



Halal Edge: How Certification and Value Chains Boost Competitiveness and Sustainability for Pasuruan's Top MSME Products

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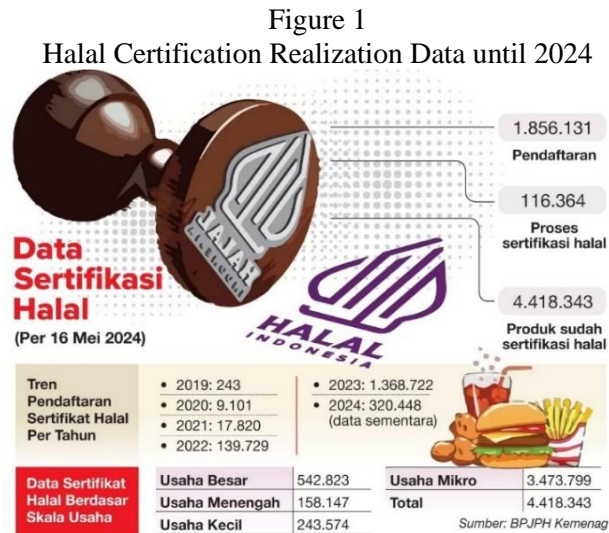
Received: June 27, 2025, *Revised:* December 27, 2025, *Accepted:* December 27, 2025, *Published:* January 5, 2026

Abstract: This study addresses enhancing competitiveness and sustainability of Pasuruan Regency's superior product MSMEs via halal certification and Halal Value Chain implementation. Amid globalization and rising halal awareness, MSMEs struggle with standards compliance, market access, and systematic supply chain support. The research identifies certification/value chain roles in boosting competitiveness and formulates sustainability strategies for the expanding halal ecosystem. The method used in this study uses the quantitative method of Path Analysis/Path Analysis with the type of Explanatory Research. By using the Attitude scale and providing a sample of 86 samples with Purposive Sampling Technique and the object in this study is MSME Actors of Superior Products in Pasuruan Regency. The results of this study are that the Halal Certification variable (X1) has a significant effect on the Competitiveness variable (Y1). The Halal Certification Variable (X1) does not have a significant effect on the Sustainability Variable of MSMEs of Superior Products in Pasuruan Regency (Y2). Self-control (X2) has a significant effect on Competitiveness (Y1). Self-control (X2) also has a significant effect on the Sustainability of MSMEs of Superior Products in Pasuruan Regency (Y2). The Competitiveness Variable (Y1) has a significant effect on the Sustainability of Superior Product MSMEs in Pasuruan Regency (Y2).

Keywords: Halal Certification; Halal Value Chain; Competitiveness; sustainability of MSMEs; Featured Products

Introduction

Economic growth is defined as a country's ability to continue to maintain or increase its capacity to meet the economic needs of the community and the country itself (Challoumis & Eriotis, 2024). Amidst the rapid development of the industrial sector around the world today, a new issue has emerged known as the halal industry. The presence of this industry aims to meet the needs of the global community, especially Muslims. Furthermore, the halal industry is not only limited to products, but also includes lifestyle. The global halal market has now evolved into a new economic growth sector and has attracted attention in various countries, both developed and developing (Lubis et al., 2022). In the context of regulation, the government has required halal certification through Law Number 33 of 2014 concerning Halal Product Assurance, which mandates that all products circulating in Indonesia must be halal certified (Erliani & Sobiroh, 2022). This policy provides opportunities as well as challenges for MSMEs to ensure that their production processes comply with halal standards. On the other hand, the adoption of Halal Value Chain can be a strategic step to improve the overall performance of MSMEs and ensure long-term business sustainability.



Source: BPJPH Ministry of Religion

The growth of the halal industry in Indonesia has experienced quite significant acceleration in recent years, driven by increasing public awareness of the importance of products that comply with sharia principles. However, the reality on the ground shows that of the total MSME players, only around 12.85% have obtained official halal certificates from the Ministry of Religion. Data from the Coordinating Ministry for Economic Affairs shows that by 2024 only around 4.4 million MSME players have been halal certified, consisting of 3,473,799 micro business players and 243,574 small business players (Rohmadi, 2024). In fact, the national target is to certify 10 million MSME players through the Free Halal Certification or SEHATI program. However, due to budget limitations and the capacity of certification institutions, by the end of 2024 the target had not been achieved, so the government announced that the obligation for comprehensive halal certification would be postponed until 2026.

This condition confirms that the challenges in implementing the halal industry in Indonesia are still quite large, especially among MSMEs. Pasuruan Regency is one example of a region with great halal industry potential, but it has not been fully optimized. Based on the 2023 Regency Industrial Development Plan (RPIK) document, 14 leading industrial sectors have been determined, including the furniture, batik, embroidery, bottled water, footwear, bread and cake, and pharmaceutical products industries (Maria, 2024). These sectors absorb more than IDR 3 trillion in investment, but many MSMEs in them have not obtained halal certificates. The obstacles they face include limited information, certification process costs, and difficulty accessing raw materials that meet halal standards.

In addition to certification, the implementation of the Halal Value Chain in the production process to distribution is also still limited. In fact, the strategic value of the Halal Value Chain cannot be ignored. This concept emphasizes the importance of maintaining halal integrity at every stage of production, from raw material selection, manufacturing process, storage, to logistics and marketing (Tieman, 2011). When these elements are not integrated systematically, there will be an imbalance in the halal industry ecosystem, which ultimately has an impact on the low competitiveness and sustainability of MSME businesses.

The gap between regulations and business actors' readiness is an important issue in the context of halal industry development. As noted (Zulfakar et al., 2016), the success of the halal industry does not only depend on government regulations, but also depends on the active involvement of business actors in implementing halal principles comprehensively. If this problem is not addressed immediately, MSMEs will have difficulty competing in the national and global markets, especially in facing the surge in demand for halal products that is growing rapidly globally (Thomson, 2020).

Seeing this reality, this study departs from the urgent need to strengthen the capacity and competitiveness of superior product MSMEs in Pasuruan Regency so that they are able to adapt to

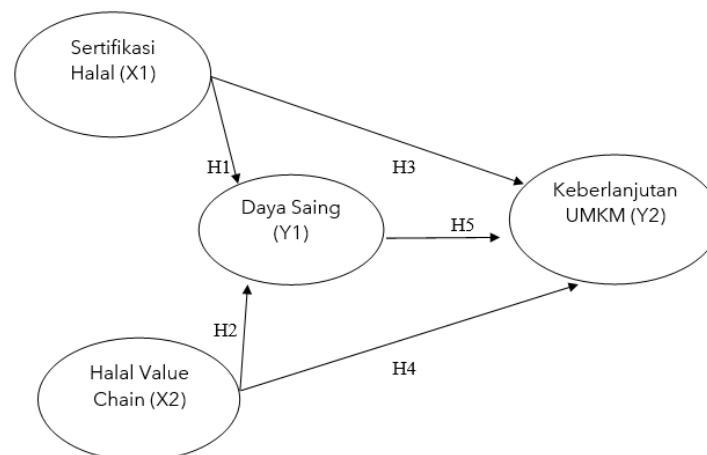
the increasingly competitive halal industry landscape. Halal certification and the implementation of the Halal Value Chain are positioned not only as a form of compliance with sharia regulations, but also as a strategic instrument that can encourage innovation, efficiency of the production process, and improvement of brand image (Hassan & Kamarulzaman, 2021). This study aims to empirically evaluate how these two variables affect the competitiveness and sustainability of MSMEs, both from operational, managerial, and market aspects.

By considering the local socio-cultural, economic, and regulatory contexts, this study is also expected to provide more applicable policy inputs in supporting the halal ecosystem in the region. Pasuruan Regency, which has a fairly strong base of MSME actors and a variety of superior products, is an ideal location to study the real contribution of halal certification and the Halal Value Chain to the resilience and growth of MSMEs in the era of the global halal industry. Therefore, the title of this study is formulated as: *“The Influence of Halal Certification and Halal Value Chain on the Competitiveness and Sustainability of Superior Product MSMEs in Pasuruan Regency.”*

The problem formulation in this study is systematically arranged to describe the logical flow of the relationship between variables. First, does halal certification have an influence on the competitiveness of superior product MSMEs in Pasuruan Regency? Second, does the halal value chain also have an impact on this competitiveness? Third and fourth, each explore the influence of halal certification and halal value chain on the sustainability of MSMEs. Finally, the fifth question seeks to reveal whether competitiveness itself plays a role in supporting business sustainability. All of these problem formulations are built to answer the empirical and theoretical challenges faced by halal MSMEs in local and national contexts.

The framework of thinking in this study describes the causal relationship between variables that have been formulated. The conceptual model is designed to show how halal certification and halal value chain affect competitiveness, which then has an impact on the sustainability of MSMEs. This concept is not only relevant to the context of Pasuruan Regency, but can also be used as a reference for the development of halal MSMEs in various other regions. The Framework of Thinking is as follows;

Figure 2
Conceptual Framework



The theoretical basis used in this study includes four main components. *First*, the concept of halal certification is understood as a form of official guarantee of product compliance with sharia principles. (Tieman, 2013) stated that halal certification provides confidence to Muslim consumers and improves product image, both in domestic and international markets. In Indonesia, this certification is regulated through Law Number 33 of 2014 concerning Halal Product Assurance (Hosanna & Nugroho, 2018). (Rios et al., 2014) added that halal certification can increase consumer loyalty, expand market share, and strengthen product identity. In the context of MSMEs, (Fadillah, 2022) argues that halal certification can add value to products and open up wider market access, including export markets.

Second, halal value chain is a concept that integrates halal principles into the entire supply chain, from raw materials to final distribution. (Tieman, 2011) explains that this approach ensures halal integrity at every stage of production. (Zulfakar et al., 2016) shows that the implementation of halal value chain can improve process efficiency, quality consistency, and product credibility. For MSMEs, despite technical and cost constraints, the implementation of this concept is believed to provide strategic benefits in the long term.

Third, MSME competitiveness is defined as the ability to survive and grow in the market through innovation, quality, efficiency, and adaptation to change. According to (Porter, 1990), competitiveness reflects the strength of an entity in creating superior value compared to its competitors. In the context of halal MSMEs, (Rahman et al., 2020) stated that halal certification and the implementation of halal supply chains can improve the bargaining position of MSMEs in the market. (Tambunan, 2019) also highlighted the importance of market access, technology mastery, and product quality as determinants of competitiveness.

Fourth, the sustainability of MSMEs is not only seen from an economic perspective, but also social and environmental. (Elkington, 1997) through the Triple Bottom Line concept emphasizes the importance of a balance between profit, social concern, and environmental sustainability. In halal business, ethical and spiritual values are an important part of sustainability. (Salleh et al., 2014) show that compliance with halal principles creates consumer loyalty and strengthens business resilience. This is reinforced by the implementation of the halal value chain which ensures integrity is maintained from upstream to downstream.

Thus, this study aims to provide theoretical and practical contributions to the development of halal-based MSMEs. Through an empirical approach, this study is expected to be able to answer the problems that have been formulated, as well as become a reference in the development of sharia-based economic policies. On the other hand, practically, the results of this study can be a guideline for MSME actors and stakeholders in designing strategies to strengthen competitiveness and business sustainability that are in line with halal principles.

Method

This study uses a quantitative approach with an explanatory research type that aims to explain the causal relationship between variables, especially how halal certification and halal value chain influence the competitiveness and sustainability of superior product MSMEs in Pasuruan Regency (Toyon, 2021). The survey method is used as the main data collection technique, by distributing questionnaires to MSME actors who have met the criteria. This approach allows researchers to obtain data that can be analyzed statistically in order to draw objective and measurable conclusions.

The research was conducted in Pasuruan Regency, which was chosen as the research location because this area has great potential in developing superior product UMKM that have been oriented towards halal and sharia values. The population in this study includes all superior product UMKM in Pasuruan Regency, which based on data from the local Cooperative and UMKM Office totals around 4,116 business units. In accordance with the opinion (Sugiyono, 2019), population is a generalization area consisting of subjects or objects that have certain characteristics and are the focus of the researcher's attention. To obtain a representative picture of the population, the researcher used the Slovin formula with a margin of error of 10 percent in determining the number of samples. The calculation results can be seen in the following table:

Table 1
Sample Calculation Using Slovin Formula

Rumus	Perhitungan
$n = N / (1 + N \times e^2)$	$n = 4116 / (1 + 4116 \times 0,01)$
	$n = 4116 / (1 + 41,16)$
	$n = 4116 / 1,04116$
	$n = 86,08$
Number of Samples	86 respondents (rounded)

Sampling was carried out using the technique *probability sampling* with approach *purposive sampling*. Respondents were selected based on certain criteria relevant to the research objectives, namely: (1) MSMEs included in the category of superior products in Pasuruan Regency, (2) have a minimum turnover of hundreds of millions of rupiah per year, and (3) have halal certification from an authorized institution. These criteria are determined so that the data obtained truly reflects business actors who are actually involved in the halal ecosystem and have a competitive capacity that is worthy of being studied.

Data collected through the distribution of closed questionnaires with a five-point Likert scale to measure respondents' perceptions of the variables studied. The instrument was carefully designed to match the theoretical indicators of each variable. Before further analysis, the data were first tested for validity and reliability, and a classical assumption test was carried out to ensure the suitability of the data with the statistical model used. The data analysis technique applied was *path analysis* or path analysis, with the help of statistical software such as SPSS or SmartPLS, to examine the direct and indirect influences between variables in the research model. This approach allow researchers to comprehensively explain the dynamics between halal certification, halal value chain, competitiveness, and sustainability of MSMEs within the framework of strengthening the local economy based on sharia values.

In a study, data collection techniques play a strategic role because this is where the data needed to answer the problem formulation is obtained. The right technique not only ensures data accuracy but also increases the validity of the overall research results. In the context of this study, the data source used is primary data, namely data collected directly from respondents through a research instrument in the form of a questionnaire. According to Sugiyono, primary data is data obtained directly from the source, not through a third party. The questionnaire distributed in this study contains two main parts: respondent identity and statements that represent indicators of each research variable.

The data collection method was carried out by distributing a closed questionnaire, which is a series of structured questions answered by respondents by selecting the answers provided. This technique was chosen because it is considered efficient in collecting large amounts of data and is able to minimize the ambiguity of answers. Each item in the questionnaire is arranged based on theoretical indicators of the halal certification variable, halal value chain, competitiveness, and sustainability of MSMEs. The data collected from this questionnaire will then be analyzed to test the previously formulated hypothesis.

To analyze the data, this study uses a descriptive approach. *Structural Equation Modeling* based on *Partial Least Squares* (SEM-PLS). This method was chosen because of its ability to test complex models with latent variables measured through reflective indicators. SEM-PLS analysis is carried out through three main stages, namely outer model analysis, inner model analysis, and hypothesis testing.

Outer model analysis aims to measure the validity and reliability of the indicators against the constructs they represent. Validity testing is carried out through *convergent validity* which is indicated by the loading factor value (expected > 0.7) and *discriminant validity* which is seen from the comparison of cross-loading values between constructs. Construct reliability is tested using *composite reliability* (expected > 0.7) and *Average Variance Extracted* (AVE) with a minimum value of 0.5. In addition, the value used is also *Cronbach's Alpha* as an internal reliability enhancer with a minimum threshold of 0.6.

The next stage is the inner model analysis which focuses on the relationship between latent variables. Test *R-Square* used to determine the extent of the contribution of the independent variable to the dependent variable. The classification of the R-Square value refers to the substantial (0.67), moderate (0.33), and weak (0.19) categories. In addition, a test was also carried out *Effect Size* (F^2) which measures the strength of influence of each construct on the model, with interpretative values: small (0.02), medium (0.15), and large (0.35). To assess the predictive ability of the model, a test is also used *Q-Square* (Stone-Geisser's test), with similar interpretation values.

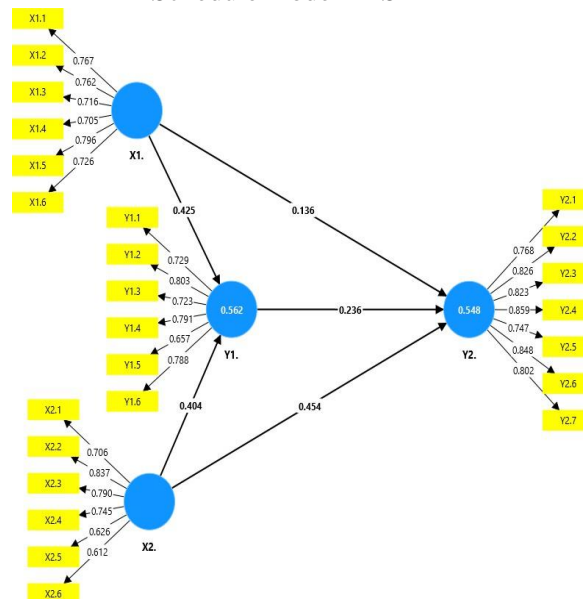
Finally, hypothesis testing is done by looking at the values *t-statistic*. And *probability* (p-value). Based on Husein's guide, the alternative hypothesis (H_a) is accepted if the t-statistic value is more than 1.96 or if the probability value is less than 0.05 at a significance level of 5%. Thus, this analysis not only provides an overview of the relationship between variables, but also assesses how strong and significant the influence is in an empirical context.

Results

PLS Tests

Test Instrument in this study is a validity and reliability test that uses samples according to the established criteria, namely 86 respondents of UMKM Actors of Superior Products in Pasuruan Regency to analyze their validity and reliability and the results of this analysis will be used to obtain data for further analysis. Influence *Halal Certification And Halal Value Chain to Competitiveness and Sustainability of Leading MSME Products in Pasuruan Regency* using analysis *SmartPLS* version 4.1.0.9. The following is a schematic of the proposed PLS program model:

Figure 2
Schedule model PLS



Outer Model Test

Evaluation in the research produced variables *Halal Certification* with 4 indicators and 6 items, *Halal Value Chain* variable with 3 indicators and 6 items, *Competitiveness* variable with 5 indicators and 6 items, and *Sustainability* variable of Superior MSME Products in Pasuruan Regency with 3 indicators and 7 items.

Validity and reliability testing is a crucial stage in analysis. *Structural Equation Modeling* based on *Partial Least Squares* (PLS-SEM), especially when using *SmartPLS* software. This stage is known as *outer model evaluation*, which aims to confirm whether the indicators used are truly capable of representing the latent constructs studied. In the context of this study, four main types of testing were carried out, namely *convergent validity*, *discriminant validity*, *composite reliability*, and *Cronbach's alpha*, according to standard procedures in the PLS methodology literature (Rasoolimanesh, 2022).

First, testing *convergent validity* conducted to assess the extent to which indicators in one construct show high internal consistency in measuring the same concept. One of the main indicators of convergent validity is the value *outer loading* or *loading factor*. (Hair Jr, 2020) suggests that the ideal loading value is above 0.70, although in exploratory research a value above 0.60 is still acceptable. In this study, all indicators showed loading values above 0.60, with most approaching or exceeding the threshold of 0.70, so it can be concluded that the construct has adequate convergent validity. The phenomenon of the red color on the *SmartPLS* output display does not necessarily invalidate the validity if the numerical value has met the established statistical requirements (Ghozali & Latan, 2016).

Second, *discriminant validity* aims to confirm that each construct actually measures something different from the other constructs. This testing can be done with two main approaches, namely through the value *Average Variance Extracted* (AVE) and *cross-loading*. The AVE value

shows how much of the indicator's variance is successfully explained by its construct. According to (Fornell & Larcker, 1981), a good AVE should be more than 0.50, which means that more than half of the indicator's variance is explained by the construct. In addition, the loading value of an indicator on its construct must be higher than the loading value on other constructs, with the ideal value being above 0.70 (Evi & Rachbini, 2023). In the results of this study, all variables showed AVE above 0.50 and the results *cross-loading* appropriate, so that the discriminant validity has been met statistically.

Third, construct reliability was tested using *composite reliability*, which is considered more accurate than Cronbach's alpha in the context of PLS-SEM because it does not assume that all indicators have the same contribution to the construct (Hair Jr et al., 2020). A good reliability value is above 0.70, and in this study, all variables showed a value *composite reliability* between 0.80 to 0.90. This shows that the indicators in each construct have very good internal consistency, reflecting that the construct can be measured stably and consistently.

Fourth, testing *Cronbach's alpha* still conducted to provide additional evidence of internal reliability, although in the context of PLS-SEM this measuring instrument is considered conservative. The generally accepted alpha value is more than 0.70. In this study, all constructs showed Cronbach's alpha values that were above this threshold, indicating that each construct had a strong level of reliability (Ghozali, 2016). Consistency between the results *composite reliability* and Cronbach's alpha indicates that the measuring instrument used is not only stable but also able to avoid measurement bias.

The four stages of outer model testing have shown that the instruments used in this study meet the requirements of validity and reliability. This is a strong foundation for continuing the analysis at the inner model stage, as well as providing confidence that the causal relationships found in the study truly reflect the empirical reality of the phenomena studied. By fulfilling these methodological standards, this study not only has theoretical significance, but also guarantees the accuracy and credibility of the findings produced. The following are the results of the factor loadings in this study:

Table 2
Outer Loading Results

Variabel	Item	Outer Loading	Information
Halal Certification (X1)	X1.1	0.767	Valid
	X1.2	0.762	Valid
	X1.3	0.716	Valid
	X1.4	0.705	Valid
	X1.5	0.796	Valid
	X1.6	0.726	Valid
Value Chain (X2)	X2.1	0.706	Valid
	X2.2	0.837	Valid
	X2.3	0.790	Valid
	X2.4	0.745	Valid
	X2.5	0.626	Valid
	X2.6	0.612	Valid
Competitiveness (Y1)	Y1.1	0.729	Valid
	Y1.2	0.803	Valid
	Y1.3	0.723	Valid
	Y1.4	0.791	Valid
	Y1.5	0.657	Valid
	Y1.6	0.788	Valid

Sustainability of Leading MSME Products in Pasuruan Regency (Y2)	Y2.1	0.768	Valid
	Y2.2	0.826	Valid
	Y2.3	0.823	Valid
	Y2.4	0.859	Valid
	Y2.5	0.747	Valid
	Y2.6	0.848	Valid
	Y2.7	0.802	Valid

Source: Processed data, 2025.

The results of managing the above data using *SmartPLS Value Outer Model* or also called the correlation between constructs with variables with values above >0.70 , but there are 3 items that have values below 0.70, namely items X2.5, X2.6 and Y1.5, but they can still be said to be valid according to (Sarstedt et al., 2020) that the value *outer loading* shows how much the indicator is able to explain the variables it measures. In general, a good outer loading value is above 0.70. However, if there is an indicator with a value between 0.60 and 0.70, the indicator is still acceptable and does not have to be deleted, as long as the indicator is theoretically important and does not reduce the reliability value (*composite reliability*) and construct validity (AVE).

The *discriminant validity* marks can also be known from the value *Average Variance Extranced (AVE)* and each variable has a value above 0.50. The following are the AVE results in this study.

Table 3. Average Variance Extranced (AVE) Value

Variable	Average Variance Extranced (AVE)	Information
<i>Halal Certification</i>	0.556	Valid
Halal Value Chain	0.524	Valid
<i>Competitiveness</i>	0.563	Valid
Sustainability of Leading MSME Products in Pasuruan Regency	0.658	Valid

Source: Processed data, 2025.

Based on the table above, it can be seen that for the variables *Halal Certification* has an AVE value above 0.50, as does the variable *Halal Value Chain*, *Competitiveness* and Sustainability of Superior MSME Products in Pasuruan Regency and the four variables have a value *discriminant validity* which is good and also valid Nilai Composite Reability.

Table 4. Composite Reliability Value

Variables	Composite Reability (rho_a)	Composite Reability (rho_c)	Information
<i>Halal Certification</i>	0.842	0.883	Valid
<i>Self - Control</i>	0.837	0.867	Valid
<i>Competitiveness</i>	0.849	0.885	Valid
Sustainability of Leading MSME Products in Pasuruan Regency	0.917	0.931	Valid

Source: Processed data, 2025.

Inner Model Test

Inner Model Test, or structural model evaluation is carried out to determine: R value *Square* (R^2) (*They will make a determination*), And *Stone-Geisser Q-square test* (*Predictive Relevance*). Which is then assessed for significance based on the t-statistic value of each path.

R Square (R^2)

Shows how strong the influence of the influencing variable (dependent variable) is on the influenced variable (independent variable). With exogenous (influencing) and endogenous (influenced) values, if the value is 0.19 then the exogenous influence on the endogenous is weak, if the value is 0.33 then the exogenous influence on the endogenous is moderate, and if the value is 0.67 then the exogenous influence on the endogenous is strong. The following are the results of R Square (R^2) that is obtained:

Table 5. R Square (R^2) Value

Variables	R - Square	R - Square Adjusted
Competitiveness	0.562	0.553
Sustainability of Leading MSME Products in Pasuruan Regency	0.548	0.534

Source: Processed data, 2025.

From the table above it can be seen that the variables *Halal Certification* And *Halal Value Chain* able to explain variability *Competitiveness* by 56.2% and the remaining 43.8% is explained by other variables. Meanwhile, the Sustainability of Superior Product MSMEs in Pasuruan Regency can be explained by *Halal Certification* And *Halal Value Chain* And *Competitiveness* of 54.8% and the remaining 45.2% is explained by other variables. Based on the theory by Chin (1998) the value *R – Square* 0.562 and 0.548 in the above variables are included in the moderate category because they are between 0.33 – 0.67.

TestStone -Geisser Q-square test (*Predictive Relevance*).

Table 5. Stone-Geisser Q-square test value (*Predictive Relevance*)

Variables	Item	Q ² Predict
Competitiveness	Y1.1	0.309
	Y1.2	0.366
	Y1.3	0.297
	Y1.4	0.234
	Y1.5	0.216
	Y1.6	0.336
Sustainability of Leading MSME Products in Pasuruan Regency	Y2.1	0.310
	Y2.2	0.427
	Y2.3	0.231
	Y2.4	0.344
	Y2.5	0.246
	Y2.6	0.285
	Y2.7	0.320

Source: Processed data, 2025.

The table above is the result of calculating Q² Predict using the PLSpredict feature. *SmartPLS* version 4, it was found that all indicators of variable Y1 (*Competitiveness*) and Y2 (*Sustainability of*

Superior MSME Products in Pasuruan Regency) have a Q^2 Predict value above 0.15.

Several indicators show strong predictive ability, such as: Y2.2 Q^2 value is 0.427, Y1.2 Q^2 value is 0.366, and Y1.6 Q^2 value is 0.336 While other indicators such as Y1.1 with a value of 0.309, Y2.1 with a value of 0.310, Y2.4 with a value of 0.344, and Y2.7 with a value of 0.320 show moderate predictive ability. No Q^2 value ≤ 0 was found, so it can be concluded that the model has good predictive relevance and is suitable for use in the context of this study.

Hypothesis Testing

After the data processing is done, the results can be used to answer the hypothesis test in this study by looking at the T-statistic value >1.96 and p-values <0.05 then all hypotheses in the study are accepted and if the T-statistic value <1.96 and p-values >0.05 then the hypothesis in the study is rejected. In the analysis using *SmartPLS* can be seen at *Path Coefficient* use *calculating bootstrapping*. The following are the results of the hypothesis test in this study:

Table 6. Hypothetical Test Results

Relationship Between Variables	Path Coefficient (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Value	Information
X1 \rightarrow Y1	0.425	0.425	0.095	4.468	0.000	Positive and Significant
X1 \rightarrow Y2	0.136	0.152	0.121	1.129	0.259	Positive and Insignificant
X2 \rightarrow Y1	0.404	0.412	0.114	3.536	0.000	Positive and Significant
X2 \rightarrow Y2	0.454	0.432	0.177	2.564	0.010	Positive and Significant
Y1 \rightarrow Y2	0.236	0.251	0.173	1.368	0.011	Positive and Significant

Source: Processed data, 2025.

From the table above it can be seen that the variables *Halal Certification* has a positive effect on the variables *Competitiveness*. Significance is shown by the T-statistic value = 4.468 > 1.96 , P Value = 0.000 < 0.05 which indicates that Hypothesis 1 is accepted. While the variable *Halal Certification* has a positive and insignificant effect on the Sustainability variable of Superior MSME Products in Pasuruan Regency. This is indicated by the T-statistic value = 1.129 < 1.96 , P value = 0.259 > 0.05 so that the proposed Hypothesis 2 is rejected.

Next, Variables *Halal Value Chain* has a positive effect on the variables *Competitiveness* with the significance value obtained is T-statistic = 3.536 > 1.96 , P value = 0.000 < 0.05 and also the variable *Halal Value Chain* also has a positive effect on the Sustainability variable of Superior MSME Products in Pasuruan Regency with the significance value obtained being T-statistic = 2.564 > 1.96 , P value = 0.010 < 0.05 so that Hypothesis 3 and Hypothesis 4 that were proposed were accepted.

Next variable *Competitiveness* has a positive and insignificant effect on the Sustainability variable of Superior MSME Products in Pasuruan Regency. This is indicated by the T-statistic value = 1.368 > 1.96 and P value = 0.011 < 0.05 . so that the proposed Hypothesis 2 is accepted.

Based on the study's results on the influence of Halal Certification and Halal Value Chain on the Competitiveness and Sustainability of Superior Product MSMEs in Pasuruan Regency, several important findings were obtained that enrich the discourse on developing MSMEs based on halal values. First, it was found that Halal Certification has a significant influence on increasing the competitiveness of MSMEs. This shows that halal certification is not only a legal-formal instrument, but also plays a strategic role in strengthening product position in the market, increasing consumer confidence, and expanding market reach, especially in the domestic and international halal segments.

However, the study's results also show that Halal Certification does not have a significant impact on the sustainability of MSMEs. This finding indicates that business sustainability does not solely depend on halal legality, but is more complex and involves other dimensions such as managerial adaptability, operational efficiency, and the innovative ability of MSMEs in responding to market dynamics and economic challenges.

Other findings show that the Halal Value Chain has a significant impact on the competitiveness and sustainability of MSMEs. The implementation of the halal value chain comprehensively and consistently from upstream to downstream has been proven to be able to increase efficiency, product quality, and provide sustainable added value. This also confirms that the integration of sharia values in business practices not only strengthens the spiritual and ethical aspects of business, but is also a crucial factor in building the resilience and long-term growth of MSMEs.

Finally, it was also found that the competitiveness of MSMEs has a significant influence on the sustainability of their business. This means that the more competitive an MSME is in terms of products, processes, and services, the greater its chances of surviving and developing sustainably amidst dynamic market competition. This finding emphasizes the importance of a competitiveness enhancement strategy as the main foundation for realizing a strong and highly resilient MSME in facing global challenges.

Discussion

Based on the findings in this study, an in-depth academic narrative can be compiled regarding the influence of Halal Certification and Halal Value Chain on the Competitiveness and Sustainability of Superior Product MSMEs in Pasuruan Regency. These findings have strong conceptual implications, especially in explaining the dynamics of the integration of sharia values in the development of micro, small, and medium enterprises in areas that have quite large local economic potential.

First, the results of the analysis show that the Halal Certification variable (X1) has a significant effect on the Competitiveness variable (Y1). This finding is in line with previous literature showing that halal certification can increase the added value of products through quality assurance and compliance with globally recognized religious standards (Tieman, 2013). In the context of MSMEs, halal certification is not just a formality attribute, but an effective branding and positioning strategy to expand market access, especially among domestic and international Muslim consumers. Halal certification also plays a role in building consumer trust, which ultimately strengthens market loyalty and increases the perception of product competitive advantage.

However, other results reveal that Halal Certification (X1) does not have a significant effect on the MSME Sustainability variable (Y2). This result raises an interesting discourse in the study of business sustainability. Although halal certification can increase competitiveness, its effect on long-term sustainability has not been felt significantly. This indicates that MSME sustainability is more influenced by managerial factors, adaptation to environmental changes, and business organizational structures, not solely on formal certification. Halal certification, although important, has not been able to answer the issue of MSME resilience to market dynamics, regulatory changes, and global economic pressures. This emphasizes that a sustainability approach needs to be developed more comprehensively and holistically, including strengthening aspects of innovation, digitalization, and increasing human resource capacity.

The third finding shows that Halal Value Chain (X2) has a significant effect on Competitiveness (Y1). The concept of halal value chain covers the entire production and distribution process in accordance with sharia principles, starting from sourcing raw materials, processing, storage, to final distribution to consumers. The integration of halal principles in each link of the production value chain creates a business system that is not only efficient, but also based on ethics, which is an added value in the global halal market. In other words, the implementation of halal value chain consistently provides a guarantee of product integrity, increases operational efficiency, and strengthens the image and reputation of MSMEs as responsible and value-oriented business actors. This is relevant to the findings (Zulfakar et al., 2016), that the halal value chain system contributes greatly to increasing the efficiency and operational quality of MSMEs.

In addition, the Halal Value Chain variable (X2) was also found to have a significant influence on the Sustainability of MSMEs (Y2). This is an important indicator that the integration of halal

values in business management and operational practices is not only a strategy to gain momentary competitiveness, but also a foundation for long-term business sustainability. In the theoretical framework *Triple Bottom Line* (Elkington, 1997), sustainability encompasses three main dimensions: profit (economic), people (social), and planet (environment). Halal value chain contributes to all three. Economically, it drives efficiency and profitability; socially, it strengthens ethical values and consumer trust; environmentally, it promotes responsible production processes. Therefore, the integration of halal principles throughout the value chain is not only an issue of sharia compliance, but also a strategic issue of MSME business sustainability.

The latest findings state that Competitiveness (Y1) has a significant effect on MSME Sustainability (Y2). This relationship shows that the ability of MSMEs to create and maintain competitive advantages is a primary prerequisite in ensuring business sustainability amidst increasingly competitive market pressures. Competitive advantages can come from product differentiation, cost efficiency, innovation, or service quality. In this case, competitiveness becomes a structural force that supports the financial and non-financial aspects of business sustainability. If MSMEs do not have strong competitiveness, then their existence in the market will only be temporary.

Theoretically, the results of this study can be understood more deeply through the dynamic capabilities approach developed (Teece et al., 1997). In this perspective, competitiveness and sustainability are not the result of static conditions, but the product of an organization's ability to adapt, integrate, and reconfigure resources dynamically in response to changes in the external environment. The implementation of halal value chains and halal certification can be seen as part of dynamic capabilities that enable MSMEs to survive and thrive in a constantly changing business ecosystem.

Furthermore, the concept *stakeholder* as developed (Freeman, 2020) can also be used to analyze the relationship between halal values and MSME sustainability. In this framework, MSMEs are not only responsible to capital owners, but also to all stakeholders, including consumers, local communities, halal authorities, and business partners. By complying with halal principles in the value chain and obtaining valid certification, MSMEs demonstrate an ethical commitment to stakeholders, which in turn strengthens the social legitimacy and long-term sustainability of their businesses.

To strengthen sustainability, cross-dimensional integration between operational strategies and normative values that are the foundation of the halal system is needed. In this context, the Islamic Business Ethics (IBE) approach becomes increasingly relevant. IBE emphasizes the importance of honesty, fairness, transparency, and social responsibility in all business processes (Dusuki & Abdullah, 2007). The halal value chain is not just a technical practice, but a representation of the implementation of IBE values in the business world. Therefore, the successful implementation of the halal value chain not only increases efficiency and quality, but also makes MSMEs agents of moral transformation in the national economy.

Thus, this study provides significant conceptual and practical contributions, both in the development of halal management theory and in the formulation of MSME empowerment policies at the regional and national levels. On the one hand, these results reinforce the importance of a value-based approach in competitiveness and sustainability strategies. On the other hand, this study shows the need to formulate policies that support the MSME halal ecosystem, including ease of certification, technical guidance for the halal value chain, and incentives for sharia-based innovation. This study also underlines that in the context of an increasingly complex global economy, the combination of modern business principles and religious values is not only possible, but also strategic and sustainable.

Conclusion

Thus, it can be said that halal certification significantly enhances the competitiveness of MSMEs, particularly in expanding market access and fostering consumer trust. However, this certification has not demonstrated a direct impact on business sustainability, suggesting that sustainability requires a more comprehensive approach that extends beyond the legal aspect.

On the contrary, Halal Value Chain has been proven to have a significant influence on both the competitiveness and sustainability of MSMEs. An integrated halal value chain, extending from

upstream to downstream, can create efficiency, maintain consistent product quality, and strengthen business ethics, all of which contribute to long-term business resilience. Competitiveness has also been found to play an important role in supporting the sustainability of MSMEs, which emphasizes the need for innovation and efficiency-based business strategies to survive in a competitive environment.

Conceptually, this study enriches the literature on halal management and MSMEs by integrating the Triple Bottom Line and dynamic capabilities perspectives in the context of a local economy based on Islamic values. Practically, this study provides recommendations for local governments and stakeholders to encourage halal certification systematically and expand Halal Value Chain training for MSMEs. These findings emphasize that the success of halal MSMEs is not enough with regulations alone, but requires an inclusive, collaborative, and sustainability-oriented ecosystem.

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