

Article Type: Research Paper

# Spiritual Leadership and Performance in F&B MSMEs of Kampar: Halal Supply Chain Mediation

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**Article History**

**Received :**

2026-01-02

**Revised :**

2026-03-04

2026-03-06

**Accepted :**

2026-03-06

**Abstract:**

**Research aims:**

This study examines the effect of spiritual leadership on the performance of food and beverage MSMEs with halal supply chains as a mediating variable.

**Design/Methodology/Approach:**

Data were collected using questionnaires and Google Forms for respondents who could not be met in person. A total of 350 respondents who were managers of food and beverage MSMEs participated in this study. This study was analyzed using Partial Least Square (PLS)-SmartPLS4 analysis.

**Research findings:**

The findings show that spiritual leadership has a direct effect on the performance of food and beverage MSMEs, as well as the halal supply chain. In addition, the halal supply chain also affects the performance of food and beverage MSMEs. The halal supply chain indirectly mediates the specific effect of spiritual leadership on the performance of food and beverage MSMEs.

**Implications/Originality/Value:**

This study provides theoretical implications that MSMEs that consistently implement spiritual leadership can have stronger competitiveness in the food and beverage industry. In addition, it is important to strengthen the halal supply chain by encouraging MSMEs to implement halal standards in their supply chains and closer cooperation networks with halal certification institutions and sharia business communities. The government can also provide incentives and ease of access to certification in order to increase the competitiveness of MSMEs in a broader market.

**Keywords:** Spiritual Leadership, Halal Supply Chain, MSME Performance, Food and Beverage MSMEs, Supply Chain Management

## Introduction

The halal industry has emerged as one of the fastest-growing sectors in the global economy, driven by increasing consumer awareness of halal compliance and the expansion of Muslim markets worldwide (Fata, 2023). In many countries, halal products are no longer perceived solely as religiously compliant goods but also as indicators of quality, safety, and ethical production processes (Fata, 2023). Indonesia, which has the largest Muslim population in the world, possesses significant potential to become a major contributor to the global halal economy. According to the Ministry of Home Affairs, the Muslim population in Indonesia

reached approximately 245.93 million people, representing about 87.08% of the total population (Permana, 2024). Despite this demographic advantage, Indonesia's contribution to global halal product production remains relatively limited and requires further strengthening (Al Umar et al., 2021).

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in supporting the development of the halal industry because they dominate the food and beverage sector, which represents one of the largest segments of halal markets (Michael & Rodhiah, 2023). However, many MSMEs still face structural and managerial challenges that hinder their ability to compete effectively in halal markets (Michael & Rodhiah, 2023). These challenges include limited managerial capabilities, difficulties in meeting product quality standards, weak financial management practices, and restricted access to capital. Such constraints reduce the ability of MSMEs to maintain consistent halal compliance across production and distribution processes, which ultimately affects their competitiveness in halal-oriented markets.

One important mechanism for ensuring the integrity of halal products is the implementation of an effective halal supply chain (Ilhafa & Hammam, 2023). The halal supply chain ensures that halal integrity is maintained throughout sourcing, processing, storage, and distribution stages, thereby safeguarding consumer trust in halal-certified products. Effective supply chain management is therefore essential not only for maintaining product quality but also for improving organizational performance (Ilhafa & Hammam, 2023). Nevertheless, the adoption of halal supply chain practices among MSMEs remains uneven, particularly in regional halal industry ecosystems where managerial and technological capabilities are often limited.

In this context, strengthening internal organizational capabilities becomes increasingly important to ensure that halal standards are consistently implemented across business processes. Beyond technical compliance, the success of halal supply chain implementation also depends on managerial commitment, ethical orientation, and leadership values that guide business practices.

In addition to operational capabilities, organizational leadership plays an important role in shaping ethical behavior, organizational commitment, and adherence to halal standards. Spiritual leadership has attracted increasing attention in organizational research because it emphasizes values such as integrity, altruistic love, and a sense of purpose that guide ethical decision-making within organizations. Leadership grounded in spiritual values can encourage employees to uphold ethical conduct and maintain discipline in operational processes, which is particularly relevant in halal-oriented businesses where religious principles and ethical practices are closely intertwined with organizational activities.

In the context of halal-oriented enterprises, spiritual leadership may play a crucial role in fostering organizational commitment to halal compliance and ethical business conduct. Leaders who emphasize spiritual values can encourage employees to maintain integrity in sourcing, production, and distribution processes, thereby strengthening the implementation of halal supply chain practices within firms.

From the perspective of the Resource-Based View (RBV), intangible organizational resources such as leadership values and organizational capabilities can generate sustainable competitive advantage when they are valuable, rare, inimitable, and non-substitutable. Spiritual leadership

can therefore be understood as an intangible strategic resource that shapes organizational culture and employee commitment, while halal supply chain capability represents an organizational capability that enables MSMEs to maintain product integrity and strengthen consumer trust. When effectively integrated, these resources may enhance MSME performance and competitiveness within halal-oriented markets.

Despite the growing literature on halal industry development and MSME performance, several important gaps remain. Previous studies on halal supply chains tend to focus primarily on regulatory compliance, certification procedures, and operational management, while the organizational and leadership capabilities that drive halal integrity within firms receive relatively limited attention (Ilhafa & Hammam, 2023). In addition, although leadership has been widely recognized as a strategic organizational resource, empirical research examining the role of spiritual leadership in strengthening halal-oriented business practices remains scarce, particularly within MSME contexts. Furthermore, the mechanisms through which leadership contributes to MSME performance are still insufficiently explained, especially regarding the potential mediating role of halal supply chain practices in translating leadership values into operational outcomes.

More specifically, prior research has rarely examined how spiritual leadership influences MSME performance through the development of halal supply chain capability as an operational mechanism. This limitation indicates a lack of empirical understanding regarding how leadership-driven values can be translated into practical supply chain practices that support halal compliance and organizational performance.

Another limitation in the existing literature concerns the limited integration of leadership perspectives, halal supply chain capabilities, and MSME performance within regional halal industry contexts, particularly in emerging halal markets such as Indonesia. Understanding these relationships is important for explaining how leadership-driven organizational capabilities can strengthen MSME competitiveness in halal-oriented industries.

One region with significant potential for halal industry development is Kampar Regency in Riau Province. The local government has designated Kampar as a strategic area for halal economic development, supported by several initiatives aimed at strengthening the halal ecosystem. These initiatives include the transformation of Bank Riau Kepri into an Islamic financial institution to support sharia-based MSMEs and expand halal economic activities in the region (Gunawan, 2023). However, data from the Halal Product Assurance Agency (BPJPH) in Riau Province indicates that although there were 4,398 MSMEs operating in the food and beverage sector as of June 2024, only 1,699 had obtained halal certification. This condition indicates that the adoption of halal standards among MSMEs remains relatively limited.

This gap between the potential of the halal industry and the relatively low adoption of halal certification among MSMEs indicates the need to understand organizational factors that may support the implementation of halal-oriented business practices.

Therefore, this study examines the influence of spiritual leadership on MSME performance with the mediating role of halal supply chain practices in the food and beverage sector in Kampar Regency, Riau Province. By integrating leadership and supply chain perspectives

within the Resource-Based View framework, this study contributes to the literature by explaining how intangible leadership resources and organizational capabilities jointly influence MSME competitiveness in the halal industry.

Specifically, this study provides empirical evidence on how spiritual leadership as an intangible resource can influence MSME performance through the development of halal supply chain capability as a strategic operational mechanism.

## **Literatur Review and Hypothesis Development**

### ***Theoretical Framework***

This study adopts the Resource-Based View (RBV) as the primary theoretical framework to explain how internal organizational resources contribute to MSME competitiveness. According to RBV, firms can achieve sustainable competitive advantage when they effectively utilize resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991). These resources may include both tangible assets and intangible capabilities embedded within the organization.

In the context of halal-oriented MSMEs, spiritual leadership can be considered an important intangible organizational resource because it reflects values, beliefs, and leadership practices that shape ethical behavior and organizational culture (Fry et al., 2017). Leaders who emphasize spiritual values such as integrity, altruistic love, and shared vision can foster a meaningful work environment and strengthen employees' commitment to organizational goals.

In addition, the capability to implement a halal supply chain represents an important organizational capability that ensures halal integrity throughout the supply chain process, including sourcing, production, storage, and distribution activities (Khan et al., 2019; Tieman, 2021). When spiritual leadership and halal supply chain capability are effectively integrated, these resources can strengthen MSME competitiveness and improve organizational performance. From an RBV perspective, the success of an organization depends on its ability to effectively utilize its internal resources and capabilities (Grant, 1991).

### ***Spiritual Leadership and MSME Performance***

Spiritual leadership has been widely recognized as an important driver of organizational performance. According to Fry (2003), spiritual leadership emphasizes values such as vision, altruistic love, and hope/faith, which foster a sense of calling and membership among organizational members. These values encourage employees to develop stronger organizational commitment, improve productivity, and enhance overall well-being in the workplace.

From the perspective of the Resource-Based View, spiritual leadership can be viewed as an intangible strategic resource that shapes organizational culture and motivates employees to achieve better performance. Leaders who emphasize ethical values and shared vision are more likely to create supportive work environments that enhance organizational effectiveness and business performance.

Empirical studies also support this relationship. Araujo et al. (2022), Isnaeni et al. (2020), and Nurgazali et al. (2020) found that organizations with strong spiritual leadership tend to achieve higher levels of employee commitment and organizational performance. These findings indicate that leadership values grounded in spirituality can contribute to improving the performance of organizations, including MSMEs operating in the food and beverage sector. Based on the theoretical reasoning and empirical evidence, the following hypothesis is proposed:

**H1: Spiritual leadership positively affects MSME performance.**

### ***Spiritual Leadership and Halal Supply Chain***

Spiritual leadership also plays an important role in strengthening the implementation of halal supply chain practices. Leaders who emphasize ethical values, integrity, and compliance with Islamic principles can encourage employees to maintain halal standards throughout the entire supply chain process. In halal-oriented businesses, leadership values that prioritize honesty, discipline, and responsibility are essential to ensure that halal principles are consistently implemented in business operations.

From an RBV perspective, spiritual leadership represents an intangible organizational resource that supports the development of operational capabilities aligned with halal principles. When leaders promote spiritual awareness and ethical commitment within organizations, these values influence operational practices such as sourcing, production, storage, and distribution processes that comply with halal standards.

Empirical evidence also supports this relationship. Ezanee et al. (2020), Maryati et al. (2019), and Elias et al. (2017) found that spiritual leadership significantly influences the implementation of halal supply chain practices among SMEs in the food and beverage industry. Based on the theoretical reasoning and empirical findings, the following hypothesis is proposed:

**H2: Spiritual leadership positively affects halal supply chain implementation.**

### ***Halal Supply Chain and MSME Performance***

The implementation of halal supply chain practices is increasingly recognized as an important factor influencing organizational performance. Halal supply chain management ensures that halal integrity is maintained across all stages of the supply chain process, including sourcing, production, storage, and distribution activities. By ensuring compliance with halal standards, firms can strengthen consumer trust and enhance their competitiveness in halal-oriented markets.

From the perspective of the Resource-Based View, halal supply chain capability can be considered a strategic organizational capability that contributes to competitive advantage. Firms that effectively implement halal supply chain practices are better able to maintain product quality, increase consumer confidence, and expand market opportunities within the halal industry.

Previous studies also support this relationship. Aziz et al. (2021), Zailani et al. (2020), and Elias et al. (2017) found that the implementation of halal supply chain practices positively influences business performance, particularly in food-related industries. Based on the theoretical reasoning and empirical findings, the following hypothesis is proposed:

**H3: Halal supply chain implementation positively affects MSME performance.**

### *The Mediating Role of Halal Supply Chain*

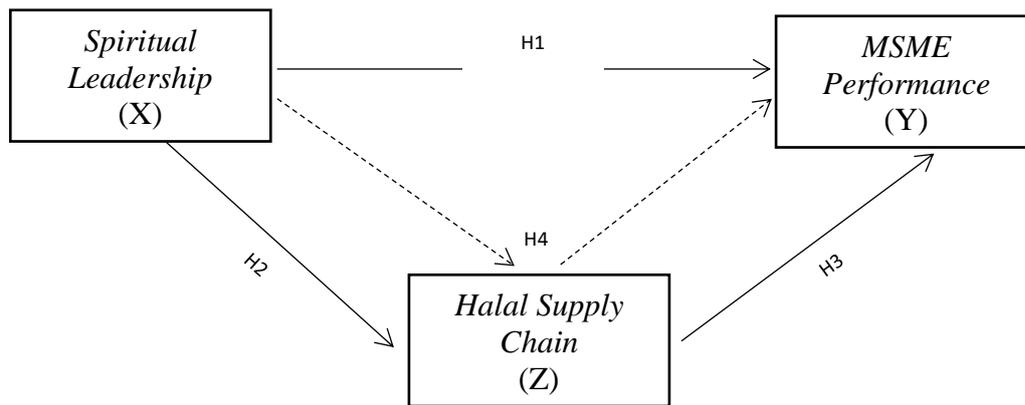
From the perspective of the Resource-Based View (RBV), organizations can achieve sustainable competitive advantage by effectively managing strategic resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). In the context of MSMEs operating in the halal industry, intangible resources such as leadership values and organizational capabilities play an important role in shaping competitive advantage. Spiritual leadership can be viewed as an intangible organizational resource that encourages ethical behavior, shared vision, and commitment among employees. Through value-based leadership, organizational members are encouraged to maintain integrity and discipline in business operations, including adherence to halal standards.

However, leadership values alone may not directly translate into improved organizational performance unless they are embedded in operational practices. In this regard, halal supply chain capability represents an important organizational mechanism that enables firms to maintain halal integrity throughout the entire supply chain process.

From an RBV perspective, halal supply chain capability functions as a strategic capability that transforms leadership-driven values into operational outcomes. When spiritual leadership promotes ethical commitment and organizational discipline, these values are translated into structured halal supply chain practices that improve operational performance and strengthen market credibility.

Empirical evidence also supports the mediating role of halal supply chain practices. Elias et al. (2017) found that halal supply chain capability significantly mediates the relationship between leadership orientation and organizational performance in halal-based industries. This finding suggests that leadership values influence organizational performance indirectly through the development of operational capabilities that ensure halal compliance across supply chain activities. Based on the above theoretical reasoning and empirical evidence, the following hypothesis is proposed:

**H4: Halal supply chain mediates the relationship between spiritual leadership and MSME performance.**



**Figure 1. Research Model**

## Research Method

The type of data used in this study is in the form of quantitative data and the data source used is primary data, which is in the form of respondents' answers to statements contained in questionnaires collected from food and beverage MSME business actors in Kampar Regency. The research population is 4,398 micro, small and medium enterprises in the food and beverage sector spread across Kampar Regency which are registered with the Kampar Regency Trade, Cooperatives, and MSEs Office. The sampling technique uses a *non-probability* sampling technique, which is a sampling technique that does not provide equal opportunities or opportunities for all elements or members of the population to be selected as samples.

The sampling method used in this study is purposive sampling, which involves selecting respondents based on specific criteria relevant to the research objectives. The criteria for selecting respondents are as follows: (1) food and beverage MSMEs located in Kampar Regency; (2) food and beverage MSMEs that are still actively operating and have been running their businesses for at least two years, considering that within this period the company's performance can be properly evaluated; and (3) food and beverage MSMEs that already have halal certification or are currently in the process of obtaining halal certification.

The technique used to collect relevant data in this study was a questionnaire. This data collection method required respondents to complete the questionnaire by answering each question and marking (√) the option that best represented their opinion. After completing the questionnaire, respondents returned it to the researcher. For respondents who could not be met in person, the questionnaire was distributed digitally through Google Forms.

The responses to each variable were measured using a five-point Likert scale consisting of the following options: Strongly Agree (SA) with a score of 5, Agree (A) with a score of 4, Neutral (N) with a score of 3, Disagree (D) with a score of 2, and Strongly Disagree (SD) with a score of 1.

**Table 1. Operational Definitions and Variable Measurements**

Years	Variable	Variable Definition	Dimensions	Indicator	Scale
1	Spiritual Leadership (X)	<b>Spiritual leadership</b> is a leadership that shapes <i>value, attitude, behavior</i> needed to motivate oneself and others intrinsically so as to achieve a spiritual sense of survival (Fry, 2003)		1. Vision 2. Altruistic Love 3. Hope/Faith (Fry, 2003)	Likert
2	MSME Performance (Y)	<b>Business Performance</b> is the level of achievement of a company in a certain period of time. Performance is very important in ensuring the sustainability of a business (Samsir <i>et al</i> , 2013)		1. Increased sales 2. Asset Growth (venture) 3. Increased Profit (profit) (Samsir <i>et al</i> , 2013)	Likert
3	Halal Supply Chain (Z)	<b>Halal Supply chain</b> In terms of halal practices, food MSME actors not only meet the requirements of existing standards, but must also understand sharia law to ensure that halal practices meet the requirements given by halal certification bodies (Azmi <i>et al.</i> , 2018)	1. Organizational Factors  2. Environmental Factors	1. Top Management Support 2. Organizational Readiness 3. Understanding the Practice 4. Awareness 5. Integrity 6. Expected Business Benefits (Azmi <i>et al.</i> , 2018)  1. Government Support 2. Consumer Pressure (Azmi <i>et al.</i> , 2018)	Likert

- |                      |  |
|----------------------|--|
| 3. Technology Factor | 1. Compatibility<br>2. Perceived benefits<br>(Azmi <i>et al.</i> , 2018) |
|----------------------|--|

The data analysis conducted by this study is a *Structural Equation Model* (SEM) using SmartPLS 4 software. The testing process in SmartPLS takes place in two stages. The author conducted a measurement test (*outer*) of the model at the initial stage, which evaluated the validity and reliability test. In the second stage, the researcher conducted a structural (*inner*) test of the model which evaluated the *coefficient of determination (r-squared)* test and the model fit test consisting of SRMR (*Standardised Root Mean square Residue*), and NFI (*Normed Fit Index*) as well as a hypothesis test.

## Results

### Results

Using the slovin formula, 367 (three hundred and sixty-seven) samples were obtained from 4,398 populations, The details of the data distribution and the amount of data collected are as follows:

**Table 2 Distribution of Questionnaires**

Remarks	Quantity	Percentage
Number of questionnaires distributed	367	100 %
Number of returned questionnaires	350	95%
Number of questionnaires that did not return	17	5%
Number of questionnaires that can be processed	350	95%

*Source : Primary Data Processed by Researchers 2025*

From the questionnaire used to be processed and as a hypothesis test, it can be known the characteristics of the respondents shown in Table 3 below.

**Table 3 Characteristics of Respondents**

Remarks	Frequency	Percentage
Gender :		
a. Male	120	34,3%
b. Women	230	65,7%
Quantity	350	100%
Age :		
a. 20-30 years	158	45,1%
b. 31-40 years old	101	28,9%
c. 40-50 years	73	20,9%
d. > 51 years old	18	5,1%
Quantity	350	100%

Last Education :			
a.	SD	8	2,3%
b.	Junior High School	19	5,4%
c.	High School	191	54,6%
d.	D1-D3	20	5,7%
e.	S1	104	29,7%
f.	S2	8	2,3%
g.	S3	0	0%
Quantity		350	100%
Remarks	Frequency	Percentage	
Position :			
a.	Business Owner	350	100%
Quantity		350	100%
Religion :			
a.	Islam	345	98,6%
b.	Buddhism	2	0,6%
c.	Christian	2	0,6%
d.	Catholicism	1	0,3%
Quantity		350	100%
Business age :			
a.	2 years	92	26,3%
b.	3-4 years	100	28,6%
c.	5-6 years	72	20,6%
d.	6-7 years	25	7,1%
e.	> 8 years old	61	17,4%
Quantity		350	100%
Annual Income :			
a.	< 300 M	267	76,3%
b.	300-2.5 m	77	22%
c.	> 2.5 m	6	1,7%
Quantity		350	100%

### *Descriptive Statistic*

Statistical data can be presented using the table *descriptive statistic* which displays the minimum value, maximum value, average value (*mean*), and standard deviation (Scott, 2013). The variables contained in this study include independent variables (Y), namely MSME performance, dependent variables (X), namely spiritual leadership, and mediation variables (Z), namely halal *Supply Chain*. The results of the descriptive statistical analysis test on the research variables as seen in Table 4 below:

**Table 4 Descriptive Analysis Results**

Variable	N	Minimum	Maximum	Red	Standard Deviation
Spiritual Leadership	350	10	50	43,34	7,125
MSME Performance	350	3	15	11,98	2,072
Halal <i>Supply chain</i>	350	14	55	48,55	6,234

Based on descriptive statistical analysis, it is known that the mean value for each variable is higher than the standard deviation value. This shows that the level of variation of the data is relatively low, so the mean value can be considered a good representation of the overall data. This phenomenon is caused by standard deviations that indicate a minimal level of variation, which can reflect that the distribution of data in this researcher is normal and unbiased (Ghozali, 2018).

#### ***Model Measurement Test Results***

In this study, the measurement of the outer model was measured through convergent validity, discriminant validity, and composite reliability and cronbach's alpha. Convergent validity and discriminant validity were used to test the validity of the questionnaire instruments used to collect the necessary data, while composite reliability and Cronbach's alpha were used to test the feasibility of the questionnaire instruments used in this study.

#### ***Convergent Validity***

Value *convergent validity* determined by the value *Loading Factor* of each indicator and used to test the validity of the construct. An individual reflective measure is considered high if it has a correlation of more than 0.70 with the measured indicator, indicating that the indicator has met the convergent validity criteria. However, for the initial stage of research from the development of the loading value measurement scale of 0.50 to 0.60, it is considered quite adequate (Ghozali, 2014).

**Table 5 Loading Factor Test Results**

	HSC	KS	BY
HSC1	<b>0.815</b>		
HSC10	<b>0.746</b>		
HSC11	<b>0.773</b>		
HSC2	<b>0.801</b>		
HSC3	<b>0.821</b>		
HSC4	<b>0.765</b>		
HSC5	<b>0.807</b>		
HSC6	<b>0.815</b>		
HSC7	<b>0.819</b>		
HSC8	<b>0.823</b>		
HSC9	<b>0.813</b>		

KS1	<b>0.866</b>	
KS10	<b>0.871</b>	
KS2	<b>0.842</b>	
KS3	<b>0.862</b>	
KS4	<b>0.868</b>	
KS5	<b>0.883</b>	
KS6	<b>0.888</b>	
KS7	<b>0.858</b>	
KS8	<b>0.834</b>	
KS9	<b>0.850</b>	
KU1		<b>0.858</b>
KU2		<b>0.867</b>
KU3		<b>0.709</b>

The output results in Table 5 show that the *Loading Factor* for each variable exceeds 0.7. According to Hair *et al* (2020) Loading factor 0.5 is still acceptable for development research.

Furthermore, the *Average Variance Extracted* (AVE) values for each variable are shown in Table 6 below:

**Table 6 Average Variance Extracted (AVE) Test Results**

<b>Variable</b>	<b><i>Average Variance Extracted (AVE)</i></b>
Halal Supply Chain	0.640
Spiritual Leadership	0.744
MSME Performance	0.664

Based on the results of this study, the *Average Variance Extracted* (AVE) value in Table 6 shows that the *Average Variance Extracted* (AVE) value of each construct is above 0.50. An *Average Variance Extracted* (AVE) value above 0.50 is said *to be convergent validity* (Ghozali and Latan, 2020).

### ***Discriminant Validity***

In *Smart-PLS*, discriminant validity testing can be done using the criteria *Fornell-Larcker* and *cross-loading*. Discriminant validity can be indicated if the root of the AVE in the construct is higher compared to the correlation of the construct with other latent variables, whereas in the test *Cross Loading* must show a higher indicator value of each construct compared to the indicator on the other construct (Sekaran and Bougie, 2016). The following are the results of the discriminatory validity test using the *Fornell-Larcker*, which is presented in Table 7.

**Table 7 Results of Fornell-Larcker Discrimination Validity Test**

	HSC	KS	BY
HSC	<b>0.800</b>		
KS	0.564	<b>0.862</b>	
BY	0.557	0.633	<b>0.815</b>

Table 7 presents the results of the discriminatory validity test using the *Fornell-Larcker*. Where is the value of the square root *AVE* for MSME performance is 0.815, which is higher compared to spiritual leadership 0.633, as well as halal *Supply Chain* 0.557. Meanwhile, the value of the square root *AVE* For spiritual leadership is 0.862 has a higher value compared to halal *Supply Chain* which is worth 0.564. These results show that the correlation between the indicator and its construct is higher than the correlation with the other block constructs, indicating that the discriminant validity has been met (Fornell and Larcker, 1981).

Furthermore, it is the result of *the cross loading* test of each variable, which is presented in Table 8.

**Table 8 Cross Loadings Test Results**

	Halal Supply chain (Z)	Spiritual Leadership (X)	MSME Performance (Y)
HSC1	<b>0.815</b>	0.446	0.438
HSC10	<b>0.746</b>	0.419	0.437
HSC11	<b>0.773</b>	0.383	0.400
HSC2	<b>0.801</b>	0.463	0.436
HSC3	<b>0.821</b>	0.485	0.469
HSC4	<b>0.765</b>	0.470	0.506
HSC5	<b>0.807</b>	0.423	0.425
HSC6	<b>0.815</b>	0.429	0.438
HSC7	<b>0.819</b>	0.403	0.391
HSC8	<b>0.823</b>	0.493	0.477
HSC9	<b>0.813</b>	0.516	0.458
KS1	0.422	<b>0.866</b>	0.513
KS10	0.468	<b>0.871</b>	0.537
KS2	0.540	<b>0.842</b>	0.550
KS3	0.557	<b>0.862</b>	0.591
KS4	0.499	<b>0.868</b>	0.553
KS5	0.465	<b>0.883</b>	0.555
KS6	0.456	<b>0.888</b>	0.554
KS7	0.449	<b>0.858</b>	0.531
KS8	0.502	<b>0.834</b>	0.535
KS9	0.479	<b>0.850</b>	0.528
KU1	0.481	0.535	<b>0.858</b>
KU2	0.508	0.574	<b>0.867</b>
KU3	0.356	0.424	<b>0.709</b>

The results of *the cross loading* test are presented in Table 8, which shows that the indicator value for each construct is higher than the indicator value for the other construct. This indicates that the validity of the discriminator has been met.

### ***Reliability Test Results***

In this study, reliability measurement was carried out using Cronbach's Alpha Coefficient and composite realization. The higher the alpha coefficient value, the better the measurement quality of the instrument. Therefore, the evaluation criteria are based on two aspects, namely Cronbach's Alpha Coefficient and composite realization. Value composite reliability ranges from 0 to 1, where the higher the value, the better the reliability identification. The interpretation of this value is in line with Cronbach's Alpha. If composite reliability and Cronbach's Alpha more than 0.70, then the instrument can be considered reliable (Sholihin and Ratmono, 2021). The following are the results of the reliability test that show the value of Cronbach's Alpha and composite realization, presented in Table 9:

**Table 9 Construct Validity and Reality Test Results**

	Cronbach's Alpha	Composite Reliability	Verdict
(Z) Halal <i>Supply chain</i>	0.944	0.945	Reliable
(X) Spiritual Leadership	0.962	0.962	Reliable
(y) Business Performance	0.745	0.769	Reliable

Based on Table 9, it can be concluded that each construct has met the reliability criteria, since the value of Cronbach's alpha and composite reliability for each variable is  $\geq 0.7$ .

### **Structural Test Results (*Inner Model*)**

#### ***Model Testing***

The internal model evaluation was conducted using the R-Square and Adjusted R-Square values obtained from the PLS Algorithm results to assess the explanatory power and compatibility of the research model. In addition, model fit was evaluated using the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI) to provide a clearer assessment of the model's suitability with the observed data.

The R-Square value for the halal supply chain variable as the mediating construct is 0.318. This indicates that spiritual leadership explains 31.8% of the variance in the halal supply chain variable, while the remaining 68.2% is influenced by other variables not included in this study. Meanwhile, the R-Square value for MSME performance is 0.459, which means that spiritual leadership and halal supply chain jointly explain 45.9% of the variance in MSME performance, while the remaining 54.1% is affected by other factors outside the research model.

Furthermore, the Adjusted R-Square value for the halal supply chain variable is 0.316, indicating that the influence of spiritual leadership on the halal supply chain can be categorized as weak to moderate. Meanwhile, the Adjusted R-Square value for MSME performance is

0.456, suggesting that spiritual leadership and halal supply chain have a moderate influence on MSME performance. According to Chin (1998), R-Square values of 0.67, 0.33, and 0.19 indicate strong, moderate, and weak explanatory power, respectively. Based on these criteria, the model used in this study demonstrates moderate predictive power in explaining the relationships among the variables, although other factors outside the model may also contribute to the variability of MSME performance.

In addition to the coefficient of determination, the model fit was also evaluated using SRMR and NFI. The SRMR value obtained in this study is 0.048. SRMR measures the fit of a model based on the standardized residuals between the observed covariance matrix and the predicted model. The SRMR value ranges from 0 to 1, and a value below 0.08 indicates a good model fit (Hu & Bentler, 1999). Therefore, the SRMR result in this study indicates that the model has a good fit with the observed data.

Furthermore, the Normed Fit Index (NFI) value obtained is 0.907. NFI is used to assess the extent to which the proposed model performs better compared to the baseline model. The value of NFI ranges from 0 to 1, where values closer to 1 indicate a better model fit (Ghozali, 2014). The NFI value obtained in this study indicates that the model has a good and acceptable level of fit. Overall, these results suggest that the proposed research model is sufficiently robust and suitable for explaining the relationships among the variables examined in this study.

### **Hypothesis Testing Results**

To evaluate the results of the hypothesis test simultaneously, the path coefficient and p-values of the total effects produced from the simultaneous processing of variable data can be seen. A hypothesis can be statistically accepted or rejected based on the calculation of its degree of significance. In this study, the significance level used is 5%, so the confidence level used is 0.05 to reject a hypothesis. In the context of this study, there was a 5% chance of making the wrong decision and a 95% chance of making the right decision.

Below is Figure 2 which shows the correlation between each variable, namely the image that illustrates the influence of the spiritual leadership variable on the performance of MSMEs with halal *supply chain* as a mediation variable.

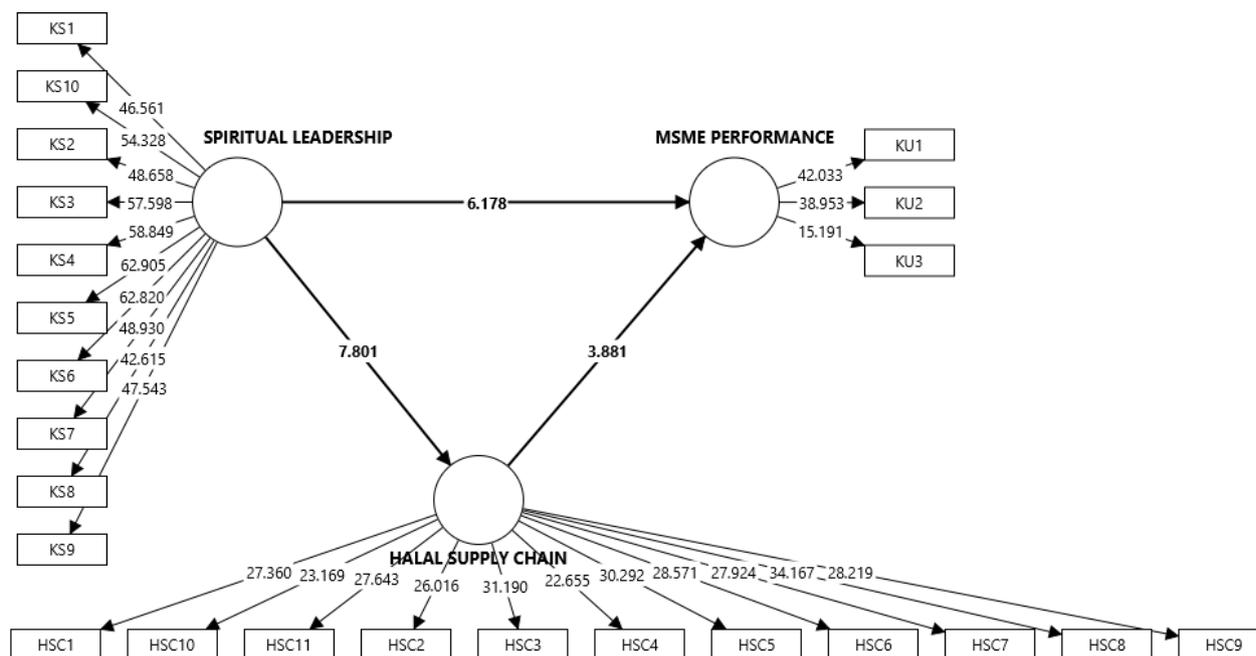


Figure 2 Structural Model

The following is Table 10 showing the values of the original sample (O), average sample (M), standard deviation (STDEV), t statistic ( $|O/STDEV|$ ), as well as the p value of the research conducted after mediation.

Table 10. Mean, STDEV, T-Values, P-Values After Mediation

	Original Sample (O)	Sample Average (m)	Standard Deviation (STDEV)	T Statistic ( $ O/STDEV $ )	P Value	Remarks
KS > KU	0.468	0.466	0.076	6.178	0.000	Accepted
KS -> HSC	0.564	0.563	0.072	7.801	0.000	Accepted
HSC -> KU	0.293	0.294	0.076	3.881	0.000	Accepted
KS -> HSC -> KU	0.165	0.166	0.051	3.220	0.001	Accepted

NB: Significant < 0.05,

The results of the hypothesis testing indicate that all proposed hypotheses are supported. The first hypothesis (H1), which states that spiritual leadership affects MSME performance, shows a P-value of 0.000 (<0.05), a t-statistic of 6.178 (>1.96), and a path coefficient of 0.468, indicating that H1 is accepted. The second hypothesis (H2), which proposes that spiritual leadership influences the halal supply chain, also shows a P-value of 0.000 (<0.05), a t-statistic of 7.801 (>1.96), and a path coefficient of 0.564, confirming that H2 is accepted. Furthermore, the third hypothesis (H3), which states that the halal supply chain affects MSME performance, shows a P-value of 0.000 (<0.05), a t-statistic of 3.881 (>1.96), and a path coefficient of 0.293, indicating that H3 is accepted. Finally, the fourth hypothesis (H4), which examines the

mediating role of the halal supply chain in the relationship between spiritual leadership and MSME performance, shows a P-value of 0.001 ( $<0.05$ ), a t-statistic of 3.220 ( $>1.96$ ), and a path coefficient of 0.165. These results indicate that H4 is accepted, suggesting that the halal supply chain partially mediates the relationship between spiritual leadership and MSME performance.

## **Discussion**

### ***The Influence of Spiritual Leadership on MSME Performance***

The results of this study indicate that the first hypothesis (H1) is accepted, showing that spiritual leadership has a significant and positive effect on MSME performance. This finding implies that higher levels of spiritual leadership practiced within MSMEs are associated with better organizational performance. Leaders who emphasize spiritual values such as integrity, altruistic love, and shared vision are more likely to foster employee commitment, strengthen teamwork, and encourage continuous improvement within the organization.

From the perspective of the Resource-Based View (RBV), spiritual leadership can be interpreted as an intangible organizational resource that contributes to competitive advantage. Leadership values grounded in spirituality shape organizational culture and motivate employees to work more responsibly and ethically, which ultimately enhances business performance.

The findings of this study are consistent with previous research. Araujo et al. (2022) and Gusnardi et al. (2025) found that spiritual leadership positively influences organizational performance by strengthening employee motivation and commitment. Similarly, Isnaeni et al. (2020) and Nurgazali et al. (2020) reported that organizations led by spiritually oriented leaders tend to demonstrate higher levels of productivity and performance.

Therefore, these findings suggest that spiritual leadership plays an important role in improving MSME performance by fostering ethical values, strengthening organizational commitment, and creating a supportive work environment.

### ***The Influence of Spiritual Leadership on the Halal Supply Chain***

The results of the study show that the second hypothesis (H2) is accepted, indicating that spiritual leadership has a significant and positive effect on halal supply chain implementation. This result suggests that MSMEs led by leaders who emphasize spiritual values tend to implement halal supply chain practices more effectively.

Leaders who possess strong spiritual values are more likely to ensure that every stage of the supply chain—from sourcing raw materials to production and distribution—complies with halal and *thayyib* principles. Such leadership encourages employees to maintain ethical behavior and organizational discipline in implementing halal standards.

This finding also supports the argument that leadership values influence organizational practices. In halal-oriented industries, leadership commitment to ethical and religious principles can strengthen organizational awareness of halal compliance and improve the integrity of supply chain processes.

The results of this study are consistent with the findings of Ezanee et al. (2020), who reported that spiritual leadership significantly influences halal supply chain practices among SMEs in the food and beverage industry. Similarly, Maryati et al. (2019) and Elias et al. (2017) emphasized that leadership values play an important role in strengthening halal value chain implementation. Therefore, spiritual leadership can be considered an important organizational driver that supports the successful implementation of halal supply chain practices in MSMEs.

### ***The Influence of Halal Supply Chain on MSME Performance***

The results of the study indicate that the third hypothesis (H3) is accepted, demonstrating that halal supply chain implementation has a significant and positive effect on MSME performance. This finding suggests that MSMEs that effectively implement halal supply chain practices tend to achieve better business performance.

The implementation of halal supply chain practices ensures that halal integrity is maintained across all business processes, including sourcing, production, storage, and distribution activities. This strengthens consumer trust, improves product credibility, and increases the competitiveness of MSMEs in halal-oriented markets.

From the perspective of RBV, halal supply chain capability can be viewed as a strategic organizational capability that enhances competitive advantage. Firms that successfully implement halal supply chain practices are better positioned to maintain product quality, increase customer confidence, and expand market opportunities.

The findings of this study are consistent with previous research. Zailani et al. (2020) and Elias et al. (2017) found that halal supply chain practices positively influence business performance, particularly in food-related industries. Similarly, Aziz et al. (2021) reported that halal supply chain implementation significantly improves the performance of food MSMEs in Bandung.

These findings indicate that effective halal supply chain management not only ensures compliance with halal standards but also contributes to improving organizational performance.

### ***Halal Supply Chain as a Mediator in the Relationship between Spiritual Leadership and MSME Performance***

The results of the study show that the fourth hypothesis (H4) is accepted, indicating that halal supply chain practices mediate the relationship between spiritual leadership and MSME performance.

This result suggests that spiritual leadership influences MSME performance not only directly but also indirectly through the development of halal supply chain capability. Leadership values grounded in spirituality encourage organizations to implement ethical and disciplined operational practices, which are reflected in the adoption of halal supply chain standards.

The implementation of halal supply chain practices enables MSMEs to strengthen product quality, maintain halal integrity, and improve consumer trust. As a result, these operational improvements contribute to better organizational performance.

The findings are consistent with the study by Elias et al. (2017), which found that halal supply chain capability plays a significant mediating role in the relationship between leadership orientation and organizational performance in halal-based industries.

Therefore, halal supply chain capability acts as an important mechanism through which spiritual leadership values are translated into operational practices that ultimately enhance MSME performance.

## **Conclusion**

This study aims to analyze the influence of spiritual leadership on MSME performance in Kampar Regency, with halal supply chain as a mediating variable. The findings indicate that spiritual leadership has a positive and significant effect on MSME performance.

The results also show that spiritual leadership significantly influences the implementation of halal supply chain practices. In addition, halal supply chain capability has a positive effect on MSME performance and plays a mediating role in the relationship between spiritual leadership and organizational performance.

These findings indicate that the integration of spiritual leadership values and halal supply chain capability can strengthen the competitiveness of MSMEs operating in the food and beverage sector.

This study has several limitations. First, the respondents involved in this research were limited to MSME business owners, which may not fully represent the perspectives of other stakeholders such as consumers or supply chain partners. Second, this study focuses only on three variables: spiritual leadership, halal supply chain, and MSME performance while other factors that may influence MSME performance were not included in the research model.

Future research is therefore recommended to incorporate additional variables, such as organizational culture, innovation capability, or market orientation, to provide a more comprehensive understanding of factors influencing MSME performance in halal-oriented industries.

This study contributes to the literature by extending the Resource-Based View (RBV) framework, demonstrating that intangible resources such as spiritual leadership and organizational capabilities such as halal supply chain management can function as strategic resources that enhance MSME competitiveness.

From a practical perspective, the findings suggest that local governments and MSME development agencies should focus on strengthening leadership competencies among MSME owners through spiritual leadership training programs. In addition, efforts to strengthen halal supply chain practices should be supported through improved access to halal certification, training programs, and stronger collaboration with halal certification institutions and Islamic business communities.

Such initiatives may help MSMEs improve their competitiveness and expand their participation in the growing halal industry.

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Spiritual Leadership and Performance in F&B MSMEs of Kampar: Halal Supply Chain Mediation

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