

Examination of Millennial MSMEs' Decision-Making Factors Mentored by Rumah BUMN Sidoarjo on Obtaining Halal Certification

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ABSTRACT

Introduction: Halal certification has become a strategic instrument for Micro, Small, and Medium Enterprises (MSMEs) to enhance consumer trust, expand market access, and ensure the sustainable development of the national halal sector. Nevertheless, the level of halal certification ownership among MSMEs, particularly those managed by the millennial generation, remains relatively limited and exhibits diverse responses to existing policies. This study aims to analyze the determinants influencing the decision of millennial MSMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification.

Methods: The research adopts a quantitative approach with an explanatory research design. Data were collected through a structured questionnaire survey administered to the entire population of 25 millennial MSMEs under the guidance of Rumah BUMN Sidoarjo, and the data were analyzed using multiple linear regression techniques. The variables examined include MSME halal awareness, regulatory processes, trust and reputation, economic factors, religiosity, and halal literacy.

Results: The findings reveal that MSME halal awareness, regulatory processes, trust and reputation, religiosity, and halal literacy have a positive and significant effect on the decision of millennial MSMEs to obtain halal certification. In contrast, economic factors do not show a significant influence, indicating that cost considerations are not the primary determinant within the context of MSMEs assisted by Rumah BUMN Sidoarjo.

Conclusion and suggestion: These findings suggest that halal certification decisions are driven more by value awareness, institutional support, and halal-related knowledge than by short-term economic considerations. Theoretically, this study enriches the halal business literature through a multidimensional analytical approach, while practically it provides a foundation for policy formulation aimed at strengthening halal literacy, simplifying regulatory procedures, and enhancing sustainable MSME assistance programs.

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1. Introduction

The halal industry is currently a major driving force behind global and national economic development, as the demand for certified products is rapidly growing both in domestic and international markets. According to Hendri et al., this situation is most relevant for Indonesia, where the largest Muslim population resides (Hendri et al., 2020). In such a situation, it has the potential to provide strategic support for developing the halal economy thru MSMEs. However, in practice in the Sidoarjo Regency area, the economic organizations of scholars still face various significant obstacles, ranging from price perceptions to information and institutional support (Syukur & Saefullah, 2021). Therefore, significant attention must be given to analyzing the factors responsible for this decision as it ensures national competitiveness and economic inclusion (M. Rahman & Fatimah, 2022).

Although they contribute significantly to national employment and GDP absorption, small and medium enterprises (SMEs) in Indonesia show a relatively low level of halal certification ownership (Rachmawati et al., 2023; UMKM, 2025). The lack of halal certification results in the low competitiveness of SMEs in accessing the competitive halal market. According to previous research, several obstacles lead to the low implementation of halal certification in businesses (Hidayat & Siradj, 2015). including lack of information, cost perception, and complicated procedures (Adinugraha et al., 2021). The low ownership of halal certification among SMEs, managed by the millennial generation, has the potential to hinder the acceleration of national halal industry development and regional competitiveness (Adinugraha et al., 2021). However, several studies indicate that halal literacy, perceived benefits, and institutional support do not necessarily drive the decision to obtain halal certification (Rachmawati et al., 2023).

Several previous studies have identified various factors that influence business actors' decisions to adopt halal certification. Abbas (2025) shows that consumer awareness can increase market pressure on business actors to adopt halal certification (Putra et al., 2023). Additionally, regulatory clarity and government support have proven to play a crucial role in facilitating halal certification decisions (Boakye et al., 2022; Susanty et al., 2022). Other studies also highlight that economic factors, particularly certification costs, often pose obstacles for SMEs (Ab Rashid & Bojei, 2020), while trust and reputation have been shown to influence consumer loyalty toward halal products (Quoquab et al., 2020). Nevertheless, most of these studies still examine these factors separately and have not integrated them into a comprehensive analytical framework. Based on this phenomenon, the same issue occurs with the millennial SMEs fostered by Rumah BUMN Sidoarjo. Prabowo et al. (2022) proved that their halal certification ownership is still low (Prabowo et al., 2022).



Figure 1. BUMN House Office Sidoarjo

Previous research generally focused on SMEs in general without considering the characteristics of the entrepreneur generation. However, millennial MSMEs have different characteristics, such as being more adaptive to technology, innovative, and responsive to changes in market preferences. However, empirical studies specifically examining halal certification behavior among millennial MSMEs are still relatively limited, especially in the context of policy implementation following the enactment of the Halal Product Assurance Law (UU JPH). Research examining this phenomenon at the regional level is also still rare, including in Sidoarjo Regency, which is known as one of the centers of MSME activity in East Java. In addition, the aspect of halal literacy as a factor influencing the decision for halal certification has also rarely received attention in previous research.

The selection of research variables is based on theoretical justification and empirical findings of the factors that influence the community in obtaining halal certification. The Halal awareness of MSMEs reflects market demand pressure and has been proven to influence the halal certification decisions of business actors (Abbas et al., 2025; Putra et al., 2023). The regulatory process is chosen because the clarity of procedures and government facilitation play a crucial role in reducing the barriers to adopting halal certification (Boakye et al., 2022; Susanty et al., 2022). Trust and reputation serve as quality signals that strengthen consumer loyalty toward halal products (Quoquab et al., 2020). Economic factors reflect the cost-benefit considerations of certification that are significant for SMEs (Ab Rashid & Bojei, 2020). Religiosity was chosen because the personal values and beliefs of entrepreneurs have been proven to influence halal-based business decisions (Chowdhury, 2018). Halal literacy also influences entrepreneurs' understanding of the urgency and benefits of certification (Rachmawati et al., 2023).

Based on these conditions, there is a research gap that needs to be filled, namely the need for an approach that integrates various determinants of halal certification decisions while also considering the characteristics of the business generation. This research aims to fill that gap by empirically analyzing the influence of halal awareness among SMEs, regulatory processes, trust and reputation, economic factors, religiosity, and halal literacy on the decisions of millennial SMEs fostered by Rumah BUMN Sidoarjo in obtaining halal certification. With a focus on millennial SMEs and the context of halal policy implementation at the regional level, this research is expected to provide empirical contributions to strengthening the halal SME ecosystem and formulating

generation-based halal economic development policies.

2. Literature Review

The study on business actors' decisions to adopt halal certification can be explained through several theoretical perspectives. First, consumer behavior theory, particularly the Theory of Planned Behavior, explains that the decision of individuals or organizations to adopt a practice is influenced by attitudes, social norms, and perceived control over the action (Hasbi et al., 2023). Halal certification, halal awareness, and perceptions of the benefits of certification can influence business actors' intentions to adopt it. Second, institutional theory emphasizes that organizational behavior is greatly influenced by regulatory pressures, social norms, and the institutional support present in the business environment (Situmorang, 2016). This is relevant to the role of government regulations and institutional support in encouraging SMEs to adopt halal certification. Additionally, from the perspective of Islamic economics, the implementation of halal certification is also related to the principles of halal and *thayyib* as well as the value of trust in business practices, which emphasizes the importance of maintaining product halalness and consumer trust (Hasanah et al., 2021). Based on that theoretical framework, this research integrates several determinants that are believed to influence the decisions of millennial SMEs in obtaining halal certification, namely SME halal awareness, the halal certification regulatory process, trust and reputation, economic factors, religiosity, and halal literacy.

3. Methodology

This research uses a quantitative approach with an explanatory research type aimed at empirically testing causal relationships between variables (Creswell & Poth, 2018). Data collection was conducted through a structured survey using a questionnaire to examine the behavior and decision-making of MSME actors (Goodhue et al., 2012). The conceptual model of the research involves one dependent variable, namely the decision of millennial MSMEs to obtain halal certification, and six independent variables consisting of MSME halal awareness, the halal certification regulation process, trust and reputation, economic factors, religiosity, and halal literacy (Chowdhury, 2018).. The selection of these variables is based on consumer behavior theory, institutional theory, Islamic business ethics, and the halal literacy concept, which have been widely used in studies related to MSME halal certification (Quoquab et al., 2020). Here are the indicators of this research.

Table 1. Research Variable Indicators

Variable	Indicator	Reference
Halal Awareness	Importance of Halal Certification	(Aziz & Chok, 2019; Fernández-cabezudo et al., 2019; Yunus et al., 2014)
	Level of Understanding	
	Knowledge	
	Benefits of Halal Certification	
	Validity of Raw Materials	
Regulatory Process	Regulatory Availability	(Adinugraha et al., 2021; Boakye et al., 2022; Idris & Konadi, 2012)
	Process Transparency	
	Implementation Ease	
	Affordability	
	Interconnection of Regulations	
Trust and	Integrity	(Yee & Faziharudean,

Variable	Indicator	Reference
Reputation	Credibility	2010)(Quoquab et al., 2020; Wilson & Liu, 2011)
	Trustworthy	
	Loyalty	
	Responsibility	
Economic Factors	Certification Costs	(Ab Rashid & Bojei, 2020; Razalli et al., 2017)
	Increased Profitability	
	Market Share Expansion	
	Financial Support	
Religiosity	Business Sustainability	(Glock & Stark, 1970; Worthington et al., 2003)
	Belief	
	Worship Practices	
	Experience	
Halal Literacy	Religious Knowledge	(Latif et al., 2014; Salehudin, 2010)
	Behavioral Consequences	
	Understanding of Halal Products	
	Knowledge of Halal Law	
	Knowledge of Institutions	
Decision to Obtain Halal Certification	Understanding of the Halal Process	(Ajzen, 1991; Alam & Sayuti, 2011)
	Ability to Access Halal Information	
	Intention to adopt	
	Adoption decision	
	Compliance intention	
	Expected benefit	
	Continuance decision	

Source: Processed primary data, 2025

The research population consists of all millennial SMEs fostered by Rumah BUMN Sidoarjo, totaling 25 business units, who actively participate in the institutional development program (Hair et al., 2011). Considering the relatively small population size, this study uses a saturated sampling technique, where the entire population is made the research respondents (Etikan et al., 2016). This approach is commonly used in research with limited populations to obtain a more comprehensive picture of the phenomenon being studied. Although the number of respondents is relatively small for multiple linear regression analysis with several independent variables, the use of regression models in this study remains methodologically justified because the research is exploratory in nature within a limited population and aims to identify patterns of relationships between variables in the specific context of millennial SMEs fostered by Rumah BUMN Sidoarjo. Therefore, the research results are more focused on understanding empirical relationships within the research population rather than broad generalizations.

The research instrument is a structured questionnaire consisting of 30 statements measured using a five-point Likert scale. The statement items were adapted from previous research that has

been empirically tested and adjusted to the context of millennial MSMEs (Ab Rashid & Bojei, 2020). The validity test of the instrument was conducted using item-total correlation with a threshold value >0.30 , while the reliability test used the Cronbach's Alpha coefficient with a threshold ≥ 0.70 , indicating the internal consistency of the instrument (Susanty et al., 2022). Data collection was conducted in August 2025 thru face-to-face methods during halal literacy mentoring activities for MSMEs at Rumah BUMN Sidoarjo. All respondents were given an explanation of the research objectives and assurance of data confidentiality before filling out the questionnaire.

This research applies the principles of research ethics, namely voluntary participation, respondent anonymity, and the use of data solely for academic purposes (Resnik, 2020). Data analysis was conducted using descriptive and inferential statistics. Descriptive statistics were used to describe the characteristics of the respondents, while multiple linear regression analysis was used to test the simultaneous and partial effects of independent variables on the halal certification decisions of millennial SMEs (Gujarati & Porter, 2015). Before the regression analysis was conducted, classical assumption tests including normality, multicollinearity, and heteroscedasticity tests were first performed to ensure the suitability of the regression model used (Ghozali, 2018). All data analyzes were processed using IBM SPSS Statistics version 25 with a statistical significance level of $p < 0.05$.

4. Results And Discussion

a Gambaran Responden

The characteristics of the respondents indicate a dominance of female entrepreneurs in the population of millennial SMEs fostered by Rumah BUMN Sidoarjo. From a gender perspective, 20 entrepreneurs (80%) are women, while 5 entrepreneurs (20%) are men. This composition indicates that the role of women is very prominent in the management of millennial MSMEs, particularly in sectors related to halal-sensitive products. These findings indicate that the participation of millennial MSMEs in business activities and decision-making related to halal certification is not dominated by any particular gender. Based on the level of education, the majority of respondents have a background in Senior High School (10 SMEs; 40%) and Bachelor's degree (8 SMEs; 32%), followed by Diploma (5 SMEs; 20%), Master's degree (1 SME; 4%), and Doctorate (1 SME; 4%). This condition indicates that involvement in halal-based entrepreneurship encompasses various levels of education and is not limited to highly educated entrepreneurs.

In terms of business type, the food and beverage sector dominates with 18 SMEs (72%), followed by cosmetics (3 SMEs; 12%) and other halal-sensitive products (4 SMEs; 16%). There were no respondents operating in the fashion sector, indicating that the halal certification initiative among millennial SMEs in Sidoarjo is still concentrated in the food sector, which has a higher urgency for halal compliance. The respondents' business experience shows variation, with the largest proportion in the 1–3 year business age group (8 SMEs; 32%), followed by businesses with 8–9 years of experience (7 SMEs; 28%), 4–7 years (6 SMEs; 24%), and more than 10 years (4 SMEs; 16%). This indicates that halal certification is considered relevant by both relatively new SMEs and those with more experience. Based on the halal certification status, 11 SMEs (44%) have obtained halal certification, 8 SMEs (32%) are in the application process, and 6 SMEs (24%) have

not started the process but have expressed interest. There are no MSMEs that have expressed disinterest in halal certification. These findings reflect a high level of awareness and acceptance of the importance of halal certification, although there are still procedural and institutional obstacles affecting the speed of its adoption.

Table 2. Respondent Overview

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	5	20
	Female	20	80
Education Level	Senior High School	10	40
	Diploma	5	20
	Bachelor's Degree	8	32
	Master's Degree	1	4
	Doctoral Degree	1	4
Type of Business	Food and Beverage	18	72
	Fashion	0	0
	Cosmetics	3	12
	Other Halal Products	4	16
Business Experience	1–3 Years	8	32
	4–7 Years	6	24
	8–9 Years	7	28
	More than 10 Years	4	16
Halal Certification Status	Certified	11	44
	In Process	8	32
	Not Interested Yet	6	24
	Not Interested	0	0

Source: Processed primary data, 2025

b. Research Instrument

Test The validity test was conducted using item-total correlation, with the criterion that the correlation coefficient value must be greater than 0.323 as the minimum eligibility threshold. The test results show that all statement items in each variable have item-total correlation values exceeding the threshold, thus all items are declared valid and suitable for further analysis. The reliability test of the instrument was conducted using the Cronbach's Alpha coefficient. The test results showed that the Cronbach's Alpha values for all constructs were above the minimum value of 0.70, indicating a good level of internal consistency. Specifically, the Alpha Cronbach values for the halal awareness variable ($\alpha = 0.842$), halal certification regulation process ($\alpha = 0.801$), trust and reputation ($\alpha = 0.816$), economic factors ($\alpha = 0.834$), religiosity ($\alpha = 0.792$), halal literacy ($\alpha = 0.823$), and MSMEs' decision to obtain halal certification ($\alpha = 0.808$). Thus, all constructs in this study are declared reliable and meet the requirements to be used in testing the hypothesis regarding the determinants of halal certification decisions for millennial SMEs.

Table 3. Results of the Validity and Reliability Test of the Research Questionnaire

Variable	Statement Item	Item–Total Correlation (r)	Cronbach's Alpha
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Variable	Statement Item	Item–Total Correlation (r)	Cronbach's Alpha
Halal Awareness	Awareness of the importance of halal labeling for businesses	0.681	0.842
	SMEs' understanding of the risks of non-halal products	0.734	
	SMEs' perception of halal market demand	0.617	
	Awareness of the benefits of halal labeling for business sustainability	0.705	
	SMEs' concern about the halal status of raw materials	0.589	
Regulatory Process	Clarity of halal certification procedures	0.543	0.801
	Transparency of certification process stages	0.624	
	Ease of access to halal regulatory information	0.658	
	Affordability of certification administrative costs	0.571	
	Support from certification assistance institutions	0.602	
Trust and Reputation	Halal labels increase consumer trust	0.716	0.816
	Halal certification strengthens business reputation	0.742	
	Perceived product quality after obtaining halal certification	0.668	
	Influence of halal labels on customer loyalty	0.631	
	Business actors' moral responsibility toward consumers	0.597	
Economic Factors	Impact of certification costs on business cost structure	0.704	0.834
	Potential increase in revenue after certification	0.612	
	Access to new markets through halal certification	0.665	
	Incentives or subsidies for halal certification	0.643	
	Long-term cost efficiency	0.689	
Religiosity	Compliance in performing obligatory religious practices	0.621	0.792
	Religious values in business decision-making	0.664	
	Intention to run a business according to Islamic principles	0.702	
	Perception that halal is a moral obligation	0.587	
	Consistency of religious values in business practices	0.548	
Halal Literacy	Understanding of halal and haram concepts	0.719	0.823
	Knowledge of the halal certification process	0.671	
	Understanding the role of halal certification institutions	0.642	
	Knowledge of halal standards for	0.703	

Variable	Statement Item	Item–Total Correlation (r)	Cronbach’s Alpha
	ingredients and processes		
	Ability to access official halal information	0.618	
	Intention to apply for halal certification	0.637	0.808
	Actual decision to process certification	0.681	
Decision to Obtain Halal Certification	Willingness to meet certification requirements	0.614	
	Perceived economic benefits of halal certification	0.659	
	Decision to continue the certification process	0.703	

Source: Processed primary data, 2025

c. Classical Assumption

Test The classical assumption test is conducted to ensure that the regression model used meets statistical requirements and produces unbiased estimates. The classical assumption tests include normality test, multicollinearity test, and heteroscedasticity test. All data processing was carried out using IBM SPSS Statistics version 25.

Normality Test

The normality of the residuals was tested using the one-sample Kolmogorov–Smirnov test. The test results showed a Kolmogorov–Smirnov Z value of 0.612 with a significance level of 0.847. This significance value is greater than the 0.05 significance level, so the null hypothesis stating that the residuals are normally distributed cannot be rejected. Thus, it can be concluded that the residual data in this regression model have met the normality assumption.

Table 4. Results of the Normality Test

Statistic	Value
Kolmogorov–Smirnov Z	0,612
Asymp. Sig. (2-tailed)	0,847

Source: Processed primary data, 2025

Multicollinearity Test

The multicollinearity test is conducted by examining the Tolerance and Variance Inflation Factor (VIF) values of each independent variable. The test results show that all VIF values are below 10 and the tolerance values are greater than 0.10. These findings indicate that there is no strong linear relationship between the independent variables, thus the regression model is free from multicollinearity issues.

Table 5. Multicollinearity Test Results

Variable	Tolerance	VIF
Halal Awareness	0,521	1,918
Regulatory Process	0,608	1,645
Trust and Reputation	0,487	2,053
Economic Factors	0,672	1,488
Religiosity	0,559	1,789
Halal Literacy	0,601	1,664

Source: Processed primary data, 2025

Heteroscedasticity Test

The heteroscedasticity test is conducted using the Glejser test by regressing the absolute residual values against all independent variables. The test results show that all variables have significance values greater than 0.05.

Table 6. Heteroskedasticity Test Results

Variable	Statistic t	Sig.
Halal Awareness	-0,412	0,684
Regulatory Process	0,193	0,849
Trust and Reputation	-0,267	0,792
Economic Factors	0,538	0,596
Religiosity	-0,481	0,635
Halal Literacy	0,219	0,828

Source: Processed primary data, 2025

d. Multiple Linear Regression Test

The results of the multiple linear regression analysis show that simultaneously, the halal awareness of MSMEs, regulatory processes, trust and reputation, economic factors, religiosity, and halal literacy influence the decisions of millennial MSMEs fostered by Rumah BUMN Sidoarjo in obtaining halal certification, with five out of six variables proving to have a positive and significant partial effect. The halal awareness of MSMEs ($\beta = 0.287$; $p < 0.01$) is a strong determinant, followed by the regulatory process ($\beta = 0.164$; $p < 0.05$), trust and reputation ($\beta = 0.219$; $p < 0.05$), religiosity ($\beta = 0.241$; $p < 0.01$), and halal literacy ($\beta = 0.198$; $p < 0.05$), which emphasize the role of value factors, understanding, and strategic perception in driving certification decisions. On the other hand, the economic factor did not show a significant influence ($\beta = 0.047$; $p = 0.612$). The regression model has a strong explanatory power with an R^2 value of 0.702 and an Adjusted R^2 of 0.676, and is statistically valid based on an F value of 26.914 with a significance of $p < 0.001$.

Table 7. Results of Multiple Linear Regression

Variable	Koefisien (β)	Statistic t	Nilai p
Konstanta	2,541	2,184	0,039
Halal Awareness	0,287	3,612	0,001
Regulatory Process	0,164	2,148	0,041
Trust and Reputation	0,219	2,573	0,017
Economic Factors	0,047	0,515	0,612
Religiosity	0,241	3,084	0,004
Halal Literacy	0,198	2,326	0,028
R²			0,702
Adjusted R²			0,676
Statistic F			26,914
Sig. F			0,000

Source: Processed primary data, 2025

a Halal Awareness

The halal awareness of MSMEs has a positive and significant impact on the decision of millennial MSMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.287$, $p < 0.001$). The halal awareness of MSME actors is not only understood as a normative obligation but also as a business strategy that supports the sustainability of the business. Business actors with a high level of halal awareness tend to be more proactive in ensuring that raw materials, production processes, and product distribution comply with the applicable halal standards (Soehardi, 2022). Theory of Planned Behavior states that an individual's attitude and belief toward an action will influence the intention and behavioral decisions made (Alam & Sayuti, 2011). That practice reflects the application of the halal and thayyib principles, which ensure that products are not only halal according to Sharia law but also good, safe, and of high quality for consumers. Halal awareness plays a role in strengthening Sharia compliance while also enhancing consumer trust and the competitiveness of MSMEs in the halal market (Sari, 2024). In line with Abbas (2025), it is emphasized that the halal awareness of business actors plays an important role in driving halal certification decisions. High awareness of halal aspects has been proven to enhance the readiness of SMEs to meet halal production and distribution standards. Putra et al. (2023) show that entrepreneurs' awareness of halal market demands strengthens the intention to certify in response to Muslim consumer preferences. Other studies also emphasize that the understanding of halal is not only normative but also becomes a strategy for business differentiation and sustainability (Rachmawati et al., 2023). Additionally, Adinugraha et al. (2021) and Quoquab et al. (2020) found that the increasing awareness of halal encourages SMEs to view certification as a source of competitive value and market legitimacy.

b Regulatory Process

The halal certification regulatory process has a positive and significant impact on the decision of millennial SMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.164$, $p < 0.041$). Institutional mentoring and access to regulatory information provided thru the Rumah BUMN Sidoarjo coaching program help entrepreneurs understand the halal certification process, which was previously perceived as complex. The availability of clear information regarding procedures, requirements, and administrative stages can reduce the uncertainty that often becomes an obstacle for SMEs in applying for halal certification. Institutional Theory shows that organizational behavior, including the decision of SMEs to adopt halal certification, is greatly influenced by the regulatory and institutional support present in the business environment. Regulatory support aligns with efforts to realize *maslahah* in economic activities, which means providing benefits to business actors while simultaneously protecting consumer interests. Clarity and ease of the regulatory process play a crucial role in encouraging SMEs to obtain halal certification. Hassan et al. (2018) show that transparency of procedures and regulatory certainty enhance business compliance with halal standards. The study by Kurniawati et al. (2019) found that the simplification of administrative processes significantly increases the participation of SMEs in halal certification in Indonesia. Aziz and Chok's (2019) research emphasizes that government institutional support strengthens the intention to adopt halal certification, while Sulaiman et al. (2020) highlight the importance of institutional coordination in reducing the

perception of regulatory complexity. Furthermore, Prasarry et al. (2023) demonstrated that regulatory mentoring enhances the administrative readiness of SMEs in applying for halal certification.

c Trust and Reputation

Trust and reputation have a positive and significant impact on the decision of millennial SMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.219$, $p < 0.017$). Halal certification serves as a signal of quality and business credibility in the eyes of consumers. For MSMEs, halal certification not only reflects compliance with Sharia regulations but also enhances the perception of professionalism and the reliability of the products produced. Halal certification aligns with Signaling Theory, which is understood as a signal from producers to the market to show that the offered products have met officially recognized quality and halal standards. The existence of halal labels as third-party verification can reduce information asymmetry between producers and consumers, thereby increasing the level of trust in the product. This practice is related to the principle of amanah, which is the moral responsibility of business actors to maintain consumer trust by providing halal and trustworthy products. The important role of trust and reputation in encouraging the adoption of halal certification by business actors. Wilson and Liu (2011) state that halal certification serves as a legitimacy mechanism that strengthens brand credibility in the Muslim market. Research by Alam and Sayuti (2011) shows that consumer trust in halal attributes enhances quality perception and purchase intention. The study by Mukhtar and Butt (2012) emphasizes that the halal reputation significantly contributes to consumer loyalty. In addition, Bonne and Verbeke (2008) and Tieman (2015) found that credible halal assurance can reduce information asymmetry and increase public trust in producers. These findings affirm that halal certification is a strategic instrument in building the long-term reputation of SMEs.

d Economic Factors

Economic factors do not have a significant impact on the decision of millennial SMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.047$, $p > 0.612$). The consideration of certification costs as an economic factor is not the main factor in the decision-making process for halal certification in the context of this research. This condition can be explained by the characteristics of the MSMEs fostered by Rumah BUMN Sidoarjo, which have received guidance and information about various halal certification facilitation schemes, so the cost burden is no longer perceived as a dominant obstacle. The Theory of Planned Behavior states that the decision of business actors to adopt halal certification is not solely driven by economic considerations, but is also influenced by attitudes, values, and norms that develop within the business environment. This shows that the motivation of MSME actors is more influenced by the awareness of the importance of product halalness, moral responsibility toward consumers, and business sustainability orientation. The decision to obtain halal certification more reflects a commitment to values and the perception of long-term benefits rather than considerations of short-term economic gains. Economic factors are not always the main determinants in the halal certification decisions of SMEs. Ahmad et al. (2013) found that although the cost of certification is perceived as an initial barrier, its influence weakens when entrepreneurs receive institutional

support. Research by Talib et al. (2015) shows that SMEs prioritize legitimacy and business sustainability over short-term financial gains. The studies by Yusoff et al. (2016) and Razalli et al. (2017) emphasize that economic incentives are not the dominant factor when awareness and halal values have been internalized. Furthermore, Rahman et al. (2020) concluded that economic factors tend to be secondary compared to strategic and normative motivations in halal certification decisions.

e Religiosity

Religiosity has a positive and significant influence on the decision of millennial SMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.241$, $p < 0.004$). The religious values of entrepreneurs become an intrinsic motivation in conducting business activities that align with Islamic principles. SMEs with a high level of religiosity tend to view halal certification not merely as a regulatory obligation, but as a form of moral and spiritual responsibility in maintaining the halal status of their products. In the Theory of Planned Behavior, religiosity as a factor shapes the attitudes and subjective norms of entrepreneurs toward the importance of implementing halal standards in business activities, encouraging a strong intention to adopt halal certification as part of their business commitment. Relevant to the principle of amanah, as a commitment of entrepreneurs to conduct business honestly, responsibly, and in accordance with sharia regulations. For millennial MSMEs, religiosity also strengthens business integrity and maintains the trust of Muslim consumers sustainably. The religiosity of entrepreneurs plays a crucial role in halal-based business decisions. Worthington et al. (2003) state that religiosity influences individual ethical attitudes and economic decisions. Research by Mokhlis (2009) shows that a high level of religiosity encourages preferences for products and business practices that align with religious values. Studies by Essoo and Dibb (2004) and Delener (1994) affirm that religiosity serves as an internal driver influencing entrepreneurs' commitment to religious standards. Furthermore, Graafland (2017) found that religious values strengthen the moral orientation and social responsibility of business actors, including in the implementation of halal certification.

f Halal Literacy

Halal literacy has a positive and significant impact on the decision of millennial SMEs mentored by Rumah BUMN Sidoarjo to obtain halal certification ($\beta = 0.198$, $p < 0.028$). The level of knowledge and understanding of business actors regarding the halal concept, certification procedures, and the long-term benefits of halal certification plays an important role in determining the decisions made by SMEs. Good halal literacy tends to have a more rational understanding of the certification process, thereby reducing uncertainty and resistance in applying for halal certification. Theory of Planned Behavior explains that halal literacy can enhance entrepreneurs' perceived behavioral control, which is the belief that they have the ability and adequate information to undergo the halal certification process. The improvement of halal literacy is related to the application of halal and thayyib principles, ensuring that the products produced are not only halal according to Islamic law but also safe and of high quality for consumers. Thru the Rumah BUMN Sidoarjo mentoring program, halal literacy serves as a bridge between normative awareness and the actual implementation of halal certification for millennial SMEs.

Halal literacy plays an important role in encouraging business actors' decisions to obtain halal certification. Azam and Abdullah (2020) showed that entrepreneurs' understanding of halal concepts and standards increases their readiness to adopt certification. Research by Latif et al. (2014) emphasizes that halal knowledge reduces the perception of risk and uncertainty in the certification process. The study by Pradana et al. (2022) found that halal literacy strengthens SMEs' confidence in meeting administrative requirements. Furthermore, Hassan et al. (2021) and Rahman et al. (2019) concluded that the enhancement of halal literacy thru training and mentoring encourages the transformation of normative awareness into tangible actions in the form of halal certification applications.

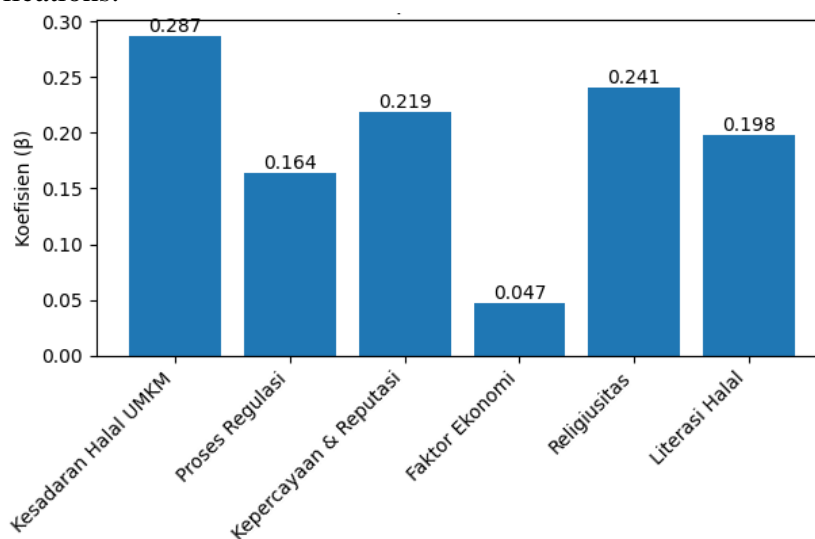


Figure 2. Standard coefficient determinants of the decision of millennial MSMEs fostered by Rumah BUMN Sidoarjo in obtaining halal certification

Source: Processed primary data, 2025

The image above shows that the halal awareness of MSMEs is the most dominant factor influencing the decision of millennial MSMEs fostered by Rumah BUMN Sidoarjo to obtain halal certification, followed by religiosity, trust and reputation, and halal literacy, all of which have a positive and significant impact. The regulatory process acts as a supporting factor with a more moderate influence, while the economic factor has the smallest and insignificant influence, indicating that the decision for halal certification in millennial MSMEs is driven more by awareness, values, understanding, and business legitimacy rather than purely cost considerations.

5. Conclusion

This research aims to analyze the determinants of the decisions made by millennial SMEs fostered by Rumah BUMN Sidoarjo in obtaining halal certification and to provide empirical contributions to the study of halal business based on generation and regional context post-implementation of the Halal Product Assurance Law. With a quantitative approach and multiple linear regression analysis, this study integrates market pressure factors, institutional support, religious values, and halal literacy into a comprehensive analytical framework.

The research results show that the halal awareness of SMEs, regulatory processes, trust and

reputation, religiosity, and halal literacy have a positive and significant impact on halal certification decisions. Among these determinants, the halal awareness of SMEs and religiosity emerge as the strongest predictors, affirming the simultaneous role of market expectations and internalized value motivations in driving the adoption of certification. On the contrary, economic factors do not have a significant impact, indicating a shift in the orientation of SMEs from short-term cost considerations toward value, legitimacy, and business sustainability. This condition can be understood thru the facilitation role of the government and the mentoring of Rumah BUMN, which reduces the perceived economic barriers.

Theoretically, these findings strengthen the integration of market behavior, institutional, religiosity, and halal literacy perspectives in explaining organizational decisions. Practically, the research results recommend strengthening halal awareness campaigns, simplifying certification administration, enhancing halal literacy, and providing sustainable support for SMEs. The relatively small sample size, consisting of only 25 millennial SMEs fostered by Rumah BUMN Sidoarjo, may affect the stability of the estimates and limit the generalization of the findings. Additionally, the research focus is limited to one region, making the results more representative of the local context rather than the broader conditions of SMEs. Future research is recommended to expand the study area, include a larger sample, conduct more complex data analysis with SEM, or combine qualitative approaches to capture the dynamics of certification decisions in greater depth.

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