences market competitiveness. The halal market is no longer limited to Muslim consumers but has expanded to include non-Muslim consumers who associate halal products with quality, safety, hygiene, and ethical production standards. According to the State of the Global Islamic Economy Report, the global halal economy continues to experience significant growth, creating substantial opportunities for small and medium-sized enterprises (SMEs) to enhance their market position through halal-oriented business strategies (DinarStandard, 2024). In Indonesia, as the country with the largest Muslim population in the world, halal certification has become an increasingly important factor in supporting SME development and strengthening consumer confidence in domestic products (Kementerian Agama RI, 2023).

SMEs play a crucial role in Indonesia's economic development by contributing significantly to employment generation, poverty reduction, and national economic growth. Despite their important contribution, many SMEs face challenges related to market access, product differentiation, and consumer trust. In highly competitive markets, SMEs must adopt strategies that enhance product credibility and improve consumer perceptions. One of the

most effective approaches is obtaining halal certification, which serves as an official assurance that products comply with Islamic principles and established quality standards (Rahman et al., 2022). The implementation of halal certification has become increasingly relevant following the enactment of mandatory halal certification policies in Indonesia, which encourage business actors to improve compliance and product quality. Recent studies have demonstrated that halal certification positively influences consumer purchasing decisions. Consumers often perceive certified products as more reliable and trustworthy because the certification process involves strict evaluation of raw materials, production processes, storage, and distribution systems (Aji et al., 2021). This perception contributes to higher levels of consumer trust, which subsequently affects customer loyalty and repeat purchase intentions. Consumer trust has been recognized as a critical intangible asset that determines business sustainability and competitive advantage, particularly for SMEs operating in food, beverage, cosmetics, and pharmaceutical sectors (Putri & Fauzi, 2023).

The relationship between halal certification and consumer trust can be explained through signaling theory. Halal certification functions as a credible signal that reduces information asymmetry between producers and consumers. When consumers have limited information about product quality and production processes, certification acts as an external guarantee that strengthens confidence in the product. As a result, consumers become more willing to purchase certified products and maintain long-term relationships with certified brands (Hassan et al., 2022). In this context, halal certification serves not only as a legal requirement but also as a strategic marketing instrument capable of increasing market acceptance and consumer satisfaction. Furthermore, consumer trust has been widely acknowledged as a determinant of SME competitiveness. Competitiveness refers to the ability of firms to create superior value, maintain market share, and achieve sustainable growth compared to competitors. Trust encourages consumers to engage in repeat purchases, provide positive word-of-mouth recommendations, and develop stronger emotional attachments to brands (Yusof et al., 2024). Consequently, SMEs that successfully build consumer trust are more likely to achieve higher levels of competitiveness. Several studies indicate that trust mediates the relationship between product attributes and business performance, suggesting that the impact of halal certification on competitiveness may operate indirectly through consumer trust (Nugroho & Sari, 2025).

The increasing awareness of halal consumption among consumers has further intensified the importance of certification in shaping purchasing behavior. Modern consumers are becoming more selective regarding product authenticity, transparency, and compliance with ethical standards. Digital transformation and the widespread use of social media have accelerated information dissemination, enabling consumers to verify product claims more easily than before. Under these circumstances, halal certification contributes to organizational credibility and strengthens brand reputation, which ultimately enhances competitive performance (Alam et al., 2021). SMEs that fail to provide adequate assurance regarding product halalness may experience difficulties in maintaining consumer confidence and competing effectively in increasingly dynamic markets. Although numerous studies have examined halal certification and consumer behavior separately, empirical evidence regarding the mediating role of consumer trust in linking halal certification and SME competitiveness remains relatively limited. Most previous studies have focused on purchase intention, customer satisfaction, or loyalty without comprehensively investigating how consumer trust transforms certification benefits into competitive advantages. Therefore, further research is necessary to explore the mechanism through which halal certification influences SME

competitiveness and to determine whether consumer trust acts as a significant mediating variable in this relationship (Wibowo et al., 2026).

This study aims to analyze the effect of halal certification on SME competitiveness through consumer trust. Specifically, the research investigates whether halal certification directly influences SME competitiveness and whether consumer trust mediates this relationship. The findings are expected to contribute to the literature on halal business management, consumer behavior, and SME development while providing practical implications for policymakers and SME owners seeking to improve business performance through halal certification initiatives. By understanding the strategic role of consumer trust, SMEs can develop more effective approaches to leverage halal certification as a source of sustainable competitive advantage in both domestic and international markets.

## **LITERATURE REVIEW**

The development of this literature review aims to map the logical relationship between regulatory obligations through product certification and economic outcomes in the form of competitiveness. This conceptual framework is constructed to explain how a formalized religious attribute can become a strategic asset for MSMEs in a competitive market.

### **Signaling Theory**

This study adopts Signaling Theory as the conceptual foundation to examine the interaction between producers and consumers in a competitive market. The essence of this theory lies in mitigating information asymmetry, a condition in which business actors possess significantly greater knowledge about the intrinsic quality of their products than external parties. In such situations, consumers often face difficulties in validating producers' quality claims, thus requiring a credible "signal" to distinguish high-standard business entities from competitors lacking clear quality parameters (Salsabila et al., 2025). Within the MSME ecosystem, halal certification functions as a highly influential external signaling instrument. This label is not merely a visual identity but an authoritative guarantee confirming that all stages of production comply with Islamic law and strict hygiene protocols. Through this signal, MSMEs can instantly transmit values of compliance and integrity without exposing the complexity of their production processes to the public. Empirically, the presence of halal attributes has proven effective in reducing market skepticism and building positive product perceptions (Wulandari et al., 2024).

Furthermore, the integration of signaling theory into MSME strategic management highlights that halal certification carries broad economic functions. Institutional efforts to promote halal legality among MSMEs represent a strategic move to transfer trust to a wider market. This aligns with the premise that organizations capable of delivering verified quality signals will achieve stronger competitive advantages than those without formal standards (Susiang et al., 2024). Therefore, halal certification transforms from a mere administrative obligation into a strategic investment that strengthens MSMEs' bargaining position among stakeholders.

### **Halal Certification as a Global Quality Standard**

In the discourse of modern Islamic economics, halal certification has shifted from being purely a religious obligation to becoming a globally recognized quality standard. It

represents formal recognition from an authorized institution namely the Halal Product Assurance Organizing Agency (BPJPH) that a product meets halal criteria, covering raw materials, production processes, and distribution methods free from prohibited elements. For MSMEs, halal certification serves as a quality assurance system that ensures products comply not only with Islamic principles but also with *thayyiban* aspects, including cleanliness, food safety, and strict health standards (Elwardah et al., 2024; Huda & Nuraeni, 2026). Although often perceived as an administrative burden, the implementation of halal certification in MSMEs actually represents an operational upgrading process. By adopting the Halal Product Assurance System (SJPH), MSMEs reorganize their supply chain management to minimize cross-contamination risks. This legal recognition provides a clear market identity in an increasingly competitive environment, where consumers are becoming more critical of product origins. The halal logo on product packaging acts as a significant differentiator, enabling MSME products to enter modern retail networks and export markets that demand high standardization (Hendra Rofiullah et al., 2024; Ibrahim & Fauziah, 2023).

Moreover, halal certification reduces uncertainty for potential buyers. Amid the abundance of similar products in the market, halal certification serves as a guarantee that lowers consumers' psychological barriers to purchase. Once a product is officially verified, its economic value increases due to the added trust embedded in the brand. Therefore, for MSMEs, obtaining halal certification is not merely regulatory compliance but a proactive step in building intangible assets that strengthen their market position (Y. Hidayat et al., 2025; Nizar & Rakhmawati, n.d.; Wardiyah et al., 2025).

### **Consumer Trust in the Perspective of Islamic Marketing**

Consumer trust is a fundamental element determining the sustainability of the relationship between producers and the market, particularly in industries grounded in integrity-based values such as Islamic economics. Conceptually, trust arises from consumers' expectations that a product or service provider will consistently fulfill its obligations and act in accordance with its promises. In the MSME context, trust extends beyond perceptions of functional product quality; it represents an accumulation of beliefs regarding the honesty, competence, and benevolence of producers in conducting their business processes (Razak et al., 2025). In the halal product market, trust has unique characteristics due to its connection with religious beliefs. Consumers often lack the technical ability to independently verify whether a product is entirely free from prohibited elements throughout its production chain. Therefore, consumer trust in this ecosystem heavily depends on the presence of valid external assurance. When MSMEs successfully build such trust, consumers' psychological uncertainty is significantly reduced, which in turn decreases price sensitivity and enhances brand loyalty (A. K. Sari et al., 2025).

Furthermore, trust acts as a catalyst that transforms regulatory compliance into tangible economic benefits. In consumer behavior models, trust is seen as a bridge linking marketing stimuli (in this case, halal certification) with purchase intention and post-purchase behavior. Strong trust generates a positive reputation for MSMEs, which is an intangible asset that is difficult for competitors to replicate. Without a solid foundation of trust, formal standardization merely becomes an operational burden without measurable impact on strengthening market position (Safi & Fadhillah, 2024).

### **Conceptual Framework and Hypothesis Development**

This study positions halal certification as the primary driver influencing MSME competitiveness, with consumer trust acting as a mediating variable. Theoretically, halal

certification provides strong legitimacy for MSMEs to penetrate broader markets (Nur Azizah et al., 2025). However, the economic impact of certification does not occur automatically; it must be validated through consumer perception. When the market recognizes the credibility of the halal label, loyalty emerges, and the accumulation of positive responses ultimately enhances MSME competitiveness (M. T. Hidayat & Witta, n.d.). First, halal certification is viewed as a standardization instrument that systematically increases product value (Muntholip & Setiawan, 2025). By obtaining halal legality, MSMEs gain greater access to modern retail networks and international markets with strict regulations (Ibrahim & Fauziah, 2023). This standardization reduces trade barriers and provides a tangible comparative advantage, enabling businesses to position themselves as providers of safe and high-quality products (R. K. Sari et al., 2024). Based on this reasoning, the following hypothesis is proposed:

**H1:** Halal certification has a positive and significant effect on MSME competitiveness.

Second, in line with Signaling Theory, halal certification acts as a signal that generates positive expectations among consumers (Yang et al., 2022). For Muslim consumers, formal labeling serves as a primary tool to ensure Sharia compliance without independently verifying production processes (Wulandari et al., 2024). This creates psychological and spiritual assurance, transforming market uncertainty into confidence in business integrity (Halik et al., 2025). Therefore, the second hypothesis is proposed:

**H2:** Halal certification has a positive and significant effect on consumer trust.

Third, business competitiveness is strongly influenced by the level of market attachment to a brand. High trust triggers repeat purchasing behavior and voluntary recommendations, which serve as valuable social capital for MSMEs (Safi & Fadhillah, 2024). Consumers with strong trust tend to maintain stable loyalty despite price fluctuations (Elwardah et al., 2024). Thus, the third hypothesis is formulated as follows:

**H3:** Consumer trust has a positive and significant effect on MSME competitiveness.

Finally, this study argues that halal certification requires market response to transform into concrete economic value (Susiang et al., 2024). While certification creates market recognition, consumer trust activates its potential into competitive strength (Apriliyanto, 2023). Therefore, the final hypothesis is proposed:

**H4:** Consumer trust significantly mediates the effect of halal certification on MSME competitiveness.

## **METHOD**

Establishing the effect of halal certification on MSME economic variables requires a systematic and measurable methodological approach. This section outlines the technical procedures used to test the proposed hypotheses. By employing a well-structured research design, the data collected are expected to objectively represent consumer behavior and the competitive dynamics of MSMEs, thereby ensuring that the findings contribute credibly to the literature on Islamic economics.

## **Research Design and Analytical Approach**

This study employs a quantitative approach with a causal-explanatory design to analyze the cause-and-effect relationships among the research variables. Quantitative research emphasizes the use of statistical tools as the primary means of analyzing numerical data in order to generate objective and generalizable findings. This design is particularly appropriate for examining both the direct and indirect effects of halal certification on MSME competitiveness through the mediating role of consumer trust. The data are analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), a method widely applied in empirical research indexed by Scopus and Web of Science due to its robustness in handling complex models involving latent variables and mediation effects (Yang et al., 2022). The selection of PLS-SEM is based on its flexibility in accommodating moderate sample sizes and its ability to operate without strict assumptions of normal data distribution, which are commonly encountered in studies of consumer behavior within the MSME sector. The analytical procedure is conducted through two main stages, namely the evaluation of the measurement model (outer model) to assess validity and reliability, and the evaluation of the structural model (inner model) to examine the strength and significance of relationships among variables (Nur Azizah et al., 2025).

## **Population, Sample and Sampling Technique**

The population of this study consists of consumers who have purchased and consumed products from halal-certified MSMEs in Banten Province and its surrounding areas. This region is selected due to its strategic role as a growing hub for MSMEs, particularly in the sectors of creative industries and processed food in Indonesia. Consumers are chosen as the unit of analysis because they represent key stakeholders who can provide valid assessments of trust and perceived competitiveness of MSME products (Nur Azizah et al., 2025). Considering that the population size is large and cannot be precisely identified, this study applies a non-probability sampling technique using purposive sampling. The respondents are selected based on specific criteria, namely Muslim individuals aged at least 17 years who have purchased halal-certified MSME products at least twice within the last six months. These criteria are intended to ensure that respondents possess sufficient experience to provide reliable and informed evaluations of product quality and trust in halal certification (Sadiyah & Erawati, 2024).

The sample size is determined based on the guidelines of Structural Equation Modeling, which recommend an adequate number of observations to ensure statistical power and stability of estimation. With an estimated range of 15 to 20 measurement indicators, the minimum sample size is set between 150 and 200 respondents. This number is considered sufficient to accurately estimate relationships among latent variables in PLS-SEM analysis (Yang et al., 2022). Data collection is carried out using a hybrid approach, combining direct distribution of questionnaires in MSME centers and online surveys through digital platforms to efficiently reach diverse respondent profiles (Yanti, 2024).

## **Variables, Operational Definitions and Measurement**

To ensure the validity of the research instrument, each latent variable is operationalized into measurable indicators using a five-point Likert scale, ranging from strongly disagree to strongly agree. The variable of halal certification is defined as consumers' perceptions of the legitimacy and compliance of MSMEs in meeting halal standards verified by authorized institutions. This variable is measured through indicators such as the visibility of the halal logo on product packaging, the credibility of the certifying

authority, and the completeness of certification information as a reflection of transparency (Wardiyah et al., 2025). Consumer trust is conceptualized as the psychological foundation underlying the relationship between producers and consumers. It reflects consumers' confidence in the integrity of MSMEs in consistently maintaining product quality and halal compliance. This variable is measured through dimensions of integrity, competence, and benevolence, which respectively represent honesty in halal claims, technical ability to maintain product standards, and concern for consumer welfare beyond profit motives (Razak et al., 2025).

Meanwhile, MSME competitiveness is defined as the ability of business units to maintain their market position and achieve relative advantages over competitors. This variable reflects the outcome of effective compliance and trust management, which is manifested in broader market accessibility, stable customer loyalty, and a strong value proposition that combines spiritual assurance with high product quality (Apriliyanto, 2023). Through the integration of these indicators, this study aims to comprehensively capture the functional relationship between administrative compliance, psychological trust, and economic performance of MSMEs (Ichsan, 2024).

### **Data Analysis Technique**

The data analysis process in this study is conducted systematically using PLS-SEM-based statistical software. This method is selected due to its capability to simultaneously analyze complex path models and to confirm mediation effects among variables. The analysis begins with data screening to ensure completeness and consistency of responses obtained from the questionnaires. The first stage involves the evaluation of the measurement model (outer model), which aims to ensure that all indicators demonstrate adequate validity and reliability in representing their respective latent variables. Convergent validity is assessed through factor loadings and Average Variance Extracted (AVE), with acceptable thresholds above 0.50. Discriminant validity is evaluated using the Fornell-Larcker criterion or the Heterotrait-Monotrait Ratio (HTMT), ensuring that each construct is empirically distinct. Reliability is further confirmed through Cronbach's Alpha and Composite Reliability values, both of which are expected to exceed 0.70 to indicate internal consistency (Yang et al., 2022).

The second stage focuses on the evaluation of the structural model (inner model), which aims to test the predictive power and the significance of the hypothesized relationships. The coefficient of determination ( $R^2$ ) is used to assess the extent to which the independent and mediating variables explain the variance of the dependent variable. Hypothesis testing is conducted using the bootstrapping procedure, where path coefficients indicate the direction of relationships, and statistical significance is determined based on T-statistics and p-values. This approach enables the study to rigorously evaluate both direct and indirect effects of halal certification on MSME competitiveness through consumer trust (Fitri, 2024).

### **Ethical Considerations**

This study adheres to ethical standards in social research by ensuring that all respondents participate voluntarily and are informed about the purpose of the study prior to data collection. The confidentiality and anonymity of respondents are strictly maintained throughout the research process. In addition, the research instrument undergoes validity and reliability testing to ensure that it accurately measures the intended constructs and minimizes potential bias in the findings.

## RESULT AND ANALYSIS

After completing all methodological procedures, this section presents the empirical findings obtained from the data analysis to address the research hypotheses. The results are organized by providing a descriptive profile of the respondents followed by the outcomes of the structural equation modeling to examine the strength of relationships among halal certification, consumer trust, and MSME competitiveness. Through systematic data interpretation, this study aims to provide a clear picture of how Islamic-based instruments transform into economic capital for small business actors.

### Description of Respondent Characteristics

The analysis of respondent characteristics constitutes a crucial initial step to ensure that the collected data originate from subjects with relevant experience related to the research object. In this study, a total of 150 Muslim consumers in the Banten region participated by completing questionnaires distributed through both online and offline channels. The demographic data collected include gender, age, education level, and the frequency of purchasing halal-certified MSME products. Collectively, these variables provide a heterogeneous perspective on consumer perceptions of product quality and market trust. This descriptive analysis is essential to identify the actual target audience driving MSME competitiveness through their consumption behavior.

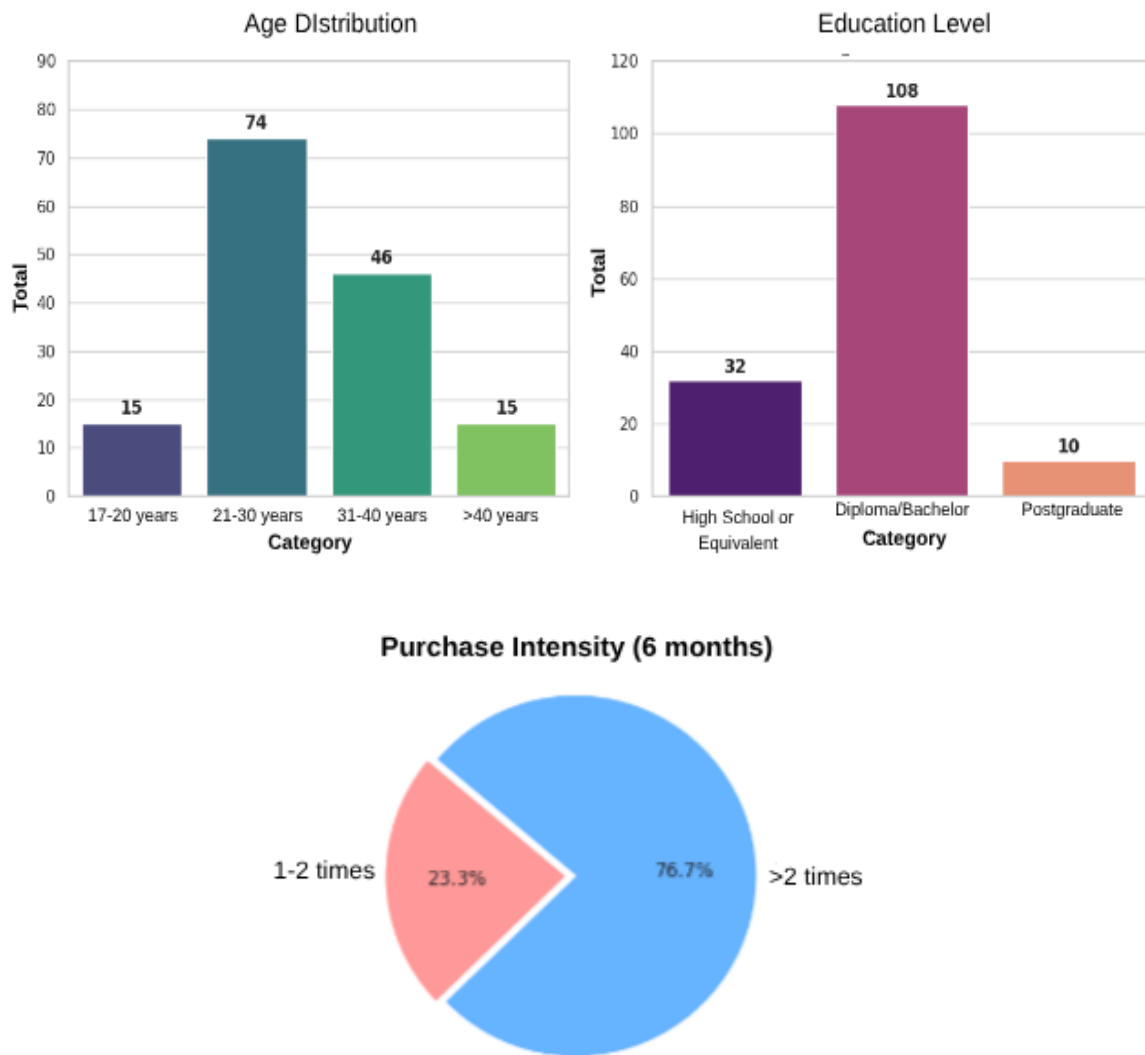
**Table 1. Demographic Profile of Respondents (n = 150)**

Characteristics	Category	Frequency	Percentage
Gender	Male	62	41.3%
	Female	88	58.7%
Age	17–20 years	15	10.0%
	21–30 years	74	49.3%
	31–40 years	46	30.7%
	> 40 years	15	10.0%
	High School	32	21.3%
Education	Diploma/Bachelor	108	72.0%
	Postgraduate	10	6.7%
Purchase Intensity	1–2 times	35	23.3%
	> 2 times	115	76.7%

Data source: Processed by the author, 2026

Based on the data, the majority of respondents are dominated by individuals in the productive age group of 21 to 40 years, with educational backgrounds primarily at the diploma or bachelor's level. This profile indicates that consumers of halal-certified MSME products in the research area generally possess a relatively high level of product literacy and demonstrate critical awareness toward food legality aspects.

From a behavioral perspective, most respondents reported purchasing halal-certified MSME products more than twice within the last six months. This strengthens the validity of the study, as the perceptions provided are based on consistent and repeated consumption experiences rather than temporary interest in a particular brand. Therefore, the respondent profile supports the reliability of the findings in explaining the relationship between halal certification, consumer trust, and MSME competitiveness. A summary of the respondent profile is also illustrated in the figure below.



**Figure 1. Summary of Respondent Demographic Profile**

The dominance of educated and younger consumers in this study indicates that awareness of the importance of halal labeling has become an integral part of the modern lifestyle, often referred to as the halal lifestyle. The characteristics of respondents, who are active and well-informed, indirectly reinforce the urgency for MSME actors not only to rely on product quality but also to prioritize administrative integrity through formal certification. With a respondent profile that demonstrates a strong attachment to product standards and standardized religious awareness, the data obtained are considered sufficiently robust to proceed to the statistical model evaluation stage in order to examine the relationships among variables in a more in-depth and objective manner.

### **Measurement Model Analysis (Outer Model)**

The evaluation of the measurement model is conducted to ensure that each research indicator demonstrates a high level of accuracy and consistency in representing its latent construct. The first step in this analysis involves testing convergent validity, which is assessed based on the loading factor values of each indicator and the Average Variance Extracted (AVE). The results indicate that all measurement items for the variables of Halal

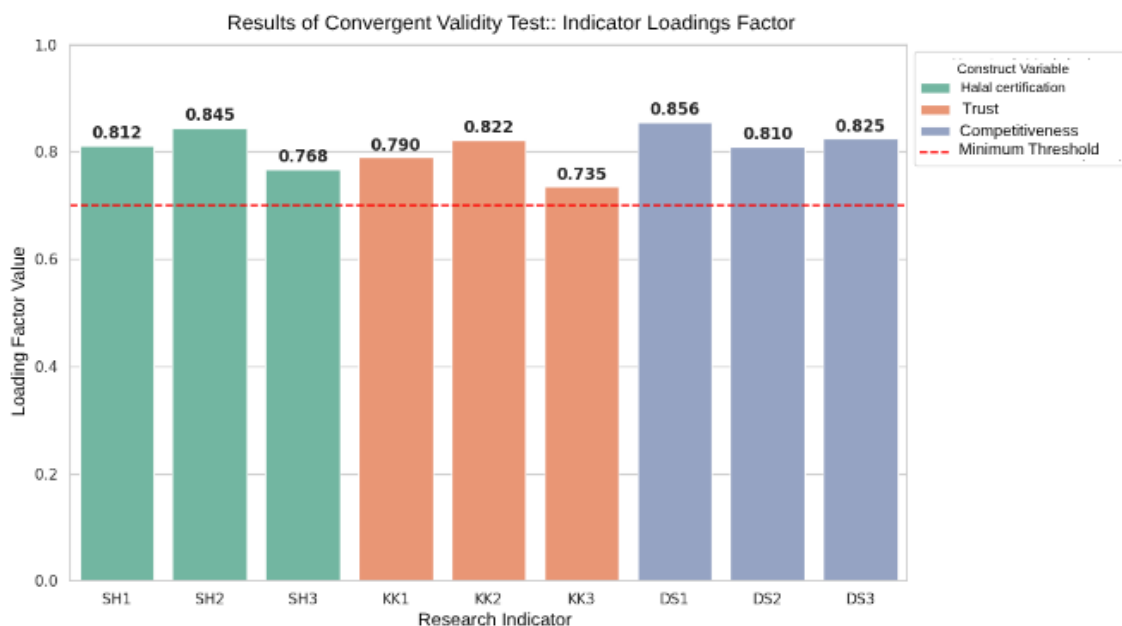
Certification, Consumer Trust, and MSME Competitiveness have loading factor values exceeding the threshold of 0.70. In addition, the AVE values for all constructs are above 0.50, confirming that the latent variables are capable of explaining more than half of the variance of their respective indicators. Therefore, the measurement instruments are considered to have satisfactory convergent validity. The results of the convergent validity and reliability tests are presented in the following table.

**Table 2. Results of Convergent Validity and Reliability Test**

Variable	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability
Halal Certification (X)	SH1	0.812	0.654	0.821	0.876
	SH2	0.845			
	SH3	0.768			
Consumer Trust (M)	KK1	0.790	0.612	0.843	0.885
	KK2	0.822			
	KK3	0.735			
MSME Competitiveness (Y)	DS1	0.856	0.689	0.855	0.892
	DS2	0.810			
	DS3	0.825			

Data source: Processed by the author, 2026

After establishing convergent validity, the next step is to assess discriminant validity to ensure that each construct is empirically distinct from the others within the model. Based on the Fornell-Larcker criterion, the square root of the AVE for each variable is found to be higher than the correlation values between constructs. This result is further supported by the Heterotrait-Monotrait Ratio (HTMT), which is below the threshold of 0.85, indicating the absence of multicollinearity or overlap among variables. These findings confirm that the indicators used in this study are specifically designed to measure their respective constructs and are not influenced by other variables outside the research model. A summary of the validity and reliability test results is also illustrated in the following figure.



**Figure 2. Validity Test Results**

The final stage of the outer model evaluation is reliability testing, which aims to measure the stability and internal consistency of the research instruments. Instrument stability is assessed using Cronbach's Alpha and Composite Reliability (CR). The results indicate that all variables have Cronbach's Alpha and CR values exceeding the minimum threshold of 0.70, reflecting a high level of internal consistency. With all validity and reliability criteria fulfilled, the collected data are considered adequate and highly accurate to proceed to the structural model evaluation stage in order to examine causal relationships among variables and the mediating role of consumer trust.

### Structural Model Analysis (Inner Model) and Hypothesis Testing

The evaluation of the structural model is conducted after all instruments are confirmed to be valid and reliable in the measurement stage. This stage aims to predict the relationships among latent variables and to assess the model's ability to explain the phenomenon of MSME competitiveness. The first parameter evaluated is the R-Square ( $R^2$ ) value. The analysis shows that Halal Certification explains 0.485 (48.5%) of the variance in Consumer Trust, which is categorized as moderate. Meanwhile, the  $R^2$  value for MSME Competitiveness reaches 0.612 (61.2%), indicating that the model has strong predictive power, as more than 60% of the variance in competitiveness can be explained by the combined effect of halal certification and consumer trust. The R-square values are presented in the following table.

**Table 3. R-Square Values**

Endogenous Variable	R-Square	Description
Consumer Trust	0.485	Moderate
MSME Competitiveness	0.612	Strong

Data source: Processed by the author, 2026

Hypothesis testing is conducted by analyzing the path coefficients and T-statistics using the bootstrapping procedure. The results of the first hypothesis (H1) indicate that Halal Certification has a positive and significant effect on MSME Competitiveness, with a p-value below 0.05. This finding confirms that compliance with halal standards directly enhances the competitive position of MSMEs in the market. Furthermore, the second hypothesis (H2) is also supported, showing that Halal Certification has a positive and significant effect on Consumer Trust. This result demonstrates that the halal label functions effectively as a quality signal that reduces consumer uncertainty and strengthens psychological confidence in product integrity. The results of hypothesis testing are summarized in the following table.

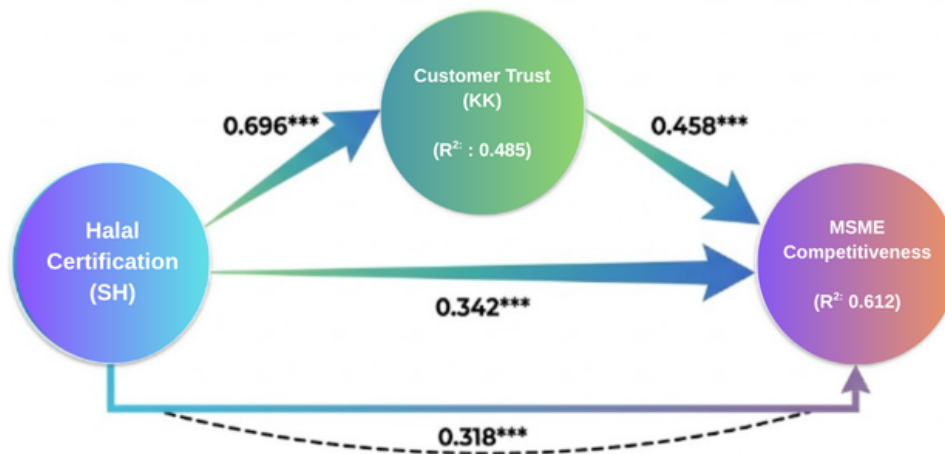
**Table 4. Hypothesis Testing Results**

Hypothesis	Path Relationship	Path Coefficient	T-Statistics	P-Values	Description
H1	SH → DS	0.342	3.124	0.002	Significant
H2	SH → KK	0.696	12.451	0.000	Significant
H3	KK → DS	0.458	4.215	0.000	Significant
H4	SH → KK → DS	0.318	3.892	0.000	Significant Mediation

Data source: Processed by the author, 2026

The analysis of the third hypothesis (H3) shows that Consumer Trust has a positive and significant effect on MSME Competitiveness. This finding reflects that strong market

acceptance and customer loyalty serve as strategic assets derived from consumer confidence, which ultimately strengthens the competitive position of MSMEs compared to their competitors. As the most crucial finding, the fourth hypothesis (H4) confirms that Consumer Trust significantly mediates the relationship between Halal Certification and MSME Competitiveness. This mediation result indicates that halal certification does not instantly enhance competitiveness; rather, it must first build consumer trust before it can be transformed into tangible economic outcomes for MSMEs. The final path model is illustrated in the following figure.



**Figure 3. Final Path Model (asterisks indicate significance)**

## DISCUSSION

The findings indicate a strong linear relationship between compliance with Sharia standards and MSME business performance, highlighting the strategic role of halal certification in contemporary market competition. This study demonstrates that halal certification is not merely a regulatory requirement but also functions as an economic instrument that enhances MSME competitiveness through market-based mechanisms. These results reinforce the importance of integrating religious compliance with business strategy to achieve sustainable performance outcomes.

First, the positive and significant effect of halal certification on MSME competitiveness (H1) confirms that compliance with halal standards improves market accessibility. This finding is consistent with previous studies by Ibrahim & Fauziah (2023), who found that halal certification enhances MSMEs' ability to enter modern retail and export markets. Similarly, Sari et al. (2024) reported that certification acts as a competitive differentiator in highly regulated markets. However, this study extends prior research by emphasizing that competitiveness is not only driven by certification itself but also by how it is perceived by consumers in the market context.

Second, the significant effect of halal certification on consumer trust (H2) reinforces the relevance of Signaling Theory in explaining consumer behavior. This result aligns with Wulandari et al. (2024), who argued that halal labels function as credible signals that reduce consumer uncertainty. In addition, Halik et al. (2025) found that halal certification

strengthens consumer confidence in product integrity, particularly in Muslim-majority markets. Unlike these previous studies, this research highlights that the signaling effect becomes more meaningful when it is linked to actual consumer perceptions rather than merely institutional legitimacy.

Third, the positive relationship between consumer trust and MSME competitiveness (H3) demonstrates that trust serves as a key driver of market performance. This finding is in line with Safi & Fadhillah (2024), who emphasized that trust leads to customer loyalty and repeat purchase behavior. Furthermore, Elwardah et al. (2024) showed that high levels of trust reduce price sensitivity and stabilize consumer preferences. This study strengthens these arguments by positioning trust not only as an outcome of marketing efforts but also as a strategic asset that directly contributes to competitive advantage.

Finally, the mediating role of consumer trust (H4) represents the most significant contribution of this study. While previous research, such as Apriliyanto (2023), suggested that halal certification influences competitiveness, limited studies have explicitly examined the mediating mechanism of trust. This study confirms that certification does not automatically lead to improved competitiveness without consumer validation. Therefore, this research contributes to the literature by providing empirical evidence that consumer trust acts as a crucial bridge connecting regulatory compliance and economic performance.

In regions such as Banten, where religiosity is closely embedded in economic behavior, consumer trust becomes a critical intangible asset. MSMEs that maintain consistency between halal certification and actual production practices are more likely to gain sustainable competitive advantages. Therefore, the integration of Sharia compliance and trust management emerges as a fundamental strategy for MSMEs to enhance their bargaining power and ensure long-term economic stability.

## **CONCLUSION**

This study provides empirical evidence on the strategic role of halal certification in enhancing MSME competitiveness through the mechanism of consumer trust. The findings confirm that halal certification has a positive and significant effect on both MSME competitiveness and consumer trust, thereby supporting all proposed hypotheses. These results indicate that halal certification functions not only as a religious identity but also as a credible quality signal that reduces information asymmetry and strengthens market acceptance. Furthermore, consumer trust is proven to play a crucial mediating role, as halal certification does not automatically translate into competitiveness without being validated by consumer confidence, which in turn drives loyalty and brand reputation. From a practical perspective, these findings imply that policymakers should strengthen halal certification systems and outreach programs, while MSME actors need to integrate formal halal compliance with consistent quality management and transparent communication strategies to build trust. For society, the results highlight the importance of awareness of halal-certified products as part of informed consumption behavior. This study has several limitations that should be acknowledged. First, the research is limited to a specific regional context, which may affect the generalizability of the findings to other regions with different socio-economic and cultural characteristics. Second, the study focuses primarily on consumer perceptions, without incorporating perspectives from MSME owners or institutional stakeholders, which may provide a more comprehensive understanding of competitiveness. Therefore, future research is recommended to expand the scope by including multiple regions, different industry sectors, and additional variables such as digital marketing, brand image, or

innovation capability. Further studies may also consider using mixed-method approaches to gain deeper insights into the dynamics between halal certification, trust, and business performance.

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