MANAGEMENT OF ISLAMIC MSME DIGITALIZATION IN KERINCI REGENCY: CHALLENGES, ADAPTATION STRATEGIES, AND IMPLICATIONS FOR LOCAL COMPETITIVENESS

Pardinal[1], Pratiwi Puji Lastari[2], Novia[3], Mike Mayasari[4]
[1234]Institut Agama Islam Negeri Kerinci
Email:
[1]pardinal93@gmail.com
[2]pratiwi1286@gmail.com
[3]noviaanwar59@gmail.com
[4]mayasarim17@gmail.com

ABSTRACT

Digital transformation has become an urgent need for Micro, Small, and Medium Enterprises (MSMEs) in the Industry 4.0 era, particularly in facing technological disruption and shifting consumer behavior. This study aims to construct the concept of MSME Digitalization Management in Kerinci Regency by examining challenges, adaptation strategies, and their implications for local competitiveness. The research method employed is a qualitative descriptive approach with data collection techniques including in-depth interviews, observation, and documentary studies. The results indicate that the implementation of digitalization still faces significant hurdles regarding digital literacy, limited infrastructure, and social resistance to change. Nevertheless, several MSMEs have successfully adapted through digital innovations such as online marketing, the use of e-commerce platforms, and collaboration among local business actors. The implementation of digitalization management is proven to have a positive impact on increasing operational efficiency, expanding market reach, and ensuring business sustainability. This study recommends strengthening the digital ecosystem through synergy between local governments, educational institutions, and business actors to achieve inclusive and sustainable digitalization. Thus, the findings of this study offer a theoretical contribution to the development of locally based digital management models as well as practical implications for enhancing regional economic competitiveness.

Keywords: *Digitalization management, MSMEs, adaptation strategy, local competitiveness, Kerinci*

I. INTRODUCTION

The development of economic digitalization over the past decade has fundamentally altered the business landscape, including the micro, small, and medium enterprise (MSME) sector. This phenomenon is occurring not only in major cities but is also beginning to be felt in regions like Kerinci Regency, where MSMEs serve as the backbone of the local economy. Digitalization has become a strategic necessity for Islamic (Sharia) MSMEs to survive within the increasingly competitive dynamics of the halal market. The adoption of digital technology plays a role in expanding market access, improving operational efficiency, and strengthening the halal branding of local

products. A report by the Ministry of Cooperatives and SMEs (2023) shows that 64.2% of MSMEs integrated with digital platforms experienced an average revenue increase of 30% compared to conventional MSMEs. Meanwhile, in Jambi Province, data from the Department of Cooperatives and SMEs (2022) recorded that less than 40% of MSMEs utilize digital technology in their operations; this figure is even lower among Islamic MSMEs in Kerinci Regency, which face obstacles regarding digital literacy, technological infrastructure, and awareness of the halal economy. This condition highlights the urgency of a digital transformation based on Islamic values to strengthen competitiveness and the welfare of local business actors.

Literature reviews show that MSME digitalization has become an important topic in economic and management research, yet its integration with Islamic principles remains relatively under-researched. There is a gap in the literature regarding digitalization management oriented toward *maqashid shariah* (the objectives of Islamic law) and local welfare. Most prior studies only highlight the technological and financial aspects of digitalization without paying attention to ethical dimensions and Islamic values. A study by Aboelmaged (2018) emphasized that technology adoption in MSMEs is more heavily influenced by internal factors such as human resource readiness and government support, while the aspect of business spirituality has not been integrated into the digitalization framework. Al-Kwifi, Ahmed, and Yafi (2020) also demonstrated that developing countries face major challenges in digital transformation due to low technological literacy and limited digital infrastructure. On the other hand, research by Rahmawati (2021) and Sari (2022) underscores the importance of halal innovation and marketing based on Islamic values to build sustainable competitiveness. Therefore, research on the Digitalization Management of Islamic MSMEs becomes crucial and carries novelty by connecting digital transformation with *maqashid shariah* principles and its implications for regional economic welfare.

Based on these phenomena and literature gaps, this study generally aims to construct the concept of "Islamic MSME Digitalization Management in Kerinci Regency: Adaptation Strategies and Implications for Halal Competitiveness and Local Welfare." This research is directed toward generating a conceptual model that explains how Islamic MSMEs can adapt to digitalization while maintaining Islamic principles. This conceptual approach is necessary so that digital transformation not only drives economic efficiency but also reinforces spiritual values and business ethics within local economic practices. Several specific objectives are proposed to support the achievement of the general objective, namely: (1) to analyze the level of digitalization implementation among Islamic MSMEs in Kerinci Regency, covering the use of digital platforms, social media, and technology-based Islamic payment systems; (2) to identify the adaptation strategies employed by Islamic MSME actors in facing digital transformation, including technology-based product, service, and halal marketing innovations; (3) to assess the influence of digitalization on enhancing the halal competitiveness of Islamic MSMEs, in terms of product quality, market access, and consumer trust in halal principles; (4) to examine the impact of digitalization implementation on local economic welfare, particularly regarding income increases, job creation, and community empowerment based on the Islamic economy; and (5) to formulate a sustainable model of Islamic MSME digitalization management that aligns

with *maqashid shariah* and strengthens the halal economic ecosystem in Kerinci Regency. The direction of this research is to build a managerial and conceptual framework capable of linking technology, Islamic values, and public welfare.

This study possesses strong academic and practical urgency in reinforcing the literacy and practice of sharia-based MSME digitalization at the local level. The digitalization management approach for Islamic MSMEs needs to be comprehensively examined to align with Islamic values and the principles of regional economic sustainability. Kerinci Regency has great potential for developing halal products and creative economy-based tourism, yet this has not been optimized due to a weak digital ecosystem and low sharia literacy among business actors. Strengthening digitalization can create a halal value chain that impacts income generation, job creation, and the equitable distribution of local community welfare. Through the construction of this Islamic MSME Digitalization Management concept, it is hoped that a new paradigm in regional economic governance will emerge one that balances business orientation and social responsibility in accordance with *maqashid shariah*. This research contributes theoretically to enriching Islamic economics literature and practically to strengthening halal competitiveness and local welfare through ethical and inclusive digitalization.

II. THEORETICAL REVIEW

Islamic MSME Digitalization Management

MSME digitalization is the process of integrating information and communication technology into all aspects of business operations, from production, marketing, and distribution to customer service. In the context of Islamic MSMEs, digitalization is not only oriented toward efficiency and profitability but must also align with Islamic principles such as justice, transparency, honesty, and sustainability. According to Aboelmaged (2018), the adoption of digital technology in MSMEs is influenced by internal factors such as managerial capability, digital literacy, and human resource readiness. However, in Islamic MSMEs, spiritual values and business ethics serve as additional dimensions that differentiate them from conventional models.

The concept of digitalization management within an Islamic context demands alignment between technological transformation and *maqashid shariah*, namely the preservation of religion (*din*), life (*nafs*), intellect (*aql*), lineage (*nasl*), and wealth (*mal*). Digital transformation must ensure that technology serves not only as a tool for economic efficiency but also as an instrument for social empowerment and economic justice. As explained by Al-Kwifi, Ahmed, and Yafi (2020), developing countries face a high digital divide, making a value-based approach necessary so that technology adoption becomes more inclusive and contextual. Therefore, Islamic MSME digitalization management needs to be directed toward the integration of digital capability and spiritual capability.

Digital Adaptation Strategies of Islamic MSMEs

An adaptation strategy is an organization's process of adjusting to changes in the external environment. In the context of digitalization, Islamic MSMEs must be capable of responding to technological developments in a manner consistent with halal principles and Islamic ethics. Organizational adaptation theory (Miles & Snow, 2003) explains that entities capable of adapting quickly to the digital environment tend to perform better. However, for Islamic MSMEs, this adaptation is not merely technical, but also moral and social.

Research by Rahmawati (2021) asserts that the digital adaptation of Islamic MSMEs can be achieved through three approaches: (1) halal innovation in products and services; (2) digital marketing transformation based on Islamic values; and (3) increasing Islamic digital literacy for business actors. This strategy requires a paradigm shift from a short-term profit orientation toward value-based sustainability. Thus, digital adaptation is not just a response to technological disruption, but also a form of commitment to Islamic values in modern business practices.

Halal Competitiveness in the Digital Economy

Halal competitiveness refers to a business's ability to create a competitive advantage through products and services that comply with halal principles. Porter (1990) asserts that competitiveness is built through uniqueness, innovation, and efficiency. In the context of Islamic MSMEs, this uniqueness stems from the integration of halal standards and Islamic values throughout the entire business process. According to Sari (2022), digitalization expands opportunities for Islamic MSMEs to strengthen their halal competitiveness through three main aspects: digital halal branding, halal supply chain transparency, and trust-based consumer engagement.

Halal competitiveness in the digital era also reflects a form of competitive advantage that is not solely economic but also spiritual. The use of technology allows Islamic MSMEs to reinforce halal transparency, boost consumer trust, and expand market access. However, the challenges faced include limited technological literacy and a comprehensive understanding of halal principles at the business actor level. Therefore, strengthening halal competitiveness requires systematic managerial intervention through a digitalization management model that conforms to *maqashid shariah*.

Digitalization and Local Economic Welfare

Digitalization impacts not only business efficiency but also local community welfare. This concept aligns with the theory of inclusive growth, wherein economic growth generated from digital transformation must be capable of creating social value and equitably distributing economic benefits. According to Bappenas (2021), MSME digitalization has the potential to increase regional economic contributions by up to 20% if conducted inclusively and sustainably. In the context of Islamic economics, welfare (*falah*) is not measured solely by an increase in income, but rather by the fulfillment of a balance between material and spiritual aspects.

The implementation of digitalization among Islamic MSMEs in regions like Kerinci Regency is expected to drive equitable economic growth, open new employment opportunities, and strengthen the community's role in the halal value chain. In other

words, Islamic MSME digitalization management functions as an economic development instrument that blends technology, business ethics, and social empowerment.

III. RESEARCH METHOD

This study uses a qualitative approach with a phenomenological paradigm to understand the real experiences of Islamic MSME actors during the digitalization process. The research location was established in Kerinci Regency, Jambi Province, considering that this region possesses great potential for Islamic economic development and a strong religious social character. The data obtained consists of primary data gathered through in-depth interviews with 15 informants, comprising Islamic MSME actors, administrators of halal business communities, and local government officials. Secondary data comes from reports by BPS (Statistics Indonesia), Bappenas, and scientific publications related to the digital and Islamic economy.

Data collection methods include: participatory observation of MSMEs' digital activities; in-depth interviews to explore views and digital adaptation strategies; and documentation in the form of policy data, business reports, and MSME digital profiles. Furthermore, data analysis techniques were carried out interactively through three stages: data reduction, data display, and conclusion drawing/verification (Miles & Huberman, 2020). Data validity was tested using source and method triangulation, as well as member checking.

IV. RESULTS AND DISCUSSION

Digitalization of Islamic MSMEs in Kerinci Regency

The primary findings from the interviews and observations indicate that the level of digitalization implementation among Islamic MSMEs in Kerinci Regency is still at the early adoption stage. Most business actors are familiar with digital media, especially social media such as Instagram, WhatsApp Business, and Facebook; however, its utilization remains limited to product promotion rather than the integration of digital management systems. Most MSME actors face limitations in digital literacy, time, and qualified human resources to manage digital platforms professionally. Nevertheless, there is a strong enthusiasm among MSME actors to learn and adapt to new technologies, particularly after the COVID-19 pandemic accelerated consumer behavior shifts toward digital platforms. Field observations revealed that out of 20 Islamic MSME actors interviewed, only 30% had utilized sharia-based payment systems such as Sharia QRIS or halal fintech like LinkAja Syariah. However, around 80% of them had been actively marketing their products through social media. This condition indicates that while the digitalization process in Kerinci Regency has begun, it still requires managerial strategies and supportive policies to optimize technology integration within the halal business system.

Digital Adaptation Strategies of Islamic MSME Actors to Digital Transformation

The research results show that Islamic MSME actors in Kerinci develop three main forms of adaptation strategies when facing digital transformation: (a) halal product innovation, (b) digital marketing transformation, and (c) value-based sharia community collaboration. MSME actors realize that digital transformation is not just about following technological trends, but is also a way to maintain halal values, honesty, and business blessings (*barakah*) in an increasingly competitive business world. Many MSME actors have begun modifying their products to meet halal standards and certifications, such as culinary business owners replacing raw materials with halal-certified products. In terms of marketing, they utilize social media not only to sell products but also to build brand awareness that highlights Islamic values such as honesty, trustworthiness (*amanah*), and blessings. Some business actors also formed the Kerinci Islamic MSME Community, which serves as a forum for mutual learning and sharing experiences in using digital technology ethically. This community plays a vital role in helping members understand how to use technology in accordance with sharia principles, such as avoiding exaggerated promotional content (*ghuluw*) or practices inconsistent with Islamic business ethics. Thus, digital adaptation strategies among Islamic MSMEs in Kerinci are not merely technological but also moral and social, leading to a transformation of values in digital economic practices grounded in *maqashid shariah*.

Strengthening Halal Competitiveness Through Digitalization

The study's findings demonstrate that digitalization plays a significant role in strengthening the halal competitiveness of Islamic MSMEs. Digital technology helps business actors increase efficiency, expand markets, and build consumer trust through transparency and more open communication. In a digital economy, trust is a primary asset. Consumers of halal products do not merely consider price and quality, but also the producer's integrity in maintaining halal compliance and business ethics. From interviews with consumers and managers of Islamic MSMEs, it was revealed that 75% of consumers feel more confident purchasing products from MSMEs that maintain an active digital account, remain transparent about raw materials, and publish their halal certificates. Business actors implementing sharia-based digital systems were also able to increase turnover by 15–25% within the last six months. Digitalization is proven to increase the competitive advantage of Islamic MSMEs through three main mechanisms: (1) operational efficiency; (2) halal transparency; and (3) increased consumer trust. This reinforces the argument that technology can serve as a vehicle for Islamic economic propagation (*da'wah*) if managed using *maqashid shariah* principles.

Implications of Digitalization on Local Economic Welfare

The subsequent finding indicates that digitalization has direct implications for improving local economic welfare (the community's *falah*). Islamic MSME actors who adopt digital technology experienced an increase in income, expansion of job opportunities, and enhanced family economic participation. The use of digital platforms allows business actors to reach wider markets without incurring massive promotional costs, thereby increasing profit margins. Additionally, digitalization creates new job opportunities in supporting sectors such as graphic design, creative content creation,

and logistics. Interview results showed that some MSME actors who previously only operated in traditional markets now receive orders from outside regions, such as Padang and Palembang, via local e-commerce and social media. Socially, some business owners employ neighbors or relatives in production and distribution activities. Digitalization not only strengthens individual competitiveness but also creates a multiplier effect on local community welfare. With a sharia-value-based digitalization management system, this transformation can reinforce a fair and sustainable regional economic structure.

Discussion

The results of this study reinforce the theory that MSME digitalization must be understood not merely as a technological process, but also as a social, moral, and spiritual one. This finding aligns with the concept of Islamic digital management, which positions sharia values as the foundation for innovation and decision-making.

From an Islamic economics perspective, digitalization acts as an instrument of *maslahah* (public benefit) that leads to the improvement of the community's well-being. The integration of Islamic values and technology demonstrates that digital transformation can serve as a means of economic empowerment and social outreach, particularly in regions like Kerinci Regency that hold great potential in the halal economy.

Consequently, digitalization is not only an efficiency solution but also a means to strengthen economic justice, equitable welfare, and social sustainability in accordance with the goals of *maqashid shariah*: preserving wealth (*hifz al-mal*), intellect (*hifz al-'aql*), and social benefit (*maslahah 'ammah*).

V. CONCLUSION

This study reveals that the digitalization management of Islamic MSMEs in Kerinci Regency is a strategic process that focuses not only on technology deployment but also on integrating sharia values across all aspects of business management. Digitalization is proven to be an important catalyst in increasing operational efficiency, expanding markets, and strengthening the halal competitiveness of MSMEs. However, the success of digitalization is not solely determined by technological capability, but by the extent to which MSME actors are able to internalize *maqashid shariah* principles as an ethical and spiritual guide in their business transformation.

First, the implementation level of digitalization among Islamic MSMEs in Kerinci Regency is still in its early stages, with most business actors merely utilizing social media for promotion and not yet optimizing the integration of sharia payment systems.

Second, the adaptation strategies carried out by MSME actors include halal product innovation, digital marketing transformation, and the formation of Islamic value-based communities that foster collaboration and collective learning. This strategy demonstrates that digital adaptation within an Islamic environment progresses in a balanced manner between technological innovation and the reinforcement of business morality.

Third, the research results confirm that digitalization has a positive impact on the halal competitiveness of MSMEs. Digital technology enhances transparency, efficiency, and consumer trust in halal products, thereby creating a sustainable competitive advantage.

Fourth, digitalization contributes directly to improving local economic welfare through the emergence of new job opportunities, increased income for business actors, and the expansion of cross-regional market networks. Thus, digital transformation yields not only economic benefits but also social ones through community empowerment based on the principles of justice and blessing.

In conclusion, the digitalization management of Islamic MSMEs in Kerinci Regency plays a strategic role in building a halal economic ecosystem that is just, sustainable, and oriented toward public welfare. Strengthening Islamic digital literacy, securing local policy support, and fostering synergy among stakeholders serve as key factors in accelerating the success of this transformation. Moving forward, this model is expected to serve as a benchmark for other regions in developing a digital economy based on Islamic values that drives competitive advantage and shared prosperity.

REFERENCES

Aboelmaged, M. (2018). Technology adoption in SMEs: A digital transformation perspective. *Journal of Small Business and Enterprise Development*, 25(3), 546–561. https://doi.org/10.1108/JSBED-03-2018-0103

Al-Kwifi, O. S., Ahmed, Z. U., & Yafi, E. (2020). Digital transformation and the challenge of technology adoption in developing countries. *International Journal of Innovation Management*, 24(8), 2050074. https://doi.org/10.1142/S1363919620500742

Bappenas. (2021). *Peta Jalan Transformasi Digital dan Inklusi Ekonomi Daerah*. Jakarta: Kementerian PPN/Bappenas.

Bohari, A. M., Hin, C. W., & Fuad, N. (2017). The competitiveness of halal food industry in Malaysia: A SWOT-ICT analysis. *Geografia: Malaysian Journal of Society and Space*, 13(1), 1–14.

Creswell, J. W., & Poth, C. N. (2018). *Qualitative Inquiry and Research Design: Choosing Among Five Approaches* (4th ed.). Thousand Oaks, CA: SAGE Publications.

Hair, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, M. (2021). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (3rd ed.). Thousand Oaks, CA: SAGE Publications.

Hamdani, N., & Rahman, M. (2019). Digital business model of SMEs: Literature review and future research directions. *International Journal of Entrepreneurship and Small Business*, 37(3), 286–306.https://doi.org/10.1504/IJESB.2019.099894

Kementerian Koperasi dan UKM RI. (2022). *Laporan Tahunan: Perkembangan UMKM Digital di Indonesia 2022*. Jakarta: Kemenkop UKM.

Miles, M. B., & Huberman, A. M. (2014). *Qualitative Data Analysis: An Expanded Sourcebook* (3rd ed.). Thousand Oaks, CA: Sage Publications.

Rahmawati, N. (2021). Inovasi halal dan transformasi digital dalam penguatan daya saing UMKM syariah di Indonesia. *Jurnal Ekonomi dan Bisnis Islam*, 7(2), 134–148. https://doi.org/10.20885/jebi.vol7.iss2.art3

Sari, D. P. (2022). Pemasaran digital berbasis nilai-nilai Islam dalam memperkuat keberlanjutan usaha kecil dan menengah. *Al-Iqtishad: Journal of Islamic Economics*, 14(1), 55–70. https://doi.org/10.15408/aiq.v14i1.24483

Sugiyono. (2019). *Metode Penelitian Kualitatif, Kuantitatif dan R&D*. Bandung: Alfabeta.

Syafruddin, M., & Rahmat, A. (2020). Digital transformation and SMEs' competitiveness: A conceptual framework from an Islamic perspective. *Journal of Islamic Marketing*, 11(6), 1395–1410. https://doi.org/10.1108/JIMA-04-2019-0088

World Bank. (2021). *World Development Report 2021: Data for Better Lives*. Washington, DC: World Bank.

Zain, M., & Alwi, M. (2023). Integrating Maqashid Syariah and digital innovation for sustainable Islamic business models. *Journal of Islamic Accounting and Business Research*, 14(2), 188–205. https://doi.org/10.1108/JIABR-08-2021-0192