



## The effect of price and product quality on purchasing decisions on halal umkm products in medan city

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### ABSTRACT

Many people complain, because there are still many food products, especially imports, do not have halal certification, while free halal certification is one of the efforts of the Medan City Government to help MSMEs develop, so it is necessary to conduct research on how much influence price and product quality have on purchasing decisions on MSME Halal Products in Medan City, this research methodology is used in this research is quantitative research. Primary data collection through questionnaires distributed to 60 consumers of MSME Halal products in Medan City. Secondary data will also be used to obtain additional information about MSMEs in Medan City, such as Price, Product Quality and Purchasing Decisions and Halal Products, the results in this study are simultaneously influencing Price and Product Quality on purchasing decisions for halal products at MSMEs in Medan City by 0.444 which means 44.4%, the rest is influenced by other variables from outside the variables studied.

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## INTRODUCTION

The global halal industry in the last 5 years has shown positive developments despite contracting due to the Covid-19 pandemic. The food and fashion sectors are still the leading sectors of the global halal industry. At present, the use of digitalization and *sustainable trends* plays an important role in the business activities of the global halal industry, where mobility restrictions have driven changes in global Muslim *consumer* behavior towards *ethical consumerism* and the use of digital technology. *Internet connectivity* has expanded domestic and international *e-commerce* and *m-commerce* networks. (Lesmana, 2023). Indonesia maintains its position on The Global Islamic Economy Indicator in the State of the Global Islamic Economy (SGIE) Report 2022 launched by DinarStandard in Dubai, United Arab Emirates that Indonesia is ranked fourth after Malaysia, Saudi Arabia, and United Arab Emirates. DinarStandard CEO Rafi-uddin Shikoh said that despite remaining in the same rank as last year, Indonesia experienced a significant increase in the halal food sector. Indonesia rose two places to second in the halal food sector, Halal food exports to OIC countries increased by 16 percent in 2021. The value will continue to increase along with initiatives

from the government and stakeholders in launching a halal product codification data system to record the value of Indonesia's global trade in halal products. Indonesia is also taking various steps to improve halal certification, one of which is through digitalization. The Islamic finance sector in Indonesia also has promising prospects with the merger of three subsidiary banks of state-owned banks into Bank Syariah Indonesia. "Developments in the Islamic digital finance sector are also ongoing with Indonesia being the home of Islamic fintech. (Shikoh, 2022).

Indonesia is sixth in Islamic finance, third in modest fashion, ninth in pharmaceuticals and cosmetics. Indonesia did not make the Top 10 for Muslim-friendly tourism and entertainment media. The report said that global Islamic economic consumption, which includes six real economic sectors, reached two trillion U.S. dollars by 1.9 billion Muslims around the world until the third quarter of 2021. Global Islamic financial assets were recorded at US\$3.6 trillion, growing 7.8 percent (yoy). The largest contribution to real sector consumption came from halal food which amounted to US\$1.67 trillion, growing 7.1 percent. Followed by modest fashion at 375 billion US dollars, which grew 6.1 percent, media and recreation at 308 billion US dollars or grew 7.5 percent. DinarStandard projects that with an average growth of 7.5 percent per year, consumption in the global Islamic economy could reach US\$2.8 trillion by 2025. In terms of investment in the Islamic economic sector, there was a significant increase of up to 118 percent (yoy) to 25.7 billion US dollars. Indonesia is included in the six countries that wrap the largest investment or more than 20 investment transactions during 2020-2021. The other countries are the United Arab Emirates, Malaysia, Saudi Arabia, Egypt and Turkey. The majority or around 66.4 percent of investments are invested in the Islamic finance sector. Followed by halal food at 15.5 percent, pharmaceuticals at eight percent, media at five percent, and travel at 4.9 percent. Imports of Organization of Islamic Cooperation countries were recorded at 279 billion US dollars in 2020. Dominated by halal food at 72 percent. The report, which calculates a ranking index of 81 countries, notes Indonesia's significant movement in halal food, followed by pharmaceuticals and cosmetics, and fashion. (Shikoh, 2022).

Based on this data, Indonesia has great potential to develop halal products as well as become a country that provides a large distribution of halal products in the world, because Indonesia has several regions consisting of 38 provinces and one of them is North Sumatra Province with a regional distribution consisting of 33 regencies / cities with details as many as 8 cities and 25 regencies in North Sumatra, so based on the data (BPS, 2021) Total Population by Regency / City and Religion Followed in North Sumatra Province in 2020, as follows: (a) Islam 9,522,822; (b) Protestant Christianity 4,011,903; (c) Catholic Christianity 1,102,850; (d) Hinduism as many as 14,644; (e) Buddhism as many as 366,141; and (f) Khonghucu religion as many as 27,780.

(Dalimunthe, 2023) as Executive Director of KDEKS North Sumatra Province said the benefits of halal product certification for producers, namely that if they have halal certification, the product will have a unique selling point (a marketing concept that can differentiate the product from its competitors / competitors) based on the notification letter of the Executive Director of the Regional Committee and Sharia Finance (KDEKS) No. 451/053 / KDEKS-SU / VIII / 2023 dated August 28, 2023 regarding the Implementation of Halal Product Socialization for MSME businesses that do not yet have halal product certification and the letter of the Regional Secretary of North Sumatra Province No. 500.3.1 / 11046 dated August 31, 2023 regarding Socialization of Halal Product Certification.

In order to support the MSMEs Upgrade program and support the acceleration of Halal Certification for Micro and Small Enterprises, the Economic Bureau of the Regional Secretariat of North Sumatra Province, halal certification itself is one of the important product legality for food and beverage entrepreneurs. This is in accordance with Law No. 33 of 2014, especially article 4, that products that enter, circulate, and are traded in the territory of Indonesia must be halal certified. Moreover, there is a policy from the government that limits starting in 2024 that all food and beverage products must have halal certification. Therefore, in order to help accelerate the halal

certification, the government has carried out various strategies that help, one of which is through the Halal Product Certificate registration program. (Parlindungan, 2023).

The existing MSME players in Medan City must be able to take advantage of the opportunity well. Such as filling in the data carefully and consistently completing all the necessary requirements. Because by having halal certification, MSME players can benefit from various benefits. Starting from increasing consumer confidence, adding *unique selling* in sales, to reaching a wider market network, even reaching the global market. The Office of Cooperatives, SMEs, Industry and Trade of Medan City, North Sumatra, stated that as many as 2,300 micro, small and medium enterprises (MSMEs) have received free halal certificates.

Head of the Cooperatives, SMEs, Industry and Trade Office of Medan City Benny Nasution in Medan (23/7/2023) said that to obtain the halal certificate, MSME players only need to submit an application online, the free halal certification is one of the efforts of the Medan City Government to help MSMEs develop. However, for now, it only provides halal certificates for MSME products that do not use meat ingredients. In 2022, the Office of Cooperatives, SMEs, Industry and Trade of Medan City noted that the number of MSME players recorded in Medan's Simdakop UMKM (Cooperative and MSME Data Collection System) reached 38,343 MSMEs. Of that number, 1,825 MSMEs are registered as being assisted by the Office of Cooperatives, SMEs, Industry and Trade of Medan City. And to date, the Office of Cooperatives, SMEs, Industry, and Trade of Medan states that 202 MSME products have penetrated the international market. (Nasution, 2023). Chairman of Commission III of the Medan City DPRD (Abdillah, 2023) urged all supermarkets in Medan City to make restrictions on halal and non-halal products, so that people know the guarantee of the products they want to buy. The appeal was conveyed, Afif Abdillah, together with Secretary Hendri Duin and a number of members conducted a Sudden Inspection (Sidak) to Berastagi Supermarket on Jalan Gatot Subroto and Smarco on Jalan Crowak Hitam Medan on Monday (13/3/2023), In addition to halal and non-halal, imported products must also be given information about their halal certification. This is necessary, because many people complain that there are still many food products, especially imports, do not have halal certification.

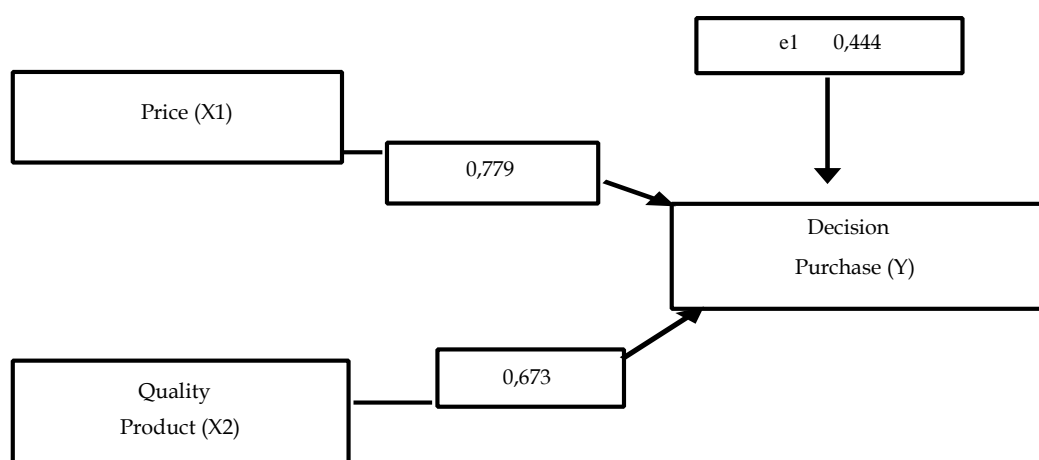
So with the presence of this law, the government has provided legal clarity and guarantees about whether the products consumed are halal or not, especially for Muslim consumers. (Rasyid, 2018). The existence of Allah's command to consume something halal according to religious teachings and then the presence of the Halal Product Guarantee Law further emphasizes that the halalness of something consumed is crucial in the lives of Muslim communities. This becomes interesting to study how Law No.33 of 2014 is able to interpret and correlate with Allah's command in the Qur'an letter Al-Baqarah verse 168 and several hadiths related to halal consumption. Based on this.

And also based on previous research conducted (Batubara & Afandi, 2023) concluded that there was a Positive Effect of Product, Price and Purchasing Decisions on Halal Products while the remaining 49.1% was influenced by other factors. Therefore, this research is a follow-up to previous research, with the object of research, namely halal MSME products in Medan City.

## RESEARCH METHOD

The research method that will be used in this research is quantitative research. Primary data collection through questionnaires distributed to 60 consumers of MSME Halal products in Medan City. Secondary data will also be used to obtain additional information about MSMEs in Medan City, such as Price, Product Quality and Purchasing Decisions and Halal Products. This research approach uses descriptive which seeks to examine how a variable has an influence with other variables. In data processing using analytical techniques which include instrument tests, classical assumption tests, multiple linear regression, and partial and simultaneous hypothesis testing using IBM SPSS Statistics 29 software. In addition, descriptive analysis will also be used to provide an





**Figure 1.** Path Analysis Model I

Source: Processed by Researchers (2023)

The effect of Price and Product Quality on Purchasing Decisions for Halal Products at MSMEs in Medan City, namely Based on the results of the analysis of the coefficient of determination ( $R^2$ ), it shows that the magnitude of the contribution of the independent variables Price (X1) and Product Quality (X2) to Purchasing Decisions (Y), simultaneously affects Price and Product Quality on purchasing decisions for halal products at MSMEs in Medan City by 0.444 which means 44.4%, the rest is influenced by other variables from outside the variables studied. In accordance with previous research conducted by (Fahmi, 2017) and (Sari, 2021) which states that product quality and price simultaneously affect purchasing decisions.

## CONCLUSION

Based on the research results, the following conclusions can be drawn: First, product quality has an important positive effect on purchasing decisions. Second, price changes have a good and significant impact on purchasing decisions. At one point, change Product quality and price have a positive and significant effect on the decision to buy halal products from MSMEs in Medan city. The results of this study are expected to be taken into consideration for MSME players in Medan City to improve product quality and set competitive product prices, so as to increase the sales volume of MSME halal products in Medan City. This research is limited by price variables and product quality to purchasing decisions, it is expected that the next researcher will develop this research with variables that are more reaching than the research make it.

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