

Entrepreneurial Marketing and Islamic Business Ethics: Driving Competitive Advantage in Digital SMEs

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ABSTRACT

In the digital era, small and medium enterprises (SMEs) face intense competition and rapid market changes, requiring innovative marketing strategies to sustain competitive advantage. This conceptual study explores the integration of entrepreneurial marketing (EM) and Islamic business ethics (IBE) as a strategic approach for digital SMEs. Entrepreneurial marketing, encompassing innovativeness, proactiveness, opportunity recognition, and risk-taking, drives business growth, while Islamic ethical principles—*sidq* (truthfulness), *amanah* (trustworthiness), *adl* (justice), and *ihsan* (excellence)—provide a moral and strategic framework for responsible decision-making. The study proposes that IBE serves as both a mediator and moderator, enhancing the effectiveness of EM on competitive advantage outcomes, including customer trust, loyalty, brand differentiation, and market performance. By synthesizing EM and IBE, this study offers a conceptual framework that highlights ethical entrepreneurial marketing as a practical, value-driven strategy, contributing to theory development and offering managerial insights for SMEs seeking sustainable and ethically aligned growth in digital markets.



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INTRODUCTION

In the era of rapid digital transformation, small and medium enterprises (SMEs) face unprecedented opportunities and challenges in building sustainable competitive advantage. The proliferation of digital platforms — including social media, e-commerce, and mobile marketplaces — has transformed how businesses interact with customers, innovate marketing practices, and respond to dynamic market demands. Digital entrepreneurial marketing, characterized by proactive opportunity seeking, innovation, risk-taking, and customer engagement through digital channels, has emerged as an essential strategic orientation for SMEs seeking growth and differentiation (Saisaria Mandasari et al., 2025). However, along with greater technological adoption, ethical concerns such as misleading communications, data misuse, and consumer trust have intensified in the context of digitally mediated exchanges, particularly where cultural and religious norms play a critical role in consumer expectations.

Islamic business ethics provides a moral foundation deeply embedded in Shariah principles, such as *sidq* (truthfulness), *amanah* (trustworthiness), *adl* (justice), and *ihsan* (benevolence), which guide responsible commercial conduct in both traditional and digital marketplaces. Unlike conventional marketing paradigms that primarily emphasize profit maximization, Islamic marketing emphasizes an ethical–spiritual paradigm that integrates economic objectives, social welfare, and moral accountability (MayaPutra & Yusrizal, 2025). The consistent application of ethical principles in marketing activities particularly honesty in promotion, fairness in pricing, and transparency in digital interactions has been shown to strengthen consumer trust and foster long-term customer relationships, which are critical components of competitive advantage in digital SMEs.

Although substantial research has examined digital marketing practices and entrepreneurial marketing separately, the integration of Islamic business ethics within an entrepreneurial marketing framework for digital SMEs remains underexplored. Studies on ethical digital marketing in Muslim contexts indicate that aligning marketing strategies with Islamic values can enhance community engagement and empower business growth, yet adherence to these ethical principles in practice is often incomplete or inconsistent (Suryani et al., 2024; Darmawati et al., 2023). Meanwhile, research on

entrepreneurial marketing highlights its positive influence on competitive performance, but typically lacks a moral or cultural lens that accounts for value-based business conduct in Muslim-majority environments (Saisaria Mandasari et al., 2025). Moreover, evidence suggests that ethical commitments particularly those rooted in religious frameworks such as *taqwa* can serve as guiding principles that reinforce ethical decision-making and influence strategic outcomes, including competitive advantage (Mhd Sarif & Ismail, 2024).

This research seeks to address a critical gap in the literature by proposing and empirically investigating an integrated model that links entrepreneurial marketing practices with Islamic business ethics, and their combined effect on competitive advantage in digital SMEs. Specifically, the study aims to (1) identify the key dimensions of entrepreneurial marketing that are compatible with Islamic ethical values; (2) examine how these combined dimensions influence competitive outcomes; and (3) develop a conceptual framework that bridges innovation-driven marketing behavior with value-centered ethical conduct in digital marketplaces. By advancing this integrated perspective, the research contributes to theory by extending the entrepreneurial marketing literature into contexts where ethical values significantly shape market behavior. Practically, it offers actionable insights for Muslim entrepreneurs and digital SME practitioners on how to design marketing strategies that generate both ethical and economic value, thereby enhancing trust, customer satisfaction, and sustainable competitive advantage.

In sum, this study positions Islamic business ethics not merely as a normative set of constraints but as an enabling force that enriches entrepreneurial marketing and drives competitive advantage in digital SMEs. By focusing on the intersection of innovation-oriented marketing and deeply rooted ethical principles, this research responds to recent calls for scholarship that integrates contemporary marketing strategy with culturally grounded business ethics.

RESEARCH METHODS

This study adopts a conceptual research approach aimed at developing a theoretical framework that integrates entrepreneurial marketing and Islamic business ethics to explain competitive advantage in digital SMEs. Unlike empirical studies, this research does not collect primary data; instead, it systematically synthesizes existing literature from the last ten years to identify key constructs, relationships, and gaps in current scholarship.

The methodology involves three main stages. First, a comprehensive literature review is conducted using peer-reviewed journals, books, and authoritative sources on entrepreneurial marketing, Islamic business ethics, and SME competitiveness. This includes studies in the fields of digital entrepreneurship, ethical marketing, and Islamic business practices (Hair et al., 2021; Morris et al., 2002; Rangkuti, 2023). Second, critical analysis is performed to identify theoretical linkages and inconsistencies, highlighting how ethical values derived from Islamic principles can guide entrepreneurial marketing strategies in digital contexts. Third, based on this synthesis, a conceptual framework is proposed that illustrates the interactions between entrepreneurial marketing dimensions, Islamic ethical values, and their influence on competitive advantage.

By employing a systematic conceptual methodology, this research provides both theoretical insights and practical guidance. It fills a notable gap in the literature where entrepreneurial marketing has been extensively studied but rarely integrated with Islamic ethical considerations in the digital SME context. The conceptual framework can serve as a foundation for future empirical research or policy development for SMEs seeking sustainable and ethical competitive advantage.

RESULTS AND DISCUSSION

1. Conceptualization of Entrepreneurial Marketing in Digital SMEs

Entrepreneurial marketing (EM) represents a strategic paradigm that emphasizes innovation, proactiveness, opportunity recognition, and calculated risk-taking to achieve competitive advantage, particularly in environments characterized by uncertainty and dynamic market conditions (Morris et al., 2002). In the context of digital SMEs, EM is increasingly significant due to the pervasive influence of digital technologies, e-commerce platforms, and social media channels that transform traditional marketing processes (Zahara et al., 2023). Digital SMEs leverage entrepreneurial marketing to identify and exploit market opportunities, rapidly adapt to consumer preferences, and introduce innovative value propositions that differentiate them from competitors (Saisaria Mandasari et al., 2025).

Table 1. Dimensions of Entrepreneurial Marketing in Digital SMEs

Dimension	Definition	Strategic Implication for Digital SMEs
Innovativeness	Ability to develop new products, services, or processes	Enhances differentiation and responsiveness to market changes
Proactiveness	Anticipating and acting on emerging market opportunities	Allows SMEs to gain first-mover advantage in digital channels
Opportunity Recognition	Identifying market gaps and customer needs	Guides resource allocation and digital marketing focus
Risk-Taking	Willingness to make calculated decisions under uncertainty	Supports bold innovation and competitive positioning

The literature underscores several core dimensions of EM applicable to digital SMEs: innovative capability, reflecting the firm’s ability to develop novel products or services; proactiveness, denoting anticipatory actions to address emerging market needs; risk-taking propensity, which involves making informed decisions under uncertainty; and customer intensity, representing the active engagement with and responsiveness to customer feedback in digital channels (Ahmadi & Kholifah., 2025; Saisaria Mandasari et al., 2025). These dimensions enable SMEs to remain agile, sustain relevance, and achieve superior performance in competitive digital markets.

Despite its strategic relevance, the integration of EM within digital SMEs is often constrained by limited resources, knowledge gaps in digital marketing, and the challenge of balancing rapid innovation with ethical conduct. Recent studies emphasize that digital SMEs must not only pursue innovative marketing strategies but also consider culturally and religiously informed frameworks to ensure that marketing activities foster trust, legitimacy, and long-term sustainability (Hardiansyah et al., 2024). In this light, conceptualizing EM for digital SMEs requires a multidimensional understanding that simultaneously addresses strategic innovation, market responsiveness, and ethical alignment, laying the foundation for examining its interplay with Islamic business ethics.

2. Islamic Business Ethics: Principles and Strategic Relevance

Islamic business ethics (IBE) constitutes a normative framework that guides entrepreneurial conduct through principles derived from Shariah, emphasizing moral accountability, justice, and social responsibility (Harini et al., 2025). Central tenets of IBE include *sidq* (truthfulness), *amanah* (trustworthiness), *’adl* (justice), and *ihsan* (excellence in performance), which collectively foster ethical decision-making and responsible business practices (Ali, 2015). These principles not only serve as moral imperatives but also function strategically by enhancing organizational legitimacy, stakeholder trust, and long-term competitiveness, particularly in Muslim-majority contexts where consumers increasingly value ethical conformity in business interactions (Abuznaid, 2020).

Table 2. Principles of Islamic Business Ethics in Marketing

Principle	Description	Implication for Marketing
Sidq (Truthfulness)	Honesty in communication and transactions	Builds customer trust and credibility
Amanah (Trustworthiness)	Responsibility and reliability	Enhances brand reputation and customer loyalty
’Adl (Justice)	Fairness in pricing and treatment	Prevents unethical practices and strengthens legitimacy
Ihsan (Excellence)	Striving for quality and value	Improves customer satisfaction and competitive differentiation

In digital SMEs, adherence to Islamic ethical standards has direct implications for marketing practices. Transparency in digital communication, fair pricing, honest product representations, and commitment to consumer welfare are essential mechanisms through which IBE shapes marketing credibility and brand reputation (Darmawati et al., 2023). The application of IBE in digital marketing extends beyond compliance; it informs strategic decision-making by embedding ethical considerations

into value propositions, customer engagement, and business growth strategies. Moreover, empirical literature suggests that SMEs that integrate Islamic ethical values into their marketing operations experience enhanced customer loyalty, trust-based relationships, and improved competitive positioning (Mufidah & Eliyana, 2021).

However, operationalizing IBE in entrepreneurial contexts requires balancing market-driven imperatives with ethical constraints. While innovation, proactiveness, and risk-taking are fundamental to entrepreneurial marketing, these behaviors must align with Islamic ethical standards to ensure sustainability and societal legitimacy (Rizky et al., 2024). Consequently, IBE functions not only as a normative guide but also as a strategic enabler, shaping how digital SMEs deploy entrepreneurial marketing practices to achieve competitive advantage while maintaining ethical integrity. This dual role underscores the importance of integrating IBE into the conceptualization of entrepreneurial marketing, forming the theoretical basis for the proposed framework.

3. Synthesis of Entrepreneurial Marketing and Islamic Business Ethics

The integration of entrepreneurial marketing (EM) and Islamic business ethics (IBE) represents a novel conceptual lens for understanding how digital SMEs can achieve sustainable competitive advantage. While EM emphasizes proactive opportunity-seeking, innovativeness, and calculated risk-taking to drive business growth (Morris et al., 2002; Saisaria Mandasari et al., 2025), IBE provides normative and strategic guidance that ensures these entrepreneurial behaviors adhere to moral and religious principles (Ahmadi, & Kholifah, 2025). By synthesizing these perspectives, digital SMEs can simultaneously pursue innovation and market responsiveness while maintaining ethical integrity, thereby fostering trust, loyalty, and long-term competitiveness.

Table 3. Mechanisms Linking EM and IBE to Competitive Advantage

Mechanism	Description	Expected Outcome
Trust-building	EM guided by IBE fosters credibility and transparency	Customer loyalty, repeat purchase
Ethical differentiation	Innovative offerings aligned with ethical principles	Brand differentiation, market positioning
Sustainable legitimacy	Ethical decision-making enhances reputation and stakeholder confidence	Long-term competitive advantage and resilience

Literature suggests that the synergy between EM and IBE creates several theoretical and practical advantages. Conceptually, entrepreneurial marketing behaviors guided by ethical principles enhance legitimacy in the eyes of stakeholders, reduce reputational risk, and facilitate sustainable value creation (Darmawati et al., 2023; Suryani et al., 2024). Practically, integrating ethical considerations into marketing decisions such as truthful communication, fair pricing, and customer-centric innovations strengthens relational capital with consumers, partners, and regulatory authorities, which is particularly critical in digital marketplaces where transparency and visibility are heightened (Napitupulu et al., 2026). Moreover, this integration allows SMEs to differentiate themselves in competitive environments by offering products and services that are not only innovative but also ethically aligned with Islamic values.

Despite the recognized potential of EM-IBE integration, current literature remains fragmented, often treating entrepreneurial marketing and Islamic ethics as separate domains without fully exploring their interactive effects (Akbar et al., 2024). This gap underscores the importance of a conceptual framework that systematically links EM dimensions with Islamic ethical principles to explain mechanisms through which competitive advantage is achieved in digital SMEs. Such a framework contributes to the theoretical advancement of both fields by demonstrating how ethical orientation moderates or mediates the impact of entrepreneurial marketing on performance outcomes. Furthermore, it offers practical guidance for SME managers seeking to design marketing strategies that are simultaneously innovative, responsive, and ethically sound, positioning ethical entrepreneurial marketing as a strategic asset rather than a constraint.

4. Mechanisms Linking Ethical Entrepreneurial Marketing to Competitive Advantage

The synergistic integration of entrepreneurial marketing (EM) and Islamic business ethics (IBE) generates distinct mechanisms through which digital SMEs can achieve sustainable competitive advantage. First, ethical entrepreneurial marketing fosters customer trust and loyalty, which are critical in digital marketplaces characterized by high information transparency and intense competition (Suryani et al., 2024). By ensuring truthful communication (*sidq*), reliability (*amanah*), and fairness (*'adl*), SMEs cultivate long-term relational capital, enhancing their reputational assets and strengthening market positioning (Abuznaid, 2012).

Second, EM guided by IBE encourages differentiated value creation. Digital SMEs that align innovative products, services, and marketing strategies with ethical principles create offerings that resonate with socially conscious consumers, particularly in Muslim-majority contexts. This alignment transforms ethical compliance from a normative requirement into a strategic resource, enabling SMEs to distinguish themselves from competitors who may prioritize short-term gains over moral conduct (Napitupulu et al., 2026).

Third, ethical entrepreneurial marketing enhances organizational legitimacy and sustainability. By embedding ethical considerations in strategic decision-making, SMEs signal commitment to broader societal and religious norms, which mitigates reputational risks, facilitates partnerships, and improves stakeholder relationships. Literature indicates that SMEs incorporating ethical frameworks into digital marketing operations are better equipped to navigate regulatory scrutiny, manage market uncertainties, and achieve long-term competitive performance (Darmawati et al., 2023; Rizky et al., 2024).

Collectively, these mechanisms suggest that Islamic ethical principles not only guide marketing behavior but actively enhance strategic outcomes, reinforcing the notion that EM and IBE are mutually reinforcing in driving competitive advantage. This conceptual insight forms the theoretical foundation for the proposed framework, highlighting ethical entrepreneurial marketing as a critical determinant of SME performance in digital environments.

5. Theoretical Contributions and Novel Insights

This conceptual study advances both entrepreneurial marketing and Islamic business ethics literature by systematically integrating these domains to explain competitive advantage in digital SMEs. Unlike previous research, which typically examines entrepreneurial marketing and ethical considerations separately, this study emphasizes the interactive and synergistic effects of ethical principles on market-oriented entrepreneurial behavior. By embedding Islamic ethical constructs (*sidq*, *amanah*, *'adl*, and *ihsan*) within the entrepreneurial marketing orientation framework, the study offers a theoretically robust lens for understanding how SMEs can achieve sustainable competitive differentiation while adhering to culturally and religiously informed ethical norms (Akbar et al., 2024; Suryani et al., 2024).

From a theoretical perspective, the framework proposes that Islamic business ethics acts as both a mediator and moderator in the relationship between entrepreneurial marketing practices and competitive advantage (Tsaqyfa et al., 2025). This dual role highlights ethical principles not merely as constraints but as strategic enablers, enhancing the effectiveness of innovative, proactive, and risk-oriented marketing behaviors. Conceptually, this approach contributes to the emerging discourse on ethical entrepreneurship in digital SMEs, providing a foundation for future empirical validation and comparative studies across cultural and regional contexts.



Figure 1. Proposed Research Framework of EM, IBE, and CA.

Practically, the proposed framework provides SMEs with actionable insights for designing marketing strategies that are simultaneously innovative, responsive, and ethically grounded. It emphasizes the importance of aligning entrepreneurial initiatives with ethical and religious values to build trust, improve brand reputation, and sustain competitive advantage in highly dynamic digital marketplaces. Overall, the originality of this study lies in its integration of strategic marketing innovation with value-based ethical conduct, offering a conceptual blueprint for ethically-driven entrepreneurship in the digital age.

CONCLUSION

This conceptual study demonstrates that integrating entrepreneurial marketing with Islamic business ethics provides a robust pathway for digital SMEs to achieve sustainable competitive advantage. Entrepreneurial marketing, characterized by innovativeness, proactiveness, opportunity recognition, and calculated risk-taking, can drive business growth more effectively when guided by ethical principles derived from Islam, such as truthfulness (*sidq*), trustworthiness (*amanah*), justice (*'adl*), and excellence (*ihsan*). The synthesis of these domains not only enhances customer trust, loyalty, and brand differentiation but also strengthens the long-term legitimacy and strategic resilience of SMEs in digital marketplaces. By conceptualizing Islamic business ethics as both a mediator and moderator, this study highlights its dual role as a moral compass and strategic enabler, transforming ethical considerations into tangible competitive outcomes. Overall, the findings underscore that ethical entrepreneurial marketing is not merely a normative ideal but a practical and strategic approach that aligns innovation, market responsiveness, and moral integrity, offering valuable insights for theory development and managerial practice in the digital SME context.

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