Impact of Innovation & Certification to SME Performance in F&B Sector

Rakhmatyar Ridha and Nila K. Hidayat

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IMPACT OF INNOVATION & CERTIFICATION
TO SME PERFORMANCE IN F&B SECTOR

Rakhmatyar Ridha, Dr. Nila K. Hidayat, SE., MM
{tyar.ridha@gmail.com, nila.hidayat@sgu.ac.id}

Swiss German University

Abstract. The government has planned programme "UKM Naik Kelas" to increase the number of halal certification but the objective was not achieved by the poor performance of SME. The study aimed to test the effects of innovation and Halal certification on SME performance. The innovation is measured by five dimensions are design and atmosphere, food and beverages, technology application, responsible business and human resources. The Halal certification is measured by two dimensions are knowledge on Halal concept and practices on Halalan Tayyiba. The SME performance is measured by three dimensions are profitability, business growth, and customer satisfaction. The study is carried out in the context of restaurants and café industry by distributing questionnaires to 200 owners of SMEs. The multiple linier regressions are used of this study to test both partially and simultaneously effects. The results show that either partially or simultaneously there are significant and positive effects of innovation and Halal certification on SME performance. The benefits of innovation can affect an organization's business processes, product performance, and human resources performance which can optimally encourage SME performance. Meanwhile the Halal certification can grow the level of consumer trusts towards the brand and then encourage them to increase customer satisfaction and loyalty.

Keywords: Innovation, Halal Certification, SME Performance, Bogor and Depok.

1. Introduction

In 2015, the ASEAN Economic Community (AEC) committed to narrowing the economic gap of SMEs in order to implement the three pillars of "Equitable Economic Development" by involving initiatives for regional economic integration. It is anticipated that the enhanced movement of goods, services, investment, capital, and skilled labor will enhance economic activities in ASEAN. This program in line with vision and mission statement of ASEAN SME which commit to promoting MSMEs in the region individually and collectively to realize the vision of globally competitive and innovative MSMEs.

Small and medium enterprises (SMEs) are commonly defined as reactive, flexible, and innovative organization [23]. Small and medium enterprises (SMEs) is an activity economy that can produce products or services which is commercially traded. SMEs has big potential to advance Indonesia economy, cause of spread throughout the territory of Indonesia, so as to be able to prosper SMEs.

The growth of the small medium enterprises (SMEs) from 2016 to 2017 contain information about number of business unit and workers absorption. In 2016, business unit has 61,651,177 combined from micro business, small business, and medium business, from three business have absorbed a total of 112,828,610 workers. In 2017, it has slightly increase between two aspects from business unit and the absorption of the workers. From the business unit has increase become 62,922,617 which is around 2.02% higher rather than last year. Not only in terms of business, it has the number of workers also increased

around 3.30% in total of 116,673,416 workers. The SMEs have big portion to Micro business by 59.91 million unit, followed by small business by 59.260 unit, then the last category business only have 4.987 unit. Contribution of MSME also open employment for 96.8% of workers, then contribute to export by 15.68%.

In order to increase SMEs business performances, then innovation and Halal certification are some significant factors to be able to improve firm performances, especially in the context of the food and beverage industry in Indonesia. The significance of innovation for companies is related to better competitiveness that could be indicated by innovative firms. According to [6], innovation can bring the firm superior in the market and competition. Innovative firm is represented by the effectiveness and efficiency in each of its business activities. As an impact, it positively influences performance. There are previous studies that have reported the positive influences of innovation on firm performance. [7], [20], [40], [35], [38], [41], [12], [18], [45]. Meanwhile the significance of Halal certification for firms is related to their effects significantly on market performance of halal certified food companies (Normia Akmad Salindal, 2018). Also, the higher demand of Halal certified foods come from non-Muslims that are caused by safety and freshness of food and higher quality of goods by implementation procedures of governmental control [1]. There are previous studies that have reported the positive influences of Halal certification on firm performance, including [5], [9], [10], [31], [32], [42].

Although there have been many previous studies that have reported the positive effects of innovation and Halal certification on firm performance, all of these studies examined the effects based on the consumer's perspectives. Therefore, this study is significant to conduct in order to develop the previous studies, which are focused on the owner's perspectives. Then, this study aimed to examine the effects of innovation and Halal certification on firm performance based on owner's perspectives. Another difference is the current study combines qualitative and quantitative designs and approaches to answer research problems. The quantitative design and approach are generated from the analysis of statistical data sourced from distributed questionnaires, and the qualitative design and approach is generated from the analysis of interviews data, both of which are used to explain the effects of innovation and Halal certification on firm performance. The combination of design and approach used in this study gives advantage to the findings of the study. The statistical findings of this study can be confirmed in more detail through qualitative findings.

For SME, this study is expected to have significant implications for the importance of innovation and Halal certification to improve firm performance. As an expected impact, innovation and Halal certification can affect consumer behaviors; especially encouraging customer's buying interests, satisfaction and loyalty. With the result that SMEs business performance is better, more profitable and closer to consumers. Meanwhile, for academics, this study is expected to provide scientific contributions to theoretical developments relating to factors that can improve firm performance, through quantitative and qualitative design and approach combination, viewed from the perspectives of entrepreneurs.

2. Literature Review

Innovation

The concept of innovation illustrates a very broad meaning. This is because as stated [49], that the term of innovation is widely applied by many organizations, both profit and non-profit-oriented organizations. However, the concepts of innovation complement each other, which generally refer to efforts to improve quality towards something by creating something very new or improving the quality of something that already exists. It can refer to goods, services, public services, work processes, technology development, organizational systems, as well as communication and interaction ways. In profit-oriented organization, [45] in their study added that marketing is the main key that drives the innovation. Better marketing performance, which is supported by innovation, it can reflect that innovation has positive impacts on the firm performance. In addition, the success of the innovation is also influenced by organizational supports to improve organizational capabilities that can encourage employee motivation towards innovations. [35]

In a SME context towards food and beverages industry, the innovation concept of this study is adapted from the study [18] which measures innovation through five main dimensions, namely design and atmosphere, food and beverages, technology applications, responsible business and human resources. The dimension of design and atmosphere are measured through three main indicators namely interior and exterior appearances, color and music. The dimension of food and beverages are measured through three main indicators namely portion size, new ingredients, and organic foods. The dimension of the technology application is measured through two main indicators namely online reservations, and social media. The dimension of responsible business is measured through three main indicators namely social responsibility, eco-friendly packages and waste cycle. And the dimension of human resource is measured through two main indicators namely customer orientation and service climate.

There are several factors that affect the growth of the SMEs business unit. According to [4] the most important factor influencing the growth of the SMEs business in Indonesia is innovation performance. This is because SMEs that can survive, benefit and win the competition as well as play a major role in absorbing the workforce are innovative SMEs. There is a large and positive impact of innovation on SMEs business performance, especially increasing work effectiveness, cost efficiency, work productivity, and the quality of the work environment that can improve employee's work motivation, satisfaction and loyalty [34].

The business growth of SMEs in Indonesia is also driven by the government through easy access to capital [13]. Related to access to capital, Indonesia is one of the countries that is very concerned towards the development of SMEs, so there are many government programs that provide capital assistances to SMEs. According to [14] the government funds are intended to help improve the performance of SME innovations through low-interest loans. Thus, the funds are expected to be able to increase SME business growth and it can contribute positively to economic development, especially better employment and better public welfare.

The other innovative effort of SMEs is creating better unique selling points which could also improve restaurant performance. It could be seen at lots of restaurants or cafes in the area of Bogor and Depok that show uniqueness both in terms of menu concepts, buildings, services and ways of serving food as stated [24] as a way to create uniqueness and make it as the firm's competitive advantage. Researches on food raw materials are carried out by the firm to create uniqueness that consumers can prefer and can increase sales. Therefore, these innovation factors can improve the performance of SME business, included product sales, business growth and profitability.

Another factor that also affects the business performance of SMEs in Indonesia is Halal certification, especially in the food and beverages industry [1].

Halal Certification

Halal certification is one of the types of certification that suitable for SMEs in food industry refer to Muslim requirement. Government program to support this certification as basic standard for SMEs which focusing on F&B industries.

In the 1988, Tri Susanto from Brawijaya University found that derivative product from pork such as gelatin or lard in the food and beverage which become national problem cause decrease of product sale around 20-30 percent. Indonesian Council of Ulama (MUI) solve the problem by establishing institution in 1989 for the study of food and medicine which known LPPOM-MUI.

Halal certification still become voluntary scheme. On the 2014, President Republic of Indonesia endorsed the law No. 33 of 2014 concerning halal product. In recent year, then the regulation No. 31 of 2019 was endorse, followed by PMA No. 26 of 2019. Then the regulation required to apply Halal Certification refer to the article 4, Law No. 33 of 2014.

Adopting the halal certification is concern of European export because this certification has made barriers for trade with Muslim countries. Commonly, the exporter of halal food to non-muslim countries are from small communities. In spite of, consuming the halal food not only for Muslim, non-muslim have felt the effect of halal food by safety, and freshness of food and have a good quality of products [10].

In addition, coordination of halal standard implementation of certification in Malaysia have a significant impact due to government has establish halal certification in 2012 on halal practices compliance in the processing stage. Moreover, Malaysia has increased the halal certification by creating internal halal committee in 2015 which focusing on ensuring halal requirement, optimize control and assurance for internal halal by organizational commitment [5].

Many people associate Halal to refer to food and beverage products. In fact, this terminology is applied in many aspects of life, not only referring to food and beverage, but for cosmetics, entertainment, tourism, and medicinal products [5]. According to [9], Halal means "permissible by Shari'ah law" or Islamic principles. Al-quran and Al-hadith are two main sources that contain rules for determining which is Halal and which is Haram based on Islamic principles. Halal means to be allowed according to Islamic principles, but Haram means to be prohibited according to Islamic principles.

Halal certification is an acknowledgment from the responsible authority to guarantee that the product or service meets Islamic principles [10]. According to [30], Halal certification represents three important things namely Halal concept, Halal Assurance System (HAS) and Halalan Tayyiba. Halal concept relates to provider's knowledge that all raw materials, production processes, finished goods, storage, packaging, distribution and delivery of products meet Islamic principles. Halal Assurance System (HAS) is related to how providers can show evidences that can guarantee Halal products, through documentation by involving an internal Halal committee formed in the firm. Halalan Tayyiba is related to guarantees towards quality products from many aspects including raw materials qualities, processes, packaging, and distribution to shipping.

According to [10], Halal certification aims to provide assurances to Muslim-based consumers that all products, both raw materials and production processes meet the Shari'ah law. In many Muslim majority countries, Halal certification is usually issued by responsible authorities and controlled by the government. While in many Muslim-minority countries, the certification is usually issued by an independent Islamic body. The popularity of it continues to increase along with the higher demand towards Halal products and services, one of which is due to the Muslim population scattered throughout the world. These conditions encouraged many parties both the government and the Muslim communities around the world to provide halal certification in order to provide guarantees for Muslim-based consumers that all halal certified-products and services meet the Shari'ah law [42].

In a SME context towards food and beverages industry, the Halal certification concept of this study is adapted from the study of [30] which measures halal food certification through two main dimensions, namely knowledge on Halal concept and practices on Halalan Tayyiba. The dimension of knowledge on Halal concept is measured through two main indicators namely permissible food by Shari'ah law and forbidden food by Shari'ah law. The dimension of practices on Halalan Tayyiba is measured through three main indicators namely raw material, processing, and handling of food.

Small Medium Enterprises (SMEs) Performance

Performance is the firm's abilities to achieve organizational goals optimally. These organizational goals included financial and non-financial goals [37]. Therefore, then according to [23] that the measures of success of an organization's performance is very broad. According to [23] acceptance of the firm in the communities and customer's positive perception and satisfaction level towards the firm are some important factors that can determine the success of the firm's business performance in the long run.

More specifically in the context of SME, [3] define SME's performance as the firm's business procedures and processes to create values for its stakeholders, including owners, consumers, society and government. According to [3], the measurement of SME's performance is based on seven main dimensions included finance performances, entrepreneurial orientation, market orientation, learning orientation, technology orientation, access to finance and business environments. The measurement of the firm's performance from the study of [3] shows a wider scope than the study of [23].

In this study, the definition and measurement of SME's performance is adapted from the study of [23]. This is based on the concept of SME's performance of the study of [23] is more focused on measuring performance goals, meanwhile the study of [3] is more focused on explaining performance processes. In this case, the measurement of SME's performance of the study of [23] included three main dimensions, namely profitability, business growth and customer satisfaction. The dimension of profitability is measured through three main indicators namely product sales, net profit and employee welfare. The dimension of business growth is measured through three main indicators namely total assets, number of employees and number of branches. And the dimension of customer satisfaction is measured through three main indicators namely number of visitors, stays longer and more money to spend.

In Indonesia, according to the laws of SMEs number 20 of 2008, stated that the firms which could be classified into SMEs determined by the number of assets, employees and total income per year. The micro firm is categorized as part of SME having less than 5 employees, less than Rp. 300,000,000 in total income per year, and less than Rp. 50,000,000 in total assets (not included are lands and buildings). The small firm is categorized as part of SME having the ranges of 5 to 19 for employees, the ranges of Rp. 300,000,000 to Rp. 2,500,000,000 in total income per year, and the ranges of Rp. 50,000,000 to Rp. 500,000,000 in total assets (not included are lands and buildings). And the middle firm is categorized as part of SME having the ranges of 20 to 99 for employees, the ranges of 2,500,000,000 to Rp. 50,000,000,000 in total income per year, and the ranges of Rp. 500,000,000 to Rp. 10,000,000,000 in total assets (not included are lands and buildings). In this study, the restaurants will be chosen are classified into the small firm as the target of the questionnaire distributed. The reason, in Indonesia, the small firm is more numerous among other SME categories in the sector of the food and beverage industry, which facilitates the process of taking samples of this study. In addition, restaurants in the small firm category mostly understand the importance of Halal certificates to meet the demands of society towards products that are in accordance with Shariah-compliant processes and requirements.

The SME's performance is influenced by several factors, some of which are innovation [7], [12], [35], [38], [40], [41], [18], [45] and Halal certification [31], [10], [42], [5], [39], [9], [22]. The effect of innovation on SME's performance is because innovation can play a key role in improving SME's business processes, better performance of product sales since organizational products have high competitiveness in the market, and the more conducive working atmosphere which can optimally encourage employee performance [40]. Meanwhile, Halal certification can improve the SME's performance based on increasing consumer's trust [28], purchase interest [48], satisfaction [33], and customer loyalty [25] towards the firm, which ultimately affects the firm's better organizational performance [9].

The Effect of Innovation on SME Performance

Theoretically, innovation can be able to improve SME performance, both financially and non-financially. Financially, innovative performance can achieve financial goals, some of which can increase the SME net profit, employee salaries, firm taxes and the business growth of SME. Whereas non-financially, innovative performance can achieve organizational goals more broadly, some of which can

increase customer satisfaction, employee satisfaction towards the firm, better public acceptance towards the firm and the firm's brand is increasingly remembered by consumers. These are consistent with study findings from [7], [12], [35], [38], [40], [41], [18], [45] show that there is significant relationship between innovation and firm performance. According to [40] that this relationship is based on the benefits of innovation that can affect an organization's business processes, better performance of product sales because organizational products have high competitiveness in the market, and the more conducive working atmosphere which can optimally encourage employee performance. Therefore, the hypothesis is:

H$_1$(a): There is significant effect of innovation on SME performance.

The Effect of Halal Certification on SME Performance

Also, there is a close relationship between Halal certification with consumer behavior. This is because the certification can provide a sense of security for consumers that the product is halal and in accordance with customer's beliefs. In addition, the product and service provider's halal claiming and strengthened through the certification can grow the level of consumer trusts towards the brand. These trusts can psychologically encourage consumers to spend more money to obtain the product and services. As a positive impact, product sales performance increases, and profits also increase. This is consistent with the study findings of [31], [10], [42], [5], [39], [9], [22] show that there is signification relationship between Halal certification and firm performance. Therefore, the hypothesis is:

H$_2$(a): There is significant effect of Halal certification on SME Performance.

3. **Method**

The study combines quantitative and qualitative research designs and approaches, with descriptive study type. The quantitative design of this study is used to examine the effects of innovation and Halal certification on firm performance, based on analyzing statistical data from respondents' answers on distributed questionnaires. The questionnaire is prepared to ask respondents' views on innovation, Halal certification and firm performance. The list of questions about innovation on the questionnaire, adapted from [18] which explain innovation measured from five main dimensions are design and atmosphere, food and beverage, technology application, responsible business, and human resources. The list of questions about Halal certification on the questionnaire, adapted from [30] which explain Halal certification measured from two main dimensions is knowledge on Halal concept and practices on Halalan tayyiban. And the list of questions about firm performance on the questionnaire, adapted from [23] which explain firm performance measured from three main dimensions are profitability, business growth, and customer satisfaction. The Likert scale is used to explain the choice of respondents' answers on the questionnaire, which is ranged from strongly disagree to the score (1) to strongly agree to the score (5).

The questionnaires are distributed online to the samples, which are 200 restaurant and cafe entrepreneurs in the Depok and Bogor areas. The 200 subjects are determined through the sampling technique of Jacob Cohen. A sample will determine 200 owners with basic demographic samples then using purposive sampling by choosing the people base on the criteria, just anyone in the sample could not

be selected. The sample criteria used of this study are that the respondents are SMEs owners who have managed their business for at least 1 year, have at least 5 employees, and a minimum average total income of Rp. 500,000,000 per year.

Data analysis technique to test the research hypotheses of this study is the multiple regression method. There are three key stages of testing: t-test, F-test and determinant coefficient (R^2). Before the study test hypotheses, then the descriptive statistical analysis is used of this study in order to illustrate the data measured from the mean, median, standard deviation, maximum and minimum scores. Also, demographic data and respondents' answers on the main variables discussed are processed using SPSS version 24 for Windows to obtain descriptive data. T-test is used to partially test the influence or relationship between independent and dependent variables. F-test is used to simultaneously test the influences or relationships between independent and dependent variables. Determinant coefficient testing (R^2) is used of this study in order to obtain the magnitude of the effects of independent variables on the dependent variable.

Meanwhile, qualitative analysis is generated through interview findings with three food business experts with in-depth interviews. The list of questions regarding innovation, Halal certification and firm performance are adapted from [18] for innovation, [30] for Halal certification and [23] for firm performance.

Research model consist of 2 independent variable which is Innovation with 5 dimension and Certification with 2 dimensions with one dependent variable SME performance with 3 dimensions.
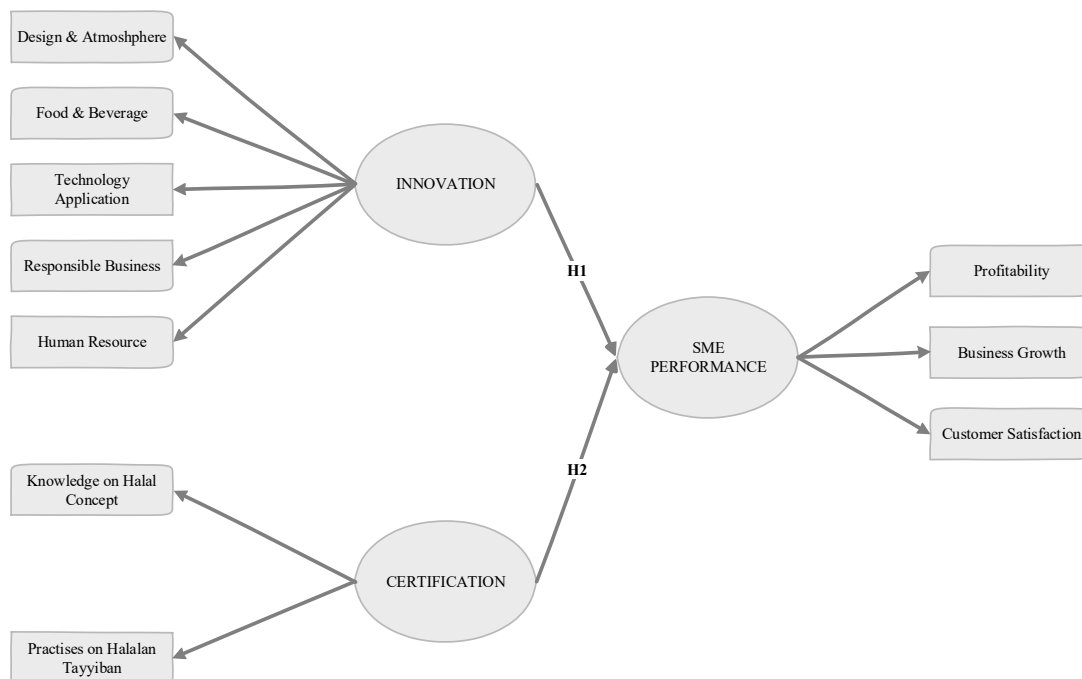

Figure 1. Research Model

4. Result

The classical assumption test is used in this study to evaluate whether there are problems with the classical assumptions in the linear regression model. The stages in the classical assumption test used in this study include normality, heteroscedasticity and autocorrelation tests. The normality test is intended to evaluate groups of data, whether the data is normally distributed or not. The standard to determine normality can be seen from the distribution of data according to the histogram chart and normal probability plots. The heteroscedasticity test is intended to evaluate whether there are inconsistencies of residual variants for all observations in the regression model. The standard to determine the heteroscedasticity test can be seen from the data distribution in a scatterplot graph. And the autocorrelation test is intended to evaluate whether there are deviations in autocorrelation that occur between one observation and another. The standard measuring autocorrelation test used in this study is Durbin Watson. The test results are as follows:
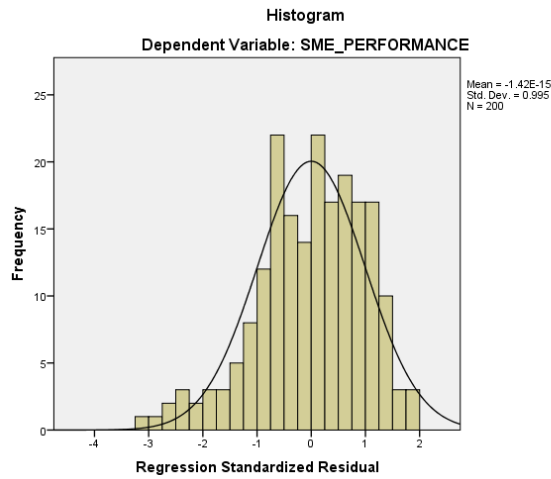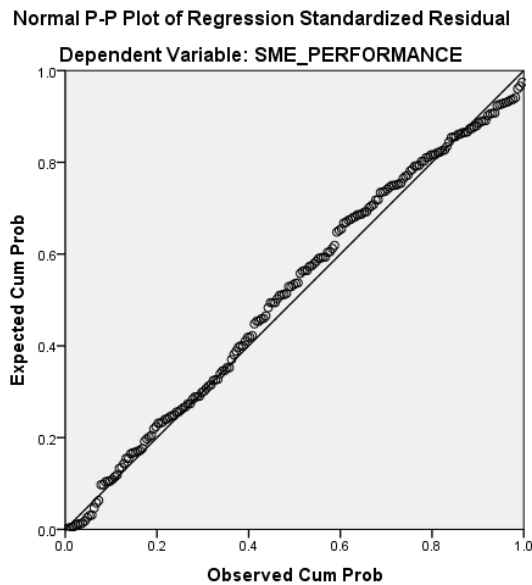

Figure 2. Histogram Chart

Figure 3. Normal Probability Plots

Based on the histogram chart above, it can be seen that the curve lines are formed perfectly or in other words, such as forming a mountain with symmetrical legs, which can be concluded that the data in this study are normally distributed. The picture of normal probability plots also shows that the dots follow a diagonal line, which means that the data in this study are normally distributed. Based on the two chart indicators, it can be concluded that the normality test in this study is fulfilled.
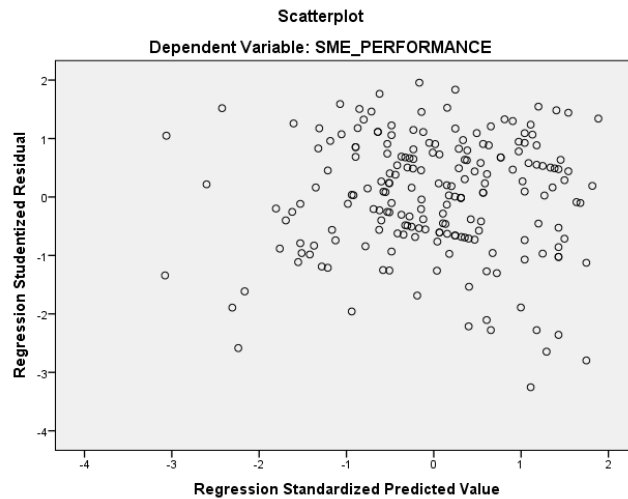

Figure 4. Scatter Plots

Based on the scatterplots chart above, it can be seen that the dots spread out in all directions, and do not form certain patterns or images. This means that there are no heteroscedasticity symptoms in this study, and it can be concluded that the heteroscedasticity test is fulfilled.

Model Summary[b]

Model	Durbin-Watson
1	2.008

a. Predictors: (Constant), HALAL_CERTIFICATION, INNOVATION
b. Dependent Variable: SME_PERFORMANCE

Table 1. Autocorrelation Test

Based on the table above, it can be shown that the Durbin-Watson (DW) score is 2.008, and the standard to determine the autocorrelation test can be obtained through the formula of dU < DW < 4-dU. According to Durbin Watson table, it can be indicated that dU score is 1,7990 and 1,7990 < 2,008 < 2,201. Based on that, it could be concluded that the autocorrelation test is fulfilled.

Demographically, this study shows that male respondents (66.5%) dominate more than females. This indicates that the owners of SMEs in Depok and Bogor areas are more dominated by males compared to females. This is influenced by cultural, socioeconomic and gender characteristics related to risk taking. According to [43] culturally, although Depok and Bogor areas are cities which can be classified as developed cities and are directly bordered by Jakarta as the Capital of Indonesia, but there are still many people who position men as more responsible for meeting the economic needs of households than women. Economically and socially, these conditions require more men to make a living than women, and one of them is establishing an SME. Meanwhile, according to [36] women are often positioned as taking care of the household, such as caring for children, preparing food for the family and

others. Besides that, based on the risk-taking characteristics, generally in developing countries such as Indonesia, males are braver than females to take business risks [43]

The study also shows that the owners of SMEs in Bogor and Depok areas are more dominated by subjects with ages between 17-40 years old as much as 78,5%. This indicates that the owners of SMEs in Bogor and Depok areas are relatively young, and these ages phase are still very productive for work. This is influenced by the characteristics of SMEs in Indonesia, in which most of the business processes and work methods are highly dependent on physical labor compared to the use of advanced technology. For SMEs, according to [13] most of the owners besides leading the company are also often involved in directly business processes and activities. Especially for the food and beverages sector, owners are often involved in making certain unique menus that are superior to their cafes, and it should not be known in detail by their employees both the cooking process and the raw material components.

This study also shows that the majority of subject education levels (66.5%) are senior high school graduates and above. This shows that the owners of SMEs in Bogor and Depok areas are more dominated by subjects with senior high scool and college education levels. This is influenced by very tighter competition between prospective workers in these cities. Bogor and Depok are cities that border directly with Jakarta as the capital of Indonesia, and those cities are industrial-dense. Even though it is industrial-dense, the high level of urbanization from other cities to Bogor and Depok has resulted in intense competition in finding jobs [46]. As an impact, people with higher and secondary levels of skill and education are looking for other ways to earn a living and one of them is setting up a restaurant or cafe.

This study also shows that the majority of respondents (83%) run their businesses more than 5 years old. This indicates that the onwers of SME of this study are very experienced in running their business and are quite skilled in dealing with various business environments that are quite dynamic and challenging. This is influenced by very tight competition between SMEs in Bogor and Depok areas. According to [15], this condition causes many new and less skilled and inexperienced SMEs to go bankrupt on the one hand, and on the other hand, only skilled and experienced SMEs can finally survive. Therefore, as evidenced by this study, the firms are more dominated by SMEs with more than 5 years old experiences. This study shows that male respondents (66.5%) dominate more than females, more dominated by subjects with ages between 17-40 years old as much as 78,5%, the majority of subject education levels (66.5%) are senior high school graduates and above, and the majority of respondents (83%) run their businesses more than 5 years old.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.358	.337		1.063	.000
	INNOVATION	.886	.108	.648	4.202	.000
	HALAL_CERTIFICATION	.651	.171	.392	3.804	.000

a. Dependent Variable: SME_PERFORMANCE

Table 2. t-Test Results

The table shows that the significance score is 0.000 < 0.050 for the partial effect of innovation on SME performance in one-tailed tests. It means that the hypothesis (Ha) is accepted and (Ho) is rejected, which proves that there is a significant effect of innovation on SME performance. The effect coefficient is positive based on the score B indicates positive sign, which proves that there is a positive effect of innovation on SME performance. In other words, better innovation can improve the quality of SME performance.

ANOVAª

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.198	2	778.599	80.919	.000ᵇ
	Residual	9983.109	197	48.098		
	Total	24.307	199			

a. Dependent Variable: SME_PERFORMANCE
b. Predictors: (Constant), HALAL_CERTIFICATION, INNOVATION

Table 3. ANNOVA

The table shows that the significance score is 0.000 < 0.050 for the simultaneous effects of innovation and Halal certification on SME performance in one-tailed test. It means that the hypothesis is accepted, which proves that there is a simultaneously significant effect of innovation and Halal certification on SME performance.

Model Summaryᵇ

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802ª	.663	.533	1.87799

a. Predictors: (Constant), HALAL_CERTIFICATION, INNOVATION
b. Dependent Variable: SME_PERFORMANCE

Table 4. Determinant Coefficient Testing Results

The score of Adjusted R Square is 0.533 and it means that the SME performance of this study has been affected by all independent variables (innovation and Halal certification) by 53,3% and the remaining 46,7% is affected by other variables which are not examined in this study.

The result of statistical analysis has shown that the innovation has positive and significant effects on SME performance. In other words, better innovation can improve SME performance. There are several factors that confirm the positive effects of innovation on SME performance, including organizational learning [19], access to capital [14], use of technology [43] and better unique selling points [24]. According to [19] organizational learning is indicated by the knowledge and insights that are continuously learned by SME owners in order to deal with increasingly fierce competition. Innovative efforts to improve employee skills in serving consumers, better supply of raw materials, and conduct researches and trial menus are forms of organizational learning in order to meet customer expectations and create customer satisfaction. Related to access to capital, Indonesia is one of the countries that is very concerned towards the development of SMEs, so there are many government programs that provide capital assistances to SMEs. According to [13] the government funds are intended to help improve the performance of SME innovations through low-interest loans. Thus, the funds are expected to be able to

increase SME business growth and it can contribute positively to economic development, especially better employment and better public welfare. Related to adoption of technology, SMEs in Indonesia, especially at the small firm level, use of technology is relatively low, but even so, the use of technology is gradually increasing. The impact of the internet affects the use of these technologies [43], mainly related to lighting techniques, room arrangement, use of technology for cooking and other technologies related to restaurants or cafes that can improve the quality of work on the one hand, and on the other hand it is attractive and increases consumer satisfaction.

The other innovative effort of SME is creating better unique selling points which could also improve restaurant performance. It could be seen at lots of restaurants or cafes in the area of Bogor and Depok that show uniqueness both in terms of menu concepts, buildings, services and ways of serving food as stated by [24] as a way to create uniqueness and make it as the firm's competitive advantage. Researches on food raw materials are carried out by the firm to create uniqueness that consumers can prefer and can increase sales. Therefore, these innovation factors can improve the performance of SME business, included product sales, business growth and profitability.

Based on these explanations, then the innovation has positive and significant effects on SME performance. The finding of this study is consistent with the findings of [7], [12], [35], [38], [40], [41], [18], [45] show that there is significant relationship between innovation and firm performance. According to [38] these positive effects could be measured by process, product, and organizational innovations. This is confirmed by [40] that this relationship is based on the benefits of innovation that can affect an organization's business processes, better performance of product sales because organizational products have high competitiveness in the market, and the more conducive working atmosphere which can optimally encourage employee performance.

Statistical analysis also shows that Halal certification has positive and significant effects on SME performance. In other words, Halal certified products can improve SME business performance. There are three main factors that confirm the positive effects of Halal certification on SME performance, including better community religiosity [2], government regulations [21], and consumer behavior [47]. The social culture of community religiosity is very strong, especially in the areas of Bogor and Depok. According to [2], this affects communities' behavior, not only related to religious ceremonies, but also the economy and consumption patterns which are attached to Islamic values and principles. In addition, according to [21] because of Indonesia is a country with the largest Muslim population in the world, the values and principles of Islam affect government regulations, one of which is the provision to obtain Halal certificates from the authorities for product providers that target the Muslim community as target consumers, including cafes and restaurants.

On the other hand, consumer behavior towards Halal certified products also increased, not only from Muslim consumers but also non-Muslims. This is because according to [47] the concept of Halal which not only requires providers to process food in accordance with Islamic values and principles, but also requires that food sources are Toyiiban means high quality products both from freshness, health and the quality of raw materials. Based on these explanations, these factors can improve SME performance.

Based on these explanations, then the Halal certification has positive and significant effects on SME performance. The finding of this study is consistent with the findings of [31], [10], [42], [5], [39], [9], [22] show that there is signification relationship between Halal certification and firm performance.

5. Conclusion and Recommendation

Conclusion

Based on quantitatively findings show that the innovation has positive and significant effects on SMEs performance. And based on qualitatively findings show that the positive effects of innovation on SMEs performance are based on organizational learning, access to capital, use of technology, and better unique selling points. Organizational learning is indicated by the knowledge and insights that are continuously learned by SME owners in order to deal with increasingly fierce competition. Innovative efforts to improve employee skills in serving consumers, better supply of raw materials, and conduct researches and trial menus are forms of organizational learning in order to meet customer expectations and create customer satisfaction. Related to access to capital, Indonesia is one of the countries that is very concerned towards the development of SMEs, so there are many government programs that provide capital assistances to SMEs. The government funds are intended to help improve the performance of SME innovations through low-interest loans. Thus, the funds are expected to be able to increase SME business growth and it can contribute positively to economic development, especially better employment and better public welfare. Related to adoption of technology, SMEs in Indonesia, especially at the small firm level, use of technology is relatively low, but even so, the use of technology is gradually increasing. The impact of the internet affects the use of these technologies, mainly related to lighting techniques, room arrangement, use of technology for cooking and other technologies related to restaurants or cafes that can improve the quality of work on the one hand, and on the other hand it is attractive and increases consumer satisfaction. The other innovative effort of SME is creating better unique selling points which could also improve restaurant performance. It could be seen at lots of restaurants or cafes in the area of Bogor and Depok that show uniqueness both in terms of menu concepts, buildings, services and ways of serving food as a way to create uniqueness and make it as the firm's competitive advantage. Researches on food raw materials are carried out by the firm to create uniqueness that consumers can prefer and can increase sales. Therefore, these innovation factors can improve the performance of SME business, included product sales, business growth and profitability.

Based on quantitatively findings show that Halal certification has positive and significant effects on SMEs performance. And based on qualitatively findings show that the positive effects of Halal certification on SMEs performance are based better community religiosity, government regulations, and consumer behavior. The social culture of community religiosity is very strong, especially in the areas of Bogor and Depok. This affects community's behavior, not only related to religious ceremonies, but also the economy and consumption patterns which are attached to Islamic values and principles. In addition, because of Indonesia is a country with the largest Muslim population in the world, the values and principles of Islam affect government regulations, one of which is the provision to obtain Halal

certificates from the authorities for product providers that target the Muslim community as target consumers, including cafes and restaurants. On the other hand, consumer behavior towards Halal certified products also increased, not only from Muslim consumers but also non-Muslims. This is because the concept of Halal which not only requires providers to process food in accordance with Islamic values and principles, but also requires that food sources are Toyiiban means high quality products both from freshness, health and the quality of raw materials. Based on these explanations, these factors can improve SME performance.

Recommendation

For SMEs, this study found that the extremely fierce competition level had encouraged skilled and sufficiently experienced SMEs who had successfully survived with a business age over 5 years old. Therefore, for newly established SMEs, it is recommended to increase their organizational learning capacities in order to increase the firm's competitive advantages, which is associated with market potential and consumer behavior to survive and profitable. For the government, this study found that Halal-certified products affect the performance of SMEs and therefore it is recommended to the government, especially the authorities, to facilitate access to SMEs to obtain Halal certification but with very strict supervision to prevent violations. And For future researchers, it is recommended to use more subjects, more cities, more different methods besides quantitative approaches, and involve many independent variables besides innovation and Halal certification in order to test their effects on SME performance.

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