

The Adoption of Digital Marketing by MSMEs Selling Halal Products: Opportunities and Challenges

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ABSTRACT

The digital economy's rapid growth is reshaping global business practices, presenting unique opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs). In Muslim-majority countries like Indonesia and Nigeria, halal-based MSMEs are crucial to economic development. This study investigates the adoption of digital marketing tools—such as social media, e-commerce platforms, and electronic payment systems—by these businesses. It explores how digitalization can enhance competitiveness while promoting Islamic ethical values like transparency, fairness (‘adl), and trust (amanah). The research identifies key challenges hindering adoption, including limited digital literacy, resource constraints, and infrastructural gaps. Conversely, it highlights the significant opportunities for market expansion, consumer trust-building, and inclusive economic growth that effective digital integration offers. By bridging Islamic economics with digital era realities, this study provides valuable insights for policymakers, educators, and entrepreneurs aiming to empower halal MSMEs in a rapidly evolving global marketplace.

Keywords: Digital Economy, Halal MSMEs, Digital Marketing Adoption, Islamic, Ethical Values

INTRODUCTION

The global digital economy represents a transformative force with particular significance for Micro, Small, and Medium Enterprises (MSMEs). In Muslim-majority nations such as Indonesia and Nigeria, where MSMEs are crucial economic pillars, digital adoption is key to competitiveness. For halal-based MSMEs—enterprises providing goods and services compliant with Islamic principles—digital marketing offers profound opportunities for expanding market reach, enhancing cost efficiency, and, most importantly, building the transparency essential for consumer trust in the halal ecosystem.

From an Islamic economic perspective, digital platforms such as social media, e-commerce, and financial technology can serve as tools to operationalize core ethical values, including justice (‘adl) and trustworthiness (amanah). By enabling greater transparency and inclusivity, digital marketing aligns with the ethical foundations of an Islamic economy, moving beyond mere profit maximization.

Despite this potential, a significant adoption gap persists. Many halal MSMEs in regions like Nigeria and Indonesia face substantial barriers to leveraging digital marketing effectively. Challenges such as limited digital literacy, constrained financial resources, and a lack of tailored strategic guidance hinder their participation in the digital marketplace. If unaddressed, this gap risks exacerbating the digital divide, marginalizing small halal businesses in an increasingly online global economy.

This study, therefore, investigates the factors influencing the adoption of digital marketing by halal MSMEs. It aims to identify both the critical opportunities available and the specific challenges faced by these enterprises. The findings are expected to provide practical insights for entrepreneurs and policymakers, while also contributing to academic discourse at the intersection of Islamic economics, digital transformation, and MSME development.

Digital marketing has emerged as a central strategy for business growth in the 21st century, particularly for Micro, Small, and Medium Enterprises (MSMEs). Scholars widely acknowledge that digital tools—such as social media, e-commerce platforms, and online payment systems—offer affordable and effective channels for small businesses to access wider markets. As Kotler and Keller (2016) note, the shift toward customer-centric marketing through digital channels has enabled smaller firms to compete more effectively with larger corporations.

This potential is especially significant in developing economies, where research indicates that MSMEs are increasingly leveraging digital platforms to overcome traditional

barriers. For instance, Priyono (2020) found that Indonesian MSMEs utilizing digital technologies demonstrated greater resilience during economic disruptions like the COVID-19 pandemic. Corroborating this, Yusuf and Abubakar (2021) observed that Nigerian MSMEs using e-commerce successfully expanded their customer base, particularly among younger, tech-savvy demographics. These studies underscore the critical role of digital marketing in sustaining MSMEs across regions like Southeast Asia and Africa.

For halal-based MSMEs, digital marketing adoption carries an added dimension of importance. As Alserhan (2011) emphasizes, halal certification transcends a mere marketing label; it represents a religious and ethical guarantee. Consequently, halal branding must effectively communicate trust, purity, and compliance with Islamic principles. Digital platforms present a powerful medium to showcase this certification and engage with a growing online Muslim consumer base (Rahman, 2017).

Despite these opportunities, significant challenges persist. A consistent theme in the literature is that MSMEs often face obstacles such as limited digital literacy, high costs, and inadequate infrastructure (Afolabi, 2015; Tambunan, 2019). For halal MSMEs specifically, a further challenge involves accurately communicating and educating consumers about halal standards in a digital space prone to misinformation. While the existing literature effectively outlines the general opportunities and challenges for MSMEs, a clear gap remains in understanding the specific strategies halal MSMEs use to navigate these digital challenges while consciously upholding Islamic ethical principles ('adl and amanah). This study aims to address this gap by synthesizing evidence from Indonesia and Nigeria to provide a focused analysis.

METHODS

This study employs a qualitative research design based on a structured review of secondary data to explore the opportunities and challenges of digital marketing adoption among halal MSMEs in Indonesia and Nigeria. The primary aim is to synthesize existing knowledge and provide a nuanced understanding of the patterns, barriers, and potentials associated with digital transformation in this specific context.

The research methodology is grounded in an analysis of secondary data. A structured approach was used to identify relevant sources, which include: 1) Peer-reviewed academic literature: Journal articles focusing on digital marketing, MSME development, and Islamic economics; 2) Institutional reports: Publications from reputable organizations such as the

World Bank and the central statistical agencies of Indonesia and Nigeria; 3) Case studies and industry analyses: Documented cases and white papers specifically addressing the digitalization of halal MSMEs; 4) These sources were selected to ensure a comprehensive perspective that integrates scholarly research with practical, on-the-ground insights from the two country contexts.

The data were analyzed using thematic analysis. This process involved systematically coding the collected literature to identify, analyze, and report patterns (themes) relevant to the research objective. The analysis was structured around two pre-defined thematic categories, informed by the research questions: 1) Opportunities: Including themes such as market expansion, building consumer trust, and operational cost reduction; 2) Challenges: Encompassing themes like limited digital literacy, infrastructural barriers, and financial constraints.

Following the individual analysis, a comparative analysis was conducted to juxtapose the findings from Indonesia and Nigeria, highlighting convergent and divergent experiences to draw broader implications.

This study is deliberately scoped as a conceptual and analytical review. The primary limitation is its reliance on secondary data, which means the findings are interpreted through the lens of existing literature rather than new empirical evidence. This approach, however, is valuable for synthesizing the current state of knowledge and identifying critical gaps. Future research should involve primary data collection through interviews or surveys to build upon this foundation.

RESULTS AND DISCUSSION

The analysis reveals that digital marketing presents several significant opportunities for halal MSMEs in Indonesia and Nigeria, facilitating their growth and integration into the broader economy.

Wider Market Access: Digital platforms—such as Instagram, Facebook, Jumia, Tokopedia, and Shoppe—enable halal MSMEs to transcend geographical limitations. This is particularly transformative for businesses in rural or semi-urban areas, granting them access to national and even international customer bases.

Building Consumer Trust: The digital space offers a powerful medium for halal MSMEs to visibly showcase their certification and authentically communicate their

commitment to Islamic ethical principles, such as fairness (*‘adl*) and trustworthiness (*amanah*). Transparent online halal branding significantly enhances consumer confidence, particularly among the growing demographic of digitally-native Muslim consumers.

Cost Efficiency: Digital marketing strategies present a cost-effective alternative to traditional advertising. MSMEs can leverage low-cost or free tools, including organic social media engagement and WhatsApp Business, to achieve substantial reach without significant financial investment (Isbahi, 2023).

Enhanced Competitiveness: The adoption of digital tools fosters innovation in product presentation, customer engagement, and business processes. This allows halal MSMEs to compete more effectively in an increasingly crowded marketplace, both locally and globally.

Despite these clear opportunities, the digital transformation of halal MSMEs is impeded by a consistent set of challenges.

Limited Digital Literacy: A prevalent barrier is the lack of necessary skills among MSME owners to utilize digital tools effectively. This includes difficulties in understanding social media algorithms, creating compelling content, and interpreting customer analytics.

Infrastructural Gaps: Inconsistent internet connectivity, especially in rural regions, disrupts reliable access to digital platforms. The challenge manifests differently in each country; in Nigeria, high data costs are a primary concern (World Bank, 2020), whereas in Indonesia, the digital divide between islands poses a significant hurdle.

Financial Constraints: While entry-level digital marketing is affordable, scaling efforts through paid advertising, professional website development, or high-quality content creation requires financial resources that many small businesses lack (Afolabi, 2015).

Insufficient Institutional Support: The absence of targeted training programs and policy support specifically designed for halal MSMEs leaves entrepreneurs to rely on informal, often inefficient, trial-and-error approaches, slowing down their digital adoption (Toha, 2023).

The findings indicate that while halal MSMEs in Indonesia and Nigeria face similar thematic challenges, the intensity and nature of these barriers are context-dependent. In Nigeria, infrastructural and cost-related issues are more acute, while in Indonesia, the challenges are more closely tied to literacy gaps and competitive saturation in emerging digital markets.

Conceptually, this analysis suggests that digital marketing adoption for halal MSMEs is not merely a business strategy but a potential mechanism for operationalizing Islamic

business ethics. It offers a pathway to enhance transparency, promote fair trade, and ensure economic inclusivity—values central to Maqasid al-Shariah (the higher objectives of Islamic law). However, this potential can only be realized if the identified challenges are addressed. Without concerted efforts from governments, educational institutions, and Islamic economic bodies to provide tailored training, infrastructure, and financial support, halal MSMEs risk marginalization in the digital economy. Therefore, facilitating digital adoption should be viewed as both an economic imperative and a moral responsibility, essential for empowering these enterprises to thrive while upholding their ethical identity.

CONCLUSION

This study has examined the adoption of digital marketing among halal Micro, Small, and Medium Enterprises (MSMEs) in Muslim-majority countries, with a focus on Indonesia and Nigeria. The findings align with global trends observed by Priyono et al. (2020), indicating that digital tools offer significant opportunities for SMEs to expand market reach and build consumer trust through strategic branding (Kotler & Keller, 2016). For halal MSMEs specifically, this extends to reducing marketing expenditures and leveraging platforms to embody key Islamic economic principles, such as justice (‘adl), transparency, and trust (amanah) as outlined by Alserhan (2011).

However, the study also underscores considerable challenges that resonate with established literature on MSME constraints. In Nigeria, issues such as limited infrastructure and inadequate support, as documented by Afolabi (2015) and the World Bank (2020), are compounded by low e-commerce adoption rates affecting performance (Yusuf & Abubakar, 2021). Similarly, in Indonesia, despite their critical role in the economy (Tambunan, 2019), MSMEs face barriers like limited digital literacy. These persistent barriers hinder halal MSMEs from fully leveraging the digital economy and, if unaddressed, risk excluding them from an increasingly technology-driven marketplace, ultimately affecting their ability to connect with conscious consumers (Rahman, 2017).

In summary, embracing digital marketing is both an economic imperative and a strategic opportunity for halal MSMEs. It represents a pathway to strengthen the role of Islamic economics in the modern world while fostering inclusive and ethical growth.

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