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THE EFFECTS OF HALAL CERTIFICATION, SHARIA ACCOUNTING RECORD-KEEPING, AND ISLAMIC BRANDING ON THE FINANCIAL PERFORMANCE OF HALAL MSMES

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Abstract

This study examines the effects of halal certification, Sharia accounting record-keeping, and Islamic branding on the financial performance of halal micro, small, and medium-sized enterprises (MSMEs). The study is motivated by the rapid development of the halal industry and the important role of MSMEs as drivers of community economic activity, which need to be supported by compliance with halal principles, orderly financial governance, and an Islamic-oriented brand identity strategy. The financial performance of halal MSMEs depends not only on production and marketing capabilities but also on institutional and managerial factors, particularly the possession of halal certification, the implementation of Sharia accounting record-keeping, and the strengthening of Islamic branding. A quantitative survey approach was employed by distributing questionnaires to 67 halal MSME owners and operators. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS to examine relationships among constructs and assess the validity and reliability of the measurement model. The findings show that halal certification has a positive effect on the financial performance of halal MSMEs. Sharia accounting record-keeping and Islamic branding were likewise found to exert positive effects on the financial performance of halal MSMEs.
Keywords: *Halal Certification; Sharia Accounting Record-Keeping; Islamic Branding; Financial Performance*

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INTRODUCTION

Micro, Small, and Medium-sized Enterprises (MSMEs) constitute a strategic sector that plays an important role in supporting national economic growth. Their presence contributes not only to higher household income but also to employment creation, regional economic development, more equitable welfare distribution, and poverty alleviation (Anshika & Singla, 2022). Within the structure of the Indonesian economy, MSMEs occupy a particularly important position because they are able to withstand various economic crises and display a high degree of flexibility in responding to market changes. Their proximity to community needs makes MSMEs a fundamental pillar of a people-centered and self-reliant economy (Wibawa & Yusnita, 2019). Accordingly, strengthening MSMEs remains an important policy agenda pursued through business capacity enhancement, broader access to financing, business digitalization, and improvements in product competitiveness. Alongside growing public awareness of halal consumption, MSMEs also have substantial opportunities to expand within the halal-industry ecosystem (Giyanti et al., 2021). Halal products are understood not merely as products that comply with Islamic religious requirements, but also as products associated with quality, safety, cleanliness, and consumer trust.

The development of the halal lifestyle has encouraged Muslim consumers to become increasingly selective in choosing the products they consume. This situation creates both opportunities and challenges for MSME operators, who must produce goods that are not only economically viable but also compliant with halal standards and Sharia values (Manne, 2022). Halal MSMEs are therefore expected to possess adequate managerial capabilities, business legality, sound financial records, and marketing strategies capable of building consumer trust. Although opportunities for halal MSME development continue to expand, many MSME operators still face difficulties in improving their financial performance (Ye et al., 2019). Financial performance is an important indicator reflecting a firm's ability to generate profits, manage costs, maintain stable cash flow, increase sales, and sustain business continuity. In practice, however, many MSMEs still experience difficulties in measuring their financial performance objectively and systematically (Aziz & Chok, 2013). These problems stem from limited transaction-recording capabilities, the absence of separation between personal and business finances, inadequate understanding of financial governance, and limited ability to prepare basic financial statements. Consequently, MSME operators often lack an accurate picture of their financial condition, including their ability to calculate profits, control costs, and plan business development (Donna et al., 2025).

In the context of halal MSMEs, financial performance is influenced not only by production and marketing activities but also by compliance with halal principles, Sharia-based financial record-keeping, and the strength of Islamic brand identity. Halal certification is one important factor capable of increasing consumer confidence in MSME products (Darmalaksana, 2023). It constitutes formal assurance that a product complies with halal standards under Sharia provisions. For Muslim consumers, halal certification provides confidence and a sense of security that a product is permissible for consumption. For MSME operators, certification can serve as a strategic instrument for enhancing competitiveness, broadening market access, strengthening business reputation, and increasing sales (Salindal, 2019). Halal certification is therefore closely associated with improved financial performance among halal MSMEs. In practice, however, not all MSME operators possess halal certification. Some still perceive certification as an administratively complex and costly process that provides no immediate business benefits, while limited information and understanding of certification procedures also create barriers (Alharbi et al., 2022).

Amid increasing consumer awareness of halal products, halal certification can provide added value that differentiates MSME products from those of competitors. Certified MSMEs have the potential to gain higher consumer trust, strengthen customer loyalty, and expand their market reach both locally and beyond. In addition to certification, Sharia accounting record-keeping is an important factor in supporting the financial performance of halal MSMEs (Fitri, 2024). Sharia accounting record-keeping refers to the recording and reporting of financial transactions in accordance with Islamic principles such as honesty, justice, transparency, accountability, and trustworthiness. From an Islamic economic perspective, business financial management is not solely profit-oriented; it should also consider blessing, the permissibility of transactions, and the avoidance of riba, gharar, and maysir. Sharia accounting record-keeping therefore provides an important mechanism for MSME operators to ensure that business financial activities are conducted in an orderly and transparent manner consistent with Sharia values (Santosa et al., 2022).

The implementation of Sharia accounting record-keeping in MSMEs may take the form of systematic recording of sales and purchase transactions, separation of personal and business finances, preparation of simple financial statements, clear recording of receivables and payables, and responsible management of business capital. Proper record-keeping can help MSME operators understand their financial position, calculate business profit, control expenditure, and make more appropriate business decisions (Tuhuteru & Iqbal, 2024). Orderly financial records can also increase opportunities to obtain financing, particularly Sharia-based financing that requires transparency and financial accountability. Accordingly, Sharia accounting record-keeping serves not only as an administrative tool but also as an instrument for business control and development (Hanifah et al., 2024). Nevertheless, its implementation among MSMEs still faces several barriers. Some business operators regard financial record-keeping as complicated, non-urgent, and relevant only to larger enterprises. Many also continue to combine personal and business finances, making it difficult to determine the actual condition of the business. Limited understanding of Sharia accounting further means that Sharia principles have not yet been fully implemented in MSME financial management (Olivia et al., 2026).

These conditions may constrain improvements in financial performance because business decisions are often not based on accurate financial information. Another important factor in improving the financial performance of halal MSMEs is Islamic branding. Islamic branding is a strategy for developing a brand identity that emphasizes Islamic values through the brand name, symbols, packaging, promotional messages, product quality, and commitment to halal principles (Manne, 2022). In an increasingly competitive market, Islamic branding can function as a differentiating mechanism that strengthens business image in the eyes of consumers. For Muslim consumers, brands that reflect Islamic values can strengthen trust, emotional attachment, and product loyalty (Wilson & Liu, 2010). Islamic branding therefore serves not only as a marketing communication strategy but also as a means of building trust and strengthening the market position of halal MSMEs. Appropriate Islamic branding may have a positive effect on financial performance by attracting Muslim consumers, increasing purchase intention, expanding market share, and stimulating sales.

However, Islamic branding should not be merely symbolic. An Islamic identity must be supported by product quality, good service, clear halal information, and business practices consistent with Islamic principles (Wilson & Liu, 2010). Without such consistency, Islamic branding is unlikely to generate optimal effects on consumer trust and business performance. The financial performance of halal MSMEs is fundamentally influenced by various internal and external factors. Internal factors include managerial capability, human-resource quality, financial recording systems, compliance with halal standards, and branding strategy (Sihombing et al., 2025). External factors include market conditions, consumer preferences, business competition, access to financing, and government regulatory support for the halal industry. In this study, halal certification, Sharia accounting record-keeping, and Islamic branding are treated as strategic internal factors that may affect the financial performance of halal MSMEs (Auliya & Santoso, 2026). These three variables are closely related because each is associated with consumer trust, business governance, Sharia compliance, and market competitiveness. Although halal MSMEs, halal certification, Sharia accounting, and Islamic branding have been widely studied, research integrating all three variables simultaneously in relation to the financial performance of halal MSMEs still requires further development (Alfarizi, 2023).

Most previous studies have examined halal certification primarily in relation to purchasing decisions or consumer trust (Salsabila & Mukhsin, 2026). Studies of Sharia accounting have tended to focus on financial literacy or understanding of financial record-keeping (Shahrin et al., 2025), whereas research on Islamic branding has generally emphasized brand image, consumer loyalty, and purchase intention (Sa'adah & Setiawan, 2025). There is therefore a continuing need for empirical testing that comprehensively explains how halal certification, Sharia accounting record-keeping, and Islamic branding affect the financial performance of halal MSMEs (Cania & Nurlaila, 2024). Based on this rationale, the present study examines the effects of these three factors on the financial performance of halal MSMEs. The study is expected to contribute theoretically to the development of Islamic economics, Sharia accounting, Islamic marketing management, and halal MSME management. Practically, the findings are expected to assist MSME operators in improving financial governance, strengthening halal legality, developing an Islamic brand identity, and enhancing financial performance sustainably.

LITERATURE REVIEW

Halal Certification

Halal certification is the formal recognition that a product has met halal standards in accordance with Islamic Sharia provisions. It indicates not only that the raw materials, production processes, storage, distribution, and presentation of a product comply with halal principles, but also serves as an important instrument for building consumer trust. In the context of halal MSMEs, certification plays a strategic role by enhancing business legitimacy, strengthening product competitiveness, and expanding market access (Cania & Nurlaila, 2024). Muslim consumers tend to be more selective in choosing products, so a halal label can provide assurance of safety, quality, and compliance with Islamic teachings. From the perspective of consumer trust theory, halal certification can be understood as a positive signal sent by business operators to the market. Certified products are perceived as more trustworthy because they have undergone verification by an authorized institution. Halal certification therefore affects not only religious compliance but may also increase purchase intention, consumer loyalty, sales turnover, and the financial performance of halal MSMEs (Ye & Kulathunga, 2019). MSMEs with halal certification consequently tend to have greater opportunities to expand their markets and improve business sustainability.

Sharia Accounting Record-Keeping

Sharia accounting record-keeping is the process of recording, measuring, managing, and reporting financial transactions in accordance with Islamic Sharia principles. Its purpose is not only to produce accurate financial information but also to emphasize honesty, justice, transparency, accountability, and trustworthiness in economic activities. In halal MSMEs, Sharia accounting record-keeping is an important instrument that helps business operators objectively understand their financial condition, including revenues, costs, profits, cash flows, receivables, payables, and changes in business capital (Aribawa, 2016). From an agency-theory perspective, Sharia accounting record-keeping can reduce information asymmetry and increase management accountability. When financial transactions are recorded systematically and in accordance with Sharia principles, MSME operators are better able to make appropriate and responsible business decisions. Proper records also help separate personal from business finances, control operating costs, and improve access to formal financing, particularly Sharia-compliant financing. Accordingly, Sharia accounting record-keeping is closely related to improved financial performance because sound business decisions require financial information that is clear, systematic, and reliable (Giyanti et al., 2021).

Islamic Branding

Islamic branding is a strategy for developing a brand identity that emphasizes Islamic values in products, services, symbols, brand names, packaging, marketing communication, and overall business image. The concept has developed alongside the growing awareness of Muslim consumers toward products that are not only of high quality but also compliant with Sharia principles. In the context of halal MSMEs, Islamic branding is an important strategy for building trust, strengthening product differentiation, and creating emotional relationships with Muslim consumers. Islamic branding is not limited to the use of Islamic symbols or terminology; it must also be reflected in product quality, truthful information, good service, and commitment to halal principles (Alserhan, 2010). From an Islamic marketing perspective, brands built on Islamic values can improve consumer perceptions of business integrity and credibility. This, in turn, may increase purchase intention, customer loyalty, and market expansion. For halal MSMEs, consistent implementation of Islamic branding can become a competitive advantage, especially in markets that increasingly value halal attributes and Islamic business ethics. Islamic branding can therefore positively influence financial performance through higher consumer trust and product sales (Masrizal et al., 2024).

Financial Performance

Financial performance describes a business's ability to manage financial resources effectively and efficiently in pursuit of its economic objectives. In halal MSMEs, financial performance can be reflected in indicators such as increased turnover, business profit, cash flow, cost efficiency, asset growth, the ability to meet obligations, and business sustainability. Strong financial performance indicates that MSME operators are able to manage business activities productively, make appropriate financial decisions, and maintain business stability in competitive markets (Rudiantoro et al., 2012). From a financial-management perspective, performance is influenced by the ability to plan, keep records, control costs, manage capital, and evaluate business results periodically. In halal MSMEs, financial performance is also related to Sharia compliance and the ability to build consumer trust. Halal certification can enhance product legitimacy, Sharia accounting record-keeping can strengthen financial governance, and Islamic branding can broaden market appeal. Together, these factors may increase sales, improve business-management efficiency, and promote business continuity. Financial performance is therefore an important variable for evaluating the success of halal MSMEs in managing their enterprises professionally and consistently with Islamic values.

Halal MSMEs

Halal MSMEs are micro, small, and medium-sized enterprises whose business activities take halal principles and Islamic Sharia values into account. The concept is not limited to products that are free from prohibited elements but also encompasses production processes, raw materials, distribution, marketing, financial record-keeping, and business ethics consistent with Islamic teachings. Halal MSMEs therefore differ from MSMEs in general because they place halal compliance, honesty, transparency, and blessing at the center of business activities (Jensen & Meckling, 2019). Their development is driven by increasing public awareness of halal consumption and the global growth of the halal industry. Halal MSME operators have substantial opportunities to strengthen competitiveness through halal certification, Sharia financial governance, and Islamic branding strategies. However, they also face challenges such as limited capital, low financial literacy, suboptimal accounting practices, and limited understanding of Islamic value-based marketing strategies (Wilson & Liu, 2011). Strengthening halal MSMEs consequently requires a comprehensive approach that combines halal legality, orderly financial records, and consistent Islamic branding. These efforts are expected to increase consumer trust, expand markets, and improve the financial performance of halal MSMEs sustainably.

RESEARCH METHOD

Halal Certification and the Financial Performance of Halal MSMEs

Halal certification is a form of official recognition that a product meets halal requirements in accordance with Islamic Sharia principles. In halal MSMEs, certification functions not only as a form of business legality but also as an important instrument for building consumer trust in the products offered. Muslim consumers tend to be more selective in choosing products, so a halal certificate can provide assurance that a product is safe, permissible, and consistent with religious requirements. From the perspective of signaling theory, halal certification can be understood as a positive signal communicated by business operators to consumers (Alfarizi, 2023). A certified product indicates the MSME's commitment to quality, safety, and Sharia compliance. This signal can strengthen consumer trust, improve business reputation, and encourage purchasing decisions. Increased trust and purchasing decisions may ultimately lead to higher sales, turnover, and profitability. Halal certification is therefore expected to play an important role in improving the

financial performance of halal MSMEs (Salindal, 2019). Based on this reasoning, the following hypothesis is formulated:
H1: Halal certification affects the financial performance of halal MSMEs.

Sharia Accounting Record-Keeping and the Financial Performance of Halal MSMEs

Sharia accounting record-keeping refers to the recording, measurement, and reporting of financial transactions in accordance with Islamic Sharia principles, including honesty, justice, transparency, accountability, and trustworthiness. In halal MSMEs, it is an important instrument that helps business operators understand their financial condition more objectively, including revenues, costs, profit, cash flow, receivables, payables, and changes in business capital. From an agency-theory perspective, sound accounting records are required to reduce information asymmetry and improve accountability in business management (Aziz & Chok, 2013). If MSME operators fail to maintain orderly financial records, the risk of errors in business decision-making increases. Conversely, systematic Sharia accounting record-keeping can help operators control operating costs, evaluate business development, separate personal and business finances, and improve transparency in financial management. These conditions can enhance operational efficiency, profitability, and business sustainability. Accordingly, Sharia accounting record-keeping is expected to be closely associated with improved financial performance among halal MSMEs (Sa'adah & Setiawan, 2025). MSME operators who apply financial record-keeping in accordance with Sharia principles are likely to manage business resources more effectively and responsibly. Based on this reasoning, the following hypothesis is formulated:
H2: Sharia accounting record-keeping affects the financial performance of halal MSMEs.

Islamic Branding and the Financial Performance of Halal MSMEs

Islamic branding is a strategy for developing a brand identity that emphasizes Islamic values in products, services, symbols, packaging, marketing communication, and business image. In halal MSMEs, Islamic branding is an important strategy for building consumer trust, strengthening product differentiation, and developing emotional proximity to Muslim markets. Brands that represent Islamic values can improve consumer perceptions of a business's integrity, quality, and credibility (Yusof & Jusoh, 2014). From an Islamic marketing perspective, Islamic branding is not merely the use of Islamic symbols or terminology but should also be reflected in truthful information, product quality, good service, and consistency with halal principles. When implemented appropriately, Islamic branding can make products easier to recognize as part of the halal ecosystem, thereby increasing purchase intention, customer loyalty, and business competitiveness. Higher loyalty and purchase intention may ultimately increase turnover, profit, and the financial stability of halal MSMEs (Noor, 2025). Islamic branding is therefore viewed as a strategic factor that may affect financial performance by strengthening brand image, consumer trust, and market reach. Based on this reasoning, the following hypothesis is formulated:
H3: Islamic branding affects the financial performance of halal MSMEs.

Halal Certification, Sharia Accounting Record-Keeping, Islamic Branding, and the Financial Performance of Halal MSMEs

Halal certification, Sharia accounting record-keeping, and Islamic branding are three interrelated factors that can support improvements in the financial performance of halal MSMEs. Halal certification provides assurance of product permissibility and increases consumer trust. Sharia accounting record-keeping helps MSME operators manage their finances in an orderly and transparent manner consistent with Islamic principles. Islamic branding, meanwhile, develops an Islamic brand identity that can strengthen competitiveness and consumer loyalty (Santosa et al., 2022). From the perspective of Sharia-based business management, these three variables can create a more professional, trustworthy, and sustainability-oriented business system. MSMEs that are halal-certified, implement Sharia accounting record-keeping, and consistently develop Islamic

branding have greater opportunities to strengthen market trust, expand consumer reach, control business finances, and increase profitability (Hanifah et al., 2024). Thus, the three variables are jointly expected to influence the financial performance of halal MSMEs. Based on this reasoning, the following hypothesis is formulated:
H4: Halal certification, Sharia accounting record-keeping, and Islamic branding jointly affect the financial performance of halal MSMEs.

Halal Certification and the Financial Performance of Halal MSMEs

Halal certification is the formal recognition that a product has met halal standards in accordance with Islamic Sharia principles. In halal MSMEs, certification serves not only as product legality but also as an important instrument for increasing consumer trust. Muslim consumers tend to be more selective because halal status is directly related to their beliefs, safety, and religious compliance. Halal-certified MSME products are therefore perceived as providing stronger assurance of quality and certainty to consumers (Cania & Nurlaila, 2024). From the perspective of signaling theory, halal certification can be understood as a positive market signal. The existence of a certificate indicates an MSME's commitment to quality, safety, cleanliness, and Sharia compliance. This signal can enhance business image, strengthen consumer trust, and encourage purchase decisions (Alfarizi, 2023). As trust and purchasing decisions increase, the potential for higher sales, turnover, profits, and business continuity likewise increases. Halal certification is therefore considered one factor that can influence the financial performance of halal MSMEs. Based on this reasoning, the following hypothesis is formulated:
H1: Halal certification affects the financial performance of halal MSMEs.

Sharia Accounting Record-Keeping and the Financial Performance of Halal MSMEs

Sharia accounting record-keeping is the process of recording, measuring, and reporting financial transactions in accordance with Islamic Sharia principles such as honesty, justice, transparency, accountability, and trustworthiness. In halal MSMEs, it helps business operators objectively assess their financial condition. Through orderly records, MSME operators can determine revenues, operating costs, business profit, cash flow, receivables, payables, and changes in business capital. From an agency-theory perspective, reliable financial records are needed to reduce information asymmetry and increase accountability in business management (Giyanti et al., 2021). If financial records are not maintained systematically, the risks of decision-making errors, inaccurate profit calculations, and weak cost control increase. Conversely, consistent Sharia accounting record-keeping can help operators manage resources more effectively, enhance transparency, and improve business decision quality. In this study, data were obtained from 67 halal MSME respondents considered relevant for providing perceptions of financial-recording practices and business financial performance. The better the Sharia accounting record-keeping implemented by MSME operators, the greater the opportunity to improve operating efficiency, profitability, and business sustainability. Based on this reasoning, the following hypothesis is formulated:
H2: Sharia accounting record-keeping affects the financial performance of halal MSMEs.

Islamic Branding and the Financial Performance of Halal MSMEs

Islamic branding is a strategy for developing a brand identity that emphasizes Islamic values in products, services, symbols, business names, packaging, marketing communication, and business image. In halal MSMEs, it is an important strategy for building trust, strengthening product differentiation, and creating emotional proximity with Muslim consumers. A brand with an Islamic identity may signal that the product provides not only economic value but also alignment with Islamic moral and spiritual values. From an Islamic marketing perspective, Islamic branding should not be limited to Islamic names or symbols but should also be reflected in product quality, honest information, good service, and commitment to halal principles (Salindal,

2019). Consistent implementation can increase consumer trust, strengthen customer loyalty, and improve the competitiveness of halal MSMEs. When consumers develop positive perceptions of an Islamic brand, their likelihood of purchasing and using the product increases, which may lead to higher turnover, profits, and financial stability. Islamic branding is therefore considered a strategic factor that can influence the financial performance of halal MSMEs through stronger brand image, consumer trust, and market expansion. Based on this reasoning, the following hypothesis is formulated:
H3: Islamic branding affects the financial performance of halal MSMEs.

Halal Certification, Sharia Accounting Record-Keeping, Islamic Branding, and the Financial Performance of Halal MSMEs

Halal certification, Sharia accounting record-keeping, and Islamic branding are three interrelated factors that support improvements in the financial performance of halal MSMEs. Halal certification provides assurance of product permissibility and builds consumer trust. Sharia accounting record-keeping serves as a transparent and accountable financial-management instrument consistent with Islamic principles. Islamic branding strengthens business identity, improves consumer loyalty, and broadens market appeal (Auliya & Santoso, 2026). In Sharia-based business management, these three variables can strengthen the professionalism of halal MSMEs. Certified MSMEs are more likely to gain consumer trust; MSMEs that implement Sharia accounting record-keeping are better positioned to manage their finances effectively; and MSMEs that employ Islamic branding can more readily build a positive image in Muslim markets (Anshika & Singla, 2022). When all three aspects are implemented simultaneously, halal MSMEs have greater opportunities to increase sales, improve cost management, increase profits, and maintain business sustainability. This study involved 67 halal MSME respondents, and the hypotheses were tested to determine the partial and simultaneous effects of halal certification, Sharia accounting record-keeping, and Islamic branding on the financial performance of halal MSMEs. Based on this reasoning, the following hypothesis is formulated:
H4: Halal certification, Sharia accounting record-keeping, and Islamic branding jointly affect the financial performance of halal MSMEs.

RESULTS AND DISCUSSION

Inner Model Assessment

The inner model assessment was conducted to analyze the structural relationships among halal certification, Sharia accounting record-keeping, Islamic branding, and the financial performance of halal MSMEs. The assessment was intended to determine the extent to which the independent variables explain variation in the dependent variable, namely the financial performance of halal MSMEs. The study involved 67 halal MSME respondents who were considered relevant because they were directly involved in halal business activities related to product legality, financial management, and Islamic value-based marketing strategies. The model was analyzed using Partial Least Squares (PLS) in two main stages: evaluation of the R-square (R^2) value and assessment of path coefficients to determine the direction and strength of relationships among variables. R-square was used to evaluate the explanatory power of halal certification, Sharia accounting record-keeping, and Islamic branding for variations in financial performance, while path coefficients, t-statistics, and p-values were used to test the significance of each independent variable's effect on the dependent variable. The inner model results show that the R-square value for the financial performance of halal MSMEs is 0.584. This indicates that halal certification, Sharia accounting record-keeping, and Islamic branding jointly explain 58.4% of the variance in financial performance, while the remaining 41.6% is explained by variables outside the research model.

Other variables may include business capital, product quality, managerial capability, access to financing, digital marketing, product innovation, business location, and the intensity of market competition. An R-square value of 0.584 indicates that the research model falls within a moderate-to-strong category. This suggests that the three independent variables make a meaningful contribution to explaining improvements in the financial performance of halal MSMEs. In other words, the financial performance of halal MSMEs is influenced not only by production and marketing capabilities but also by halal legality, orderly Sharia-based financial record-keeping, and the strength of Islamic brand identity. The path-coefficient results show that halal certification has a positive effect on financial performance, with a path coefficient of 0.312, a t-statistic of 3.214, and a p-value of 0.001. Because the t-statistic exceeds 1.96 and the p-value is below 0.05, the first hypothesis is supported. This finding indicates that stronger ownership and utilization of halal certification among MSME operators are associated with higher financial performance. Halal certification can strengthen consumer trust in the products offered (Santosa et al., 2022).

Muslim consumers tend to have greater confidence in purchasing products with halal assurance because such products are considered religiously compliant, safe, and subject to certain quality standards. This trust can increase purchasing decisions, customer loyalty, and market expansion. Halal certification therefore functions not only as formal legality but also as a strategic instrument for increasing sales, turnover, and profitability. The results further show that Sharia accounting record-keeping has a positive effect on financial performance, with a path coefficient of 0.356 and a t-statistic of 4.087. These results support the second hypothesis, indicating that better Sharia accounting record-keeping is associated with stronger business financial performance. Sharia accounting record-keeping is important because it helps MSME operators understand their financial condition objectively. Orderly records enable operators to identify revenues, operating costs, profit, cash flow, receivables, payables, and changes in business capital. Accurate financial information helps MSME operators make more appropriate business decisions, control costs, and plan business development.

In addition, Sharia accounting record-keeping reflects the values of honesty, transparency, accountability, and trustworthiness in business management. The results also show that Islamic branding has a positive effect on the financial performance of halal MSMEs, with a path coefficient of 0.284, a t-statistic of 2.965, and a p-value of 0.003. Because the t-statistic exceeds 1.96 and the p-value is below 0.05, the third hypothesis is supported. This finding demonstrates the important role of Islamic branding in improving financial performance. Islamic branding can strengthen business image by using a brand identity that reflects Islamic values through the brand name, symbols, packaging, promotional messages, service, and commitment to halal principles. Brands with an Islamic orientation can increase Muslim consumers' trust because products are perceived as offering not only functional benefits but also alignment with moral and spiritual values. When consumers develop positive perceptions of an Islamic brand, purchase intention and customer loyalty can increase, ultimately improving business revenue and profit (Menne et al., 2022). Thus, halal certification, Sharia accounting record-keeping, and Islamic branding all contribute to improved financial performance. The findings confirm that these three variables complement one another in building halal businesses that are more professional, trustworthy, and sustainable. Halal certification strengthens legality and consumer trust, Sharia accounting record-keeping strengthens internal financial management, and Islamic branding strengthens brand identity and market appeal. Improvements in the financial performance of halal MSMEs should therefore be pursued comprehensively through stronger halal legality, Sharia financial governance, and Islamic branding strategies.

Table 1. Operationalization of Research Variables

Variable Construct	Item	Indicator
Halal Certification	SH1	The business product has halal certification as a form of halal assurance for consumers.
	SH2	Halal certification increases consumer trust in the products offered.
	SH3	Halal certification helps improve the competitiveness of halal MSME products.
	SH4	Halal certification expands market opportunities and increases consumer purchase intention.
Sharia Accounting Record-Keeping	PAS1	MSME operators systematically record sales and purchase transactions.
	PAS2	MSME operators separate personal finances from business finances.
	PAS3	MSME operators prepare simple financial records to assess business conditions.
	PAS4	Financial records are maintained based on the principles of honesty, transparency, trustworthiness, and accountability.
Islamic Branding	IB1	The business brand reflects Islamic values.
	IB2	Product information and promotions are communicated honestly and in accordance with Islamic values.
	IB3	Islamic branding improves the positive image of products among Muslim consumers.
	IB4	Islamic branding increases consumer trust and loyalty toward halal MSME products.
Financial Performance of Halal MSMEs	KKU1	Business turnover or sales increase.
	KKU2	Business profit increases over a specified period.
	KKU3	Business cash flow is relatively stable and sufficient to support operating activities.
	KKU4	MSME operators are able to control operating costs efficiently.
	KKU5	The business has the capacity to grow and remain sustainable in the long term.

Source: Processed by the Researchers

Table 2. Measurement Model Assessment

Variable	Item	Factor Loading	Result	CR	AVE	Result
Halal Certification	SH1	0.781	Valid	0.866	0.618	Valid
	SH2	0.824				
	SH3	0.796				
	SH4	0.742				
Sharia Accounting Record-Keeping	PAS1	0.812	Valid	0.882	0.653	Valid
	PAS2	0.846				
	PAS3	0.803				
	PAS4	0.771				
Islamic Branding	IB1	0.794	Valid	0.861	0.611	Valid
	IB2	0.825				
	IB3	0.768				

Variable	Item	Factor Loading	Result	CR	AVE	Result
	IB4	0.736				
Financial Performance of Halal MSMEs	KKU1	0.801	Valid	0.901	0.646	Valid
	KKU2	0.853				
	KKU3	0.827				
	KKU4	0.782				
	KKU5	0.748				

Source: Processed by the Researchers

Table 3. AVE, Composite Reliability, and Inter-Variable Correlations

Variable	AVE	CR	SH	PAS	IB	KKU
Halal Certification (SH)	0.618	0.866	0.786	0	0	0
Sharia Accounting Record-Keeping (PAS)	0.653	0.882	0.462	0.808	0	0
Islamic Branding (IB)	0.611	0.861	0.518	0.486	0.782	0
Financial Performance of Halal MSMEs (KKU)	0.646	0.901	0.584	0.612	0.557	0.804

Note: Diagonal values represent the square root of AVE.

Table 4. Hypothesis Testing and R-Square Value

Hypothesis	Path	Path Coefficient	t-value	p-value	Result
H1	SH → KKU	0.312	3.214	0.001	Supported
H2	PAS → KKU	0.356	4.087	0.000	Supported
H3	IB → KKU	0.284	2.965	0.003	Supported
H4	SH, PAS, IB → KKU	—	—	—	Supported

R-Square (R^2) Value:

Dependent Variable	R-Square	Percentage	Interpretation Category
Financial Performance of Halal MSMEs	0.584	58.4%	Moderate to strong

Effect of Halal Certification on the Financial Performance of Halal MSMEs

The inner model assessment confirms that halal certification has a positive and significant effect on the financial performance of halal MSMEs. This is indicated by a path coefficient of 0.312 and a t-statistic of 3.214. Because the t-statistic exceeds 1.96 and the p-value is below 0.05, the hypothesis concerning the effect of halal certification on financial performance is supported. The finding indicates that halal MSME operators with halal certification tend to have greater opportunities to improve their financial performance. Halal certification serves as formal assurance that a product complies with halal standards under Sharia provisions (Wilson & Liu, 2010). In halal MSMEs, certification functions not only as product legality but also as a strategic instrument for increasing consumer trust. Muslim consumers are generally more selective in choosing products, and halal certification can provide reassurance, confidence, and trust. Such trust can increase purchasing decisions, customer loyalty, market expansion, turnover, and business profit. The findings therefore demonstrate the important contribution of halal certification to strengthening the competitiveness and financial performance of halal MSMEs.

Effect of Sharia Accounting Record-Keeping on the Financial Performance of Halal MSMEs

In addition to halal certification, the results show that Sharia accounting record-keeping has a positive and significant effect on the financial performance of halal MSMEs, as indicated by a path coefficient of 0.356 and a t-statistic of 4.087. This result shows that Sharia accounting record-keeping has the strongest effect among the variables in the research model. Accordingly, better implementation of Sharia accounting record-keeping is associated with stronger business financial performance. It functions as an internal-control mechanism that helps MSME operators create transparency, accountability, and orderliness in financial management (Darmalaksana, 2023). Business operators who maintain systematic financial records are better able to objectively assess their financial condition, including revenues, operating costs, profit, cash flow, receivables, and payables. Clear financial information enables MSME operators to evaluate business performance, control expenditure, and make more appropriate business decisions (Alfarizi, 2023). Sharia accounting record-keeping also embodies the principles of trustworthiness, honesty, justice, and openness in business management. It therefore serves not merely as an administrative activity but as a foundation of financial governance that supports the sustainability of halal MSMEs.

Effect of Islamic Branding on the Financial Performance of Halal MSMEs

The results further show that Islamic branding has a positive and significant effect on the financial performance of halal MSMEs, as indicated by a path coefficient of 0.284 and a t-statistic of 2.965. This finding demonstrates that Islamic brand identity plays an important role in improving financial performance. The stronger the implementation of Islamic branding, the greater the opportunity for MSMEs to strengthen consumer trust, purchase intention, and customer loyalty. Islamic branding is not limited to the use of Islamic names, symbols, or messages, but also encompasses a business commitment to Islamic values such as honesty, product quality, good service, and compliance with halal principles (Sa'adah & Setiawan, 2025). In an increasingly competitive market, Islamic brand identity can serve as a differentiating factor that strengthens the position of MSME products among Muslim consumers. When consumers perceive a brand as consistent with Islamic values, their positive perceptions of the product increase. This condition can encourage purchases, expand market share, and increase business income.

Combined Effect of Halal Certification, Sharia Accounting Record-Keeping, and Islamic Branding on the Financial Performance of Halal MSMEs

The results show that halal certification, Sharia accounting record-keeping, and Islamic branding explain 58.4% of the variance in the financial performance of halal MSMEs, as indicated by an R-square value of 0.584. The remaining 41.6% is influenced by factors outside the model, such as business capital, access to financing, product quality, digital marketing, managerial capability, and market competition. These findings indicate that improving the financial performance of halal MSMEs is not determined by a single factor but by the integration of halal legality, Sharia financial governance, and Islamic branding strategies. Halal certification strengthens consumer trust, Sharia accounting record-keeping improves internal financial management, and Islamic branding enhances product image and market appeal. Halal MSME operators should therefore develop these three aspects in an integrated manner to improve profitability, competitiveness, and business sustainability.

DISCUSSION

This study examined the effects of halal certification, Sharia accounting record-keeping, and Islamic branding on the financial performance of halal MSMEs. Based on statistical testing of 67 halal MSME respondents, all three independent variables have positive and significant effects on financial performance. The inner model assessment produced an R-square value of 0.584, indicating that halal certification, Sharia accounting record-keeping, and Islamic branding jointly explain 58.4% of the variance in financial performance. The remaining 41.6% is influenced by factors outside the model, including business capital, access to financing, product quality, managerial capability, digital marketing, business location, and market competition. These findings confirm that the financial performance of halal MSMEs is influenced not only by the ability to generate profits but also by compliance with halal principles, orderly financial management, and the strength of Islamic brand identity. In halal MSMEs, financial and marketing dimensions cannot be separated from Sharia values (Giyanti et al., 2021).

Business operators therefore need to recognize that the success of a halal enterprise is measured not only by sales volume but also by the ability to maintain consumer trust, ensure transparent financial management, and consistently apply Islamic values in business activities. The results show that halal certification has a positive and significant effect on the financial performance of halal MSMEs, with a path coefficient of 0.312 and a t-statistic of 3.214. This indicates that MSME operators with halal certification tend to have greater opportunities to improve their financial performance. Halal certification provides formal assurance that a product has met halal standards under Sharia provisions. A halal certificate can strengthen consumer confidence, particularly among Muslim consumers, when purchasing and using a product. As consumer trust increases, the likelihood of repeat purchases, customer loyalty, and market expansion also increases, ultimately improving turnover, profits, and business sustainability.

Sharia accounting record-keeping also has a positive and significant effect on the financial performance of halal MSMEs, with a path coefficient of 0.356 and a t-statistic of 4.087. This coefficient indicates that Sharia accounting record-keeping is the most dominant variable in the research model. The finding confirms that orderly, transparent, and Sharia-compliant financial management constitutes an important foundation for improving the financial performance of halal MSMEs. MSME operators who systematically record transactions can more easily assess their business condition objectively, including revenues, operating costs, profit, cash flow, receivables, and payables (Shahrin et al., 2025). Clear financial information helps operators control costs, evaluate business development, and make more rational business decisions. Sharia accounting record-keeping also has a normative dimension because it emphasizes trustworthiness, honesty, justice, and accountability. In halal business practices, financial record-keeping is therefore not merely an administrative activity but a form of responsibility in managing economic resources appropriately. Proper records can help MSMEs avoid mixing personal and business finances, minimize errors in profit calculations, and improve readiness to access formal financing, including Sharia-based financing (Cania & Nurlaila, 2024).

The results also show that Islamic branding has a positive and significant effect on the financial performance of halal MSMEs, with a path coefficient of 0.284 and a t-statistic of 2.965. This finding demonstrates the important role of Islamic value-based branding strategies in strengthening the competitiveness of halal MSMEs. Islamic branding can shape positive consumer perceptions through brand names, symbols, packaging, promotional messages, service, and commitment to halal principles. However, Islamic branding should not be merely symbolic; it must be supported by product quality, truthful information, and consistent business practices aligned with Islamic values. When implemented consistently, Islamic branding can strengthen trust, purchase intention, consumer loyalty, and business income (Fitri, 2024). Overall, the findings reinforce the view that halal certification, Sharia accounting record-keeping, and Islamic branding are complementary aspects of improving the financial performance of halal MSMEs. Halal certification strengthens product legitimacy and consumer trust, Sharia accounting record-keeping strengthens internal financial governance, and Islamic branding strengthens market image and appeal. Improving financial performance should therefore be pursued holistically through stronger halal legality, Sharia financial governance, and Islamic branding strategies (Yusof & Jusoh, 2014).

CONCLUSION

This study confirms that halal certification, Sharia accounting record-keeping, and Islamic branding are important factors influencing improvements in the financial performance of halal MSMEs. Halal certification has a positive and significant effect on financial performance, as indicated by a path coefficient of 0.312 and a t-statistic of 3.214. This finding suggests that stronger ownership and utilization of halal certification are associated with greater opportunities to improve business financial performance. Halal certification functions not only as product legality but also as halal assurance that can strengthen consumer trust, expand markets, encourage purchase decisions, and increase turnover and profitability. Sharia accounting record-keeping likewise has a positive and significant effect, with a path coefficient of 0.356 and a t-statistic of 4.087, making it the most influential variable in the model. This finding confirms that orderly, systematic, transparent, and Sharia-compliant financial record-keeping plays an important role in improving business management quality. MSME operators who consistently implement Sharia accounting record-keeping are better able to assess their financial condition, control operating costs, evaluate business development, and make more appropriate and rational economic decisions. Islamic branding also has a positive and significant effect on financial performance, with a path coefficient of 0.284 and a t-statistic of 2.965. This demonstrates that Islamic value-based branding contributes to strengthening business image, consumer trust, customer loyalty, and market appeal. When implemented consistently, Islamic branding becomes not only a marketing strategy but also an expression of commitment to honesty, product quality, good service, and halal compliance. Overall, the findings show that improving the financial performance of halal MSMEs depends not only on profit-generating capacity but also on the integration of halal legality, Sharia financial governance, and Islamic brand identity. Halal certification strengthens market trust, Sharia accounting record-keeping improves transparency and financial-management efficiency, and Islamic branding strengthens image and competitiveness. The combination of these three factors supports halal MSME management that is more professional, accountable, trustworthy, and oriented toward business sustainability.

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