

The Role of Shidiq Values in Islamic Leadership on The Performance And Sustainability of MSMEs: A Literature Study

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Abstract

Leadership in Micro, Small, and Medium Enterprises (MSMEs) is not only determined by technical capabilities, but also by ethical values and integrity, where one of the main principles in Islamic leadership is shidiq (honesty) as a foundation in building trust, maintaining business relationships, and ensuring business sustainability; however, studies that specifically place shidiq as a key element of leadership in MSMEs are still limited. This study aims to analyze the role of shidiq in Islamic leadership and examine its impact on the performance and sustainability of MSMEs. This study uses a qualitative descriptive approach with a literature study method, with data obtained from various relevant scientific sources in the last ten years and analyzed using a thematic analysis approach. The results show that shidiq has an important role in shaping leadership with integrity, transparency, and accountability, which is able to increase customer trust, strengthen employee loyalty, build an ethical organizational culture, and contribute to improving the performance and sustainability of MSMEs through improving business reputation and organizational stability.

Keywords: Islamic leadership; Shidiq; MSMEs; business sustainability; business ethics

Abstrak

Kepemimpinan dalam Usaha Mikro, Kecil, dan Menengah (UMKM) tidak hanya ditentukan oleh kemampuan teknis, tetapi juga oleh nilai etika dan integritas, di mana salah satu prinsip utama dalam kepemimpinan Islam adalah shidiq (kejujuran) sebagai fondasi dalam membangun kepercayaan, menjaga hubungan bisnis, dan memastikan keberlanjutan usaha; namun, kajian yang secara khusus menempatkan shidiq sebagai elemen utama kepemimpinan dalam UMKM masih terbatas. Penelitian ini bertujuan untuk menganalisis peran shidiq dalam kepemimpinan Islami serta mengkaji dampaknya terhadap kinerja dan keberlanjutan UMKM. Penelitian ini menggunakan pendekatan deskriptif kualitatif dengan metode studi pustaka, dengan data yang diperoleh dari berbagai sumber ilmiah relevan dalam sepuluh tahun terakhir dan dianalisis menggunakan pendekatan analisis tematik. Hasil penelitian menunjukkan bahwa shidiq memiliki peran penting dalam membentuk kepemimpinan yang berintegritas, transparan, dan akuntabel, yang mampu meningkatkan kepercayaan pelanggan, memperkuat loyalitas karyawan, membangun budaya organisasi yang etis, serta berkontribusi pada peningkatan kinerja dan keberlanjutan UMKM melalui peningkatan reputasi bisnis dan stabilitas organisasi.

Kata Kunci: kepemimpinan Islam; shidiq; UMKM; keberlanjutan bisnis; etika bisnis

INTRODUCTION

The value of shidiq is one of the main pillars of Islamic leadership, emphasizing honesty, truthfulness, and consistency between words and deeds. From an Islamic perspective, shidiq is not only interpreted as an attitude of honesty, but also reflects moral integrity that is the basis of every activity, including running a business. This value plays a strategic role in building trust, which is the main foundation in business relationships, both between business actors and customers, employees, and work partners. The importance of the value of shidiq is emphasized in QS. Al-Ahzab [33]: 70, which means “O you who believe! Fear Allah and speak truthfully.” This verse commands believers to be pious and speak the truth, so that honesty becomes a fundamental principle that has not only an ethical dimension, but also a spiritual one. Therefore, the application of the value of shidiq in the management of MSMEs is believed to be able to create transparent business practices, increase market trust, and support long-term business sustainability.

The development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia contributes significantly to national economic growth, job creation, and poverty reduction. MSMEs contribute approximately 61.07% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the workforce, thus becoming the backbone of Indonesia's inclusive economy (Tambunan, 2019). However, the success of MSMEs is determined not only by capital and market access, but also by the quality of the leadership that manages the business, as leadership plays a direct role in determining business performance and sustainability¹. Research shows that leadership oriented towards ethical values and integrity can increase productivity, strengthen employee loyalty, and build customer trust².

In this context, Islamic leadership based on moral values is becoming increasingly relevant for application in MSME management. Leadership in Islam focuses not only on technical aspects but also encompasses moral, ethical, and spiritual dimensions of responsibility. Leaders not only act as decision makers, but also as role models who reflect the values of the Koran and Sunnah, such as Shidiq (honesty), Amanah (trust), Tabligh (openness), and Fathanah (intelligence)³. In MSME practice, Islamic leadership is important because most businesses are managed directly by the owner, so the character of the leader directly influences the organizational culture and business direction. One of the main values in Islamic leadership is Shidiq, which reflects honesty and consistency between words and actions. This value is the basis for building trust, which is the main foundation of effective leadership. Implementation of the Shidiq value is believed to be able to create a healthy and ethical business environment, increase customer loyalty, and strengthen employee

¹ M J Mazzei, C B Flynn, and J J Haynie, “The Influence of Leadership on SME Performance: A Meta-Analysis,” *Journal of Small Business Management* 57, no. 4 (2019): 1542–62.

² M E Brown, L K Treviño, and D A Harrison, “Ethical Leadership: A Social Learning Perspective for Construct Development and Testing,” *Organizational Behavior and Human Decision Processes* 97, no. 2 (2005): 117–34.

³ Rafik I. Beekun and Jamal A. Badawi, “Balancing Ethical Responsibility among Multiple Organizational Stakeholders: The Islamic Perspective,” *Journal of Business Ethics* 60, no. 2 (2005): 131–45, <https://doi.org/10.1007/s10551-004-8204-5>.

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motivation and commitment⁴. Furthermore, honesty-based leadership integrity has also been shown to contribute to improving business reputation, expanding access to markets and financing, and strengthening the competitiveness of MSMEs⁵.

Various previous studies have examined the relationship between Islamic leadership and MSME performance. Muis & Halim (2021) show that Islamic leadership values including Shidiq influence the quality of decision-making and relationships with stakeholders, while Ali & Rahman (2023) found that honesty in leaders contributes to increased customer trust and business sustainability⁶. However, most of these studies still discuss Islamic leadership in general and have not specifically emphasized the value of Shidiq as the main focus of the analysis. In addition, studies that relate the value of Shidiq with contextual managerial practices in MSMEs are still limited, because previous research was mostly conducted in large-scale organizations.

Based on this, there is a research gap related to in-depth studies on the role of Shidiq values as the core of Islamic leadership in improving the performance and sustainability of MSMEs. Therefore, this study aims to analyze the role of the Islamic value of Shidiq in Islamic leadership and its impact on the performance and sustainability of MSMEs. This research is expected to provide theoretical contributions to the development of Islamic leadership literature, while also providing practical implications for MSMEs in implementing the value of honesty as a sustainable leadership strategy. This research not only examines Shidiq as a normative concept, but also develops a conceptual synthesis that places Shidiq as a strategic variable in improving the performance and sustainability of MSMEs through the mechanisms of leadership integrity, organizational governance, and stakeholder trust.

THEORETICAL FOUNDATIONS

Islamic Leadership

Leadership in Islam encompasses not only the ability to direct and manage an organization, but is also closely related to moral values, ethics, and spiritual responsibility. A leader not only acts as a decision-maker but also as a role model for those they lead. According to Omar & Hussin (2023) and Salsabila & Hadi (2024), Islamic leadership (*al-qiyādah al-Islāmiyyah*) must be based on the Qur'an and Sunnah and emulate the characteristics of prophecy, namely Shidiq (honesty), Amanah (trust), Tabligh (openness), and Fathanah (intelligence)⁷. This is reinforced by Qureshi & Rasli (2023), who stated that leadership in Islam is a mandate from Allah SWT that must be carried out based on the

⁴ S Bashir and F Ali, "Islamic Leadership and Employee Behavioral Outcomes: The Mediating Role of Organizational Trust," *Journal of Islamic Marketing* 14, no. 5 (2023): 1103–24.

⁵ I F Wijaya and A Moro, "Trustworthiness and Margins in Islamic Small Business Financing: Evidence from Indonesia," *Borsa Istanbul Review* 22, no. 6 (2022): 1156–66.

⁶ M Ali and S Rahman, "The Impact of Honest Leadership on Customer Trust and Business Sustainability: A Study of SMEs in Malaysia," *Journal of Small Business and Enterprise Development* 30, no. 2 (2023): 215–32.

⁷ M Z Omar and S R Hussin, "The Effect of Spiritual Leadership on Employee Creativity in Halal-Certified Tech Startups," *Journal of Technology Management and Innovation* 18, no. 1 (2023): 45–58; A Salsabila and N Hadi, "Implementation of Islamic Business Ethics in SMEs: A Case Study from Indonesia," *Journal of Islamic Accounting and Business Research* 15, no. 3 (2024): 512–30.

principles of justice and truth, and must be accounted for not only in this world but also in the afterlife. Islamic leadership is not only oriented towards achieving economic goals but also emphasizes moral, spiritual, and social aspects. The principle of monotheism is the primary foundation that positions leadership as a mandate, so that every decision must be in line with sharia values. Thus, leaders act not only as managers but also as moral and spiritual role models within the organization.

In MSME practice, Islamic leadership is highly relevant because most businesses are managed directly by their owners. This results in the character and values embraced by leaders directly influencing organizational culture and business direction. Ahmad et al. (2020) state that Islamic leadership based on the values of Shidiq, Amanah, Tabligh, and Fathanah can increase stakeholder trust, strengthen employee loyalty, and build a positive reputation among consumers⁸. This finding is supported by Lestari & Saputra (2022) who showed that Islamic value-based leadership can create harmonious working relationships and improve business sustainability⁹. Other studies also show that Islamic leadership has a positive impact on organizational performance. Aslam et al. (2018) found that Islamic leadership influences organizational commitment and employee job satisfaction, especially in small businesses. Furthermore, Khan et al. (2021) emphasized that Islamic leadership contributes to increased innovation and adaptability of MSMEs in facing the dynamics of the business environment¹⁰. From a spiritual perspective, Sulaiman (2017) emphasized that Islamic leadership views business activities as part of worship, thus encouraging honest, fair, and responsible business practices¹¹.

The concept of blessing is the main differentiator between Islamic and conventional leadership, where success is measured not only by profit but also by blessings. Thus, Islamic leadership can be understood as a leadership approach that integrates ethical, managerial, and spiritual aspects. The values contained therein have been proven to contribute to improved performance, employee loyalty, innovation, and the sustainability of MSMEs. Among the four main characteristics of prophetic leadership, the value of shidiq occupies a fundamental position because it forms the foundation for building trust within an organization. Shidiq is not only interpreted as honesty in speech but also encompasses the alignment between a leader's words, actions, and commitments. In the context of MSMEs, the application of shidiq values is reflected in transparency in business management, honesty in transactions, openness of information to employees and customers, and consistency in implementing Sharia-compliant business principles. According to Abdullah & Ismail (2021), leaders who implement shidiq values are able to build greater credibility and trust from

⁸ S Ahmad, N Othman, and A Aziz, "The Impact of Islamic Leadership on Stakeholder Trust and Loyalty in SMEs," *Journal of Islamic Marketing* 11, no. 4 (2020): 901–20.

⁹ S D Lestari and A Saputra, "Islamic Value-Based Leadership and Business Sustainability: The Mediating Role of Ethical Climate," *Journal of Management Development* 41, no. 3 (2022): 201–18.

¹⁰ M A Khan, I Hussain, and A Saeed, "Islamic Leadership and Innovation in SMEs: The Mediating Role of Knowledge Sharing," *Journal of Islamic Accounting and Business Research* 12, no. 6 (2021): 875–94.

¹¹ M Sulaiman, "Islamic Spirituality and Business: Conceptualization and Implications," *Journal of Islamic Marketing* 8, no. 4 (2017): 683–98.

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stakeholders, thereby supporting improved organizational performance¹². Furthermore, consistently maintaining honesty can strengthen a business's reputation and create long-term relationships with customers, ultimately contributing to business sustainability. Therefore, the value of shidiq can be seen as a crucial factor bridging the gap between Islamic leadership and improving the performance and sustainability of MSMEs.

The Value of Shidiq in Islam

The word Shidiq comes from the word sadaqa which means honest and true. In the context of leadership, Shidiq reflects the integrity of a leader in speaking and acting in accordance with the truth. This value is one of the main characteristics of Prophet Muhammad SAW, which made him known as Al-Amin (trustworthy). In the Qur'an, honesty is a fundamental value that is commanded, as in QS. At-Taubah [9]: 119 which calls on believers to be with the truthful (sādiqīn). In leadership practice, Shidiq means that leaders must be honest with themselves, their subordinates, and the public. Honesty is the basis for building trust, which is the main foundation of effective leadership. Ibrahim & Ali (2023) and Rahman & Ali (2021) state that leaders who apply the values of Shidiq and are transparent in management and business transactions tend to be better able to maintain employee and customer loyalty compared to leaders who are not transparent¹³.

This is in line with Ahmad et al. (2020) who emphasized that honesty-based leadership can increase organizational commitment and employee performance by creating a fair and trustworthy work environment¹⁴. From an Islamic perspective, shidiq is not only limited to honesty in verbal communication but also includes honesty in intentions, actions, carrying out mandates, and decision-making. This value is the foundation for transparent and accountable organizational governance. According to Al-Ghazali, shidiq is the harmony between heart, words, and deeds so that a person not only speaks the truth but also acts in accordance with the truth they believe in. In the context of leadership, the application of shidiq values encourages the creation of an organizational culture that upholds openness, responsibility, and justice, ultimately strengthening trust between organizational members and external parties.

In the MSME sector, the value of shidiq (honesty) is becoming increasingly important because most business decisions rest with the business owner. A leader's level of honesty will influence the quality of relationships with employees, customers, suppliers, and investors. Honesty in conveying product information, managing finances, and fulfilling business commitments can increase customer trust and foster long-term loyalty. This trust is an intangible asset that contributes to business stability and the ability of MSMEs to survive

¹² F Abdullah and N Ismail, "The Role of Honesty in Leadership Credibility and Organizational Performance: A Study from Islamic Perspective," *Journal of Islamic Thought and Civilization* 11, no. 2 (2021): 112–28.

¹³ D Ibrahim and H Ali, "Spiritual Leadership and Its Relationship with Trust and Knowledge Sharing in Halal Logistics," *Logistics and Supply Chain Management Journal* 12, no. 2 (2023): 110–25; M A Rahman and M Ali, "Honesty as a Leadership Value in Islamic Perspective and Its Effect on Employee Trust," *Journal of Business Ethics* 168, no. 3 (2021): 525–41.

¹⁴ Ahmad, Othman, and Aziz, "The Impact of Islamic Leadership on Stakeholder Trust and Loyalty in SMEs."

in increasingly dynamic competitive conditions. Therefore, shidiq can be seen as a factor supporting the creation of sustainable competitive advantage. Shidiq plays a strategic role in maintaining business sustainability in MSMEs. Hassan & Javed (2022), Ali & Rahman (2023), and Ibrahim & Ali (2023) show that the integrity of honest leaders contributes to increased innovation and adaptability in MSMEs¹⁵.

Furthermore, honesty also plays a role in building a business reputation and increasing external trust, including from consumers, business partners, and financial institutions. This makes Shidiq an important social capital in increasing the competitiveness of MSMEs. Khalid & Hassan (2019) explain that leaders who uphold honesty tend to more easily build strategic partnerships and long-term, mutually beneficial relationships¹⁶. Thus, the value of Shidiq not only functions as a moral principle, but also as a managerial instrument that can improve organizational performance and business sustainability. Overall, the value of Shidiq is a crucial pillar of Islamic leadership that integrates ethical aspects and business performance. Its application in MSMEs is highly relevant in facing modern business challenges, particularly in building trust, maintaining integrity, and ensuring business sustainability.

Overall, the value of shidiq is a fundamental pillar of Islamic leadership, integrating spiritual, ethical, and managerial aspects. This value not only shapes the character of leaders with integrity but also contributes to improved organizational performance by creating trust, commitment, and loyalty among stakeholders. In the context of MSMEs, the implementation of shidiq values is a crucial factor supporting business sustainability because it can strengthen business reputation, increase competitiveness, and build long-term relationships with customers and business partners. Thus, the value of shidiq can be positioned as one of the main determinants linking Islamic leadership to MSME performance and sustainability.

METHOD

This research uses a descriptive qualitative approach with a literature study method (literature review). This approach was chosen because the research focuses on the synthesis of concepts, theories, and empirical findings related to Islamic leadership based on the value of Shidiq (honesty) in the context of MSMEs. Through this method, researchers can gain a comprehensive and in-depth understanding without directly collecting field data¹⁷. The literature search process was conducted through several scientific databases, namely Google Scholar, Scopus, and accredited national journal portals. Keywords used included “Islamic leadership,” “shidiq,” “ethical leadership,” and “MSMEs/SMEs.” Article selection was carried out using a purposive sampling technique with inclusion criteria: (1) scientific articles published in the period 2015–2025, (2) discussing Islamic leadership or Shidiq values, (3) relevant to the context of MSMEs or business organizations, and (4) published in reputable

¹⁵ Ali and Rahman, “The Impact of Honest Leadership on Customer Trust and Business Sustainability: A Study of SMEs in Malaysia”; S Hassan and B Javed, “Honesty and Innovation in SMEs: The Mediating Role of Psychological Safety,” *Journal of Small Business Management* 60, no. 3 (2022): 654–73; Ibrahim and Ali, “Spiritual Leadership and Its Relationship with Trust and Knowledge Sharing in Halal Logistics.”

¹⁶ K Khalid and M Hassan, “The Role of Honesty in Building Strategic Partnerships and Long-Term Relationships: Evidence from SMEs,” *Journal of Relationship Marketing* 18, no. 3 (2019): 201–20.

¹⁷ Hannah Snyder, “Literature Review as a Research Methodology: An Overview and Guidelines,” *Journal of Business Research* 104 (2019): 333–39, <https://doi.org/10.1016/j.jbusres.2019.07.039>.

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journals. The exclusion criteria include articles that have not gone through the peer-review process, are not available in full text, or are not directly related to the research focus.

Based on this selection process, ten primary articles were obtained which were used as secondary data sources in this study. The selection process was carried out through several stages, namely initial identification of articles, screening based on titles and abstracts, and a comprehensive review to ensure compliance with the research criteria. The data collection technique was carried out through documentation studies by examining the selected articles in depth. Next, the data was analyzed using thematic analysis, namely by identifying, grouping, and interpreting the main themes related to Shidiq values in Islamic leadership and their implications for the performance and sustainability of MSMEs. To increase validity, this study uses triangulation of sources by comparing findings from various literature sources. This research is expected to produce a systematic conceptual synthesis and provide theoretical and practical contributions to the development of a Shidiq values-based Islamic leadership model in managing MSMEs.

RESULTS AND DISCUSSION

The Role of Shidiq Values in Islamic Leadership in MSMEs

The value of shidiq (honesty) is a fundamental principle in Islamic leadership that plays a role in shaping the integrity, trustworthiness, and responsibility of leaders in running a business. Honesty is reflected not only in words but also in actions, financial reporting, and relationships with customers, partners, and employees. Shidiq-based leadership encourages transparency, consistency, and fair decision-making¹⁸. In the context of MSMEs, the implementation of shidiq values contributes to business sustainability through honest business practices, such as transparent financial reports, honesty in transactions, and maintaining product quality. Leadership that upholds honesty can also increase employee loyalty and customer satisfaction, thereby strengthening organizational stability¹⁹.

The value of shidiq has a strong foundation in Islamic teachings, as reflected in QS. Al-Ahzab [33]: 70, which means, "O you who believe! Fear Allah and speak the truth (truth)." This verse emphasizes the importance of telling the truth and being honest in every aspect of life, including in carrying out leadership. The example of the Prophet Muhammad SAW shows that honesty is an effective leadership strategy in building trust and loyalty. This is supported by findings showing that honest communication can reduce internal conflict and increase teamwork motivation²⁰.

Conceptually, shidiq is not only interpreted as verbal honesty but also encompasses spiritual, moral, and managerial dimensions. In the spiritual dimension, shidiq reflects the awareness that leadership is a trust that must be accounted for before Allah SWT. In the moral dimension, this value encourages leaders to avoid manipulation, abuse of authority,

¹⁸ A Barlas, "The Role of Honesty in Leadership and Decision-Making," *Leadership & Organization Development Journal* 40, no. 4 (2019): 490–503.

¹⁹ H Hasan and N Ali, "Honesty-Based Business Practices and Sustainability of Small Enterprises: A Qualitative Study," *Sustainability (Switzerland)* 14, no. 8 (2022): 4567.

²⁰ I Ahmed, M M Nawaz, and A Usman, "Honesty and Communication in Teams: The Mediating Role of Trust," *Team Performance Management* 26, no. 3/4 (2020): 158–72.

and various forms of fraudulent practices. Meanwhile, in the managerial dimension, shidiq strengthens transparency and accountability in organizational governance, particularly in financial management and reporting. Furthermore, the implementation of shidiq values not only impacts the behavior of individual leaders but also forms a healthy organizational culture. A culture of honesty encourages transparency, accountability, and increased trust both internally and externally in the organization²¹. Thus, shidiq serves as a foundation for building sustainable MSME governance.

The implementation of the value of shidiq in leadership is a crucial aspect in realizing organizational governance based on Islamic principles. Etymologically, shidiq means truthful, honest, and trustworthy. In the context of leadership, this value reflects the alignment between a leader's words, actions, and decisions. Leaders who embrace the value of shidiq are not only committed to conveying accurate information but also ensure that all policies and actions are aligned with the principles of justice, transparency, and responsibility. In Islam, honesty is seen as a primary foundation for building effective leadership because it creates a healthy organizational environment oriented toward the common good. One form of implementation of the value of shidiq can be seen in the decision-making process. Leaders who uphold honesty will base every decision on facts, data, and objective considerations, rather than on personal or group interests. The value of shidiq encourages leaders to avoid information manipulation, abuse of authority, or practices that could harm the organization. From an Islamic perspective, decision-making based on honesty is part of a trust that must be accounted for, both to humans and to Allah SWT. Therefore, leaders are required to consider the long-term impact of every policy taken and ensure that the decision provides the greatest possible benefits for the organization and stakeholders.

The implementation of Shidiq is also reflected in the relationships between leaders and employees and various stakeholders. Honesty in communication is a crucial factor in building harmonious and productive working relationships. Leaders who are open about organizational conditions, business targets, and challenges are more likely to gain employee support and trust. Transparency in conveying information can reduce misunderstandings, increase participation, and strengthen a sense of belonging to the organization. Furthermore, honesty with customers, suppliers, investors, and business partners is a crucial element in maintaining sustainable business relationships. When leaders demonstrate integrity in every interaction, relationships are built on mutual trust and respect.

Furthermore, the value of Shidiq serves as the foundation for building organizational trust (organizational trust). Trust is an intangible asset that has a significant impact on organizational effectiveness. Organizations led by honest individuals tend to have higher levels of trust, both among organizational members and external parties. This trust can increase employee loyalty, strengthen organizational commitment, and encourage better collaboration. In the long term, an organizational culture built on honesty will create a conducive work environment, increase productivity, and support the achievement of organizational goals sustainably. Therefore, the implementation of the value of shidiq in

²¹ D E Warren, J P Gaspar, and W S Laufer, "Is Formal Ethics Training Merely Cosmetic? A Study of Ethics Training and Ethical Organizational Culture," *Business Ethics Quarterly* 24, no. 1 (2014): 85–117.

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leadership not only has moral and spiritual dimensions, but also provides tangible benefits for improving organizational performance and the sustainability of MSMEs.

Analysis/Discussion

Impact of Shidiq Values on the Performance and Sustainability of MSMEs

The value of shidiq in Islamic leadership has a significant impact on improving the performance and sustainability of MSMEs. Honest leadership can create a healthy organizational culture, increase customer trust, and strengthen working relationships between business owners and employees. In the context of MSMEs, honesty is a crucial factor because most business activities are managed directly by the owner, thus the leader's character has a significant influence on the direction and culture of the organization. The application of shidiq values encourages transparency, accountability, and consistency in carrying out business activities, which ultimately impacts organizational effectiveness and the quality of service to customers. From a managerial perspective, the application of shidiq values contributes to improved decision-making quality. Leaders who uphold honesty tend to base decisions on facts, data, and objective considerations, thereby reducing the risk of errors and abuse of authority. Furthermore, honesty strengthens the efficiency of financial management through accurate, transparent, and accountable reporting practices. Good governance not only enhances business credibility but also helps MSMEs plan more effective business strategies to address changes in the business environment²².

The implementation of the shidiq value also has an impact on increasing trust and loyalty among stakeholders. Honesty in conveying product information, fulfilling promises to customers, and openness in establishing business relationships can build a positive reputation. A good reputation is a crucial asset for MSMEs because it can increase customer loyalty, strengthen relationships with suppliers and business partners, and create opportunities for long-term collaboration. In an increasingly competitive business world, trust built through honesty is a strength that is difficult for competitors to imitate and contributes to increased business competitiveness. From a business resilience perspective, MSMEs led by individuals with shidiq characteristics tend to be more resilient in facing various challenges and crises. Honesty serves as social capital that strengthens relationships between business actors and various parties, thus facilitating the development of long-term partnerships and maintaining business stability. Trust built through honest business practices can also open wider access to external resources, including support from investors and financial institutions²³.

Shidiq values also play a role in increasing MSMEs' access to financing, particularly from Islamic financial institutions. A reputation for honesty is often a key indicator in assessing a business's credibility and creditworthiness. Therefore, MSMEs with a strong track record of honesty tend to have an easier time obtaining trust-based financing. In fact, the

²² J Abor and N Biekpe, "Corporate Governance, Ownership Structure and Performance of SMEs in Ghana: Implications for Financing Opportunities," *Corporate Governance: The International Journal of Business in Society* 7, no. 3 (2007): 288–300.

²³ D Cumming and S Johan, "The Role of Trust in Entrepreneurial Finance," *Journal of Business Venturing* 34, no. 2 (2019): 255–70.

trust built through the application of Shidiq values can provide strategic advantages in the form of easier access to financing, expanded business networks, and greater business development opportunities²⁴. From an organizational perspective, the application of Shidiq values encourages the formation of a transparent, collaborative, and responsibility-oriented work culture. Employees tend to have higher levels of loyalty, motivation, and commitment when working in an environment that upholds honesty and openness²⁵. These conditions can increase work productivity, strengthen teamwork, and support the achievement of organizational goals more effectively. In addition to impacting economic and organizational aspects, Shidiq values also contribute to business sustainability from a social and environmental perspective.

Honest business practices encourage adherence to product quality standards, consumer protection, and environmental responsibility. MSMEs that implement honesty principles tend to pay greater attention to waste management, efficient resource use, and compliance with applicable regulations²⁶. Thus, the value of shidiq supports not only economic sustainability but also social and environmental sustainability as part of responsible business practices. From an Islamic perspective, business success is measured not only by financial profit but also by the blessings and benefits it brings to society. Leadership based on the value of shidiq encourages entrepreneurs to conduct business ethically, fairly, and responsibly as a form of worship to Allah SWT²⁷. Therefore, the value of shidiq not only has moral and spiritual dimensions but also serves as a leadership strategy that can improve performance, strengthen trust, build competitiveness, and maintain the long-term sustainability of MSMEs.

Literature Synthesis of Shidiq-Based Islamic Leadership in MSMEs

The synthesis of the literature shows that most studies emphasize the role of Islamic leadership in improving MSME performance through innovation, business ethics, and trust, which implicitly reflect the value of shidiq as a key factor. This finding contributes by constructing the role of shidiq not only as a normative value, but as a strategic framework in MSME leadership that integrates ethical, managerial, and social aspects. Honesty in leadership has been proven to strengthen relationships between business actors and stakeholders, including employees, customers, and business partners, thereby creating a more stable and trustworthy business ecosystem. Furthermore, the implementation of shidiq values contributes to establishing a transparent and accountable organizational culture. Transparency in financial management and openness in decision-making encourage increased internal and external trust. This condition has implications for increased employee loyalty and customer satisfaction, which ultimately supports the long-term sustainability of

²⁴ A Moro, M Fink, and D Maresch, "Reduction in Information Asymmetry and Credit Access for Small and Medium-Sized Enterprises," *Journal of Small Business Management* 54, no. S1 (2016): 199–216.

²⁵ K T Dirks and D L Ferrin, "Trust in Leadership: Meta-Analytic Findings and Implications for Research and Practice," *Journal of Applied Psychology* 87, no. 4 (2002): 611–28.

²⁶ B Roxas and A Coetzer, "Institutional Environment, Managerial Attitudes and Environmental Sustainability Orientation of Small Firms," *Journal of Business Ethics* 111, no. 4 (2012): 461–76.

²⁷ R I Beekun, "Character Centered Leadership: Muhammad (p) as an Ethical Role Model for CEOs," *Journal of Management Development* 31, no. 10 (2012): 1003–20.

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MSMEs. Thus, shidiq values play a crucial role in simultaneously integrating ethical aspects and business performance.

However, although most studies show a positive relationship, the implementation of shidiq values in MSME practice is not always optimal. Several studies indicate that the effectiveness of implementing the value of honesty is strongly influenced by contextual factors, such as the managerial capacity of business actors, the level of financial literacy, and the developing organizational culture. This suggests that the value of shidiq cannot stand alone but needs to be supported by an adequate governance system to achieve maximum impact. Shidiq can also be understood as a form of social capital that strengthens a business's reputation. MSMEs that uphold honesty tend to more easily gain the trust of financial institutions and business partners, thus opening up opportunities for access to financing and strategic partnerships. In this context, shidiq not only has moral and spiritual dimensions but also functions as a managerial instrument capable of increasing business competitiveness and resilience.

This study shows that the value of shidiq not only functions as an ethical principle but also plays a strategic role in improving the performance and sustainability of MSMEs through three main dimensions: leadership integrity, transparent organizational governance, and stakeholder trust. These three dimensions are interrelated and form an integrated mechanism, where leader integrity encourages transparent governance and ultimately increases stakeholder trust, thus directly impacting improved business performance and sustainability. These findings confirm that shidiq is not only a moral foundation in Islamic leadership but also functions as a managerial strategy capable of creating competitive advantage and strengthening business resilience amid ethical challenges and economic uncertainty. However, the effectiveness of implementing shidiq values is strongly influenced by contextual factors, such as managerial capacity, literacy level, and organizational culture, thus requiring the support of an adequate management system. Based on the results of this synthesis, this study proposes that the value of shidiq influences the performance and sustainability of MSMEs through three main channels: leadership integrity, organizational governance, and stakeholder trust, so it can be positioned as a strategic variable that integrates ethical, managerial, and social aspects in MSME leadership.

CONCLUSION

This study concludes that the value of shidiq plays a strategic role as the core of Islamic leadership in MSMEs. This value not only shapes the personal integrity of leaders but also serves as a foundation for creating transparent, fair, and trustworthy business governance. Thus, shidiq is a key element in building trust and strengthening the sustainability of MSMEs. Practically, the application of shidiq values can be integrated into MSME managerial practices, such as transparency in financial management, honesty in interactions with customers, and consistency in decision-making. This implementation has the potential to improve business reputation, strengthen relationships with stakeholders, and open wider access to financing and partnerships. Further research is recommended to empirically test the application of shidiq values in various MSME sectors and examine their

relationship with other factors such as digitalization, innovation, and leadership dynamics, to obtain a more comprehensive and applicable understanding.

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