CHAPTER 1

INTRODUCTION

1.1 Background of the Research

According to Dewi et al. (2022), the population of Muslims worldwide is expected to surpass 2.2 billion by 2030, making it the largest religious group (Ngah et al., 2023). By 2050, it is projected that the global Muslim population will be increased by 80%. In total, this represents 26.4% of the global population. In countries with a predominantly Muslim population or a significant Muslim population, consumers frequently make decisions with greater confidence, anticipating that manufacturers who are also Muslim will from producing items that are in contradiction to Islamic teachings.

Consumers who exhibit a higher level of religious sensitivity now prefer halal-certified products, even in countries with sizeable Muslim populations. They are concerned that producers may employ non-halal ingredients or production methods to reduce costs, which is why they desire halal products. Additionally, certain preservatives or methods for extending products' shelf life may contain substances prohibited by Islamic law (Koc et al., 2024).

Muslims are required to consume only halal and tayyib goods in their daily lives. Throughout the Quran, the terms "halal" and "tayyiban" are used frequently, especially in the verse of Surah al-Baqarah 168; "O mankind, eat from whatever is on earth [that is] halal (lawful) and tayyiban (good) and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy". According to al-Kafawi, al-tayyib has

three meanings: al-tahir (pure and clean), al-halal (halal), and al-mustalidh (goodness). Some scholars say the nature of tayyib itself contains halal meaning. Tayyiban should be defined by today's industry standards, encompassing manufacturing methods, hygiene protocols, safety measures, proper packing, appropriate transportation, and labelling. It also pertains to competitive prices and high-quality services (Mustafa, 2019). Halal and tayyib are fundamental principles in Islamic consumerism. Consumers who choose halal and tayyib goods and services deserve protection from questionable marketing practices and products. They have the right to anticipate a safe product from marketers and to expect that the products offered will meet the performance claims made by those marketers (Haque et al., 2017).

The Qur'an and the Sunnah of Prophet Muhammad provide the criteria that mandate all Muslims globally to consume halal items. Haram refers to what is prohibited in Islam. In contrast, halal represents permissible according to Islamic law, covering all aspects of life, including consumption, social interactions, transactions, and education, promoting well-being and health. Consequently, Muslims must ensure that goods, services, and lifestyles, such as cosmetics, medications, banking, travel, and more, adhere to halal standards. Halal products are those that comply with Islamic law and do not contain alcohol, blood, pork, or any ingredients derived from animals. The items are purified by Islamic principles (Shahid et al., 2018; Baran, 2020). In Islam, consuming things is not just about getting what you need or pleasing Allah. It also involves being moral and having spiritual goals (Aslan, 2023).

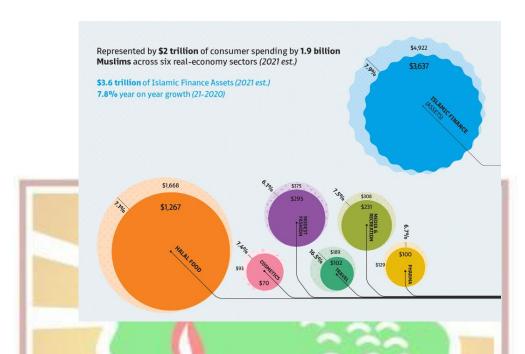


Figure 1. 1 Global Muslim Consumer Spend on Key Halal Economy Sectors
Source: Dinar Standard, 2022

According to Dinar Standard, Muslim food and beverage spending was US\$1.267 trillion in 2021 and is expected to grow to US\$ 1.668 trillion in 2025 at a 4-year CAGR of 7.1%. Muslim spending on fashion is predicted to reach US\$375 in 2025 from US\$295 trillion in 2021 with a CAGR of 6.1%. Muslim spending on pharmaceuticals is predicted to reach US\$129 billion in 2025, up from US\$100 billion in 2021, with a CAGR of 6.7%. Muslim spending on cosmetics is predicted to reach US\$93 billion in 2025, up from US\$70 billion in 2021, with a CAGR of 7.4%. Muslim travel expenditures are projected to reach US\$189 in 2025 from US\$102 billion in 2021, with a CAGR of 16.5%. Muslims spent US\$231 billion on media and recreation, and by 2025, that amount is predicted to rise to US\$308 billion. Islamic finance assets, valued at US\$3.637 trillion in 2021, are projected to reach US\$4.922 billion in 2025 with a CAGR of 7.9%.

Two main reasons are causing fast growth in the Muslim customer market worldwide. First, many Muslims prefer products that fit their religious beliefs, which they see as healthier, cleaner, and tastier. Second, more people globally accept halal products as they become more familiar with them (Burgmann, 2007). Manufacturers and retailers in relevant markets can benefit from employing diverse marketing forms and strategies aligned with Islamic principles, given the growing Muslim population across many countries worldwide. Today, many countries, both with mostly Muslim and mostly non-Muslim populations, are focussing on the halal industry. Countries worldwide are increasing their share of the halal market because non-Muslim customers respond positively to halal goods (Wilkins et al., 2019). This leads to the controversy surrounding the use of halal components in halal cosmetics, which are expected to cost \$25 billion by 2025 (Thomson Reuters, 2018).

According to Septiarini et al. (2022), the market size for halal cosmetics is not only derived from Muslim countries. Most cosmetics and personal care products are made in non-Muslim countries by non-Muslim companies, which often leads to debates about whether the ingredients are halal. As a result, Muslim scientists have been conducting a deeper examination of the pharmaceutical and cosmetics industries due to concerns that numerous global companies use enzymes derived from alcohol or pork as preservatives. This has led to a significant level of scepticism among Muslim consumers seeking halal products regarding these brands (Mukhtar & Butt, 2012). Many Muslim customers are still unaware that the term "halal" cosmetics is also used in the market, even though the company is quite popular (Hajipour et al., 2015).

According to Islamic law, a product must be halal, which means it should be permissible in terms of what it is made of and how it is produced, stored, transported, and displayed. Cosmetics are not eaten or taken by the body. So, cosmetics are often linked to sacred or unclean things. If a cosmetic product has unclean ingredients, such as collagen from animals or human parts like the placenta, it may be called haram (Rahmi, 2024).

Cosmetics are an individual's treatment to cleanse, beautify, and change appearance, especially on their face (Shahid et al., 2018). A cosmetic is any product applied to the skin, eyes, lips, hair, or nails to clean, improve look, add fragrance, or provide protection. Cosmetics offer real help for women's problems. The people who utilize the items are the ones who develop different cosmetics (Derda & Szalaty, 2020). Plants, animals, and other resources can be used to make cosmetics (Fytianos et al., 2020; Sharmeen et al., 2021). Using naturally processed materials and chemicals is becoming more popular. The basis for this is a growing understanding of synthetic substances that can harm the environment and human health (Amberg & Fogarassy, 2019; Sadiq et al., 2021). Halal cosmetics support the provision of safe and suitable cosmetics.

Table 1. 1 Halal Cosmetic Ingredients

Category	Examples
Skin whitening agents	4-potassium methoxysalicylate (4-MSK)Arbutin
	Ferulicacid Hinokitol
	Kojicacid Resveratrol

 Polyethylene glycol Safflower oil Sesameoil 	Examples
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• Sesameoil	
• Water	

Source: Review Journal of Halal Cosmetics, 2019

Cosmetics labelled as halal are free of alcohol, gelatine derived from pork, pig byproducts, or other animal byproducts, as well as the slaughter of animals that Islam permits. Halal cosmetic products include anti-ageing creams, moisturizers, lipsticks, perfumes, shampoos, hair dyes, toothpaste, and deodorants (Aoun & Turnois, 2015). The term "halal" refers to cosmetics that do not contain alcohol or animal-derived substances, which Islamic law prohibits (Osman & Sulierman, 2023). Halal cosmetic products are an innovation and industrial revolution because they have high-quality standards by following established halal procedures (Khan et al., 2021).

In addition to being halal, cosmetic services should be Tayyib, which should be wholesome and beneficial. Halal and Tayyib in cosmetic services cover both methods and techniques used in aesthetic procedures, which should also be halal and Tayyib. It can be achieved by ensuring that the procedures are safe and do not cause harm to the consumer. This includes using anaesthesia, if any, which should be administered halal, and the safe conduct of aesthetic procedures is vital (Aghwan & Regenstein, 2019). The delivery technique, emergency precaution, and competence are also vital for safe procedure delivery besides minimizing the risk (Wang et al., 2020).

Indonesia is the nation with the highest Muslim population worldwide, according to data from the Royal Islamic Strategic Studies Center (RISSC). Muslims made up 240.62 million of the population in 2023, or 86.7% of the overall population, according to the RISSC. With the world's largest Muslim majority,

Indonesia is well-positioned to create trends in the halal sector (Rafiki et al., 2023). This makes Indonesia one of the potential cosmetic markets, making it a promising business for manufacturers who want to develop it (Kadengkang & Linarti, 2020).

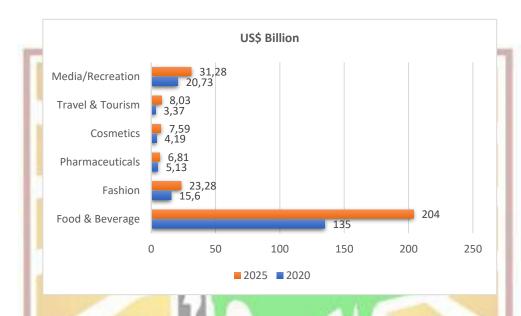


Figure 1. 2 Indonesia's Muslim Consumer Spend on Halal Economy Sectors

Source: Dinar Standar, 2021

According to Dinar Standard, Indonesia's muslim consumer spending in these sectors is growing 7.81% CAGR reaching US\$ 2.76 trillion in 2025. This is dominated by the food and beverages sector, which reached \$135 billion in 2020 and is projected to increase to \$204 billion in 2025. Meanwhile, the cosmetics sector reached \$4.19 billion in 2020, projected to increase to \$7.59 billion by 2025.

According to the Ministry of the Coordinator for Economic Development of the Republic of Indonesia, from 913 firms in 2022 to 1.010 companies in mid-2023, the number of cosmetics companies in Indonesia increased by 21.9%, indicating the spectacular growth of the country's cosmetics industry. As much as 83% of these new companies are small and medium-sized enterprises. According to

Statista, revenue from Indonesia's cosmetics industry was estimated to be US\$7.23 billion in 2022 and is expected to grow to \$9.59 billion by 2027.

The Ministry of Industry states that by 2022, the market value of the national Halal Cosmetics Industry is recorded at 4.19 billion USD and is projected to grow at least 8% per year. In order to protect the interests of consumers, the Indonesian government mandates that cosmetics must have halal certification (Sugibayashi et al., 2019). The Indonesia National Agency of Drug and Food Control (BPOM) discovered that illegal cosmetics were still available on the domestic market despite numerous attempts to reduce their presence in the nation. Head of BPOM Regulation No. 13 of 2015, which exempts imported cosmetics from mandatory verification, is one of the legal justifications used by importers to bring in illegal and counterfeit cosmetics.

More importantly, Law Number 33 Year 2014 in Indonesia fulfils the need for halal cosmetics. The Institute for Foods, Drugs, and Cosmetics Indonesian Council of Ulama (LPPOM MUI) is an organisation in Indonesia that has Halal certification. This law aims to ensure that the community can use and consume halal products with comfort, safety, security, and certainty; it also aims to boost the value that companies offer when they manufacture and market halal goods. Additionally, this rule specifies that every customer has the right to a pleasant and safe product, such as halal or Sharia-permitted products (Nurhayati & Hendar, 2019). The Institute for Foods, Drugs, and Cosmetics Indonesian Council of Ulama (LPPOM

MUI) reports that as of 2017, 794 cosmetics companies had already undergone halal certification, with 1.913 halal certificates and 75.385 halal-certified products.

The manufacturing process of halal cosmetics products also plays a crucial role in ensuring their compliance with halal and tayyib principles. Hygiene and purity must be maintained throughout halal cosmetic products' handling, processing, production, storage, and transport (Elgharbawy et al., 2022). It includes adhering to strict cleanliness standards and avoiding cross-contamination with non-halal substances. Additionally, the packing materials must meet halal quality requirements.

Following production, the goods will be kept in storage and given to customers with the guarantee that no haram or unholy materials will be present (Mohezar et al., 2016). The government carries out halal assurance in two phases Kasri et al. (2023), (1) regulate the product before its marketing, having the responsibility to complete the cosmetic declaration procedure, and (2) monitor production and distribution facilities and regular process disclosures once the product is marketed. It is anticipated that Muslims will have widespread access to halal items due to this halal cosmetics regulation.

EDJAJAAN

BANGSA



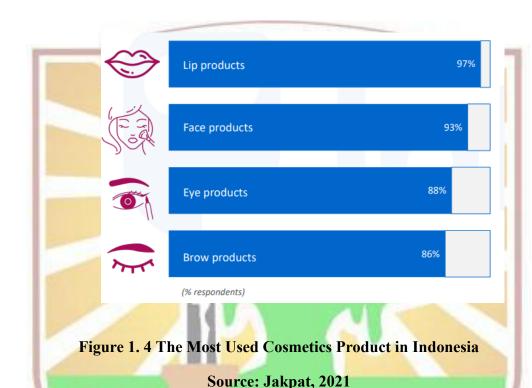
Figure 1. 3 Factors Women Consider in Choosing Cosmetics

Source: Sigmaresearch, 2017

A Sigma Research Indonesia study involving 1200 Indonesian women aged 15 to 55 found several things that women consider when buying cosmetics. The suitability for the face was the most common factor (79.4%), followed by a long-lasting product (67.4%), a weightless formula (62.2%), a choice of colour (59.2%), and the halalness of the product (58.3%).

Currently, customers purchase cosmetic goods based only on celebrity endorsements, without regard for the product's safety (Juliana et al., 2022). So, this is something that has to be explored. Because cosmetic products have purposes, it is important to evaluate them, especially since the chemicals in cosmetics do not necessarily have the same effect on every customer (Rohmatun & Dewi, 2017). Furthermore, there is still a shortage of people paying attention to halal product labels. Indonesia has a large Muslim community, so it is important to raise

knowledge about applying Islamic law principles in all activities, including consumption (Mansyuroh, 2020).



Research conducted by Jakpat involving 1091 Indonesia women shows that lip products are the most used daily in 2021, with a ratio of 97%. Second, 93% of respondents used the most facial products. In third place is the most widely used eye product, with a share of 88% of respondents. Moreover, eyebrow and eyelash products are at 86%.

Based on previous studies, various factors can influence the purchase intention of halal cosmetics directly or through mediation, such as religiosity, halal knowledge, subjective norms, and attitude. There are many ways to describe religiosity, which includes ideas, practices, knowledge, experiences, and how it

affects day-to-day living. However, the definitions directly relate to how much people adhere to their religious practices and beliefs (Abou-Youssef et al., 2015). Accordingly, individuals might be categorized as either highly or lowly religious. It also illustrates how religion can serve as a motivator or influence, encouraging individuals to act differently from their usual behaviour. In Islam, this means that an individual's direct or spontaneous actions are motivated by their greater belief in the religion's principles. Although it can sometimes be unstable, it directly influences the intended activity. Therefore, it is critical to examine how much religion influences consumer choices (Rafiki et al., 2023). Ashraf et al. (2017); Kizgin & Ozkan (2014), showed that, particularly in Muslim populations, religiosity had a significant impact on the buying of halal goods. While religion has a significant impact on consumers' intentions to buy (Kaur et al., 2023).

Besides religiosity, knowledge of halal also influences a customer's purchase intention. Ishak et al. (2019), implicitly show that individual knowledge determines purchasing intention. It is formed by a sense of obligation, which is the knowledge of responsibility to other entities and the expectation of individuals always having a mechanism to calculate the consequences of their choices. In particular, the degree to which a Muslim comprehends the idea of halal is known as halal knowledge (Nurcahyo & Hudrasyah, 2017). By considering indications such as halal concerns, Islamic law, halal legality, and halal process, it is therefore regarded as one of the elements to anticipate consumer buy intention (Maichum et al., 2017). The findings of earlier research indicate that buying intention is significantly impacted by halal knowledge (Ateke & James, 2018).

Not only do religiosity and halal knowledge affect intention towards halal cosmetic products, but also subjective norms. Lada et al. (2009), explain that individual approval of particular acts by a group is determined by subjective norms, which are a function of beliefs. Subjective norms are the environmental factors that influence consumers' ability to make purchases. Subjective norms determine an individual's actions and behaviours. When assessing the customer's intention to buy, subjective norms are crucial (Garg & Joshi, 2018). Previous research has shown a significant relationship between subjective norms and purchase intention in millennials (Farhat et al., 2019; Elseidi, 2018). Subjective norms are presented in this study as a function of how much social pressure from others affects people's perceptions of their intention to use halal cosmetics.

Furthermore, attitude also affects a person's intention to make a purchase. This is because attitude reflects how Muslims carry out all their obligations (Rochmanto & Widiyanto, 2015). According to Vizano et al. (2021), a person's attitude is an overall assessment of his or her behaviour and indicates satisfaction. Attitude reflects whether favourable or unfavourable consumers buy or do not buy a product (Schiffman & Kanuk, 2015). In addition, it also reflects consumers' beliefs about various product attributes and benefits, as well as their awareness of the environment (Sumarwan, 2014). A person with a more positive attitude is likelier to purchase halal cosmetics (Briliana & Mursito, 2017). This is supported by research conducted by Mukhtar & Butt, (2012); A. Rahman et al. (2015), found a positive relationship between attitude and intention to buy halal products.

Attitude can mediate other variables, such as mediating religiosity, halal knowledge, and subjective norm on purchase intention. Previous research by Widyanto & Sitohang (2022), stated that attitude positively influences religiosity on purchase intention. Consumers from Muslim circles will be more inclined to have good sentiments if they are religious. Customers will focus on the products' legitimacy when they have the halal label (Fiandari et al., 2024). The higher the religiosity, the more positive the consumer's attitude towards halal cosmetics can increase their purchase intention.

Furthermore, attitude can also mediate halal knowledge on purchase intention. A person's knowledge level will determine the attitude and decision-making behaviour toward consuming products (Ratnasari et al., 2022). The more knowledge a person has, the more positive the consumer's attitude towards halal cosmetics can increase their purchase intention. Also, attitude mediates the subjective norm variable. Previous research by Sumarliah et al. (2021), stated that attitude positively influences subjective norms on purchase intention. The higher the subjective norm, the more positive the consumer's attitude towards halal cosmetics can increase their purchase intention.

Cosmetics represent beauty for women. For today's women, beauty is an integral aspect of their lives. For certain women, cosmetics, as do the times, seem to be a need. In addition to enhancing their facial beauty, women use makeup to increase their self-confidence.

Social media has also played a major role in the campaign for Muslim millennials to adopt a halal lifestyle (Ministry of National Development Planning, 2018). The market for halal cosmetics is expected to rise significantly since the present generation of Muslims is more aware of the advantages of halal products. Muslim women only want to buy halal cosmetics that are in line with their faith for personal care, so before deciding to buy halal cosmetics, they look for and compile comprehensive information on cosmetic products about halal instructions, ingredients, country of origin, health safety assurance, and benefits (Ishak et al., 2019). Customers frequently use social media platforms to research products before purchasing in an era where mobile phones and the internet are growing (Shankar et al., 2020). For this reason, they do not trust the information provided by marketers only.

This research focuses on West Sumatera Women Millennials consumers born between 1980 and 2000 (Handriana et al., 2020). The Governor of West Sumatera, Mahyeldi, believes that West Sumatera has the potential to become the centre of the halal industry in Indonesia and the world due to a number of supporting factors. In 2022, the Indonesian Ministry of Religious Affairs reported that 5.528.423 West Sumatera residents were Muslim. West Sumatera, as a Province by the provisions of Article 5 letter c of Law Number 17 of 2022, has the characteristics of Minangkabau customs and culture based on the philosophical values of *Adat Basandi Syara'*, *Syara' Basandi kitabullah* (ABS-SBK) in accordance with the applicable customary rules of *salingka nagari*. The new law, passed by the national legislature (DPR) in July 2022, formally recognises that the culture and customs of

the Minangkabau (the dominant ethnic group in West Sumatera) are based on the philosophy of "adat basandi syara", syara' basandi kitabullah". This can be loosely translated as "customs/traditions are based on Islamic Law or shari'a, and shari'a is based on the Qur'an". Additionally, Minangkabau society is rich in cultural traditions and strongly adheres to Islamic principles.

According to Juliana et al. (2022), a group of millennial Muslims who changed from a religious standpoint started a recent movement that has grown in popularity. Hijrah is a popular religious movement. Changing one's religious behaviour in group events is one way to implement hijrah, a religious transformation. The Islamic hijrah phenomenon is increasingly prevalent in Indonesia's millennial society. This phenomenon results from people's or groups' desire to improve themselves by Islam. The millennial generation's participation in the hijrah movement has helped them establish a new identity as religious adherents to Islamic principles (Zahara et al., 2020). The Muslim millennials value the truth of Islam and its impact on various parts of life (Saputra et al., 2020).

According to the West Sumatera Central Statistics Organization, 24.25% of the population are millennials. Millennials are growing into a lucrative consumer group as they have reached an economically productive age (Suhartanto et al., 2019; Pomarici & Vecchio, 2014), and their numbers are three times larger than those of Generation X (Reuters & Standard, 2017; Bucic et al., 2012). It is important to understand the behaviour of Millennials as consumers because generations differ from each other in terms of value systems, perceptions, and attitudes. In addition, the Millennial generation is known as a trend-oriented generation, has a high level

of consumption, and the most prominent characteristic is technology literacy (Marmaya et al., 2019). Living in a technology-rich environment, they are highly dependent on technology and tend to get information instantly due to the fast and precise exchange of information (Valentine & Powers, 2013; Bucic et al., 2012; Solka et al., 2011). This then unconsciously influences their decision-making process.

Millennials are a sizable market for cosmetic purchases. Millennials are also typically more tech-savvy and informed than earlier generations (D. K. Sari et al., 2020). Halal cosmetics products are becoming more popular due to their healthier and simpler habits (Thomson Reuters, 2018). These features make it simple for them to find all the required information, including details about halal cosmetics.

Given the background information provided above, which is supported by several previous searches, it can be concluded that purchase intention on halal cosmetics is influenced by halal knowledge, religiosity, subjective norm and attitude. Therefore, the researcher is interested in further discussing the research entitled "The effects of religiosity, halal knowledge, subjective norm, on purchase intention of cosmetic halal mediated by attitude among millennials in West Sumatera".

1.2 Research Questions

Based on the background above, this research problem can be formulated as follows:

- How does religiosity influence millennials' attitudes toward halal cosmetics in West Sumatera?
- 2. How does religiosity influence millennials' intention to purchase halal cosmetics in West Sumatera?
- 3. How does halal knowledge influence millennials' attitudes toward halal cosmetics in West Sumatera?
- 4. How does halal knowledge influence millennials' intention to purchase halal cosmetics in West Sumatera?
- 5. How do subjective norms influence millennials' attitudes toward halal cosmetics in West Sumatera?
- 6. How do subjective norms influence millennials' intention to purchase halal cosmetics in West Sumatera?
- 7. How does attitude influence millennials' intention to purchase halal cosmetics in West Sumatera?
- 8. How does attitude mediate the relationship between religiosity and millennials' intention to purchase halal cosmetics in West Sumatera?
- 9. How does attitude mediate the relationship between halal knowledge and millennials' intention to purchase halal cosmetics in West Sumatera?
- 10. How does attitude mediate the relationship between subjective norms and millennials' intention to purchase halal cosmetics in West Sumatera?

1.3 Objectives of The Research

Based on the research questions described above, this research aims to:

- To analyze the effect of religiosity on attitude toward halal cosmetics among millennials in West Sumatera.
- 2. To analyze the effect of religiosity on the purchase intention of halal cosmetics among millennials in West Sumatera.
- 3. To analyze the effect of halal knowledge on attitudes toward halal cosmetics among millennials in West Sumatera.
- 4. To analyze the effect of halal knowledge on the purchase intention of halal cosmetics among millennials in West Sumatera.
- 5. To analyze the effect of subjective norms on the Attitude toward halal cosmetics among millennials in West Sumatera.
- 6. To analyze the effect of subjective norms on the purchase intention of halal cosmetics among millennials in West Sumatera.
- 7. To analyze the effect of Attitude on purchase intention of halal cosmetics among millennials in West Sumatera.
- 8. To analyze the effect of religiosity on purchase intention of halal cosmetics mediated by Attitude among millennials in West Sumatera.
- 9. To analyze the effect of halal knowledge on purchase intention of halal cosmetics mediated by Attitudes among millennials in West Sumatera.
- 10. To analyze the effect of subjective norms on the purchase intention of halal cosmetics mediated by Attitudes among millennials in West Sumatera.

1.4 Contributions of The Research

The contribustions of the research are as follows:

1. Academic benefits

The benefit of this research is to develop and expand knowledge and it can be used as a reference for further similar research using other more suitable variables when discussing purchase intention on halal cosmetics.

2. Practical benefits

It can be used as a reference and consideration for producers in producing cosmetics and this research will provide clearer information for consumers about cosmetic halal products.

1.5 Scope of the research

This research has a scope on the Millennial Generation who intend to make purchases on a halal cosmetic product. The scope studied is Halal Knowledge (X1), Religiosity (X2), Subjective Norm (X3), as independent variables and Purchase Intention as the dependent variable (Y) and Attitude as a moderating variable (Z).

1.6 Outline of Research

CHAPTER I INTRODUCTION: The introduction includes background, problem formulation, research objectives, research benefits, and writing systematics.

CHAPTER II LITERATURE REVIEW: This chapter describes the theoretical basis used by researchers as a benchmark for discussing the phenomenon under the research, as well as various previous studies and the conceptual framework of current research in line with this research.

CHAPTER III RESEARCH METHODS: The following sections provide details of the research design, operational definitions of each variable used, population and sample collected, data collection techniques, and data analysis techniques in this research.

CHAPTER IV RESULTS AND DISCUSSION: Contains information about research variables, respondent characteristics, data testing, discussion, findings, and data analysis used in this study.

CHAPTER V CONCLUSION: Includes conclusions, research findings, research limitations, and research-related suggestions.

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