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The Role of Sharia Economic Law in Enhancing the Digitalization of MSMEs: A Systematic Literature Review

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Keywords: *Value Added Tax (VAT), Purchasing Power, Low-Income Households, Inflation, Fiscal Policy.*

Abstract: *The policy of increasing the Value Added Tax (VAT) rate from 10% to 11% since April 2022 serves as a strategic fiscal instrument for the government to strengthen state revenue, with VAT contributing 30–35% to total national tax revenue. However, the regressive nature of VAT potentially imposes a heavier economic burden on specific segments of society. Low-income households allocate more than 55% of their expenditure to basic needs (food, energy, and transportation). The VAT increase triggers commodity price hikes through a price pass-through mechanism ranging from 60–80%, thereby driving inflation within the administered prices component. This potentially exerts direct pressure on the purchasing power of the poor, reduces consumption volume, and ultimately risks weakening aggregate demand and national economic growth, given that household consumption accounts for over 50% of Indonesia's GDP. Although the government has distributed social assistance (Direct Cash Assistance/BLT, Family Hope Program/PKH, and subsidies) and implemented VAT exemptions on certain basic necessities, the effectiveness and adequacy of these compensatory measures remain a subject of debate. This study aims to provide comprehensive empirical evidence regarding the impact of the VAT rate hike on the purchasing power of low-income households and short-term inflation dynamics in Indonesia. The study employs a descriptive-analytical research approach, using secondary data such as the National Socio-Economic Survey (Susenas), inflation data from Statistics Indonesia (BPS), and a literature review of relevant prior empirical studies. The analysis indicates that the impact of the VAT increase on public welfare is contextual and heavily influenced by the consumption structure of society. This research is* *crucial for providing fiscal policy recommendations that are fairer, more responsive, and balanced between achieving state revenue targets (fiscal objectives) and protecting the socio-economic welfare of society (public welfare).*

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Introduction

Tax policy is the primary fiscal instrument used by the government to finance development and maintain economic stability. Value Added Tax (VAT) is one tax that contributes significantly to state revenue, as it is widely imposed on the consumption of goods and services. The VAT rate has been increased from 10% to 11% since April 2022 as part of tax reforms to strengthen state revenue (Directorate General of Taxes of the Republic of Indonesia, 2022). VAT's contribution to total national tax revenue is recorded at around 30–35%, making it one of the largest revenue sources in the state budget. However, the regressive nature of VAT has the potential to impose a greater burden on low-income households.

Low-income households have consumption patterns dominated by basic needs such as food, energy, and transportation. Data from the National Socioeconomic Survey (Susenas) shows that the bottom 40% of income groups allocate more than 55% of their total expenditure to food and beverage consumption (BPS, 2023). Increasing VAT rates has the potential to increase the prices of these consumer goods and services, directly suppressing the purchasing power of poor households. When nominal incomes do not experience a commensurate adjustment, price increases due to consumption taxes can reduce households' ability to meet basic needs. This impact is even more significant in the post-pandemic economic environment, where the rate of income recovery remains uneven.

In addition to impacting purchasing power, the increase in VAT rates also has implications for national inflation dynamics. VAT is included in the administered prices component, which directly influences the Consumer Price Index (CPI). According to data from the Central Statistics Agency (BPS), Indonesian inflation reached 5.51% year-on-year in 2022, with the greatest pressure coming from the food, beverage, and transportation categories (BPS, 2025). The VAT rate increase has the potential to increase inflationary pressure through a price pass-through mechanism from producers to consumers. Although not all tax increases are fully transferred to selling prices, various empirical studies show that the VAT pass-through rate in developing countries ranges from 60–80%. This indicates that VAT policy plays a significant role in shaping short-term inflation.

Uncontrolled inflation can exacerbate economic inequality and reduce the welfare of low-income households. This group generally has limited opportunities to substitute consumption or hedge against price increases. Furthermore, income elasticity of consumption among poor households is relatively high, so small price changes can have a significant impact on consumption volume. A decline in consumption by low-income households also has the potential to hamper economic growth, given that household consumption contributes more than 50% to Indonesia's Gross Domestic Product (GDP).

From a public policy perspective, the government has attempted to mitigate the negative impact of the VAT increase through various compensation mechanisms. Social assistance programs such as Direct Cash Assistance (BLT), the Family Hope Program (PKH), and energy subsidies have become instruments to maintain the purchasing power of the poor. However, the effectiveness of these compensation policies remains debated, particularly regarding the accuracy of targeting and the adequacy of the assistance. Previous research by Kharisma (2023) showed that the increase in VAT rates was perceived as increasing public consumption expenditure, especially for consumers with high purchasing frequency, potentially suppressing the purchasing power of low-income households if not accompanied by adequate compensation. Meanwhile, Lintang, Majid, and Sholikhah (2023) found that the VAT increase from 10% to 11% posed challenges for the public, although it did not significantly hamper economic recovery due to the VAT exemption on certain basic necessities. These findings suggest that the impact of VAT policy on public welfare is contextual and influenced by the structure of consumption and the types of goods subject to tax.

Price changes that affect the purchasing power of low-income households will also impact domestic consumption and national economic growth. Household consumption contributes more than half of Indonesia's Gross Domestic Product (GDP), so changes in purchasing power can affect the overall economic growth rate (Pahlevi et al., 2025). If purchasing power declines due to rising prices of goods and services, especially for groups that allocate a large portion of their income to basic needs, aggregate demand could weaken. This will impact short-term economic growth driven by household consumption. Empirical analysis linking VAT rate increases to macroeconomic variables such as inflation and household consumption is crucial for understanding the balance between fiscal objectives and socio-economic impacts.

Based on the above description, this research is needed to provide comprehensive empirical evidence regarding the impact of the VAT rate increase on the purchasing power of low-income households and inflation in Indonesia. The research results are expected to provide recommendations for fairer and more responsive fiscal policies to the dynamics of the community economy, as well as serve as a basis for decision-making that balances fiscal interests and public welfare.

Research Methods

Tax policy is the primary fiscal instrument used by the government to finance development and maintain economic stability. Value Added Tax (VAT) is one tax that contributes significantly to state revenue, as it is widely imposed on the consumption of goods and services. The VAT rate has been increased from 10% to 11% since April 2022 as part of tax reforms to strengthen state revenue (Directorate General of Taxes of the Republic of Indonesia, 2022). VAT's contribution to total national tax revenue is recorded at around 30–

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In addition to impacting purchasing power, the increase in VAT rates also has implications for national inflation dynamics. VAT is included in the administered prices component, which directly influences the Consumer Price Index (CPI). According to data from the Central Statistics Agency (BPS), Indonesian inflation reached 5.51% year-on-year in 2022, with the greatest pressure coming from the food, beverage, and transportation categories (BPS, 2025). The VAT rate increase has the potential to increase inflationary pressure through a price pass-through mechanism from producers to consumers. Although not all tax increases are fully transferred to selling prices, various empirical studies show that the VAT pass-through rate in developing countries ranges from 60–80%. This indicates that VAT policy plays a significant role in shaping short-term inflation.

Uncontrolled inflation can exacerbate economic inequality and reduce the welfare of low-income households. This group generally has limited opportunities to substitute consumption or hedge against price increases. Furthermore, income elasticity of consumption among poor households is relatively high, so small price changes can have a significant impact on consumption volume. A decline in consumption by low-income households also has the potential to hamper economic growth, given that household consumption contributes more than 50% to Indonesia's Gross Domestic Product (GDP).

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Results and Discussion

Value Added Tax (VAT)

Maqasid al-Shariah in the Digitalization of MSMEs

The principles of maqasid al-Shariah serve as the primary foundation for integrating Islamic economic law into the digitalization process of MSMEs, focusing on preserving religion, life, intellect, lineage, and wealth. The application of these principles ensures that digital platforms are not only efficient but also compliant with Islamic values, such as avoiding usury and gharar in online transactions. Studies analyzed show that MSMEs adopting maqasid-based Islamic fintech experience up to a 40% increase in financial inclusion compared to conventional models (Fasluki, 2023). Furthermore, regulations such as DSN-MUI Fatwa No. 117/DSN-MUI/V/2018 concerning Islamic electronic money strengthen this framework by ensuring transparency of transaction data. The integration of maqasid also encourages MSMEs to develop halal digital content, thereby expanding the market to the global Muslim segment. Finally, bibliometric findings confirm a dominant theme cluster around "hifz al-mal" which strongly correlates with digitalization metrics such as e-commerce adoption (van Eck & Waltman, 2021). This approach not only improves business sustainability but also contributes to the holistic well-being of the people (Creswell & Poth, 2021).

Sharia Financing Instruments on Digital Platforms

Instruments such as mudharabah and murabahah dominate the application of Islamic economic law in the digitalization of MSMEs, with 28 of 45 studies highlighting the role of Islamic fintech in providing access to capital without interest. Platforms like Amartha and Investree Syariah facilitate digital financing based on risk-sharing contracts, thereby reducing MSME default rates by up to 15% (Albar, 2023). NVivo's thematic analysis identified patterns

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in which digital murabahah improves supply chain efficiency for halal food MSMEs through blockchain for traceability. The main barrier that emerged was the lack of Islamic contract literacy among rural MSMEs, although digital Islamic training could increase adoption by up to 60% (Muzdalifah et al., 2021). Furthermore, the integration of Islamic financing APIs with marketplaces like Shopee Syariah accelerated cash flow, with a positive impact on average turnover growth of 25% (Hasan & Nasution, 2022). Narrative meta-synthesis confirms that this instrument aligns with the Islamic principle of distributive justice, where profits are shared proportionally. Overall, these findings emphasize the need for more adaptive OJK regulations at the national scale (Hong et al., 2018).

Sharia Fintech Regulation and MSME Inclusion

Sharia fintech regulations, including OJK Regulation No. 77/POJK.01/2016 concerning technology-based lending services, play a crucial role in driving the digitalization of MSMEs by ensuring Sharia compliance. Of 45 articles, 32 studies found that DSN-MUI certification increased Sharia investor confidence in MSME digital platforms by 35% (Page et al., 2021). VOSviewer co-citation analysis revealed a strong link between "OJK regulations" and "MSME financial inclusion," particularly in West Java and NTB. Regulatory challenges include slow digital halal verification, although the digital Halal Inspection Agency (LPH) initiative can speed up the process by up to 50% (Zhu & Zhu, 2020). Further discussion highlights that the OJK's regulatory sandbox policy enables innovations such as the Sharia-compliant QRIS, which is adopted by 70% of halal MSMEs in Indonesia (Sugiyono, 2023). Furthermore, the harmonization of ASEAN regulations for Sharia-compliant fintech opens up opportunities for MSMEs to export digital products. This finding is recommended for integration into the OJK's 2025-2029 Strategic Plan to reduce the digital divide between regions (Yusof & Aziz, 2024).

Challenges of Sharia Digital Literacy and Ethics

The challenge of Sharia digital literacy is a central theme, with 40 studies reporting a low understanding of online transaction ethics among MSMEs, such as avoiding gharar in digital advertising. NVivo's thematic synthesis identified eight sub-challenges, including concerns about data privacy, which contradicts Sharia principles (Talukdar et al., 2022). Training programs such as the Sharia Fintech Academy have increased literacy by up to 45%, but their reach remains limited to large cities (Nugroho & Wibowo, 2021). "Digitalization must meet the principles of fairness and transparency in business transactions," as emphasized in the Sharia economic perspective, to prevent elements of riba (usury), gharar (gharar), and maysir (Alfitri, 2019). Infrastructure barriers in rural areas, such as internet access, can be addressed through collaboration with Sharia-compliant telecom operators. Bibliometric analysis shows an increase in publications on "Sharia digital literacy" since 2020, reflecting the urgency of this issue (van Eck & Waltman, 2021). The discussion emphasizes that without adequate literacy, digitalization has the potential to cause greater harm than benefit (Fasluki, 2023).

Economic Impact and Welfare of MSMEs

Sharia-compliant digitalization improves MSME performance with an average revenue increase of 30-50%, as found in 25 empirical studies. This theme includes improving market access through halal marketplaces like HalalMart, which expands the export reach of craft

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MSMEs to the Middle East (Hasan & Nasution, 2022). A narrative meta-synthesis integrates findings that operational efficiency via Sharia-compliant AI reduces logistics costs by up to 20% (Selviani, 2025). "The Sharia digital economy combines Sharia principles with advances in digital technology to create a more inclusive and sustainable economic system" for MSMEs (Fasluki, 2023). Welfare impacts are evident in poverty reduction through the inclusion of women in MSMEs, with participation increasing by 28% after adopting a Sharia-compliant platform (Muzdalifah et al., 2021). Sensitivity analysis confirms the robustness of the findings to variations in study methodology. On a macro level, this contribution supports Indonesia's sharia GDP target of 10% by 2026 (Albar, 2023).

Future Collaboration and Innovation Strategy

Multistakeholder collaboration is key to success, with 22 articles highlighting synergies between the government, Islamic scholars, and tech companies in the digital sharia ecosystem. VOSviewer maps clusters of "DSN-OJK collaboration" correlated with "sharia blockchain innovation" for MSME traceability (van Eck & Waltman, 2021). Strategies such as the digital sharia incubator in Bandung have increased the survival rate of new MSMEs by up to 75% (Pahlevi et al., 2025). "This synergy can create an Islamic digital business system that is not only technologically innovative but also ethically and spiritually solution-oriented" through a sustainable roadmap (Albar, 2023). Future innovations include a halal metaverse for virtual MSME showrooms, in accordance with the latest MUI fatwa. The discussion emphasizes ongoing training and funding from digital zakat funds for scalability (Yusof & Aziz, 2024). These findings provide actionable recommendations for policymakers to achieve 100% MSME inclusion by 2030 (Sugiyono, 2023).

Conclusion and Recommendation

Based on research and data analysis conducted regarding the influence of work motivation and work environment on the performance of production employees at PT Shou Fong Lastindo, it can be concluded that both have a positive and significant impact, both separately and together, on employee performance. Research shows that work motivation has a significant impact on performance improvement. Employees who have high work enthusiasm and drive, both from within themselves such as responsibility and the desire to achieve, and from outside such as awards and opportunities for development, tend to complete tasks with better results. This is supported by statistical tests that show a significance value of 0.000 and a coefficient of determination of 0.362, meaning that 36.2% of the variation in employee performance improvement is explained by work motivation.

Furthermore, the work environment also has a positive and significant influence on performance. A comfortable, safe environment that supports good social relationships is thought to increase employee productivity and work enthusiasm. A coefficient of determination of 0.401 indicates that 40.1% of employee performance variation is influenced by the work environment. This factor includes physical conditions such as lighting, cleanliness, and temperature, as well as non-physical aspects such as employee relationships and support from superiors.

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Together, work motivation and work environment significantly influence employee performance with a coefficient of determination of 0.531. This means that 53.1% of employee performance variation is caused by these two factors, while 46.9% is influenced by other factors such as leadership style, payroll system, and organizational culture. These results indicate that to effectively improve employee performance, companies need not only increase motivation but also create a supportive work environment. Thus, work motivation and work environment are two main factors that complement each other in determining employee performance at PT Shou Fong Lastindo.

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