



THE ROLE OF CSR AS A MODERATING VARIABLE IN OPTIMIZING THE PERFORMANCE OF THE HALAL COSMETICS INDUSTRY

WARNO

Faculty of Islamic Economics and Business, Universitas Islam Negeri Walisongo
Jl Prof. Dr. Hamka, Ngalian, Semarang 50181, Indonesia

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Corresponding author:

warno@walisongo.ac.id

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Abstract: *This quantitative study examines the effects of management, internal control systems (ICS), and QRIS-based digital payments on the performance of MSMEs operating in the Indonesian halal cosmetics industry, involving Corporate Social Responsibility (CSR) as a moderating variable. Data were collected using the survey technique from 300 halal cosmetics MSMEs across various regions in Indonesia and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results reveal that management has a significant positive effect on MSME performance, ICS has no direct effect on MSME performance, while QRIS adoption has a significant negative effect on MSME performance. CSR significantly strengthens the relationship between ICS and MSME performance, but it does not moderate the effects of management or QRIS on MSME performance.*

Keywords: Corporate Social Responsibility, Digital Payments, Halal Industry, Internal Control, Management

INTRODUCTION

Due to the heightened consumer awareness of halal compliance, product safety, and business ethics, the global halal industry has grown rapidly over the past decade, particularly in the halal cosmetics sector. As the country with the largest Muslim population in the world, Indonesia has enormous potential to become a global hub for the halal industry (Junejo et al., 2023). However, the performance of halal MSMEs in Indonesia remains relatively low because of managerial constraints, inadequate internal control systems, and low adoption of digital technologies (Nugraha et al., 2022). This condition creates a discrepancy between the actual performance of Indonesia's halal cosmetics sector and its vast market potential. The vital role of effective management in improving MSME performance has been examined in several prior studies. Suherna and Nasiatin (2024), for example, found that the operational and marketing performance of MSMEs is positively affected by financial, marketing, production, and human resource management practices.

In the context of Internal Control Systems (ICS), implementing effective internal controls can enhance transparency, operational efficiency, and financial accountability (Antonini & Gomez-Conde, 2024). Robust control systems contribute positively to the sustainability of halal industry performance (Lever et al., 2025). Nevertheless, other studies have reported that the implementation of internal controls in MSMEs does not significantly affect performance due to insufficient resources, procedural complexity, and limited understanding of internal control functions among entrepreneurs (Mitcham & Englehardt, 2019; Haniffa & Hudaib, 2007). This underscores an empirical gap in the existing literature about the effectiveness of internal control systems in improving halal MSME performance, particularly in the halal cosmetics sector.

The adoption of QRIS-based digital payment systems has also attracted considerable attention for its potential to improve MSME performance. QRIS has been found to enhance transaction efficiency, financial recording transparency, and customer convenience (Wulandari & Ramadhan, 2025; Ramayanti et al., 2025). However, QRIS adoption may negatively affect performance in cases of low digital literacy, inadequate technological infrastructure, and high system adaptation costs (Wahyudin et al., 2022; Wahyuni & Purwanto, 2020). Such inconsistent findings among studies on this topic indicate a research gap in how QRIS adoption impacts halal MSME performance, particularly within the cosmetics sector, which has distinct operational characteristics compared to other MSME sectors.

Apart from ICS, Corporate Social Responsibility (CSR) has also been shown to play a crucial role in improving corporate reputation, customer loyalty, and financial performance (Alhajjeah et al., 2025; Tang et al., 2024). Ye and Dela (2023) revealed that CSR promotes corporate governance practices and the improvement of sustainable performance. With regard to the halal industry, additional dimensions are added to the CSR aspect, namely Sharia compliance, Islamic business ethics, and Islamic social responsibility, thereby requiring a more contextualized research approach (Park et al., 2024).

Despite the significance of the halal industry in Indonesia, most studies on CSR in this country mainly targeted large enterprises and manufacturing industries. Meanwhile, studies that position CSR as a moderating variable in the relationship among management, internal control systems, and technology adoption on the performance of halal MSMEs remain limited. In explaining the performance of halal cosmetics MSMEs in Indonesia, no comprehensive research model has integrated management, internal control systems, QRIS adoption, and CSR simultaneously. Therefore, this study offers scientific novelty by developing an integrated conceptual model that incorporates CSR as a moderating variable. This study is expected to contribute theoretically to the literature on management, accounting, and Islamic economics, as well as practically to policymaking and strategic development of halal cosmetics MSMEs.

THEORETICAL FRAMEWORK AND HYPOTHESES

The Resource-Based View (RBV) Theory

In strategic management, the Resource-Based View (RBV) Theory regards a company as a collection of unique resources and capabilities, with differences in the ownership, quality, and management of internal resources being the primary determinants of competitive advantage and long-term company performance (Restianingati, 2023). RBV emphasizes that external industry conditions do not solely drive business success. Rather, it is influenced by the company's ability to identify, develop, combine, and effectively utilize both tangible and intangible resources, i.e., physical assets, technology, knowledge, managerial expertise, reputation, organizational culture, and organizational systems.

Halal Industrial Performance

Halal industry performance measures the effectiveness and efficiency of an entity, such as MSMEs, in achieving business goals while still complying with Sharia principles. In this regard, performance assessment not only involves traditional financial aspects, e.g., profitability and sales growth, but also non-financial aspects and halal compliance (Adhiwibowo et al., 2025). In the context of halal cosmetics MSMEs, performance can be analyzed through several key indicators, namely financial, operational, customer satisfaction, business growth, and competitiveness.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a company's commitment to support sustainable development by considering the social, environmental, and economic impacts of its operations on both shareholders and stakeholders (Akhtar et al., 2025). CSR not only encompasses a company's legal obligations but also its voluntary actions aimed at enhancing society and the environment (Tang et al., 2024). While CSR may not be as extensive in the setting of MSMEs as it is in large companies, it nevertheless incorporates vital activities, including local community involvement, fair labor practices, and environmental awareness at a relevant scale (Tran et al., 2025).

Internal Control System (ICS)

An internal control system is an integrated framework comprising policies, procedures, organizational structures, and monitoring mechanisms designed by management and implemented by all members of the organization to provide reasonable assurance about the achievement of organizational objectives (Mitcham & Englehardt, 2019; Haniffa & Hudaib, 2007). These objectives include the reliability and integrity of financial reporting, the effectiveness and efficiency of operational activities, the safeguarding of organizational assets, and compliance with applicable laws, regulations, and internal policies.

Digital Payment (QRIS)

The Quick Response Code Indonesian Standard (QRIS) is Indonesia's national QR code standard for digital payments, launched by Bank Indonesia (the central bank of the Republic of Indonesia). QRIS enables interoperability among different electronic money applications or digital wallets through scanning a single QR code (Kraiwanit et al., 2024). The adoption of digital technology—such as QRIS—provides MSMEs with numerous benefits, including transaction efficiency, expansion of customer base through digital payment channels, better transparency in sales recording, and reduced cash management risks (Nguyen et al., 2025).

Management

Management is a systematic process that involves planning, organizing, directing, coordinating, and controlling resources—including human, financial, informational, and physical assets—to achieve organizational goals effectively and efficiently. It serves not only as a tool for activity control but also as a strategic decision-making mechanism that enables organizations to adapt, grow, and remain competitive in a dynamic environment. Through effective management, all organizational activities can be aligned with the organization's vision, mission, and both short-term and long-term objectives (Ayyas & Salah, 2025; Papadopoulou et al., 2023).

The Relationship Between Research Variables

Resource-Based View (RBV) Theory holds that excellent managerial capabilities are valuable internal resources that can boost performance and give businesses a competitive edge (Ayyas & Salah, 2025). Effective management—including finance, marketing, production, and HR functions—is the foundation for efficient business operations. Financial management controls planning, budgeting, and cash flow to ensure liquidity and profitability (He, 2025). Marketing management focuses on identifying customer needs, product development, pricing, and promotions to increase sales (Papadopoulou et al., 2023). Production or operational management handles the design and control of production processes, targeting both efficiency and quality (Restianingati, 2023). Finally, human resource (HR) management covers recruitment, training, and performance assessment, thus making HR a strategic asset (Paul, 2018). For halal MSMEs, good management is not only about operational efficiency (Oktaviani et al., 2024) but also ensuring compliance with Sharia principles, which is crucial for gaining the trust of the halal market (O'Shanahan et al., 2025). In this regard, good management is expected to positively affect halal industry performance. Therefore, the first hypothesis is proposed as follows:

H1: Management has a positive influence on the performance of the halal industry.

The Internal Control System (ICS) provides a framework to ensure the reliability of financial reporting, compliance with laws and regulations, and operational effectiveness and efficiency (Lever et al., 2025). The Agency Theory (Eisenhardt, 1989) explains how ICS can reduce information asymmetry and conflicts of interest, thus enhancing accountability, lowering the risk of fraud or errors, and ultimately improving performance. Similarly, the Control Theory (Ouchi, 1979) also supports the notion that effective control systems help align individual actions with organizational goals. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework identifies five key components of the Internal Control System (ICS), namely: 1) control environment fosters a control atmosphere across the entire company (Yurniwati & Rizaldi, 2015); 2) risk assessment that identifies and analyzes possible risks to achieving objectives (Ambarwati et al., 2024); 3) control activity that manages organizational actions to ensure the execution of management directives (Ana et al., 2025); 4) information and communication that emphasize the timely delivery of relevant information (Musheke & Phiri, 2021); and 5) monitoring that involves ongoing evaluation of ICS effectiveness (Musheke & Phiri, 2021). Originally, the COSO framework was designed for larger entities, but its principles can be adapted for MSMEs to focus on fundamental

structure, accountability, and documented processes (Mitcham & Englehardt, 2019; Haniffa & Hudaib, 2007). Based on the explanation above, the second hypothesis is constructed as follows:

H2: The Internal Control System influences the performance of the halal industry.

The adoption of QRIS, driven by its ease of use and perceived usefulness, can improve operational performance and sales. Digital Payment refers to financial transactions conducted electronically. Key indicators of QRIS include ease of use (Wulandari & Ramadhan, 2025), transaction speed (Wahyudin et al., 2022), standardized security (Lompar & Neij, 2025), and low transaction costs (Ramayanti et al., 2025). The adoption of QRIS by halal MSMEs can improve operational efficiency, broaden customer reach (especially among millennials and Generation Z), and enable better transaction recording, thereby supporting business growth (Wahyuni & Purwanto, 2020). In the halal context, the use of QRIS also facilitates transaction transparency, which is consistent with Sharia principles that value honesty and clarity. Therefore, the third hypothesis is proposed as follows:

H3: Digital Payment (QRIS) influences the performance of the halal industry.

Good management is a crucial aspect of a business, and Corporate Social Responsibility (CSR) can magnify its effect on performance (Alhajjeah et al., 2025). According to the Stakeholder Theory, companies that manage their connections with stakeholders through CSR can create an environment that is favorable to business success (Escandon-Barbosa & Salas-Paramo, 2025) by building trust (Subramaniam et al., 2024), reputation (Tessaro et al., 2023), and social support (Naser, 2023). Effective management in integrating CSR practices can enhance legitimacy, attract customers, and motivate employees. Well-run companies that actively engage in CSR activities are likely to achieve a stronger positive impact of management on their performance. Therefore, the fourth hypothesis is formulated as follows:

H4: CSR positively moderates the influence of management on the performance of the halal industry.

Similarly, CSR can also maximize the positive impact of the Internal Control System (ICS) on performance by enhancing its credibility and acceptance among stakeholders (Li et al., 2018). The integration of ICS into the CSR framework increases the perception that internal control is part of the company's commitment to good governance (Ye & Dela, 2023), thus motivating employees and enhancing investor trust (Nuseir et al., 2020). Therefore, the fifth hypothesis is proposed as follows:

H5: CSR moderates the influence of ICS on the performance of the halal industry.

The positive impact of QRIS adoption on MSME performance may be influenced by user trust, and CSR acts as a moderating aspect (Roy, 2024). MSMEs that are committed to CSR build an ethical reputation (Ren et al., 2025) and increase customer comfort in using QRIS (Ślusarczyk et al., 2023). A CSR that emphasizes data protection and transaction transparency can strengthen customers' perceptions of security, thereby encouraging QRIS adoption (Usman et al., 2025). Therefore, the sixth hypothesis is constructed as follows:

H6: CSR moderates the influence of Digital Payment (QRIS) on the performance of the halal industry.

RESEARCH METHODS

Research Design

This study employed a quantitative approach with an explanatory design to test hypotheses on the effects of management, ICS, and QRIS on the performance of the halal industry, as well as the role of CSR in mediating these relationships. The study population consisted of all Micro, Small, and Medium Enterprises (MSMEs) in the halal cosmetics sector in Indonesia. Considering the absence of an exact and updated national database on the total number of halal cosmetics MSMEs, this study applied a non-probability sampling method using purposive sampling with specific criteria, obtaining a sample size of 300 halal cosmetics MSMEs.

Research Variables and Operational Definitions

Table 1. Research Variables and Indicators

Variables	Indicators	Code	Sources
Management (Independent Variable)	<i>Managerial capabilities and practices</i>		
	Financial Management	M1	(He, 2025)
	Marketing Management	M2	(Papadopoulou et al., 2023)
	Production/Operational Management	M3	(Restianingati, 2023)
Internal Control System (ICS)	Human Resource Management (HRM)	M4	(Paul, 2018)
	<i>Processes that assure achievement</i>		
	Control Environment	SPI1	(Yurniwati & Rizaldi, 2015)
	Risk Assessment	SPI2	(Ambarwati et al., 2024)
	Control Activities	SPI3	(Ana et al., 2025)
Digital Payment (QRIS)	Information and Communication	SPI4	(Musheke & Phiri, 2021)
	Monitoring	SPI5	(Musheke & Phiri, 2021)
	<i>Application of the QRIS digital payment standard</i>		
	Ease of Use	QR1	(Wulandari & Ramadhan, 2025)
	Transaction Speed	QR2	(Lompar & Neij, 2025)
Corporate Social Responsibility (CSR)	Security	QR3	(Lompar & Neij, 2025)
	Low Transaction Costs	QR4	(Ramayanti et al., 2025)
	<i>Commitment to sustainable development</i>		
	Environmental Responsibility	CSR1	(del-Castillo-Feito et al., 2022)
	Social Responsibility	CSR2	(Tran et al., 2025)
	Financial Responsibility	CSR3	(Tang et al., 2024)
Performance of the Halal Industry (Dependent Variable)	Responsibility toward Employees	CSR4	(Akhtar et al., 2025)
	Corporate Governance	CSR5	(Wilson & Liu, 2015)
	Products	CSR6	(Park et al., 2024)
	<i>Measures of MSMEs' effectiveness and efficiency</i>		
	Financial	K1	(Maycotte et al., 2025)
	Operational	K2	(Abdurrahman, 2024)
	Customer Satisfaction	K3	(Armesh et al., 2010)
	Business Growth	K4	(Tella, 2012)
	Competitiveness	K5	(Enshassi et al., 2025)

Source: (Data processing)

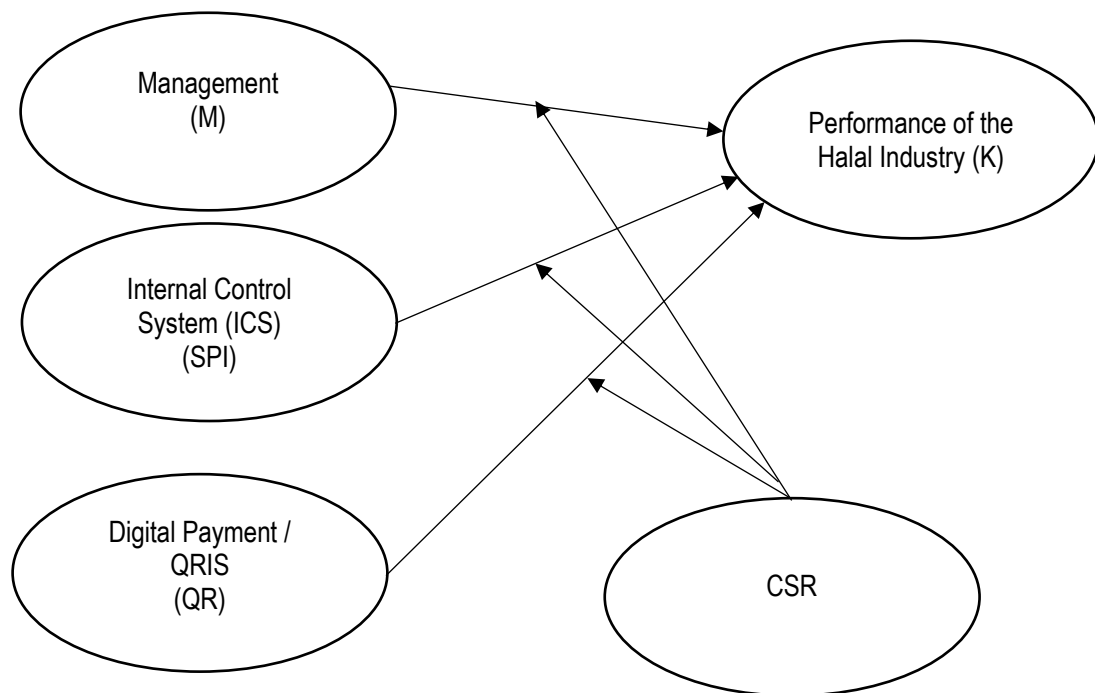


Figure 1. Research Model

Research Sample

The samples of this study are halal cosmetics MSMEs in Indonesia, businesses engaging in the production or distribution of cosmetic products that have obtained halal certification from the Halal Product Assurance Agency (Badan Penyelenggara Jaminan Produk Halal/BPJPH) or are in the process of obtaining certification, and have been operational for at least one year. To obtain more robust results of the PLS analysis, this study collected data from up to 300 halal cosmetics MSMEs in Indonesia.

Data Analysis

The analysis steps began with the evaluation of the measurement model to assess the validity and reliability of the research instruments, with the criteria being: the outer loading values of greater than 0.7 for convergent validity and the Average Variance Extracted (AVE) values of more than 0.5. Discriminant validity was also tested using the Fornell-Larcker criterion, with values below 0.90. Meanwhile, reliability was measured using Composite Reliability (CR) and Cronbach's Alpha, both of which should exceed 0.7 to ensure the internal consistency of the measurement tools used.

After evaluating the measurement model, the next step was assessing the structural model to test the proposed hypotheses. To demonstrate the significance of the relationships among variables, path coefficient tests were conducted, with the criteria being the t-statistic values of greater than 1.96 and the p-values of less than 0.05. Additionally, the R-squared (R^2) value was used to measure the proportion of variance explained by the model, with values ranging from 0 to 1. The f-squared (f^2) test was also carried out to measure the effect size of the independent variables on the dependent variable. CSR moderation analysis was performed, with the p-value for the interaction construct should not exceed 0.05, and the predictability of the model was assessed through the Q^2 value, which should be greater than 0.

RESULTS AND DISCUSSION

Inner Model Evaluation

The results of the measurement model testing are presented in Table 2.

Table 2. Measurement Model Analysis

Construct	Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
CSR	CSR1	0.957	0.967	0.972	0.884
	CSR2	0.921			
	CSR3	0.928			
	CSR4	0.972			
	CSR5	0.924			
K	K1	0.889	0.919	0.940	0.807
	K2	0.805			
	K3	0.965			
	K4	0.927			
M	M1	0.732	0.914	1.067	0.784
	M2	0.940			
	M3	0.936			
	M4	0.917			
QR	QR1	0.952	0.951	0.961	0.876
	QR2	0.979			
	QR3	0.823			
	QR4	0.982			
SPI	SPI1	0.988	0.990	0.990	0.961
	SPI2	0.959			
	SPI3	0.990			
	SPI4	0.982			
	SPI5	0.981			

Source: OutputSmart-PLS 3.0 (Data processing, 2025)

Based on Table 2, all constructs in this study meet the required criteria for validity and reliability in PLS-SEM analysis. All outer loading values were above 0.70, indicating strong convergent validity. The Average Variance Extracted (AVE) values ranged from 0.784 to 0.961, exceeding the minimum threshold of 0.50. This means that the latent variables explain a substantial proportion of the variance in their indicators. Furthermore, Cronbach's Alpha values (0.914–0.990) and Composite Reliability values (0.940–0.990) were all above 0.70, demonstrating excellent internal consistency. Therefore, the measurement model is considered valid and reliable and is suitable for further structural model analysis and hypothesis testing.

Outer Model Evaluation

R-square

According to Hair et al. (2011), an R-square value exceeding 0.50 indicates moderate to strong explanatory power, validating the capability of this model in providing meaningful insights into the relationships among the variables.

Table 3. Analysis Results of Measurement and Structural Models

Aspect of Evaluation	Variable / Path	Key Value	Remarks
Discriminant Validity (Fornell–Larcker)	CSR	$\sqrt{\text{AVE}} = 0.940$	Achieved
K	$\sqrt{\text{AVE}} = 0.898$		Achieved
M	$\sqrt{\text{AVE}} = 0.885$		Achieved
QR	$\sqrt{\text{AVE}} = 0.936$		Achieved
SPI	$\sqrt{\text{AVE}} = 0.980$		Achieved
Indirect Effect (Mediation)	M → CSR → K	O = -0.145; p = 0.208	Not significant
QR → CSR → K	O = -0.009; p = 0.944		Not significant
SPI → CSR → K	O = 0.291; p = 0.012		Significant (CSR as a mediator)
Predictive Relevance (Q ²)	CSR	0.287	Has predictive relevance
K	0.339		Has predictive relevance
M	0.000		Exogenous variable
QR	0.000		Exogenous variable
SPI	0.000		Exogenous variable
Coefficient of Determination (R ²)	CSR	0.357	Moderate explanatory power
K		0.466	Moderate to strong explanatory power

Source: OutputSmart-PLS 3.0 (Data processing, 2025)

Based on the analysis results shown in Table 3, both the measurement and structural models meet the PLS-SEM standards. Discriminant validity is confirmed through the Fornell–Larcker criterion, and the R² values indicate moderate explanatory power for CSR (0.357) and K (0.466), with Q² values demonstrating good predictive relevance. Mediation analysis shows that CSR significantly mediates the SPI → K relationship, but it does not mediate the effects of M and QR variables on K.

Hypothesis Testing

Hypothesis testing was performed to evaluate the statistical significance of the relationships between constructs in the model. For the examination of path coefficients, a P-value threshold of less than 0.05 was used to determine significance. As seen in Table 4 below, the results show that all proposed hypotheses meet this criterion, confirming that the relationships among variables are statistically significant.

Table 4. Hypothesis Testing

Relationship	Sample	T Statistics (O/STDEV)	P-Values	Decision
M → K (H1)	0.350	2.500	0.012	Accepted
SPI → K (H2)	0.076	0.496	0.620	Rejected
QR → K (H3)	-0.444	2.965	0.003	Accepted
M → CSR → K (H4)	-0.145	1.258	0.208	Rejected
SPI → CSR → K (H5)	0.291	2.507	0.012	Accepted
QR → CSR → K (H6)	-0.009	0.070	0.944	Rejected

DISCUSSION

The Relationship between Management and Halal Industry Performance

The analysis results consistently show that effective management has a significant positive impact on the performance of the halal industry, specifically in halal cosmetics MSMEs; thus, Hypothesis 1 is accepted. This finding aligns with existing literature on this topic (Nuseir et al., 2020; Suherna & Nasiatin, 2024). Comprehensive management, which comprises financial, marketing, production/operations, and human resources management, is an essential cornerstone for MSMEs to deliver optimal performance. In the context of the halal industry, solid financial management ensures not only liquidity and profitability (He, 2025) but also Sharia compliance in fund management, such as avoiding usury or investment in non-halal sectors, thereby building trust among Muslim consumers. For example, MSMEs with good cash flow management are more capable of investing in halal certification or product innovation. Effective marketing management enables MSMEs to identify the right halal market segments, develop products that align with consumer needs and values, and communicate the halal nature of their products transparently, thus enhancing sales and loyalty (Papadopoulou et al., 2023). Meanwhile, efficient production/operational management ensures that production processes meet quality and halal standards (Restianingati, 2023), minimizes waste, and maintains a halal supply chain. Finally, good HR management practices, such as training employees on halal principles, contribute to increased productivity and employee commitment to the company's values, which in turn boosts overall performance (Paul, 2018). Therefore, investing in managerial capability development is a fundamental strategy for MSMEs in the halal industry to enhance competitiveness and achieve sustainable growth (Oktaviani et al., 2024).

The Relationship between the Internal Control System and Halal Industry Performance

Internal Control System (ICS), however, has been found to have no significant effect on the performance of halal cosmetics MSMEs, thus rejecting Hypothesis 2. This finding aligns with several studies, which reported that the implementation of ICS in MSMEs frequently faces unique challenges that can hinder its effectiveness (Nguyen & Hoai, 2023). One major reason for this insignificance is MSMEs' resource limitations. Unlike large companies that have specialized departments and substantial budgets for ICS, MSMEs often lack financial resources, quality human resources, and adequate technological infrastructure necessary to optimally implement the five components of the COSO framework (Mitcham & Englehardt, 2019). Consequently, MSMEs may rely on informal controls or poorly documented controls, which may not systematically impact performance in measurable ways. Furthermore, a lack of managerial understanding of the importance and proper implementation of ICS also creates another barrier to the application of the system and its influence on performance. In this regard, MSME owners may view ICS as an administrative burden or additional cost rather than a strategic tool for risk mitigation and efficiency improvement (Haniffa & Hudaib, 2007). The bureaucratic complexity of ICS implementation can also be counterproductive for MSMEs operating with simpler and more flexible organizational structures. Thus, although theoretically ICS should improve performance, these challenges can in fact have insignificant or even negative consequences if ineffective implementation hinders operations (Antonini & Gomez-Conde, 2024).

The Relationship between Digital Payment Systems (QRIS) and Halal Industry Performance

The analysis results indicate that the adoption of digital payment systems (QRIS) has a significant negative effect on the performance of halal cosmetics MSMEs, supporting Hypothesis 3. This finding conflicts with the general expectation that digital technology will always have a positive impact on performance (Nguyen et al., 2025), highlighting specific implementation challenges faced by MSMEs in Indonesia. One major factor behind this negative effect is the lack of digital literacy among MSME operators and some of their customers. Although QRIS is designed for ease of use (Wulandari & Ramadhan, 2025), the transition from cash payments to digital ones may require considerable time and adaptation efforts, including training staff and educating customers (Wahyudin et al., 2022). Initial costs for devices (e.g., adequate smartphones or tablets), stable internet access, or even transaction fees, though low, can be additional burdens for MSMEs with tight profit margins. The integration of QRIS with MSMEs' non-automated financial recording systems can also cause other difficulties, leading to data inaccuracies or temporary operational inefficiencies. Additionally, resistance from customers or vendors who are more accustomed to cash transactions can be a hindrance. In some cases, reliance on unstable internet or electricity, especially in remote areas, can disrupt QRIS transactions, resulting in frustration and negatively impacting customer experience and operational efficiency (Wahyuni & Purwanto, 2020).

The Moderating Role of CSR in the Relationship between Management and Halal Industry Performance

Based on the Theory of Planned Behavior (TPB), behavior is influenced by attitudes toward business practices, subjective norms, and perceived behavioral control. The implementation of effective management (financial, marketing, production/operations, and human resources) reflects the positive attitudes of MSME actors toward efficiency, halal compliance, and business sustainability, while also demonstrating their ability to control resources and business processes in an integrated manner (Ye & Dela, 2023). The four management functions directly shape business intentions and behaviors oriented toward the improvement of performance, making the influence of management on the performance of halal MSMEs strong and significant. Within this framework, CSR does not act as a moderating variable as the principles of social responsibility and business ethics—such as honest marketing strategies, production processes that meet halal standards, fair HR management, and transparent financial practices—are already embedded in the managerial practices of halal MSMEs (Nuseir et al., 2020). In this regard, CSR does not significantly enhance the effects of management on performance but rather functions as an inherent part of the management system of halal MSMEs themselves. Therefore, Hypothesis 4 is rejected.

The Moderating Role of CSR in the Relationship between the Internal Control System and Halal Industry Performance

The most interesting finding of this study is that Corporate Social Responsibility (CSR) positively moderates (strengthens) the relationship between the Internal Control System (ICS) and the performance of the halal industry; thus, Hypothesis 5 is accepted. This suggests that when SMEs integrate social and ethical values into their business practices through CSR, the effectiveness of their internal control systems becomes more optimal. The mechanisms can be explained through several aspects. First, CSR enhances ICS's credibility and the acceptance of its implementation. When employees and external stakeholders observe the company's commitment to social responsibility, they tend to have a more positive perception of all corporate governance practices, including ICS (Ye & Dela, 2023). This creates a stronger control environment where employees are more motivated to comply with internal control procedures because they feel that they are part of an ethical and responsible organization (Li et al., 2018). Second, CSR can build trust among stakeholders. This not only attracts customers and enhances loyalty (Akhtar et al., 2025) but also facilitates internal audits or oversight due to a more transparent and cooperative environment. Third, a good reputation acquired through CSR programs can reduce certain risks, such as fraud or non-compliance, because of the company's stronger moral commitment and social oversight (Qazi, 2025).

The Moderating Role of CSR in the Relationship between Digital Payment Systems (QRIS) and Halal Industry Performance

Based on the research findings, CSR does not moderate the relationship between QRIS and the performance of the halal industry; thus, Hypothesis 6 is rejected. In the context of QRIS, the absence of CSR moderation may be attributed to the technical and operational aspects of QRIS adoption (Roy, 2024). Practical factors, such as digital literacy, infrastructure, and implementation costs, may also have a greater impact on QRIS's challenges or benefits than broader CSR initiatives. Instead of immediately associating QRIS with MSMEs' commitment to CSR projects, customers may use QRIS for its convenience and speed of transactions (Ye & Dela, 2023). Therefore, while CSR is essential for reputation and trust in general, its influence on specific technology adoption decisions or operational effectiveness may not be as strong as direct technical and economic factors.

CONCLUSION

This study investigates the effects of management, Internal Control Systems (ICS), and the adoption of digital payment through the Quick Response Code Indonesian Standard (QRIS) on the performance of halal cosmetics MSMEs in Indonesia, involving Corporate Social Responsibility (CSR) as a moderating variable. The findings reveal that effective management has a significant positive influence on the performance of Indonesian halal cosmetics MSMEs, emphasizing the critical role of managerial capabilities in driving sustainable business growth. In contrast, ICS does not exert a direct significant effect, indicating that internal control mechanisms alone are insufficient without strong managerial integration. QRIS adoption, on the other hand, has a negative impact on performance. This is likely due to constraints in digital literacy, technological readiness, and infrastructure. Meanwhile, CSR strengthens the relationship between ICS and performance, highlighting the importance of social responsibility in enhancing governance effectiveness and stakeholder trust. This study makes a theoretical contribution to the literature on performance determinants in Islamic business settings by developing an integrated

framework that combines managerial, control, technological, and social dimensions within the context of halal cosmetics MSMEs. Practically, the findings suggest that MSME managers should prioritize strengthening managerial competencies and digital readiness, while policymakers should design targeted training programs, technological support, and CSR-driven development strategies to enhance MSME competitiveness. However, despite its valuable contributions, this study is still limited by its focus on the halal cosmetics sector, reliance on quantitative methods, potential respondent bias, and a sample size that may not fully represent the national MSME population. Therefore, future studies are encouraged to explore other halal sectors, employ qualitative or mixed-method approaches, include additional explanatory variables, and analyze larger, more diverse samples to enhance generalizability and analytical depth.

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