ANALYSIS OF EFFORTS TO INCREASE MSME POTENTIAL THROUGH HALAL CERTIFICATION IN PEKANBARU CITY: THEORETICAL INSTITUTION APPROACH

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Abstract

Small and medium enterprises (SMEs) have an important role in increasing the prosperity of society and the resilience of the national economy because micro businesses have ideal characteristics to be developed in terms of quantity and quality. One way to improve the quality of SMEs for wider market segments is to have Halal Certification (HC), considering thatthe world halal market segment continues to increase. This study aims to determine the external and internal factors that influence the decision of SMEs in Pekanbaru to have HC. The research method used is descriptive quantitative using binary logistic regression. The results show that external factors that influence the ownership of HC are government regulations and consumer demand with values of Sig. 0.027 and 0.025 respectively, while the competitor's actions have no effect. Meanwhile, knowledge is the only internal factor that influences HC with a value of Sig. 0.000, while education and omzet have no effect. The conclusion is knowledge variable was the most powerful factor in influencing the decision of firms to have HC in Pekanbaru.

Keywords: SMEs, external factors, internal factors, halal certification, logistic biner

INTRODUCTION

Micro, small and medium enterprises (MSMEs) have a very important role in increasing community prosperity and national economic resilience. Considering that MSMEs can operate with various limitations so they are able to absorb workers from almost all backgrounds. In 2021, there will be 64.2 million MSME business units recorded in Indonesia with labor absorption of 97 percent of the total national workforce and contributing 60.51 percent to national GDP (Coordinating Ministry for the Economy, 2021). The large amount of labor absorption at this business scale is spread across various types of markets, including the halal product market. The market share for halal products in Indonesia is very large because 87% of the total population or around 236.53 million people are Muslims. In line with this, the halal lifestyle is also experiencing significant development throughout the world. Based on a report on the development of the world

Islamic economy published by (Reuters, 2015), it is stated that the halal food market is the largest market segment in the world.

This will continue considering that Muslims must consume halal products in both majority and minority countries, which number up to 2 billion people (Razzaque M & & Chaudhry S, 2013). Apart from that, demand for halal products also comes from non-Muslim residents. Some studies show that the market for halal products in several non-Muslim countries such as Europe, South America, and Asia Pacific has experienced a significant increase (Bashir, 2019 Kabir, 2015). This is caused by the stigma among non-Muslim consumers that halal products are products that are safe, hygienic, quality, and healthy (Ab Talib et al., 2016).

Based on some data, it is estimated that the market share for halal products will reach around 3 trillion USD in 2023 for food, medicine, cosmetics, fashion, travel, and media (Öztürk, 2022). The size of the available market and the increasing potential in the future have caused producers from abroad, especially in Europe, to start investing in providing the requirements to become part of the halal product market, both producers from Muslim and non-Muslim countries. This reality causes every country that wants to take an active role in the world halal market to prepare the necessary regulations and requirements. One important element of these requirements is the existence of halal certification which is proof that the product or service has been produced by Islamic law and is therefore suitable for consumption (Nurhayati & Hendar, 2020). Likewise in Indonesia, the government is making various efforts so that Indonesia can take an important role in the development of the halal market which is expected to be able to advance the nation's economy. Although reality currently there are still many companies, especially micro businesses in Indonesia, that do not yet have halal certification.

According to data from the Ministry of Finance in 2021, it was recorded that less than 10 percent of MSMEs were halal certified, meaning that more than 90 percent of MSMEs were not ready to compete in the halal product market. This condition also occurs in Riau Province. According to data from the Central Statistics Agency (2020), the number of MSMEs in Riau Province is 50,620 units spread across 12 districts/cities. Around 6,352 MSMEs are registered in Pekanbaru City, with around 600 MSMEs still having halal certification. Of course, this raises the question of why this happened. Therefore, this research aims to see what external and internal factors influence MSMEs

to have a halal certificate. External factors are seen based on institutional theory which focuses on policy or regulatory aspects in taking action. Based on this theory, the external variables taken are government policy, demand from consumers, and encouragement from competitors. Meanwhile, the internal variables chosen are education level and business turnover.

Similar research has been carried out but it still focuses on looking at the internal factors that influence the ownership of halal certification. Meanwhile, this research also includes external factors, namely by using an institutional theory approach in analyzing the ownership of halal certification for MSMEs in Pekanbaru City. It is hoped that this research will provide input to various parties, including the government as policymakers, academics, and business actors.

LITERATURE REVIEW

Institution Theory

The theory used to support this research is institutional theory by (DiMaggio & Powell, 2000). This theory explains that companies operate in an institutional or institutional environment where business activities are strongly bound by rules, regulations, and policies (Lawrence et al., 2006). In the halal food industry (Fischer, 2015) explains that this industry is the same as other industries which are institutional in nature and bound by government regulations.

Furthermore, (Mariotti et al., 2014) explained that institutional theory describes that companies are passive participants who respond to external pressures and expectations. Thus, in the context of the halal industry, external factors originating from the government, consumer demand, and competitor activities/industry norms can influence the ownership of a halal certificate (Fikru, 2014). Apart from that, institutional theory is divided into three isomorphic mechanisms, namely coercive isomorphism which is influenced by regulations and politics, normative isomorphism which is influenced by social norms and expectations, and mimetic isomorphism which is influenced by imitating competitors' activities (Tarí et al., 2014). Based on the institutional theory above, three external factors can influence the ownership of halal certificates for SMEs, namely:

Isomorfik Koersif

DiMaggio & Powell (2000), focuses on the very close relationship between companies and institutions. In this situation, the company will come under pressure from the government, either directly or indirectly, in terms of implementing certain regulations. Additionally, companies will rely on institutions that encourage them to conform to government expectations.

In terms of having halal certification in micro-businesses, government regulations that require this will cause SME players to be willing to follow government regulations, either voluntarily or forcedly, to have a halal business permit. Another reason for having halal certification can also be due to the urge to avoid receiving sanctions for violating government regulations. If the government has made it mandatory, it means that violations will receive sanctions. Because having halal certification has become a necessity, companies that violate it will receive high fines (Mohd Nawi & Mohd Nasir, 2014).

In line with this, the reason companies are forced to implement halal certification in their businesses is a step and effort to avoid incurring greater costs in the form of fines due to violating the rules (Fikru, 2014). Based on the explanation above, it is clear that pressure from the government through strict rules and policies is a driving factor for companies to have a halal business certificate. So the hypothesis can be written as follows:

Hypothesis 1: Coercive isomorphism in the form of government regulations influences SMEs to have halal business certificates.

Isomorfisme normative

It is a decision taken due to pressure arising from the need to conform to industry norms, especially those originating from the consumer side (Mariotti et al., 2014). Based on this approach, it can be seen whether the choice of MSMEs to have a halal certificate is influenced by the image or assessment of MSMEs in the eyes of consumers.

Complying with industry norms is very important as it can have a significant impact on a company's image and reputation. Because the target market share is Muslim consumers, companies or SMEs must ensure that their products meet consumer expectations in terms of halal aspects.

In this way, halal certification can illustrate the company's reputation in the eyes of consumers. In this perspective, the assumption can be made that because consuming halal food is the norm in the Muslim consumer market, companies feel pressure from

consumers on the company's image and are ultimately motivated to apply halal food certification to their products. So the hypothesis can be written as follows:

Hypothesis 2: Normative isomorphism in the form of consumer demand influences MSMEs to have halal certification.

Isomorfisme mimetic

This is a decision taken because of the pressure to survive with uncertainty, thus encouraging the company to imitate the best practices or activities carried out by competitors. In other words, companies are motivated to implement an action because they want to experience similar success obtained by competing companies that achieved success first (Ab Talib & Hamid, 2014).

Apart from that, this mechanism is also carried out for fear of losing customers which ultimately causes companies to imitate the strategies implemented by better companies (Mariotti et al., 2014). In terms of having the halal certification, companies that do not yet have a halal business certificate are motivated to follow the procedures for applying for halal certification for their business because they are afraid that customers will move to other companies that already have a halal label (Verbeke et al., 2013).

Based on the explanation above, the following hypothesis can be made:

Hypothesis 3: Mimetic isomorphism in the form of competitor activities influences MSMEs to have halal certification.

The internal factors used as variables in this research are knowledge, education level, and turnover. In the basic theory of the development of decision making better known as the Knowledge, Attitude, and Practice (KAP) model, it is stated that knowledge is an important internal factor that influences individual actions in acting (Kwol et al., 2020).

Subsequent research uses the KAP model in studies regarding product safety such as (Baser et al., 2017) which links knowledge, awareness, readiness, and individual commitment to action. In the context of having a halal permit, the knowledge of MSME actors about halal certification will influence the decision to have or obtain halal certification. So a hypothesis can be formulated as follows:

Hypothesis 4: Knowledge about halal certification influences the decision of SMEs to have halal certification.

The level of education and company turnover in influencing ownership of halal certification has been researched by (Amanda, 2021) and it appears that these two variables influence the decision of cafe owners in Bogor City to have halal certification.

Halal Certification

Halal certification is a written permit that is proof of the halal level of an item. Halal certification is issued by the Food, Drug, and Cosmetic Evaluation Institute of the Indonesian Ulema Council (LPPOM MUI). Goods that are declared to have passed certification finally have a halal logo on the product packaging.

This logo shows proof that the goods have been produced based on Islamic rules (Nurhayati & Hendar, 2020) so that Muslim consumers will feel safe to consume them. Products are declared halal not only in terms of raw materials but also related to the process and procedures for obtaining these raw materials, for example, to get halal meat it must be slaughtered according to Islamic law (Harminingtyas & Noviana, 2021).

Halal certification is also a business code of ethics that must be implemented by producers. Apart from being a halal guarantee for consumers, the halal label is an economic advantage for micro business owners including: (1) Can increase the level of consumer confidence due to guaranteed halal goods, (2) Has a USP (Unique Selling Point), (3) Has a big opportunity to penetrate the global halal market, (4) Increase the level of product marketability in the market, (5) Cheaper investment compared to the potential income growth that can be achieved (Faridah, 2019).

The management of halal certification in Indonesia was initially carried out by the Indonesian Ulema Council (MUI) through the Food, Drug and Cosmetic Assessment Institute (LPPOM), which is an institution that has the authoritative right to carry out Halal Certification. However, after the enactment of the Halal Product Guarantee Law (UU JPH) Number 33 of 2014, the authority to issue halal certification rests with the Halal Product Guarantee Organizing Agency (BPJPH) of the Ministry of Religion based on an official fatwa stipulated by the Indonesian Ulema Council (Warto & Samsuri, 2020).

Then based on Government Regulation no. 31 of 2019 concerning JPH resulted in changes to the procedure and registration mechanism for halal certification from initially being non-forced (voluntary) to mandatory (mandatory) which has been in effect since 17 October 2019.

This has implications for the obligation for all goods and services distributed in Indonesia to have halal certification, including products from MSMEs as of October 2024. Therefore, the government provides online halal certification processing services and for the majority of MSMEs, they are given specific processing requirements using a self-declare system. Self-declaration is a claim regarding the halal status of goods produced by the business owner himself who is accompanied by a Halal Product Process (PPH) companion who is certified by the MUI Fatwa Commission. Apart from that, the government has also issued the SEHATI (Free Halal Certification) program for small businesses which will help SMEs to have halal permits.

RESEARCH METHODOLOGY

This research is quantitative descriptive research with data sources divided into two, namely primary data and secondary data. The data source in the form of primary data is data obtained directly from MSME actors. The research population was all MSMEs in Pekanbaru City with a total sample of 89 SMEs. Primary data sources used in this research include information sourced from MSMEs in Pekanbaru, both those who already have halal business certificates and those who do not.

The data analysis technique is to use a binary logistic regression model. The binary logistic regression model is used to determine factors that have a significant influence on the decision of SMEs in Pekanbaru City to have or not have a halal certificate to expand the market segment. This method was chosen because it is a standard analysis method when a dichotomous outcome variable (Hosmer, Lameshow, & Sturdivant, 2013) is measured as having a value of 1 or 0, where 1 = has a halal certificate and 0 = does not have a halal certificate. Hosmer and Lameshow define the logit regression model with $(Y = 1) = \pi(x)$ is:

$$\pi(x) = \frac{\exp(g(x))}{1 + \exp(g(x))}$$

with $g(x) = \beta 0 + \beta 1 x 1 + \beta 2 x 2 + \cdots + \beta p x p$

and:

$(x) =$ Probability of an event worth 1

$\beta 0 =$ Constant

$\beta i =$ Logit regression coefficient (i = 1,2,…, p)

p = Number of predict variables

In accordance with the form of the equation, of course difficulties will be found in interpreting the regression coefficient obtained. Therefore it is introduced one term Odds Ratio or abbreviated as Exp(B) or OR. Exp(B) is the exponent of the regression coefficient ($e^{\beta i}$). Where if $e^{\beta i}$ has a value of 1 then there is not related between the two variables, but if the value of $e^{\beta i} < 1$ then there is a negative relationship between the two variables with category changes from the value of X, likewise if $e^{\beta i} > 1$ means there is a positive relationship between the two variables with change category of X values.

RESULT AND DISCUSSION

Characteristic of Respondent

The following are several tables regarding the characteristics of respondents which include gender, age, education level, turnover, and distribution of halal certification ownership based on these categorizations.

Gender

Table 1. Distribution of Respondents According to Gender

No	Gender	Frequency	Percentage (%)
1	Man	22	24,7
2	Woman	67	75,3
	Total	**89**	**100,00**

Source: Processed Data, 2023

Based on the table above, most of the micro business owners who were respondents to this research were women, namely 67 SMEs. The distribution of the number of respondents based on ownership of halal certification is as follows:

Table 2. Distribution of Halal Certification (HS) Respondents

No	Ownership of HS	Total (people)	Percentage (%)
1	Already Have	29	32,6
2	Do Not Have Yet	60	67,4
	Total	89	100

Source: Processed Data, 2023

Table 3. Cross Tabulation of Respondents by Gender and Ownership of HS

No	Gender	Already Have HS	Percentage	Do Not Have Yet HS	Percentage
1	Man	11	37,9	11	18,3
2	Woman	18	62,1	49	81,7
	Total	29	100	60	100

Source: Processed Data, 2023

Respondents Age

Table 4. Distribution of Respondents According to Age

No	Age Range (Year)	Total (People)	Percentage
1	18 - 40	56	62,9
2	41 - 60	26	29,2
	≥ 61	7	7,9
Jumlah		89	100

Source: Processed Data, 2023

Based on the table data above, the dominant distribution of respondents is in the age range 18 – 40 years. The distribution of respondents who already have halal certification and who have not seen the age of the respondents is shown in the following table:

Table 5. Cross Tabulation of Respondents by Age and Ownership of HS

No	Age Range (Year)	Already Have HS	Percentage	Do Not Have Yet HS	Percentage
1	18 - 40	11	37,9	40	66,7
2	41 - 60	14	48,3	17	28,3
	≥ 61	4	13,8	3	5
	Total	29	100	60	100

Source: Processed Data, 2023

Level of Education

Table 6. Distribution of Respondents According to Level of Education

No	The Last Education	Total (People)	Percentage
1	Bachelor	35	39,3
2	Non-Bachelor	54	60,7
	Total	**89**	**100,00**

Source: Processed Data, 2023

Based on their level of education, the largest distribution of respondents was non-graduate SME actors, namely 54 people or 60.7 percent. This number is almost double the number

of respondents who graduated from university (bachelor's degree), which was only 35 people or 39.3 percent. The distribution of respondents who already have halal certification and who have not seen the level of education of the respondents is shown in the following table:

Table 7. Cross Tabulation of Respondents by Level of Education and Ownership of HS

No	Level of Education	Already Have HS	Percentage	Do Not Have Yet HS	Percentage
1	Bachelor	14	48,3	21	35
2	Non-Bachelor	15	51,7	39	65
Total		29	100	60	100

Source: Processed Data, 2023

Omzet

Table 8. Distribution of Respondents According to Omzet

No	Omzet Range/Month (million rupiah)	Total (People)	Percentage
1	≤ 20	66	74,2
2	21 - 40	10	11,2
	≥ 41	13	714,6
	Total	89	100

Source: Processed Data, 2023

Based on the monthly omzet, the largest distribution of respondents was MSMEs with a turnover of ≤ 20 million rupiah/month, namely 66 SMEs or 74.2 percent. The distribution of respondents who already have halal certification and who have not seen the total omzet of respondents is shown in the following table:

Table 9. Cross Tabulation of Respondents by Omzet and Ownership of HS

No	Omzet Range/Month (million rupiah)	Already Have HS	Percentage	Do Not Have Yet HS	Percentage
1	≤ 20	25	86,2	41	68,3
2	21 - 40	3	10,3	7	11.7
	≥ 41	1	3,5	12	20
	Total	29	100	60	100

Source: Processed Data, 2023

Model Testing

Model Fit Test (*Goodness of Fit Test*)

Table 10. *Hosmer and Lemeshow Test*

Chi-Square	Df	Sig.
1,643	8	0,990

Source: Processed Data, 2023

Based on the table above, it can be seen that the results of the regression analysis show that the results of the Hosmer and Lemeshow Goodness of Fit Test obtained a chi-square value of 1.643 with a significance level of 0.990. The test results show that the probability value (P-value) ≥ 0.05 (significant value) is $0.990 \geq 0.05$, so it is accepted. This indicates that there is no significant difference between the predicted classification (predicted probability) and the observed classification (observed probability) so the regression model in this study is feasible and able to predict the observed values.

Coefficient of Determination Test (*Nagelkerke's R Square*)

Table 11. Model Summary

-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
62,266	0,430	0,600

Source: Processed Data, 2023

The coefficient of determination test results can be seen from the Nagelkerke R Square value of 0.600. These results show that the ability of the independent variables both external aspects, namely government regulations (X1), consumer demand (X2), and competitor actions (X3), as well as internal aspects, namely knowledge (X4), education (X5), and turnover (X6) in explaining the dependent variable, is the decision to have halal certification at 60 percent. Meanwhile, the remainder is explained by other variables outside this research model, namely 40 percent.

Matriks Classification

Table 12. Matriks Classification

Observed	Predicted		Percentage Correct
	Do Not Have Yet HS	**Already Have HS**	
Do Not Have Yet HS	54	6	90,0
Already Have HS	8	21	72,4
Overall Percentage			84,3

Source: Processed Data, 2023

Based on the results of the classification matrix, it can be seen that the model's ability to predict respondents' decisions to have a halal business permit is 84.3%. So the possibility of MSME players deciding to have a halal certificate for their business is 72.4% of the total sample of 89 data. Meanwhile, the possibility of SME players deciding not to have a halal certificate for their business is 90% of the total sample of 89 data.

Model Regression Logistic Biner and *Odds Ratio*

Table 13. Result of Logistic Regression Analysis and Odds Ratio

	B	S.E.	Wald	Df	Sig.	Exp(B)
X1	**2,187**	**0,986**	**4,918**	**1**	**0,027**	**8,909**
X2	**-2,659**	**1,185**	**5,038**	**1**	**0,025**	**0,070**
X3	-0,123	1,071	0,013	1	0,908	0,884
X4	**3,304**	**0,888**	**13,849**	**1**	**0,000**	**27,232**
X5(1)	0,214	0,660	0,105	1	0,745	1,239
X6	0,035	0,039	0,812	1	0,368	1,036
Constant	-10,933	3,688	8,787	1	0,003	0,000

Source: Processed Data, 2023

Binary logistic regression analysis is used to determine the variables that influence ownership of halal certification with the dependent variable consisting of category 1 for MSMEs that have been halal certified and category 0 for those that have not been halal certified. Based on the table above, it can be seen that of the six variables studied, only three variables influence ownership of a halal certificate, namely government regulations and consumer demand as external aspects and the knowledge variable as an internal aspect. So the logistic regression model is as follows:

$$\ln\left[\frac{\pi(x)}{1 - \pi(x)}\right] = -10{,}933 + 2{,}187X_1 - 2{,}659\,X_2 + 3{,}304X_4$$

Then the odds ratio value is used to see the magnitude of the influence of the independent variable on the dependent variable by looking at the Exp(B) value. Based on the odds ratio value from the output results in the table above, the magnitude of the difference in tendency for each dependent variable is as follows:

Government Regulation (X_1)

The exp (B) value or odds ratio for the variable is 8.909 (with the B value having a positive sign), so it can be interpreted that if government regulations regarding halal certification increase by 1 level, there will be an opportunity to increase the decision of micro business actors to have halal certification by 8.909 times.

Consumer Demand (X2)

The exp (B) value or odds ratio for the variable is 0.070 (with the B value having a negative sign), so it can be interpreted that if consumer demand for halal business permits increases by 1 level, the tendency for SMEs to decide to have halal certification will decrease by 0.070 times. On the other hand, if there is no increase in consumer demand for halal certification, it is likely to increase the decision of business actors to have a halal business permit 14.28 times.

Competitors Action (X3)

The exp (B) value or odds ratio for the variable is 0.884 (with the B value having a negative sign), so it can be interpreted that if a competitor's actions or activities in owning a halal business permit increase by 1 level, the tendency for SMEs to decide to have halal certification will decrease by 0.884 times. fold. On the other hand, if not an increase in competitor activity in obtaining halal permits is estimated to have the potential to increase the decision of business actors to have or obtain halal certification for their business by 1.13 times.

Knowledge (X4)

The value of exp (B) or the odds ratio for the variable is 27.232 (with the value of B having a positive sign), so it can be interpreted that the opportunities that arise due to increasing the knowledge of MSME actors about halal certification by 1 level will cause the possibility of increasing the decision to have halal certification by 27.232 times.

Level of Education (X5)

The exp (B) value or odds ratio for the variable is 1.239 (with the B value having a positive sign), so it can be interpreted that if the education level of SME actors increases by 1 level, the tendency for these MSMEs to decide to have a halal business certificate increases by 1.239 times.

Omzet (X6)

The value of exp (B) or odds ratio for the variable is 1.036 (with the value of B having a positive sign), so it can be interpreted that if the turnover of SMEs increases by 1 level, it is estimated that there is an opportunity to increase the business actor's decision to have a halal certificate 1.036 times.

Hypothesis Test

In the hypothesis test analysis, a Wald statistical test will be carried out which is useful for determining the partial influence of the independent variable on the dependent variable. Decision making in testing this hypothesis is to use a significance level (α) of 5% with hypothesis testing criteria based on significance, namely the null hypothesis is accepted if the p-value is greater than the 5% significance level (sig-t > 0.05) so it can be concluded that the independent variable does not influence the dependent variable. On the other hand, if the null hypothesis is rejected if the p-value is smaller than the 5% significance level (sig-t <0.05), it can be concluded that there is an influence between the independent variable and the dependent variable. Based on table 4 in the Sig column. It can be seen that the independent variables that have a significant influence on the decision to have halal certification are variables X1, Meanwhile, the variables of competitor activity, education level and omzet do not significantly influence the decision of SMEs in Pekanbaru City to have a halal business certificate.

RESULT AND DISCUSSION

The Influence of Government Regulation on the Decision of SMEs to Have Halal Certification

Government regulatory variables have a positive and significant influence on the decision of SMEs in Pekanbaru City to have a halal certificate. This means that government regulatory variables influence the decision of micro business actors to decide whether to have a halal certificate or not. The clearer the government regulations regarding halal certification, the greater the possibility for micro business owners to decide to have a halal business permit.

These results are in line with research results (Ab Talib et al., 2016; Sayekti, 2014) which state that government regulations have a significant and positive influence on the decision to have halal certification. This means that the clearer and stricter the government regulations are, the greater the possibility for companies to obtain and have halal permits.

The Influence of Consumer Demand on the Decision of SMEs to Have Halal Certification

The consumer demand variable has a negative and significant influence on the decision of SMEs in Pekanbaru City to have a halal certificate. This means that the consumer demand variable influences the decision of micro businesses to decide whether to have a halal certificate or not. The negative sign shows the opposite relationship, the greater the consumer demand for micro businesses to have a halal business permit, the less likely it is for the micro business to have a halal certificate.

The Influence of Competitors Action on the Decision of SMEs to Have Halal Certification

Competitor activity variables do not significantly influence the decision of MSMEs in Pekanbaru City to have a halal certificate. This means that the competitor activity variable does not influence the decision of micro businesses to decide whether to have a halal certificate or not. This is because these MSMEs do not see examples or evidence from other micro businesses that having halal certification will benefit them. Therefore, they have not made it a necessity.

The Influence of Knowledge on the Decision of SMEs to Have Halal Certification

The knowledge variable has a positive and significant influence on the decisions of MSMEs in Pekanbaru City to have halal certificates. This means that the knowledge variable influences the decision of micro-business actors to decide whether to have a halal certificate or not. The higher the micro business actor's knowledge about halal certification, both theoretically and applied, the greater the possibility for the small business actor to decide to have a halal business permit. This is by research conducted by (Amanda, 2021) which states that knowledge about halal certification influences the decision of cafe owners in Bogor City to have a halal cafe business permit.

The Influence of Education Level on the Decision of SMEs to Have Halal Certification

The education level variable does not significantly influence the decision of MSMEs in Pekanbaru City to have a halal certificate. This means that the education level variable does not influence the decision of micro-business actors to decide whether to have a halal certificate or not. This can be seen from the number of respondents who are not graduates (non-graduates) being more than those who are graduates. Apart from that,

micro businesses are businesses that do not require a particular educational background to be successful in them.

The Influence of Omzet on the Decision of SMEs to Have Halal Certification

The omzet variable does not significantly influence the decision of MSMEs in Pekanbaru City to have a halal certificate. This means that the omzet variable does not influence the decision of micro-business actors to decide whether to have a halal certificate or not. This can be seen from the number of respondents who already have halal certification coming from micro businesses with varying levels of omzet. In essence, the aim of having the halal certification is to increase the omzet of the micro business.

CONCLUSION

The factors that influence the decision of SMEs in Pekanbaru City to have a halal certificate are government regulations and consumer demand from external factors, while internal factors are knowledge. Government regulations influence 8.909 as seen from the odds ratio value, which means that if government regulations regarding halal certification increase by 1 level, there will be an opportunity to increase the decision of micro business actors to have halal certification by 8.909 times. Furthermore, if consumer demand for halal business permits increases by 1 level, the tendency for SMEs to decide to have halal certification will decrease by 0.070 times.

Then, if the respondent's knowledge aspect increases by 1 level, the possibility of SMEs deciding to have halal certification increases by 27,232 times. Based on these results, it can be seen that the knowledge variable has the greatest influence on the decision of SMEs to have halal certification. Meanwhile, competitor activity variables as external factors and education level and turnover as internal factors do not influence the decision of MSMEs in Pekanbaru City to have a halal certificate.

Based on the research that has been carried out, the recommendations from this research are as follows: To the Pekanbaru City government to pay more attention to the implementation of regulations regarding halal certification for SMEs so that these regulations will increase the motivation of micro business actors to manage or have halal business permits for their products. These regulations should make it easier for SMEs to process halal certification for their businesses.

There must be more outreach about halal certification so that SMEs have deeper knowledge and thus increase awareness of having a halal business certificate.

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