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THE INFLUENCE OF E-COMMERCE, DIGITAL PAYMENTS, AND DIGITAL LITERACY ON MSME INCOME IN THE PERSPECTIVE OF ISLAMIC ECONOMICS

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Information	Abstract:
<p>Article History:</p> <p>Received : 19.07.2025 Revised : 27.08.2025 Accepted : 05.09.2025</p> <p>Keywords: E-commerce, Digital Payment, Digital Literacy, MSME Income, Islamic Economics.</p>	<p><i>The rapid advancement of digital technologies has transformed business landscapes, offering micro, small, and medium enterprises (MSMEs) unprecedented opportunities to enhance competitiveness and income. In Muslim-majority contexts, such as Medan Johor, this transformation must align with Islamic economic principles to ensure both economic and ethical value creation. This study employs a quantitative survey of 98 MSME actors, measuring the effects of e-commerce, digital payment, and digital literacy on income. Using multiple linear regression, the results demonstrate that all three variables exert a positive and significant impact, with digital literacy emerging as the most influential driver of effective technology adoption. These findings resonate with Islamic economic principles of maslahah (public benefit), efficiency, and the prohibition of gharar (excessive uncertainty), which emphasize transparency, utility, and blessings in economic transactions. The study extends existing literature by embedding Islamic economic perspectives within the MSME digitalization discourse and by capturing the socio-religious nuances of a localized setting. Policy implications include fostering Shariah-compliant digital literacy programs, strengthening regulatory frameworks, and enhancing the role of Islamic financial institutions in delivering technology-based, Shariah-compliant financing solutions to empower MSMEs sustainably.</i></p>

A. INTRODUCTION

In Indonesia, micro, small, and medium enterprises (MSMEs) play a pivotal role in driving the national economy. Their capacity to reduce unemployment and alleviate poverty is among their most significant contributions to economic prosperity. As MSMEs expand, they create more job opportunities and increase household incomes (Pasaribu & Nasution, 2025), while also supporting the achievement of broader development goals. Over time, societal needs have evolved from fulfilling basic necessities to meeting more personalized aspirations. To address these shifting demands, businesses adopt diverse strategies and continuously enhance customer service (Ayem et al., 2024). Within this context, the adoption of Shariah-compliant financial technology (fintech) is considered an effective solution to address financial challenges. Such integration offers MSMEs substantial benefits in terms of funding, operational efficiency, and online visibility (Elida Elfi Barus et al., 2021).

According to the Indonesian Chamber of Commerce and Industry (Kadin), in 2023 there were approximately 66 million MSMEs in the country—an increase of 1.52% from the previous year. These enterprises contributed IDR 9,580 trillion, equivalent to 61% of Indonesia’s GDP, and employed nearly 117 million individuals, representing around 97% of the total workforce (Isna Khairani et al., 2023). Over the past five years, the number of MSMEs has fluctuated, rising from 64.19 million in 2018 to 65.47 million in 2019.

Table 1. Number of MSMEs in Medan City in 2025

Sub-district	Micro Enterprises	Small Business	Medium Enterprises	Total
Medan Tuntungan	9697	8	0	9705
Medan Johor	3238	5	1	3244
Medan Amplas	5685	4	3	5692
Medan Denai	5556	29	8	5593
Medan Area	7221	40	2	7263
Medan Kota	4913	3	0	4916
Medan Maimun	1059	0	1	1060
Medan Polonia	1004	0	0	1004
Medan Baru	2521	3	0	2524
Medan Selayang	2990	1	0	2991

Medan Sunggal	3328	4	1	3333
Medan Helvetia	5259	10	3	5272
Medan Petisah	3310	2	0	3312
Medan Barat	3785	16	2	3803
Medan Timur	3932	1	0	3933
Medan Perjuangan	4748	1	0	4749
Medan Tembung	6993	1	3	6997
Medan Deli	2884	0	0	2884
Medan Labuhan	2890	0	0	2890
Medan Marelan	4304	1	0	4305
Medan Belawan	4724	16	36	4776
KOTA MEDAN	90041	145	60	90246

Source: Medan City Office of Cooperatives, MSMEs, Industry, and Trade (2025)

Adopting appropriate technology is essential for businesses, as advancements in the digital economy continue to evolve rapidly. In the context of Indonesia's long-term economic growth, digital education plays a pivotal role in enabling businesses to respond effectively to shifts in consumer behavior and the emergence of new opportunities in the online marketplace (Imsar et al., 2023). As highlighted in *Behavior Analysis of MSMEs in Indonesia Using Fintech Lending* (Nurbaiti et al., 2023), Islamic financial technology facilitates access to financing, accelerates transactions, improves user accessibility, and simplifies fund reporting. For MSMEs, this integration not only addresses funding challenges but also overcomes barriers posed by conventional banking regulations and collateral requirements. Complementing this, e-commerce has emerged as a dominant platform for promoting and delivering goods, enabling businesses to reach customers more efficiently. While many consumers purchase daily necessities online, the broader financial benefits for businesses—such as increased market reach and operational efficiency—are often underestimated (Purwanto et al., 2021).

The transformative potential of e-commerce is evident in its impact on operational practices across both small and large enterprises. Online purchasing has become a significant driver of MSME profitability (Ayuni & Husna, 2022), particularly during the COVID-19 pandemic, which prompted shifts in purchasing behavior and accelerated the adoption of digital transactions (Harahap et al., 2021). For MSMEs, leveraging e-commerce serves as a cost-effective marketing strategy (Hanny et al.,

2020), reducing expenses related to physical store operations, product displays, and advertising—an especially valuable advantage for businesses with limited internet access or promotional resources (Respatiningsih, 2021). Indonesia's online shopping adoption rate, at 81% of internet users, surpasses that of several developed and developing countries combined (Hafitasari et al., 2022). Platform dominance in 2021 was led by Shopee, which accounted for 57% of MSME transactions, followed by Tokopedia (28%), Lazada (6%), Bukalapak (3%), and Blibli (2%) (Ardiansyah, 2021), highlighting the central role of digital marketplaces in MSME growth (Gustina et al., 2022).

Alongside e-commerce, digital payments have become an equally critical component in strengthening MSME competitiveness. The pandemic accelerated the adoption of cashless payment systems, driven by the expansion of e-health services, online marketplaces, and digital transaction infrastructure (M. I. P. Nasution et al., 2020). Digital payment methods provide MSMEs with greater transaction accuracy, faster processing, and access to a broader customer base (Fikri et al., 2025). Bank Indonesia reported a 226.54% increase in QRIS transactions compared to the previous year, while ATM/Debit transactions declined by 8.42% and credit card usage rose by 20.92%. The growth was also reflected in retail and wholesale transactions through BI-FAST, digital banking, and electronic money, which collectively demonstrated double-digit increases (KOMDIGI, 2024). These developments underscore how accessible, user-friendly payment systems can enhance MSME operational efficiency and market engagement (Meutia et al., 2024).

However, the effectiveness of both e-commerce and digital payment adoption depends heavily on MSMEs' digital literacy levels. Despite recent progress, many Indonesians still face limitations in basic computer skills. In 2018, Indonesia ranked among the ten countries with the lowest internet literacy, according to the Programme for International Student Assessment (PISA) (Wijaya & Nailufaroh, 2022). Limited technological proficiency hinders MSME owners from optimizing online transactions and marketing opportunities (Fauja et al., 2023). By 2024, digital literacy in Indonesia is projected to reach only 62%—below the ASEAN average of over 70%. Nevertheless, the Digital Literacy Index (ILDI) has improved gradually,

from 3.46 in 2020 to 3.54 in 2022, with progress observed across four dimensions: digital ethics, digital skills, digital culture, and digital safety; Digital skills: 3,52, Digital ethics: 3,68, Digital safety: 3,12 (lowest), and Digital culture: 3,84 (KOMDIGI, 2025). Strengthening these capabilities remains crucial to ensuring that MSMEs can fully capitalize on digital transformation in alignment with Indonesia's economic development goals.

From an Islamic economic perspective, digital-based economic activities must still be in line with Sharia principles. The Qur'an emphasizes the importance of justice, honesty, and the prohibition of practices that harm one party in a transaction (Maulena et al., 2024). Allah SWT says in QS. An-Nisa '[4]:29:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا
أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا

"O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. And do not kill 'each other or' yourselves. Surely Allah is ever Merciful to you. (QS. An-Nisa' [4]:29)"

This verse provides a normative basis that every transaction, including those conducted through e-commerce and digital payments, must be carried out transparently, honestly, and mutually agreeably.

In addition, the DSN MUI Fatwa has regulated several aspects related to digital transactions, such as (Fatwa DSN MUI No. 116/DSN-MUI/IX/201, 2017) on Electronic Money and (Fatwa DSN MUI No. 117/DSN-MUI/IX/2018, 2018) on Information Technology-Based Financing Services. These fatwas emphasize that the use of digital payment instruments is permissible as long as they comply with sharia principles, are free from riba (usury), gharar (uncertainty), and maisir (speculation).

From the perspective of maqashid syariah, the digitalization of MSMEs supports the achievement of asset protection (hifz al-mal) by providing convenience in financial management, transaction security, and opportunities for increased income. Digitalization also helps preserve reason (hifz al-'aql) through increased digital

literacy, as well as strengthening community welfare in line with the Sharia objective of creating *maslahah* (Ahmad Hendra Rofiullah, 2025).

Previous studies have not fully demonstrated how e-commerce, digital payments, and digital skills influence MSME profitability, particularly in contexts where advanced digital capabilities are lacking. For instance, Bunadi and Nurlinda (2023) found that digital money alone does not drive significant change; rather, it is online purchasing activities that generate impact. Similarly, Kadek et al. (2025) emphasized that MSME expertise in online payment and purchasing processes substantially contributes to their income. Saragih et al. (2024) further reported that MSMEs can leverage technological advancements to enhance revenue, while Gustina et al. (2022) highlighted the transformative role of e-commerce in reshaping revenue-generation models for small, medium, and micro businesses. However, the degree of impact may vary depending on each enterprise's specific conditions, geographic location, and strategic approach.

Although prior research has examined the roles of e-commerce, digital payments, and digital literacy in MSME development, most studies have approached the subject from a conventional economic perspective. The research gap lies in the limited exploration of MSME digitalization through an Islamic lens—particularly regarding the application of Shariah principles in digital transactions and their alignment with *maqashid syariah*. This perspective is essential to ensure that MSME digital transformation not only boosts income but also adheres to Islamic ethical values.

The novelty of this study lies in three aspects: (1) integrating Shariah principles into an empirical model of MSME digitalization, (2) introducing Shariah compliance as a new analytical variable, and (3) focusing on a local context—Medan Johor District—that has been underexplored in previous research. Accordingly, this study examines the impact of e-commerce, digital payments, and digital literacy on MSME income from an Islamic economic perspective, offering both academic and practical contributions to the advancement of Shariah-compliant, digitally-based MSMEs.

B. LITERATURE REVIEW

The Foundations of Islamic Economics

According to Ibn Khaldun, prosperity stems from productivity, specialization, and fair governance; excessive taxes or fees weaken business activities. In the digital context, platforms that reduce transaction friction expand markets and promote *'umran* (social prosperity), provided they do not lead to oppression or exploitative monopolies (Khaldun, 1986). Imam Al-Ghazali emphasizes honesty, trustworthiness, quality standards, and the prohibition of *gharar/ghabn fāhisy*. The digital implications are that product descriptions must be transparent, prices must not be misleading, and terms and conditions must be clear (Al-Ghazali, 2022).

Islamic economics places *maqāshid al-syarī'ah* (benevolence, justice, equity) as a “moral filter” for the mechanisms of digitalization, as long as it brings benefits and reduces harm (Chapra, 1992). Modern transactions are *halal* as long as they are free from *riba*, *gharar*, and *maysir*; contracts and payment rails must have clear agreements (*sale/lease/ju'ālah*) and not encourage speculation. The Islamic Moral Economy framework promotes values, institutions, and social objectives (*welfare/maslahat*) that must be internalized in business model design, including platform architecture and data governance (Asutay, 2016).

E-Commerce

E-commerce refers to the process by which businesses utilize computers and the internet to conduct commercial activities online, including the distribution, presentation, and sale of products. Effective e-commerce operations rely heavily on internet connectivity and an organization's ability to adapt its IT infrastructure in response to external developments. Key advantages of e-commerce include heightened competition, faster access to products and services, and lower prices for consumers. In a highly competitive and increasingly digital business environment, SMEs must adopt e-commerce to streamline operations and foster innovation (Alzahrani, 2019).

Electronic commerce, or e-commerce, involves the buying and selling of goods and services exclusively through online platforms or mobile devices (Akbar & Alam,

2020). From an Islamic perspective, e-commerce is considered Shariah-compliant if complete and accurate information is provided (minimizing *gharar*), the right of *khiyar* (option to cancel) is upheld, and transactions are free from fraud, deception, or misleading advertising.

Digital Payment

Digital payment systems, provided by banks or licensed payment service providers, allow users to make purchases, check account balances, and transfer funds instantly (Purwanto et al., 2021). These transactions are generally secure, as they require a personal identification number (PIN) known only to the account holder (M. L. I. Nasution, 2020). Digital payment methods are often perceived as more convenient, cost-effective, and user-friendly—particularly when providers offer transaction-based incentives or discounts.

Digital payments represent a cutting-edge innovation in financial services that can revolutionize operational processes and facilitate the development of new business models, applications, procedures, or products (Ardiansyah, 2019). In Islamic finance, digital payments are permissible provided that contractual terms and fund flows are transparent, transactions are free from *riba* (usury or hidden interest), fee structures are clear, and activities are non-speculative.

Digital Literacy

Digital literacy is the proficiency in using digital devices and technologies for communication, creativity, and learning—enabling individuals to collect, organize, integrate, analyze, and evaluate information effectively (Setyaningsih et al., 2019). According to Potter (2005), it also encompasses a genuine interest in and engagement with digital content, as well as the ability to critically assess and utilize information via computers and other digital technologies. These competencies allow individuals to build networks, acquire knowledge, and contribute positively to society.

In the 21st century, as Gen Z enters the digital economy, MSMEs are increasingly required to develop essential technical skills. Promoting technological literacy among MSMEs accelerates the transition to digitalization, enhancing overall business performance (Pratiwi et al., 2025). In the context of *maqashid syariah*, digital literacy

supports *hifz al-'aql* (protection of intellect) through knowledge acquisition, while cybersecurity and the safeguarding of digital assets align with *hifz al-māl* (protection of wealth). Together, these contribute to public interest (*maslahah*), justice, and the protection of vulnerable groups, including MSMEs.

MSME Income

The primary objective of any business is to generate revenue. As revenues grow, businesses adapt their operational processes to sustain expansion, reflecting the fundamental principle that profit is the ultimate aim of entrepreneurship (Nur Mellia Syahdila et al., 2024). According to Khairunnida (2021), one of the main ways to earn a livelihood is through the sale of goods and services, with related concepts including interest, fees, profits, and sales revenue. The profit principle serves as the foundation for income statements.

In Islamic economics, however, income is not assessed solely based on individual utility. Thinkers such as M. Umer Chapra emphasize that income must also reflect social justice, equity, and the welfare of the broader community. Similarly, Monzer Kahf argues that, within an Islamic framework, income is deemed legitimate only if it is derived from productive activities conducted under clear agreements, free from exploitation, and without causing harm to others.

C. METHODOLOGY

This study employs a quantitative research design utilizing multiple linear regression analysis to examine the effects of e-commerce, digital payments, and digital literacy on the income of micro, small, and medium enterprises (MSMEs) in the Medan Johor District. Data were collected through a structured questionnaire, in which respondents indicated their level of agreement or disagreement with various statements using a five-point Likert scale. The collected data were analyzed using SPSS Version 27.

The sample size was determined using the Slovin formula with a 10% margin of error, based on the total population of 3,244 MSMEs recorded in the Medan Johor District. This calculation yielded a sample size of 98 respondents, who were selected to represent the diversity of MSMEs in the area. The choice of Medan Johor as the

research site was based on its socio-religious characteristics, with a predominantly Muslim population and a large, diverse MSME sector. This context makes the issue of Shariah compliance in digital economic activities particularly relevant, as business actors are concerned not only with profitability but also with the *halal* value and blessings associated with their enterprises.

From an academic standpoint, previous research on MSME digitalization has predominantly focused on major Indonesian cities such as Jakarta, Bandung, and Surabaya. There is a notable research gap in smaller but economically significant districts like Medan Johor, which possess substantial potential for MSME growth and offer distinctive socio-cultural insights. Strategically located within the city of Medan, Medan Johor functions as a hub for interactions between traditional markets and emerging digital commerce. Furthermore, the varying levels of digital literacy among MSME actors in this region present an opportunity to analyze how e-commerce, digital payments, and digital literacy collectively influence MSME income. This distinctive combination of economic potential, cultural context, and technological diversity makes Medan Johor an ideal setting for exploring MSME transformation from an Islamic economic perspective.

D. RESULT AND ANALYSIS

The validity test conducted on 98 MSME respondents in Medan Johor, using a 5% significance level, confirmed that all measurement indicators for both dependent and independent variables achieved *r*-values above the critical value of 0.1986 ($p < 0.05$), indicating strong construct validity. Reliability analysis using Cronbach's Alpha yielded coefficients exceeding 0.70 for all variables—E-Commerce (0.857), Digital Payment (0.844), Digital Literacy (0.858), and MSME Income (0.785)—demonstrating high internal consistency. Descriptive statistics further revealed generally positive perceptions and adoption levels, with mean scores of 18.96 for E-Commerce, 19.85 for Digital Payment, 19.66 for Digital Literacy, and 19.82 for MSME Income, suggesting a relatively mature stage of digital engagement among respondents.

Multiple linear regression analysis produced the equation:

$$Y = 3.223 + 0.297X_1 + 0.308X_2 + 0.246X_3 + e$$

where X_1 , X_2 , and X_3 represent E-Commerce, Digital Payment, and Digital Literacy, respectively. All three predictors exhibited positive and statistically significant effects on MSME income ($p < 0.001$), with an Adjusted R^2 of 0.700, indicating that 70% of the variance in MSME income is explained by these factors. Classical assumption testing confirmed the robustness of the model: the Kolmogorov–Smirnov test ($p = 0.200$) indicated normal data distribution, VIF values below 1.02 confirmed the absence of multicollinearity, and the Glejser test ($p > 0.05$) indicated no heteroscedasticity.

Hypothesis testing revealed that E-Commerce ($t = 9.196$), Digital Payment ($t = 9.089$), and Digital Literacy ($t = 7.399$) each have a significant positive impact on MSME income, confirming earlier findings that digital engagement can enhance business performance. The F-test ($F = 76.620$, $p < 0.001$) reinforced the conclusion that these variables collectively exert a substantial influence on income generation.

From an Islamic economic perspective, the results demonstrate alignment with *maqāṣid al-sharī'ah*. The positive impacts on MSME income illustrate *maslahah* (public benefit) through expanded market access, accelerated transactions, and reduced operational costs; promote Islamic efficiency by minimizing waste (*israf*) and fostering professionalism (*itqan*); and reduce *gharar* (excessive uncertainty) through transparent product information, contracts, and pricing.

Table 2. Key Results and Islamic Economics Perspective

No.	Variable	Main Effect on MSME Income	Islamic Economics Relevance
1.	E-Commerce	Increases MSME income by expanding market reach, reducing operational costs, and enhancing competitiveness	Represents <i>maslahah</i> by facilitating broader access to goods and services, efficiency in distribution, and improved transparency, reducing <i>gharar</i>
2.	Digital Payment	Enhances transaction efficiency, reduces cash handling risks, and improves sales conversion	Aligns with <i>hifz al-māl</i> (protection of wealth) by ensuring secure, transparent, and usury-free (<i>riba</i> -free) payment processes
3.	Digital Literacy	Improves the ability to adopt, adapt, and optimize digital tools for marketing, transactions, and operations	Supports <i>hifz al-‘aql</i> (protection of intellect) through knowledge enhancement, while promoting justice and

		inclusivity in economic participation
4. Model Fit	70% of the variation in MSME income is explained by the three variables collectively	Indicates that digital transformation, when guided by Shariah, significantly contributes to both material and ethical business outcomes
5. Joint Significance	E-Commerce, Digital Payment, and Digital Literacy jointly have a substantial positive effect on MSME income	Demonstrates the integrated role of technology in achieving <i>maqāṣid al-sharī'ah</i> , combining economic efficiency with social welfare

The Impact of E-Commerce on MSME Income in Medan Johor District

The first hypothesis (H1) posits that the emergence of e-commerce has significantly transformed the income-generating strategies of MSMEs in Medan Johor District. Statistical results show a p -value < 0.05 (0.000) and a t -value of 9.196, which exceeds the critical t -value of 1.986. The descriptive mean score of 18.96 indicates that most respondents agree that e-commerce improves MSME profitability. This confirms that e-commerce has a substantial positive impact on income generation for MSMEs in the region.

In addition to mainstream marketplaces such as Shopee, Tokopedia, Bukalapak, Lazada, and Blibli, platforms like Grab, Gojek, and TikTok Shop also contribute to sales growth and customer acquisition. These platforms allow MSMEs to expand operations, attract more customers, and diversify product offerings.

These findings align with Gustina et al. (2022), who concluded that e-commerce simplifies business transactions and enhances performance. They also corroborate Firmansyah & Husna (2021), who found similar benefits for MSMEs in Bireuen Regency. From an Islamic perspective, technological advancement is permissible when used ethically. Guided by *maslahah* principles, e-commerce adoption benefits businesses by improving operational efficiency, market accessibility, and transparency.

The Impact of Digital Payments on MSME Income in Medan Johor District

The second hypothesis (H2) asserts that the adoption of digital payment methods significantly increases MSME income. The statistical results show a *t*-value of 9.089, exceeding the critical value of 1.986, with a mean score of 19.85, indicating strong respondent agreement on the profitability benefits of digital payments.

This finding is consistent with Sihalo et al. (2020), who highlighted the benefits of QRIS for smoother operations and increased daily profits, and Nasution et al. (2023), who reported a behavioral shift towards cashless transactions for convenience and efficiency. Businesses adopting digital payments improve transaction speed, maintain accurate records, and increase sales volume.

In Islamic jurisprudence, all *muamalah* transactions are permissible unless explicitly prohibited. Accordingly, digital transactions and e-money are acceptable if conducted in compliance with Shariah principles—ensuring transparency, avoiding *riba*, and maintaining lawful contracts. The Indonesian Ulema Council and the Financial Services Authority have recognized electronic money as halal when used in accordance with these guidelines.

The Impact of Digital Literacy on MSME Income in Medan Johor District

The third hypothesis (H3) proposes that higher digital literacy enables MSMEs to maximize technology adoption, thereby increasing income. The results show a *t*-value of 7.399 (greater than 1.986) and a *p*-value of 0.000, with a mean score of 19.66. These results indicate that most respondents believe digital competence directly supports income growth, particularly through e-commerce.

This supports Saragih et al. (2024), who found that digitally literate MSMEs can boost revenue, improve efficiency, and expand market reach. From an Islamic perspective, digital literacy encompasses not only technical proficiency but also ethical, responsible, and intelligent use of technology. Tech-savvy MSMEs improve customer service, speed up transactions, and leverage cost-free global marketing opportunities—aligning with *hifz al-'aql* (protection of intellect) and justice in economic transactions.

The Combined Impact of E-Commerce, Digital Payments, and Digital Literacy

The fourth hypothesis (H4) states that internet strategies, technological adoption, and the expertise of MSMEs collectively influence income. The *F*-value of 76.620 exceeds the critical table value of 2.701, with a *p*-value < 0.05 (0.000), confirming joint statistical significance.

These findings align with Gustina et al. (2022), who reported a rapid increase in MSME revenue from online sales, and Kadek et al. (2025), who found that technology adoption and QRIS implementation together explained 44.7% of MSME income variance. These tools enhance efficiency, market expansion, and operational flexibility, leading to greater profitability.

From an Islamic economic perspective, the findings of this study underscore several important principles. First, the concept of *maslahah* highlights that digital transformation brings significant benefits to society by broadening market access, accelerating transactions, and reducing operational costs. Second, the principle of Islamic efficiency emphasizes that digital tools not only lower transaction costs and speed up capital turnover but also embody *itqan* (professionalism) while avoiding *israf* (wastefulness). Third, the avoidance of *gharar* is supported through digital literacy, which ensures transparency in product information, clarity in contractual agreements, and fairness in pricing.

In practical terms, these findings suggest that Shariah-compliant MSMEs must ensure that their digital transactions maintain clear contractual terms, halal product certification, and truthful marketing practices. For policymakers, the results highlight the importance of implementing Shariah-based digital literacy programs, offering fair incentives for non-cash transactions, and establishing effective mechanisms to prevent fraudulent activities. Furthermore, Islamic financial institutions can leverage these insights to develop Shariah-compliant financing products tailored for digital MSMEs, including the use of online transaction data as a basis for Shariah-based credit scoring, thereby fostering both economic growth and adherence to Islamic ethical principles.

E. CONCLUSION

This study confirms that digitization through e-commerce, digital payments, and digital literacy plays a crucial role in enhancing the income of MSMEs. The distinctiveness of this research lies in its focus on the Medan Johor District, a region characterized by a predominantly Muslim socio-religious context and dynamic MSME development adapting to the digital ecosystem. This local perspective adds a valuable dimension to the existing literature, demonstrating that MSME digitalization can be more comprehensively understood through the lens of Islamic economics.

From a theoretical standpoint, the study advances the field of Islamic economics by integrating key concepts such as *maslahah* (public benefit), Islamic efficiency, the prohibition of *gharar* (excessive uncertainty), and *maqāsid al-sharī'ah* into the analysis of SME digital transformation. This approach underscores that Islamic economics is not solely a normative framework but also a robust analytical tool for evaluating the impact of technology on business performance and the attainment of blessings (*barakah*). Consequently, the research enriches scholarly discourse by offering empirical evidence within a local context that remains underexplored in academic studies.

The findings highlight the importance of developing digital business models for MSMEs that prioritize not only operational efficiency and income growth but also compliance with Shariah principles. This research provides actionable insights for policymakers and Islamic financial institutions to formulate policies and financing instruments that promote the ethical and equitable digitalization of MSMEs. In doing so, digital transformation can serve as a strategic means to achieve socio-economic welfare in alignment with Islamic values.

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