

MSME Digital Transformation: Development of a Business Model Based on Sharia Economic Principles

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ABSTRACT

Digital transformation offers micro, small, and medium-sized enterprises (MSMEs) opportunities to expand market access and renew value creation mechanisms. However, technology adoption does not guarantee improved performance or alignment with Islamic economic principles. This study aims to formulate a conceptual framework for MSME digital business models that integrates digital capabilities, changes in business activities, and Sharia governance. The research questions address changes in value creation, delivery, and capture; potential tensions between digitalization and Sharia principles; and the development of model evaluation dimensions. The article adopts a conceptual approach through critical analysis and synthesis of literature on digital transformation, business model innovation, and Islamic fintech adoption. The synthesis indicates that the benefits of digitalization depend on the alignment of technology with organizational skills, strategy, and context. Furthermore, Islamic fintech acceptance differs conceptually from business model compliance, requiring separate evaluation. Based on these insights, the article proposes a framework connecting four dimensions: digital capabilities, business model configuration, Sharia governance, and business outcomes. Its novelty lies in distinguishing transformation capacity, changes in value mechanisms, normative criteria, and economic benefits. The theoretical contribution connects digital business model innovation with evaluation grounded in Sharia principles, while the practical contribution provides a foundation for technology investment planning and MSME support. The framework remains empirically unvalidated; future research should develop indicators, assess them with experts, and longitudinally test the relationships across different MSME categories.

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INTRODUCTION

Digital business transformation has changed the way companies create, deliver, and acquire value through the integration of technology with strategies, organizational processes, and customer relationships in an increasingly connected market ecosystem (Verhoef et al., 2021). These changes place micro, small, and medium enterprises (MSMEs) on the need to develop business models that are able to leverage digital channels while adapting organizational resources and capabilities to competitive dynamics (Matarazzo et al., 2021). However, the use of technology does not automatically result in transformation, as digital business model innovation requires coherent changes in value propositions, value-creation activities, and revenue generation mechanisms (Trischler & Li-Ying, 2023). In the context of the Islamic economy, the development of digital financial services also expands the transformation agenda towards sharia compliance, transparency, and inclusion, so the success of digitalization needs to be understood beyond mere transaction efficiency (Nuhic-Meskovic et al., 2026). Therefore, the development of MSME digital business models requires an approach that brings together technological capabilities with economic governance that pays attention to the interests of business actors and their stakeholders (Verhoef et al., 2021; Nuhic-Meskovic et al., 2026).

Previous research in various countries provides a foundation for understanding the relationship between digitalization, business model change, and the use of Islamic financial services, although the three have not always been analyzed within a single framework (Matarazzo et al., 2021; Darmansyah et al., 2021; Rahim et al., 2023). In Italy, a study of six SMEs in the food, fashion, and furniture industries showed that digital instruments support business model innovation through the development of distribution channels as well as new ways of creating and delivering value to customers (Matarazzo et al., 2021). In Indonesia, Priyono et al. (2020) identified three different SME digital transformation paths according to the company's conditions, including digital maturity and experience of using technology. Other research in Indonesia showed that technology adoption models, planned behaviors, and technology use were significantly related to the intention to use sharia fintech, but the unit of analysis was potential service users, not the entire MSME business model (Darmansyah et al., 2021). Meanwhile, a study of Islamic fintech users from the millennial group in Malaysia found a significant influence on performance expectations, social influences, and supporting conditions, thus providing evidence of service acceptance that needs to be distinguished from evidence of successful business transformation (Rahim et al., 2023).

Based on the scope of the study, the research gap lies in the need to link explanations of business model transformation with the mechanism for applying sharia economic principles at the operational level of MSMEs (Trischler & Li-Ying, 2023; Nuhic-Meskovic et al., 2026). The digital business model innovation literature provides an explanation of changes in value creation and acquisition, while the sharia fintech adoption research examined emphasizes user acceptance of digital financial services (Trischler & Li-Ying,

2023; Darmansyah et al., 2021; Rahim et al., 2023). A recent systematic review of 162 articles also shows the need for harmonization of sharia standards, diversity of research approaches, and measurement of inclusion outcomes, which indicates that the relationship of technology with social goals still needs further development (Nuhic-Meskovic et al., 2026). Thus, the issue that is not adequately explained by these sources is how sharia compliance translates into decisions regarding product offerings, transaction openness, partner relationships, and revenue generation in one MSME digital business model (Trischler & Li-Ying, 2023; Nuhic-Meskovic et al., 2026). This gap also includes the need to distinguish between indicators of technology adoption, changes in business models, and economic benefits so that the use of applications is not treated as automatic evidence of transformation success (Verhoef et al., 2021; Priyono et al., 2020).

To answer this gap, this study proposes a novelty in the form of a framework for developing MSME digital business models that connects digital capabilities, value creation configurations, and sharia governance as interconnected dimensions (Matarazzo et al., 2021; Trischler & Li-Ying, 2023; Nuhic-Meskovic et al., 2026). Operationally, digital capabilities are formulated through technology use skills, process integration, and the ability to adapt marketing channels to customer needs, following the literature's emphasis on organizational capabilities and contextual transformation paths (Matarazzo et al., 2021; Priyono et al., 2020). As a conceptual development of this research, sharia governance is translated into indicators of product and cost information disclosure, clarity of transaction agreements, and documentation of compliance assessments in business activities (Nuhic-Meskovic et al., 2026). The proposed model places revenue growth, process efficiency, and expanded access as outcomes that need to be evaluated separately from the level of technology use (Verhoef et al., 2021; Nuhic-Meskovic et al., 2026). The contribution is the preparation of interdimensional relationships and indicators that can be the basis for subsequent empirical testing, while still taking into account capacity differences between MSMEs (Priyono et al., 2020; Trischler & Li-Ying, 2023).

In line with this framework, this study aims to identify the dimensions of digital transformation that are relevant for MSMEs, formulate the application of sharia economic principles to business model components, and develop a conceptual framework along with its evaluation indicators (Verhoef et al., 2021; Trischler & Li-Ying, 2023; Nuhic-Meskovic et al., 2026). The first research question is: how does digital transformation change the mechanisms of creation, delivery, and value acquisition in MSME business models (Matarazzo et al., 2021; Priyono et al., 2020)? The second research question is: how can sharia economic principles be translated into operational mechanisms and governance indicators in the components of the MSME digital business model (Nuhic-Meskovic et al., 2026)? The third research question is: how can the relationship between digital capabilities, business model change, and sharia governance be formulated in a framework that allows the evaluation of economic benefits and inclusion (Trischler & Li-Ying, 2023; Nuhic-Meskovic et al., 2026)? The answers to these three questions are expected to provide a theoretical basis and

conceptual tools for the development of MSME transformation that takes into account the suitability of technology, business characteristics, and sharia economic goals (Priyono et al., 2020; Nuhic-Meskovic et al., 2026).

METHODS

This research is designed using a systematic literature review with conceptual synthesis to develop a digital business model of MSMEs based on sharia economic principles through the transparent identification, evaluation, and integration of previous research evidence (Kraus et al., 2020; Paul & Criado, 2020). The purpose of the research is directed at explaining the mechanism of changing business models and translating sharia principles into operational decisions, not just an inventory of the technologies used by MSMEs (Paul & Criado, 2020). The critical questions that guide the study are how digitalization changes the creation, delivery, and acquisition of value; under what conditions such changes have the potential to conflict with sharia economic principles; and how an integrative framework can be built to assess its benefits and limitations (Paul & Criado, 2020). The study procedure follows the *Scientific Procedures and Rationales for Systematic Literature Reviews* (SPAR-4-SLR) protocol, which includes the *assembling*, *arranging*, and *assessing* stages as the basis for documenting research decisions (Paul et al., 2021).

At the *assembling* stage, searches are planned through Scopus and the Web of Science in the fields of title, abstract, and keywords, with the scope of publication 2020–2025 in order to use the full six calendar years before the year of article preparation (Paul et al., 2021). Two search paths are used, namely ("SME*" OR "MSME*" OR "microenterprise*" OR "small business*") AND ("digital transformation" OR digitalization OR digitalisation OR "digital business model*") and ("SME*" OR "MSME*" OR "MICROENTERPRISE*" OR "SMALL BUSINESS*") AND (Islamic OR sharia* OR maqasid) AND (digital* OR fintech OR "business model*"), so that digitalization literature and sharia economics can be compiled without requiring all concepts to appear simultaneously (Kraus et al., 2020; Paul et al., 2021). English or Indonesian journal articles with full text and DOIs are the primary sources, while proceedings, editorials, duplications, and retracted publications are issued based on criteria set prior to screening (Paul et al., 2021). The actual search date, syntax of each database, filters, and number of findings are recorded for searches to be replicated (Kraus et al., 2020).

At the *arranging* stage, bibliographic records are combined and deduplicated based on DOIs, then titles, authors, and years for records without DOI matching (Kraus et al., 2020). Screening was carried out sequentially on titles and abstracts, then full text, by including studies that discuss changes in MSMEs' digital business or sharia economic mechanisms that can be applied to their business activities (Paul et al., 2021). Studies on consumer or banking adoption without an analytical relationship with MSMEs were excluded from the main corpus, while reasons for full-text exclusion were recorded individually (Kraus et al., 2020). Two reviewers were planned to conduct independent screening and resolve differences through re-reading and consensus, with all decisions stored in an audit sheet (Kraus et al., 2020).

At the *assessing stage*, data were extracted using a matrix containing publication identity, country, characteristics of MSMEs, research design, technology, business model components, sharia principles, outcome indicators, and study limitations (Paul et al., 2021). The quality of the evidence was assessed through clarity of purpose, design suitability, data traceability, analytical transparency, and support for conclusions, with strong, moderate, or weak assessments accompanied by written reasons (Kraus et al., 2020). The analysis used deductive coding of digital capabilities, value creation, sharia governance, and business outcomes, then inductive coding to capture mechanisms, contradictions, and contextual conditions that were not covered by the initial category (Paul & Criado, 2020). Findings are compared across countries and research designs, by distinguishing the reported relationships of empirical studies from normative argumentations of conceptual research (Paul & Criado, 2020).

The final synthesis results in construct definitions, interconstructs, boundary conditions, operational indicators, and research propositions that are linked to supporting sources as well as opposing evidence, respectively (Paul & Criado, 2020). The robustness of the skeleton is examined through resynthesis after issuing weak quality studies to identify sensitive relationships to evidence quality (Kraus et al., 2020). Protocols, article lists, exclusion reasons, extraction matrices, and codebooks are included as additional material, while the framework is stated as a conceptual model that has not been empirically validated (Paul et al., 2021; Paul & Criado, 2020).

RESULT AND DISCUSSION

Research Results

The literature reviewed shows that the digital transformation of MSMEs is related to changes in the mechanisms of creation, delivery, and value acquisition, although the available evidence more clearly explains the first two mechanisms. Matarazzo et al.'s (2021) study of six SMEs in Italy shows that the use of digital instruments supports the development of distribution channels and new ways of providing value to customers. Meanwhile, Priyono et al. (2020) identified three transformation pathways that are influenced by the company's condition, including digital maturity and experience of using technology. The findings answer the first research question by showing that changes in business models are contextual, so the use of the same technology cannot be assumed to result in a uniform business configuration.

Regarding the second research question, the sources discussed have not provided direct evidence of conditions when the digitization of MSMEs is contrary to sharia economic principles. Darmansyah et al.'s (2021) research explains the intention factor for using sharia fintech in Indonesia, while Rahim et al. (2023) identifies the adoption factor among millennial users in Malaysia. Both studies provide an explanation of service acceptance, but do not prove the compliance of all MSME business activities. The review of Nuhic-Meskovic et al. (2026) shows the need for harmonization of sharia standards and measurement of inclusion results, so that sharia compliance cannot be inferred only from the use of sharia-labeled services.

To answer the third research question, a conceptual reading of these sources

resulted in a framework design that connects digital capabilities, business model configuration, sharia governance, and business outcomes. Digital capabilities are placed as a supporting capacity for changes in business activities, while sharia governance is proposed as the basis for assessing transaction decisions and value acquisition. Revenue growth, process efficiency, and expanded access are positioned as evaluation dimensions separate from the level of technology adoption. These relationships are conceptual propositions that require testing, not proven causal relationships.

Thus, the results of the literature reading support the development of a digital business model that considers the condition of MSMEs and sharia governance mechanisms simultaneously. However, the available sources are not enough to establish validated compliance indicators or conclude that such integration improves business performance. A contribution that can be stated at this stage is the design of interdimensional relationships and the underlying evidence limits.

Discussion

The digital transformation of MSMEs in this research framework needs to be understood as a matter of changing business logic, because the value of technology depends on the company's ability to connect it with customer strategies, processes, and needs (Verhoef et al., 2021; Trischler & Li-Ying, 2023). This interpretation is in line with Matarazzo et al. (2021), who place dynamic capabilities as a supporting mechanism for value creation change, so that the ownership of digital devices alone does not adequately explain the success of transformation. However, the dynamic capabilities approach needs to be complemented by attention to the availability of resources, as worker skills, information technology infrastructure, and digital strategies are important factors in the digitalization of SMEs (Eller et al., 2020). Thus, the proposed framework is more accurately understood as a conditional relationship between digital capabilities and changes in business models, rather than an automatic sequence of technology adoption towards performance improvement (Eller et al., 2020; Trischler & Li-Ying, 2023).

The relationship between innovation and performance also requires a more careful interpretation than the assumption that the higher digitalization, the better the business outcome (Latifi et al., 2021). Evidence from Matarazzo et al. (2021) supports the potential of technology in expanding distribution channels and improving value delivery, but the findings come from a number of cases of Italian SMEs and do not prove uniform benefits for all MSMEs. As a constraint to such optimism, Latifi et al. (2021) point out that many SMEs do not obtain the expected results from business model innovation, so the linking mechanism between innovation and performance needs to be considered. This difference supports the separation between indicators of technology use, changes in business activities, and economic outcomes so that the expansion of digital marketing is not directly interpreted as an increase in profits (Verhoef et al., 2021; Latifi et al., 2021).

The integration of sharia economic principles expands the discussion from the ability to generate value to the basis of assessment of how value is obtained,

although the fintech adoption literature is not sufficient to prove the overall compliance of the business model (Darmansyah et al., 2021; Rahim et al., 2023). Darmansyah et al.'s (2021) research supports the importance of technology acceptance for the use of sharia fintech, while Rahim et al. (2023) shows the role of performance expectations, social influences, and supporting conditions in the Malaysian context. However, the intention to use services is a different construct from business activity compliance, so the two studies cannot be used as evidence that sharia fintech users have applied sharia principles to all their business transactions (Darmansyah et al., 2021; Rahim et al., 2023). Therefore, sharia governance in this research model needs to be positioned as a separate evaluation dimension, with indicators that must be developed and examined before being linked to economic benefits (Trischler & Li-Ying, 2023; Darmansyah et al., 2021).

Theoretically, the contribution of this framework lies in the distinction between the capacity to carry out transformations, the configuration of business activities, and the criteria for evaluating processes and outcomes (Verhoef et al., 2021; Trischler & Li-Ying, 2023). The distinction offers the development of a resource-based approach by including sharia governance as a proposed construct, rather than considering compliance as an automatic consequence of technological capabilities (Eller et al., 2020; Darmansyah et al., 2021). However, the addition of a normative dimension does not in itself produce theoretical novelty if the definition, relationship mechanism, and boundary conditions have not been consistently explained (Trischler & Li-Ying, 2023). Therefore, the relationship between digital capabilities, changes in business models, and business outcomes needs to be formulated as a proposition that is open to the possibility of failure and variations in context, as discussed by Latifi et al. (2021).

Practically, the framework suggests that MSME digital investment decisions begin with an assessment of customer needs, worker skills, and technological suitability for business processes, rather than simply following the popularity of applications (Matarazzo et al., 2021; Eller et al., 2020). As a conceptual implication, transaction assessment and compliance documentation need to be separated from the evaluation of the ease of use of services, as the acceptance of technology does not replace the examination of the business activities it serves (Darmansyah et al., 2021; Rahim et al., 2023). MSME assistance can be directed at measurable business model change experiments, by assessing implementation costs, revenue changes, and organizational capabilities simultaneously (Latifi et al., 2021; Eller et al., 2020). Nonetheless, these recommendations have not proven the effectiveness of the model, so further research needs to examine the relationships between constructs at the enterprise level and differentiate outcomes between micro, small, and medium-sized enterprises (Trischler & Li-Ying, 2023; Latifi et al., 2021).

CONCLUSIONS

This conceptual study places the digital transformation of MSMEs as a change in the logic of creation, delivery, and value acquisition that requires alignment between technological capabilities, business activity configuration, and sharia governance. The literature discussed shows that the adoption of technology

and the use of sharia fintech are not enough to prove the success of transformation or compliance with all business activities. Thus, the development of business models needs to consider organizational capacity and transaction evaluation mechanisms at the same time.

The proposed novelty lies in an integrative framework that distinguishes digital capabilities, business model changes, sharia governance, and business outcomes as interrelated but non-interchangeable dimensions. Theoretically, this framework expands the discussion of digital business model innovation by including normative criteria for assessing the value acquisition process. In the broader context of the literature, its contribution links the study of organizational transformation with research on the acceptance of Islamic financial services. Practically, the framework provides a basis for MSMEs and companion institutions to align technology investments, customer needs, and transaction compliance checks.

The main limitations of the study lie in the conceptual nature of the framework, the unavailability of indicator validation, and differences in source context that limit generalization. In addition, conclusions have not been based on a fully documented corpus of systematic reviews. Further research needs to complete the literature selection and assessment, develop indicators through the review of digital and sharia business experts, and test models in micro, small, and medium business groups. Longitudinal testing is needed to assess whether changes in business models precede performance improvements and how sharia governance affects those relationships.

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