

Original Article

**DIGITAL BUSINESS DEVELOPMENT STRATEGY OF SHARIA PAWNSHOP
AND ITS IMPACT ON MSMEs' FINANCIAL LITERACY IN GORONTALO****Juniaty Ismail^{1)*}, Nurul Fadhilah²⁾, Afdal³⁾**^{1,2,3)} IAIN Sultan Amai Gorontalo, Indonesia*Corresponding Author, E-mail : juniatyismail@iaingorontalo.ac.id

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ABSTRACT

Background. The development of digital-based business strategies in Sharia Pawnshops is increasingly important in supporting financial inclusion among MSMEs, particularly in the context of Sharia financial literacy and digital transformation.

Research Purpose. The study offers an analysis of the digital-based business development strategy of Sharia Pawnshops and its impact on the financial literacy of MSMEs in Gorontalo Province.

ResearchMethod. This research integrated quantitative and qualitative phases in a sequential explanatory design, with data collected through surveys of 60 MSMEs and in depth interviews with 7 representatives of Sharia Pawnshops. Quantitative data were analyzed using descriptive statistics, Mann–Whitney U, and Spearman correlation tests; qualitative data were analyzed thematically.

Findings. Evidence from the analysis shows that MSMEs generally possess a moderate level of Sharia financial literacy, yet their understanding of specific financial products remains limited. Differences between customers and non-customers appear in perceptions of digital services and literacy levels. Thematic analysis identifies four main challenges: low digital literacy, unstable infrastructure, traditional mindsets, and limited human resource capacity. Based on data triangulation, a three-phase development strategy is proposed, including the “Digital Champion” program, application simplification, digital MSME financing product development, and digital ecosystem integration.

Conclusion. The study contributes to the development of the Technology Acceptance Model by incorporating religiosity dimensions and enriches financial literacy theory through Sharia principles. Practically, it offers a digital transformation roadmap for Sharia Pawnshops tailored to local MSME characteristics, highlighting the importance of Sharia value-based digital strategies to enhance financial inclusion.

Keywords: Business Development Strategy, Digital Services, Sharia Financial Literacy, Sharia Pawnshop, MSMEs.

BACKGROUND

Digital transformation in the Islamic financial sector has created a new landscape for financial inclusion in Indonesia; however, its implementation still faces multidimensional challenges. Official statistics released by the Financial Services Authority [1], the national Islamic financial inclusion rate has only reached 12.1%, significantly lagging behind the conventional financial inclusion rate of 76%. This disparity indicates a structural issue in developing a comprehensive Islamic financial ecosystem, despite Indonesia’s vast potential as the world’s largest Muslim market. [2] reported that Islamic digital transactions grew by 45% during 2022–2023; nevertheless,

this growth has not yet translated into broader Islamic financial inclusion. This paradox reflects an empirical gap between technological advancement and adoption levels, particularly among micro, small, and medium enterprises (MSMEs).

Gorontalo Province, characterized by a strong Muslim population and a significant number of MSMEs, provides an ideal context for examining this phenomenon. Based on data [3], there are 187,456 MSMEs contributing 57.3% of the regional GDP, yet only 23% have access to formal financial services. Although digital infrastructure covers approximately 67% of the region, the utilization of Islamic digital financial services remains below 15% [4]. This situation highlights an empirical gap between the availability of digital services and their actual usage, warranting further investigation into the causes and implications for Sharia Pawnshop business development strategies.

From a theoretical perspective, this study identifies a conceptual gap between conventional financial literacy theories and the specific context of Islamic finance in the digital era (5). The financial literacy framework developed by [6] has proven effective in conventional contexts but fails to address Islamic principles such as the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). Similarly, the Technology Acceptance Model [7] and UTAUT [8] do not include religiosity as a determinant of financial technology adoption. While [9] established the foundation of Islamic finance, the digitalization of its services remains underexplored. Therefore, this research seeks to integrate these theoretical frameworks to bridge the conceptual gap through a more contextual strategic model.

Practically, the challenges are not limited to low levels of digital literacy but also include the mismatch between digitalization strategies and the local characteristics of MSMEs. Preliminary findings show that MSMEs' understanding of Islamic digital financial products is moderate, while 42% of respondents demonstrate resistance to digital transactions. Previous studies [10; 11] confirm that a "one-size-fits-all" approach is ineffective for regions with diverse cultural and economic conditions. In Gorontalo, digital literacy remains limited, and local cultural values strongly influence financial behavior [11].

The main research problem lies in the ineffective digitalization strategy of Sharia Pawnshops in bridging the gap between Islamic financial literacy and technology adoption among MSMEs. This issue arises from the lack of integration between technological, religious, and socio-cultural approaches. Hence, a business development model that simultaneously incorporates spiritual, technological, and social dimensions is needed.

The urgency of this research is supported by the strategic position of Sharia Pawnshops as state-owned financial institutions expected to pioneer Islamic digital financial inclusion. [12] performance report indicates that the Sharia unit contributes less than 25% of the company's total revenue, even though the potential Islamic market constitutes around 68% of Indonesia's population. In Gorontalo, where 97% of the population is Muslim, optimizing Sharia Pawnshop services is vital not only from a business perspective but also to support inclusive economic development agendas [13; 12].

The state of the art of this study lies in the multi-stakeholder triangulation approach, integrating perspectives from internal Sharia Pawnshop management, active customers, and potential non-customers. The mixed-methods approach with an explanatory sequential design enables a comprehensive understanding from observed phenomena to underlying causes. The novelty of this research lies in the formulation of a digital-based business development strategy model for Sharia Pawnshops that aligns with the characteristics of MSMEs in Gorontalo, integrating technology, religiosity, and local culture within a unified strategic framework.

The study focuses on examining the digital-based business advancement strategy of Sharia Pawnshops and its influence on MSME financial literacy in Gorontalo Province through quantitative and qualitative approaches. Specifically, it seeks to (1) identify MSMEs' level of literacy and understanding of Sharia Pawnshop digital services, (2) analyze differences in perceptions between customers and non-customers, and (3) formulate a contextual digital development strategy for Sharia Pawnshops. The expected contributions of this study include theoretical enrichment of Islamic financial technology adoption literature, practical implications for Sharia Pawnshops in developing strategic initiatives, and social benefits in accelerating Islamic financial inclusion in Eastern Indonesia. This study contributes to bridging the gap between digital transformation strategy and Sharia financial inclusion at the regional MSME level.

The theoretical foundation serves as a conceptual framework to explain the relationship among variables and formulate research hypotheses. This study integrates three complementary theoretical perspectives: Islamic financial literacy [5,6,9,14], This theoretical stream underpins the measurement of Islamic financial literacy (X1) as a key variable in this study. Technology acceptance [7,8,15,16]. Previous studies have shown that trust in Islamic financial institutions strengthens users' intentions to engage with digital financial services [17,18,19]. This theoretical framework explains the behavioral aspect of digital service adoption in Sharia Pawnshops (X2). The resource-based view (RBV), theory introduced by Barney, [20]. In the context of Sharia Pawnshops, the integration of Islamic values and digital technology represents a critical intangible asset that enhances organizational performance and long-term competitiveness [21]. RBV therefore supports the analysis of the dependent variable (Y), namely the digital-based business development strategy of Sharia Pawnshops. These theoretical perspectives collectively suggest that Islamic financial literacy and technology adoption interact to shape the effectiveness of digital business strategies. Together, these theories provide a comprehensive explanation of how literacy, perception, and organizational resources interact to shape the digital business development strategy of Sharia Pawnshops.

Accordingly, the purpose of this study is to analyze the digital-based business development strategy of Sharia Pawnshops and its impact on MSMEs' financial literacy in Gorontalo Province, specifically to (1) identify MSMEs' level of literacy and understanding of Sharia Pawnshop digital services, (2) analyze differences in perceptions between customers and non-customers, and (3) formulate a contextual digital development strategy for Sharia Pawnshops.

RESEARCH METHOD

Based on the above theoretical and empirical foundations, the following hypotheses are proposed:

- H1: Islamic financial literacy positively influences interest in using Sharia Pawnshop digital services.*
- H2: Perceived ease of use and usefulness of digital services significantly affect the decision to use Sharia Pawnshop services.*
- H3: The integration of Islamic values and digital technology improves the business performance of Sharia Pawnshops.*
- H4: There is a significant difference between customers and non-customers in their perception of Sharia Pawnshop digital services.*

This study differs from previous research by combining three theoretical pillars into a single holistic and contextual conceptual model aligned with the characteristics of

MSMEs in Gorontalo. Thus, it contributes to strengthening the literature on the digital-based development strategies of Islamic financial institutions at the regional level.

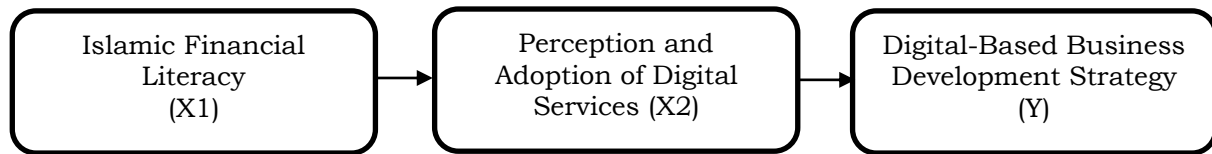


Figure 1. Theoretical Framework of the Study

This framework illustrates the relationship among the variables: Islamic Financial Literacy (X1) to Perception and Adoption of Digital Services (X2) and Digital-Based Business Development Strategy (Y). The model reflects a sequential influence, in which literacy serves as the fundamental factor influencing digital readiness and strategic development within Sharia Pawnshops.

This study employed a mixed-methods approach with a sequential explanatory design to obtain a comprehensive understanding of the digital business development strategy of Sharia Pawnshops in Gorontalo Province. The quantitative phase was used to identify statistical relationships and differences among variables, while the qualitative phase aimed to enrich and deepen the quantitative findings by exploring multiple stakeholder perspectives. The rationale for this design lies in its ability to provide a holistic and contextualized picture of the research problem while ensuring data triangulation to enhance the validity of the results [22,23,24].

The population under investigation in this research included micro, small, and medium enterprises (MSMEs) in Gorontalo Province [4, 25], totaling 187,456 business units [3]. The sample was determined using a purposive sampling technique with the following criteria: (1) MSMEs that had been operating for at least six months, (2) located within Gorontalo Province, and (3) willing to participate in the study. This sampling technique was chosen to ensure the inclusion of respondents who are contextually relevant to the research objectives, considering the heterogeneity of MSME characteristics and the varying levels of exposure to Sharia Pawnshop digital services across regions.

Based on these criteria, 60 respondents were selected, consisting of 18 Sharia Pawnshop customers and 42 non-customers. In the qualitative phase, seven Sharia Pawnshop employees from various branches and hierarchical levels were interviewed using a maximum variation sampling technique to ensure diversity of perspectives. The unit of analysis in this study included MSME actors (for quantitative analysis) and Sharia Pawnshop employees (for qualitative analysis). This study obtained ethical clearance/research permission No. 157 Tahun 2025 dated 03 September 2025, issued by IAIN Sultan Amai Gorontalo. Ethical considerations were maintained throughout the study, as all respondents participated voluntarily, provided informed consent, and were assured of the confidentiality of their responses. Data were collected during September–October 2025.

The research instruments consisted of a semi-structured interview was conducted in addition to a structured questionnaire guide. The questionnaire used a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) containing 17 statement items covering three main variables:

1. Islamic Financial Literacy (X1) – measured using six indicators adapted from the financial literacy model by [6] and adjusted to Sharia principles [9].

2. Perception and Adoption of Digital Services (X2) – measured using seven indicators derived from the Technology Acceptance Model [7] and the Unified Theory of Acceptance and Use of Technology [8].
3. Business Development Strategy (Y) – measured using four indicators reflecting the dimensions of digital strengthening, trust, and institutional competitiveness [6,8,15] .

Instrument validity was tested using the Content Validity Index (CVI), which yielded a value of 0.87, indicating that all items were rated as relevant by the experts. The instrument reliability was tested using Cronbach's Alpha, which produced a coefficient of 0.91, demonstrating high internal consistency [26].

The quantitative data analysis was conducted through four stages. First, descriptive analysis was used to describe respondent profiles and variable tendencies. Second, the Shapiro–Wilk test was performed to assess data normality, as the sample size was below 100 respondents. Third, the Mann–Whitney U test was used to identify differences in perceptions between Sharia Pawnshop customers and non-customers. Fourth, the Spearman correlation test was applied to examine the strength of relationships among the research variables. The data were processed using IBM SPSS Statistics version 26 with a 5% significance level ($\alpha = 0.05$).

Qualitative data were analyzed using content analysis and thematic analysis following Braun & Clarke's [24] approach. The process included open coding to identify emerging themes from interview transcripts, followed by grouping these themes into strategic categories. The qualitative results were then integrated with the quantitative findings through methodological and source triangulation, enhancing the robustness and interpretability of the findings.

Triangulation analysis combined three key perspectives: (1) internal Sharia Pawnshop employees (seven key informants), (2) digital service users (customers), and (3) non-users (non-customers). The data from these groups were compared using cross-perspective gap analysis to identify discrepancies between institutional strategies and actual user experiences. Subsequently, the integrated findings were analyzed using SWOT (Strengths, Weaknesses, Opportunities, Threats) to identify strategic factors, and TOWS (Threats, Opportunities, Weaknesses, Strengths) to formulate the digital business development strategy of Sharia Pawnshops suited to the local MSME characteristics in Gorontalo [27].

FINDINGS

Respondent Characteristics and MSME Profile

Based on data from 60 MSME respondents in Gorontalo Province, a comprehensive picture of demographic characteristics and business profiles was obtained. As shown in Table 2, the majority of respondents were engaged in the food and beverage sector (43.3%), with business duration varying from less than one year to more than eleven years. Monthly turnover distribution demonstrated notable diversity, where 25% of respondents reported turnover above IDR 20 million per month, while 28.3% earned below IDR 2 million per month.

Table 1. Demographic Characteristics of MSME Respondents (n = 60)

Variable	Category	Frequency	Percentage
Customer Status	Customer	18	30.0%
	Non-customer	42	70.0%
Type of Business	Food & Beverage	26	43.3%
	Trade	12	20.0%

	Services	9	15.0%
	Agriculture, Livestock, Fisheries	8	13.3%
	Others	5	8.4%
Business Duration	< 1 Year	7	11.7%
	1- < 4 Years	20	33.3%
	4- < 7 Years	11	18.3%
	7- < 11 Years	10	16.7%
	≥ 11 Years	12	20.0%
Monthly Turnover	< IDR 2 Million	17	28.3%
	IDR 2- < 5 Million	13	21.7%
	IDR 5- < 10 Million	9	15.0%
	IDR 10-<20 Million	6	10.0%
	≥ IDR 20 Million	15	25.0%

Source: Processed data (2025)

A comparative analysis between customers and non-customers revealed significant differences in business characteristics. Sharia Pawnshop customers tended to have higher turnover (average IDR 12.5 million per month) and longer business duration (72% operating more than four years) compared to non-customers (average IDR 8.2 million per month; 48% operating more than four years). These findings are consistent with [5], who argued that MSMEs with larger operational scales are more likely to access formal financial services [5, 18].

Descriptive Statistical Analysis of Research Variables

Table 2. Descriptive Statistics

Variable			n	Minimum	Maximum	Mean	Std. Deviation
Islamic Financial Literacy (X1)			60	1.00	5.00	3.90	1.04
Perception and Adoption of Digital Services (X2)			60	1.00	5.00	3.89	1.03
Business Development Strategy (Y)			60	1.00	5.00	3.93	0.98

Source: Processed data (2025)

Table 2 summarizes the overall descriptive statistics for the three main research variables. The descriptive statistical analysis results for the research variables indicate that the level of Islamic financial literacy among MSME respondents falls into the “moderately good” category, with an average score of 3.90 (SD = 1.04). However, a closer examination of each indicator reveals noticeable variation, as presented in Table 3.

Table 3. Descriptive Statistics of Islamic Financial Literacy (X1)

Indicator		Mean	Std. Dev	Min	Max
Understanding of the prohibition of riba		4.12	0.89	1	5
Ability to distinguish between Sharia and conventional finance		4.05	0.92	1	5
Understanding of Sharia Pawnshop products		3.78	1.12	1	5

Knowledge of basic Islamic contracts (akad)	3.65	1.21	1	5
Overall Mean	3.90	1.04	1	5

Source: Processed data (2025)

The results show that respondents have a strong understanding of fundamental Sharia principles, particularly regarding the prohibition of riba and the distinction between Islamic and conventional finance. However, their comprehension of specific Sharia Pawnshop products and the operational understanding of Islamic contracts (akad) remains relatively limited. This finding highlights the need for targeted educational initiatives focusing on product knowledge and contract mechanisms to enhance overall financial literacy among MSMEs.

The digital service perception and adoption variable (X2) recorded an average score of 3.89 (SD = 1.03), indicating a generally positive perception toward digital-based Sharia financial services. As shown in Table 4, the indicator with the highest mean score was ease of use (4.02), while transaction security received the lowest mean score (3.76).

Table 4. Descriptive Statistics of Adoption and Digital Service Perception (X2)

Indicator	Mean	Std. Dev	Customer	Non-Customer
Ease of use of the application	4.02	0.95	4.35	3.88
Efficiency for business operations	3.89	1.03	4.22	3.75
Transaction security	3.76	1.11	4.08	3.61
Compliance with Sharia values	3.82	1.07	4.17	3.65
Clarity of information	3.95	0.98	4.28	3.78
Data protection	3.88	1.02	4.19	3.72
Overall Mean	3.89	1.03	4.22	3.73

Source: Processed data (2025)

The analysis shows that customers of Sharia Pawnshops tend to evaluate digital services more favorably across all indicators compared to non-customers. This implies that direct usage experience enhances perceived efficiency, trust, and satisfaction. Nonetheless, concerns about transaction security and data protection persist, especially among non-customers who exhibit limited engagement with digital platforms.

These findings align with the Technology Acceptance Model [7], which emphasizes that perceived ease of use and perceived usefulness significantly influence technology adoption behavior. The relatively lower scores for security-related indicators also support [16,18], who highlighted that trust and perceived safety remain critical determinants in the adoption of Islamic digital financial services.

Overall, the descriptive analysis reinforces the notion that while MSMEs in Gorontalo demonstrate openness toward digital transformation, their adoption behavior is still influenced by both literacy levels and trust factors in the digital ecosystem of Sharia Pawnshops. These findings indicate that the successful digital transformation of Sharia Pawnshops requires a balanced synergy between technological readiness, religious value integration, and local cultural adaptation.

Normality and Difference Tests

The normality test using the Shapiro–Wilk test indicated that all research variables were not normally distributed ($p < 0.05$). Therefore, a non-parametric analysis using the

Mann–Whitney U test was applied. The results of the comparative analysis between customer and non-customer groups revealed significant differences across all three research variables, as shown in Table 5.

Table 5. Results of Mann–Whitney U Test

Variable	U Value	Z Score	Sig. (2-tailed)	Decision
Islamic Financial Literacy	245.5	-2.891	0.004	Significant
Perception and Adoption of Digital Services	198.5	-3.452	0.001	Highly Significant
Business Development Strategy	267.0	-2.234	0.025	Significant

Source: Processed data (2025)

These findings confirm the research hypotheses, which state that there are significant differences between customers and non-customers in terms of Islamic financial literacy, perception and adoption of digital services, and business development strategy. The most substantial difference appears in perception and adoption of digital services (sig. = 0.001), supporting the Technology Acceptance Model [7], which suggests that direct user experience shapes more positive perceptions of technology use. This result is consistent with [15, 28], who emphasize that familiarity and confidence in digital financial systems strongly influence adoption behavior in Islamic financial contexts.

Qualitative and Thematic Analysis

Thematic analysis of interviews with seven Sharia Pawnshop representatives revealed four major themes and several subthemes, as summarized in Table 6.

Table 6. Thematic Analysis Results of Sharia Pawnshop Interviews

Main Theme	Sub-Theme	Frequency	Illustrative Quotation
Business Development Strategy	Education and Socialization	7/7	“We regularly conduct outreach to MSME owners.”
	Digital Mentoring	6/7	“We provide direct guidance on how to use the application.”
	Community Collaboration	5/7	“We partner with cooperatives and village-owned enterprises (BUMDes).”
Implementation Challenges	Digital Literacy	7/7	“Many people still do not understand how to use the app.”
	Network Infrastructure	5/7	“Internet connectivity in remote areas remains weak.”
	Traditional Mindset	6/7	“People are still accustomed to face-to-face services.”
Perception Differences	User: Trust and Understanding	7/7	“Customers already trust and understand Sharia

			products.”
	Non-User: Doubt and Lack of Information	7/7	“Non-customers still compare our services with other fintechs.”
Innovation Needs	Flexible Financing	5/7	“We need financing schemes tailored to MSMEs.”
	Simplified Platform	4/7	“The app should be easier for MSMEs to use.”

Source: Processed data (2025)

Content analysis of open-ended questionnaire responses also revealed consistent patterns. Approximately 68% of non-customers cited “lack of information” as the main reason for not using Sharia Pawnshop digital services, while 42% expressed “distrust” toward digital transactions. Conversely, 78% of customers reported satisfaction with existing services but highlighted the need for improvements in digital infrastructure.

These findings reflect a clear perception gap between users and non-users. Customers who have direct experience with digital platforms exhibit higher levels of trust and satisfaction, while non-customers demonstrate hesitation due to limited literacy and low exposure to financial education. This confirms the importance of informational access and trust-building mechanisms, particularly in regions where traditional business practices are deeply ingrained.

The qualitative results reinforce the quantitative findings, validating that digital transformation in Sharia Pawnshops is not merely a matter of technology adoption but also a challenge of social adaptation, literacy enhancement, and institutional readiness. As suggested by Braun & Clarke, (2006), triangulating user experience, institutional insights, and non-user perspectives allows for a more holistic understanding of barriers and opportunities in developing sustainable digital business strategies.

Triangulation of Three Perspectives

Data triangulation from three perspectives, Sharia Pawnshop (institutional), users (customers), and non-users—revealed both convergence and divergence patterns, as shown in Table 7.

Table 7. Triangulation Matrix of Three Perspectives

Aspect	Pawnshop Perspective	User Perspective	Non-User Perspective	Convergence/Divergence
Application Usability	“Already user-friendly”	“Easy to use”	“Difficult to understand”	Divergence: Perception gap
Education	“Conducted regularly”	“Adequate”	“Very limited”	Divergence: Information gap
Infrastructure	“Some challenges remain”	“Relatively stable”	“Often disrupted”	Convergence: Infrastructure issue
Digital Trust	“Needs to be built”	“Already trustful”	“Still doubtful”	Divergence: Trust gap

Source: Processed data (2025)

The triangulation findings revealed four major gaps:

1. Knowledge gap – between the information delivered by Sharia Pawnshops and the understanding of non-customers.
2. Service gap – between the services offered and the expectations of MSME users.
3. Access gap – due to unequal digital infrastructure.
4. Trust gap – reflecting hesitation toward digital financial services.

These gaps are consistent with [28], who found similar challenges in the adoption of Islamic fintech services in Indonesia. The convergence on infrastructure constraints indicates that both institutional and user perspectives recognize technological limitations, whereas divergences on education and trust reflect the need for better communication and awareness programs.

DISCUSSIONS

Integrative Discussion and Theoretical Implications

This study contributes significantly to the development of theories related to Islamic financial literacy and digital technology adoption. The finding that customers' Islamic financial literacy (mean = 4.22) is higher than that of non-customers (mean = 3.73) supports the theory of [6], which emphasizes the importance of financial knowledge in decision-making. However, this research expands the theory by integrating the Sharia dimension, as suggested by [9], where understanding the concepts of halal and haram serves as a key determinant of adoption behavior in Islamic financial services.

Within the Technology Acceptance Model (TAM) framework [7], the findings confirm that perceived ease of use and perceived usefulness are dominant factors influencing digital service adoption. However, this study advances the model by introducing religious compliance as a unique construct within the Sharia context, aligning with the recommendation of [15]. The Spearman correlation results show a significant relationship between religious compliance and intention to use ($r = 0.452$, $p < 0.01$), underscoring religiosity as a behavioral motivator for adopting Islamic digital financial services.

This integration between financial literacy theory, technology acceptance theory, and Sharia values forms a distinctive contribution to Islamic financial management literature. The findings highlight that religious commitment enhances trust, which in turn influences perceived usefulness and strengthens the adoption intention providing an empirical link between spirituality and financial decision-making in the digital era.

These findings both confirm and extend prior research on Islamic financial literacy and digital adoption among MSMEs. Consistent with Prabowo and Dewi [11], who found that a one-size-fits-all digitalization approach is ineffective in culturally diverse regions, this study shows that Sharia-specific and locally rooted factors rather than generic technology features drive digital service adoption among Gorontalo MSMEs. The moderate level of Islamic financial literacy found here (mean = 3.90) is also in line with Wediawati et al. [4], who documented persistent regional disparities in Islamic financial literacy despite national inclusion initiatives. However, this study diverges from Lestari and Sari [10], who identified general digital literacy as the primary driver of MSME technology adoption; the present findings instead indicate that religiosity and Sharia-compliance considerations play an equally, if not more, decisive role than technical digital skill—an aspect underexplored in the broader MSME digitalization literature. Likewise, while Yusuf and Bahri [13] emphasized institutional strategy as the main lever for Islamic financial inclusion, this study highlights those user-side factors such as trust and religiosity

are equally critical, suggesting that digital strategy formulation for Sharia Pawnshops cannot rely on supply-side interventions alone.

Comprehensive SWOT Analysis

Based on the integrated findings, a comprehensive SWOT analysis [27, 29] was developed to identify internal and external strategic factors influencing the digital business development of Sharia Pawnshops, as presented in Table 8.

Table 8. Integrated SWOT Analysis

Internal Factors	Strengths (S)	Weaknesses (W)
	Strong brand recognition	Suboptimal digital infrastructure
	Sharia-compliant products aligned with religious values	Low digital literacy among the community
	Teams with strong understanding of local characteristics	Limited branch coverage
	Availability of digital service platforms	Complex digital processes
External Factors	Opportunities (O)	Threats (T)
	High religiosity among local communities	Competition with Islamic fintech providers
	Strong MSME potential in Gorontalo	Dynamic regulatory changes in digital finance
	Government support for digitalization initiatives	Cultural resistance toward digitalization
	Growing trend of mobile banking usage	Unstable telecommunication infrastructure

Source: Processed data (2025)

Based on the SWOT analysis, a TOWS matrix was formulated to determine four strategic directions for digital business development:

1. SO Strategy (Strengths–Opportunities): Strengthen digital Sharia products and expand services to potential MSME segments through localized digital marketing.
2. WO Strategy (Weaknesses–Opportunities): Collaborate with government institutions to improve infrastructure and implement comprehensive digital literacy and education programs.
3. ST Strategy (Strengths–Threats): Differentiate Sharia Pawnshop services through local cultural approaches and the development of adaptive, user-centered digital platforms.
4. WT Strategy (Weaknesses–Threats): Simplify digital processes and establish offline backup systems to ensure service continuity in areas with limited digital access.

This strategic formulation aligns with the Resource-Based View [20], which asserts that sustainable competitive advantage arises from the integration of unique resources in this case, religious authenticity, local wisdom, and digital innovation. The proposed strategies thus serve not only to enhance institutional competitiveness but also to promote inclusive Islamic financial participation among MSMEs in Gorontalo Province.

Strategic Implementation Recommendations

Based on the research findings, a three-phase implementation strategy is proposed to guide the digital business development of Sharia Pawnshops in Gorontalo Province.

1. Short-Term Phase (0–6 months):

This phase focuses on initiating the “Digital Champion Program”, simplifying the digital application interface, and conducting educational campaigns through majelis taklim (religious community gatherings). These activities aim to build basic digital awareness and strengthen community trust in Sharia-based digital services.

2. Medium-Term Phase (6–18 months):

The focus of this phase is on developing digital MSME financing products, establishing collaboration with village-owned enterprises (BUMDes), and improving digital infrastructure capacity. These initiatives are designed to expand service outreach, enhance operational efficiency, and integrate Sharia financing into the local MSME ecosystem.

3. Long-Term Phase (beyond 18 months):

The final phase emphasizes the integration of the Gorontalo MSME digital ecosystem and the transformation of Sharia Pawnshops into a regional digital financial hub. This stage envisions a sustainable, value-driven digital ecosystem that combines Sharia compliance, financial inclusion, and community empowerment.

These recommendations align with [21], who emphasized the importance of a phased and adaptive approach in the digital transformation of Islamic financial institutions. The proposed strategy is expected to simultaneously enhance Islamic financial literacy and accelerate the adoption of Sharia Pawnshop digital services among MSMEs in Gorontalo. Moreover, its implementation will strengthen institutional competitiveness while fostering inclusive and ethical digital finance at the regional level.

Theoretical and Practical Implications

From a theoretical perspective, this research contributes to the development of the Technology Acceptance Model (TAM) by integrating the dimensions of religiosity and Sharia principles. The finding that religious compliance influences the adoption of Sharia digital services expands upon the original frameworks proposed by [7,8], incorporating a unique cultural and spiritual element into the financial technology adoption model. Furthermore, this study enhances the financial literacy theory of [6] by integrating the Sharia-based dimension adapted from [9], thereby establishing a more comprehensive framework for Islamic financial literacy [25, 30]. These theoretical implications open avenues for the development of more contextual adoption models suitable for religious and culturally rooted communities.

Regarding the third objective, the findings of this research provide a contextual strategic roadmap for Sharia Pawnshops to implement a digital-based business development strategy. The proposed three-phase implementation, comprising the Digital Champion Program in the short term, the development of digital MSME financing products in the medium term, and the integration of the digital MSME ecosystem in the long term serves as a structured approach to guide digital transformation. For MSME practitioners, this research highlights the importance of improving digital Islamic financial literacy to optimize access to formal financial services. For policymakers and regulators, the results provide valuable input for designing more effective Islamic digital financial inclusion policies that align with local characteristics and needs.

Limitations and Future Research

This study acknowledges several limitations, particularly its restricted geographic coverage limited to Gorontalo Province and the relatively small sample size compared to the total MSME population. These limitations present opportunities for future research

with broader regional coverage and more complex variable designs, such as examining the influence of local culture and technology adoption levels on Islamic financial literacy. Future studies are encouraged to explore innovative digital Sharia business models, conduct longitudinal studies to evaluate the long-term impact of digital transformation strategies, and undertake comparative analyses across regions to capture variations in Islamic digital financial adoption. Addressing these limitations will allow future research to provide more comprehensive contributions to the development of Islamic digital finance in Indonesia.

CONCLUSION

This study set out to (1) identify MSMEs' level of literacy and understanding of Sharia Pawnshop digital services, (2) analyze differences in perceptions between customers and non-customers, and (3) formulate a contextual digital development strategy for Sharia Pawnshops. Based on the results of the study conducted on 60 MSMEs in Gorontalo Province and seven representatives from Sharia Pawnshops, all three objectives were achieved. Regarding the first objective, the level of Islamic financial literacy among MSME actors is categorized as moderately good, with an average score of 3.90, although understanding of specific Sharia Pawnshop products remains limited, confirming that while awareness of Sharia principles is relatively strong, operational knowledge of digital products and services still requires substantial improvement. Regarding the second objective, the study found significant differences between customers and non-customers across all research variables, with the largest gap observed in perceptions and adoption of digital services (sig. = 0.001), and customers demonstrated higher levels of literacy and perception than non-customers, indicating that direct experience with digital services plays a crucial role in shaping positive perceptions.

Overall, this study reinforces empirical evidence that strengthening both financial literacy and digital adoption is a fundamental prerequisite for expanding Islamic financial inclusion in Indonesia [2, 31, 32]. The implications of this research affirm that a Sharia value-based digital strategy can serve as an effective instrument for achieving inclusive, ethical, and sustainable financial development in regional economies such as Gorontalo. Hence, the findings of this study may serve as a foundation for scaling up Islamic digital finance models in Indonesia's broader financial inclusion agenda.

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Conflict of Interest

This research was funded by a grant from PT. Pegadaian Syariah Gorontalo in 2025. However, the authors declare that there are no conflicts of interest regarding data collection, analysis, interpretation of results, or the writing of this article. The funding body was not involved in the research design, data collection and analysis, the decision to publish, or the preparation of the manuscript.

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