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Islamic Digital Dynamic Competence Strategy: Enhancing Repurchase Decisions in Micro-Scale Retail

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Abstract

Purpose: Purchase decision analysis plays a mediating role in the relationship between Islamic digital dynamic capabilities and repurchase decisions in micro-scale retail in developing countries.

Design/methodology/approach: This study employs quantitative research using SEM-AMOS to analyze causal relationships between variables and to explain the role of purchase decisions as a mediating variable in enhancing the effectiveness of Islamic digital dynamic capabilities on repurchase decisions. This method offers a new, more in-depth, and integrated perspective while addressing gaps in prior research to support micro-scale retail business strategies in developing countries. The study population consists of micro-scale retail consumers in Jember Regency, with a sample of 600 respondents selected via probability sampling.

Findings: Islamic digital dynamic competency has a positive and significant effect on purchasing decisions. Islamic digital dynamic competency has a positive and significant effect on repurchase decisions. Purchase decisions have a positive and significant effect on repurchase decisions. Purchase decisions act as an intervening factor in the relationship between Islamic digital dynamic competency and repurchase decisions..

Practical implications: The enhancement of Islamic digital dynamic competencies needs to be directed as a continuous learning process aimed at building dynamic competencies, rather than merely meeting service standards.

Originality/value: Development of an Islamic digital dynamic competence strategy concept

Paper type: empirical

Keywords: Islamic Digital Dynamic Competence, Purchase Decision, Repurchase Decision, Micro-scale Retail

1. Introduction

Digital transformation has significantly altered the behavior of Indonesian consumers. National internet penetration has reached approximately 79.5% of the total population, indicating that the majority of the public utilizes the internet for communication, information seeking, financial transactions, and e-commerce. (Indonesia, 2025). These behavioral shifts drive consumers to expect faster, easier, personalized, and integrated services across various digital platforms. Consequently, micro-scale retailers are required to possess a high degree of adaptability to continue meeting consumer expectations (Fatimah et all., 2024; Hartanto, 2025; Bilgihan, A., Ostinelli, M., Zhang, Y., & Lorenz, 2025) .

On the other hand, MSMEs remain a key pillar of Indonesia's economy. The government records approximately 66 million MSMEs, which contribute around 61% to the national Gross Domestic Product (GDP) and employ about 97% of the Indonesian workforce. The majority of these business units are micro-enterprises operating in the trade and retail sectors (UMKM, 2025; Ahdiat, 2025). This situation demonstrates that enhancing the competitiveness of micro-scale retail impacts not only business sustainability but also national economic stability. The acceleration of payment system digitalization also presents immense opportunities for the development of micro-retail. Bank Indonesia reported that throughout 2024, QRIS transaction volume rose by 191.8% (year-on-year), while BI-FAST transactions increased by 62.4% compared to the previous year. Furthermore, the number of QRIS merchants reached approximately 35.9 million—with 92.6% being MSMEs—while the number of QRIS users surpassed 55 million. These figures indicate that payment digitalization has expanded rapidly; however, not all micro-retailers have yet been able to leverage it as part of a customer-oriented business strategy (Letlet, A., Rai, K., & Garg, 2026).

Despite the rapid pace of digital transformation, studies indicate that most research on repurchase behavior in micro-retail still focuses on traditional variables—such as service quality, price, customer satisfaction, trust, or digital promotions. Research on dynamic capabilities has also largely emphasized organizational abilities to respond to technological changes, innovation, and business environments, without considering religious dimensions as a source of competitive advantage. Yet, in the context of Indonesia—home to the world's largest Muslim population—Islamic values such as *amanah* (trustworthiness), *ṣidq* (honesty), *ihsan* (excellence in service), *'adl* (justice), and transparency play a role in shaping trust and long-term relationships between consumers and business operators. The novelty of this research lies in the development of the concept of an "Islamic digital dynamic competence strategy"—defined as an organization's ability to continuously identify business environment changes (sensing), capitalize on digital opportunities (seizing), and undergo organizational transformation (transforming) through the use of digital technologies aligned with Islamic business ethics. This concept extends Dynamic Capability Theory (Teece, 2018) by incorporating the religious dimension as a source of competitive advantage capable of strengthening consumer trust and driving repurchase decisions. The objective of this study is to analyze the mediating role of the purchase decision in the relationship between Islamic digital dynamic capabilities and repurchase decisions within micro-scale retail businesses in developing countries.

2. Literature Review and Hypotheses Development

Islamic digital dynamic competence

Islamic digital dynamic competence is an evolution of the dynamic capability concept that integrates digital capabilities with Islamic business ethics principles. This competence encompasses a micro-enterprise's ability to leverage digital technology, identify market changes, innovate services, build customer relationships, uphold the value of trustworthiness, maintain honesty, provide fair service, and prioritize the well-being of customers. As this concept is relatively new, it has not yet been extensively tested empirically, particularly within the micro-scale retail sector.

Digital competence is a key factor in enhancing the competitiveness of SMEs in the digital economy era. (Teece, 2018; Warner, K. S.R. and Wäger, 2019; Mikalef et al., 2020). Meanwhile, Islamic Marketing literature (El-Bassiouny NM, Wilson JA, 2017) explains that Sharia-based business conduct enhances customer trust, thereby fostering loyalty and repeat purchases.

Buying decision

A purchase decision is a consumer problem-solving process involving need recognition, information search, evaluation of alternatives, the purchase decision itself, and post-purchase behavior (Olson, 2022; Rajagopal, 2025).

H1: Islamic digital dynamic competence has a significant influence on purchase decisions
H2: Islamic digital dynamic competence has a significant influence on repurchase decisions
H3: Purchase decisions have a significant influence on repurchase decisions
H4: Purchase decisions act as an intervening variable in the influence of Islamic digital dynamic competence on repurchase decisions

3. Research Method

This quantitative study employed a survey method to objectively measure variables and statistically test the relationships between them. Primary data were systematically collected from respondents—enabling the generalization of findings to a broader population—and analyzed using SEM-AMOS with a sample size of 600.

The sample was selected using probability sampling, with the population consisting of micro-scale retail consumers in Jember Regency, East Java. This region was chosen because the retail sector in Jember Regency has experienced growth reaching 8.28 percent (Jember,2024). Rising growth in the retail sector has forced retailers to compete, and many particularly retail MSMEs are struggling to grow.

The Structural Equation Modeling (SEM) analysis in this study employs the Full Structural Equation Model technique using AMOS. SEM analysis is deemed appropriate here, provided specific assumptions are met: a minimum sample size of 200 (or a ratio of five observations per estimated parameter—a fundamental assumption in multivariate analysis), the identification of outliers, and the assessment of multicollinearity. Furthermore, the approach relies on strong theoretical justification, as SEM serves to confirm theoretical models using empirical data rather than to generate new models or establish new causal relationships. Consequently, hypothesis testing is conducted using the chi-square statistic. The study aims to analyze the influence of Islamic digital dynamic competence on purchase decisions, with the ultimate goal of enhancing repurchase decisions.

This study employs the variables of Islamic digital dynamic competence, purchase decisions, and repurchase decisions. The indicators for the Islamic dynamic competence variable include leveraging digital technology, identifying market changes, innovating services, and building customer relationships. (Mikalef et al., 2020; Fianto, B. A., et all, 2026). The purchase decision variable, with indicators comprising product availability (ease of finding the product), value commensurate with price, confidence in making the right decision, and the choice of seller or place of purchase (Armstrong, 2022) (Meilatinova, 2021). Indicators of the repurchase decision are intention to buy again, continuing purchase, and repeat patronage. (Kumar, A., & Kashyap, 2022).

4. Result and Discussion

The research results are presented in Tables 1, 2, 3, and 4.

Table 1
Respondent Description

	∑	%
Gender		
Man	206	34,3
Woman	394	65,7
Usia		
< 21 years	26	4,3
21 – 30	136	22,7
31 – 40	147	24,5
41 – 50	197	32,8
Work		
Students	63	10,5
PNS	80	13,3
BUMN	25	4,2
Pegawai Swasta	249	41,5
Wiraswasta	66	11,0
Ibu Rumah Tangga	117	19,5
Pendidikan		
SD	3	0,5
SMP	43	7,2
SMA	284	47,3
S1	266	44,3
S2	4	0,7

Source: Processed data, 2026

Table 2
Uji Validitas dan Reliabilitas

Information	Indicator	Loading (l)	λ^2	$1 - \lambda^2$	CR
Islamic digital dynamic competence (X_1)	X11	0,569	0,324	0,676	0,632
	X12	0,568	0,323	0,677	
	X13	0,503	0,253	0,747	
	X14	0,552	0,305	0,695	

Information	Indicator	Loading (l)	λ^2	$1 - \lambda^2$	CR
	Amount	**2,192**		**2,796**	
Buying Decision (Z)	Z1	0,581	0,338	0,662	0,699
	Z2	0,619	0,383	0,617	
	Z3	0,591	0,349	0,651	
	Z4	0,634	0,402	0,598	
	Amount	**2,425**		**2,528**	
Repurchase Decision (Y)	Y1	0,595	0,354	0,646	0,702
	Y2	0,725	0,526	0,474	
	Y3	0,668	0,446	0,554	
	Amount	**1,988**		**1,674**	

Source: Processed data, 2026

Table 3
Causality Test

			Estimate	S.E.	C.R.	P	Results
Z	<---	X	0,172	0,073	2,354	0,019	Significant
Y	<---	X	0,203	0,082	2,464	0,014	Significant
Y	<---	Z	0,273	0,072	3,814	0,000	Significant

Source: Processed data, 2026

Tabel 4
Results of the Indirect Effect Test

Influence	Estimate	C.R.	P	Information
Y <--- Z <--- X1	0,047	2,001	0,045	Significant

Source: Processed data, 2026

Table 2 illustrates that the indicators for the independent variable (Islamic digital dynamic competence), the intervening variable (Purchase Decision), and the dependent variable (Repurchase Decision) are valid for data collection, as their loading factors exceed 0.50.

Path coefficient testing regarding the influence of Islamic digital dynamic competence (X) on Purchase Decision (Z) revealed a positive path coefficient of 0.172, and C.R. of 2.354, and a probability (p) of 0.019; thus, Islamic digital dynamic competence (X) significantly influences Purchase Decision (Z). The hypothesis stating that Islamic digital dynamic competence has a significant influence on Purchase Decision is accepted. Improvements in the aspects of Islamic digital dynamic competence lead to better Purchase Decisions.

Test results regarding the influence of Islamic digital dynamic competence on Repurchase Decision showed a positive path coefficient of 0.203, C.R. of 2.464, and a probability (p) of 0.014, indicating that Islamic digital dynamic competence (X1) significantly influences Repurchase Decision (Y). Based on these findings, the hypothesis that Islamic digital dynamic competence significantly influences repurchase decisions is accepted. Consequently, it is concluded that service quality is not directly considered a determining factor for purchase decisions.

The path coefficient test results regarding the influence of Purchase Decision (Z) on Repurchase Decision (Y) show a positive path coefficient of 0.273, a C.R. of 3.814, and a probability (p) of 0.000; thus, Purchase Decision (Z) has a significant effect on Repurchase Decision (Y). Consequently, the hypothesis stating that purchase decisions significantly influence repurchase decisions is confirmed. This implies that improvements in dynamic capabilities lead to better purchase decisions.

The Sobel Test regarding the influence of Islamic digital dynamic capabilities on Repurchase Decisions—mediated by Purchase Decisions—yielded a calculated t-value of 2.001 and a probability value of 0.045. This calculated t-value exceeds the t-table value of 1.96 (for n = 600 at α = 5%). Based on these results, it is statistically evident that Purchase Decision acts as an intervening variable in the relationship between Islamic digital dynamic capabilities and Repurchase Decision. Therefore, the hypothesis stating that Islamic digital dynamic capabilities significantly influence repurchase decisions through purchase decisions is validated. This indicates that Islamic digital dynamic capabilities both directly and indirectly through purchase decisionsimpact repurchase decisions.

Discussion

The Influence of Islamic Digital Dynamic Competence on Purchase Decisions

The analysis results indicate that the Islamic digital dynamic competence variable has a positive and significant influence on purchase decisions. This confirms the study's first hypothesis, which stated that Islamic digital dynamic competence significantly influences purchase decisions. In this study, the influence of Islamic digital dynamic competence on purchase decisions is positive and direct, implying that higher levels of Islamic digital dynamic competence lead to better purchase decisions.

The Influence of Islamic Digital Dynamic Competence on Repurchase Decisions

The analysis results indicate that the Islamic digital dynamic competence variable has a positive and significant influence on repurchase decisions. This confirms the study's second hypothesis, which stated that Islamic digital dynamic competence significantly influences repurchase decisions. In this study, the influence of Islamic digital dynamic competence on repurchase decisions is positive and direct, implying that higher levels of Islamic digital dynamic competence lead to a higher likelihood of repurchase decisions.

The Influence of Purchase Decisions on Repurchase Decisions

The analysis results indicate that the purchase decision variable has a positive and significant influence on repurchase decisions. This confirms the study's third hypothesis, which stated that purchase decisions significantly influence repurchase decisions. In this study, the influence of purchase decisions on repurchase decisions is positive and direct, implying that better purchase decisions lead to better repurchase decisions.

The Influence of Islamic Digital Dynamic Competence on Repurchase Decisions through Purchase Decisions

The analysis results indicate that the purchase decision variable acts as an intervening factor in the relationship between Islamic Digital Dynamic Competence and repurchase decisions. This can be explained by the fourth research hypothesis, which states that Islamic Digital Dynamic Competence has a significant influence on repurchase decisions through whether the purchase decision is accepted or proven to be true. This implies that improved Islamic Digital Dynamic Competence will lead to increased purchase decisions and ultimately lead to increased repurchase decisions.

5. Conclusion

First, Islamic Digital Dynamic Competence has a significant positive influence on purchase decisions. Second, the influence of purchase decisions is significantly positive on repurchase decisions. Third, the influence of Islamic Digital Dynamic Competence is positive and significant on repurchase decisions through purchase decisions. Customer purchasing behavior in Micro-Scale Retail is more influenced by the business's adaptive capabilities than by direct service quality. Practically, these findings confirm that improving Islamic Digital Dynamic Competence needs to be directed as a continuous learning process to build dynamic competencies, not simply a matter of meeting service standards.

Simply put, this study examines Islamic Digital Dynamic Competence in micro-retail. This research makes an important theoretical contribution to micro-retail, namely that Islamic Digital Dynamic Competence has a significant positive influence on purchasing decisions. The practical implication for micro-retailers is that Islamic Digital Dynamic Competence plays a crucial role in shaping purchasing decisions, such as the ability to understand customer needs, handle complaints, and customize services. Micro-retailers need innovative solutions to face competition from modern retailers. Islamic Digital Dynamic Competence can be an effective strategy for adapting and optimizing resources.

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