

Islamic Finance Practices in Micro, Small, and Medium Enterprises in Indonesia: A Systematic Literature Review

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Abstract

This study analyzes Islamic finance practices in micro, small, and medium enterprises (MSMEs) in Indonesia from an Islamic economics perspective. This study employed a systematic literature review method following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA). The main data source was written material that analyzed the impact of Islamic finance practices on MSMEs in Indonesia. The findings demonstrate that Islamic finance practices positively influence the growth of MSMEs in Indonesia. This study indicates that Islamic finance practices have substantial potential for enhancing the well-being of MSMEs in the country. Noteworthy growth factors for MSMEs encompass Islamic business and economic ethics, innovation, and ethical and moral considerations. Islamic finance practices are a promising option for Indonesian MSMEs to enhance their business growth. Therefore, adopting Islamic finance practices can contribute to improving business performance and fostering MSMEs' growth. Future research may involve empirical studies to gain a more comprehensive understanding of Islamic finance practices in Indonesian MSMEs.

Keywords: Islamic Finance Practices; Micro, Small, and Medium Enterprises; Systematic Literature Review

INTRODUCTION

Indonesia, a nation with a predominantly Muslim population, holds substantial potential for the development of Islamic finance and economics. Presently, one of the most promising sectors in this regard is the micro, small, and medium enterprise (MSMEs) industry. This sector has a significant influence on Indonesia's economy, comprising an estimated 63 million businesses that make substantial contributions to the national economy. Nevertheless, the growth of MSMEs in Indonesia faces various challenges including limited access to financial resources and technological support (Kaukab 2023; Susanti et al. 2023; Utama et al. 2023). An emerging alternative that has gained traction is the adoption of Islamic finance, which offers an inclusive, justice-based approach. Multiple studies have indicated that Islamic finance practices can enhance financial access and bolster the growth of MSMEs (Mawardi et al., 2018; A. Z. Anwar et al., 2019; Qoyum & Fauziyyah, 2019; Nurasyiah et al., 2022; M. K. Anwar et al., 2023; Puspitasari et al., 2023; Mujiatun et al., 2023). However, research on the nexus between Islamic finance practices and the MSMEs' growth in Indonesia remains limited.

The theoretical framework underpinning this research hinges on Islamic economics, which underscores justice-based and inclusive principles in the financial system. Prior research has demonstrated that Islamic finance practices can foster inclusivity and sustainable economic growth by nurturing a more comprehensive digital ecosystem (Aminullah et al., 2022). Additionally, the theory of MSMEs development comes into play, focusing on the factors that influence the expansion of MSMEs. As affirmed by Nursini (2020), effective policy support and improved financial access can expedite MSME's growth, while concurrently reducing poverty.

Qoyum et al. (2021) note that Islamic finance practices have recently seen rapid expansion in Indonesia, with Islamic banks and

other financial institutions offering various Shariah-compliant financial products. Nevertheless, challenges persist in cultivating Islamic finance practices among MSMEs, including inadequate awareness and understanding of Shariah principles, and limited access to Shariah-compliant financial products tailored to the needs of these enterprises (Farida et al., 2019; Ratnawati, 2020). In the broader context of Islamic economics in Indonesia, previous research underscores challenges such as the absence of supportive regulations and policies, coupled with limited awareness and comprehension of Islamic economic principles among business practitioners and the general population (Handoko, 2020).

The confluence of these factors underscores the necessity for a comprehensive study analyzing the implementation of Islamic finance in Indonesian MSMEs from the standpoint of Islamic economics. The expansion of the Islamic finance sector in Indonesia aligns with the increasing embrace of Sharia principles in economic activities within the Indonesian society. Concurrently, Indonesia MSMEs sector has evolved into a pivotal player in supporting economic growth and poverty alleviation. Consequently, this study makes significant contributions to the development of Islamic finance practices for MSMEs in Indonesia through the lens of Islamic economics. It also seeks to provide recommendations for governmental bodies, financial institutions, and business practitioners to enhance the accessibility and utilization of Shariah-compliant financial products for MSMEs.

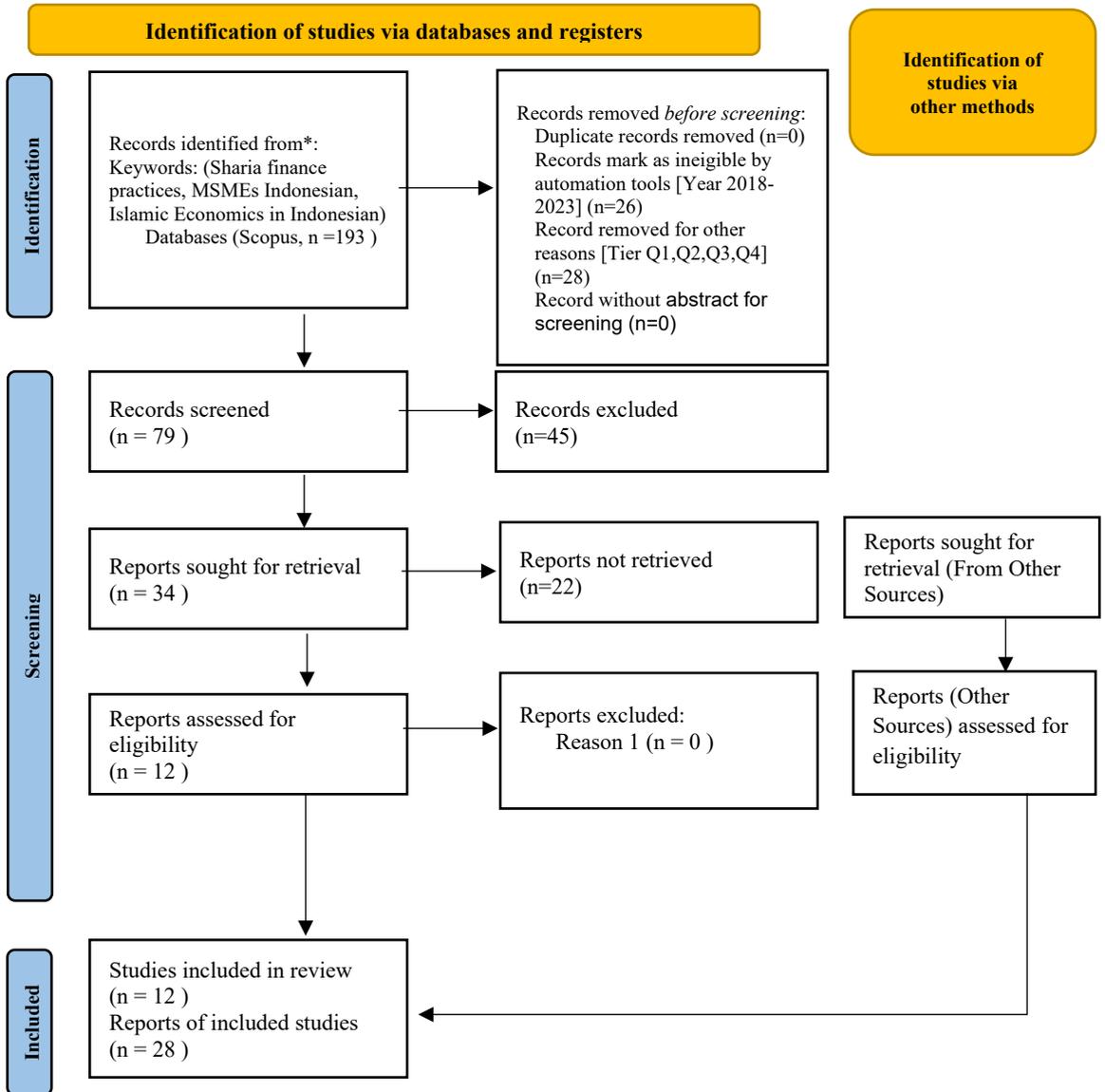
The principal objective of this study is to examine the impact of Islamic financial practices on the growth of MSMEs in Indonesia. The literature review identified several pivotal factors affecting this relationship, including technology adoption, policy support, and the role of women in MSMEs. Consequently, this study analyzes these factors to gain a more comprehensive understanding of how Islamic financial practices can bolster MSMEs' growth in Indonesia.

Remarkably, there has been relatively little research into assessing the influence of Islamic financial practices on MSMEs' growth in Indonesia, thus necessitating the research question central to this study: "Does Islamic financial practice affect the growth of MSMEs in Indonesia?" To address this question, this study undertakes a systematic literature review of pertinent studies conducted to date. This study aims to enhance our understanding of the role of Islamic financial practices in augmenting the growth of MSMEs in Indonesia, ultimately equipping business entities and financial institutions with insights to formulate more effective strategies for advancing financial access to SMEs in the country.

METHOD

The method employed in this study was a systematic literature review. The initial step in this process involves identifying the central research question, namely, "Does Islamic financial practice affect the growth of MSMEs in Indonesia?" Subsequently, the study proceeded by conducting a comprehensive search of relevant journals and articles using the Scopus database. The keywords that will guide this search include "Sharia finance practices", "MSMEs in Indonesia", and "Islamic Economics in Indonesia". [Figure 1](#) provides clarity on the research process in the form of a PRISMA Flow Diagram. This offers a visual representation of the steps taken in the selection of journals and articles for incorporation into this study.

Figure 1.
PRISMA flow diagram of the study



Source: Primary data.

This systematic literature review approach, guided by quantitative analysis, was chosen because of its effectiveness in examining existing knowledge in a structured manner, thereby

enabling rigorous exploration of the research question at hand (Meerpohl et al., 2012; O'Hagan et al., 2018). By harnessing the Scopus database and targeted keywords, this method ensures the retrieval of the most pertinent and reliable scholarly sources available, thereby enhancing the robustness and validity of the findings (Carrera-Rivera et al., 2022). The subsequent sections will delve into the analysis and synthesis of these selected articles, providing valuable insights into the relationship between Islamic economic practices and the growth of MSMEs in Indonesia.

Data Research Design

The data research design in this study hinges on formulating the research problem to generate fundamental questions that necessitate comprehensive exploration. This is achieved by leveraging a multitude of existing literature to extract insights and developments from previous research. In line with the central question of this research, "Does Islamic finance practices affect the growth of MSMEs in Indonesia?" The data research design aimed to synthesize and critically evaluate relevant knowledge from scholarly sources.

Article Criteria

- a. **Relevance to the Research Topic:** The chosen articles must align with the predetermined research topic, specifically pertaining to the relationship between Islamic finance practices and the growth of MSMEs in Indonesia.
- b. **Indexed in Scopus Q1, Q2, Q3, or Q4 Level:** The selected articles were indexed in Scopus and categorized as Q1, Q2, Q3, or Q4. This categorization underscores the quality and reputation of the journals that have published the articles.
- c. **Maximum Publication Year of five Years from Research Conducted:** The selected articles should have been published within the five years preceding the research to ensure their relevance to the current conditions. Additionally, these

articles must incorporate pertinent theories, citations, and references to substantiate their research.

Developing Research Strategies in the Scopus Database

The development of research strategies within the Scopus database can be effectively executed by adhering to the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework, as shown in [Figure 1](#). PRISMA serves as a comprehensive method for transparently and meticulously reporting the outcomes of systematic research and meta-analyses. It encompasses several key steps, including formulating research questions, identifying studies through databases and registries, selecting pertinent studies, and assessing the quality of these studies ([Page, McKenzie, et al., 2021](#); [Page, Moher, et al., 2021](#)).

The identification of relevant studies commences with the deployment of keywords closely aligned with the research question. In this specific study, the keywords employed encompass "Sharia finance practices," "MSMEs in Indonesia," and "Islamic Economics in Indonesia." The Scopus database is the primary source for this endeavor. Subsequently, the selection of studies was contingent upon well-defined inclusion and exclusion criteria. The inclusion criteria may encompass studies published within a specified timeframe and those that engage with topics directly related to the research question. Conversely, the exclusion criteria may involve studies that have undergone prior reviews, those that lack relevance to the research question, and those that fail to meet predefined quality benchmarks.

Systematic Review

A systematic review represents a methodical and structured research approach designed to systematically gather, analyze, and organize pertinent information from diverse sources to address a research inquiry ([Page, McKenzie, et al., 2021](#); [Page, Moher, et al.,](#)

2021). Within this context, PRISMA 2020 serves as a robust guideline for transparently reporting systematic research outcomes. PRISMA 2020 has the potential to confer various benefits to multiple stakeholders. Thorough reporting empowers readers to evaluate the appropriateness of the research methods and, consequently, the reliability of the findings. By elucidating and summarizing the characteristics of contributing studies, healthcare providers and policymakers can assess the applicability of these findings to their respective contexts. Furthermore, providing insights into the certainty of evidence and the implications of findings can assist policymakers, managers, and other decision makers in formulating pertinent recommendations for both practice and policy. The comprehensive reporting of all PRISMA 2020 components also facilitates replication and updates of systematic reviews, in addition to the integration of systematic reviews into reviews (derived from systematic reviews) and guidelines, thereby enabling cumulative progress and reducing research redundancy.

Table 1.

List of authors, key concepts, and scientific comparative analysis highlights or articles in the study

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
1	Aminullah et al. (2022)	Interactive components of MSME's digital ecosystem for an inclusive digital economy in Indonesia	The use of information and communication technology in Islamic finance to improve financial accessibility and inclusivity for MSMEs in Indonesia.
2	Alkhan & Hassan (2021)	Does sharia microfinance serve maqasid al-sharia?	Comparative analysis between Islamic and conventional microfinance and its relevance to the objectives of Maqasid al-

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
			Sharia in the context of MSMEs in Indonesia.
3	Qoyum et al. (2021)	Is the Sharia-SRI portfolio really important?	Application of valuation model to sharia portfolio investment-SRI in Indonesia and its influence on MSME growth.
4	Ozdemir et al. (2023)	Promoting financial inclusion through sharia microfinancing: New model proposal for participating banks in Turkey	Development of a sharia microfinance model that can be applied to participating banks to increase financial accessibility and inclusivity for MSMEs.
5	Dikau and Volz (2021)	Central bank mandate, sustainability goals, and green finance promotion	Analysis of the impact of the central bank's mandate in promoting green finance on the growth of MSMEs in Indonesia.
6	Disli et al. (2023)	Supporting small and many: Sharia banking for MSMEs	Comparative analysis of the performance of Islamic and conventional banks in supporting the growth of MSMEs in Indonesia.
7	Mohamed & Elgammal (2023)	Credit risk in sharia microfinance institutions: The role of women, groups, and rural borrowers	Analysis of the impact of borrower characteristics on credit risk in Islamic microfinance institutions in Indonesia and their relevance to the growth of MSMEs.
8	Izzeldin et al. (2021)	Convergence of efficiency in Islamic and conventional banks	Analysis of efficiency performance comparison between Islamic and conventional banks and their

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
			relevance to the growth of MSMEs in Indonesia.
9	Ghلامallah et al. (2021)	Research topics in Islamic economics and finance	A systematic review of research topics in the field of Islamic economics and finance, including their relevance to the growth of MSMEs in Indonesia.
10	Ahmad et al. (2023a)	Religion, social desirability bias and financial inclusion: Evidence from a list of experiments on Islamic (micro) finance	This study highlights Islamic finance practices in the context of financial inclusion. In this study, a hidden list experiment was conducted to study the decision-making behavior of prospective borrowers in relation to Islamic financial products in Indonesia. The study found that there was a social desirability bias in the formation of financial preferences, but Islamic finance practices gained higher levels of inclusion.
11	Ahmad et al. (2023b)	Absorption, use, and impact of Islamic savings: Evidence from field experiments in Pakistan	This study aims to evaluate the impact of Islamic financial practices, especially savings, on saving behavior in Pakistan. Field studies show that Islamic financial products encourage people to save more, although it is not statistically significant.
12	Röell et al. (2022)	Managing socio-political risks at the local level: Lessons from MNE's Indonesian subsidiary	This study highlights social and political risk factors in investment decision making, particularly in subsidiaries of multinational companies in Indonesia. In the context of MSME growth, this study

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
			shows that social and political risks faced by subsidiaries can affect the company's success in growing MSMEs.
13	Ahmad et al. (2020)	The double bottom line of microfinance: A global comparison between conventional and Islamic microfinance	This study compares financial and social performance between conventional and Islamic microfinance practices around the world. In the context of MSMEs, the study found that Islamic finance practices tend to be more inclusive and obtain better social returns. However, Islamic financial practices earn lower financial returns compared to conventional practices.
14	Lo Beu et al. (2022)	Gender and vulnerable work in developing countries: Evidence from global microdata	The study highlights the issue of gender inequality in vulnerable employment opportunities in developing countries, using global microdata. In the context of MSMEs, this study shows that the informal sector, including MSMEs, has a higher level of vulnerability
15	Adhikary et al. (2021)	Government credit guarantee	Shows that government credit guarantees contribute positively to the performance of MSMEs in Indonesia.
16	Nursini (2020)	MSMEs and poverty reduction	Shows that MSMEs contribute positively in reducing poverty in Indonesia.
17	Koeswahyono et al. (2022)	Job creation law and MSMEs	Indicating that the Omnibus Law on Job Creation can

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
			strengthen the protection and empowerment of MSMEs in Indonesia during the COVID 19 pandemic.
18	Kadarisman (2019)	Mediation by the government and MUI (Indonesia's Council of Ulama)	Indicates that government and MUI mediation contribute to marketing and development strategies for MSMEs in Jakarta.
19	Kurniawan et al. (2023)	The adaptation of technology and government financial support.	Indicating that technological adaptation and government financial support contribute to the sustainable performance of MSMEs during the COVID-19 pandemic.
20	Sudjatmoko et al. (2023)	The impact of the Covid-19 pandemic and innovations	Indicating that the COVID-19 pandemic has had a negative impact on the performance of SMEs in Indonesia, however, innovation can be an important mediator.
21	Rafikov & Akhmetova (2020)	Islamic economics and finance	It is demonstrated that the collective ijihad method can be utilized to develop integrated knowledge in Islamic economics and finance.
22	Furqani et al. (2020)	Ethics in Islamic economics: micro foundations for ethical endogeneity.	Explaining the ethical foundations of Islamic economics that are an important factor in the growth of MSMEs in Indonesia.
23	Tjahjadi et al. (2022)	Human resource readiness and global market orientation in the performance of Indonesian micro, small, and medium enterprises	This study discusses the relationship between human resource readiness and global market orientation in the business performance of SMEs in Indonesia.

No	Author	Key Concepts	Scientific Comparative Analysis Highlights
24	Ali & AlQuradaghi (2019)	Publishing research on Islamic economics and finance: polemics, perceptions, and prospects.	Providing an overview of the development and publication of Islamic economics and finance research, as well as its impact on the growth of MSMEs in Indonesia.
25	Aydin (2020)	This article focuses on the foundational paradigm and moral principles of Ihsan ethics in the context of Islamic economics and business.	Explaining the basic concept of ethics in Islamic economics and business that can contribute to the growth of MSMEs in Indonesia.
26	Powers (2019)	Running a country like a business? The economic front of Islamic action in Jordan.	Analyzing the impact of Sharia finance practices on governance and economy in Islamic-principled countries, in order to gain insights into the growth of MSMEs in Indonesia.
27	Tjahjadi et al. (2020)	The role of green innovation between green market orientation and business performance	Discussing the importance of green innovation and green market orientation in enhancing the business performance of SMEs in Indonesia.
28	Handoko (2020)	The current status of Indonesian journals in Islamic economics and finance.	Providing an overview of the development of Islamic economics and finance journals in Indonesia that can serve as a source of information and reference for the growth of MSMEs in Indonesia.

Source: Primary data.

RESULTS AND DISCUSSION

Following the systematic review, several central themes emerged and came under the purview of this research:

- a. Growth of MSMEs and influencing factors. Research endeavors have diligently explored the multifaceted factors influencing the growth of MSMEs. For instance, Furqani et al. (2020) examined the ethical and moral dimensions that influence the trajectory of MSMEs. Tjahjadi et al. (2022) identified capital readiness and global market orientation as pivotal determinants of MSME performance. Ali & AlQuradaghi (2019) underscored the significance of research within the realm of Islamic economics and finance in fortifying the MSMEs sector.
- b. Islamic business ethics and economics. Islamic business ethics and economics have emerged as focal points for several research inquiries. Aydin (2020) has delved into the paradigm and moral axioms of Ihsan within Islamic economics and business, while Furqani et al. (2020) have probed the micro-ethical foundations within Islamic economics and their critical role in shaping ethical endogeneity.
- c. Innovation and business performance. Various studies have illuminated the intricate interplay between innovation and business performance. Tjahjadi et al. (2020) have meticulously examined the nexus between green innovation, green market orientation, and business performance, establishing that green innovation significantly influences business performance. Handoko (2020) explored the status of Indonesian journals within the field of Islamic economics and finance, unearthing numerous journals dedicated to innovation and business performance.
- d. Entrepreneurship and education. The relationship between entrepreneurship and education has garnered considerable attention in research circles. Ali & AlQuradaghi (2019) discerned the pressing need to elevate the quality of research in the domain of Islamic economics and finance within education institutions. Tjahjadi et al. (2022) have unearthed the potential for enhancing

capital readiness and global market orientation through entrepreneurship education and training.

In summary, this systematic review highlighted the multitude of factors that influence the growth of MSMEs in Indonesia. This underscores the immense potential for enhancing business performance through market orientation and innovation (Sudjatmoko et al., 2023). These factors span both internal facets, such as financial management, human resource management, and human resource readiness (Tjahjadi et al., 2022), and external dynamics, including market orientation, innovation, and regulatory frameworks. Additionally, Islamic business and economic ethics, along with entrepreneurship education and training, have been identified as pivotal components for bolstering MSMEs readiness in Indonesia within the framework of Islamic economics.

Furqani et al. (2020) have presented compelling evidence demonstrating the positive impact of Islamic financial practices on the growth of MSMEs in Indonesia. This notion is further substantiated by Tjahjadi et al. (2022), who establish that human resource readiness and global market orientation exert a favorable influence on MSMEs business performance in Indonesia. Ali & AlQuradaghi (2019) underscored the pivotal role of research within the ambit of Islamic economics and finance as a potential solution for MSMEs in Indonesia. Aydin (2020) has expounded upon the significance of business ethics in the context of Islamic economics and has posited that the concept of Ihsan can serve as a foundational pillar for business ethics aligned with Islamic values. In a study conducted by Powers (2019), the application of Islamic economic principles within government management by Islamic political parties in Jordan was elucidated. This is in line with the findings of Handoko (2020), who highlighted the status of Islamic economics and finance journals in Indonesia and their instrumental role in enhancing knowledge and comprehension

of Islamic concepts within the realms of economics and finance (Ghلامallah et al., 2021).

Utilizing a thematic narrative synthesis analysis with a comparative mixing approach, Aminullah et al. (2022) emphasized the deployment of information and communication technology in Islamic finance to enhance financial accessibility and inclusivity for MSMEs in Indonesia. Furthermore, Alkhan & Hassan (2021) delve into the relevance of Sharia microfinance with respect to maqasid al-sharia objectives within the context of poverty alleviation, economic development, improvement of societal conditions, equitable distribution and circulation of wealth, and the advancement of intellectual capacities within society. The use of collective ijtihad methods has been proposed as a means to foster integrated knowledge in Islamic economics and finance (Rafikov & Akhmetova, 2020).

Additional studies underscore the implementation of a valuation model in the Sharia-SRI portfolio investment in Indonesia and its repercussions on MSMEs' growth (Qoyum et al., 2021). Moreover, these studies illuminate the development of a Sharia microfinance model that can be harnessed by participatory banks to augment the financial accessibility and inclusivity of MSMEs (Ozdemir et al., 2023). Furthermore, Dikau & Volz (2021) delve into the impact of central bank mandates on catalyzing green finance and its ensuing effect on MSMEs' growth. This aligns seamlessly with the analysis conducted by Disli et al. (2023), who compare the performance of Islamic and conventional banking in nurturing MSMEs' growth. Collectively, this thematic analysis underscores the critical significance of advancing Islamic finance and microfinance in augmenting financial inclusivity and accessibility for MSMEs in Indonesia while emphasizing the pivotal roles played by central banks and financial institutions in propelling MSMEs' growth through green finance.

Several studies have also provided comparative insights into Islamic and conventional financial practices (Ahmad et al., 2020; Izzeldin et al., 2021; Disli et al., 2023). The results indicate that Islamic financial practices tend to be more inclusive and yield superior social returns, albeit with a slightly lower financial return than conventional practices. Additionally, research sheds light on the impact of Islamic financial products such as Sharia-compliant savings on savings behavior in Pakistan, with findings pointing toward an encouraging uptick in savings (Ahmad et al., 2023b). Other studies have addressed issues of gender inequality in vulnerable job opportunities within developing countries, encompassing the informal sector, including MSMEs (Lo Bue et al., 2022; Mishra & Mohanty, 2022; Eriyanti et al., 2023; Fuady N et al., 2023; Hamdani et al., 2023; Mohamed & Elgammal, 2023). Pertinently, in the context of MSMEs' growth, social and political risk factors are found to exert an influence on a company's success in nurturing MSMEs, as observed in a study examining multinational subsidiaries in Indonesia (Röell et al., 2022).

This systematic review underscores the critical role of government credit guarantees in bolstering the performance of MSMEs in Indonesia (Adhikary et al., 2021; Tambunan, 2017) and other countries (Jin et al., 2022; Wubin et al., 2022; Gai et al., 2023; Mammadov et al., 2023; Okolo et al., 2023). Another study highlighted how MSMEs actively contribute to poverty reduction in the country (Nursini, 2020). Notably, the Job Creation Law holds the potential to fortify the protection and empowerment of MSMEs in Indonesia during the Covid-19 pandemic (Koeswahyono et al., 2022). Government-led technological adaptation coupled with financial support has emerged as a key driver of sustainable MSME performance during the pandemic (Kurniawan et al., 2023). Although the Covid-19 pandemic has cast a negative shadow on MSMEs performance in Indonesia, innovation is posited as a significant

mediator (Absah et al., 2023; Pusung et al., 2023; Srinita & Saputra, 2023; Sudjatmoko et al., 2023).

The data analysis signals that Islamic financial practices do exert a positively influence the growth of MSMEs in Indonesia. Furthermore, several other influential factors include government support, financial literacy, and business innovation. The systematic review successfully identified studies addressing the research question, "Does Islamic financial practice affect the growth of MSMEs in Indonesia?" These studies were retrieved from esteemed journals, including *Borsa Istanbul Review*, *Journal of the Knowledge Economy*, *Ecological Economics*, *Economic Systems*, *Emerging Markets Review*, *Journal of International Financial Markets*, *Institutions and Money*, *International Review of Economics & Finance*, *Journal of Behavioral and Experimental Finance*, *Journal of Development Economics*, *Journal of World Business*, *World Development*, and *Journal of Small Business & Entrepreneurship*.

CONCLUSION

Within the purview of this systematic review, distinct themes emerged as focal points in the corpus of the research under consideration. These themes not only underscore the multifaceted nature of MSMEs, but also elucidate the intricate interplay of factors that impinge upon their growth and development. The foremost theme that has commanded considerable scholarly attention is the comprehensive investigation of the factors that influence the growth trajectory of MSMEs. Many studies have delved deep into this subject, striving to unearth the underlying determinants that propel or hinder the progress of these enterprises.

Another thematic preoccupation that has occupied the scholarly landscape pertains to the realms of Islamic business and economic ethics. Several studies have examined the moral and ethical

dimensions of conducting businesses within an Islamic framework. These inquiries delve into the ethical underpinnings and moral imperatives that govern economic activities, shedding light on the intersection between faith and commerce. In addition, a substantial body of research has highlighted the intricate relationship between innovation and the overall performance. This strand of inquiry unravels the pivotal role of innovation in enhancing the competitiveness and viability of these enterprises. The fourth salient theme is the symbiotic connection between entrepreneurship and education. This study has endeavored to decipher how entrepreneurial skills and knowledge can be imparted and cultivated through education and training programs and how this can bolster the preparedness of MSMEs for growth and success.

In summary, this systematic review elucidates a multifaceted tapestry of factors impinging upon the growth of MSMEs in Indonesia. The findings not only underscore the rich diversity of influences, but also accentuate the pivotal roles played by innovation, market orientation, ethics, and education. It is evident that MSMEs stand poised at the crossroads of economic dynamism and socio-ethical responsibility, presenting a complex landscape in which diverse elements coalesce to shape their trajectory. This study underscores the potential for enhanced business performance through innovative strategies and market alignment. Moreover, it sheds light on the critical roles that Islamic business and economic ethics, alongside entrepreneurship education and training, play in fortifying the readiness for growth within the unique contours of the Islamic economic paradigm.

Drawing from the research results and the thematic narrative synthesis conducted, several avenues for further research emerge: (a) exploring the impact of Sharia finance on the practice of Sharia finance and its specific impact on the growth of MSMEs in Indonesia. Factors

influencing entrepreneurs' decisions to opt for Islamic financial products, including risk perception, accessibility, and trust, could be scrutinized, as well as (b) internal factors and MSMEs' growth. Further research can delve into the internal dynamics that influence MSMEs growth, particularly in the domains of financial and human resource management. The focus could be on strategies to enhance the quality of financial and human resource management, thereby augmenting business performance and growth.

Author Contributions

Conceptualization: S.H.; Data curation: S.H.; Formal analysis: S.H., T.S. & A.; Funding acquisition: S.H., T.S. & A.; Investigation: S.H., T.S. & A.; Methodology: S.H., T.S. & A.; Project administration: S.H.; Resources: S.H., T.S. & A.; Software: S.H., T.S. & A.; Supervision: S.H.; Validation: S.H., T.S. & A.; Visualization: S.H., T.S. & A.; Writing – original draft: S.H., T.S. & A.; Writing – review & editing: S.H., T.S. & A. All authors have read and agreed to the published version of the manuscript.

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Institutional Review Board Statement

The study was approved by Program Studi Manajemen (S1), Universitas Sarjanawiyata Tamansiswa, Yogyakarta, Indonesia.

Informed Consent Statement

Informed consent was not required for this study.

Data Availability Statement

The data presented in this study are available upon request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

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