

Halal Food Certification, Financial Performance, and Sustainability Reporting: Comparative Study of Food and Beverage Firms in Malaysia and Indonesia

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The demand for goods and services that adhere to halal standards rises along with the number of Muslim societies. The process of certifying goods or services under sharia, or Islamic law. The current study examines a corporation's performance in relation to Halal food certification. It also intended to examine the effects of halal food certification on publicly traded Malaysian and Indonesian food and beverage companies' sustainability reporting. The current study, which uses multivariate linear panel data regression to examine 245 firm years in Malaysia and Indonesia from 2016 to 2020, demonstrates that halal certification positively impacts the business's performance in Malaysia and Indonesia. Second, the study shows that reporting on sustainability is negatively impacted by halal certification. Third, compared to Indonesian firms, Malaysian firms are less concerned with sustainability reporting. Consequently, this study offers two contributions. First, this is the first study to examine how halal certification affects the caliber of sustainability reporting. Second, the outcome offers concrete evidence of how the halal certification affects sustainability reporting from the perspectives of Malaysia and Indonesia. The conclusion is that halal certification as a commitment by food and beverage businesses to offer goods and services in line with sharia principles has a beneficial effect on corporate performance. This suggests that switching to halal goods and services can improve a company's success. However, the anxiety with halal certification causes businesses to pay less attention to sustainability reporting. Companies put more emphasis on obtaining halal certification than fulfilling the sustainability reporting requirements for food and beverage businesses in Malaysia and Indonesia.

Key words: Food and Beverage; Food Certification; Halal; Sustainability Reporting; Indonesia; Malaysia.

1. INTRODUCTION

One of the expanding market sectors is the worldwide halal market (Wiersma et al., 2014). According to predictions, the global Halal market had a net worth of about US\$ 3.1 trillion in 2018 and US\$ 5.0 trillion in 2030 (Ahmad et al., 2018). The Muslim population's high demand and non-Muslim consumers' acceptance of Halal products are factors contributing to the growth of the halal market (Kassim et al., 2014). According to the State of the Global Economy Report 2019/2020, 2019, there were 1.7 billion Muslims in the globe as of 2014. Of this population, 62 percent reside in the Asia Pacific area (Wiersma et al., 2014). As a result, the Asia Pacific region has a sizable potential market for Halal cuisine.

Nowadays, there has been an awareness of halal among Muslim and non-Muslim countries, which need to meet their internal Muslim market to expand into the worldwide markets (Ab Latiff, 2020). There has been research in the past that has uncovered the sources of Muslim customers' knowledge about halal goods or meals. Sadly, the majority of earlier studies solely looked at halal certification marks. Implementing a company's sustainability is now the focus

of this research. Consumers today only pay attention to halal items or the halal label on the product packaging; as a result, sustainability reporting is more difficult because businesses frequently ignore it.

Despite the expanding market for Halal food and the rising government measures to seize the Halal market, at the moment, The "mature and advanced halal industry" and the widespread availability of restaurants that have been formally certified as serving halal food are currently highlighted, along with prayer facilities, despite the growing market for halal food and the increasing initiatives from various governments to capture the market. (Henderson, 2016). Therefore, it is still up for empirical debate whether Halal food certification is linked to numerous organizational elements. The current study focuses on sustainable business practices and how halal certification affects how businesses consider the welfare of future generations, in particular. These areas of concentration are considered sustainability strategies in modern academic literature. The current study tries to fill this gap by examining sustainability reporting and Halal food certification. The study is carried out by conducting a comparative examination of the effects of Halal food

certification on the sustainability reporting of listed enterprises in the food and beverage sector in Malaysia and Indonesia.

For two key reasons, Malaysia and Indonesia are institutional settings. First, both nations have a significant impact on the Halal food sector. Malaysia is a Muslim-run frontier in the world's halal trade centre. Indonesia also has the largest Muslim population in the world (Arsil et al., 2018). These factors turn the nation into a target market for Halal goods. Second, while Indonesia has not yet made Halal food certification necessary, it is voluntary there, unlike in Malaysia, where it is voluntary (Hamid et al., 2016). The empirical results of this study should shed light on the possible impact of Halal food certification on organizational performance in Southeast Asia, given the worldwide relevance of the Halal markets in the two nations. The Association of Southeast Asian Nations (ASEAN) has proposed the ASEAN Economic Community for Southeast Asia (AEC). One goal of the AEC is to protect consumers by establishing the ASEAN Committee on Consumer Protection to get consumers ready for the free market community (ACCP) development.

Halal certification is also seen as a consumer protection measure. According to the terms halal and tayyib, halal foods and beverages are those that have strictly been produced under the Holistic Halal Assurance Management System. For a Muslim consumer, this means that the products have complied with Shariah requirements. However, for a non-Muslim consumer, it signifies hygiene, quality, and safety. Therefore, we can conclude that halal goods and services' virtues and security/safety cannot be detrimental to the environment. Then, environmental safety refers to the development of halal products and services that won't harm the environment and are concerned with the sustainability of the next generation's future lives (Ambali et al., 2014; Sulaiman et al., 2014).

Halal certification and sustainability reporting research still receives little attention nowadays. In recent years, most businesses around the world have focused less on the financial performance of their organizations and more on how their operational practices affect social issues and the environment. Therefore, this study will look into how halal certification may impact how a company reports on its sustainability efforts (Secinaro et al., 2021). The corporation is eager to keep the halal label recognizing nutritious and halal products because the consumer is solely interested in the halal label. However, when reporting, it is essential to consider a company's sustainability. Although the report also includes elements that can help halal products, such as the funding and production components, it is crucial to focus on the sustainability reporting. Therefore, the innovative aspect of this research is to examine the impact of halal certificates on financial reporting and the variations in sustainability reporting practices between Malaysia and Indonesia.

2. LITERATURE REVIEW

2.1 The Halal-Tayyib Relationship

The core definition of Halal is based on the Islamic principle that everything is Halal by nature "*He has also made subservient to you all that is in the heavens and the earth*". Non-Halal has been specified as an exception, and the main ex-exceptions of Halal are ethanol, blood, pork carnivores and omnivore animals, food contaminated with non-Halal ingredients and food with potentially toxic ingredients that may expose human health to danger. Indeed, Islam emphasizes strongly on the issue of food safety, thus frequently associating the Halal concept with Tayyib when Halal is related to food "*O ye who believe! Eat of the clean and pure that We have provided for you, and be grateful to Allah if it is Him ye worship*". Tayyib in Arabic means clean and pure. Therefore, the concept of Tayyib, concerning food, represents a process through which the food passes to achieve both objectives: maximum hygiene (clean) and minimum contamination (pure) without any potential toxicity, Najis (ritually unclean) and Khabith (impure) ingredients. Therefore, how Halal, which is a subject, is being processed will determine if Halal is Tayyib or not. Therefore, the Tayyib processing of Halal will have a positive impact on mood, health and faith, practising "*Verily Allah the Exalted is pure (Tayyib). He does not accept but that which is pure (Tayyib)*" (Sahih Muslim).

2.2 The Value of Halal and Tayyib Food

Even though many non-Muslims (especially in modern nations) eat non-Halal food and are healthier and live longer than many Muslims, many Muslim scholars have rationalized the health benefits of Halal cuisine. Furthermore, Islam permits Muslims to consume non-Halal food in dire situations where there is no access to Halal food and human life is at risk. What is the benefit of consuming Halal food, though? Since Halal food is based on Islamic principles, spirituality is its primary virtue. It is understood to be a culmination of joyful feelings, a significant realization of one's relationship with the Creator, and a feeling of fulfillment and success. As a result, when Muslims consume non-Halal food, their hearts are not at peace. Contrarily, what will happen next is stomach ache. Importantly, adverse effects on immune system function, oxidative stress, metabolism, and food digestion will occur, eventually leading to the onset of diseases.

2.3 Advantages Of Tayyib Concerning Food Safety

Food is the primary source of energy in our daily lives. It contains vital nutrients like proteins, carbs, fats, minerals, and vitamins that provide the energy needed to live and thrive. The food industry provides us with a variety of options with varying food quality. Food quality is crucial since it might potentially be a means of disease transmission, which impacts people's health. Maintaining public health and sustaining life depends on food safety.

The safe handling, preparation, and storage of food primarily reduce illness and injury. Any point in the food system, including production, storage, and packaging, is vulnerable to contamination. Every stage of the food cycle can impact human health and cause various diseases.

2.4 Halal Concept

Halal is a term from Arabic that means permissible, legal, and in line with Islamic law or sharia. Halal is everything that is allowed by sharia to be consumed, especially in terms of food and drink. In the Qur'an in surah al-Baqarah verse 168 as Allah SWT has mentioned: O people, eat what is lawful and good from the best of the earth, and do not follow the footsteps of the devil; because indeed the devil is a real enemy for you (Sayekti, 2014).

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ
عَدُوٌّ مُبِينٌ

(QS. Al-Baqarah: 168)

In the above verse, it has been explained that Muslims are required to eat halal and good food. Halal and good food here is the food permitted by good conditions in substance and process. As for good food, it means good for the health and does not harm the body.

2.5 Current Retail Practices in Malaysia Islamic Perspective on Halal Food

Halal is something that can be done and does not result in punishment (sin). In contrast, haram is something that Allah SWT prohibits. It is forbidden because the person who violates sharia is liable for punishment by Allah in the hereafter. Halal food is the type of food that Muslims are allowed to consume and does not result in punishment (sin). Haram food is the food that Muslims are prohibited from consuming, resulting in sin and punishment from Allah SWT. In addition, according to the Prophet Muhammad SAW. Those who have consumed haram foods are said to have sinned.

Furthermore, all acts of worship they performed will not be accepted by Allah. Thus, for Muslims, conformity to the Islamic teaching requires that the products consumed are guaranteed halal and pure. According to Islam, consuming what is halal, pure and good (tayyib) is a religious command and is obligatory. There are several verses and hadiths that state this matter, including al-Baqarah [2]: 29, 195, al-Jâtsiyah [45]: 13, al-A'râf [7]: 157, al-Mâ'idah [5]: 3, al-An'âm [6]: 145, al-Nahl [16]: 115. According to Islamic law, some materials are halal with the evidence of the clear rules called qath'î tsubût (Qur'an or Hadith Mutawatir). This includes the types of food permissible to be consumed by the general rule as long as no rule forbids it. There are also types of food or food that are prohibited by the rule called qath'î al-dilâlah. Among the halal and haram issues, a few types of foods are still vague (syubhat) and the status that does not include in the first and second categories (mukhtalaf) (Hidayat et al., 2015).

2.6 Halal Food Certification

Consumers are thought to be protected by halal certification from eating food that is against Islamic law. Indonesia can benefit from the opportunities in the halal business as a nation with a majority Muslim population. Now, halal certification is one of the cornerstones to being competitive in global trade. Additionally, the presence of halal labeling serves to safeguard domestically produced items against the influx of imports brought about by free commerce. As previously mentioned, the government has adopted various regulations that reflect its positive response to the significance of halal certification and the inclusion of halal labels/marks on goods (halal labeling). This regulation, however, remains fragmented and sectoral. Law No. 19 of 2012 on Food, the Government Regulation No. 69 of 1999 on Food Labels and Advertising, the Presidential Instruction No. 2 of 1991 on Improving the Development and Supervision of Production and Circulation of Processed Food, and the Cooperation Charter of the Ministries of Health, Ministry of Religion, and MUI on the Implementation of "Halal" Labeling on Foods all give this impression (Lim et al., 2017).

2.7 Financial Performance

The financial performance serves as a gauge of how effectively a corporate manager manages the operation of the company. The topic of financial performance measures as viewed through a company's financial statements has been provided in various sources. Different metrics of financial performance exist. Net income, profitability, growth, economic value-added, and even today's triple bottom line, or People, Planet, and profit, can be used to gauge financial performance. Companies might use a variety of formulas to gauge this financial performance. They can be chosen and used accordingly. According to Nida T (2022), businesses that use the information to evaluate the past and make goals for the future must use it while examining, evaluating, and establishing plans for financial success.

3. PREVIOUS RESEARCH

The earlier investigation by Talib et al. is cited in this study (2017). This study tries to connect the use of halal food certificates with financial success. This project intends to gather the information that will help close the knowledge gap in halal food certification. This study discovered that halal certification could enhance operational, business, and firm financial performance. Another study on halal products by Warhantini et al (2018) concluded that the inclusion of the Islamic finance and banking industry sector would make the development of the halal industry more competitive. This study intends to investigate how Islamic finance has influenced Indonesia's halal food business. Based on the analysis's findings, it can be said that Islamic banking plays a role at every level of the production process in addition to sharia-based finance that is free of usury (interest), may (uncertainty), and gharar (gambling) (halal value chain management).

Pujayanti's research (2020) shows that the halal paradigm can contribute to the global economy. The Industrial Revolution's impact on the Sustainable Development Goals To succeed in the 4.0 era, the halal industry must be able to work together, become more tech-savvy, and strengthen linkages at all levels. As a result, the halal industry has evolved into a new paradigm for the industrial world, enabling people to engage in economic activity, interact with others and make money without regard for morality while also producing sustainable economic growth that upholds Islamic religious law in the marketplace. Hossein G.T et al., (2020), share research on halal product usage in Malaysia. A necessary condition analysis was carried out to determine the risk conditions necessary to produce the desired results. Data gathered on customers' opinions at international halal restaurants in Malaysia was used to test the models. The findings show that the varied interactions of risk conditions support complexity theory. The paper's conclusion discusses the policy ramifications for the state of the tourism sector and the Muslim world and additional study on circular economy and sustainability goals for the business.

According to the research done by R. Arbolino, R. Boffardina, G. Ioppolo, TL Lantz, and P. Rosa in 2021, successful implementation of these strategies must be built on reliable measurement methods that assess both the processes and results of policy implementation. Considering sustainability and the circular economy, this study proposes a fresh perspective on industrial sector performance. Utilizing a method developed by the OECD, we created an Industrial Sustainability Index and four sub-indices to evaluate several aspects of circular economy and industrial sustainability interventions, including inputs, company activities, outputs, and resource efficiency outcomes. The suggested method lets decision-makers quickly discover the system's strengths and best practices, balancing policy interventions under the urgent requirements of various sectors, components, or players. There is no connection between the sustainability reporting and halal products in any of the five references used. This research is unusual because no prior studies examine each country's perspective on sustainability reporting.

3.1 Halal Certificate and Firm's Financial Performance

According to several academic studies, managers' actions and choices on operational decisions and other strategic choices greatly impact financial performance. One is the manager's choice to implement the Halal Aspect of Islamic Law in its operational activities (funding, production, and marketing). The company's dedication to implementing halal systems is demonstrated by the achievement of obtaining halal certificates by the assessment agency, which is carried out under the third-party assessments (both government and organizations such as the Indonesian Ulema Council) on the company's operational processes. Halal is one of the factors that people consider when deciding whether to consume or purchase a good or

service when compared to another good or service that does not bear the halal label because of the community's growing interest in and need for halal products, which were thought to have a positive impact on human life and are safe in their lives in the future (hereafter). The consumption patterns that have changed and become more prevalently halal have a good effect on the company's financial performance. According to Talib et al. (2017), halal certification can enhance a company's operational, commercial, and financial performance. Numerous empirical studies demonstrate that halal certification improves corporate performance in Malaysia (Khalek, 2014). Given the tendency toward halal goods and services and the country's similarities to Malaysia, Indonesians are likely to take halal certification into account when making purchasing and consumption decisions.

H1: Halal certification positively affects firms' performance.

3.2 Halal Certification and Sustainability Reporting

Halal certification, based on sharia, is an assurance from the Islamic authority or entity that the business has complied with the sharia criteria for manufacturing goods or services. Islam has specifically established a foundation and a set of guidelines through the Halal concept derived from Islamic law (Sharia), which controls every aspect of a Muslim's life. In this sense, the concept of sustainability meets the Islamic approach in the words of God in the Holy Quran (i.e., Holy book of Muslims). Allah has stated: "O mankind, indeed We have created you from male and female and made you peoples and tribes so that you may know one another" (Secinaro et al., 2021). Your upright is, in fact, the most honorable in Allah's eyes. Indeed, Allah is Aware and Knowledgeable (Quran 49:13). The passage suggests that control piety is a crucial component in establishing communities in the laws governing human interaction. Without any distinction aside from piety and ethics, each individual is accountable for the creation of society, not the human race, gender, or male or female (Wajdi Dusuki, 2008). This connection is made in light of Islam's fundamental principle of adhering to the Global Compact's CSR principles (Williams et al., 2010).

Regarding accountability, some rules govern transaction contracts that call for parties to bear responsibility for carrying out their responsibilities and sentence those who break the conditions to severe penalties. The Muslim is subject to God's wrath, particularly when a man can evade human control and judicial penalties. This is not just limited to administrative or judicial sanctions. Muslims who practice Islam are subject to legal and moral restrictions on how they are treated in the marketplace. The company's efforts to prevent corruption are most notable for its transparency, honesty, and accuracy in its information to other parties (Graafland et al., 2006).

Consequently, the Islamic economy, which relies on justice through acceptable disclosure norms and

transparency, places a premium on accountability (Biancone et al., 2016; Murphy & Smolarski, 2018). This way, the connection between SR and Islam may be seen in Halal certification (Secinaro et al., 2021). According to (Shariff et al., 2014) the government has successfully fostered healthy competition among producers and manufacturers to ensure the supply of high-quality, sanitary, safe products and to fulfill its social commitments to consumers, mostly Muslims. The Halal certification is a strong instrument that primarily targets a consumer target identified based on religious affiliation and ensures that products and processes comply with Islamic law (Shariah) (Secinaro et al., 2021). It enables the business owner to invite investors into their organization (Secinaro et al., 2021). Ownership of halal certificates has a favorable impact on the amount of disclosure of corporate social responsibility, according to Secinaro et al. (CSR). According to a study by Secinaro et al. (2021) that focuses on food and beverage businesses in Italy, knowing that a company owns halal credentials adds value to its environmental, economic, and social aspects. This demonstrates how the halal principle—which means good for all of nature—affects how businesses report their social obligations as part of their efforts to ensure the sustainability of the environment and the communities they serve. In light of the description above, the research's hypotheses are:

H2a: Halal certification affects sustainability reporting.

H2b: There is a different sustainability reporting between Malaysian and Indonesian Food and Beverage companies.

3.3 Institutional Background

The Department of Islamic Development Malaysia (JAKIM) is in charge of halal certification in Malaysia (Badrudin et al., 2012). The government has introduced MS 1500: 2004 Halal standard to ensure that the Halal certification, as granted by JAKIM, is acknowledged globally (Ab Latiff, 2020). While it is not yet required, Halal certification in Indonesia is completely voluntary, unlike Malaysia, where it is necessary (Hamid et al., 2016). Even though they have received Halal certification from their home country, foreign-produced halal goods that enter the Indonesian market must pass a Halal audit by the LPPOM MUI and Indonesian Halal authorities (Sa'adan et al., 2017). All products that enter, circulate, and transact in Indonesia must be halal certified, according to Indonesian Law No. 33/2014 about Halal Products Act (Jaminan Produk Halal) (HPA) (ABNR, 25 February 2019).

4. METHODS

Because Indonesia and Malaysia have the highest populations of Muslims, these two nations were chosen for comparison in this research model. The study covered the years 2016 to 2020 because there has been an interest in halal products during the past five years and a rise in public knowledge of halal products during that time. Because the research model includes two countries simultaneously, the multiple linear regression approach using panel data was

employed as the analytical tool in this study. The tests make use of modeling, assumptions, and normalcy. 73 food and beverage enterprises from Indonesia and Malaysia make up the entire sample. In Indonesia's food and beverage sector, there are 6 businesses out of 23 that lack halal certification.

Additionally, 17 out of 50 businesses in Malaysia lack a halal certification. According to the figures for the two nations, there are 26% of non-halal-certified businesses in Indonesia, while there are 34% in Malaysia. Because the study was carried out in two research capitals, it is obvious that the issues with sustainability reporting and the financial reports that belong to each organization are there. This study is better at regressing panel data because it combines cross-sectional data (data involving many objects) and time series data (data with many years). In addition to panel data relating to individuals, companies, districts/cities, provinces, countries, and other units from time to time, there is bound to be heterogeneity within these units. By allowing subject-specific variables, panel data estimation techniques can explicitly account for this heterogeneity. Panel data is also a combination of time series and cross-section data. It offers more useful information, variation, less collinearity between variables, more degrees of freedom, and greater efficiency. To examine Hypothesis 1, the empirical model used in this research is as follows:

$$FP_{it} = \alpha_0 + \alpha_1 HS_{it} + \alpha_2 SIZE_{it} + \alpha_3 LnSGRW_{it} + \alpha_4 AGE_{it} + e_{it} \quad (1)$$

Where:

FP _{it}	=	Financial Performance (return on assets) i pada tahun t
SIZE _{it}	=	Company size
LnSGRW _{it}	=	Log Natural Growth of company sales
AGE _{it}	=	Company Age
HS	=	1 halal and 0 non halal
e _{it}	=	error term

For Hypothesis 2, the following empirical model is used in the investigation:

$$SR_{it} = \beta_0 + \beta_1 FP_{it} + \beta_2 HS_{it} + \beta_3 PR_{it} + \beta_4 Age_{it} + \beta_5 Country_{it} + e_{it} \quad (2)$$

Where:

SR	=	Sustainable report
FP	=	Financial performance
HS	=	1 if Halal certificate and 0 non halal certificate
PR	=	Profitability Ratio (return on sales)
Age	=	Age of Company
Country	=	1 if Malaysia; 0= Indonesia

5. RESULTS

Multivariate linear regression with panel data is used in this work. All variables have met the traditional assumptions of normality, multicollinearity, heteroscedasticity, and autocorrelation. Before Models 1

and 2 are empirically tested, the Chow test and Hausman test are conducted to evaluate whether the best-fit estimator model has a common effect, fixed effect, or random effect. The outcome demonstrated that the random

effect model is the best estimator. The empirical test results for Models 1 and 2 are summarized in Tables 1 and 2.

Table 1. Summary of Empirical Test on Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Decision
C	6.723222	2.249955	2.988158	0.0030	
HS	4.134439	1.727299	2.393586	0.0173**	H1: supported
SIZE	-0.054283	0.101162	-0.536595	0.5920	
LnSGRW	-0.319742	0.127612	-2.505574	0.0128	
AGE	0.041383	0.029513	1.402167	0.1619	
R-squared	0.076682	Mean dependent var		0.970560	
Adjusted R-squared	0.063813	SD dependent var		3.433120	
SE of regression	3.322584	Sum squared resid		3168.355	
F-statistic	5.958834	Durbin-Watson stat		1.665444	
Prob(F-statistic)	0.000128				

Source: Calculated by the authors

*, **, *** significant on level 10%, 5%, and 1%.

$$FP_{it} = 6.722 + 4.134*HS - 0.054*SIZE - 0.320*LNSGRW + 0.041*AGE + e_{it}$$

It is clear from Table 1's multiple linear regression results that a product's halal status impacts its financial performance. Halal, in this context, is a dummy variable with the values 1 and 0, where 1 is used in Malaysia and 0 in Indonesia. It is possible to conclude that my consumption of halal items in Indonesia and Malaysia is regarded favorably. With a probability value of 0.0173, HS has been demonstrated to have a significant impact; hence, it is already below the study's alpha level of 5%. (0.05). This can mean that halal certification plays a significant role in the food service industry as a guarantee of safety and quality for foods and beverages authorized by the government or affiliated Islamic religious entities. As a result, Muslim food consumption habits are strongly influenced by Islamic principles. Since most of the population in Indonesia and Malaysia are Muslims, these nations prefer products with the halal logo and have complete faith in their providers. Since Muslim consumers do not need to worry about food safety or religion as long as the business is lawful to operate and the product has been declared halal by the authorities, this phenomenon has prompted many enterprises to place halal trademarks on their products.

Fawzi et al., (2021) assert that the company's involvement in every sector is primarily motivated by the desire to make money. As a result, a firm's financial performance is valuable to the general public (investors) since it allows them to gauge and evaluate the success of the linked company using the financial information offered. Comparing other industries in the nation, the F&B industry is growing at the highest percentage rate in Malaysia and Indonesia. While Indonesia's principal manufacturing sector is the F&B business, which has so far been evaluated favorably, Malaysia, which has the characteristics of a significant export market, includes the F&B industry in an industry with a fast-growing performance. This is demonstrated by the business's sales growth statistics, which show continued growth and are indicated by the achievement of an export value of

USD29.91 billion in 2018. An efficient company with a high asset turnover in the food industry can then raise its lucrative sales volume and, thus, its revenue. Increasing the ability of businesses in Malaysia and Indonesia to make money off of their sales will impact how effectively they use their assets to do so. This suggests that listed F&B businesses in Malaysia and Indonesia might prioritize cost control over sales performance to increase their operational profitability in market sales. It is more likely that a rise in the company's operating profit will also increase its profitability by assuming that the value of the company's assets remains constant (ROA).

According to this research, firm age and size have little bearing on financial success because big businesses have more freedom to access the capital, they need to pursue lucrative investment possibilities. Large companies have many competitive advantages that can affect the growth of the company's profitability, including the ability to set high prices for their products due to their market dominance and the ability to save money, so they frequently pay little attention to their financial performance. Related to any enlargement. Because of the high maintenance expenses for massive assets and the extensive range of operations the company has, its financial performance will suffer. It's because the company's profit does not expand at a rate that keeps up with its increase in assets. Furthermore, a company's age has little bearing on its financial success because it serves solely to inform it of its length of existence. Since a company can adapt to changing economic conditions and dangers, the length of its existence does not ensure that it will produce better profits than a newer one. Therefore, it is demonstrated by research findings that the halal certificate has a favorable effect on financial performance. Halal certification can assist grow a company's customer base and boost customer loyalty. In addition, highlighting the halal certification on the product would enhance sales and consumer confidence in the brand. Not to mention that H1 is supported in this case study if the corporation runs a campaign to improve its financial performance.

Table 2. Summary of Empirical Test on Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Decision
C	4.768610	0.177201	26.91080	0.0000	
FP	-0.150143	0.155430	-0.965984	0.3350	
HS	-0.469229	0.180695	-2.596805	0.0100**	H2a: supported
PR	0.080323	0.081969	0.979924	0.3281	
AGE	0.003428	0.003774	0.908373	0.3646	
COUNTRY	-5.891948	0.159102	-37.03263	0.0000***	H2b: supported
R-squared	0.868099	Mean dependent var		1.131232	
Adjusted R-squared	0.865340	SD dependent var		1.749595	
SE of regression	0.642032	Sum squared resid		98.51707	
F-statistic	314.5942	Durbin-Watson stat		1.999119	
Prob(F-statistic)	0.000000				

Source: Calculated by the authors, 2021

*, **, *** significant on level 10%, 5%, and 1%.

$$SR_{it} = 4.768 - 0.15014 FP_{it} - 0.4692 HS_{it} + 0.080 PR_{it} + 0.003 Age_{it} - 5.891 Country_{it} e_{it}$$

Because consumers only look at the halal label and the sustainability report is not disclosed on the store, product, or other labels, customer loyalty will be maintained even if the company does not implement the sustainability report. In this study, a Forum Group Discussion (FGD) was held to discuss how halal certifications are adversely related to sustainability reporting, particularly in Malaysia and Indonesia, where the same phenomenon occurs. The FGD focused on why consumers don't pay attention to sustainability reporting in detail and what their motivations are for buying products. Every industry must report on sustainability to preserve sustainable manufacturing. However, it is clear from the study's findings that growth in the number of Muslims in a nation does not have a good impact on sustainability reporting, and businesses appear to be more concerned with giving halal certificates priority. It has been observed that consumers are solely interested in the halal label on products' packaging, stores, and elsewhere instead of reporting the report. Managers will take some strategic action based on the environmental circumstances of their companies, claims [Ariefiara et al. \(2020\)](#). In this situation, managers must make critical and uncertain decisions while considering the company's situation. Managers considered Indonesia and Malaysia, which are both similar, while weighing whether to publish sustainability reporting or comply with halal regulations, giving more weight to halal requirements than sustainability reporting/disclosure. In fact, according to OJK Regulation 51/2017, which governs reporting requirements, the requirement for sustainable reporting for stock issuers started in January 2019. By examining the actual scenario, mandatory reporting laws have been in place in Malaysia since 200. Since so many businesses haven't disclosed it, the authorities must be concerned about this and want to enforce the laws more strictly.

6. DISCUSSION

Two things are included in the Halal Industry Integration Strategy. First, consider variables influencing a company's or producer's decision to pursue halal certification. Analyzing each participant's role in the halal sector is the second step to boosting motivation ([Widiastuti, 2020](#)).

[Henderson \(2016\)](#) asserts that the halal food sector is still in its infancy and has enormous potential for domestically and internationally growth. Muslims are picky about the halal certification of the products they purchase because the halal certification logo on food products verifies that they were produced with the highest quality, and it also encourages many food manufacturers to participate in displaying the halal logo on the food product label ([Arif et al., 2021](#); [Henderson, 2016](#)). The majority of corporations' use of halal-compliant components has recently come under scrutiny. Food ingredients must be certified carefully because certain firms may not follow halal practices even after certification. To ensure that the supply chain complies with shariah and consumer expectations, farmers, processors, food premises owners, food handlers, food servers, and government authorities must work together ([Kassim et al., 2014](#)).

The existing halal framework includes inspection for monitoring and other enforcement operations as post-market control. These actions are constrained by relevant laws upheld in the nation ([Asa, 2018](#)). The Trade Description Act of 2011; the Food Act of 1983 (Act 281); the Food Regulations of 1985; the Food Hygiene Regulations of 2009; the Animal Act of 1953 (Revision 2006); the Animal Ordinance of 1953; the Animal Rules 1962; the Animals (Importation) Order 1962; the Abattoir Act (Corporatization) 1993; the Custom Act of 1967; the Custom Order (Prohibition of Import 1998); the Local Government Bylaws of 1976 (Act 171) ([Zakaria et al., 2019](#)). Malaysia has created its halal standards in addition to laws and rules. The standards are decided upon by committees made up of manufacturers, decision-makers, consumers, and other interested parties. There are now 14 halal standards in place. The industry must adhere to the practical requirements outlined in MS1500: 2009 when preparing and processing halal food. In Malaysia, the State Religious Authorities and JAKIM oversee issuing halal certificates to the industry, with the MS1500 standard serving as the foundation (Department of Standard Malaysia, 2017). As of now, JAKIM (Jabatan Kemajuan Islam Malaysia) and the State Islamic Religious Council use MS1500 as their sole basic reference when issuing certificates for halal food in Malaysia. Launched in 2000, the MS had three revisions in 2004, 2009, and 2019. The

most extensively used halal MS, MS 1500, has been around for ten years. As a result, the UN has acknowledged it as a reference point for global halal norms (Sari et al., 2021). According to van der Spiegel et al (2012), distinctness in certificates is achieved by universally recognized standards and halal assurance systems, which is necessary for consumers to have confidence in halal products. Worldwide, several halal certifying bodies (HCB) have been created. Malaysia currently recognizes 67 Islamic organizations throughout 41 nations. Government organizations are specifically responsible for issuing and overseeing Halal certificates. To receive a halal certificate, all applicants must, in brief, go through a series of rigorous and time-consuming steps, including application, audit process (including, if necessary, corrective measures), and panel review. After the approval of the certificate, certified businesses will also be watched.

Businesses seeking halal certification do not consider halal awareness, knowledge, or barriers to halal practices. Business people who are informed, knowledgeable, and aware of the process do not necessarily intend to conduct halal certification. Acceptance of halal certification, willingness to standardize production, external support from MUI, and customer expectations are the primary forces behind halal certification (Sudarmiatin et al., 2020). The effectiveness of halal certification needs to be emphasized if we want to stay competitive. Businesses who export their products can use the halal certificate to assist them in meeting the halal standards from the importing countries, which can help the firm expand its market to boost sales and revenue, as halal product certification is a requirement for entry into the global halal market (Noordin et al., 2014). Businesses seeking halal certification do not consider halal awareness, knowledge, or barriers to halal practices. Business people who are informed, knowledgeable, and aware of the process do not necessarily intend to conduct halal certification. Acceptance of halal certification, willingness to standardize production, external support from MUI, and customer expectations are the key forces behind the halal certification.

Dealing with national and international halal food scandals or occurrences frequently puts the efficacy of the entire halal food control management to the test. Halal food scandals and incidents happen frequently. Analytical quality assurance programs are required to ensure that laboratories can provide reliable results for the food control system. The analysis must be done at specific government laboratories for halal food control (Khalek, 2014). The official laboratory for Halal Certification at the moment is the one run by the Department of Chemistry (DOC). DOC is an established research organization with 11 labs across the country outfitted with cutting-edge technology and strong human capital experience and abilities. 350 science officers with an average of 10 years' experience and 530 technical support personnel support DOC. In addition to halal analysis, DOC is in charge of

activities involving analysis for homicide investigations, food safety, and product specification evaluation. Part of the responsibility for guaranteeing that imported meat and meat-based products into Malaysia are halal certified falls to the Veterinary Department. The Department of Standards Malaysia is in charge of creating the halal food standard and accrediting Conformity Assessment Bodies, which include testing facilities, inspection agencies, and certification organizations (Borhan, 2016). The Royal Malaysian Customs inspects imported food products at the numerous ports of entry.

7. ADDITIONAL ANALYSIS

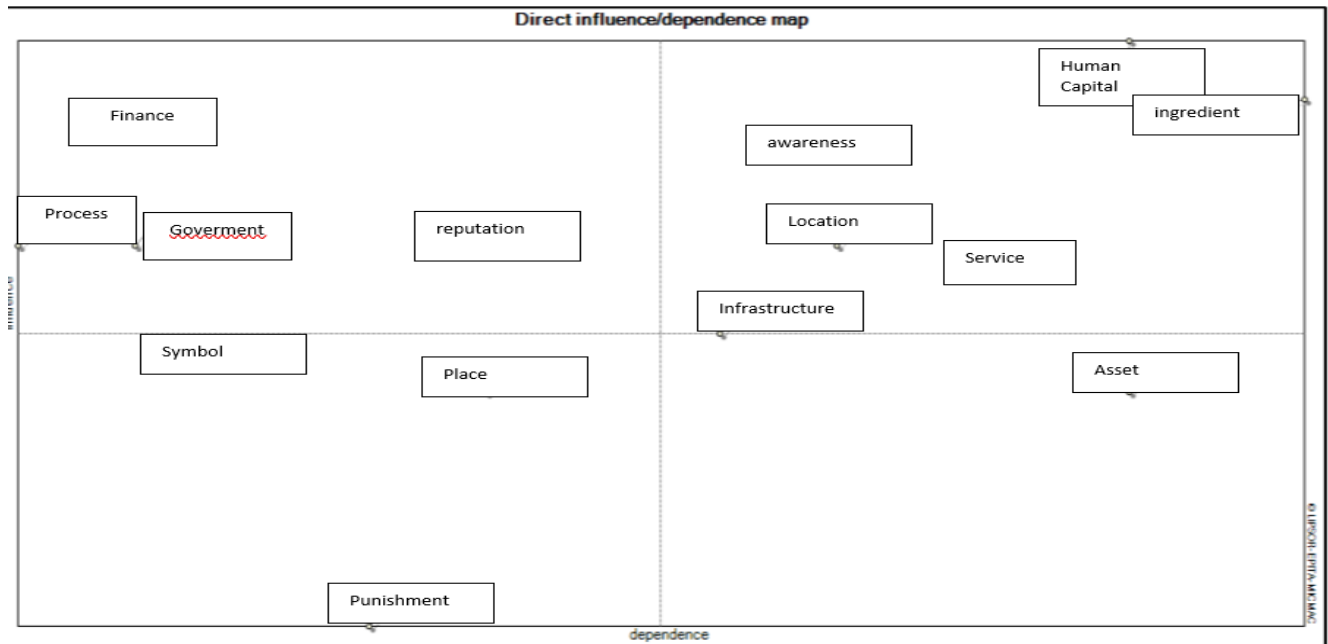
Using Micmac software, which may identify any critical variables that have the potential to have a significant impact, a Sustainable Engineering Analysis is conducted to define the major variables that affect halal factors and sustainability reporting on a halal food product. As a result, the following findings were made using software analysis:

The straight graph's findings show that costs, processes, governmental regulations, and brand reputation are the variables that ultimately determine success. Thus, it is clear from the findings of this analysis that a product that possessed a halal certificate had to be able to pay. It must maintain the production process, starting with the acquisition of materials, materials processing, cutting, up to the packing, and reporting sustainability reporting and the procedure for acquiring a halal certificate. The government is also involved in adopting sustainability reporting and halal certificates. Companies that refuse to manage halal certificates and sustainability reporting appear to be getting off scot-free. The government appears to have remained unchanged thus far. Customers are also concerned with a company's reputation because branding is a crucial aspect of corporate sustainability. In contrast to a company that just displays a halal emblem, a company with a good reputation will continue to operate. The halal certification is simply one aspect of the company's reputation, though, if it is still relatively new.

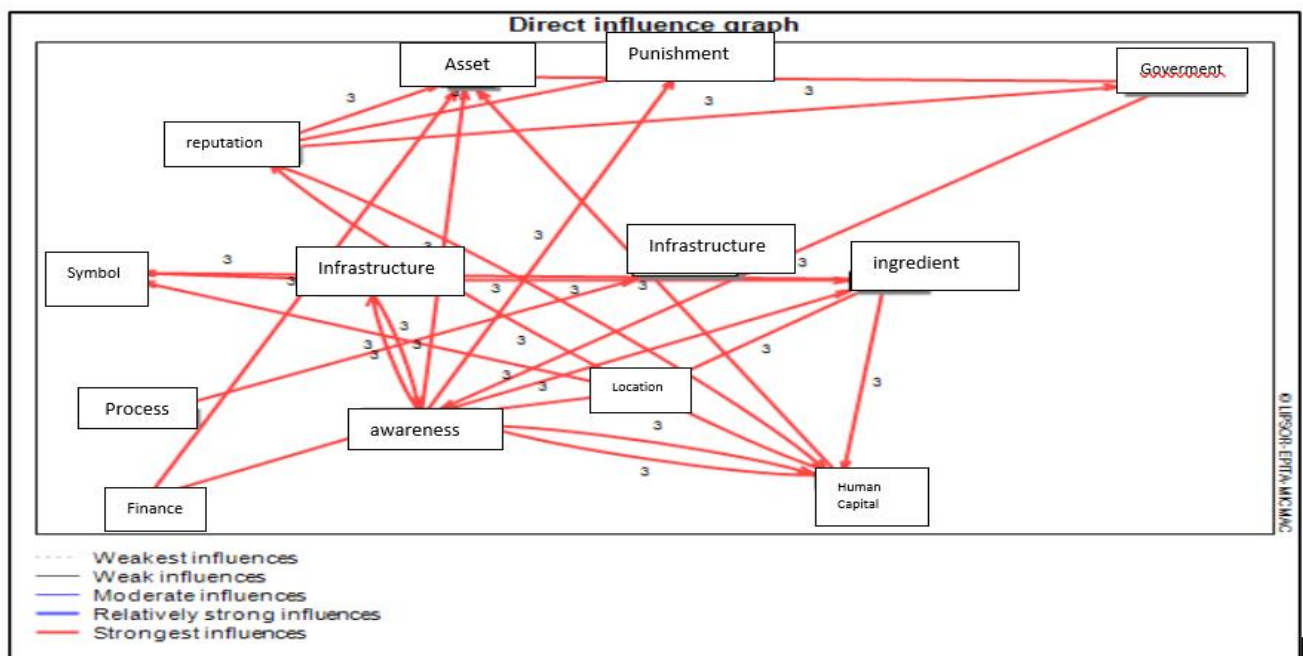
The collection of factors that have a high level of influence and dependency includes materials, human resources, services, location, awareness, and infrastructure. Like the material variable, many business actors who use halal components but lack funding cannot administer halal certificates and handle sustainability reporting. Consumer awareness of halal food and their view of whether a company reports on its sustainability efforts is still quite low; as a result, reputation plays a significant role in influencing consumer awareness. Because a good site has backing from the government, high expenses, and is strategically advantageous, the location in the study's conclusions appears to still be highly dependent. Location is still crucial in a nation with a majority of Muslims. The government must have a plan in place to control halal travel. Otherwise, nations where Muslims make up a minority population, must take special care to prepare for halal tourism in addition to other factors that are still greatly influenced by other factors.

Because the assets are not considered by the company holding a halal certificate, symbols, storage locations, and penalties are the variables with the lowest independence and effect. Because the company's reputation is more important to customers and the government does not

strictly enforce the penalty for violations, they frequently disregard these emblems. Despite the government mandating it, halal certification is frequently absent from sustainability reporting regulations.



Picture 1. Direct Influence/Dependence Map



Picture 2. Direct Influence Graph

As a result, if we want to identify who is influencing what variables, we can see from Figure 2 that awareness, services, and symbols greatly impact the materials. The materials are also heavily reliant on geography and human resources simultaneously. Reputation, expenses, awareness, and human resources all significantly impact

the asset variable. Infrastructure, materials, and location all have a significant impact on variable symbols. Variables affecting government policy are significantly influenced by knowledge and resources. The following factors greatly impact HR variables: awareness, materials, location, reputation, and assets.

8. CONCLUSION

The outcome demonstrates that halal certification affects sustainability reporting. The study contributes in two ways. First, it looks into how the halal certification affects the caliber of sustainability reporting. Second, the outcome offers concrete evidence of how the halal certification affects sustainability reporting from the perspectives of Malaysia and Indonesia. The implication is that the halal certificate ensures that the F&B enterprises' operational procedures and ingredient lists comply with sharia norms and give full consideration to the future well-being of the next generation from Malaysian and Indonesian viewpoints. According to Micmac's analysis, the company does not strictly provide sustainability reporting because it has a reputation and a halal certificate. Reporting financial success is deemed acceptable in this case. Consumers place much greater emphasis on a company's halal certification than on its sustainability reports. The government is still seen as less severe in implementing this policy. The fact that many businesses continue to lack both the halal certificate and sustainability reporting demonstrates this.

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