

Influence Literacy Finance Syariah and Use Syariah Fintech Lending on the Development of MSMEs

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play an important role in supporting the national economy, including in Medan City. This study aims to analyze the influence of Islamic financial literacy and Islamic fintech lending on the development of MSMEs in Medan City. Islamic financial literacy includes MSME actors' understanding of Islamic financial principles, such as the prohibition of usury and gharar, while Islamic fintech lending is a technology-based financing alternative that follows Islamic principles. This study uses a quantitative approach with multiple linear regression analysis methods. Data were obtained through questionnaires distributed to 86 MSME actors selected using purposive sampling techniques. The results of the study indicate that Islamic financial literacy significantly affects the ability of perpetrator MSMEs to manage finance and determine source-appropriate financing. In addition, sharia fintech lending has a significant positive impact on the ability of MSMEs to obtain fast, safe, and halal financing. Simultaneously, both variables contribute positively to the development of MSMEs. This finding confirms that collaboration between Islamic financial literacy and financial technology can be an effective solution to overcome the challenges faced by MSMEs.

Keywords: Literacy Finance Sharia, Fintech, MSMEs.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, including in Medan City. Based on data from the Central Statistics Agency (BPS), the MSME sector in Indonesia contributes more than 60% to the Gross Domestic Product (GDP) And absorbs more than 97% of labor national (Utari et al., 2022). In Medan City, MSMEs also have a major contribution in driving regional economic growth.

Suhariyanto, Head of the Body Statistics Center says source growth in the economy most originates from the field business industry Which is then followed by by wholesalers and retailers (Eka Khayana et al., 2023). The impact of this economic growth has an impact on increasing business fields.

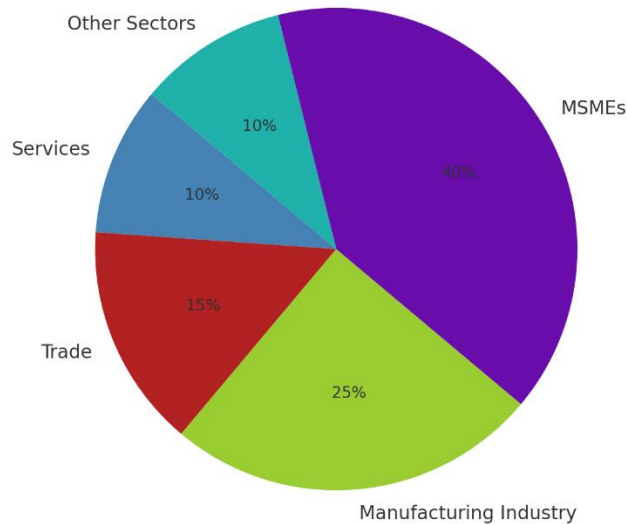


Figure 1. Sector Contribution to Business Income in Indonesia (2024)
 Source: Central Statistics Agency (BPS) Quarter III 2024

The sector's contribution to MSMEs income in Medan City in 2024 shows that MSMEs are the largest contributor with a contribution of 40%. MSMEs include various small and micro businesses, including the culinary, retail, and home-based businesses that support the local economy. Access to financing, including sharia fintech lending, increasingly helps MSMEs in developing their businesses with more flexible capital and by sharia principles. Meanwhile, the manufacturing industry has a significant contribution of 25%. This sector includes convection businesses, consumer goods production, and household industries that produce value-added products. Manufacturing plays an important role in creating jobs and increasing the competitiveness of local products. The progress of this sector is also supported by increasing Islamic financial literacy, which helps business actors manage capital and business strategies more effectively. The trade sector contributes around 15% to MSMEs' revenue, covering wholesale and retail trade both conventionally and digitally. The rapid growth of e-commerce in Medan City has driven the development of this sector, enabling business actors to reach a wider market with more efficient operational costs.

The service sector contributes 10%, including financial services, transportation, hospitality, and other service-based businesses. Digitalization of services is growing, along with the increasing use of technology in business operations. Sharia fintech lending also provides easy access to capital for business actors in the service sector so they can develop their services more widely. Other sectors contributed 10%, including businesses in the fields of agriculture, plantations, and creative industries which are still in the development stage. Although its contribution is relatively small, this sector still has the potential to grow with the support of technological innovation and access to Sharia-based financing.

Sharia financial literacy refers to society's understanding of the principles of finance by the teachings of Islam, including matter management finance and business financing. The high

level of Islamic financial literacy enables MSMEs to utilize financing products that are by Islamic principles, which can be an alternative solution to overcome the financing problems they face (Nurbaiti Nurbaiti, Asmuni Asmuni, Andri Soemitra, Imsar Imsar, 2023). However, in City Medan, literacy finance sharia in circles perpetrator MSMEs Still is relatively low, which can influence their decision in choosing the type of financing for their business (Salim et al., 2021).

The development of fintech, specifically fintech lending sharia, has brought major changes in the financing ecosystem for MSMEs. Based on data from the Financial Services Authority (OJK), the use of sharia fintech lending in Indonesia has increased significantly in recent years, with more than 30% of financing distributed to MSMEs. Sharia fintech lending offers financing solutions with the principal sharia Which avoids usury, evil, and maysir, which can give wider opportunities for MSMEs to obtain business capital that is halal and by religious teachings (Putri et al., 2022). For example, platform fintech sharia like Investree and Amman have succeeded in distributing financing to thousands of MSME actors in various sectors (Arvianto et al., 2021).

Many MSMEs have not fully utilized this technology. A study by Lestari & Aisyah (2023) revealed that only around 25% of MSMEs in Medan City use sharia fintech lending as a source of financing main they. This is due to by lack of understanding about the method of fintech work, concerns about data security, and doubts about the halalness of the platform used (Rohman, 2023). These concerns are reinforced by the low level of digital literacy among MSME actors, which is a major challenge in technology adoption (Lestari & Aisyah, 2023).

MSMEs in Indonesia show a stable growth trend. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, the number of MSMEs in 2022 reached more than 64 million units, which covers more than 99% of total unit business in Indonesia. The contribution of MSMEs to the GDP nationally reaches 61%, reflecting its vital role in the economic structure (Basri Mahendra Hasibuan et al., 2024). The government has launched various programs, like giving credit to business people (KUR) and entrepreneurship training, to support the development of MSMEs. However, some challenge still There is, like a lack of access to financing based on technology and a lack of understanding of modern financial systems.

Medan City as the capital of North Sumatra Province has a significant number of MSMEs. Based on data from the Medan City Cooperative and MSMEs Service, MSMEs contribute greatly to the economic growth of this city. Sectors such as food and drink, craft, as well as trading retail dominate MSMEs in Medan (Ichsan et al., 2023). However, MSMEs in Medan City still face various challenges, one of which is limitations in access financing Which by need they. One alternative that can support the development of MSMEs is literacy finance sharia and the use of financial technology (fintech), especially sharia fintech lending (Rangkuti et al., 2023).

Many MSMEs in Medan still operate traditionally. The main challenges include limited capital, low knowledge of financial management, and lack of access to modern financial technology (Ichsan et al., 2023). In addition, the COVID-19 pandemic has exposed the vulnerability of MSMEs in Medan, with many businesses experiencing a significant decline in revenue.

Table 1. Indonesian MSMEs Data

Year	Number of MSMEs (Units)	Growth (%)
2019	64,194,057	1.98%
2020	64,601,852	0.63%
2021	65,465,497	1.34%
2022	66,342,922	1.34%
2023	67,219,513	1.32%

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the Indonesian economy, including in Medan City. MSMEs contribute greatly to Gross Domestic Product (GDP) and create significant employment opportunities. However, challenges such as low

financial literacy and difficulty in accessing formal financing often hinder the development sector. In the context of finance Sharia, financial literacy is an important foundation that can help MSMEs understand and utilize Sharia-based financial products, such as Sharia fintech lending, which is not only by principal Islam but also gives solutions practical and inclusive for financing needs (Moertiono et al., 2021).

A study by Al Amin et al. (2022) shows that innovation in Islamic banking products often faces obstacles due to the lack of public understanding of draft finance sharia. Besides That, (Rachmiatie et al., 2023) find that micro waqf banks have a big role in empowering women's MSMEs through the provision of community-based financing, which bridges the limitations of access to financing. formal. Temporary Coal & Harahap (2022) highlight the importance of the development industry halal, including in-service fintech, for increasing the inclusion of finance in circles public.

BASIS THEORY

Sharia financial literacy refers to the public's understanding of Sharia-based financial concepts and products, including principles such as the prohibition of usury, gharar, and maisir. A good level of Sharia financial literacy can help MSMEs manage their finances according to Sharia principles, which in turn supports business sustainability (Sari & Pradesyah, 2023).

Sharia financial literacy is an understanding of Islamic principles in financial management, including the prohibition of usury, gharar, and maysir, which serve as guidelines. in managing the business in a way ethical and by religious teachings. This literacy is key for MSMEs in utilizing Sharia-based financial products for their business needs. (Santiara & Sinarwati, 2023) explained that increasing financial literacy can help overcome barriers to product innovation in Islamic banking, which ultimately makes it easier for MSMEs to accept and utilize Islamic-based services.

Sharia fintech lending is one form of innovation that offers technology-based financing solutions, while still adhering to Sharia principles. This service uses contracts like Murabaha, charity, and lease to ensure financing free from elements of usury, gharar and maysir (Aisyah et al., 2023) emphasized that fintech lending sharia not only increases access financing for MSMEs but also encourages them to better understand the benefits of sharia-based financial services in the context of business sustainability. In addition, effective communication is also an important factor in increasing the adoption of these services. Research by Rachmiatie et al. (2023) shows that strategic communication which good can increase public trust in Sharia-based fintech services, thereby accelerating the process of financial inclusion among MSMEs.

In a social context, Islamic values also play an important role in supporting the reception public to service based on Sharia. Tarigan et al. (2024) highlighted that the implementation of Islamic values in the family and community environment can strengthen the acceptance of Islamic financial products. This is relevant in a pluralistic society such as Medan City, where the synergy between religious values and Islamic financial innovation is an important foundation for encouraging the development of MSMEs. With thus, literacy finance sharia, utilization of fintech lending sharia, and strengthening Islamic values into a complementary combination in supporting sustainable MSMEs growth.

Sharia fintech lending is a technology-based financing service that has grown rapidly in recent years. This service is designed to support the growth of MSMEs by providing access to financing that is by Sharia principles, such as being free from usury, gharar (uncertainty), and maisir (speculation). Literature study shows that fintech lending Sharia own role Which is significant in overcoming limited access to capital which is often an obstacle for MSMEs. Fintech lending sharia offers financing based on principles of sharia, such as murabahah, musyarakah, or ijarah contracts. This platform provides an alternative for MSMEs who avoid interest-based financing, thus supporting business actors to grow without violating religious principles.

The use of sharia fintech by MSMEs is increasing along with the increasing awareness of the importance of sharia financial principles. This platform not only provides Sharia-compliant financing solutions but also supports MSMEs in understanding the importance of more responsible financial management.

The role of Islamic financial literacy in the development of MSMEs Islamic financial literacy not only includes an understanding of Islamic financial concepts but also the ability to apply them in business activities. This literacy includes awareness of Islamic contracts such as mudharabah, musyarakah, and murabahah which can be an alternative to financing without usury (Syahbudi et al., 2023). A good level of literacy allows MSME actors to utilize instrument Islamic finance in a way optimal use increases the efficiency of the management finance business. Studies done by Akbar et al. (2024) show that MSME actors with high Sharia financial literacy tend to have better abilities in determining business financing strategies by sharia values.

The development of sharia fintech lending in Indonesia Sharia fintech lending is growing rapidly along with the increasing need for safe, fast, and transparent halal financing. These functions as a mediator between giver funds (investors) and recipients of funds (MSMEs) using digital technology to facilitate access to services. The basic principles applied by Islamic fintech lending involve contracts such as ijarah (rent) and salam (purchase with advance orders). According to (Yasin, 2020) Islamic fintech lending is a strategic solution to address the challenge of minimal access for MSMEs to formal financing, especially in urban areas such as Medan City.

Synergy literacy finance sharia and fintech lending sharia in development of MSMEs combination between literacy finance sharia which good and utilization fintech Sharia lending has proven effective in supporting the development of MSMEs. Sharia financial literacy provides a solid foundation for business actors to understand the benefits of halal financing, temporary fintech lending sharia provides access Which more inclusive and fast for business capital. A study by Andiana & Yuliarmi (2022) shows that MSMEs that utilize both of them experience improvement significant in productivity and business sustainability. This emphasizes the importance of sharia financial education programs along with expanding access to sharia fintech services.

RESEARCH METHOD

1. Design Study

This study uses quantitative methods with regression analysis to explore the connection between variables.

a. Variables Independent

The independent variable is Financial Literacy Sharia (X1) And Fintech Sharia Lending (X2)

b. Variables Dependent

Variables its dependents are Development MSMEs (Y).

After all data is obtained, furthermore analyzed with the use of SPSS 16. The testing method used was multiple linear regression analysis.

2. Type Study

This type of research is quantitative research. Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used for researching on population or sample, technique taking sample generally done in a way random, collection data use instrument study, analysis of quantitative/statistical data to test the established hypothesis (Ph.D. Ummul Aiman et al., 2022).

3. Population And Sample

According to data from the Ministry of Cooperatives and SMEs or the local government, the number of SMEs in Medan City can reach around 600 business units that have halal certificates. The Slovin formula is used to calculate the sample size (n) of the population (N) with a margin of error (e). Here is the formula:

$$n = \frac{N}{1 + N(e)^2}$$

N = 600 (population size)
 e = 10% = 0.1 (margin of error)

Substitution mark *N* and *e* to in formula:

$$= \frac{600}{1 + 600(0,1)^2} = 86$$

The sample size (*n*) required with a population of 600 and a margin of error of 10% is around 86 MSMEs consisting of the production, trade, and service sectors

RESULTS AND DISCUSSION

1. Test Validity and Reliability

To test the validity and reliability of the instrument, a trial of the instrument was conducted with a sample of 86 people as respondents. The prepared questionnaire was given to 86 respondents whose answers were given by the respondents as samples. In this study, a data validity test will be conducted. A questionnaire is said to be valid if the questions in the questionnaire are able to reveal something that will be measured by the questionnaire.

Table 2. Validity Test

Variables	Question	r Count	r Table	Information
Sharia Financial Literacy (X1)	X1.1	0.712	0.213	Valid
	X1.2	0.624	0.213	Valid
	X1.3	0.714	0.213	Valid
	X1.4	0.669	0.213	Valid
	X1.5	0.788	0.213	Valid
	X1.6	0.438	0.213	Valid
	X1.7	0.400	0.213	Valid
	X1.8	0.315	0.213	Valid
Fintech Lending (X2)	X2.1	0.810	0.213	Valid
	X2.2	0.819	0.213	Valid
	X2.3	0.826	0.213	Valid
	X2.4	0.833	0.213	Valid
	X2.5	0.727	0.213	Valid
	X2.6	0.651	0.213	Valid
	X2.7	0.346	0.213	Valid
	X2.8	0.313	0.213	Valid
Development of MSMEs (Y)	Y.1	0.775	0.213	Valid
	Y.2	0.795	0.213	Valid
	Y.3	0.773	0.213	Valid
	Y.4	0.706	0.213	Valid
	Y.5	0.679	0.213	Valid
	Y.6	0.434	0.213	Valid
	Y.7	0.892	0.213	Valid
	Y.8	0.493	0.213	Valid

Source: Primary Data processed by SPSS 2025

R count > R table (2-sided test with sig. 0.05) then the instrument or question items are significantly correlated to the total score (declared valid). Based on the table above, it is known that the R-value of measuring 8 questions for each variable has R count > R table with an R table value of 0.209. Therefore, all questions are considered substantial.

Reliability testing is used to determine the consistency of measuring instruments, whether the measuring instrument used is reliable and remains consistent if the measurement is repeated. The reliability test of each variable is measured using the Cronbach alpha (α) statistical test. A variable is said to be reliable if it provides a Cronbach alpha value > 0.60. The results of the reliability test of each variable using SPSS version 16.0. namely with the results:

Table 3. Reliability Test Results

Variables	Reliability Test Results	Cronbach Alpha Limits	Information
Literacy Finance Sharia	0.645	0.60	Reliable
Fintech Lending Sharia	0.770	0.60	Reliable
Development MSMEs	0.684	0.60	Reliable

Source: Primary Data processed by SPSS 2025

Test results reliability from each variable concluded that the tool measuring in This research is reliable and can be used as a measuring tool in further analysis.

2. Normality Test

Kolmogorov-Smirnov

The Kolmogorov-Smirnov test (KS Test) is a statistical method used to check whether data follows a certain distribution, such as a normal distribution. This test works by comparing the cumulative distribution of the sample data with the theoretical distribution being tested. If there is a significant difference between the two, then the data is considered not to follow the distribution. The results of this test are determined based on the significance value (p-value), where if the p-value is more than 0.05, then the data is considered to be normally distributed, while if the p-value is less than or equal to 0.05, the data is not normally distributed. The Kolmogorov-Smirnov test is often used to test the normality of data before performing parametric tests such as t-tests or ANOVA, especially on large datasets.

Table 4. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		86
Normal Parameters ^(a,b)	Mean	.0000000
	Std. Deviation	2.34835248
Most Extreme Differences	Absolute	.049
	Positive	.049
	Negative	-.044
Kolmogorov-Smirnov Z		.453
Asymp. Sig. (2-tailed)		.986

Source: Primary Data processed by SPSS 2025

The results of the Kolmogorov-Smirnov test show that the Z value is 0.453 with a significance value (Asymp. Sig.) of 0.986. Since the significance value is much greater than 0.05, we do not reject the null hypothesis, which means the residual data is not significantly different from the normal distribution. Thus, it can be concluded that the residuals are normally distributed.

3. Multicollinearity Test

The multicollinearity test is a method in regression analysis that is used to detect whether there is too strong a relationship between independent variables in a model. If multicollinearity occurs, the regression results can be inaccurate because it is difficult to determine the influence of each variable on the dependent variable. One way to detect it is through the Variance Inflation Factor (VIF) value. or correlation analysis, where if $VIF > 10$ or the correlation between variables is high, then there is an indication of multicollinearity.

Table 5. Variance Inflation Factor Collinearity Statistics

	Tolerance	VIF
	.553	.807
	.553	1,807

Source: Primary Data in Sports, SPSS 2025

The multicollinearity test is conducted to evaluate the existence of a strong linear relationship between independent variables in the regression model. In the given data, the Tolerance value for the variables of Islamic Financial Literacy and Islamic Fintech Lending is 0.553, and the VIF (Variance Inflation Factor) is 1.807, which indicates that there is no significant multicollinearity problem, because the VIF value is below 10. Therefore, it can be concluded that the independent variables in this model do not show serious multicollinearity.

4. Partial Test (T)

The F-test is a method in regression analysis used to test the significance of the model as a whole, namely whether the independent variables simultaneously affect the dependent variable. If the F-count value is greater than the F-table or the p-value is smaller than the significance level (α), then the model is considered significant, meaning that the independent variables simultaneously affect the dependent variable.

Table 6. Partial T Test

Model	t		Sig.
	B		Std. Error
1	(Constant)	.615	.540
	Sharia Financial Literacy	5,630	.000
	Sharia Fintech Lending	6,604	.000

Source: Primary Data in SPSS Processing, 2025

- a. Based on Table 6 known mark significance for Sharia Financial Literacy (X1) on the Development of MSMEs (Y) is 0.000 which means < 0.05 and the t-value is 5.630 which means > 1.663 . So, it can be concluded that there is a significant influence between Islamic Financial Literacy (X1) on the Development of MSMEs (Y).
- b. Based on Table 6, it is known that the significant value for Sharia Fintech Lending (X2) on the Development of MSMEs (Y) is 0.000, which means < 0.05 , and the calculated t value

6,604, which means $> 1,663$. So, we can conclude that there is a significant influence between Sharia Fintech Lending (X2) on the Development of MSMEs (Y).

- c. In general, simultaneous, Literacy Finance Sharia (X1) And Fintech Lending Sharia (X2) have a significant contribution to the development of MSMEs (Y). This shows that the combination of a good understanding of Islamic finance with access to Islamic technology-based financing has a greater positive impact on the growth of MSMEs. Islamic financial literacy helps business actors in utilizing fintech services optimally, thereby increasing business capacity and sustainability.

5. Test Simultan (Test F)

The F-test is a method in regression analysis used to test the significance of the model as a whole, namely whether the independent variables simultaneously affect the dependent variable. If the F-count value is greater than the F-table or the p-value is smaller than the significance level (α), then the model is considered significant, meaning that the independent variables simultaneously affect the dependent variable.

Table 7. Simultaneous Test (F Test)

Model		F	Sig.
1	Regression	112,909	.000(a)
	Residual		
	Total		

Source: Primary Data in SPSS Processing, 2025

Based on the table above, it can be concluded that H0 is rejected and H1 is accepted. This can be seen from the calculated F value of 112.909, while the resulting significance value is 0.000, which is smaller than 0.05. Thus, it can be concluded that this multiple regression model is feasible to use, and the independent variables, namely Sharia Financial Literacy and Sharia Fintech Lending, have a simultaneous influence on the dependent variable of MSMEs Development.

6. Determination Coefficient Test

The determination coefficient (R2) aims to measure how far the model's ability to apply variations in dependent variables. The existence of this determination coefficient is done with the intention of measuring the model's ability to explain how much influence the independent variables together (stimulus) affect the dependent variable which can be indicated by the adjusted R-Square value.

Table 8. Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855(a)	.731	.725	2.376

Source: Primary Data in SPSS Processing, 2025

The results of the Determination Coefficient test show an R Square value of 0.731, which means that 73.1% of the variation in the dependent variable (MSMEs Development) can be explained by the independent variables (Sharia Financial Literacy and Sharia Fintech Lending). The remaining 26.9% of the variation cannot be explained by this model and may be influenced by other factors. This shows that the model used is quite good at explaining the relationship between these variables.

Discussion

1. Influence Literacy Finance Sharia on the Development of MSMEs (Case Study of the City of Medan)

Based on the results of the regression analysis obtained from the t-test, it is known that the significance value (Sig.) for the Sharia Financial Literacy variable (X1) is 0.000, which is smaller than 0.05. This indicates that there is sufficient statistical evidence to reject the null hypothesis (H_0), which means that Sharia Financial Literacy has a significant influence on the Development of MSMEs (Y) in the Medan City case study. The calculated t value for variable X1 is 5.630, which is also greater than the t table value (1.663), indicating that there is a strong positive relationship between Islamic Financial Literacy and the development of MSMEs (Y).

These results indicate that Sharia Financial Literacy plays a role in increasing the understanding of MSME actors regarding financial management by Sharia principles. This literacy not only helps business actors in accessing sharia financial products, but also encourages the implementation of more structured and sustainability-oriented financial management. In the context of MSMEs development, a good understanding of Islamic finance enables business actors to more easily obtain support from Islamic financial institutions and build trust with investors based on Islamic principles. Thus, Sharia Financial Literacy becomes a factor in forming a sustainable, ethical, and Islamic-based business ecosystem. The results of this study are in line with previous research (Imsar Imsar, 2022) a recent study examining the impact of financial literacy on small and medium enterprises (SMEs) in Indonesia, especially in Medan. The results show that financial literacy and inclusion have a positive effect on increasing the scale of SME businesses and explain 29.2 % of the variance. However, contrary to research Chrisna et al. (2023) showing that in Pematang Serai village, sharia financial literacy, including financial knowledge, behavior, and attitudes, did not have a significant impact on SME business development, only contributing 0.72% of the variance.

2. Effect of Use of Sharia Fintech Lending on the Development of MSMEs (Case Study of the City of Medan)

This study reveals that the use of Sharia Fintech Lending has a significant influence on the development of Micro, Small, and Medium Enterprises (MSMEs) in Medan City. The results of the regression analysis show that the significance value for Sharia Fintech Lending is 0.000, which indicates that its influence on the development of MSMEs is very strong and significant. This shows that there is sufficient statistical evidence to reject the null hypothesis (H_0), which means that Sharia Fintech Lending (X2) has a significant influence on the Development of MSMEs (Y) in the Medan City case study. The t-count value obtained was 6.604, much higher than the t-table value (1.663), indicating that Sharia Fintech Lending not only plays an important role but also has a substantial positive impact on the ability of MSMEs to gain access to financing.

The existence of Sharia fintech lending offers practical financing solutions that are by sharia principles, thus avoiding usury and uncertainty (gharar) practices that are often obstacles in traditional financing systems. One of the reasons why Sharia Fintech Lending is an attractive choice for MSMEs is the ease of access and speed in obtaining funds. In today's digital era, many MSMEs lack knowledge or access to traditional financial institutions. Sharia Fintech Lending provides a platform that allows them to apply for financing more easily and quickly. This is especially important for MSMEs, who often face challenges in obtaining the capital needed to start or grow their businesses. The results of this study are in line with previous research by Prayogi & Siregar (2023) exploring the impact of Islamic fintech loans on small and medium enterprises (SMEs) in Indonesia. Islamic microfinance has been shown to have a significant impact on the development of MSMEs in Medan. Contrary to research by Putri et al. (2022), the results of the study showed that the use of Islamic Fintech Lending did not have a significant effect on the development of MSMEs in

the Bogor area if it was only based on the level of knowledge of business actors. However, the trust factor has been shown to have a significant influence on the interest of MSME actors in utilizing Islamic Fintech Lending. Simultaneously, knowledge and trust contribute to the interest in using Sharia Fintech Lending, although they do not directly impact the development of MSMEs.

CONCLUSION

Sharia financial literacy significantly influences the development of MSMEs in Medan City. MSME actors with better sharia financial literacy can manage finances more effectively and by sharia principles. Sharia fintech lending also has a significant influence on the development of MSMEs, because it provides financing solutions that are easier, faster, and by religious principles, thus increasing the opportunities for MSMEs to grow. Simultaneously, sharia financial literacy and sharia fintech lending provide a positive contribution to the development of MSMEs. This shows that the combination of the two can be an effective strategy in supporting the growth of MSMEs.

Suggestion

1. Improvement Literacy Finance Sharia: Government And institution finance Sharia needs to provide training and education for MSMEs to improve their understanding of the principles of Islamic finance.
2. Sharia Fintech Development: Sharia fintech platforms need to expand their reach service and increase trust in perpetrator MSMEs through transparency and transaction security.
3. Collaboration Multi-Stakeholder: Government, institution finance, and provider Fintech need to collaborate to create an inclusive and Sharia-compliant financing ecosystem to support the sustainability of MSMEs.

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