



The Role of Islamic Microfinance Institutions in Supporting MSME Digital Transformation in Indonesia

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy by contributing significantly to employment and national economic growth. However, many MSMEs still face structural challenges, particularly limited access to financing and low digital readiness. In the era of digital economy expansion, Islamic microfinance institutions have the potential to support MSME digital transformation through inclusive and Sharia-compliant financial services. This study aims to analyze the role of Islamic microfinance institutions in supporting the digitalization of MSMEs in Indonesia. This research employs a descriptive qualitative approach using a literature review method. Data were collected from academic journals, government reports, and policy documents sourced from databases such as Google Scholar and national journal repositories. The selected literature was analyzed using content analysis through data reduction, categorization, and thematic interpretation. The findings show that Islamic microfinance institutions contribute to MSME digitalization by expanding access to Sharia-compliant financing, providing business mentoring, and improving managerial and digital capacities of MSME actors. However, challenges remain, including limited capital, low digital literacy, and technological constraints. Islamic microfinance institutions play a strategic role in supporting inclusive and sustainable MSME digitalization in Indonesia.

ABSTRAK

Usaha Mikro, Kecil, dan Menengah (UMKM) memiliki peran penting dalam perekonomian Indonesia karena berkontribusi besar terhadap penyerapan tenaga kerja dan pertumbuhan ekonomi nasional. Namun, banyak UMKM masih menghadapi kendala struktural, terutama keterbatasan akses pembiayaan dan rendahnya kesiapan digital. Di tengah perkembangan ekonomi digital, lembaga keuangan mikro syariah berpotensi mendukung transformasi digital UMKM melalui layanan keuangan yang inklusif dan berbasis prinsip syariah. Penelitian ini bertujuan untuk menganalisis peran lembaga keuangan mikro syariah dalam mendukung digitalisasi UMKM di Indonesia. Penelitian ini menggunakan pendekatan kualitatif deskriptif dengan metode studi pustaka. Data diperoleh dari jurnal ilmiah, laporan pemerintah, dan dokumen kebijakan, kemudian dianalisis menggunakan analisis isi. Hasil penelitian menunjukkan bahwa lembaga keuangan mikro syariah berkontribusi dalam digitalisasi UMKM melalui perluasan akses pembiayaan syariah, pendampingan usaha, serta peningkatan kapasitas manajerial dan literasi digital pelaku UMKM. Namun, tantangan masih muncul seperti keterbatasan permodalan, rendahnya literasi digital, dan keterbatasan teknologi. Lembaga keuangan mikro syariah memiliki peran strategis dalam mendukung digitalisasi UMKM yang inklusif dan berkelanjutan di Indonesia.



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INTRODUCTION

Indonesia's economic growth, based on data from statistics Indonesia (2025), was recorded at 5.04% year-on-year in the third quarter of 2025, indicating stable performance amid global uncertainty. This growth was supported by various sectors, including the manufacturing industry and improving household consumption, despite challenges such as slowing exports and investment. The contribution of the digital economy will be significant, nearly reaching US\$100 billion in 2025 (E-economy SEA, 2025).

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economy. MSMEs make a substantial contribution to Gross Domestic Product (GDP), employment, and income distribution. According to data from the Ministry of National Economic Affairs of the Republic of Indonesia (2022), MSMEs contribute more than 60% to the national GDP and absorb approximately 97% of the total workforce. This indicates that MSMEs serve as the backbone of Indonesia's economy and a key driver in promoting inclusive and sustainable economic growth.

Table 1. Data on the Number of MSMEs in Indonesia

No	MSME Category	Total	Percentage	Reference
1	Non-Agriculture & Fisheries MSMEs	30,178,617	50,7%	Single Data Information System (SIDT) 2024, Ministry of MSMEs
2	Agriculture & Fisheries MSMEs	29,341,033	49,3%	BPS Agricultural Census (2023)
	Total	59.519,650		

Source: <https://kadin.id/data-dan-statistik/umkm-indonesia/>. Accessed 20/12/2025; 09.50 WIB

According to data from the Ministry of Micro, Small, and Medium Enterprises (MSMEs) and Statistics Indonesia, there were approximately 59.5 million MSME units recorded in Indonesia as of December 31, 2024. However, despite their significant contribution to Indonesia's GDP, MSMEs face several structural challenges that need to be addressed in order for them to play a greater role in the national economy. These challenges include the quality and continuity of production, access to markets, product packaging, and the quality of human resources among MSME actors in managerial, financial, and production aspects (Sasongko, 2020).

Along with technological advancement, the challenges faced by society have continued to increase. In 2022, the number of MSMEs in Indonesia that had entered the digital ecosystem reached 20.76 million out of 64 million MSME units (32.44 percent) and was expected to increase to 24 million in 2023 and 30 million in 2024 (INDEF, 2024). In response, the Ministry of Cooperatives and MSMEs initiated the digital transformation of MSMEs through the Digital Hero (Pahlawan Digital) program by leveraging integrated service platforms (Rizaty, 2022). Another challenge is limited access to financing. Many MSME actors lack adequate collateral, transparent financial records, and a good credit history, making it difficult for them to obtain loans from formal financial institutions (Sari, 2025). As a result, most MSMEs still rely on informal financing sources with relatively high interest rates, which in turn can undermine the sustainability of their businesses.

On the other hand, microfinance institutions have significant potential and play an important role as a solution to enhance financial inclusion. Microfinance serves to bridge low-income communities, including micro MSME actors, in accessing formal financial services with more flexible and needs-based terms. According to the definition by Bank Indonesia (2022), microfinance not only provides financing but also offers mentoring services, savings facilities, and business training to enhance the economic capacity of small-scale communities.

In line with the growing need for more inclusive financing for MSMEs, Islamic microfinance institutions have emerged as an alternative, offering access to capital through a more equitable approach. Institutions such as Baitul Maal wat Tamwil (BMT) and Islamic cooperatives apply profit-sharing principles, transparency, and the prohibition of interest (*riba*), making them more suitable for small business owners who often face limitations in collateral and administrative capacity (Naheri, Rabiatal Adawiyah, Rahman Ambo Masse, 2024). Through flexible and empowerment-oriented mechanisms, Islamic microfinance institutions provide financing opportunities that are more accessible to MSMEs, traditionally facing obstacles in accessing formal financial institutions.

In the context of accelerating MSME digitalization, the role of Islamic microfinance institutions is increasingly strategic. Digital transformation requires significant initial investment, such as adopting digital marketing technologies, improving technological literacy, implementing app-based record-keeping systems, and developing business platforms. Limited funding is one of the main barriers preventing MSMEs from fully leveraging digitalization. Through various Sharia-compliant financing contracts, Islamic microfinance institutions have the flexibility to provide affordable financing tailored to the productive needs of MSMEs during the digitalization process. In addition, many Islamic microfinance institutions also integrate business mentoring and digital education services, thereby not only providing financing but also enhancing the capacity of MSME operators to utilize technology effectively. Consequently, Islamic microfinance institutions play a crucial role in supporting MSMEs' readiness to enter the digital economy ecosystem in a sustainable and inclusive manner (lin, Indraswanti, Pembangunan, & Bengkulu, 2024).

Islamic microfinance has strategic potential to strengthen the MSME sector through an approach that is not only profit-oriented but also focuses on fairness, empowerment, and sustainability. With its inclusive, flexible, and Sharia-compliant characteristics, Islamic microfinance institutions are able to bridge the financing gap, which remains a major barrier for MSMEs, particularly those in the micro segment that are not yet bankable (Bank Indonesia, 2023). In the era of digitalization, Islamic microfinance plays an increasingly relevant role in supporting MSME transformation through the provision of affordable capital, business mentoring, and enhancing digital capacity. By strengthening the role and governance of Islamic microfinance institutions, a more equitable and sustainable financing ecosystem can be realized, enabling MSMEs to contribute optimally to the national economy.

Studies on the utilization of Islamic microfinance in strengthening the Micro, Small, and Medium Enterprises (MSMEs) sector have been conducted in several previous studies. Research by Naheri et al (2024) indicates that Baitul Maal wat Tamwil (BMT) has significant potential as a strategic financing alternative for MSMEs through relatively simple procedures and proactive, outreach-based services. Furthermore, a study by Samsul Al Arif (2024) finds that Islamic microfinance has a positive and significant impact on business growth as well as on improving the welfare of MSME actors. Meanwhile, Ahmad Farisyi Al-Hasyir et al. (2024) conclude that Islamic cooperatives play a significant role in supporting MSMEs in Serang City, particularly in the trade and services sectors. However, based on the author's review of studies on the use of Islamic microfinance in strengthening the MSME sector, no research has been found that specifically examines the role of Islamic microfinance institutions in supporting MSME digitalization in Indonesia.

Therefore, this study aims to emphasize that Islamic microfinance institutions have a substantial role and contribution in supporting the digitalization process of MSMEs, particularly through expanding access to financing, strengthening business capacity, and providing inclusive and equitable financial services. The findings of this study are expected to provide a conceptual foundation for the development of more adaptive policy models and institutional practices that respond to the needs of digital transformation, while also opening avenues for future research to explore the effectiveness of microfinance interventions within the context of an evolving digital economy.

RESEARCH METHOD

This study employs a descriptive qualitative approach using a literature review (library research) method to examine the role of Islamic microfinance in strengthening MSMEs. Data were collected from various secondary sources, including academic journals, financial institution reports, government policies, and international publications. The data were analyzed using content analysis through three stages data reduction, data presentation, and conclusion drawing to identify key themes related to the roles, challenges, and development strategies of Islamic microfinance. To ensure validity, source triangulation was applied by comparing multiple academic and empirical references, ensuring that the research findings are objective, comprehensive, and contribute both theoretically and practically to the development of Islamic microfinance.

RESULT AND DISCUSSION

Principles of Islamic Microfinance

The core principles underlying Islamic microfinance are justice (*'adl*) and partnership (*syirkah*), where financial institutions and clients are regarded as partners who share both risks and profits. These principles are implemented through contracts such as *mudharabah* (profit-sharing), in which the capital provider (*shahibul maal*) supplies the funds and the business manager (*mudharib*) operates the enterprise, with profits distributed according to the agreed terms, as well as *musharakah* (equity partnership), in which both parties contribute to the provision of capital and share profits and losses based on their respective shares (Siregar, 2020).

Islamic microfinance possesses a strong social dimension, as it not only aims to generate financial returns but also seeks to empower low-income communities, alleviate poverty, and promote economic self-reliance through a fair and ethical financial system. Institutions such as Baitul Maal wat Tamwil (BMT) integrate social functions (*baitul maal*) and commercial functions (*baitul tamwil*), utilizing social funds including zakat, infak, sadaqah, and qard hasan to support small business actors without interest-based charges. (Rokhman & Abduh, 2020). In addition, Islamic microfinance emphasizes transparency, honesty, and accountability in every transaction, requiring financial institutions to clearly communicate risks, profit-sharing mechanisms, and clients' responsibilities. Beyond financing, these institutions also promote sustainable economic empowerment through business mentoring, financial management training, and spiritual guidance, enabling clients to manage their enterprises responsibly and sustainably.

The Importance of MSMEs in the Economy

Micro, Small, and Medium Enterprises (MSMEs) constitute a vital sector in the national economy. Their presence not only contributes to economic growth but also to employment generation, income distribution, and poverty alleviation. In the context of developing countries like Indonesia, MSMEs serve as the backbone of the national economy, supporting economic stability and resilience, especially during times of crisis (Yolanda, 2024). According to data from the Ministry of National Economic Affairs of the Republic of Indonesia (2022), the number of MSMEs in Indonesia numbered over 65.5 million business units, or approximately 99.9% of all national enterprises. This sector contributes around 61.5% to the national Gross Domestic Product (GDP) and absorbs more than 97% of the workforce. These figures indicate that MSMEs play a strategic role in strengthening the domestic economic base and act as a key driver of inclusive economic growth.

In addition, MSMEs play a significant social and regional role. Due to their widespread presence across various regions, MSMEs contribute to promoting equitable economic development across regions, reducing disparities, and expanding employment opportunities at the local level. With their inherent flexibility, MSMEs are able to adapt quickly to market changes and consumer needs, making them a resilient sector even in unstable economic conditions (Krisna, 2024). From the perspective of innovation and entrepreneurship, MSMEs contribute to national creativity and competitiveness. Many MSMEs act as drivers of the creative economy, particularly in sectors such as culinary, fashion, and handicrafts, which add value to local products and bring them to the global market. Supporting MSMEs also means promoting a people-centered economy, emphasizing independence, sustainability, and community participation (Perdana, 2024).

Furthermore, MSMEs play a crucial role in inclusive economic development, as they engage low-income groups, women, and rural entrepreneurs who are often marginalized within the formal economic system. Therefore, strengthening the MSME sector is a strategic step toward achieving the Sustainable Development Goals (SDGs), particularly in reducing poverty (SDG 1), promoting decent work and economic growth (SDG 8), and reducing inequalities (SDG 10). Given these various contributions, the development of MSMEs has become a national priority in government economic policy. Through MSME empowerment, Indonesia's economy can become more inclusive, resilient, and sustainable, ultimately strengthening the economic foundation toward overall societal welfare.

The Role of Islamic Microfinance in the Digitalization of MSMEs

Islamic microfinance institutions play a significant institutional role in supporting the digital transformation of Micro, Small, and Medium Enterprises (MSMEs), particularly in Muslim-majority countries such as Indonesia. Beyond their traditional function as providers of financing, these institutions act as facilitators of economic empowerment by promoting inclusive financial access, capacity building, and technological adoption in line with Sharia principles of justice, partnership, and social welfare (Ginjar & Kassim, 2020). In the context of MSME digitalization, Islamic microfinance institutions help bridge structural gaps that often limit small businesses from adopting digital technologies.

One of the primary contributions of Islamic microfinance is expanding inclusive access to capital that supports digital business transformation. Many MSME actors face barriers in obtaining financing from conventional financial institutions due to collateral requirements, limited credit histories, and complex administrative procedures. Islamic microfinance offers more accessible and ethical financing schemes such as *murabahah*, *mudarahah*, *musharakah*, and *qard hasan*, which enable entrepreneurs to obtain capital for productive purposes, including adopting digital payment systems, online marketing platforms, and digital accounting tools. Through these Sharia-compliant mechanisms, Islamic microfinance facilitates the modernization of MSME operations while maintaining ethical financial practices.

In addition to financial support, Islamic microfinance institutions also contribute to strengthening MSME digital capabilities through mentoring and capacity-building programs. Many institutions provide training in financial management, digital literacy, and entrepreneurship development to help MSME actors adapt to the digital economy. Institutions such as Baitul Maal wat Tamwil (BMT) integrate social and commercial functions, where social funds including zakat, infak, and sadaqah can be utilized to support micro-entrepreneurs in improving their business capacity and adopting digital tools. This integrated approach encourages the development of independent and technologically adaptive entrepreneurs.

Furthermore, Islamic microfinance institutions contribute to strengthening local economic ecosystems that support MSME digitalization. Operating at the community level allows these institutions to better understand the characteristics and needs of local businesses, enabling them to design targeted financing and development programs. Profit-sharing contracts such as *mudarahah* and *musharakah* also distribute risk more equitably between institutions and entrepreneurs, creating a collaborative environment that supports innovation and business sustainability.

Overall, Islamic microfinance institutions serve as important institutional actors in facilitating the digital transformation of MSMEs while promoting inclusive and equitable economic development. By combining financial access, social empowerment, and community-based support, Islamic microfinance contributes not only to strengthening MSME competitiveness in the digital economy but also to achieving broader development goals such as poverty reduction, financial inclusion, and sustainable economic growth.

Challenges and Limitations of Islamic Microfinance

Despite its significant role in enhancing financial inclusion and supporting MSME development, Islamic microfinance institutions face several challenges in adapting to the digital transformation of the financial sector. The digital economy requires institutions to adopt technology-driven systems, improve operational efficiency, and expand service accessibility through digital platforms. However, many Islamic microfinance institutions still encounter structural and technological constraints that limit their ability to fully participate in the digital financial ecosystem (Rahman & Dean, 2013).

Limitations in Capital and Liquidity. One of the main challenges faced by Islamic microfinance institutions, such as *Baitul Maal wat Tamwil* (BMT), is limited capital and liquidity. Most BMTs rely on member funds or contributions from the surrounding community, which are often insufficient for expanding their financing capacity. In addition, access to funds from Islamic banks or formal financial institutions remains limited due to the lack of integrated inter-institutional financing mechanisms. As a result, Islamic microfinance institutions face difficulties in providing large-scale, long-term financing to MSMEs that require growth capital. This situation can also affect the institutions' ability to maintain liquidity and manage risk.

Limitations in Human Resources and Managerial Capacity. Many communities based Islamic microfinance institutions face challenges in human resource quality. The lack of professionals with strong knowledge of financial management, Sharia principles, and microfinance analysis leads to suboptimal institutional management. In addition, training and human resource development systems in this sector are uneven. Consequently, internal oversight, risk management, and institutional accountability are often weak.

Limitations in Sharia Financial Literacy and Education. Low financial and Sharia literacy among the public constitutes a serious barrier to the development of Islamic microfinance. Many MSME actors still do not understand the differences between Sharia-compliant and conventional financial products, including principles such as profit-sharing (*mudarahah* and *musharakah*) or *murabahah*. As a result, some members of the community remain hesitant and lack confidence in the Sharia financial system, perceiving it as more complex or less transparent. More extensive and easily understandable financial literacy programs are needed to help the public better understand the benefits and mechanisms of Islamic microfinance.

Suboptimal Regulatory and Supervisory Infrastructure. Institutionally, Islamic microfinance still faces challenges in regulation and governance. Although basic legal frameworks exist, such as Law No. 1 of 2013 concerning Microfinance Institutions (*Undang-Undang No. 1 Tahun 2013 tentang Lembaga Keuangan Mikro*)

and OJK regulations on Islamic Microfinance Institutions, implementation and field supervision are not yet fully effective. Some institutions, particularly BMTs, still operate under cooperative oversight without direct supervision from financial authorities, which creates the potential for discrepancies in Sharia compliance standards and governance practices.

High Operational Costs. Microfinance, which focuses on low-income groups, often leads to high operational costs for institutions due to the need for mentoring, monitoring, and direct client visits. In the context of Sharia-compliant institutions, profit-sharing contracts also demand intensive supervision and complex record-keeping, which can increase administrative costs and reduce profit margins. Without the support of digital technology (Sharia fintech) or operational efficiencies, Islamic microfinance institutions face challenges in achieving sustainable economies of scale.

Challenges in Digitalization and Technological Innovation. In the era of digital transformation, most Islamic microfinance institutions have not yet fully adopted digital technologies. Limited digital infrastructure and technological capacity hinder institutions from expanding their service reach, especially in rural areas. In fact, the use of digital technologies, such as applications or microfinance fintech platforms, can enhance efficiency, transparency, and broaden access for MSME clients.

Strategies to Enhance Islamic Microfinance for MSMEs

Enhancing the role of Islamic microfinance in strengthening the MSME sector requires comprehensive, systematic, and sustainable strategies. Various efforts need to be undertaken to address the structural challenges faced by Islamic microfinance institutions, particularly in terms of capital, governance, product innovation, and human resource capacity. An integrated strategy is expected to position Islamic microfinance institutions as key drivers in promoting financial inclusion and empowering low-income communities in Indonesia.

The first step is to strengthen the capital structure and access to funding sources for Islamic microfinance institutions, such as Baitul Maal wat Tamwil (BMT) and Islamic cooperatives (Ginanjar & Kassim, 2020). Strong capitalization will enhance the institutions' capacity to provide productive financing to MSME actors. One approach is forming partnerships between Islamic microfinance institutions and Islamic banks or other large financial institutions through linkage programs to access revolving funds. In addition, the utilization of Islamic social funds, such as zakat, infak, sadaqah, and productive waqf, can serve as alternative capital sources for low-income communities (Haya & Tambunan, 2022). The development of cash waqf funds or Islamic microfinance funds can also become a sustainable source of social financing for small business actors.

At the institutional and governance level, Islamic microfinance requires clearer regulatory support and stronger supervision. The government, the Financial Services Authority (OJK), as well as the National Sharia Board and MUI, need to develop a uniform regulatory framework for all Islamic microfinance institutions to prevent discrepancies in standards among BMTs, Islamic cooperatives, and other Islamic microfinance institutions (LKM Syariah). Strengthening the role of the Sharia Supervisory Board (DPS) is also crucial to ensure that institutional activities comply with Sharia principles, while enhancing transparency through performance evaluation systems and social accountability mechanisms.

In addition, enhancing human resource capacity is a crucial aspect of the sustainability of Islamic microfinance institutions. Managers and staff require comprehensive training in risk management, financing feasibility analysis, and Sharia financial principles. Partnerships with higher education institutions and research organizations can strengthen innovation capacity and policy development in Islamic microfinance. Bank Indonesia (2022) even emphasizes the importance of establishing professional certification programs in the field of Islamic microfinance to ensure the competency standards of institution managers.

Product innovation and contract diversification also serve as key strategies to expand the reach of Sharia microfinance for MSMEs. Various contracts, such as *murabahah*, *ijarah*, *musharakah*, and *mudarabah*, can be used to meet financing needs for working capital, investment, or productive assets. In addition, combining commercial financing with Islamic social funds, such as zakat, infak, and sadaqah (ZIS), can strengthen the economic empowerment of productive low-income communities. Flexible product innovations that remain Sharia-compliant will make Islamic microfinance more adaptable to the diverse characteristics of MSMEs.

Digital Integration Strategies in Islamic Microfinance Services

The integration of digital technology into Islamic microfinance services represents a crucial strategy to expand financial inclusion and enhance operational efficiency. Digitalization enables Islamic microfinance institutions to streamline financing processes, improve transaction transparency, and provide faster and more accessible services to MSME clients. The adoption of digital platforms, such as mobile banking applications,

digital payment systems, and online financing management tools, can significantly reduce operational costs while expanding outreach to underserved communities.

Furthermore, collaboration with Sharia-compliant financial technology (fintech) companies regulated by the Financial Services Authority (OJK) can strengthen the digital ecosystem of Islamic microfinance. Such partnerships enable Islamic microfinance institutions to leverage digital infrastructure for online financing applications, credit scoring systems, and digital transaction monitoring. The use of emerging technologies such as big data analytics and artificial intelligence (AI) can also assist institutions in assessing financing feasibility more accurately by analyzing customer behavior and business performance patterns (Fasa, 2024).

Digital integration should also be accompanied by efforts to enhance the digital literacy of MSME actors. Many small business owners still face challenges in adopting digital financial services due to limited technological knowledge and infrastructure. Therefore, Islamic microfinance institutions need to provide digital training, mentoring programs, and assistance in adopting digital platforms for business management and financial transactions. By combining financial services with digital capacity-building initiatives, Islamic microfinance institutions can help MSMEs improve productivity, expand market access, and strengthen their competitiveness in the digital economy.

In addition to institutional and technological aspects, enhancing Sharia financial literacy also plays a significant role in the success of Islamic microfinance. Many members of the public, particularly MSME operators, do not yet understand the fundamental differences between conventional and Sharia-compliant financing. Therefore, public education programs, Sharia business training, and business mentoring should be widely implemented to raise awareness and build trust in Islamic microfinance institutions. Strengthening the role of social institutions such as BAZNAS and the Indonesian Waqf Board can also support programs for Sharia-based community economic empowerment (Romdhoni, 2025).

Finally, strategies to strengthen Islamic microfinance for MSMEs require cross-sector collaboration among government, financial institutions, academia, and communities. A collaborative approach involving regulators, industry players, and educational institutions can accelerate the creation of an inclusive and sustainable Sharia financial ecosystem. Through this collaboration, Islamic microfinance can function not only as a financing institution but also as a socio-economic instrument to enhance the resilience and independence of MSMEs within the national economy.

CONCLUSION

The findings of this study indicate that Islamic microfinance institutions play a strategic role in supporting the digital transformation of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Beyond their traditional function as providers of Sharia-compliant financing, these institutions contribute to MSME digitalization by expanding inclusive access to capital, offering business mentoring, and strengthening managerial and digital capabilities. The application of Sharia principles such as profit-sharing, justice, and social empowerment enables Islamic microfinance institutions to address structural barriers faced by MSMEs, particularly limited access to formal financing and readiness for digital adoption. As a result, Islamic microfinance emerges as a key enabler of inclusive, equitable, and sustainable MSME development within Indonesia's evolving digital economy. These findings confirm that Islamic microfinance institutions play a crucial role not only in improving MSMEs' financial access but also in facilitating their digital transformation by supporting capacity building, technological readiness, and sustainable business development.

However, this study is subject to several limitations. As a qualitative literature-based study, the analysis relies on secondary data and does not capture empirical evidence from field observations or primary surveys. In addition, variations in institutional performance and regional contexts of Islamic microfinance institutions are not examined in detail. Future research is therefore encouraged to employ empirical methods, such as case studies or quantitative approaches, to assess the effectiveness of Islamic microfinance interventions in MSME digitalization. Further studies may also explore the integration of Islamic microfinance with digital financial technology (fintech) and policy frameworks to enhance the resilience and competitiveness of MSMEs in the digital era.

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