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The Role of Islamic Financial and Digital Literacy in Shaping Economic Morality among MSMEs

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy. Despite their contribution to economic growth and employment, many MSMEs continue to face various challenges. This study examines the role of Islamic Financial Literacy and Digital Literacy in shaping the Economic Morality of MSMEs. Drawing upon the perspective of Islamic economics, Economic Morality is understood as ethical behavior in economic activities reflected through values such as honesty, fairness, responsibility, and concern for others. The study employs a quantitative approach using survey data collected from 89 MSME actors in Indonesia. Ordinary Least Squares regression is used to analyze the relationship between Islamic Financial Literacy, Digital Literacy, and Economic Morality. The findings indicate that Islamic Financial Literacy has a positive and significant effect on Economic Morality. When disaggregated into its dimensions, Awareness and Ability emerge as significant predictors, while Intention and Confidence do not demonstrate consistent effects. Digital Literacy also exhibits a positive and significant relationship with Economic Morality, suggesting that digital capability complements Islamic financial knowledge in fostering ethical economic behavior. These findings extend the literature by demonstrating that Islamic Financial Literacy contributes not only to financial and business outcomes but also to the moral dimension of entrepreneurial behavior. The study highlights the importance of strengthening both Islamic financial literacy and digital literacy as part of broader efforts to develop financially capable and ethically responsible MSMEs.

Keywords : *Islamic Financial Literacy, Digital Literacy, Economic Morality, MSMEs, Islamic Economics.*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy. Data from the Ministry of MSMEs show that Indonesia had 56.14 million MSMEs in 2024. The sector contributed 59.64 percent of national Gross Domestic Product and employed around 121.8 million workers. The entrepreneurship ratio also increased to 3.08 percent. These figures demonstrate the importance of MSMEs for economic growth, employment, and household welfare.

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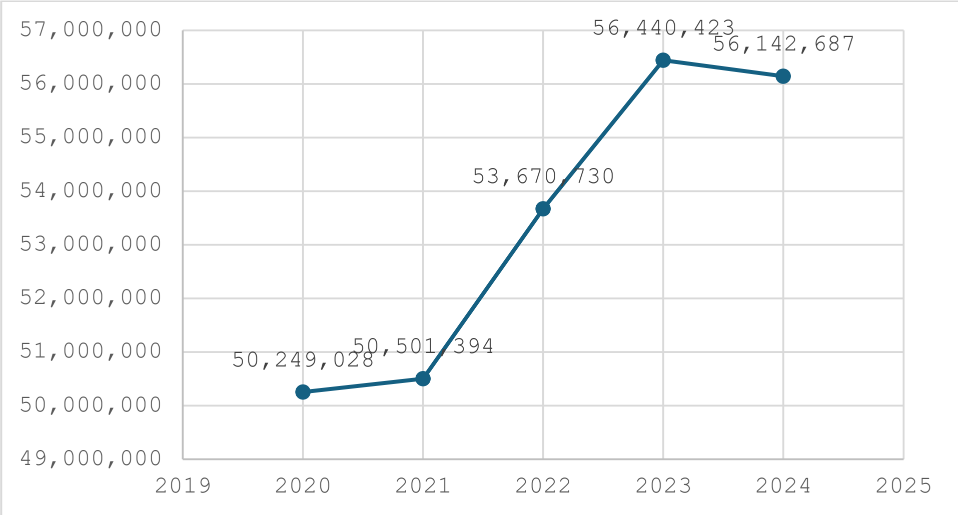

[Figure 1. Number of MSMEs in Indonesia, 2020-2024]
source: Indonesia Ministry of MSMEs (2024)

Despite their contribution, many MSMEs continue to face challenges related to access to finance, business management, and market competition. Financial literacy has therefore become an important issue in entrepreneurial development. Previous studies show that entrepreneurs with stronger financial knowledge are better equipped to manage resources, evaluate risks, and sustain their businesses over time (Djuwita & Yusuf, 2018; Rohmania et al., 2023; Suwarsi et al., 2022).

At a foundational level, financial literacy functions as a form of human capital investment that directly shapes economic decision-making and behavioral outcomes (Lusardi & Mitchell, 2014). Within the Islamic economics context, this relationship extends to ethical dimensions, as knowledge of Sharia principles is expected to translate into morally grounded economic conduct. Islamic Financial Literacy (IFL) incorporates an understanding of Sharia principles and ethical considerations in economic decision-making. The concept emphasizes that financial decisions should not only generate economic benefits but also comply with Islamic values. Existing studies consistently report positive effects of Islamic Financial Literacy on financial behavior, participation in Islamic financial services, financial inclusion, and business performance (Aisyah et al., 2024; Albaity & Rahman, 2019; Mardiana et al., 2025; Muninggar et al., 2025; Saifurrahman & Kassim, 2021). These findings suggest that Islamic Financial Literacy represents an important resource for MSME development.

The discussion of Islamic Financial Literacy is closely related to the broader objectives of Islamic economics. Unlike conventional approaches that often emphasize efficiency and profit maximization, Islamic economics places morality at the center of economic life. Economic activities are expected to generate prosperity while promoting justice, honesty, responsibility, and social welfare. Syibly & Purwanto (2021) argue that many economic problems emerge when economic activities become detached from moral considerations. Similar arguments are

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developed by Kader (2021), who emphasizes the importance of human well-being in economic systems, and by Asutay (2024), who views Islamic finance as part of a broader moral and social project.

The centrality of morality in Islamic economics is rooted in the Islamic worldview, which recognizes Allah as the ultimate source of sustenance and authority over all economic affairs. Consequently, economic activities are not merely material pursuits but also forms of accountability before God. This principle is reflected in the Qur'an Surah Yunus (10:31):

قُلْ مَن يَرْزُقُكُم مِّنَ ٱلسَّمَآءِ وَٱلْأَرْضِ أَمَّن يَمْلِكُ ٱلسَّمْعَ وَٱلْأَبْصَـٰرَ وَمَن يُخْرِجُ ٱلْحَىَّ مِنَ ٱلْمَيِّتِ وَيُخْرِجُ ٱلْمَيِّتَ مِنَ ٱلْحَىِّ وَمَن يُدَبِّرُ ٱلْأَمْرَ ۚ فَسَيَقُولُونَ ٱللَّهُ ۚ فَقُلْ أَفَلَا تَتَّقُونَ ٣١

Say, "Who provides for you from the heaven and the earth? Or who controls hearing and sight and who brings the living out of the dead and brings the dead out of the living and who arranges [every] matter?" They will say, "Allāh," so say, "Then will you not fear Him?"

This perspective leads to the concept of economic morality. Economic morality refers to the values that guide economic behavior and business decisions. These values include honesty, fairness, responsibility, trustworthiness, cooperation, and concern for others. Economic morality influences how entrepreneurs manage resources, interact with stakeholders, and pursue business objectives. Previous studies indicate that moral values remain important determinants of entrepreneurial behavior and business sustainability (Gyarmati & Göttli, 2022; Wahyono et al., 2021). Research on Islamic business ethics further demonstrates that ethical conduct strengthens transparency, accountability, stakeholder trust, and long-term organizational performance (Aldo et al., 2022; Harahap et al., 2025; Soediro et al., 2024; Zulkipli & Miranti, 2026). Ichsan (2026) also argues that ethical business behavior is shaped through learning processes and the internalization of Islamic values.

Alongside financial capability, MSMEs increasingly operate in a digital environment. Digital technology has transformed how entrepreneurs access information, communicate with customers, and conduct business transactions. As a result, digital literacy has become an important capability for business actors. Recent evidence from Indonesian MSMEs shows that IFL supports resilient, values-aligned decision-making and reduces financial anxiety among MSME owners (Lestari et al., 2025), suggesting that Islamic financial knowledge operates beyond economic performance to shape the moral conduct of entrepreneurs. Previous studies also show that digital literacy contributes positively to business performance, competitiveness, and sustainability among MSMEs (Noerchoidah et al., 2025; Ramadani et al., n.d.; Shofiyuddin et al., 2024; Wediawati et al., 2025). Digital literacy may also influence how entrepreneurs evaluate information, make decisions, and respond to ethical challenges in business activities.

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Despite the growing literature on Islamic Financial Literacy, digital literacy, and Islamic business ethics, empirical evidence connecting these factors to economic morality remains limited. Existing studies largely focus on financial behavior, financial inclusion, business growth, and firm performance. Much less attention has been devoted to understanding whether financial and digital capabilities contribute to the formation of economic morality among MSME actors.

This study addresses that gap by examining the role of Islamic Financial Literacy and Digital Literacy in shaping the Economic Morality of MSMEs. Islamic Financial Literacy is analyzed both as an aggregate construct and through its dimensions of awareness, intention, confidence, and ability. By focusing on economic morality rather than conventional business outcomes, this study contributes to the literature on Islamic economics and provides insights into the development of financially capable and ethically responsible entrepreneurs.

METHOD

This study employs a quantitative approach to examine the role of Islamic Financial Literacy and Digital Literacy in shaping the Economic Morality of MSMEs. The analysis uses Ordinary Least Squares (OLS) regression to estimate the relationship between the explanatory variables and Economic Morality. OLS is selected because it allows the contribution of each variable to be evaluated while controlling for respondents' demographic characteristics.

The study is based on survey data collected from 89 MSME actors in Jakarta, conducted in September 2023. Respondents were selected using purposive sampling. The survey targeted business owners who actively manage their enterprises and are involved in daily business decision-making. Data were collected through a structured questionnaire. All substantive variables were measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

The dependent variable is Economic Morality. The construct is adapted from Wahyono et al. (2021) and captures ethical orientations in economic activities. Economic Morality is measured through four dimensions: imperative, tolerance, equality, and commitment. These dimensions reflect respondents' attitudes toward responsibility, social concern, fairness, honesty, and cooperation in economic activities.

The main independent variable is Islamic Financial Literacy (IFL). The construct is adapted from Suwarsi et al. (2022), who conceptualize Islamic Financial Literacy through four dimensions: awareness, intention, confidence, and ability. Awareness reflects respondents' knowledge of Islamic financial institutions and products. Intention captures willingness to utilize Islamic financial services. Confidence measures trust in Islamic financial institutions and perceptions regarding their performance. Ability reflects respondents perceived capability to apply Islamic financial knowledge in business activities. In the empirical analysis,

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Islamic Financial Literacy is examined both as an aggregate construct and through its individual dimensions.

Digital Literacy is included as an additional explanatory variable. The construct is adapted from Shofiyuddin et al. (2024) and Wediawati et al. (2025), who emphasize the importance of digital capability for MSME development. In this study, Digital Literacy is operationalized through the utilization of social media and e-commerce platforms in business activities. These indicators reflect the extent to which respondents employ digital technology to support business operations and market access.

Several demographic characteristics are incorporated as control variables. These include age, gender, marital status, housing status, and educational attainment. Previous studies suggest that demographic factors may influence financial behavior, entrepreneurial decision-making, and ethical orientations among business owners.

Table 1. Summary of Variable Construction

Variable	Indicators	Measurement Source
Economic Morality	Imperative, Tolerance, Equality, Commitment	Adapted from Wahyono et al. (2021)
Islamic Financial Literacy	Awareness, Intention, Confidence, Ability	Adapted from Suwarsi et al. (2022)
Digital Literacy	Social Media Utilization, E-Commerce Utilization	Adapted from Shofiyudin et al. (2024) and Wediawati et al. (2025)
Control Variables	Age, Gender, Marital Status, Housing Status, Education	Adapted from previous MSME studies

The empirical analysis is conducted using four regression models. Model 1 examines the effect of aggregate Islamic Financial Literacy on Economic Morality. Model 2 replaces the aggregate construct with its four dimensions, namely awareness, intention, confidence, and ability. Model 3 incorporates Digital Literacy to assess its additional contribution beyond Islamic Financial Literacy dimensions. Finally, Model 4 introduces demographic control variables including age, gender, marital status, housing status, and educational attainment to examine the robustness of the estimated relationships.

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The regression models are specified as follows:

Model 1

$EM_i = \alpha + \beta_1 IFL_i + \varepsilon_i$

Model 2

$EM_i = \alpha + \beta_1 Awareness_i + \beta_2 Intention_i + \beta_3 Confidence_i + \beta_4 Ability_i + \varepsilon_i$

Model 3

$EM_i = \alpha + \beta_1 Awareness_i + \beta_2 Intention_i + \beta_3 Confidence_i + \beta_4 Ability_i + \beta_5 Digital_i + \varepsilon_i$

Model 4

$EM_i = \alpha + \beta_1 Awareness_i + \beta_2 Intention_i + \beta_3 Confidence_i + \beta_4 Ability_i + \beta_5 Digital_i + \beta_6 Controls_i + \varepsilon_i$

Prior to estimating the regression models, several preliminary tests were conducted to assess the quality of the measurement constructs and the relationships among variables. Internal consistency reliability was evaluated using Cronbach's alpha. All constructs exceeded the recommended threshold of 0.70, indicating satisfactory reliability. Correlation analysis was subsequently performed to examine the bivariate relationships among the study variables and to identify potential multicollinearity issues. Since none of the correlation coefficients exceeded the commonly accepted threshold of 0.90, the results provide no indication of severe multicollinearity. This conclusion is further supported by the variance inflation factor (VIF) analysis, where the mean VIF was 2.37 and all individual VIF values remained below 5. The results of these preliminary tests are presented and discussed in the following section.

RESULT AND DISCUSSION

Table 2 presents the descriptive statistics of the variables used in this study. The average Economic Morality score is 4.11, indicating that respondents generally demonstrate a relatively high level of moral commitment in their economic activities. The mean values of the Islamic Financial Literacy dimensions are also relatively high. Ability records the highest average score (M = 4.20), followed by Confidence (M = 4.12) and Awareness (M = 3.96). Intention has the lowest mean value among the Islamic Financial Literacy dimensions (M = 3.52). These results suggest that respondents generally possess a positive perception of Islamic financial principles and institutions, although their willingness to actively utilize Islamic financial services appears comparatively lower.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
econ moral	89	4.11	.762	2	5
awareness	89	3.961	.917	1.5	5
intention	89	3.521	1.093	1	5
confidence	89	4.12	.896	2	5
ability	89	4.197	.827	1.5	5

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digital	89	3.747	1.17	1	5
age	89	38.742	13.265	17	72
gender	89	.393	.491	0	1
marriage	89	.685	.467	0	1
house	89	1.91	.577	1	3
education	89	2.124	.496	1	3

Source: Author calculation

Digital Literacy records an average score of 3.75. This finding indicates a moderate level of digital engagement among MSME actors. While many respondents already utilize digital technology in their business activities, the variation in responses suggests that digital adoption remains uneven across the sample.

The demographic profile shows that respondents have an average age of 38.74 years. Approximately 39.3 percent of the respondents are male, while 68.5 percent are married. The descriptive statistics further indicate moderate variation in housing status and educational attainment. Overall, the results suggest that the sample consists primarily of economically active MSME actors with diverse demographic backgrounds.

Table 3 presents the reliability statistics for all constructs. The results indicate satisfactory internal consistency across the measurement instruments. All Cronbach's alpha coefficients exceed the recommended threshold of 0.70. Confidence records the highest reliability coefficient ($\alpha = 0.919$), followed by Economic Morality ($\alpha = 0.917$), Ability ($\alpha = 0.887$), Awareness ($\alpha = 0.866$), Digital Literacy ($\alpha = 0.859$), and Intention ($\alpha = 0.799$). These findings suggest that the indicators consistently measure their respective constructs and provide a reliable basis for further analysis.

Table 3. Reliability Statistics

construct	items	alpha
Awareness	4	0.866
Intention	3	0.799
Confidence	3	0.919
Ability	4	0.887
Digital Literacy	2	0.859
Economic Morality	9	0.917

Source: Author Calculation

Table 4 reports the correlation matrix among the main variables. The results show that all dimensions of Islamic Financial Literacy are positively associated with Economic Morality. The strongest relationship is observed between Ability and Economic Morality ($r = 0.811$, $p < 0.01$), followed by Awareness ($r = 0.761$, $p < 0.01$) and Confidence ($r = 0.745$, $p < 0.01$). Intention also exhibits a positive correlation with Economic Morality, although the relationship is comparatively weaker ($r = 0.506$, $p < 0.01$). Digital Literacy is positively correlated with Economic Morality (r =

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0.593, $p < 0.01$), suggesting that respondents with stronger digital capabilities tend to demonstrate higher levels of economic morality.

Table 4. Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) econ_moral	1.000					
(2) awareness	0.761***	1.000				
	(0.000)					
(3) intention	0.506***	0.711***	1.000			
	(0.000)	(0.000)				
(4) confidence	0.745***	0.825***	0.630***	1.000		
	(0.000)	(0.000)	(0.000)			
(5) ability	0.811***	0.763***	0.545***	0.757***	1.000	
	(0.000)	(0.000)	(0.000)	(0.000)		
(6) digital	0.593***	0.458***	0.565***	0.486***	0.583***	1.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	

**** p<0.01, ** p<0.05, * p<0.1*

Source: Author Calculation

The correlation matrix also provides preliminary support for the proposed relationships examined in the regression models. At the same time, none of the correlation coefficients exceed the commonly accepted threshold of 0.90. This finding indicates the absence of severe multicollinearity among the explanatory variables.

Table 5 reports the results of the OLS regression models examining the relationship between Islamic Financial Literacy, Digital Literacy, and Economic Morality among MSME actors. Four models were estimated to assess the robustness of the findings and to examine the contribution of each dimension of Islamic Financial Literacy.

Model 1 examines the effect of aggregate Islamic Financial Literacy on Economic Morality. The results indicate a positive and statistically significant relationship between the two variables ($\beta = 0.745$, $p < 0.01$). The model explains approximately 63.9 percent of the variation in Economic Morality ($R^2 = 0.639$). These findings suggest that higher levels of Islamic Financial Literacy are associated with stronger moral orientations in economic activities.

Model 2 replaces the aggregate measure with the four dimensions of Islamic Financial Literacy. The results reveal that Awareness and Ability are positively associated with Economic Morality. Awareness remains statistically significant (β =

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0.245, $p < 0.05$), while Ability exhibits the strongest effect among all dimensions (β = 0.457, $p < 0.01$). In contrast, Intention and Confidence do not show significant relationships with Economic Morality. The explanatory power of the model increases to 71.7 percent ($R^2 = 0.717$).

Table 5. Regression Results

	(1)	(2)	(3)	(4)
	econ_moral	econ_moral	econ_moral	econ_moral
ifl	.745***			
	(.06)			
awareness		.245**	.313***	.309***
		(.101)	(.099)	(.096)
intention		-.061	-.141**	-.097
		(.058)	(.06)	(.06)
confidence		.154	.142	.086
		(.094)	(.089)	(.088)
ability		.457***	.338***	.319***
		(.088)	(.092)	(.092)
digital			.156***	.162***
			(.049)	(.049)
age				.009**
				(.004)
gender				-.111
				(.087)
marriage				-.062
				(.112)
house				-.196**
				(.076)
education				.026
				(.084)
_cons	1.152***	.803***	.779***	.975***
	(.243)	(.234)	(.222)	(.297)
Observations	89	89	89	89
R-squared	.639	.717	.748	.781

Standard errors are in parentheses
**** p<.01, ** p<.05, * p<.1*

Model 3 introduces Digital Literacy into the analysis. The results show that Digital Literacy has a positive and significant effect on Economic Morality (β = 0.156, $p < 0.01$). Awareness and Ability remain significant, although the magnitude of the Ability coefficient decreases slightly. Intention becomes negative and statistically significant (β = −0.141, $p < 0.05$), while Confidence remains insignificant. The

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inclusion of Digital Literacy improves the explanatory power of the model, with the R^2 increasing from 0.717 to 0.748.

Model 4 presents the full specification by incorporating demographic control variables. The main findings remain largely unchanged. Awareness continues to exhibit a positive relationship with Economic Morality ($\beta = 0.309$, $p < 0.01$), while Ability remains the strongest predictor ($\beta = 0.319$, $p < 0.01$). Digital Literacy also retains a positive and significant coefficient ($\beta = 0.162$, $p < 0.01$). Confidence remains statistically insignificant, and the coefficient of Intention loses its significance after the inclusion of the control variables. Among the demographic factors, Age shows a positive effect on Economic Morality ($\beta = 0.009$, $p < 0.05$), whereas Housing Status is negatively associated with Economic Morality ($\beta = -0.196$, $p < 0.05$). Gender, Marital Status, and Education do not exhibit significant relationships. The final model explains 78.1 percent of the variation in Economic Morality, indicating a substantial improvement in explanatory power relative to the baseline model.

Overall, the findings provide strong evidence that Islamic Financial Literacy contributes positively to Economic Morality among MSME actors. The aggregate measure of Islamic Financial Literacy exhibits a positive and highly significant relationship with Economic Morality. This result is consistent with previous studies showing that Islamic Financial Literacy influences economic behavior, financial decision-making, and entrepreneurial development (Albaity & Rahman, 2019; Rohmania et al., 2023; Saifurrahman & Kassim, 2021). Earlier studies generally focus on outcomes such as financial inclusion, financial behavior, business performance, and business sustainability (Aisyah et al., 2024; Mardiana et al., 2025). The present study extends this literature by demonstrating that Islamic Financial Literacy is also associated with the moral dimension of economic behavior. The finding supports the argument that Islamic financial knowledge is not merely a technical capability but also a mechanism through which ethical values are internalized in economic activities.

A more nuanced picture emerges when Islamic Financial Literacy is disaggregated into its underlying dimensions. Awareness consistently exhibits a positive and significant effect on Economic Morality across all specifications. This result suggests that knowledge and understanding of Islamic financial principles constitute an important foundation for ethical economic conduct. Entrepreneurs who are more familiar with Islamic financial institutions and Sharia principles appear more likely to consider moral values in their business decisions. This finding supports the view that knowledge serves as an important channel through which ethical behavior is formed. Similar conclusions are reported by Suwarsi et al. (2022), Rohmania et al. (2023), Muninggar et al. (2025), who emphasize the role of literacy in shaping financial attitudes and behavioral outcomes. This finding aligns with Social Cognitive Theory, which holds that cognitive knowledge (awareness) provides the moral schema through which individuals evaluate and guide their

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behavior. Andani et al. (2025) similarly confirm that Sharia awareness shapes favorable attitudes, though they caution that cognitive awareness alone requires practical capability to produce behavioral change, a pattern which is also observed in this study.

Ability emerges as the strongest predictor of Economic Morality in all regression models. This finding indicates that practical capability may be more important than mere awareness or intention. Entrepreneurs who possess stronger financial skills are better able to apply Islamic principles in their daily business activities. The result is broadly consistent with studies showing that financial capability contributes to better financial management, business sustainability, and entrepreneurial performance (Aisyah et al., 2024; Djuwita & Yusuf, 2018; Mardiana et al., 2025). In addition, Kang et al. (2024) similarly demonstrate that practical financial capability mediates the relationship between financial knowledge and entrepreneurial outcomes, suggesting that competence is the bridge between knowing and doing. From an Islamic economics perspective, this supports the classical view that moral conduct requires both *'ilm* (knowledge) and *'amal* (practice) working in concert (Kahf, 2003). In other words, morality in economic activities requires not only understanding but also competence.

In contrast, Confidence and Intention do not demonstrate consistent positive effects on Economic Morality. Confidence remains statistically insignificant across all models, while Intention becomes unstable after additional variables are introduced. The non-significance of intention and confidence can be theorized through the attitude-behavior gap documented in behavioral economics. Within the Theory of Planned Behavior (Ajzen, 1991), intentions toward Islamic financial products do not automatically transfer to ethical conduct in broader economic activities. Andani et al. (2025) found that knowledge alone does not provide sufficient stimulus for behavioral change. This suggests that attitudinal orientations toward Islamic financial institutions operate independently from the moral values that shape actual economic conduct. In this regard, Confidence may reflect a preference for Sharia-compliant financial services rather than a deeper internalization of ethical principles in business practice.

Similarly, a willingness to use Islamic financial services may not necessarily influence ethical decision-making in business activities. This result differs from several studies that report positive associations between Islamic Financial Literacy and behavioral intentions (Albaity & Rahman, 2019; Saifurrahman & Kassim, 2021). One possible explanation is that Economic Morality reflects actual values and conduct rather than preferences toward financial products. Consequently, awareness and ability appear more relevant than confidence and intention in explaining moral behavior among MSME actors.

The results further indicate that Digital Literacy contributes positively to Economic Morality. The effect remains significant even after controlling for the dimensions of Islamic Financial Literacy and demographic characteristics. This

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finding is consistent with studies highlighting the importance of digital capability for MSME development (Noerchoidah et al., 2025; Shofiyuddin et al., 2024; Wediawati et al., 2025). The result suggests that digital literacy may improve entrepreneurs' access to information and expand their exposure to business knowledge and ethical standards. Digital platforms also increase interaction with customers and business partners, creating stronger incentives for transparency and accountability. In this regard, digital literacy appears to complement Islamic Financial Literacy in shaping responsible economic behavior.

The mechanism through which digital literacy fosters moral economic behavior may operate through social-cognitive learning. Raharjo et al. (2024) demonstrate that digital literacy drives business behavior transformation through learning processes and exposure to professional norms. Furthermore, Indonesia's national digital literacy framework explicitly embeds ethical pillars, including honesty, manners, and social responsibility as core components. This mean that digitally capable entrepreneurs have greater exposure to norms of transparency and accountability in commercial activities (Anom & Rassanjani, 2026; Santoso, 2025). Digital platforms thus function not merely as commercial tools but as normative environments that reinforce ethical business standards, complementing the role of Islamic Financial Literacy.

The findings also provide support for broader discussions in Islamic moral economy. Islamic economics does not separate economic activities from ethical responsibilities. Economic actors are expected to pursue prosperity while maintaining justice, honesty, and social welfare (Asutay, 2024; Kader, 2021; Syibly & Purwanto, 2021). Previous studies on Islamic business ethics similarly emphasize the importance of honesty, trustworthiness, accountability, and social responsibility in entrepreneurial activities (Aldo et al., 2022; Harahap et al., 2025; Soediro et al., 2024; Zulkipli & Miranti, 2026). The present findings reinforce these arguments by showing that both Islamic Financial Literacy and Digital Literacy contribute to the development of Economic Morality among MSME actors. The results also support Ichsan (2026) argument that ethical economic behavior is shaped through processes of learning, knowledge acquisition, and value internalization.

CONCLUSION

This study examines the role of Islamic Financial Literacy and Digital Literacy in shaping the Economic Morality of MSMEs. The findings demonstrate that Islamic Financial Literacy has a significant positive relationship with Economic Morality. MSME actors with higher levels of Islamic financial literacy tend to exhibit stronger moral values in their economic activities, including honesty, responsibility, fairness, and concern for others. This result supports the argument that Islamic financial literacy is not merely a financial capability but also a mechanism through which Islamic ethical values are translated into economic behavior.

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When Islamic Financial Literacy is disaggregated into its dimensions, awareness and ability emerge as the most important determinants of Economic Morality. Awareness reflects the extent to which MSME actors understand Islamic financial principles and institutions, while ability represents their capability to apply such knowledge in economic decision-making. In contrast, intention and confidence do not consistently influence Economic Morality after other variables are considered. These findings suggest that moral economic behavior depends more on knowledge and practical capability than on personal motivation alone.

The study also finds that Digital Literacy contributes positively to Economic Morality. MSME actors who are more capable of utilizing digital technologies tend to demonstrate higher levels of ethical economic behavior. Digital literacy may improve access to information, increase transparency, and encourage more responsible business practices. This finding indicates that digital capability can complement Islamic financial literacy in promoting ethical entrepreneurship within an increasingly digital business environment.

Among the control variables, age is positively associated with Economic Morality, while housing status shows a negative relationship. Other demographic characteristics do not exhibit significant effects. Overall, the empirical evidence suggests that both Islamic Financial Literacy and Digital Literacy play important roles in fostering ethical and responsible economic behavior among MSMEs.

This study contributes to the literature by extending the discussion of Islamic Financial Literacy beyond conventional outcomes such as financial inclusion, business performance, and financial behavior. Instead, it highlights Economic Morality as an important outcome that reflects the broader objectives of Islamic economics. From a practical perspective, the findings imply that programs aimed at strengthening MSMEs should focus not only on improving financial capability but also on enhancing understanding of Islamic financial principles and digital competencies.

Several limitations should be acknowledged. The study relies on cross-sectional data collected from a relatively limited sample of MSME actors, which restricts the generalizability of the findings. Future studies may employ larger samples, cover different regions, and utilize longitudinal data to better understand the causal relationship between literacy and economic morality. Further research may also explore additional factors such as religiosity, entrepreneurial experience, social capital, or institutional support that may influence the development of Economic Morality among MSMEs.

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