How Does Product Competitiveness Mediate the Effect of Business Legality and Halal Labelling on MSME Income?

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ABSTRACT
MSMEs have a very important role as one of the pillars of national economic income, for that it is very important for MSME actors to ensure the legality of their business so that they can access financial facilities from banks and financial institutions. The certainty of products to have halal certification is a necessity considering the target population in Muslim-majority Indonesia. This study aims to measure and analyze how much influence legality and halal labels have on MSME income by using product advantages as mediation variables. This study used quantitative methods. Data analysis uses multiple linear regression analysis, path analysis, and partial tests. The results of the partial test (t-test) showed that the legality of the halal labeling business and product competitiveness had a positive and significant effect on the income of MSMEs in the Bhinangkit Community, while the coefficient of determination (R2) test showed that the influence of business legality, halal labeling, and product competitiveness on MSME income was 89.7%. The path analysis shows that business legality and the inclusion of halal labels have no effect on MSME income mediated by product competitiveness with a calculated t value of 0.2496 for business legality and 0.0344 for halal label marking.

Keywords: business legality; halal labelling; micro small and medium enterprises income; product competitiveness

A. INTRODUCTION
The Indonesian government continues to encourage the community to increase entrepreneurial interest. This is rumoured to be entrepreneurial to reduce the unemployment rate (Dewi, 2021). Moreover, at present the level of human life needs is increasing, so more qualified ideas and ideas are needed to improve the level of life and economy of the Community (Falah, 2021). After the Covid-19 pandemic, large companies were affected. Many companies lay off their employees. The MSM sector itself is able to survive the shock of the problem but there are other problems faced by MSMEs such as limited capital, lack of human resources, and lack of knowledge and skills (Mahfuz, 2022).
One of the efforts undertaken by the government is to continue to support and empower Small and Medium Micro Enterprises (MSM) the MSM industry sector absorbs a lot of labour and provides opportunities for MSMEs to develop and compete with companies that use large capital (Novriansyah & Haraha, 2021) because based on quantitative data, MSMEs are able to make a large contribution to the level of gross domestic product (GDP) Indonesian national (bps.go.id, 2022)

But there are still some weaknesses that make MSMEs as if the road is housed and cannot develop so that they are able to compete on a national or global level (Suhaili & Sugiharsono, 2019). Among these obstacles, among others, are still low HR (Sari & Kusumawati, 2022), low product quality (Parsetyo, 2021), still conventional marketing strategies, lack of capital access to banks and financial institutions (Pambunan, 2018), licensing and colocalization of complex business legality (Halida, 2020).

The legality of the business is needed in doing the business because the legality of the business is information for the community, especially for those who are in entrepreneurship need legality (recognition) so that the business can be recognized as a community and be regulated (Octaviani & Yasa, 2022).

The legality of a business can also be called a business license which is an important element in showing self-identity to legalize its business so that it is able to be accepted by the community. Business legality is also a form of recognition from the State of a business so that it can be used as a condition in cooperation with various parties. Legality is a fundamental factor for the sustainability of a business. It is not uncommon for many businesses that have already been running that have finally gotten some problems (Falah, 2021).

Small and medium-sized industrial business actors will be spat out in obtaining various rights and feel safe in various matters if they have obtained business licensing. Licensing seeks to be given based on the risk of the business itself. In the Government Regulation of the Republic of Indonesia Number 5 of 2021 Concerning the Implementation of Risk-Based Entrepreneur Licensing as stated in Article 10, business activities can be grouped into three types of business activities at low-risk levels, medium risk level business activities as well as high-risk level business activities (Octaviani & Yasa, 2022).

One factor supporting the existence of MSMEs is the legality of the business (Roanisca, et al, 2022). The legality of the business makes an MSM capable of competing with other business actors (Yuwita & Yudharta, 2021). Every business actor will certainly compete so that his business is superior to his competitors (Elfahmi & Jatmika, 2019).

Product marketing will be broader if it has business legality and if product marketing is broader then the income of a business will increase. An industry is said to be competitive (competitive) if it has an overall factor productivity level (total factor productivity/TFP) equal to or higher compared to its foreign competitors (foreign competitors (Elfahmi & Jatmika, 2019).
In addition to the legality of business, the way Muslim people choose products is in the presence of halal labelling. Often the MUI logo is sought on the packaging of the product to be purchased (Santoso et al, 2021). However, in addition, a product can be halal not only seen on the halal label but also when the process of distributing goods from the factory reaches the consumer's hands must be considered (Yazid et al, 2020).

After the company has legality and the product has been declared halal, the product is expected to have a broader market. Competitiveness is important for a company. This can be seen from the company's efforts to compete in the international market (Qoyyun and Fauzziyah, 2019). In the era of globalization and food liberalization, corporate competitiveness is increasingly stringent. This has caused companies to be sued for making changes for the better. Usually, the change is in the form of quality improvement (Mahmudi, 2016).

Previous studies have analyzed extensively on the capital factor (Dewi, 2019; Salim et al, 2022) HR quality (Ariesa et al, 2021; Sila et al, 2020) and marketing strategies (Tekola and Gidey, 2019; Daroin and Panindhita, 2021; Lailla and Sriminarti, 2022; Rosel and Giatman, 2022) to measure their effect on income on MSMEs, but no one has measured the effect of legality and halal labelling on MSMEs' income, then this research aims to measure and represent how much influence the legality and halal labelling influence MSMEs by using product excellence as a variable mediation.

B. LITERATURE REVIEW

Income is income earned from work and is often calculated annually or monthly. The economic position of the family in society is therefore illustrated by their income. Family income is used to categorize families into three income groups: low income, moderate income, and high income. Family income is calculated as total family income and wealth. The division above is very relative in nature and relates to the rank, education, skills and types of employees (Wibiseno and Usman, 2021).

MSMEs which are an important component of the economy and are able to play an important role in building a fairer, more developed and balanced national economic order need to be given more authority. This is in the 1945 UUD which was strengthened in the NO MPR TAP. XVI/MPR-RI/1998, which addressed Economic Politics in the context of Economic Democracy. Then, Law No.9 of 1999 made the definition of MSMEs. However, the law was revised to Law No. 20 Article 1 of 2008 concerning Micro, Small and Medium Enterprises as a result of more dynamic changes. MSMEs are needed because this is proven when their resilience during the economic crisis (since July 1997). MSMEs are also one industry that can create job opportunities.

This study uses income variables with indicators adopted from Danang (2017) and Mahfuz, (2022), namely:

1. **Sales Income or Turnover.** Sales turnover is income earned at a certain time period.
2. **Business Profit.** Business profit is profit that is stamped from the sale of production.
3. **Achieve Sales Targets.** The sales target is the product sold to benefit according to the desired amount,

4. **Maintaining Sales Volume.** Sales volume, i.e. the number of products sold in a certain period of time, has not decreased.

Meanwhile, business legality is an official source of information that provides information about the business to make it easier for anyone who needs any type of data about the business, such as identity and all parties with an interest in the business world and the establishment of the company and its position (Purnawan & Adillah, 2020). Business law exists to provide a sense of security to consumers by guaranteeing safe and high-quality products. Businesses benefit from business legality because they provide greater guarantees to customers for the quality of the goods they buy and use (Falah, 2021).

Labelling holds a very important role in purchasing decisions by consumers, especially in Indonesia. Halal labelling is information that shows that the product produced has fulfilled the requirements, namely in the form of religious size and sharia and the manufacturing process is not contaminated with matters that are prohibited by religion. Halal products are food, medicine, cosmetics, and other items that are not made with unclean ingredients or items and may not be consumed by Muslims. This includes processing production materials using genetic engineering and irradiation while sticking to Islamic law. Halal products also offer greater benefits than non-halal products. Halal labelling is to include halal statements on the product packaging to indicate that the item has that status (Salim, et al, 2022).

Based on Government Regulation number 69 of 1999, halal label indicators include: first, the Halal Logo; The halal logo, an image officially released by MUI, aims to make consumers believe that the product consumed is halal. Second, Halal Label Certificate: Halal certificate, which is the recognition of the fineness of a product issued by BPJPH (Halal Product Guarantee Agency) based on a written halal fatwa issued by MUI. Third, Product Mixed Ingredients; The product mixture is a mixture of raw materials and additives. The mixture certainly does not contain the forbidden material. Fourth, the Product Manufacturing Process; The product manufacturing process is a production process that is in accordance with the provisions of the Islamic law (Nizami, 2017).

As for Competitiveness according to the Organization for Economic Co-operation and Development (OECD) is business, industrial, regional, country, capacity, or between regions to sustainably provide employment and high-income factors in the face of global competition. Given that industrial competitiveness is a phenomenon at the micro-enterprise level, the assessment of the industrial sector as a whole is the foundation for a national industrial development strategy (Sedyastuti, 2018).

Competitiveness is one of the things that business actors need to have so that products are sold while continuing to maintain the continued life of business actors (Elfahmi & Jatmika, 2019). Competitiveness has a distinguishing benefit from competition consisting of competitive advantage (competitive advantage factor). Whereas product competitiveness refers to the level
of product excellence in the market or the company's capacity to provide an average variable cost structure whose value is less than the price of the product (Susanti & Winarna, 2020). There are several factors that support the competitiveness of a company, namely expertise, capital, good organizational and management systems, technology, and information availability (Sari & Rosyidi, 2018).

Product competitiveness indicator

1. Product Uniqueness. The uniqueness of the product is the uniqueness of the goods produced and which distinguishes them from rival goods or generic goods in the market to be able to attract consumers.

2. Product Quality. Product quality is the quality of the product created by the company. The company managed to produce goods with the selection of premium raw materials and produce superior product production compared to competitors.

3. Competitive Price. Price competition is related to the capacity of businesses to produce goods at prices that make it possible to compete in the market. Businesses must be flexible to provide distinctive and high-quality products. The company provides prices in such a way as to be affordable or in other words not to burden the buyer, and according to the purchasing power (Fatah, 2013)

4. Imitability. Imitability is the level of difficulty in imitating product excellence.

C. RESEARCH METHODS

The research was conducted on the Bhinangkit MSMFI Community conducted in January to July 2023. Data sources used are primary and secondary data sources. This research uses quantitative methods. The type of research is quantitative research. The object in the study is a member of the Kuningan Regency Bhinangkit community. The research instruments used are questionnaires, interviews, and documentation. Data analysis methods used are validity tests, reliability tests, classic assumption tests, linear regression analysis, path analysis, and hypotheses tested using T-tests that are processed using IBM SPSS v.25 applications. The variables used in this study were dependent variables, independent variables, and intervening variables. Dependent variables are MSMEs income (Y), independent variables namely business legality (X1) and halal labelling (X2). Whereas the intervening variable is product competitiveness (Z).

D. RESULT AND DISCUSSION

1. Result

The MSMFI Bhinakung community is one of the MSME communities in Kuningan Regency. This community was first inaugurated by the Vice Regent of Kuningan Regency on February 17, 2022. The MSM Bhinangkit community has a vision of Realizing Reliable and Digital-Based Pinunjul Business Actors. Before becoming a member of the Bhinangkit Community, you must first attend training at the Manpower and Transmigration Office of
Kuningan District. This training aims to make community members have skills and knowledge about business. The MSM Bhinangkit community also actively participates in bazaars held by both government and non-government.

Respondents who filled out the questionnaire were 52 people with 100% female gender. 20 people or 39% aged 30 – 40 years, 23 people or 44% aged 41 – 50 years, and 9 people or 17% aged >50 years. Respondents with the latest education criteria were 3 people or 6% who received the last education in elementary school, 39 people or 75% who received the last education in high school, and 10 people or 19% who had the last education S1 / degree. This means that the majority of respondents have had their last high school education. Respondents based on the criteria of operating income are < 1 million, namely 23 people or 44%, who receive operating income of 1 million – 3 million totaling 26 people or 50%, and those who receive operating income of >3 million amounting to 3 people or 6%. This shows that the majority of respondents get business income of 1 million – 3 million.

**Measuring the effect of business legality on MSME income**

Based on the results of the t-test study, the value of the business legality variable coefficient is 4.296 with a significance value of 0.000 < 0.05. This result shows that business legality has a positive and significant effect on MSM income in the people of Bhinangkit Kuningan Regency. This shows that the results obtained from this study are in accordance with the initial hypothesis, namely that business legality has a positive and significant effect on MSM revenue. Through business legality, MSMEs will be able to increase business income and can further develop.

This is reinforced by the results of the analysis based on the coefficient table with a value of 0.350 and a significance value of 0.000 < 0.05 with a significance level smaller than 5%. This shows that Business Legality has a positive effect on MSME income.

**Measuring the effect of halal labeling on MSMEs**

Based on the results of the t-test study, the value of the business legality variable coefficient is 2.540 with a significance value of 0.014 < 0.05. These results show that halal labeling has a positive and significant effect on MSM income in the Bhinangkit Kuningan Regency Community. This shows that the results obtained from this study are consistent with the initial hypothesis that halal labeling has a positive and significant effect on MSM income.

**Measuring the effect of business legality on MSMEs with competitive products as an intervention variable**

Based on the results of the path analysis test, a t count of 0.2496 can be obtained. Since t count = 0.2496 is smaller than t table which is 2.0075, it can be concluded that there is no mediation effect. This means that the third hypothesis is rejected.

**Measuring the effect of halal labeling on MSM income with product competitiveness as an intervention variable**

Based on the results of the path analysis test, a t count of 0.0344 can be obtained. Since t count = 0.0344 is smaller than t table which is 2.0075, it can be concluded that there is no mediation effect. This means that the fourth hypothesis is rejected.
Measuring the effect of product competitiveness on MSMEs

This study found that based on the results of t-test research, the value of the business legality variable coefficient was 2.540 with a significance value of 0.000 < 0.05. This result shows that product competitiveness has a positive and significant effect on MSME income. This means that the fifth hypothesis is accepted.

2. Discussion

The legality of the business in this study affects the income of MSMEs. This is in line with research (Falah, 2021) which says that business legality has a positive effect on MSME product income. Business legality is an official source of information related to the company to further increase consumer trust (Purnawan & Adilla, 2020). The results of this study are also in line with the research of Ariesa et al (2021) and Dewi (2019) which shows that business legality has a positive and significant effect on the level of sales of food and beverage products. Business legality can be in the form of having an NIB (Entrepreneurial Identification Number) and SP-IRT (Home Industry Food Certificate). How to get business legality, business actors can register through the OSS of the Republic of Indonesia or can come to the local District Trade and Industry Cooperative Office with an ID card or Family Card.

For MSMEs, business legality can play an important role because in business legality MSMEs get business flexibility. Through business legality, it can also create wider employment opportunities so that it can increase regional and national income. The legality of a business can increase consumer confidence because it can ensure that the business is legitimate and trusted. In addition, this business is also protected by law. This can be in the form of legal protection that can hurt the business.

Related to halal labeling variables, the results obtained from this study are consistent with the initial hypothesis that halal labeling has a positive and significant effect on MSME income.

This is also in line with research conducted by (Mahfuz, 2022) with the title "Influence Halal Labeling, Product Quality, and Price on the Sales Level of Coffee MSMEs in North Lombok Regency.". Halal labeling is one part of the product that indicates that the ingredients in the product do not contain prohibited ingredients. The purpose of the halal label is to provide legal certainty for consumers. Currently, the halalness of a product is being intensely discussed by many people. This is supported by the government by holding a program to get halal certificates for free. The existence of this program can increase public awareness to buy clear products so that MSMEs can be accepted by consumers which has an impact on increasing income.

Business legality as a mediating variable has no influence on MSME income. This is in line with research conducted by Nizami (2017) entitled "The Effect of Business Legality and Halal Labeling on the Sales Volume of Small and Medium Enterprises Cooperative Services of the Tulungagung Regency Cooperative Office" which states that business legality does not have a significant effect on sales volume. The legality of a business can give confidence to the community because legality means that a company has been legally recognized. This can increase...
buying interest and will automatically increase revenue. However, the results of the study stated that the competitiveness variable was not able to mediate the variable of business legality to the income of MSMEs. This means that business legality to MSME income is not mediated by product competitiveness. Competitiveness is one of the things that business actors need to have so that products are sold while maintaining the survival of business actors (Elfahmi &; Jatmika, 2019). Product competitiveness refers to the level of product excellence in the market or the company's capacity to provide an average variable cost structure whose value is smaller than the product price (Susanti &; Winarna, 2020).

The halal label as a mediating variable has no impact on MSME income. This finding is similar to a study conducted by (Pratiwi, 2022) entitled "The Effect of Halal Labels, Prices, and Promotions on Cosmetic Make Over Purchasing Decisions" stating that halal labeling has no significant effect on purchasing decisions. According to Pujiyono, et al (2018) in a study stated that one way to increase the competitiveness of MSMEs is to improve halal certification, human resource quality, and mastery of technology. Based on the results of the study, it is stated that the competitiveness variable is not able to mediate the variable of halal labeling on the income of MSMEs. Even though there is a direct influence between halal labeling on MSME income. This means that the relationship between halal labeling and MSME income is not mediated by product competitiveness. Business actors must increase competitiveness so that income continues to increase.

The competitiveness of products in this study has a significant effect on the income of MSMEs. This research proves general theories that say competition of a product can have an impact on the income level of producers (A Ghoni et all, 2019). Competition in the economic world is inevitable, so every business actor must show the superiority of their products in various ways. This is done to develop in a highly competitive market (Kurniawan &; Maemunah, 2019). High competitiveness of a product can increase income. Because if a product is highly competitive, economic actors will continue to get new innovations so that the economy will continue to grow (Lantu, et al, 2016). In connection with the results of this research, business actors must create the latest innovations so that the products sold are different from other products. In the MSM Bhinangkit Community, the majority of business actors have businesses in the Cake &Bakery sector. Then every business actor must find a differentiator for each product sold.

Micro, Small and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing significantly to job creation, innovation, and economic diversification. However, despite their important role, these companies often face many challenges that hinder their growth and development. Several strategic steps are needed to increase the superiority of MSMEs in Indonesia and unleash their potential, a multi-faceted approach must be adopted, including policy reforms, increased access to finance, capacity building, and technological advancements.
The first step is to adjust the Policy Reform by implementing:

a. **Simplified Regulations:** Simplification and harmonization of regulations pertaining to business registration, licensing, and compliance will reduce bureaucratic hurdles for aspiring entrepreneurs. An easy-to-use online platform for registration and approval can significantly speed up the process.

b. **Supportive Legal Framework:** Developing a comprehensive legal framework that protects the interests of MSMEs, protects intellectual property rights, and facilitates contract enforcement can foster an environment of trust and encourage innovation.

c. **Incentives and Taxation:** Introducing tax incentives for MSMEs can provide them with much-needed financial assistance. Tax breaks on profits, reduced import duties for critical machinery, and incentives for job creation can motivate employers to expand their operations.

Step two, open Access to Finance:

a. **Microfinance and Access to Credit:** Collaboration between financial institutions and microfinance organizations can improve access to credit for MSMEs, especially in rural and remote areas. Providing small loans at reasonable interest rates can empower entrepreneurs to invest in their business.

b. **Venture Capital and Angel Investors:** Building a platform to connect MSMEs with venture capital firms and angel investors can infuse them with important funds for expansion. These investors can also provide valuable guidance and guidance to drive growth.

The third step, securing Capacity Building:

a. **Entrepreneurship Education:** Developing and promoting entrepreneurship education in schools, colleges, and vocational institutions can nurture a culture of innovation and risk-taking from an early age. Workshops, seminars, and mentoring programs can provide budding entrepreneurs with knowledge and practical skills.

b. **Business Incubators and Accelerators:** Creating custom incubators and accelerators that meet the unique needs of MSMEs can offer customized support. These programs can provide access to shared resources, networking opportunities, and expert guidance.

The fourth step, improving Technological Progress:

a. **Digitalization:** Encouraging MSMEs to embrace digital tools and e-commerce platforms can expand their market reach beyond geographical boundaries. Government support for digital literacy training and affordable technology solutions can bridge the technology gap.

b. **Research and Development (R&D):** Setting up R&D centers or promoting collaborative research initiatives can improve the competitiveness of MSMEs.
Research-based innovation can lead to the development of new products and services, giving MSMEs a competitive advantage.

Encouraging the growth of MSMEs in Indonesia is not only a means to boost economic growth but also to reduce poverty and promote inclusivity. A holistic approach involving policy reform, increased access to finance, capacity building, and technological advancement is essential. By addressing the challenges faced by MSMEs and providing a conducive environment, Indonesia can unlock the true potential of these companies, creating a vibrant and resilient economy for the future.

E. CONCLUSION

Based on the results of the research carried out it can be concluded that the Legality of the business has a positive and significant effect on the income of MSMEs in the Kuningan Regency Bhinangkit Community with a coefficient value of 4.296 and a significance value of 0.000 < 0.05. Whereas Halal Labelling has a positive and significant effect on MSMEs in the Brass Regency Bhinangkit Community with a coefficient value of 2.540 and a significance value of 0.014 < 0.05.

The results of the path analysis test were obtained t count of 0.2496 < 2.0075 it can be concluded that the legality of the business has no effect on the income of the Bhinangkit Community MSMEs mediated by-product competitiveness. The results of the path analysis test were obtained t count of 0.0344 < 2.0075 it can be concluded that halal labelling does not affect the income of the Bhinangkit Community MSMEs mediated by-product competitiveness. Product competitiveness has a positive and significant effect on the income of MSMEs in the Kuningan Regency Bhinangkit Community with a coefficient of 2.540 and a significance value of 0,000 < 0.05.

Further researchers, it is expected to expand topics, samples, study areas, and other free variables not found in this study to get more variables and up-to-date research results. In addition, it is hoped that this research can be used as reference material in further research.

It is hoped that this research can further enhance the awareness of business legality and halal labelling. Because it is proven that business legality and halal labelling have a positive and significant effect on MSMEs' revenues. Therefore, each community member pays more attention to the legality and subtlety of the product so that MSMEs become more developed.

REFERENCES


