

Impact Halal Information Disclosure to Firm Performance

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Abstract: Indonesia as one of the countries with a majority Muslim population is closely related to halal information from a product. For this reason, the purpose of this study is to test whether impact disclosed halal information companies in line proposing halal information disclosure variables as a novelty. By using companies in consumer non-cyclicals sector, food and beverage sub sector from 2019 - 2023, it was found halal information disclosure had no effect on earnings per share, sales, price to book value and tobins q, mean companies does not achieve positive impact from it. This is indicated because the research period was during the covid pandemic and recovery period so all available information has not received attention from stakeholders.

Keywords: Halal Information, Disclosure, Firm Performance, Companies.

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A. INTRODUCTION

Indonesia is one of the countries with the largest Muslim majority population, namely 87,18% from 237.641.326 (Y. Andriani, 2018 as cited 8Faturrohman, 2019) so Indonesian Government is very enthusiastic about driving halal economy through launch of Indonesian Halal Industry Master Plan 2023 – 2029 (Syariah, 2023). Indonesia also ranks 5th in the Top 15 Global Islamic Economy Indicator category, 5th in the Top 10 Islamic Finance, 4th in the Top Muslim-friendly Travel, 3rd in the Top Modest Fashion category (Fathoni & Syahputri, 2020) embedded with halal lifestyle trend, it has encouraged multinational companies to implement a halal system for example Japan Airlines, Singapore Airlines, Qantas, Chatay Pacific (Hong Kong), American Airlines provide halal menus. (Warto & Samsuri, 2020).

This trend certainly has many positive impacts. First, for economic growth. In 2019, Muslim fashion exports reached USD 9.2 billion or equivalent to 9.8% of total exports from the processing industry (Adamsah & Subakti, 2022). Second, increasing consumer interest due to halal certification (Setyaningsih & Marwansyah, 2019). Third, it creates a competitive advantage because the supply chain has met halal requirements (Nuratikah et al., 2024).

For companies, competitive advantage can be done by disclosure, for example intellectual capital. Companies which have intellectual capital are considered to be able to excel because they have capabilities related to knowledge, skills, customer relations, information systems and the ability to innovate and react (Daat, 2019). Second, green intellectual capital. Companies which have green intellectual capital are considered to have environmental and social awareness and sensitivity, including carrying out activities that are in line with these

goals (Chandra & Augustine, 2019). Third, disclosure of governance. This disclosure has a positive impact because the company is considered capable of beating its competitors to manage the company's internal affairs and control market share (Josephine et al., 2019).

From the three studies above, it is proven disclosure can provide significant benefits for the companies. Therefore, this study tries to propose halal information as part of the company's disclosure for two reasons. First, some of its elements have a positive impact, for example halal certification. The existence of halal certification is useful for building a business atmosphere in Indonesia because it provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) including increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019). The second example of halal strategy orientation. The strategy includes a combination of several elements such as organizational policies and effective allocation for the selection of halal materials, halal production processes, staff placement and transportation and storage (Zailani et al., 2020). The second reason is the comprehensiveness of the company's assessment. This variable enriches investors to assess the company's ability to implement sharia, for example through the implementation of Shariah Governance (Iqmal et al., 2024). This submission for halal information disclosure was also initiated by a previous study. (Pane & Yohana, 2023) but still in the literature review. For that, this study tries to expand it by adding scores for each element so that it can be tested quantitatively.

B. METHOD

1. Sample

To measure impact of halal information disclosure on firms performance and firms value, firms category used are consumer non-cyclical category (IDXNONCYC) and focus on the healthcare, food and beverage and cosmetics categories. The number of companies studied was 33 with the following information:

Table 1. Companies selection

No	Criteria	Total companies
1	Companies listing in BEI from 2019 - 2023 (IDXNONCYC)	37
2	Companies produce haram product	(2)
3	Companies with incomplete report	(2)
	Total appropriate companies	33
	Total observation (33 x 5)	165

Sources: proceed (2025)

2. Dependent Variable

This study uses two measurements, namely firm performance and firms value. Firms performance measurement is carried out using Earnings per Share (EPS) and sales. Earnings per Share (EPS) is measured by dividing the amount of net income and outstanding stock shares while sales are measured based on net sales generated by the company each year. These two measurements are still relevant to use because Earnings per Share (EPS) is able to reflect managerial policies (Selvina et al., 2019) include sales (Do et al., 2023). Firms value is measured

using Tobin's-Q and Price to Book Value (PBV). Tobin's-Q is considered relevant because this measurement explains firms activities related to investment, acquisition and financing policies (Tobin, 1969 cited by Kurnia et al., (2021) including Price to Book Value (PBV) which can demonstrate performance of share prices compared to their book value (Adrati & Augustine, 2022).

3. Independent Variable

Measurement of halal information disclosure uses a score based on information in company's annual report. The information used is disclosure of halal certificates, implementation of halal training for employees, awards received related to halal, company participation in halal-themed events or programs, explanation of the production process and other information such as company participation in halal-themed community activities. The score for halal information is divided into 3 categories. If the item is disclose quantitatively, it is given a value of 3. If it disclose descriptively, it is given a value of 2. If it is disclose generally, it is given a value of 1. If it is not disclose at all, it is given a value of 0 inline with previous research by Pane & Yohana, (2023), Ledoux et al., (2014) and Orens et al., (2013). Total score successfully expressed is divided by value 11, which is the maximum total score that can be obtained. In detail, the variable measurements appear as follows:

Table 2. Variable measurement summary

No	Variable	Measurement
1	Firm Performance	
	a. Earning per Share (EPS)	Net income / outstanding share
	b. Sales	Net sales
2	Firms Value	
	a. Tobin's Q	Market value equity / book value of asset
	b. Price to Book Value (PBV)	Market price per share / Book Value per Share
3	Halal Information Disclosure (HID)	$HID_{ij} = \sum X_{ij} / N_{ij}$ where, <ul style="list-style-type: none"> • 3 : item is disclose quantitatively, • 2 : item is disclose descriptively, • 1 : item is disclose generally, • 0 : item not disclose at all.
4	FIRM SIZE	
	Total asset	Log Total asset (Ln_total_asset)

Source: proceed (2025)

C. RESULT AND DISCUSSION

Table 3. Model and assumption classic test summary

No	Hypothesis	Model test	Classic Assumption test
1	H1a	Random effect model	Fulfill
	H1b	Fixed effect model	Fulfill
2	H2a	Fixed effect model	Fulfill
	H2b	Fixed effect model	Fulfill

The table above shows that each hypothesis goes through model testing and classical assumption testing separately. Of the four hypotheses, all of them meet classical assumption test and use fixed effect models and random effect models.

Table 4. Hypothesis test summary

Independent Variables	Dependent Variable			
	Halal Information Disclosure			
	H1a	H1b	H2a	H2b
Earning Per Share (EPS)	0.381764 (0.3744)			
Total asset	18.80294 (0.0000)			
Sales		-0.001990 (0.9894)		
Total asset		-10.13374 (0.0000)		
Tobin's-Q			-0.163917 (0.4707)	
Total asset			-8.072251 0.0024	
PBV				-0,504601 (0,4060)
Total asset				-5,167657 (0,4472)
Adjusted R-Square	0.216899	0.934711	0,972179	0,987584
Observation	85	156	144	148

Source: proceed (2025)

The table above shows all hypotheses are not significant (H1a 0,3744 > 0,05, H1b 0,9894 > 0,05, H2a 0,4707 > 0,05, H2b 0,4060 > 0,05) or rejected, it means halal information disclosure does not affect firm performance or firm value. All the benefits of halal information such as provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) and increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019) doesn't impact to firm.

This is due to several factors. First, research period. The Covid-19 period included in research period became an obstacle to halal information having a positive impact because during that period investors and potential investors were not enthusiastic about paying attention to companies disclosures while they were focused on saving the economy during the crisis. Second, focus of disclosure. Companies during period also did not maximize disclosures including halal product development activities and so they did not provide optimal benefits. Third, the type of disclosure. This disclosure is still new so it still gets minimal attention from companies and investors and potential investors.

1. Halal And Benefits

The concept of halal extends beyond national and religious boundaries, becoming a global issue that affects consumer non-cyclicals, food beverage, and consumers worldwide. The concept of halal encompasses three aspects: halal in terms of its substance, the method of acquisition, and the method of processing. Halal signifies prioritizing sharia law and thayyib, relating to medical concerns, meaning it does not cause harm to the body and mind. The functions of halal certification for consumers include protecting Muslim consumers from non-halal food, drugs, and cosmetics, providing consumers with psychological peace of mind, safeguarding the body and soul from the harm of haram products, providing assurance and legal protection to consumers. The Indonesian Council of Ulama (MUI) is a forum or council that gathers Indonesian Islamic scholars and intellectuals to unify the movement and steps of the Indonesian Muslim community in realizing common goals. MUI was established on July 26, 1975, in Jakarta. MUI was founded due to the conditions of the Indonesian Muslim community in facing very serious global challenges. Its functions include issuing fatwas and advice on religious and social issues to the government, strengthening ukhuwah Islamiyyah (harmony), representing the Muslim community in interfaith consultations, acting as a liaison between ulama (Islamic scholars) and government officials (umara) (Azizah, 2022).

Prior studies have shown that halal certification enhances consumer trust and loyalty, leading to better firm performance (Kusumowardhani et al., 2020), contributes to consumer satisfaction (R. Hidayat & Resticha, 2019), building a business atmosphere in Indonesia because it provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) including increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019).

2. Halal Information Disclosure

Halal information needs to be disclosed with four reasons. First, the growth of the Muslim community globally is increasing so disclosure provides market expansion (S. E. Hidayat et al., 2022). Second, companies appreciate halal-oriented strategies because these strategies have been proven to improve financial performance (Zailani et al., 2020). Third, investors continue to use annual reports as reliable information (Gunawan & Lina, 2015). Companies make a lot of disclosures in their annual reports. First, halal certification. The existence of halal certification is useful for building a business atmosphere in Indonesia because it provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) including increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019).

Second, halal award. Two previous studies showed that halal awards occur in companies that experience an increase in sales every year. (Putra et al., 2021). This award is also a communication strategy in enriching the sharia economy because it is an attraction in the public eye to join in (Viartasiwi et al., 2024). Third, halal training. Through training, participants will gain new knowledge regarding steps for product certification, product permits and increase awareness of halal products (Mardhotillah et al., 2022).

Disclosure of halal information was initiated from Pane & Yohana, (2023) which raises halal information in annual reports such as companies commitment and achievements towards halal products/services and the halal certification obtained, but this study adds other items, namely halal training, halal awards, halal events, production process information and other information similar categorize.

Disclosure measurement also similar with previous research by Pane & Yohana, (2023) through score calculations with combine previous research by Ledoux et al., (2014) and Orens et al., (2013). If the item is disclose quantitatively, it is given a value of 3. If it disclose descriptively, it is given a value of 2. If it is disclose generally, it is given a value of 1. If it is not disclose at all, it is given a value of 0.

3. Halal Information Disclosure And Firm Performance

Currently, firms performance is greatly influenced by its ability to meet stakeholder expectations from an environmental and social perspective, for example corporate social responsibility (CSR). The two previous studies showed social environment greatly influences performance because it is able to increase stakeholder satisfaction, reputation and a positive image companies (Ghardallou, 2022) and demonstrate companies commitment to maintaining long-term sustainability, including creating good social relations with the surrounding environment (Wulandari, 2020). Currently, there are no specific studies show influence of halal information on firm performance, but some of elements disclosed have a positive impact, such as provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) and increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019). It conclude positive disclosure from companies potentially increase their performance and hypothesis suggest as follow

H₁ : Halal information disclosure positive impact to firm performance

4. Halal Information Disclosure and Firm Value

Company value is one of the measurements to assess whether investors or potential inventors are interested in investing in the entity. The same issue is company abilities to control the social aspects around it. The two previous studies showed that greater social responsibility expressed, more investors will be interested in investing. (Ayem & Nakimah, 2019) because market gave a positive response which was indicated by an increase in share prices in accordance with signaling theory (Rini & Mimba, 2019).

As mention before, there are no specific studies show influence of halal information on firm performance, but some of elements disclosed have a positive impact, such as provides protection, guarantees and increases producer confidence to reach the global market (Warto & Samsuri, 2020) and increasing consumer desire to buy the product (Setyaningsih & Marwansyah, 2019). It conclude positive disclosure from companies potentially increase their performance and hypothesis suggest as follow

H₂ : Halal information disclosure positive impact to firm value

Based on previous hypothesis, conceptual framework as follow:

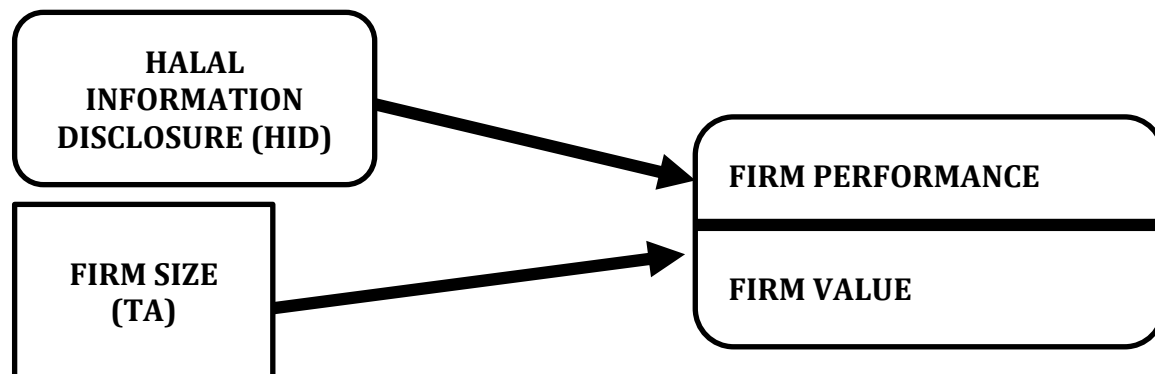


Figure 1. Conceptual Framework

The regression models used in this study are divided into 4, namely:

$$\text{EPS}_{it} = \alpha + \text{HID}_{it} + \text{TA}_{it} + \epsilon \quad (\text{H1a})$$

$$\text{Sales}_{it} = \alpha + \text{HID}_{it} + \text{TA}_{it} + \epsilon \quad (\text{H1b})$$

$$\text{Tobin's-Q}_{it} = \alpha + \text{HID}_{it} + \text{TA}_{it} + \epsilon \quad (\text{H2a})$$

$$\text{PBV}_{it} = \alpha + \text{HID}_{it} + \text{TA}_{it} + \epsilon \quad (\text{H2b})$$

where,

EPS = Earnings per Share company i period j

Sales = net sales company i period j

Tobin's-Q = Tobin's-Q value company i period j

PBV = Price to Book Value company i period j

D. CONCLUSION AND SUGGESTIONS

This study proposes an novelty on halal information disclosure by companies. Information disclosed includes halal certification, halal training, halal awards, information on production processes and other information such as commitments and strategies for halal product development. All of these disclosures are expected to have a positive impact because they provide protection for consumers, especially Muslims, and attract attention to buy. Unfortunately, the disclosure did not have a significant impact on firms performance and firms value. There are two reasons. First, research period involved the Covid-19 era. Investors and potential investors did not give optimum attention beside focus to macroeconomics issue. Second, Company facing crisis period and focus on unstable financial condition and also it is relatively new disclosure. The study has at least two limitations. First, subjectivity. Disclosure is assessed subjectively by researchers based on the weight of the items so it has potential to be biased. Second, this disclosure is relatively new so that not all halal information is presented by company in a structured manner. For this reason, further research that can be done is to shift the research period to be longer so that the results are optimal.

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