

The Effect of Halal Certification on Logistic Performance and Financial Performance (Case Study: Processed Meat and Cowhide SMEs in Surakarta)

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Abstract: Amid increasingly fierce competition in the food business, halal certification is a source of excellence. Halal certification is now a step businesses can take to increase their successful business performance. This study aims to provide business actors with a deeper understanding of the impact of halal certification on company performance by analyzing the effect of halal certification on logistic performance and financial performance in small and medium-sized enterprises (SMEs) based on processed meat and cowhide in Surakarta. This study is based on a purposive sampling survey of SMEs producing processed meat and cowhide in Surakarta that has obtained halal certification. The PLS-SEM method was used to process the data. This research shows that halal certification has a good and significant impact on the logistical and financial performance of SMEs producing processed meat and cowhide in Surakarta. This founding indicates that halal certification has an impact and may be considered by business actors who have yet to go through the process.

Keywords: Halal certification, logistic performance, financial performance, PLS-SEM.

Introduction

Most people in Indonesia are Muslims. Based on data from the Kementerian Dalam Negeri (Kemendagri) in 2021 [1], it is estimated that there are 237.53 million Muslims in Indonesia, making up 86.9% of the country's overall population of 273.32 million. Indonesia has the largest Muslim population in the world with this number. For the Muslim population, consuming halal goods is mandatory, especially regarding food and drink. The existence of halal product certification is one of the steps the Indonesian government can take to safeguard its citizens against non-halal goods. Undang-Undang No. 33 of 2014, which relates to Jaminan Produk Halal, contains the policy's regulations [2]. In Indonesia, a halal certificate is required for every product brought in, distributed, and traded. The Halal Product Guarantee Agency issues the required formal halal certificate, which is mandatory.

Halal certification must be obtained in stages [3] to prove that the manufacturing process components, the materials used, and the Halal Assurance System conform to the LPPOM MUI standards. First, the halal mark on the product packaging confirms the certification's validity. Second, halal certification

guarantees halal status in food, medicine, cosmetics, and other products, which might reassure consumers when consuming them [4]. The halal certification implies the examination and confirmation of all steps involved in the production of food, including those involved in its preparation, slaughter, use of raw materials, cleaning, handling, disinfection, processing and storage, transportation, and distribution, as well as food management practices that are cleaned and processed from hygienic materials following Sharia Law [5].

The world's food business has recently paid close attention to halal certification. Given the severe rivalry in the food market, halal certification is a sign of excellence. Nowadays, obtaining halal certification is a strategic move businesses can make to boost their overall success. In addition to serving as a mark of assurance and trust, the halal certification dramatically impacts how well a company performs.

Halal certification has a significant and positive impact on logistic performance, and the better the implementation of halal certification, the more it will encourage improved logistic performance [6]. Delivering goods and services in the appropriate quantity and at the appropriate time is referred to as logistical performance [7]. In other words, logistic performance is a means of achieving the "7R" objectives of logistic management: the right product, amount, condition, place, time, customers, and costs [8].

Undang-Undang no. 11 of 2020 about Cipta Kerja [9] defines *logistics* as a business activity encompassing storage, assembling, sorting, packaging, distribution,

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equipment maintenance, and reconditioning. To preserve the continuity of the halal manufacturing process in accordance with the LPPOM MUI's regulations, every industry that has undergone halal certification must implement a Halal Assurance System. This is accomplished beginning with the halal management organization, technical references for putting the Halal Assurance System into practice, administration and documentation, storage, materials and production processes, product performance, communication, halal training and socialization, internal audits, and management reviews. The storage aspect of halal certification in logistics. To prevent products from being contaminated with najis (dirt) or items whose halalness is in question, the industry must preserve production supplies, tools, and goods in a specified manner. Furthermore, halal certification in logistics is related to product performance where there is evidence that the company's halal products are well distributed/displayed; that is, it does not allow cross-contamination with other products of dubious halalness.

The financial performance of businesses with halal-certified products is considerably different from businesses without certification, according to Mohamed Yunos *et al.* [10]. Halal certification is a tool a company can use to grow its market and attract customers. Information about financial performance can be used to gauge how well a business has performed over time. Financial performance is an achievement made by a company over a specific period that is indicated by the health of its financial statements [11]. Business performance is measured by financial performance, including market share, profitability, and amount of use, according to Agarwal *et al.* [12].

Meat is a protein source from high-quality animals and is very responsive to changes in price and income. Fresh foods and processed goods can both be used to provide livestock with animal protein. However, due to the perishable nature of fresh ingredients, there are restrictions on the amount of space, time, and location used to distribute products to consumers, which affects the loss of economic function [13]. Processing can be used as one strategy to combat the reduction in economic function. Processed goods that are convenient and practical, i.e., ready to use, ready to serve, and ready for consumption, are some types of processed goods that consumers are interested in today [14]. Additionally, as people's lives become more modern and active, they require food products that no longer require special care. Therefore, shredded meat, jerky, meatballs, sausages, corned meat, and other processed meat products are in high demand [13].

The average weekly consumption of processed beef in Surakarta in 2021 is 0.007 Kg [15]. This level of consumption is higher than the average weekly intake of 0.006 kg for the previous year. In Surakarta, where there are 522,728 residents, the general public consumes 3,659.096 kg of processed beef per week [16]. According to these statistics, processed meat has a very bright future and demands further consideration. Additionally, it may have a positive impact on the local economy.

This processed beef item is also a typical Surakarta souvenir for visitors to the city. Then, processed cowhide, known as "rambak" is another option for Surakarta-specific souvenirs [17]. This souvenir product could be one factor that contributes to the smooth operation of tourism activities. Additionally, Surakarta is currently one of Indonesia's top tourist destinations. The number of domestic and foreign tourists visiting Surakarta year after year shows positive growth. In 2021, the number of tourist visits in Surakarta will be 1,786,332 domestic tourists and 2,526 foreign tourists [18]. In 2022, the number of tourist arrivals is expected to increase by 5%.

According to data on processed meat consumption and rising visitor numbers, the processed meat sector needs to be ready to meet any growth in consumer demand for processed meat products to maximize profits. Because it relates to the industry's capacity to meet client needs in the proper quantity and time despite fluctuating customer demands, logistic performance requires attention. If the industry can meet all client needs, it can gain the most significant profit and affect its financial success. Then, in Indonesia and Surakarta, where most of the population is Muslim, halal product certification will be of particular concern because consuming halal products is a mandate, and especially with the Covid-19 outbreak, there is a need for security and hygiene guarantees. Furthermore, because domestic tourists dominate in Surakarta, many visitors who travel to Surakarta may be looking for Surakarta-specific souvenirs that already have halal certification. Because these SMEs depend on slaughter, they are closely tied to halal. Therefore, this study is required to examine the impact of halal certification on logistic performance and financial performance that focuses on processed meat and cowhide small and medium-sized enterprises (SMEs) in Surakarta.

A product's halalness is affected by the production procedure, distribution channels, mode of transportation, storage methods, and materials used [19]. For distribution, the meat is first covered with a clean cloth, then pushed by a trolley, and lifted by two workers using pegs. This procedure keeps the meat from getting into contact with the ground directly. The meat is then covered with new tarpaulin to prevent

direct contact with the iron surface of the used conveyance, avoiding corrosive iron contamination and lowering meat quality during distribution two functions [20].

Several prior research, such as that conducted by Ab Talib *et al.* [8], studied the effect of halal certification on logistic performance by offering a conceptual model framework, but it needed to be quantifiably measured. The impact of halal certification on the financial performance of halal food businesses in the Philippines was then examined by Akmad Salindal *et al.* [21]. However, this study quantified the effect indirectly by using the innovative performance variable as a mediator and then analyzed the data using the Structural Equation Modeling (SEM) method. Following that, Puspitasari and Urumsah [22] used multiple regression analytic techniques to investigate the impact of halal certification on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange. Additionally, Muslimin *et al.* [23] used multiple regression analysis methods to investigate the effect of logistic performance on financial performance in Small and Medium Enterprises (SMEs) in Central Sulawesi Province. However, the findings did not have a significant overall impact. The objectives of this study are to (1) identify the effect of logistic performance on financial performance, (2) determine the effect of logistic performance on financial performance, and (3) identify the mediating role of logistic performance in the relationship between halal certification and financial performance. The Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach was used to conduct this case study on processed meat and cowhide in Surakarta.

Methods

Literature Review

Halal certification is a method of getting a halal certificate as evidence that raw ingredients, production methods, and the Halal Assurance System (HAS) are in conformity with LPPOM MUI standards [3]. A halal-certified business creates, implements, and maintains the HAS management system to ensure that halal production continues in conformity with LPPOM MUI regulations. The vital element in the halal certification procedure is HAS. The halal logo demonstrates the presence of the halal certification on each product's packaging. Food, medication, cosmetics, and other products are tested for halal compliance before certification to ensure consumer peace of mind [4]. *Halal certification* is a document, logo, or trademark granted by an Islamic organization certifying that the good or service complies with Islamic guidelines [8]. *Halal certification* is a procedure that certifies a product's attributes and quality in accor-

dance with the guidelines established by the Islamic Council that permit the use of the halal mark [24]. Ab Talib *et al.* [8] argue that halal certification does have a substantial impact on the performance of companies in addition to serving as a symbol of confidence and trust.

Delivering goods and services in the appropriate quantity and at the appropriate time is referred to as logistical performance [7]. In other words, logistic performance is a means of achieving the "7R" objectives of logistic management: the right product, amount, condition, place, time, customers, and costs [8]. Logistic performance can be categorized in a variety of ways. Performance in logistics has several dimensions, including quality, time, cost, and flexibility [25]. The ability of the business to meet client requests by offering high-quality services in terms of service dependability, flexibility, correctness, and cycle time is reflected in service quality [26]. The capacity to complete requests, orders, or delivery on time is shown by the time [27]. The ability to produce increased performance while guaranteeing the economical use of resources is referred to as cost efficiency [27]. Flexibility demonstrates a company's capacity to adapt to a dynamic and unpredictable environment [28]. Because it can affect how well a company performs, the capacity to react quickly to changes is crucial [29]. The more responsive the company is, the better it will meet the needs of its customers [30].

Financial performance is an achievement made by a company over a specific period that is indicated by the health of its financial statements [11]. Financial performance is an examination of a company's financial situation report over a specific period to determine how successfully and efficiently it generates revenue [31]. When examining the effects of ISO 9000 certification on three dimensions of financial performance, namely operating efficiency, sales growth, and overall financial performance, Sharma [32] discovered that ISO 9000 adoption had a more substantial impact on profit margins (measured by earnings per share). However, Corbett *et al.* [33] found that there had been a considerable improvement in the ROA, ROS, and lower cost of goods sold (COGS/SALES ratio) following the implementation of ISO 9000.

Model Construction

This study examines the effect of halal certification on logistic performance and financial performance in processed meat and cowhide SMEs in Surakarta. This study develops a model framework based on several previous studies. Three variables are used in this study: halal certification, logistic performance, and financial performance. The concept of the model in this study is presented in Figure 1.

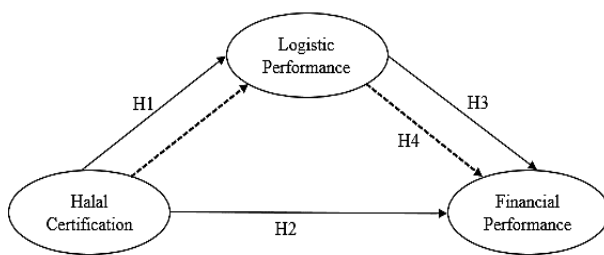


Figure 1. Research model

Halal certification is a mechanism to improve organizational performance, particularly logistic performance [8]. Ab Talib *et al.* [34] conducted a study on the effect of halal certification and found that halal certification has a positive relationship with operational performance. In this study, one of the exogenous constructions is logistics and distribution. The study was conducted on 210 halal-certified food companies in Malaysia. Then, Qurtubi [6] revealed that halal certification has a positive and significant effect on logistic performance, where the better implementation of halal certification will encourage higher logistic performance. Miranda-de la Lama *et al.* [35] reported that halal-certified slaughterhouses in Spain focus more on the logistic aspect. They recognize that transportation is one of the most visible steps in the production chain, with a substantial impact on consumer perceptions as well as projecting an excellent image to consumers. Therefore, the proposed hypothesis is as follows :

H₁: Halal certification has a significant positive effect on logistic performance

Halal certification is a strategic step for business actors to attract consumers, differentiate themselves from competitors, and add product value [21]. According to Perdana *et al.* [36], halal labels positively impact company profits because the inclusion of halal labels on products increases consumer confidence. This result is in line with the Gulf Marketing Review [37], which revealed that Nestle had increased its profits since obtaining halal certification to reach out to the main retail channels in Swiss supermarkets. Nestle has been offering halal variations of many brands since 2004 in countries such as France, the UK, and Germany. Halal products such as Nido, Smarties, Maggi soups, Kit Kat, Milo, and Nescafe are sold in 1,000 stores in five European countries, generating annual sales of around USD 5.2 billion. In addition, halal certification can also be used as a tool to gain customer trust, expand market share, and ultimately have an impact on improving company performance [38]. Therefore, the proposed hypothesis is as follows :

H₂: Halal certification has a significant positive effect on financial performance

Logistic performance can have an impact on the company's financial performance. The company's expectations for the use of logistics are increasing operational levels, improving customer service, accessing resources, reducing costs, focusing on core business, expanding market share, improving company performance, and developing business networks [7]. Toyli *et al.* [27] also revealed that companies could reduce costs associated with warehousing and inventory as long as the distribution of goods is appropriately managed. An excellent logistic system can reduce distribution costs which will affect financial performance [38]. Then, Muslimin *et al.* [23] conducted a study on 120 SMEs in Indonesia and revealed that logistic operations significantly impact financial performance. SMEs must reduce logistic costs and maintain service quality to improve financial performance. SMEs should not abandon flexibility, reliability, and security because increasing these instruments can impact market share. Mansidao and Coelho [39] examined the effect of logistic performance on the performance of SMEs in Spain. As can be said, all logistic performance factors consisting of efficiency, effectiveness, and service can affect logistic performance and performance at the organizational level by increasing profitability. Therefore, the proposed hypothesis is as follows :

H₃: Logistic performance has a significant positive effect on financial performance

Finally, based on the literature and the three previous hypotheses, this final project research also tries to develop halal certification indirectly has a significant positive effect on financial performance through logistic performance. Therefore, the proposed hypothesis is as follows :

H₄: Halal certification indirectly has a significant positive effect on financial performance through logistic performance

After the model framework is formed, it is necessary to operationalize each variable and indicator, which will later be used as a questionnaire, as shown in Table 1.

Halal certification is a guideline in supply chain operations as a warranty of method and product quality in compliance with Islamic principles, and it can help companies market their products. There are four indicators for the halal certification variable: customer confidence in the logistic performance of halal-certified SMEs, the degree to which SMEs satisfy customer needs without compromising the halalness of the products, a comparison of financial results to logistic operating costs, and the capacity of SMEs to distribute goods in the face of a dynamic market environment changeable and uncertain.

Table 1. Variables and indicators

Variables	Indicator	Source	Code
Halal certification	Consumer confidence is strengthened because halal certification shows that logistic operations are in line with sharia principles	Ab Talib <i>et al.</i> [8]	HC1
	Halal logistic services can serve customer requests such as timely distribution because in their operations they should not cause problems and disruptions to product halalness		HC2
	Promising financial results are greater than the cost of halal logistic operations		HC3
	Halal certification facilitates market expansion so that it is easier to enter the market		HC4
Logistic performance	The quality and integrity of halal products is maintained because the distribution is carried out using transportation and equipment according to sharia principles	Ab Talib <i>et al.</i> [8]	LP1
	The distribution of halal products is carried out on time without losing the integrity and quality of halal		LP2
	Distribution and handling costs can be passed on to the customer but will not significantly increase the overall cost and cause difficulties for the customer		LP3
	Halal product distribution runs smoothly because halal certification is a sign of guarantee		LP4
Financial Performance	SMEs are able to generate positive cash flow from their current sales	Giyanti <i>et al.</i> [40]	FP1
	SMEs are able to achieve the targeted sales growth rate	Salindal [41]	FP2
	SMEs are able to achieve the targeted profit	Akmad Salindal <i>et al.</i> [21]	FP3
	SMEs are able to cover the entire scope of the targeted market share	Nordin <i>et al.</i> [24]	FP4
	SMEs experience an increase in sales revenue every year	Giyanti <i>et al.</i> [40]	FP5

Logistic performance is the ability to achieve logistic management goals. There are four indicators for the logistic performance variable: quality, time, cost, and flexibility. Quality was chosen to measure SMEs' logistical capacity to fulfill their responsibilities and satisfy consumer needs. Time was chosen to measure the ability of SMEs to fulfill customer requests, orders or deliveries in a timely manner without compromising the integrity and quality of halal. Cost was chosen to measure the company's ability to improve performance while guaranteeing resource efficiency. Flexibility was chosen to measure the ability of SMEs to distribute products.

Financial performance is a measuring tool to determine efficiency and effectiveness in generating income and using assets. There are five indicators for financial performance variables: cash flow, total sales, profitability, market share, and sales revenue. Cash flow was chosen to measure how successful the company is in generating positive cash flow considering its current sales. Total sales were chosen to measure the total number of sales of halal products during a certain period. Profitability was chosen to measure how profitable the SMEs are in relation to

their total assets. Market share was chosen to measure the market share of SMEs in the main competitive sectors. Finally, sales revenue was chosen to measure the level of SMEs income from selling halal products currently offered.

Research Method

In this study, data was collected via a questionnaire and processed to determine the effect of halal certification on logistical and financial performance. The delivered questionnaire includes conclusions drawn from the characteristics of the questionnaire that were previously defined. A 5-point Likert scale was used as the questionnaire scoring system in this study. This 5-point scale was chosen in accordance with Revilla *et al.* [42], who claim that a 5-point scale produces better-quality data that is in line with prior findings. A 5-point scale was therefore used in this investigation. Questionnaires were distributed to processed meat and cowhide in Surakarta with the number by the data from the Department of Cooperatives, SMEs, and Industry of Surakarta 2022. This study used a purposive sampling method. This method targets individuals with specific characteristics [43].

Table 2. Respondent profile

Respondent's position	Percentage (%)	Estimated investment value	Percentage (%)
Leader	50	<1 billion rupiah	89
Logistic manager	20	1-15 billion rupiah	11
Financial manager	8		
Other	22		
Duration of operation	Percentage (%)	Location of SMEs	Percentage (%)
≤15 years	55	Become one with the residence	72
16-30 years	28	Separated from residence	28
>30 years	17		
Number of workers	Percentage (%)	Category of SMEs	Percentage (%)
≤19 workers	83	Small industry	83
>20 workers	17	Medium industry	17

Respondents to the questionnaire for each SMEs will be represented by two people who are the halal management team from each processed meat and cowhide SMEs. The halal management team intends to understand halal certification, logistic performance, and financial performance in the SMEs they handle. The minimum number of sample sizes used for PLS-SEM is 30 sample sizes [44]. The sample in this study used was 36 respondents.

Results and Discussions

The summary of the questionnaire can be seen in Table 2. The description of the research respondents consists of the respondent's position, duration of operation, number of workers, estimated investment value, location of SMEs, and category of SMEs. Table 2 shows the respondent profile in this research.

Outer and Inner Model Evaluation

The first step in the PLS-SEM stage is the outer model evaluation. The outer model test has three criteria: convergent validity, discriminant validity, and composite reliability [45]. The convergent validity is tested using the outer loading and AVE (Average Variance Extracted) value. However, in the first iteration, there are LP4 and FP1, which has outer loading value below 0.7, as shown in Table 3. This means indicators LP4 and FP1 cannot be measured for variables in the measurement model. Then the two indicators must be deleted and proceed to the second iteration. After the second iteration, all indicators have an outer loading value above 0.7, and all variables have an AVE value above 0.5. It means the convergent validity can be accepted, as shown in Table 4 and Table 6. Next, the discriminant validity is tested by using the Fornell-lacker values. Fornell-lacker values of each variable are greater on their variable than on other variables.

Therefore, all variables pass the discriminant validity test, as shown in Table 5. Next, the reliability is tested using composite reliability (CR) value, all variables have a CR value above 0.7 which means the reliability can be accepted.

Table 3. Outer loading values first iteration

Indicator	Outer loading
HC1	0.743
HC2	0.782
HC3	0.868
HC4	0.751
LP1	0.899
LP2	0.899
LP3	0.719
LP4	0.466
FP1	0.424
FP2	0.766
FP3	0.785
FP4	0.776
FP5	0.714

Table 4. Outer loading values second iteration

Indicator	Outer loading
HC1	0.743
HC2	0.782
HC3	0.868
HC4	0.751
LP1	0.899
LP2	0.899
LP3	0.719
FP2	0.766
FP3	0.785
FP4	0.776
FP5	0.714

Table 5. Fornell-lacker values

Variables	Financial performance	Logistic performance	Halal certification
Financial performance	0.784		
Logistic performance	0.511	0.868	
Halal certification	0.616	0.786	0.790

Finally, internal consistency reliability is tested using composite reliability value, and all variables have composite reliability values above 0.7, which means the reliability can be accepted, as shown in Table 6. Based on the results, all research variables are valid, and the research instruments are reliable.

Table 6. The average variance extracted and composite reliability values

Variables	AVE	Composite reliability
Halal certification	0.618	0.866
Logistic performance	0.754	0.901
Financial performance	0.614	0.864

Table 7. R-Square and predictive relevance value

Variables	R ² -square	Predictive relevance
Logistic performance	0.624	0.443
Financial performance	0.381	0.208

The next step is inner model evaluation. The evaluation is carried out by looking at the R-Square (R²) criteria and Predictive Relevance (Q²). The R-square of purchase intention means the logistic performance variable is 62.4% by the halal certification variable, and the financial performance variable is influenced by 38.1% by the halal certification variable and logistic performance mediation. In contrast, the rest is influenced by other variables not included in this study. Then this research model has a relevant predictive value where the proposed research model can explain the information contained in the research data by 44.3% and 20.8%, as shown in Table 7.

Hypothesis Testing

Hypothesis testing can be done by looking at the p-value. If the p-value is less than 0.05, then the relationship between the variables is significant [46]. Then, look at the original sample value to see the direction of hypothesis testing. If the original sample shows a positive value, the direction is positive (in the same direction). If the original sample value is negative, the direction is negative (opposite). The results of hypothesis testing can be seen in Table 8 and Figure 2.

Based on the results of hypothesis testing, the halal certification has a significant positive relationship with logistic performance. These results indicate that greater halal certification implementation will enhance SMEs' logistical performance. This result is consistent with a study by Qurtubi [6], which discovered that halal certification significantly improved logistical performance. Then, Ab Talib *et al.* [34] discovered that halal certification has a positive relationship with operational performance, with logistics and distribution being one of the exogenous variables. This result is inextricably linked to halal-certified SMEs that have successfully utilized their resources and completed their tasks [6]. Then, halal certification can be in the form of visible resources in the form of process guidelines and logos as well as invisible resources in the form of reputation and image so that they become a source of logistic performance [8].

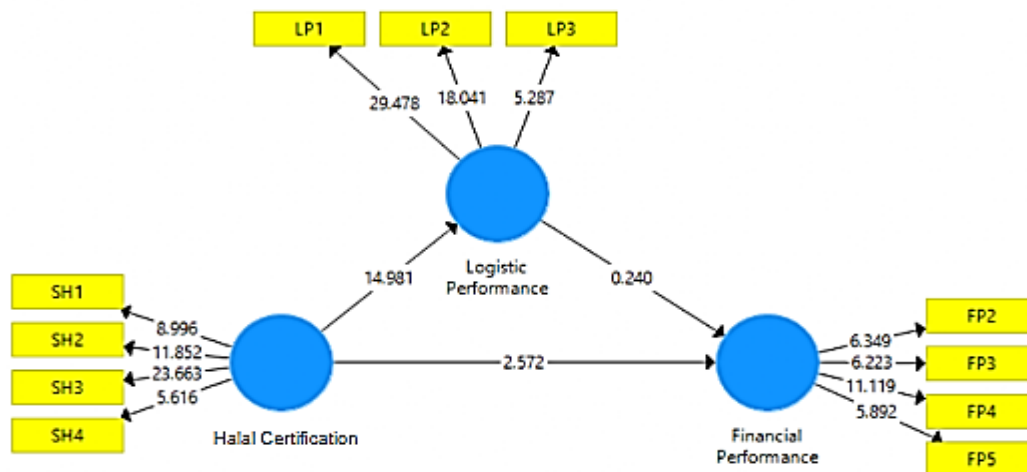
Halal certification has a significant positive relationship to financial performance based on the results of hypothesis testing. These results show that the better implementation of halal certification will improve the financial performance of SMEs. This result is in accordance with the research of Puspitasari and Urumsah [22], which found that halal certification has a significant positive effect on financial performance. Then, Nordin *et al.* [24] also stated that halal certification has many benefits for companies where companies that get halal certificates have increased satisfaction with their products and will improve financial performance. This output is inseparable because halal certification contains the highest quality standards [24]. So, halal certification can be a capital to enter the global market. Halal-certified products are one of the efforts to provide the best quality for customers, which will impact customer trust and increase product sales so that they can generate more profits and prove good financial performance [22]. In addition, increased product demand can directly affect financial performance in terms of sales, market share, profits, productivity, export opportunities, and effective product promotion [24].

Logistic performance has an insignificant positive relationship with financial performance based on the results of hypothesis testing. These results are not in accordance with the research of Muslimin *et al.* [23], which states that logistic performance in terms of logistic costs and service quality has a significant positive effect on financial performance. In addition, Indriyastuti [47] also states that logistic performance in terms of cost efficiency, service quality, and time has a significant positive effect on financial performance. If Muslimin *et al.* [23] and Indriyastuti [47] stated that the implementation of better logistic performance would improve the financial performance of SMEs, in this study, the implementation of better logistic performance would not significantly improve the financial performance of SMEs. SMEs still have several obstacles, such as a lack of leadership knowledge, a small budget, an unskilled workforce, and small organizational scope of SMEs [23]. In addition, more resources are needed to produce the best service quality. In contrast to industries that are classified as significant, they have a more remarkable ability to manage supply chains because they have more resources and are skilled compared to SMEs [29].

The final relationship is between halal certification and financial performance, in which logistic performance acts as a mediating variable. In this study, logistic performance does not significantly mediate the relationship between halal certification and financial performance.

Table 8. Hypothesis testing

Hypothesis	Relationship	Original samples	P-value	Decision
H1	HC → LP	0.790	0.000	Supported
H2	HC → FP	0.565	0.010	Supported
H3	LP → FP	0.065	0.810	Not supported
H4	HC → LP → FP	0.052	0.815	Not supported

**Figure 2.** SmartPLS hypothesis testing

This result is consistent with the findings of Perdana *et al.* study's [36], which claims that the presence of halal labels on products boosts consumer confidence, which has a beneficial impact on the company's revenues. The respondent's choice of answer to whether logistic performance impacts the scope of the local market influences financial performance. Additionally, a supplier's and customer's lack of communication and cooperation may affect financial performance [23]. This result demonstrates that logistic performance cannot be a reliable relationship that influences halal certification in a way that improves financial performance. Nevertheless, the study's findings confirm that adopting good halal certification will significantly improve SMEs' financial performance without the need for other factors to be taken into account.

Implication

The logistic and financial performance of processed meat and cowhide in Surakarta was shown to be significantly positively impacted by the halal certification variable after the hypotheses of each connection were tested. These findings highlight the importance for business actors to comprehend that halal certification can be both an intangible resource in the form of reputation and image as well as a concrete resource in the shape of brand and procedure requirements. For SMEs, this may be a source of logistical and financial performance. Implementing halal certification can enhance perspectives on quality, time, cost, and flexibility, ultimately impacting

cash flow, total sales, profitability, market share, and sales revenue. The findings of this study are anticipated to provide leaders of SMEs more encouragement and assurance to maintain compliance with halal certification standards to boost SMEs' performance.

Because halal certification impacts logistical performance and financial performance, it should be considered by other business actors who have yet to pursue halal certification. Business owners might think about going through the halal certification process. All products that enter, circulate, or are traded in Indonesia must have halal certification. According to the Halal Product Guarantee Agency rules, halal certification is necessary because it can serve as a source of excellence in the face of increasingly ferocious competition in the food industry market and influence industry performance.

Halal-certified products might provide exciting chances for business sustainability since they boost consumer purchasing power and are now a marketing strategy to compete in the global market [49]. However, the average turnover of SMEs changed before and after halal certification, according to Khairunnisa *et al.* [50], with the average turnover after halal certification being higher than before. Currently, conducting halal certification could be a wise move for the sector to make in order to boost productive industrial performance—results from the survey with SMEs respondents who have completed halal certification support this. The survey's findings indicate that

halal certification affects logistical and financial performance.

However, SMEs also encounter several challenges when implementing halal certification, including high expenses, complex administrative management, and the active term of halal certificates, which is seen as being very brief [50]. It is therefore hoped that the relevant institutions will recognize these challenges and be able to address them by lowering the cost of halal certification, making file management simple, extending the validity of halal certificates, and supporting the halal certification process so that the number of SMEs performing halal certification in Surakarta can keep growing.

Conclusion

Based on the examination of the study's findings, it can be concluded that halal certification has a demonstrable impact on the logistical and financial success of SMEs producing processed meat and cowhide in Surakarta. The findings of this study are anticipated to provide the management of SMEs with more encouragement and assurance to maintain compliance with halal certification standards in order to boost SMEs' performance. Since halal certification involves the most significant level of quality criteria, these two are interrelated. Additionally, business actors who have yet to undergo the halal certification process or who will do so may want to consider this. The goal of this study is restricted to SMEs producing processed meat and cowhide only, according to data from the Department of Cooperatives, SMEs, and Industry of Surakarta 2022, which means that the sample size of respondents is still relatively small. However, this methodology can be applied to similar SMEs with more significant respondents in future studies because it has some remaining applicability potential.

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