

Sense-Making Of Shariah Digital Economy Among Muslim Micro-Entrepreneurs: A Qualitative Case Study Of Mandailing Natal

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ABSTRACT

Introduction: The development of the Shariah digital economy presents both opportunities and challenges for Muslim micro and small enterprises (MSMEs), particularly in interpreting Shariah principles in the digital era. This study aims to explore the sense-making process of Muslim MSME actors in Mandailing Natal in understanding and implementing Shariah-compliant digital economic practices.

Methods: A qualitative interpretive case study approach was employed, involving some of active MSME informants through in-depth interviews, participatory observation, and documentation of digital Shariah practices. Findings indicate that Shariah compliance in digital practices is pragmatic, adaptive, and contextual, involving negotiation between technological efficiency and religious values, as well as dual legitimacy from formal authorities and personal experience.

Results: The Results highlight the critical role of actor sense-making in constructing subjective understanding of complex and often ambiguous Shariah principles.

Conclusion and suggestion: Theoretically, this research extends the literature on Islamic digital economy and Shariah fintech by emphasizing the interpretive social construction of Shariah compliance. Practically, the findings provide guidance for developing digital platforms, Shariah digital literacy programs, and collaborations between regulators and religious authorities to enhance inclusion and sustainability of Muslim MSMEs.

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1. Introduction

The development of the digital economy has become a central phenomenon in the transformation of the global economic structure, including in countries with a majority Muslim population, such as Indonesia. Digitalisation has fundamentally changed the way micro, small, and medium enterprises (MSMEs) produce, transact, and access markets through the use of e-commerce

platforms and digital financial services, including sharia fintech (Rahmah, 2026; R. Safitri & Vidiati, 2025). In the context of Islamic economics, this transformation has given rise to a new form of sharia digital economy that integrates digital technology with sharia principles, such as the prohibition of usury, halal transaction ethics, justice (*'adl*), transparency (*tabligh*), and the halal nature of products and transaction processes (Adinugraha et al., 2024; Astuti et al., 2023; Baber, 2020; S. Raza et al., 2022)

One of the fundamental pillars of the sharia digital economy ecosystem is the advancement of sharia financial technology (fintech). Several studies indicate that sharia fintech serves a pivotal role in expanding financial inclusion, particularly for MSMEs that encounter obstacles when accessing conventional financial institutions (Hassan et al., 2020; R. Safitri & Vidiati, 2025; Saiti et al., 2021; Syarifuddin et al., 2025). Specifically, sharia fintech can help MSMEs by providing alternative funding sources, offering simplified digital application processes, and ensuring compliance with Islamic financial principles. By leveraging digital platforms and implementing Islamic contracts such as *mudharabah*, *musyarakah*, and *murabahah*, Islamic fintech can enhance financing accessibility, streamline transactions, and integrate MSMEs into the formal financial system governed by Islamic principles (Hehanussa & Syarifuddin, 2025; S. A. Raza et al., 2022; Shaikh et al., 2020; Zakaria, 2025).

However, integrating Sharia values into digital economic practices is not without conceptual and practical challenges. Digital transformation often presents business models, contractual mechanisms, and algorithmic logic that have not been fully discussed or aligned with the classical fiqh framework, such as digital contracts, platform-based marketplaces, algorithmic marketing, and peer-to-peer financing systems (Alaabed & Mirakhor, 2021; Miftahul Ulum et al., 2025; Rabbani et al., 2021). This condition creates normative ambiguity that requires an active interpretation process from business actors, especially Muslim MSMEs, in interpreting, evaluating, and applying sharia principles amid dynamic and complex digital economic practices (Astuti et al., 2023; Miftahul Ulum et al., 2025).

In recent years, literature on the Islamic digital economy and Islamic fintech has shown significant development. However, most research is still dominated by quantitative approaches that focus on technology adoption factors, financial impacts, SME performance, or regulatory frameworks (Hassan et al., 2020; Rahmah, 2026; Suswanto et al., 2024). Conceptual and normative studies are also relatively prominent, especially in discussing the compatibility of digital products and instruments with Sharia principles. Although these studies make important contributions, the approaches used tend to position business actors as passive users of technology, rather than as actors who actively construct meaning, rationality, and understanding of Sharia in everyday digital economic practices (Suswanto et al., 2024).

This limitation indicates a significant research gap. The interpretation of Sharia values in the context of the digital economy cannot be reduced to mere formal compliance or technological adoption intentions, but is closely related to how business actors actively understand, interpret, negotiate, and integrate Sharia principles in new, ambiguous situations that often lack established normative references. In this context, the sense-making approach is relevant because it emphasises the individual interpretative process in giving meaning to complex and uncertain phenomena

(Eckstein et al., 2024; Maitlis & Christianson, 2014; Malik et al., 2025; Weick et al., 2005). This approach allows for the exploration of the subjective, cognitive, and social dimensions of Sharia digital economy practices, which have been under-explored in the literature.

The interpretive qualitative approach based on sense-making also has important policy implications. In Indonesia, the development of the digital sharia economy and finance has become part of the national strategic agenda. However, various initiatives to digitise sharia MSMEs still tend to focus on infrastructure development and increasing technology adoption rates, with relatively limited attention to how business actors internalise and interpret sharia values in their digital practices. Without an adequate understanding of the perspectives and interpretations of actors, Islamic digital economic policies risk experiencing a gap between normative goals and the reality of grassroots practices.

This empirical gap becomes even more apparent when considering the context of non-metropolitan areas such as Mandailing Natal Regency. As an area with a Muslim majority and strong socio-religious traditions, Mandailing Natal represents a relevant context for examining how the Islamic digital economy is understood and practised outside the main digital economic centres. These local characteristics allow for a more in-depth exploration of the interaction between religious values, socio-economic dynamics, and digital technology practices an aspect that has received relatively little attention in the Islamic digital economy literature, which generally focuses on urban areas and developed countries.

Based on empirical gaps and research, this study aims to explore how Muslim micro-entrepreneurs interpret sharia digital economics in their daily business practices. Specifically, this study focuses on the sense-making process undertaken by entrepreneurs in interpreting sharia principles when interacting with digital platforms, including in economic decision-making, selection of transaction media, and assessment of sharia compliance. This study is guided by two main questions: (1) how do Muslim micro-entrepreneurs understand and interpret the concept of sharia digital economy, and (2) what factors shape the sense-making process in the context of digital economy practices in Mandailing Natal. Theoretically, this research contributes to expanding the study of sharia digital economy through an actor-based perspective and sense-making framework, while practically it is expected to form the basis for the formulation of policies and strategies for empowering Muslim MSMEs that are more contextual and based on sharia values.

2. Literature Review

Sense-Making Theory

Sense-making theory, developed by Karl Weick, explains how individuals interpret ambiguous situations through a retrospective, social, and identity-driven process (Busari, A., & Sitiris, 2024). In entrepreneurship, it helps entrepreneurs enact their environments by extracting cues from ongoing events to create plausible actions amid uncertainty. This theory is particularly relevant for micro-entrepreneurs navigating rapid changes, as it emphasizes plausibility over accuracy in meaning construction.

Shariah Digital Economy

The Shariah digital economy integrates Islamic principles like prohibition of riba and gharar with technologies such as fintech, blockchain, and e-commerce platforms (Hidayat, R., 2024). It promotes transparency, ethical transactions, and inclusive growth for Muslim businesses through Shariah-compliant tools like mudharabah contracts and halal marketplaces. Digital transformation enhances efficiency and market access while upholding maqasid Shariah objectives of justice and welfare.

Muslim Micro-Entrepreneurs

Muslim micro-entrepreneurs in Indonesia face opportunities in Shariah fintech for broader market reach but struggle with digital literacy, Shariah compliance verification, and financing access (Nugroho, 2025). Qualitative studies show improved financial literacy and ethical alignment via Shariah apps, yet challenges like mixed personal-business funds persist. Their religiosity drives compliance, supporting sustainable practices in digital ecosystems.

3. Methodology

Research Approach and Design

This study uses an interpretive qualitative approach with a case study design. This approach was chosen because the main objective of the study is to understand how Muslim micro-entrepreneurs make sense of the sharia digital economy in their daily business practices, rather than to test causal relationships or measure the level of technology adoption quantitatively. The interpretive approach places social reality as the result of a construction of meaning that is subjectively built by actors through experience, interaction, and specific social contexts (Creswell & Poth, 2018; Denzin & Lincoln, 2018).

The case study design is considered appropriate because it allows for an in-depth exploration of the phenomenon of the sharia digital economy in a specific local context, namely Mandailing Natal Regency, which has distinctive socio-religious and economic characteristics. Case studies provide space to understand the dynamics of context, actors, and practices holistically, which are often reduced in large-scale survey designs (Yin, 2018).

Theoretical Framework

This study is guided by the sense-making framework, as developed by Weick (1995) and Weick, Sutcliffe, and Obstfeld (2005). Sense-making is used to explain how individuals make sense of new, ambiguous, and uncertain situations through retrospective interpretation and social interaction. In this framework, meaning is understood as something that is dynamic, contextual, and socially constructed, rather than an objective reflection of external reality (Weick, 1995; Weick et al., 2005).

In the context of this study, sense-making is used as an analytical lens to understand how Muslim micro-entrepreneurs interpret the concept of the sharia digital economy, evaluate the compatibility of digital practices with sharia principles, and negotiate the tension between the demands of technological efficiency and religious values. This framework allows researchers to capture the practical rationality of entrepreneurs, which is often not fully reflected in formal compliance indicators or quantitative variables.

Research Location and Context

This research was conducted in Mandailing Natal Regency, North Sumatra Province. This region was chosen because it has a Muslim majority population, strong religious traditions, and a growing level of digital economy penetration, especially among MSMEs. The non-metropolitan context of Mandailing Natal provides an opportunity to explore the practices and meanings of the sharia digital economy outside the main digital economy centers, which are still relatively underrepresented in the literature on the Islamic digital economy.

Subject and Informant Selection Techniques

The research subjects were Muslim micro-entrepreneurs who had used or were currently using digital economy platforms, such as e-commerce, social media for transactions, or digital financial services (including sharia fintech). Informants were selected using purposive sampling, with the main criteria being:

- (1) Business actors who are Muslims,
- (2) Actively manage micro-businesses, and
- (3) Have direct experience in using digital technology in business activities.

The number of informants is not determined a priori, but follows the principle of theoretical saturation, which is that data collection is stopped when the information obtained has been repeated and no longer produces a new substantive meaning (Guest et al., 2006).

Data Collection Techniques

Primary data was collected through semi-structured in-depth interviews. This technique was chosen because it allowed for the exploration of informants' narratives, experiences, and subjective reflections on Sharia digital economic practices. The interview guide was designed to be flexible in order to explore informants' understanding of the concept of sharia digital economics, their experiences interacting with digital platforms, and religious considerations in economic decision-making.

In addition to interviews, this study also utilised limited non-participant observation of business actors' digital practices (e.g., use of online platforms or social media) and supporting documents, such as digital promotional materials, platform policies, or relevant transaction records. Triangulation of these data sources aimed to increase the depth and credibility of the findings.

Data Analysis Techniques

Data analysis was carried out in an interpretive thematic manner by following the principle of iterative qualitative analysis. The analysis process includes:

- (1) Verbatim transcription of interview data,
- (2) Repeated reading to gain holistic understanding,
- (3) Open coding to identify units of meaning,
- (4) grouping codes into interpretive themes, and
- (5) Theme interpretation using the sense-making framework.

The analysis is carried out simultaneously with the data collection process, thus allowing for the sharpening of focus and deepening of theoretically relevant themes (Miles et al., 2014).

Data Validity and Credibility

To ensure the validity of the data, this study applies several trustworthiness strategies, including source triangulation, member checking, and trail auditing. Member checking is carried out by confirming the researcher's initial interpretation to several informants to ensure the suitability of meaning. In addition, researchers also maintain reflexivity by consciously reflecting on scientific positions, assumptions, and backgrounds in the research process.

Research Ethics

This study pays attention to the ethical principles of qualitative research. All informants were given an explanation of the purpose of the research and asked for voluntary consent. The identity of the informant is kept confidential, and the data is used solely for academic purposes.

4. Results And Discussion

Result

This study explores how Muslim MSME actors in Mandailing Natal interpret the sharia digital economy through a sense-making process. The analysis is based on in-depth interviews with informants from various business sectors, including culinary, clothing, retail, handicrafts, and services. The findings are analysed thematically with a focus on the subjective interpretations of the actors, adaptive strategies, and the influence of the local context. Each theme presents verbatim quotations that reflect the informants' original voices, followed by interpretative analysis that places their experiences within a theoretical framework.

Sharia Digital Economy as a "Fairly Islamic Business"

Business actors interpret the sharia digital economy pragmatically, viewing sharia compliance not as a rigid normative standard, but as a flexible guideline that can be adapted to the practical conditions of daily business. For them, as long as transactions do not involve usury, the products sold are halal, and the business intentions are good, business practices are considered sufficiently Islamic. This approach shows how business actors construct the meaning of sharia through personal experience and reflection. They assess compliance based on the direct effects on transactions and consumers, not just fiqh theory.

"If you say that one hundred percent sharia may not be, but the important thing is that my business is halal. The goods are halal, there are no interest loans. So I think it's Islamic enough." (I3, processed food traders, in-depth interview 2025).

Another informant added that they were not overly concerned about complex legal details, as long as the business remained in line with halal principles and their intentions were pure. This interpretation process reflects retrospective sense-making, in which actors compare existing practices with their understanding of Sharia law and adapt them to the digital reality they face every day. This shows that Sharia compliance is understood subjectively and contextually, rather than merely as a formality or certification.

"I checked the products sold, if everything is halal, it is enough in my opinion. It does not have to be perfect following all fiqh theories." (I5, handicrafts, in-depth interview 2025).

Thus, MSME actors are actively constructing the meaning of sharia through pragmatic interpretation, emphasizing compliance with clear prohibitions and blending Islamic moral principles with real digital business demands. These findings confirm the relevance of the sense-making framework for capturing subjective and flexible understanding of the Islamic digital economy.

Negotiation between Digital Efficiency and Sharia Compliance

Business actors face a dilemma between utilizing digital technology for business efficiency and still complying with sharia principles. Marketplaces, payment apps, and social media offer opportunities for broad market reach, but certain features create normative ambiguity, such as admin fees, automated promotions, or discount systems. Business actors must assess sharia risks while ensuring optimal business continuity.

"If you use the marketplace, it sells quickly, there are many buyers. But sometimes we are also confused, this is a deduction, admin fees, how is the system really. But if we don't, we will lose our business." (I6, electronic retail, in-depth interview 2025).

Other informants revealed that the choice to use or reject certain features was a recurring evaluative process, in which they weighed economic benefits and religious principles simultaneously. This shows that actors are not passive users, but active agents who negotiate meaning between two sometimes conflicting demands.

"I want to grow quickly, but I still want this business to be halal. So I chose features that weren't confusing or dubious." (I2, clothing merchant, in-depth interview 2025).

This process reflects adaptive sense-making, whereby actors interpret Sharia rules in the context of constantly changing technology. They systematically construct moral and economic judgements, prioritising features deemed consistent with Islamic principles and postponing or avoiding practices that give rise to religious uncertainty. This demonstrates the interpretative flexibility characteristic of the local Sharia digital economy.

Sharia Authority in the Digital Economy: Between Islamic scholar, Platforms, and Personal Experience

Findings show that business actors build Sharia legitimacy from a combination of several sources, such as advice from local religious teachers, guidance from digital platforms, and personal

experience in daily business practices. There is no single authority that is strictly followed. This confirms that sense-making is an interactive process, in which actors interpret Sharia principles through a combination of formal information and practical experience.

“When it comes to ordinary buying and selling, we can ask the ustadz. But when it comes to features in the app, the ustadz sometimes doesn't know the details. So we just use our own judgement.” (I1, basic necessities, in-depth interview 2025).

Some informants emphasized the importance of personal experience as a primary source of legitimacy. They evaluate themselves whether digital practices are in accordance with Islamic principles before making a decision.

“If it is a new feature, I will see for myself whether it is sharia compliant or not. If in doubt, I postpone it first.” (I9, Culinary, in-depth interview 2025)

This interpretation emphasizes that MSME actors take an active role in interpreting sharia, not just following formal regulations or platform guidelines. This process shows how sense-making helps to understand normative uncertainty in a new and complex digital economy.

Adaptive Strategies in Dealing with Digital Sharia Ambiguity

Businesses are developing a variety of adaptive strategies to reduce sharia risks and uncertainties, including choosing certain platforms, limiting transaction types, or rejecting features that are deemed religiously problematic. This strategy is not only reactive, but also proactive, reflecting a continuous evaluation of the risks and benefits of digital practices.

“I was picky about the features I used. What I don't think is clear about the law, I leave it. Not everything has to be used even though it is said that it can make more profit.” – I4, catering, in-depth interview 2025).

“If there is a promotion or system that confuses sharia, I avoid it. It's better to be safe than to make a quick profit.” – I7, transportation services, in-depth interview 2025).

Interpretation of this adaptive strategy shows that MSME actors manage uncertainty through a combination of moral evaluation, personal knowledge, and business experience. This adaptive strategy reinforces the stability of meaning in digital economic practices and shows how sense-making enables actors to navigate complex and religiously ambivalent business practices.

Mandailing Natal Locality in the Meaning of Sharia Digital Economy

The concept of sharia digital economy for business actors is greatly influenced by social norms, community expectations, and local values. Mandailing Natal, as a non-metropolitan area, has strong religious traditions, which serve as a moral framework for digital practices. Business

actors consider public perception and social reputation when assessing sharia compliance in their businesses.

“Here people not only see profits, but also what people say. If our efforts are said to be not in accordance with religion, it is heavy. So we also maintain a good name.” (I8, minimarket, in-depth interview 2025).

“The people here are religious. I had to adapt my digital practices to remain accepted in the community.” (I10, fashion Muslim, in-depth interview 2025).

This interpretation confirms that the meaning of sharia digital economy does not arise in a vacuum, but is embedded in the local social, cultural and religious context. Sense-making by business actors is a process of social adaptation as well as the affirmation of religious values in everyday business practices.

Summary of Findings

Overall, this study found that Muslim MSMEs in Mandailing Natal build the meaning of the Islamic digital economy through a pragmatic, adaptive, and contextual sense-making process. Findings emphasize:

1. Pragmatic adherence to halal principles and avoidance of usury.
2. Negotiation between the efficiency of digital technology and religious values.
3. Dual legitimacy of formal authority and personal experience.
4. Adaptive strategies to reduce sharia ambiguity.
5. The influence of local context and social norms in shaping meaning.

Discussion

Sharia Meaning and Pragmatism in a Digital Context

The findings of this study show that Muslim MSME actors construct a pragmatic understanding of the digital sharia economy, particularly through an emphasis on sharia principles such as halal and the avoidance of usury. This pragmatic approach reinforces the idea that compliance with sharia in the digital context is not merely a formal fulfilment, but an interpretative process shaped by the experiences, social context, and personal needs of the actors (Weick, 1995; Weick et al., 2005). This is consistent with literature showing that the interpretations of Islamic economic actors in the digital era are adaptive and contextual, especially when classical fiqh traditions are confronted with new digital practices (Alshater et al., 2022; Purba, 2025).

The literature on the digitisation of the Islamic economy also states that the integration of information technology not only expands access to services but also presents ambiguities in values that force actors to re-evaluate how they understand Sharia principles (Purba, 2025). In this case, sense making emerges as an appropriate framework because it allows for analysis of how actors produce meaning through their empirical experiences (Weick et al., 2005). These findings show that, even though business actors may not yet have a deep understanding of normative fiqh, they are still able to translate Islamic values into their digital practices through experience and practical reflection.

Previous research in the context of sharia fintech adds that fintech provides solutions that are in line with sharia principles such as the prohibition of usury and gharar, but its implementation often poses interpretative challenges in the field (Hasan et al., 2025). In the context of MSMEs, this pragmatic approach helps them overcome normative uncertainty and interpret digital practices in accordance with sharia principles, while maintaining a balance between religious values and business needs.

Negotiation of Technology Efficiency and Sharia Compliance

The results of the study indicate that Muslim MSME actors engage in complex negotiations between the demands of technological efficiency and Sharia values. The literature on sharia fintech acknowledges that digital technologies such as electronic trading platforms and digital financial services can expand the inclusion and efficiency of services, but often give rise to value pressures that need to be carefully examined (Alfian et al., 2025; D. Safitri & Vidiati, 2025).

Within the sense-making framework, this negotiation is a form of dynamic interpretation where individuals assess the benefits of technology while considering their moral framework (Weick et al., 2005). This study found that MSME actors tend to choose aspects of technology that they consider safe in terms of Sharia values, while features that are considered questionable are often avoided or postponed. This negotiation approach shows that sharia values are not a static structure that is applied rigidly, but rather a moral norm that is formed through interactions between technology, practices, and the beliefs of actors.

Other studies also support this finding by showing that sharia fintech can promote inclusion while maintaining moral values, but this requires actors to interpret aspects of technology that carry high normative risk (Alifa Rahma & Adinugraha, 2025; Said, 2025).

In essence, this negotiation reveals that the priority of actors in the context of the Islamic digital economy is to integrate technological efficiency with the principles they adhere to, which is a characteristic of the sense-making process in the digital and religious context.

Sharia Legitimacy: Multipolarity of Authority in the Meaning of Digital Sharia

Research findings reveal that sharia legitimacy for MSME actors does not originate solely from formal religious authorities, but also from digital platform information and personal experience. This is consistent with the Sharia fintech literature review, which shows that community involvement in digital practices requires the adaptation of religious norms to the new technological reality (Alfian et al., 2025; Alifa Rahma & Adinugraha, 2025).

The literature on sharia fintech shows that sharia compliance challenges are often related to a lack of clear guidelines regarding digital practices, which in turn encourages actors to use various sources of information (Alshater et al., 2022; Hasan et al., 2025).

In the context of sense-making, this dual legitimacy indicates that actors do not merely imitate external authorities but combine information from various sources to produce interpretations of values relevant to their context. This highlights the importance of understanding how religious norms are processed through diverse sources of authority in Islamic digital economic practices.

Adaptive Strategy as an Output of the Sense-Making Process

The finding that MSME actors develop adaptive strategies to deal with the ambiguity of digital sharia indicates that sense-making is not only a cognitive process but also an agentic social practice. In the literature on sharia fintech, strategic adaptations such as technological feature restrictions, platform selection, and determination of sharia compliance limits are recognised as responses to value and technological challenges (R. Safitri & Vidiati, 2025; Said, 2025).

This adaptive process reflects the actors' ability to translate meaning into practical behaviour, so that their digital practices remain consistent with sharia principles while maintaining business continuity. The organisational management literature also states that adaptive strategies are an important consequence of sense-making in new and uncertain environments (Weick, 1995)(Weick et al., 2005).

Embeddedness of the Local Context of Mandailing Natal in the Sharia Digital Economy

This study found that local contexts such as social norms and community expectations play a significant role in shaping the meaning of sharia digital economy. This is consistent with the literature which emphasises that Islamic economic values are always embedded in specific socio-cultural contexts (Alfian et al., 2025; Purba, 2025).

These findings reinforce that the meaning of digital sharia cannot be universalised, but must be interpreted through the lens of local culture and social values. In the context of Mandailing Natal, actors' interpretations and decisions regarding the digital sharia economy are influenced by the community's religious expectations and social reputation, which has also been found in other studies on the role of sharia fintech in local communities (Purba, 2025).

5. Conclusion

This study confirms that Muslim MSMEs in Mandailing Natal construct the meaning of the digital sharia economy through a sense-making process that is pragmatic, adaptive, and contextual. The findings show that compliance with sharia principles is not merely a normative application, but a social construct that involves personal reflection, dual legitimacy from formal authorities and practical experience, as well as the influence of local contexts and social norms. This interpretive process allows MSME actors to negotiate tensions between digital technology efficiency and religious values, while developing adaptive strategies that minimise sharia ambiguity and enhance the sustainability of their businesses.

Theoretically, this study expands the literature on the Islamic digital economy and sharia fintech by emphasising the role of actors as active meaning-makers in digital economic practices. By placing sense-making as the analytical framework, this study shows that sharia principles in the digital context are multi-sourced, contextual, and flexible, which are not always reflected in formal guidelines or regulations alone. These findings also emphasise the importance of understanding the interaction between technology, local values, and social norms in shaping Shariah digital economic practices, particularly in non-metropolitan areas with unique socio-religious dynamics.

From a practical perspective, this research provides a basis for designing digital platforms that are more responsive to Sharia compliance, improving Sharia digital economy literacy and education, and encouraging collaboration between regulators, religious authorities, and technology developers. This approach can strengthen financial inclusion, minimise value ambiguity, and support the sustainable empowerment of Muslim MSMEs. These findings collectively confirm that actor interpretation is key to understanding complex and dynamic sharia digital economy practices.

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