

AN INTEGRATIVE STRATEGIC MODEL FOR STRENGTHENING SHARIA-COMPLIANT MSMES THROUGH INSTITUTIONAL SUPPORT, FINANCING, SHARIA LITERACY, HUMAN CAPITAL, AND DIGITALIZATION IN BANDAR LAMPUNG

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An Integrative Strategic Model For Strengthening Sharia-Compliant Msmes Through Institutional Support, Financing, Sharia Literacy, Human Capital, and Digitalization in Bandar Lampung Licensed Under a Creative Commons Attribution-ShareAlike 4.0 International License

Abstract

This study aims to formulate a strategic model for strengthening Sharia-compliant micro, small, and medium enterprises (MSMEs) based on empirical evidence from Bandar Lampung, Indonesia. A qualitative case study design was employed, with fieldwork conducted from January to April 2026. Data were obtained through interviews, observations, and documentation involving 31 informants, comprising 15 MSME owners from the culinary, household goods, clothing, and grocery retail sectors, each with business experience ranging from five to ten years; four representatives of Islamic financial institutions; four local government representatives; and eight practitioners and employees. The data were analyzed manually through coding, categorization, and thematic analysis. The findings identify five interconnected areas requiring strategic strengthening: limited coordination among stakeholders, limited access to Sharia-compliant financing, limited business management capacity, a gap between knowledge of and adherence to Sharia principles, and limited utilization of digital technologies. Based on these findings, this study proposes an integrative strategic model comprising five dimensions: institutional support, financing, human capital, Sharia literacy, and digitalization. The model's novelty lies in integrating structural support with the internal capacities of MSME actors, with the institutional dimension serving as a coordinating mechanism among stakeholders and the other four dimensions functioning as interconnected areas for strategic development. The proposed model provides a context-specific framework for strengthening Sharia-compliant MSMEs and extends the entrepreneurial ecosystem perspective by bringing

together business capabilities and the practical application of Sharia principles. The model is grounded in the empirical findings of the study in Bandar Lampung

Keywords: Sharia-Compliant MSMEs; Strategic Model; Institutional Support; Sharia Literacy; Digitalization

A. Introduction

Micro, small, and medium enterprises (MSMEs) occupy a strategic position in the Indonesian economy because of their contributions to employment creation, income distribution, and the strengthening of community-based economic activities (Kholifah & Andini, 2024); (Meilantika & Sihotang, 2024); (Hapsari et al., 2024). From an Islamic economics perspective, MSME development is directed not only toward achieving economic performance but also toward fostering business activities grounded in justice ('adl), balance (tawazun), public interest (maslahah), and compliance with Sharia principles (Chapra, 2000); (Obaidullah & Khan, 2008). This orientation positions Sharia-compliant MSMEs within an economic development framework that integrates material objectives with Islamic values and ethics. Accordingly, strengthening Sharia-compliant MSMEs requires strategies that not only enhance business capacity but also reinforce institutional support, access to Sharia-compliant financing, human capital, Sharia literacy, and the capacity to adapt to technological developments. These dimensions provide the foundation for an integrated approach to strengthening MSMEs while maintaining their commitment to Sharia principles.

The literature on strengthening Sharia-compliant MSMEs can be understood through two broad approaches: structural and cultural. The structural approach emphasizes access to financing, policy support, and institutional strengthening, as constraints related to capital, markets, and resources constitute significant barriers to the development of small enterprises (Beck et al., 2005). In contrast, the cultural approach focuses on Islamic financial literacy, the internalization of Islamic values, and the application of ethical principles in business practices (Chapra, 2016); (Antonio, 2019). These two approaches suggest that strengthening Sharia-compliant MSMEs cannot adequately rely on either dimension in isolation. Enhancing economic capacity requires a supportive institutional ecosystem, while maintaining a Sharia-based identity requires an adequate understanding and internalization of Islamic principles in business activities. Therefore, an approach that connects structural and cultural dimensions within a more integrative strategy for strengthening Sharia-compliant MSMEs is required.

The need for a more integrative approach is particularly relevant in Bandar Lampung, one of the major centers of economic activity in Lampung Province. MSMEs in the city operate across various sectors, particularly trade, culinary businesses, and services, and contribute to supporting local economic activities (Yuniarti et al., 2022); (Tanjung, 2023). Data from the Bandar Lampung Office of Cooperatives and Small and Medium Enterprises indicate that the number of microenterprises transitioning to small enterprises in terms of production and processing development increased from 10 units in 2024 to 16 units in 2025. In the areas of marketing, human resources, design, and technology, the number of microenterprises transitioning to small enterprises also increased, from 10 units in 2024 to 15 units in 2025 (Dinas Koperasi dan UKM Kota Bandar Lampung, 2026). These figures indicate improvements in the capacity of some microenterprises while simultaneously suggesting that the process of business upgrading and capacity development still requires further strengthening in production, marketing, human resources, and technology. This condition underscores

the importance of an MSME development strategy that focuses not merely on increasing the number of enterprises but also on strengthening business capacity and sustainability in an integrated manner.

In the context of Islamic economics, the challenges associated with strengthening MSMEs become more complex because business sustainability must be accompanied by entrepreneurs' ability to understand and access financial instruments that comply with Sharia principles. The 2024 National Survey of Financial Literacy and Inclusion (SNLIK) reported that Indonesia's Islamic financial literacy index stood at only 39.11%, while the Islamic financial inclusion index was 12.88% (Widyasanti, 2024). The gap between literacy and inclusion suggests that an understanding of Islamic finance has not yet been fully translated into the utilization of Islamic financial products and services. In Bandar Lampung, MSME actors continue to face limitations in digital Islamic financial literacy, the use of Islamic financial technology, and financial management and record-keeping (Kusuma, 2020). A study of 203 microenterprises in the food and beverage sector in Bandar Lampung also identified the use of financial technology, financial literacy, and financial inclusion as important factors in explaining MSME performance (Permana & Asliana, 2026). These findings indicate that the challenges facing MSMEs in Bandar Lampung extend beyond access to capital and business continuity to include financial literacy, access to financial services, digital capabilities, and business management capacity. For Sharia-compliant MSMEs, these issues are particularly important because business development must be accompanied by an adequate understanding and practical application of Sharia principles. This combination of financial, managerial, and ethical considerations highlights the need for a multidimensional strengthening strategy.

The challenges associated with strengthening MSMEs have also evolved alongside changes in the business environment and ongoing digital transformation. Digitalization provides opportunities for MSMEs to improve efficiency, expand market access, and enhance competitiveness through the adoption of digital technologies and platforms (Mittal et al., 2025). However, MSMEs' ability to capitalize on these opportunities is strongly influenced by human capital, digital literacy, access to technology, and the support provided by the broader business ecosystem. From an entrepreneurial ecosystem perspective, business development is shaped not only by the individual capabilities of entrepreneurs but also by interconnected relationships among governments, financial institutions, academia, communities, and other supporting institutions (Isenberg, 2010). In the context of Sharia-compliant MSMEs, such an ecosystem also requires an orientation toward Islamic values and Sharia-based institutional support to ensure that business transformation is not solely directed toward enhancing competitiveness but remains consistent with the principles of Islamic economics (Napitupulu et al., 2026). This perspective provides a foundation for developing a strategy that integrates institutional support, financing, human capital, Sharia literacy, and digitalization in strengthening Sharia-compliant MSMEs in Bandar Lampung.

Research on strengthening Sharia-compliant MSMEs has developed across diverse areas of inquiry, yet the literature remains relatively fragmented. Obaidullah identifies access to Islamic financial institutions and instruments as an important element in microenterprise development (Obaidullah, 2005), while Rakhmawati and Nizar demonstrate the relationship between Islamic financial literacy, Islamic financial inclusion, and small-business performance (Rakhmawati & Nizar, 2023). Other studies emphasize the role of the entrepreneurial ecosystem through interconnected relationships among governments, financial institutions, entrepreneurs, and

supporting institutions in creating a conducive business environment (Isenberg, 2010). From an Islamic economics perspective, the development of such an ecosystem also requires the integration of Islamic values and ethics so that business strengthening is not solely oriented toward economic growth but also preserves Sharia-based characteristics and compliance (Tarip, 2024; Raza et al., 2025). Collectively, the literature demonstrates that financing, literacy, institutional support, and the business ecosystem constitute important elements in MSME development. However, the extent to which these elements can be integrated into a coherent strategic model specifically designed to strengthen Sharia-compliant MSMEs requires further investigation.

The limitations identified above indicate a research area that has not yet received adequate attention. Studies on Sharia-compliant MSMEs tend to emphasize specific aspects, such as financing and financial access, Islamic financial literacy, business performance, or entrepreneurial ecosystems, while the relationship between entrepreneurs' internal capabilities and the surrounding structural support has rarely been formulated within a comprehensive strategic model. Moreover, MSME strengthening models developed in different contexts may not directly explain the characteristics and challenges of Sharia-compliant MSMEs at the local level, given variations in business capacity, institutional support, access to financing, levels of literacy, and technological adaptability. In Bandar Lampung, this limitation is particularly relevant because existing studies have predominantly examined factors influencing MSME performance or competitiveness (Yuniarti et al., 2022; Rahayu & Tanjung, 2023; Maharani, 2025), while strategic models specifically integrating economic, institutional, entrepreneurial capacity, Sharia values, and digital transformation dimensions remain relatively limited.

Against this background, the research gap addressed by this study lies in the limited availability of strategic models for strengthening Sharia-compliant MSMEs that integrate institutional support, financing, human capital, Sharia literacy, and digitalization within a local empirical context. An approach focusing solely on financing is insufficient to explain limitations in entrepreneurs' business capacities, while approaches centered on literacy and human capital development also require institutional support, access to financing, and the effective utilization of technology to facilitate sustainable business strengthening. Similarly, the entrepreneurial ecosystem approach needs to consider the distinctive characteristics of Islamic economics, in which values, ethics, and Sharia compliance constitute integral components of business practices. Thus, the gap addressed in this study is not merely a lack of research on Sharia-compliant MSMEs, but rather the need for a unified strategic framework that connects these structural and cultural dimensions to the empirical conditions of Sharia-compliant MSMEs in Bandar Lampung.

The novelty of this study lies in the formulation of an integrative strategic model for strengthening Sharia-compliant MSMEs that connects five key dimensions— institutional support, financing, human capital, Sharia literacy, and digitalization— within an interconnected framework. Unlike previous studies that tend to examine financing, literacy, business capacity, digitalization, or entrepreneurial ecosystems as separate dimensions, this study brings these five dimensions together in a unified framework developed from empirical findings in Bandar Lampung. The institutional dimension provides a foundation for collaboration among stakeholders; financing supports business development needs; human capital and Sharia literacy strengthen entrepreneurs' capabilities and value orientation; while digitalization facilitates business adaptation and the expansion of business activities. The proposed model's distinguishing feature is therefore its integration of institutional and financial support

with entrepreneurs' managerial capabilities, Sharia-related knowledge, and capacity for digital adaptation.

Theoretically, this study contributes to the literature on Sharia-compliant MSMEs by connecting structural and cultural approaches within an ecosystem-based framework for business strengthening. This approach extends the entrepreneurial ecosystem perspective by positioning Sharia values and literacy as integral components alongside institutional support, financing, human capital, and digital transformation. Practically, the proposed model is expected to provide a strategic framework for local governments, Islamic financial institutions, business communities, and MSME actors to identify business-development needs and coordinate support more effectively. The contribution of this study, therefore, extends beyond identifying the challenges faced by Sharia-compliant MSMEs to proposing an integrated set of relationships among the five dimensions that can inform context-specific strategies for business strengthening.

Based on the identified problems, research gap, and the need for model development, this study aims to analyze the characteristics and challenges associated with strengthening Sharia-compliant MSMEs in Bandar Lampung and to formulate an integrative strategic model connecting institutional support, financing, human capital, Sharia literacy, and digitalization. More specifically, the study seeks to explain how these five dimensions are interconnected in shaping an ecosystem for strengthening Sharia-compliant MSMEs based on the empirical conditions in Bandar Lampung. Through this formulation, the study is expected to bridge the gap between the normative ideals of Islamic economic principles and the practical requirements of MSME development within an increasingly dynamic business environment.

B. Methods

This study employed a qualitative approach using a case study design to analyze the conditions and challenges associated with strengthening Sharia-compliant MSMEs and to formulate a strategic model grounded in the empirical context of Bandar Lampung (Creswell et al., 2007). Data collection was conducted from January to April 2026 and involved 31 purposively selected informants, comprising 15 MSME owners, four representatives of Islamic financial institutions, four local government representatives from the Bandar Lampung Office of Cooperatives and SMEs and the Bandar Lampung Office of Trade, and eight practitioners and employees. The MSME owners operated businesses in the culinary, household goods, clothing, and grocery retail sectors. To be eligible, they had to have operated their businesses in Bandar Lampung for more than four years. Data were collected through semi-structured interviews conducted either face-to-face or online, each lasting approximately 30 minutes; limited observations of MSME actors and their business activities; and documentation in the form of research notes. The interviews were not audio-recorded. Instead, with participants' informed consent, the researchers documented key information during and immediately after each interview.

Data analysis was conducted manually and iteratively through data reduction, initial coding, grouping codes according to similarities in meaning, developing categories, and identifying overarching themes. The emerging themes were then examined in relation to the identified challenges, the areas requiring strategic strengthening, and the roles of relevant stakeholders. Through this process, the themes were synthesized into five dimensions of the proposed strategic model: institutional support, financing, human capital, Sharia literacy, and digitalization. The relationships

among these dimensions were then interpreted to develop an integrative model for strengthening Sharia-compliant MSMEs. Accordingly, the model emerged from the analysis of the empirical data rather than being imposed as a predetermined framework.

Data trustworthiness was enhanced through three strategies. First, source triangulation involved comparing information across the different groups of informants. Second, methodological triangulation involved comparing evidence from interviews, observations, and research notes. Third, member checking was used to check whether the researchers' summaries and interpretations were consistent with participants' accounts. Together, these strategies were intended to strengthen the credibility of the findings and their interpretation. (Creswell et al., 2007).

C. Findings and Discussion

1. Findings

Profile and Characteristics of Sharia-Compliant MSMEs in Bandar Lampung

The study involved 31 informants, comprising 15 MSME owners, four representatives of Islamic financial institutions, four local government representatives from the Bandar Lampung Office of Cooperatives and SMEs and the Bandar Lampung Office of Trade, and eight practitioners and employees. The MSME participants operated in the culinary, household goods retail, clothing, and grocery retail sectors, with business experience ranging from five to ten years. The interview and observation findings indicate that business management practices remained relatively basic, particularly in financial record-keeping and financial management. These findings suggest that relatively extensive business experience does not necessarily correspond with adequate improvements in managerial capacity.

Table 1. Characteristics and Distribution of Research Informants

Informant Group	Number of Informants	Characteristics/Description
MSME Owners	15	Business owners operating in the culinary, household goods retail, clothing, and grocery retail sectors, with five to ten years of business experience
Islamic Financial Institutions	4	Informants representing Islamic financial institutions and Islamic banking institutions in Bandar Lampung
Local Government	4	Informants from the Bandar Lampung Office of Cooperatives and SMEs and the Bandar Lampung Office of Trade
Practitioners and Employees	8	Supporting informants with relevant experience and involvement in MSME activities and development
Total	31	Research informants purposively selected according to the needs of the study

The understanding and application of Sharia principles among MSME owners varied considerably. Some participants demonstrated an understanding of fundamental principles, such as the prohibition of *riba* (interest), honesty in transactions, and fairness in pricing; however, these principles were not consistently applied in business management practices. The explicit application of Sharia-compliant contracts (*akad*) also remained limited, particularly in relation to financing. This condition is reflected in the statement of one MSME owner: *"We strive to be honest in conducting our business, but when it comes to financing, we still choose the most accessible*

option even though it may not fully comply with Sharia principles." This finding reveals a gap between the normative understanding of Sharia principles and their practical application in business operations.

Other findings indicate that the relationships among MSME owners, Islamic financial institutions, and local government agencies have not yet developed into a fully integrated support system. Some MSME owners had utilized services provided by Islamic financial institutions; however, access to financing remained constrained by administrative requirements and limited information. One MSME owner stated, *"We would actually prefer to use Sharia-compliant financing, but the requirements are quite difficult to meet, and the information available to us is also limited."* Meanwhile, the local government has provided support through entrepreneurship training and business digitalization programs. However, based on the information obtained, business capacity development and the understanding of Sharia principles have not yet been fully integrated into the assistance process. These findings identify three major conditions among the MSMEs studied: limited business management capacity, a gap between the understanding and application of Sharia principles, and suboptimal linkages among MSME owners, Islamic financial institutions, and local government agencies.

Challenges and Gaps in Strengthening Sharia-Compliant MSMEs

The interview findings indicate that access to Sharia-compliant financing remains one of the major challenges faced by MSME owners in Bandar Lampung. Several informants reported constraints related to administrative requirements, limited collateral, and insufficient information regarding Sharia-compliant financing products and mechanisms. These constraints have led some business owners to continue relying on informal financing sources or conventional financial institutions that are perceived as more accessible. One MSME owner stated, *"We would actually prefer to use Sharia-compliant financing, but the requirements are quite difficult to meet, and the information available to us is also limited."* This finding indicates a gap between the availability of Islamic financial services and MSME owners' ability to access them conveniently.

Gaps were also identified in Sharia literacy and the application of Sharia principles. The interview and observation findings indicate that some MSME owners understood fundamental principles such as the prohibition of *riba* (interest), honesty, and fairness in transactions. However, their understanding of Sharia contracts (*akad*), Sharia-compliant financial management, and the practical application of these principles in business activities remained limited. This condition was reflected in the continued use of interest-based financing and the lack of clearly defined Sharia contracts in some transactions. One informant stated, *"We strive to be honest in conducting our business, but when it comes to financing, we still choose the most accessible option even though it may not fully comply with Sharia principles."* This finding reveals a gap between the normative understanding of Sharia principles and their operational application in business activities.

Regarding business development, the field findings further indicate that business management capacity and the utilization of digital technologies require additional strengthening. Financial management practices among some MSMEs were not yet systematically documented, while the use of technology remained largely limited to basic business needs and had not been optimally utilized to support marketing and market expansion. Informants also identified limited knowledge and access to training as constraints on the effective utilization of digital technologies. These findings demonstrate that the challenges faced by the MSMEs studied are not isolated but are

interconnected across access to financing, human capital capacity, Sharia literacy and application, digital technology utilization, and institutional support. These interrelated challenges subsequently provide the empirical basis for identifying areas requiring strategic strengthening and for formulating the dimensions of the strategic model for Sharia-compliant MSMEs in Bandar Lampung.

Strategic Model for Strengthening Sharia-Compliant MSMEs

The strategic model for strengthening Sharia-compliant MSMEs in Bandar Lampung was formulated through a synthesis of the empirical findings, which indicate that the challenges faced by MSME actors are not isolated from one another. Limited coordination among stakeholders points to the need for stronger institutional support; constraints related to administrative requirements, collateral, and access to financing information underpin the financing dimension; limitations in business management indicate the need for human capital development; the gap between normative understanding and the practical application of Sharia principles forms the basis of the Sharia literacy dimension; while the suboptimal utilization of technology underlies the digitalization dimension. Based on this mapping, the five dimensions were not predetermined independently of the data; rather, they were derived from the patterns of challenges and areas requiring strategic strengthening identified among the MSMEs studied.

Table 2. Empirical Foundations and Mechanisms of the Strategic Model for Strengthening Sharia-Compliant MSMEs

Empirical Findings/Gaps	Strategic Dimension	Key Actors	Implementation Mechanisms
Coordination of support among local government, Islamic financial institutions, and MSME actors remains suboptimal	Institutional Support	Local government, Islamic financial institutions, MSME actors, and practitioners	Program coordination, stakeholder collaboration, and business assistance
Administrative requirements, collateral constraints, and limited information hinder access to Sharia-compliant financing	Financing	Islamic financial institutions, MSME actors, and local government	Expanding information and access to Sharia-compliant financing, accompanied by financing assistance
Business management and financial record-keeping practices remain relatively basic	Human Capital	MSME actors, local government, and practitioners	Training, managerial capacity building, and business management assistance
Understanding of Sharia contracts (<i>akad</i>) and the application of Sharia principles remain predominantly normative	Sharia Literacy	MSME actors, Islamic financial institutions, and practitioners	Education on Sharia contracts, Islamic financial literacy, and assistance in the practical application of Sharia principles
The utilization of technology for marketing and business development remains suboptimal	Digitalization	MSME actors, local government, and practitioners	Digital literacy training and the utilization of technology for marketing and business development

Functionally, the institutional dimension serves as a coordinating mechanism linking local government, Islamic financial institutions, MSME actors, and other

supporting stakeholders. This coordination is intended to broaden access to Sharia-compliant financing while connecting financial support with business assistance. The human capital dimension supports the development of business management capabilities, while Sharia literacy provides a foundation for applying Sharia principles and contracts (*akad*) in business activities. Digitalization supports business adaptation and expands market access by strengthening MSME actors' capacity to utilize digital technologies. Accordingly, the relationships among the dimensions in the proposed model are functional and mutually reinforcing rather than causal relationships that have been statistically tested. The model therefore integrates stakeholder collaboration, access to financing, business capacity development, Sharia literacy, and digitalization into a unified strategy for strengthening Sharia-compliant MSMEs based on the empirical needs identified in Bandar Lampung.

2. Discussion

Analysis of MSME Characteristics and the Implementation of Sharia Principles

The findings indicate that business experience does not necessarily correspond to stronger managerial capacity or more consistent implementation of Sharia principles among the MSMEs studied in Bandar Lampung. Although the MSME owners had operated their businesses for five to ten years, some continued to rely on relatively basic business management and financial record-keeping practices. At the same time, the business owners were familiar with fundamental values such as honesty, fairness, and the prohibition of *riba*. However, this understanding was not consistently translated into financial management practices, financing decisions, or the application of Sharia contracts (*akad*) in business transactions. These findings are consistent with broader concerns about the managerial capacity constraints faced by MSMEs. They also highlight how, in the context examined, managerial limitations intersect with the practical implementation of Sharia principles. Thus, the implementation of Sharia principles is not merely associated with the acceptance of Islamic values but also with entrepreneurs' capacity to translate these values into business decisions and practices (Raza et al., 2025).

The gap between normative understanding and operational implementation is particularly evident in the area of Sharia literacy. MSME actors generally understood the prohibition of *riba* and the importance of honesty, but their understanding of Sharia contracts (*akad*) and the technical distinctions between Sharia-compliant and conventional transactions remained limited (Faizi et al., 2025). This condition helps explain why some business owners continued to use financing options perceived as more accessible, even when these options did not fully comply with Sharia principles. This finding supports Doktoralina's emphasis on the importance of literacy in applying Sharia principles, while extending the discussion by demonstrating that the challenge among the MSMEs studied lies not only in limited Sharia knowledge but also in the gap between normative knowledge and the capacity for practical implementation (Doktoralina et al., 2024). Therefore, Sharia literacy in the proposed model is conceptualized not merely as increased knowledge but as the capacity to apply Sharia principles and contracts in financing decisions, transactions, and business management practices.

The findings further demonstrate that the internal capacities of MSME actors cannot be separated from the institutional environment that supports them. The presence of Islamic financial institutions and local government programs has not yet been fully accompanied by assistance that integrates business development with the

practical application of Sharia principles. This condition can be understood through an institutional perspective (North, 1990), which conceptualizes institutions as structures that shape economic behavior and interactions, and is also related to the perspective of Dusuki and Abdullah regarding the importance of substantive dimensions in the implementation of Sharia principles (Dusuki & Abdullah, 2007). However, the findings from Bandar Lampung demonstrate that these challenges operate at two interconnected levels: the internal capacities of MSME actors and their linkages with supporting stakeholders. This provides the basis for the proposed model to distinguish while simultaneously connecting the dimensions of human capital, Sharia literacy, and institutional support. Accordingly, strengthening the implementation of Sharia principles should not be directed solely toward individual education but should also be supported through business assistance and institutional support.

Analysis of Gaps and Barriers to Strengthening Sharia-Compliant MSMEs

The findings indicate that efforts to strengthen Sharia-compliant MSMEs in Bandar Lampung continue to face gaps in stakeholder interconnectedness. The local government has implemented training and digitalization programs, while Islamic financial institutions have provided financing services; however, these forms of support have not yet been fully connected within an integrated mechanism for strengthening Sharia-compliant MSMEs. This condition is consistent with the *entrepreneurial ecosystem* concept, which positions interactions among governments, financial institutions, entrepreneurs, and supporting institutions as an important component of business development (Isenberg, 2010). However, the findings suggest that the presence of relevant stakeholders alone does not guarantee effective support when their programs and functions are insufficiently coordinated. In the context studied, the institutional gap is therefore more appropriately understood as a challenge of stakeholder coordination and interconnectedness than as an absence of supporting institutions. This finding provides the empirical basis for positioning institutional support as the dimension that connects stakeholders and programs within the proposed strategic model.

This institutional gap intersects with challenges related to access to Sharia-compliant financing. The findings indicate that MSME actors face constraints associated with administrative requirements, limited collateral, and insufficient information regarding Sharia-compliant financing products and mechanisms. These conditions have led some business owners to choose financing sources perceived as more accessible, even when they do not fully comply with Sharia principles. This finding reinforces previous studies concerning accessibility and literacy barriers to Islamic financial inclusion (Ascarya, 2018); (Kurniawati et al., 2025). However, this study demonstrates that, in the context of MSMEs in Bandar Lampung, financing challenges are not limited to the availability of capital but also involve access to information, ease of access, and assistance in effectively utilizing financing. This finding extends the understanding of financing as an integral component of the business-strengthening ecosystem. Accordingly, in the proposed model, the financing dimension is functionally connected with institutional support and business assistance for MSME actors (Yusfiarto et al., 2025).

Another gap concerns the capacity to adapt to digital technologies. Although business digitalization programs are available, the findings indicate that MSME actors have not yet optimally utilized digital technologies for marketing and market development. This condition reveals a gap between the availability of digitalization

opportunities and entrepreneurs' capacity to utilize them productively. Therefore, digitalization in the context of the MSMEs studied should not be understood merely as technology adoption; rather, it is closely related to human capital capabilities and access to appropriate training and assistance (Hijriah et al., 2026). The findings demonstrate that the barriers to strengthening Sharia-compliant MSMEs in Bandar Lampung are interconnected: limited institutional coordination affects the effectiveness of support mechanisms, financing constraints require adequate information and assistance, while effective technology utilization requires stronger entrepreneurial capabilities. These interconnections provide the empirical basis for integrating institutional support, financing, human capital, Sharia literacy, and digitalization within the proposed strategic model.

Formulation and Implications of the Strategic Model for Strengthening Sharia-Compliant MSMEs

The strategic model for strengthening Sharia-compliant MSMEs in this study was formulated from the interrelationships among empirical findings concerning five key needs: stronger stakeholder coordination, access to Sharia-compliant financing, business management capacity, the application of Sharia principles, and the capacity to utilize technology. These five needs were subsequently formulated into the dimensions of institutional support, financing, human capital, Sharia literacy, and digitalization. Rather than treating these dimensions as independent interventions, the proposed model conceptualizes them as functionally interconnected components of MSME development. Institutional support serves to connect local government, Islamic financial institutions, MSME actors, and other supporting stakeholders; financing provides support for capital requirements; human capital strengthens business management capabilities; Sharia literacy provides a foundation for applying Sharia principles and contracts (*akad*); while digitalization supports business adaptation and market development. This formulation extends the *entrepreneurial ecosystem* perspective and is relevant to the concept of the *Islamic entrepreneurial ecosystem* by positioning Sharia principles as an integral component of entrepreneurs' capabilities and the broader business support ecosystem (Isenberg, 2010; Indrawati, 2025).

The practical implications of the model lie in the need for mutually supportive roles among the stakeholders involved. Local governments can play a role in program coordination, training, and facilitating MSME development, while Islamic financial institutions can expand access to information and Sharia-compliant financing accompanied by appropriate assistance. MSME actors serve as the primary agents in strengthening managerial capabilities, implementing Sharia principles, and utilizing digital technologies, with practitioners or business communities providing support through mentoring and assistance. This approach extends the orientation of Islamic microfinance, which emphasizes financial access, by positioning financing as one component of a broader strengthening mechanism interconnected with business capacity, Sharia literacy, and digitalization (Obaidullah, 2005). Thus, the implications of the model do not merely involve introducing new programs but rather strengthening the interconnectedness of existing programs and stakeholder functions based on the empirical needs of MSME actors.

The theoretical contribution of this study lies in the formulation of an empirically grounded framework that brings together institutional support and financing with the internal capabilities required by MSME owners. Institutional support and financing represent dimensions of the wider business support environment, while human

capital, Sharia literacy, and digitalization represent capabilities that MSME owners need to manage and develop their businesses. The integration of these dimensions suggests that strengthening Sharia-compliant MSMEs requires more than access to capital or skills development in isolation; it also requires coordination between institutional support, business capabilities, and the practical application of Sharia principles. In practical terms, the model offers local governments, Islamic financial institutions, and MSME owners a framework for identifying their respective roles and areas requiring coordinated support. However, because the model was developed from empirical findings in Bandar Lampung and has not yet been tested across other regions or contexts, it should be regarded as a context-specific, empirically informed strategic framework rather than a validated model of intervention effectiveness. Further research could examine its applicability in different settings and assess how the proposed dimensions can be implemented and evaluated in practice.

D. Conclusion

This study demonstrates that efforts to strengthen Sharia-compliant MSMEs in Bandar Lampung face a set of interconnected challenges, including suboptimal institutional coordination, limited access to Sharia-compliant financing, constraints in business management capacity, a gap between the understanding and application of Sharia principles, and the suboptimal utilization of digital technologies. These findings indicate that strengthening Sharia-compliant MSMEs cannot be effectively addressed through isolated interventions; rather, it requires stronger linkages between business ecosystem support and the development of MSME actors' internal capacities.

Based on these findings, this study formulates an integrative strategic model comprising five dimensions: institutional support, financing, human capital, Sharia literacy, and digitalization. The scholarly contribution of this study lies in integrating structural support with the internal capacities of MSME actors within a framework for strengthening Sharia-compliant MSMEs grounded in the empirical context of Bandar Lampung. In practical terms, the model provides a framework for local governments, Islamic financial institutions, MSME actors, and other supporting stakeholders to identify interconnected roles and areas requiring strategic strengthening. However, the model was formulated based on a qualitative study conducted within a single regional context and has not yet been tested in different settings. Therefore, future research is needed to examine and further develop the model across regions and among MSMEs with more diverse characteristics.

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F. Author Contributions Statement

UA contributed to the conceptualization of the study, development of the theoretical framework, and preparation of the initial manuscript draft. JI contributed to field data collection, conducting interviews, and qualitative data processing. AT was responsible for data analysis, interpretation of the findings, and development of the study's conceptual model. ABK contributed to the literature search and review and ensured that the references complied with academic standards. MW was responsible for reviewing the manuscript, substantive editing, and improving the language and overall structure in accordance with academic journal writing conventions. All authors contributed to the finalization of the manuscript and approved the final version for publication.

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