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Valuing what matters in Islamic microfinance: Sharia-based ethics and limits of murabahah

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Abstract

Purpose – This study examines the effect of murabahah financing on the net business income of small-scale fishermen in coastal Sumatra and tests whether Sharia value added (SVA), a maqāṣid al-sharīʿah-oriented multidimensional construct, mediates this relationship.

Methodology – A structured survey was administered to 310 fishermen selected through clustered sampling across 31 coastal sub-districts in Sumatra. The proposed model was analyzed using partial least squares structural equation modeling (PLS-SEM) to estimate the direct and indirect effects of murabahah implementation, SVA, and net business income.

Findings – Murabahah implementation had a positive and significant direct effect on fishermen's net business income. Murabahah implementation also significantly affected SVA. However, SVA does not have a significant direct effect on net business income. Despite this, the indirect effect of murabahah implementation on income through SVA was statistically significant, indicating the mediating role of SVA.

Implications – The results suggest that assessing Islamic microfinance solely through profitability or repayment metrics is insufficient. Evaluation frameworks should incorporate value-based indicators reflected in SVA, such as perceived fairness, ethical orientation, and social benefits, when designing and assessing murabahah-based financing programs for marginalized coastal communities.

Originality – This study provides field-based evidence from the fisheries sector by empirically positioning SVA as a mediating mechanism linking murabahah implementation to financial performance, offering a value-oriented perspective that goes beyond procedural contractual compliance.

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Introduction

Small-scale fisheries occupy a paradoxical position in Indonesia's economic development; they are essential to national food security, rural employment, and cultural continuity, yet remain systematically marginalized within financial and development frameworks. Coastal fishing communities are often excluded from formal financing because of their irregular income, lack of collateral, spatial remoteness, and weak institutional linkages (Pomeroy et al., 2020). These barriers result in continued dependence on informal lenders and intermediaries, perpetuating debt and economic precarity cycles. This pattern has been widely observed in small-scale fisheries across Southeast Asia, where access to formal finance is restricted by the seasonal nature of fishing and absence of collateral (Islam & Chuenpagdee, 2013; Béné, 2009). The mismatch between

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standardized financial products and volatile income patterns of fishing livelihoods continues to exacerbate structural exclusion (Pomeroy & Andrew, 2011). Islamic finance thus emerges as a normatively grounded alternative to conventional finance rooted in the principles of distributive justice (*ʿadl*), public interest (*maslahah*), and equitable risk-sharing (Iqbal, 2008; Dusuki & Bouheraoua, 2011; Maghrebi & Mirakhor, 2015; Chapra, 2000). These principles align with the socioeconomic realities of structurally marginalized communities, such as small-scale fishermen.

Recent studies in Indonesia affirmed the potential of Islamic microfinance to empower coastal communities. Musari and Arodha (2017) demonstrated how Islamic financing mechanisms can reduce fishermen's reliance on informal moneylenders. Similarly, Alam et al. (2021) showed the empowering effects of BMT-based financing models in Lamongan. Anwar et al. (2019) proposed an integrated financing scheme that aligns Islamic contracts with the seasonal characteristics of agricultural and fishery livelihoods.

Islamic economics offers a normative alternative to interest-based finance by emphasizing justice, transparency, and equitable distribution of wealth. At its core, the system is governed by the objectives of *maqashid al-Sharia*, which seeks to preserve faith, life, intellect, progeny, and wealth through ethical economic conduct (Chapra, 2000). It prohibits exploitative practices, such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation), and instead encourages transactions grounded in trust (*amanah*) and mutual benefit (*maslahah*) (Dusuki & Bouheraoua, 2011). Within this framework, murabahah, a cost-plus-sale contract with transparent profit margins, has become one of the most widely used financing instruments in Islamic microfinance. While administratively efficient, murabahah is often criticized for being functionally indistinct from conventional debt instruments, particularly when applied mechanically without value-based considerations (El-Gamal, 2006). This critique calls attention to the need for new evaluative frameworks that go beyond contract compliance, and instead assesses the ethical and developmental value generated by Islamic financing interventions.

Recent scholarship has increasingly emphasized the limitations of compliance-based Islamic finance and called for evaluative frameworks that align with the ethical aspirations of the *maqashid al-Sharia*. Asutay (2012) critiques the social failure of Islamic finance to neglect distributive justice and social welfare, while Arifin (2025) empirically demonstrates that greater adherence to *maqashid* principles enhances institutional financial performance, underscoring the significance of value-based metrics in Islamic financial evaluation**s.** Among such frameworks, the Sharia Value Added (SVA) has emerged as a promising evaluative system that reflects the holistic ethos of *maqāṣid al-Sharia*. Framework components emphasize fairness, contractual transparency, Sharia compliance, and social welfare outcomes anchored in the conceptual foundations of *maqāṣid* governance (Asutay & Harningtyas, 2015). Although aligned with Islamic economic objectives, empirical studies applying frameworks such as Sharia Value Added (SVA) remain rare in marginalized settings, such as artisanal fisheries. Prior research predominantly emphasizes profit metrics, repayment behavior, and institutional outreach, often overlooking ethical and social outcomes (Ahmad et al., 2020; El-Gamal, 2006; Hudon & Sandberg, 2013; Mohamed & Fauziyyah, 2020). Moreover, while murabahah has been extensively applied in MSME and agricultural financing, its implementation in the fisheries sector, particularly among small-scale fishermen, remains underexplored despite the distinct livelihood vulnerabilities of coastal communities (Abdullah & Oseni, 2017; Haneef et al., 2015).

Systematic reviews of the Islamic microfinance literature highlight a predominant focus on institutional outreach, repayment performance, and financial sustainability, with limited empirical engagement with ethical, developmental, or value-based outcomes. One such review by Rohman et al. (2021) analyzed 71 papers published between 2010 and 2020 and found that only 10% of the studies addressed maqāṣid al-Sharia (ethical objectives), while most focused on poverty alleviation, waqf financing, fintech, and product outreach. Although there is substantial conceptual literature on maqāṣid and value-based evaluations (Syarifah et al., 2022), empirical applications remain fragmented and sparse, especially in contexts such as artisanal fisheries. This absence underscores a clear research gap: the lack of field-based evaluation of Islamic financial instruments, such as murabahah, in coastal marginalized economies through frameworks such as Sharia Value Added (SVA).

Despite the increasing application of murabahah contracts in Islamic microfinance, existing studies have rarely examined whether such financing schemes generate ethical value consistent with *maqashid al-Sharia*, particularly within informal and structurally marginalized sectors, such as small-scale fisheries. Empirical research has largely focused on commercial performance or repayment behavior, with limited attention paid to how Islamic finance contributes to distributive justice, social empowerment, or normative value creation. This study addresses this gap by investigating the effect of murabahah implementation on the financial performance of fishermen in Sumatra, while introducing Sharia value-added (SVA) as a mediating variable. This study contributes to Islamic accounting and ethical finance literature by operationalizing SVA as a multidimensional performance indicator grounded in Islamic ethical objectives. Contextually, this study offers new empirical insights into Islamic financing in the maritime sector, an area largely overlooked in the discourse on financial inclusion and value-based evaluation.

Beyond academic interests, this study responds to a pressing policy challenge. Indonesia's marine sector plays a vital role in national employment and food security; however, financing frameworks remain disproportionately focused on land-based microenterprises, leaving coastal communities structurally underserved. By critically evaluating Islamic microfinance within the maritime sector, this study promotes ethical reform in financing practices and policy innovation aimed at building inclusive and Sharia-aligned financial ecosystems. This study introduces a value-oriented framework for assessing Islamic microfinance by integrating ethical and developmental metrics, offering new insights into socially inclusive financial practices in coastal communities.

Literature Review

Islamic microfinance and fisheries

Islamic microfinance has increasingly gained scholarly attention as a socially responsive alternative for underserved sectors such as small-scale fisheries. Murabahah, a cost-plus financing contract, is widely applied in micro, small, and medium enterprises because of its administrative simplicity and predictable profit margins (Obaidullah & Khan, 2008). Despite its widespread use, empirical research on murabahah financing in the fisheries sector remains limited. Existing studies predominantly focus on institutional performance, repayment behavior, or procedural compliance (Ahmed, 2002), while others critique murabahah for converging with conventional debt practices when mechanically implemented (El-Gamal, 2006). Consequently, the ethical and developmental impacts of murabahah on marginalized end users, particularly small-scale fishermen, are still insufficiently explored.

In the Indonesian context, studies indicate that Islamic microfinance can help address structural exclusion in coastal communities. Prior research shows that Sharia-compliant financing reduces fishermen's dependence on exploitative informal lenders and improves access to productive capital, especially when financing schemes are aligned with the seasonal income patterns characteristic of fisheries (Musari & Arodha, 2017; Alam et al., 2021; Anwar et al., 2019). Further evidence suggests that Islamic microfinance supports rural development and socioeconomic resilience when ethical principles are embedded in financing practices and adapted to the geographic and institutional constraints faced by coastal and island populations (Anwar et al., 2020; Wajo et al., 2024).

Comparative studies from Southeast Asia revealed similar patterns of vulnerability among fishing communities. In Malaysia, trust-based Islamic microcredit has been associated with improved income among low-income rural households, including those engaged in fishery-related activities (Saad & Duasa, 2010). Regional research conducted during the Covid-19 period demonstrates that small-scale fishers in the Philippines, Malaysia, and Thailand experienced heightened economic vulnerability due to weak financial buffers and limited access to inclusive support mechanisms, highlighting the importance of context-sensitive and ethically aligned financing models (Ferrer et al., 2021). Evidence from Thailand points to persistent structural and regulatory constraints in rural microfinance delivery, underscoring the need for tailored financial innovations that account for local conditions (Jumlongnark, 2024).

Despite these contributions, most empirical studies continue to evaluate Islamic microfinance using instrumental indicators, such as outreach scale and repayment performance, with limited attention to *maqāṣid al-sharīʿah*-oriented outcomes, including distributive justice, social empowerment, and ethical value creation (Asutay, 2012; Rohman et al., 2021). While Islamic microfinance institutions' financial performance has been widely examined, end-user outcomes, particularly financial performance and long-term resilience among small-scale fishers, remain underexplored (Antonio et al., 2012). Moreover, multidimensional evaluative frameworks, such as Sharia value added, which allow assessment beyond contractual compliance, are still rarely applied in fisheries contexts (Asutay & Harningtyas, 2015; Rohman et al., 2021).

Accordingly, this study shifts the analytical focus from institution-centered metrics to end-user value creation by examining whether murabahah implementation influences fishermen's financial performance and whether Sharia value added mediates this relationship. By integrating value-based evaluation with field evidence from coastal Sumatra, this research contributes to a more substantive and context-sensitive understanding of Islamic microfinance's impacts on marginalized maritime communities.

Sharia value added and value-based evaluation

Conventional measures of financial performance, such as profitability, repayment rates, and portfolio quality, often fail to capture the ethical and developmental objectives of Islamic economics. To address this limitation, Sharia value added (SVA) has been proposed as a value-based evaluative framework that aligns performance assessment with the higher objectives of *maqāṣid al-sharīʿah* (Asutay & Harningtyas, 2015). Unlike evaluations that focus on contractual compliance or institutional profit, SVA integrates ethical, social, and redistributive dimensions, making it particularly relevant for assessing Islamic finance in marginalized communities.

SVA is grounded in the *maqāṣid* paradigm, which emphasizes the protection of essential human interests, including religion (*dīn*), life (*nafs*), intellect (*ʿaql*), lineage (*nasl*), and wealth (*māl*) (Chapra 2000). These objectives inform financial principles that prohibit exploitative practices such as riba, gharar, and maysir while promoting fairness (*ʿadl*), public interest (*maṣlaḥah*), and accountability (amanah) (Dusuki & Bouheraoua, 2011). Accordingly, value is understood as not only a financial surplus but also a contribution to social welfare, ethical governance, and equitable distribution.

Operationally, SVA reflects *maqāṣid al-sharīʿah* through interconnected dimensions that include contractual transparency, distributive justice, ethical conduct, harm avoidance, and socioeconomic empowerment. These dimensions were derived from the framework developed by Asutay and Harningtyas (2015) and supported by empirical studies confirming SVA as a multidimensional tool for Islamic social performance evaluation (Mergaliyev et al., 2021). By emphasizing value creation, SVA enables the assessment of whether Islamic financing practices, including murabahah, generate substantive developmental outcomes, or merely replicate conventional debt structures under Islamic terminology (El-Gamal, 2006).

Recent scholarship highlights the importance of integrating social performance indicators with financial metrics in Islamic finance evaluations (Antonio et al., 2012; Mohamed & Fauziyyah, 2020). In this context, SVA serves as a practical link between normative ethical objectives and measurable outcomes. This study applies SVA as a mediating construct to examine whether murabahah implementation influences fishermen's financial performance through value-based mechanisms, offering a substantive ethical assessment of Islamic microfinance in structurally excluded sectors such as small-scale fisheries.

Conceptual framework and hypothesis development

Building on the preceding discussion, this study conceptualizes Sharia value added (SVA) not only as an evaluative metric but also as a mediating mechanism through which murabahah financing may influence the financial performance of small-scale fishermen. The theoretical foundation of this model is anchored in the *maqāṣid al-sharīʿah* framework, which posits that Islamic financial practices should promote not only economic efficiency but also ethical justice, equitable redistribution, and human development (Asutay, 2012; Antonio et al., 2012). In this respect, financial performance is not merely the end goal but a manifestation of a broader Sharia-oriented socio-economic transformation.

In conventional assessments, murabahah contracts are often evaluated based on repayment behavior or institutional profitability. However, Islamic contracts require multidimensional evaluation in marginalized economic sectors, such as artisanal fisheries, which are characterized by irregular income, high vulnerability, and informal financial access. SVA captures this need by incorporating transparency, distributive fairness, and community empowerment indicators, thereby offering a comprehensive framework for Islamic social performance (Maali et al., 2015; Maali et al, 2006). Following the mediational logic proposed by Baron and Kenny (1986), SVA is hypothesized to transmit the influence of murabahah's implementation on financial performance, serving as both a normative outcome and an explanatory pathway.

This theoretical stance is supported by emerging literature in Islamic finance, which advocates for a shift from instrumental to value-based metrics in assessing the impact of microfinance (Asutay, 2007; Rohman et al., 2021). Thus, SVA bridges the ethical commitments of Islamic finance with the practical measurement of development outcomes, making it suitable for application in contexts in which conventional metrics may obscure structural inequities.

The distinct livelihood structures of coastal and maritime communities in Sumatra, marked by seasonal income flows, limited collateral, and informal debt relations, make them an especially relevant domain for such a framework. Murabahah's ethical efficacy in these settings cannot be detached from its capacity to foster long-term resilience and value creation beyond access alone. The conceptual framework guiding this study is illustrated in Figure 1, which depicts the hypothesized relationships between murabahah implementation, sharia value added (SVA), and the net income of fishermen's businesses.

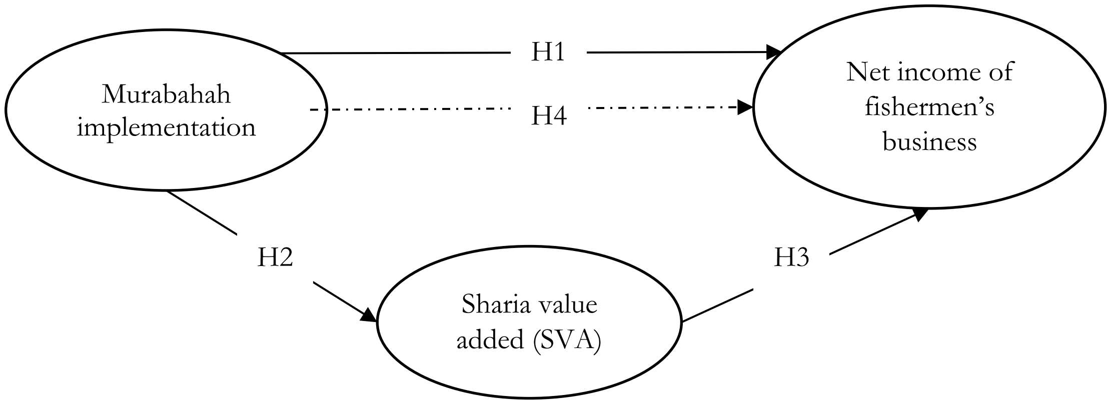

Figure 1. Conceptual framework
Source: Author's own

Hypotheses development

Murabahah implementation and financial performance

The implementation of murabahah is theoretically expected to enhance fishermen's financial performance because it provides predictable and Sharia-compliant access to productive capital, potentially reducing reliance on costly and exploitative informal lending arrangements that are often observed in financially excluded settings (Ahmad et al., 2020; Hudon & Sandberg, 2013). In coastal fisheries characterized by seasonal income volatility, limited collateral, and structural barriers to formal financial access, transparent cost-plus arrangements may facilitate timely procurement of productive inputs and help stabilize production decisions, which can translate into higher net business income over time (Béné, 2009; Pomeroy et al., 2020) From a maqāṣid al-sharīʿah perspective, such financing is intended to support welfare-enhancing economic activity rather than merely expand credit. Prior studies on Islamic microfinance suggest that Sharia-based financing mechanisms can improve client-level economic outcomes when aligned with broader developmental objectives (Antonio et al., 2012; Asutay, 2012).

H_1: Murabahah's implementation is positively associated with the financial performance of artisanal fishermen, as reflected in net business income.

Murabahah Implementation and Sharia value added (SVA)

Murabahah implementation is also expected to positively influence Sharia Value Added (SVA) because it reflects the extent to which financing relationships embody maqāṣid-oriented principles such as transparency, fairness, and distributive justice (Asutay & Harningtyas, 2015; Maali et al., 2006). When murabahah contracts are executed with clear disclosure of costs and margins, equitable contractual terms, and responsible treatment of clients, the financing relationship is more likely to generate perceived ethical and social value in line with the higher objectives of Islamic finance beyond procedural Sharia compliance (Dusuki & Bouheraoua, 2011; Mergaliyev et al., 2021). SVA operationalizes these value-based outcomes through multidimensional indicators that extend beyond procedural Sharia compliance (Asutay & Harningtyas, 2015; Maali et al., 2006).

H_2: Murabahah implementation positively affects the Sharia Value Added (SVA) level in the financing relationship.

Sharia value added (SVA) and financial performance

SVA is theoretically expected to influence financial performance because value-based financing may shape borrowers' behavior, trust, and decision making in ways that support more sustainable business practices, although such effects may materialize indirectly or over a longer time horizon. Islamic social performance literature argues that alignment with maqāṣid values can strengthen stakeholder relationships and promote responsible economic behavior, which may contribute to financial performance outcomes over time (Asutay, 2007; Asutay & Harningtyas, 2015; Rohman et al., 2021). Islamic social performance literature argues that alignment with maqāṣid values can strengthen stakeholder relationships and promote responsible economic behavior, which may contribute to performance outcomes over time (Asutay, 2007; Asutay & Harningtyas, 2015; Rohman et al., 2021).

H_3: Sharia value added (SVA) has a positive and significant effect on the financial performance of fishermen in Sumatra.

The mediating role of SVA

Finally, SVA is positioned as a mediating mechanism that transmits the effect of murabahah implementation on financial performance. Conceptually, value-based Islamic finance suggests that financing instruments may influence economic outcomes not only directly through access to capital but also indirectly by embedding ethical principles that foster trust, financial discipline, and socially responsible behavior among beneficiaries (Asutay, 2007; Asutay & Harningtyas, 2015; Rohman et al., 2021). From a methodological perspective, the mediating role of SVA in this study was examined using the mediation logic proposed by Baron and Kenny (1986), which provides a statistical framework for assessing indirect effects between independent and dependent variables. In this context, Baron and Kenny (1986) are applied solely as a methodological reference to guide mediation analysis rather than as an explanatory framework for Islamic financing contracts.

H_4: SVA partially mediates the relationship between murabahah implementation and financial performance, indicating its value-enhancing role.

This conceptual framework enables empirical testing of both the direct and indirect pathways linking murabahah implementation to fishermen's financial performance through a maqāṣid-oriented value mechanism. This study contributes to the evolving discourse on Islamic microfinance by integrating ethical imperatives with financial performance, particularly in coastal communities that are structurally excluded.

Research Methods

This study adopts a quantitative explanatory research design to analyze the influence of Murābaḥah implementation on the financial performance of small-scale fishermen, with Sharia Value Added (SVA) serving as a mediating variable. The analytical method used was Partial Least Squares structural equation modeling (PLS-SEM), deemed appropriate for models involving latent constructs and mediation paths (Hair et al., 2021).

The research population comprises small-scale fishermen in the coastal regions of Sumatra who have received Murābaḥah-based financing from Islamic financial institutions. To ensure regional representativeness, 310 respondents were selected using a cluster sampling technique covering 31 coastal districts and municipalities. Primary data were collected through structured questionnaires and brief interviews with the respondents. Questionnaires were distributed in February 2025 and collected in March 2025. In contrast, secondary data were obtained from the financing reports of Islamic financial institutions, the Central Statistics Agency (Badan Pusat Statistik), and publications issued by the Ministry of Marine Affairs and Fisheries (Kementerian Kelautan dan Perikanan).

The measurement of variables in this study was guided by the Indonesian Statement of Financial Accounting Standards for Sharia Transactions (Pernyataan Standar Akuntansi Keuangan Syariah, PSAK) 102 and validated empirical frameworks. Murābaḥah Implementation (MUR) was operationalized using four indicators adapted from PSAK No. 102 (Revised 2016) and prior empirical studies (Asutay & Harningtyas, 2015): the total financing received (MUR_AMOUNT), the profit margin agreed in the contract (MUR_MARGIN), the financing tenor or repayment duration (MUR_TERM), and the frequency or presence of payment delays (MUR_LATE).

Financial Performance (FPERF) was measured using actual income and expense indicators, including total monthly revenue (REV_TOT), fixed costs, such as equipment maintenance (FIX_TOT), variable costs, including fuel and labor (VAR_TOT), and unexpected or incidental costs (OTH_TOT). These indicators are consistent with the financial performance metrics employed in studies on Islamic microcredit programs, such as the Amanah Ikhtiar Malaysia initiative (Al Mamun & Hayat, 2019).

Sharia Value Added (SVA) was assessed using four perception-based indicators reflecting Islamic finance's maqāṣid-oriented values. These include the perceived fairness of the profit margin (SVA1), perceived compliance with Sharia contractual principles (SVA2), perceived social benefit of financing (SVA3), and perceived productivity enhancement attributable to financing (SVA4).

Perceptual variables were rated on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). In contrast, the financial variables are based on actual reported monetary values in the Indonesian Rupiah (IDR).

Data analysis was conducted using SmartPLS 4.0 in two stages. First, the measurement model was evaluated through tests of convergent validity (using factor loadings and Average Variance Extracted), discriminant validity (via the Fornell–Larcker criteria and the heterotrait–monotrait ratio (HTMT)), and construct reliability (using Composite Reliability and Cronbach's Alpha). Second, the structural model was assessed to determine the significance of direct and indirect relationships, R^2 values for endogenous constructs, and the mediating effect of SVA on the relationship between Murābaḥah implementation and financial performance. PLS-SEM was selected for its predictive orientation, ability to accommodate reflective constructs and non-normal data, and suitability for moderate sample sizes in the social and financial research contexts.

Results

Respondents' profile and descriptive statistics

The study involved 310 small-scale fishermen from 31 coastal districts and municipalities in Sumatra who had received Murābaḥah-based financing from Islamic financial institutions. The respondents' demographic characteristics included age, education level, fishing experience, main fishing activity, and monthly net income, as summarized in Table 1.

The respondents were predominantly middle-aged fishermen, with more than half of them aged above 40 years old. Educational attainment was largely concentrated at the primary and secondary levels, reflecting the typical educational background of small-scale coastal fishing communities. Fishing experience is relatively high, as more than three-quarters of respondents reported over 10 years of experience, indicating strong occupational attachment to fisheries-based livelihoods.

Most respondents were engaged in traditional capture fishing, while a smaller proportion combined fishing with aquaculture or other mixed activities. In terms of economic conditions, the majority of respondents fell within the low-to middle-income categories, which is consistent with the study's focus on small-scale and financially constrained coastal communities. This demographic profile supports the relevance of Murābaḥah-based financing and value-oriented evaluations in the context examined.

Table 1. Respondents' demographic profile

Variable	Category	Frequency	Percentage (%)
Age (years)	≤30	48	15.5
	31–40	86	27.7
	41–50	102	32.9
	>50	74	23.9
Education level	Primary (SD–SMP)	167	53.9
	Secondary (SMA)	121	39.0
	Tertiary (Diploma/University)	22	7.1
Fishing experience	≤10 years	69	22.3
	11–20 years	134	43.2
	>20 years	107	34.5
Main fishing activity	Capture fishing (traditional)	246	79.4
	Aquaculture	41	13.2
	Mixed activities	23	7.4
Monthly net income (category)	Low	142	45.8
	Middle	118	38.1
	High	50	16.1

Source: Author's own

Measurement model results

Evaluation of the measurement model using partial least squares–structural equation modeling (PLS-SEM) is essential to ensure that the latent constructs are measured with adequate reliability and validity before proceeding to the structural model assessment (Hair et al., 2021). This process included internal consistency, convergent validity, and discriminant validity.

Internal consistency was assessed using Cronbach's alpha and composite Reliability (CR). Both measures evaluate how consistently indicators represent their respective constructs. The internal consistency and convergent validity assessments are presented in Table 2. All constructs, murabahah implementation, Sharia value added (SVA), and Net Income of Fishermen's Business, exhibited Cronbach's Alpha and CR values exceeding the threshold of 0.70, demonstrating satisfactory internal consistency.

Convergent validity was examined using average variance extracted (AVE), which indicates how much a construct explains the variance in its indicators. The AVE values for all constructs were above the recommended minimum of 0.50, confirming that each construct captured more than half the variance in its observed indicators.

In addition, convergent validity was evaluated using indicator (factor) loadings. Following Hair et al. (2021), factor loading values above 0.70 indicate strong indicator reliability, while values above 0.60 are acceptable in applied SEM-PLS research, provided that Composite Reliability and AVE remain adequate. The factor-loading estimates are presented in Table 3. All indicators demonstrated loading values above the recommended thresholds, indicating that each item effectively represented its corresponding latent construct.

To ensure that the constructs were empirically distinct, discriminant validity was assessed using the heterotrait-monotrait (HTMT) ratio, which is considered more robust than the Fornell–Larcker criterion in PLS-SEM applications (Hair et al., 2021). The HTMT results are presented in Table 4. All the HTMT values were below 0.90, indicating acceptable discriminant validity. Although the HTMT value between the Net Income of Fishermen's Business and SVA is 0.875, slightly exceeding the conservative 0.85 threshold, it remains within the acceptable boundary for applied SEM-PLS research.

Each indicator reported in Table 3 corresponds to a specific questionnaire item used to operationalize latent constructs. For murabahah implementation, MUR_AMOUNT measured the total amount of murabahah financing received by the respondent, MUR_MARGIN captured the respondent's assessment of the clarity and appropriateness of the agreed profit margin, MUR_TERM reflects the suitability of the financing tenor in relation to fishing activities and income cycles, and MUR_LATE measured the occurrence of payment delays during the financing period.

For Sharia value added (SVA), SVA1 assessed perceived fairness of the murabahah profit margin; SVA2 captured perceived compliance of the financing arrangement with Sharia contractual principles; SVA3 measured perceived social benefits generated by financing; and SVA4 reflected the extent to which financing enhanced business productivity.

For the Net Income of Fishermen's Business, REV_TOT measured total monthly revenue from fishing activities; FIX_TOT captured fixed operational costs, such as equipment maintenance; VAR_TOT reflected variable costs, including fuel and labor; and OTH_TOT measured other incidental expenses related to fishing operations.

Table 2. Internal consistency and convergent validity of constructs

Construct	Cronbach's Alpha	Composite reliability	Average variance extracted (AVE)
Murabahah implementation	0.831	0.848	0.703
Net income of fishermen's business	0.758	0.755	0.802
Sharia value added (SVA)	0.740	0.826	0.749

Source: Author's own

Table 3. Factor loadings of measurement model

Construct	Indicator	Factor Loading
Murabahah implementation	MUR_AMOUNT	0.84
	MUR_MARGIN	0.81
	MUR_TERM	0.87
	MUR_LATE	0.79
Sharia value added (SVA)	SVA1	0.86
	SVA2	0.88
	SVA3	0.84
	SVA4	0.87
Net income of fishermen's business	REV_TOT	0.91
	FIX_TOT	0.85
	VAR_TOT	0.90
	OTH_TOT	0.87

Source: Author's own

Table 4. Discriminant validity: HTMT matrix

Construct pair	HTMT value
Murabahah implementation – Net income	0.721
Murabahah implementation – SVA	0.720
Net Income – SVA	0.875

Source: Author's own

Overall, the measurement model evaluation results confirmed that all the constructs demonstrated satisfactory internal consistency, convergent validity, and discriminant validity. These findings provide a strong foundation for subsequent evaluation of the structural model and hypothesis testing, as all indicators exhibit robust psychometric properties.

Structural model results

Inner model evaluation assessed the predictive accuracy and explanatory power of the structural framework. In this study, partial least squares structural equation modeling (PLS-SEM) was employed to analyze the influence of murabahah implementation on fishermen's financial performance, with Sharia Value Added (SVA) positioned as a mediating variable. The quality of the inner model was evaluated using the coefficient of determination (R^2), adjusted R^2, and Stone–Geisser's Q^2 predictive relevance statistic following the standards outlined by Hair et al. (2021).

Table 5 presents the endogenous variables' R^2, adjusted R^2, and Q^2 values. The R^2 for Sharia value added (SVA) is 0.610, indicating that murabahah implementation explains 61% of the variance in SVA. This falls within the 'substantial' category. Similarly, R^2 for fishermen's Net Business Income is 0.576, suggesting that murabahah implementation and SVA jointly explain approximately 57.6% of the variation in income, which is considered a moderate effect size.

The predictive relevance (Q^2) values were obtained using blindfolding procedures. A Q^2 value above zero confirmed that the model had acceptable predictive relevance. Notably, the Q^2 for fishermen's net business income is 0.666, indicative of strong predictive accuracy, while Q^2 for SVA stands at 0.195, denoting a moderate predictive capability.

Table 5. Inner model predictive assessment

Variable	R^2	Adjusted R^2	Q^2
Net income of fishermen's business	0.576	0.570	0.666
Sharia value added (SVA)	0.610	0.607	0.195

Source: Author's own

Hypothesis testing and path analysis

Table 6 presents the hypothesis test results are summarized in Table 6. Path coefficients were evaluated based on t-statistics and p-values (significance level, $p < 0.05$). Three of the four hypotheses are statistically supported.

Table 6. Structural model path coefficients and hypothesis results

Hypothesis	Path	Coefficient	t-Statistic	p-Value	Result
H_1	Murabahah implementation → Net income	0.264	2.426	0.015	Accepted
H_2	Murabahah implementation → Sharia value added (SVA)	0.102	2.816	0.004	Accepted
H_3	SVA → Net income	0.110	0.645	0.519	Rejected
H_4	Murabahah → SVA → Net income (indirect effect)	0.011	2.462	0.044	Accepted

Source: Author's own

The path analysis confirms that murabahah implementation significantly directly affects fishermen's net business income (H_1) and Sharia value-added (H_2). However, the direct effect of SVA on Net Income (H_3) is not statistically significant, indicating that while SVA embodies Sharia-based value principles, it does not independently drive immediate financial gains. Interestingly, the indirect effect (H_4) is statistically significant, suggesting that SVA serves as a meaningful mediator, reinforcing the indirect impact of murabahah financing on income through value-based enhancement.

These findings suggest that perceived Sharia compliance and ethical orientation associated with murabahah may contribute to the sustainability and credibility of financial practices among fishermen, even if not directly monetized in the short term. Figure 2 illustrates the final SEM-PLS framework based on the empirical analysis.

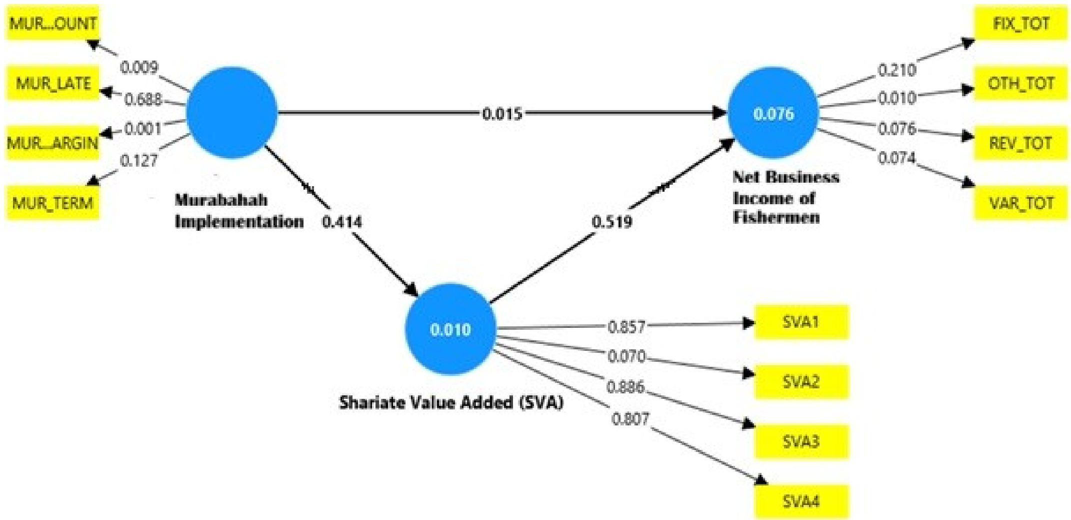

Figure 2. Structural equation model (PLS-SEM output)
Source: Processed primary data (SmartPLS 4.0)

Discussion

The effect of murābaḥah implementation on fishermen's net business income

This study reveals that the implementation of murabahah financing exerts a positive and statistically significant effect on the net business income of small-scale fishermen in Sumatra ($\beta = 0.264, t = 2.426, p = 0.015$). This finding suggests that when designed with fairness, transparency, and contractual clarity, Murābaḥah financing effectively enhances productivity and income generation within the fisheries sector. As a cost-plus contract model, murabahah is widely utilized in Islamic microfinance due to its predictable pricing and administrative practicality, both of which are essential for promoting financial inclusion among underserved groups (Obaidullah & Khan, 2008; Anwar et al., 2020). By providing reliable access to capital, murabahah enables micro-entrepreneurs to acquire necessary productive inputs and overcome working capital constraints (Anwar et al., 2019; Anwar et al., 2020).

In fisheries-based livelihoods characterized by seasonal volatility and external shocks, the predictable repayment structures offered by Sharia-compliant contracting help reduce financial uncertainty and stabilize livelihoods (Musari & Arodha, 2017; Alam et al., 2021). The positive reception of these contracts in Sumatran communities is largely attributed to their alignment with local sociocultural norms, where transparency in cost disclosure and profit margins fosters deeper trust and acceptance. This contractual structure minimizes ambiguity and ensures that repayment obligations are clear, thereby supporting informed consent and reducing the potential for financial disputes within relationship-based communities (Saad & Duasa, 2010; Wajo et al., 2024).

However, the overall effectiveness of murabahah is not determined solely by the design of the contract; financial literacy remains a critical moderating factor. Limited financial capability can hinder the successful conversion of financing into productive long-term investment, occasionally shifting expenditures toward short-term consumption (Anwar et al., 2019; Rohman et al., 2021). Furthermore, the collective social structure of fishing communities, which is deeply rooted in the tradition of *gotong royong* (mutual cooperation), provides a unique opportunity for exploring group-based Islamic microfinance mechanisms. Cooperative arrangements have been shown to strengthen social monitoring and mutual resilience, suggesting that while current Murābaḥah schemes are individually structured, their benefits often spill over into collective activities like pooled labor and marketing (Asutay, 2012; Asutay & Harningtyas, 2015).

In summary, the significant positive relationship between murabahah implementation and fishermen's net business income reinforces the importance of Islamic microfinance as both an economic and ethical intervention. These results highlight that to maximize developmental impacts, financial provision must be paired with capability building and context-sensitive designs that account for livelihood seasonality and specific community practices (Anwar et al., 2019; Alam et al., 2021). By integrating these elements, Islamic financial institutions can move beyond simple credit provision to foster long-term community resilience and empowerment. Such a holistic approach ensures that the moral economy envisioned by *maqāṣid al-sharīʿah* is translated into tangible, sustainable welfare for marginalized populations.

The effect of murābaḥah implementation on Sharia value added (SVA)

The empirical results of this study demonstrate that the implementation of murabahah exerts a positive and statistically significant effect on Sharia Value Added (SVA), supported by a path coefficient of $\beta = 0.102$ ($t = 2.816$; $p = 0.004$). This finding affirms that when murabahah is executed in strict accordance with Sharia principles, it contributes to both transactional success and the creation of ethical and social value among small-scale fishermen. Such outcomes align with value-based Islamic finance arguments that emphasize transparency and fairness as essential mechanisms for embedding *maqāṣid*-oriented objectives into financial practice (Asutay & Harningtyas, 2015; Rohman et al., 2021). In the Sumatra fisheries sector, where exploitative informal lending and interest-based debt have historically dominated, murabahah offers a vital ethical alternative by providing clear pricing disclosures and repayment terms that reduce uncertainty (*gharar*) and empower borrowers (Dusuki & Bouheraoua, 2011). This institutional clarity resonates deeply with the local coastal culture, which prioritizes moral accountability and collective deliberation (*musyawarah*) (Saad & Duasa, 2010; Wajo et al., 2024).

The ethical resonance of murabahah is reflected through various SVA dimensions, including distributive justice via fair pricing, the avoidance of harm by prohibiting interest (*riba*), and the promotion of empowerment through income stabilization. These elements align with core *maqāṣid* imperatives, specifically the protection of wealth (*ḥifẓ al-māl*) and the advancement of public welfare (*maṣlaḥah ʿāmmah*) (Chapra, 2000; Dusuki & Bouheraoua, 2011). Furthermore, the positive impact of murabahah extends beyond the individual level, as value-oriented finance can encourage broader prosocial and responsibility-oriented behaviors within the community (Kamla & Rammal, 2013; Asutay & Harningtyas, 2015). However, the internalization of these SVA values is not automatic; the realization of substantive Sharia-based value creation requires consistent institutional support, improved financial literacy, and dedicated ethical capacity building. In regions with limited formal education, symbolic compliance may inadvertently overshadow substantive ethical practices unless actively managed (El-Gamal, 2006; Hudon & Sandberg, 2013).

To ensure that financial implementation delivers genuine economic, social, and spiritual outcomes, the role of Sharia supervisory boards and the application of accounting standards like PSAK 102 must be supplemented by continuous community mentoring. The significant effect of Murābaḥah on SVA reaffirms that ethical contract design, contextual adaptation, and rigorous institutional oversight are essential for achieving the moral economy envisioned by *maqāṣid al-sharīʿah*. Ultimately, through the lens of SVA, this study provides empirical evidence that Islamic microfinance functions as more than a simple financial mechanism; it serves as a powerful instrument for ethical empowerment and community resilience. By prioritizing these value-based metrics, Islamic financial institutions can better promote inclusive development that is both economically viable and spiritually grounded. This holistic approach ensures that marginalized sectors, such as artisanal fisheries, can move toward sustainable growth while maintaining their cultural and religious integrity.

The mediating role of Sharia value added (SVA) in the relationship between murābaḥah implementation and fishermen's net business income

The findings of this study demonstrate that while the direct effect of Sharia Value Added (SVA) on fishermen's net business income is statistically insignificant, SVA exerts a significant indirect mediating effect on the relationship between murabahah implementation and income generation ($\beta = 0.011$; $t = 2.462$; $p = 0.044$). This pattern supports the argument that ethical and value-based dimensions in Islamic finance shape outcomes primarily through behavioral and relational channels rather than immediate monetary gains (Asutay & Harningtyas, 2015; Rohman et al., 2021). Instead of yielding instant financial increases, SVA promotes the internalization of Islamic ethical norms—such as fairness (*ʿadl*), trust (*amanah*), and benefit maximization (*maṣlaḥah*)—which gradually foster financial discipline and business sustainability. Such *maqāṣid*-based framing is essential for justifying the developmental logic of Islamic finance beyond narrow profitability metrics (Chapra, 2000; Dusuki & Bouheraoua, 2011).

In the coastal regions of Sumatra, including Bangka Belitung, Riau, and the eastern provinces, structural barriers such as seasonal income instability, limited financial literacy, and dependence on informal lenders (*ijon*) remain prevalent. In this specific setting, contract-based Islamic microfinance models serve to expand access to working capital while reducing exposure to exploitative lending arrangements (Anwar et al., 2019; Alam et al., 2021). SVA functions within this environment as a moral and developmental filter, encouraging beneficiaries to adopt prudent long-term financial practices that reflect Islamic economic justice. This shift aligns with broader academic calls to move the evaluation of Islamic finance away from mere procedural compliance toward substantive welfare and ethical assessment (El-Gamal, 2006; Mergaliyev et al., 2021).

To fully actualize this potential, structured interventions—including mentoring, capability building, and value-oriented engagement—are necessary to translate theoretical Islamic financial principles into sustained socio-economic outcomes (Hudon & Sandberg, 2013; Mergaliyev et al., 2021). Consequently, institutional actors and regulatory bodies, such as OJK, KNEKS, and DSN-MUI, are encouraged to integrate Sharia value-added indicators within financing schemes specifically targeting structurally excluded communities. By institutionalizing these metrics, the mediating role of SVA can be strengthened as both an evaluative construct and a transformative mechanism for development. This is particularly vital for artisanal fisheries and other informal livelihoods at the periphery of formal finance systems, ensuring that Islamic socio-economic development is both inclusive and ethically grounded.

Conclusion

This study confirms that murabahah financing significantly enhances the net income of small-scale fishermen in Sumatra, with Sharia Value Added (SVA) serving as a vital mediator in this relationship. While SVA does not directly impact income, it strengthens financial outcomes by integrating ethical and behavioral dimensions into financing practices, validating the need to assess Islamic microfinance through *maqāṣid al-sharīʿah* rather than just financial metrics. Theoretically, this research advances Islamic finance literature by empirically establishing SVA as a structural mediating construct, shifting the focus from mere procedural Sharia compliance to substantive ethical and developmental assessment.

Practically, the findings suggest that murabahah should evolve beyond a simple contractual mechanism to include ethical reinforcement and transparent engagement. Islamic financial institutions are encouraged to incorporate SVA-based indicators into their impact evaluation frameworks and pair financing with specialized Sharia financial literacy and mentoring programs for coastal communities. Such initiatives can foster greater financial discipline and long-term resilience among marginalized sectors. By internalizing ethical values within economic behavior, these financial instruments can generate more sustainable and inclusive socio-economic outcomes.

However, the study is limited by its cross-sectional design, perception-based SVA indicators, and a specific geographical focus on Sumatra, which may affect generalizability. Future research should utilize longitudinal designs to track the evolution of ethical values and financial performance over time. Additionally, expanding the SVA framework to other Islamic contracts and incorporating qualitative approaches would provide deeper insights into how ethical values translate into economic success. These efforts will further solidify the foundations of value-based Islamic finance, promoting resilient and ethically grounded development across diverse livelihoods.

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