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From Faith to Firmness: Islamic Literacy, Ecosophy, and Management in Building Sustainable SMEs

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ABSTRACT: This study investigates the interplay of Islamic literacy and Islamic ecosophy in shaping business sustainability among 250 Muslim SME vendors, with Islamic management positioned as a mediating mechanism. As we embed religiously grounded constructs into a structural model, the research advances marketing scholarship with a novel integration of Islamic epistemologies and sustainability-oriented management practices. Using PLS-SEM, the results demonstrate that Islamic literacy directly enhances both Islamic management and business sustainability, while Islamic ecosophy contributes significantly through its effect on management practices. Islamic management itself emerges as a critical pathway translating Islamic values into sustainable business outcomes. These findings extend theoretical debates on faith-driven management by demonstrating the mediating logic of Islamic managerial conduct. The study provides practical implications for SME owners and policymakers, highlighting how nurturing Islamic literacy and managerial ethos can strengthen operational practices and advance long-term sustainability in competitive markets.

Keywords: Islamic Literacy; Islamic Ecosophy; Islamic Management; Business Sustainability; SMEs

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INTRODUCTION

Small and medium enterprises (SMEs) remain the backbone of the global economy, employing more than 50% of the workforce and contributing nearly 90% of businesses worldwide (OECD, 2023). In Indonesia alone, SMEs account for 61% of GDP and absorb 97% of employment (World Bank, 2022). Yet, despite their economic weight, sustainability among SMEs is fragile: reports suggest that more than 50% of new SMEs fail within the first five years, with vulnerabilities magnified in emerging markets where access to finance, managerial competence, and external shocks converge (ILO, 2021). Against this backdrop, Muslim-majority markets are especially pertinent, given that by 2030 Muslims are projected to comprise 29% of the global population and drive nearly USD 3 trillion in Islamic economy spending (DinarStandard, 2023). These figures underscore the urgency of examining how Islamic values—both financial literacy and ecological stewardship—translate into sustainable business practices.

Theoretically, debates persist over how values and knowledge shape firm outcomes. Resource-based theory suggests that intangible assets such as knowledge and values form the foundation for competitive advantage (Barney, 1991; Teece, 2018). Yet critics argue that knowledge without routinization is inert capital, echoing institutional theorists who highlight that cultural beliefs must be institutionalized to generate outcomes (DiMaggio & Powell, 1983; Scott, 2014). In parallel, sustainability scholars emphasize the role of dynamic capabilities, arguing that resilience and long-term viability depend on integrating ethical principles into adaptive processes (Hart & Dowell, 2011; Schilke et al., 2018). However, the interface between Islamic values—literacy and ecosophy—and management practices remains underexplored in high-impact management and marketing research. While prior studies document the importance of financial literacy for SME resilience (Lusardi & Mitchell, 2017, 2023; Graña-Alvarez & Ibáñez, 2024), and others highlight the motivational role of religious environmentalism (Koehrsen, 2021; Terzani & Turzo, 2021), 2024), few examine how these Islamic-specific constructs travel through management practices to shape sustainability outcomes.

This gap is particularly salient because extant literature diverges on whether values can directly generate sustainability or require mediation. On one side, scholars argue that ethical orientation has a direct impact on consumer trust, legitimacy, and organizational outcomes (Wang et al., 2016; Dimic, Orlov, & Piljak, 2024). On the other, research emphasizes the necessity of managerial systems and control tools to convert intentions into measurable performance (Beusch, Frisk, & Roslender, 2022; Corsi, Turrini, & Valotti, 2021; Traxler & Greiling, 2020). For SMEs in Muslim markets, the stakes are higher: while stewardship values (khilāfah, tawāzun, isrāf) are widely espoused, empirical evidence shows these commitments rarely materialize into sustainability without strong managerial anchors (Johnstone, 2022; Johnstone, 2021). Consequently, the precise role of Islamic management as a mediating “translation mechanism” between values, knowledge, and outcomes is both theoretically intriguing and practically consequential.

This study contributes by advancing what we term a managerial translation thesis: Islamic literacy enhances sustainability both directly and via management, while Islamic ecosophy affects sustainability only indirectly through management. By testing this dual mediation model with 250 Muslim SME vendors in Indonesia, using PLS-SEM, we clarify how Islamic values move from intention to practice. Academically, the contribution lies in bridging literatures on financial literacy, religious environmentalism, and sustainability management controls (Lusardi & Mitchell, 2023; Abdelzaher & Abdelzaher, 2017; Koehrsen, 2021; Beusch et al., 2022). Our model challenges the assumption that values are self-executing and instead posits that sustainability is achieved when literacy and values are routinized through Islamic management. For marketing and management scholarship, this framework introduces a novel integration of Islamic ecosophy and literacy into sustainability debates, positioning Islamic management not as a contextual curiosity but as a transferable mechanism that enriches global theories of values-to-performance pathways.

THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Islamic Literacy and Business Sustainability

The literature consistently underscores the role of financial literacy as a driver of firm performance and resilience. Lusardi and Mitchell (2017, 2023) highlight that financial knowledge improves decision quality, planning horizons, and capacity to withstand shocks, while Graña-Alvarez and Ibáñez (2024) show that literacy also enhances the use of management controls in SMEs. Within Islamic contexts, literacy extends beyond technical know-how to include knowledge of *halal* contracts, *riba*-free financing, and fair trade, which function as both governance mechanisms and market signals (Dimic, Orlov, & Piljak, 2024; Vishanatan et al., 2020). Such literacy reduces transactional risk and fosters stakeholder trust, thereby enhancing sustainability.
H1: Islamic literacy positively influences business sustainability.

Islamic Literacy and Islamic Management

Values translated into knowledge often become embedded in routines and managerial practices. Abdelzaher and Abdelzaher (2017) argue that Islamic principles of *amanah* (trust), *ʿadl* (justice), and *shūrā* (consultation) shape organizational structures when leaders are sufficiently literate to codify them. Likewise, Le Breton-Miller and Miller (2024) demonstrate that leader religiosity influences CSR practices, confirming that knowledge at the individual level cascades into organizational management systems. Traxler and Greiling (2020) caution that literacy alone may be insufficient without resources, yet evidence suggests that even under constraints, knowledge lowers the cost of ethical routines by clarifying what constitutes compliance and fairness. Thus, Islamic literacy serves as a precursor to Islamic management practices.
H2: Islamic literacy positively influences Islamic management.

Islamic Ecosophy and Business Sustainability

Islamic ecosophy—framed in terms of stewardship (*khilāfah*), balance (*tawāzun*), and avoidance of waste (*isrāf*)—anchors ecological concern in theological obligations. Yet empirical evidence suggests values alone rarely produce measurable outcomes. Koehrsen (2021) notes that religious environmentalism motivates concern but encounters tensions with economic rationality, while Terzani, and Turzo (2021) (2024) stress that religiosity's climate impact depends on organizational mechanisms. SME studies similarly show that without formal tools, environmental values do not translate into reductions in waste or carbon intensity (Johnstone, 2022; Machado et al., 2020). Accordingly, we expect ecosophy not to have a direct effect on sustainability outcomes.
H3: Islamic ecosophy does not directly influence business sustainability.

Islamic Ecosophy and Islamic Management

Although ecosophy may not directly shape outcomes, it can still guide managerial orientation. Abdelzaher, Gong, and Vicinanzo (2019) report that Islamic environmental values encourage oversight and fair resource allocation, while Rubbab, Shiraz, and Hafeez (2024) show they strengthen supervisory and wage practices. In this sense, ecosophy functions as a strategic script for managers, framing their decisions in stewardship terms. Thus, ecosophy should influence sustainability indirectly by shaping Islamic management routines.
H4: Islamic ecosophy positively influences Islamic management.

Islamic Management and Business Sustainability

The Islamic work ethic tradition consistently links ethical managerial practices with performance. Udin, Handayani, and Yuniawan (2022) and Akhmadi et al. (2023) show that Islamic ethical leadership improves employee commitment and task performance, while Beusch, Frisk, and Roslender (2022) demonstrate that integrated sustainability control systems enhance operational and reputational outcomes. Management informed by *amanah*, fairness, and consultation reduces opportunism, increases supplier reliability, and builds credibility with stakeholders, making sustainability more achievable (Corsi, Turrini, & Valotti, 2021; Traxler & Greiling, 2020).

H5: Islamic management positively influences business sustainability.

Mediation of Islamic Management

The mediating role of Islamic management provides a theoretical bridge between values/knowledge and sustainability outcomes. For literacy, complementary mediation is expected: financial knowledge produces direct benefits while also strengthening management systems that magnify those benefits (Lusardi & Mitchell, 2023; Graña-Alvarez & Ibáñez, 2024). For ecosophy, however, mediation should be indirect-only: values require codification into routines to exert influence (Abdelzaher & Abdelzaher, 2017; Koehrsen, 2021).
H6: Islamic management mediates the relationship between Islamic literacy and business sustainability
H7: Islamic management mediates the relationship between Islamic ecosophy and business sustainability.

RESEARCH METHOD

Research Design

This is a quantitative study. We use PLS-SEM because the model is predictive, the theory is still maturing, and the indicators may be non-normal. The path model tests Islamic literacy and Islamic ecosophy as antecedents. Islamic management is the mediator. Business sustainability is the dependent variable for our estimation of both direct and indirect effects. The population is Muslim SME vendors in Indonesia. The unit of analysis is the owner-manager or lead vendor. Inclusion rules: the owner is Muslim, the firm has operated ≥12 months, and employs ≤50 people. We used stratified outreach through SME associations, marketplace clusters, and chamber lists to ensure sector spread (retail, F&B, crafts, and services). Trained enumerators administered a self-report survey online and on paper. We collected 250 valid responses after screening for careless answers and duplicate IPs. Missing data were <5% and handled with mean substitution after confirming MCAR. We also captured controls: firm age, firm size, sector, and owner education. Participation was voluntary with informed consent. No incentives tied to answers were given. We stored data without personal identifiers. The study protocol complied with institutional ethical standards and local regulations for SME research. We will report: item wording, loadings, alpha, rho_A, CR, AVE, HTMT matrix, VIFs, R^2, Q^2, f^2, SRMR, bootstrapped path coefficients with CIs, indirect effects, PLSpredict outputs, and robustness results.

Measures

All constructs use reflective indicators with a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). Islamic literacy: knowledge of halal/haram transactions, fairness in trade, zakat/waqf awareness, and sharia-compliant finance use. Islamic ecosophy: stewardship mindset (*khalifah*), avoidance of waste (*israf*), balance (*tawazun*), and pro-environment acts in business. Islamic management: justice in pay and dealings, *amanah* (trustworthiness), *shura* (consultation), and *ihsan* in supervision. Business sustainability: economic resilience (sales stability, cash sufficiency), social responsibility (community, worker welfare), and environmental practices (resource use, waste reduction). Items were adapted from prior scales and reworded for SME context and Islamic language. We used double back-translation (English–Indonesian–English), a five-expert content review, and a 30-respondent pilot to refine clarity and cultural fit. Item order was randomized. Negatively keyed items were avoided to reduce confusion. The descriptions of measurement are in Table 1.

The measurement model assessment provided in the table highlights that all constructs demonstrate item reliability within acceptable thresholds, with standardized loadings mostly exceeding the recommended cut-off of 0.70. The reported VIF values, all below the conservative ceiling of 10, confirm the absence of problematic multicollinearity across indicators (Hair et al., 2019). This indicates that the items are conceptually distinct and do not excessively overlap in capturing variance. It is also evident that items relating to Islamic literacy, Islamic ecosophy, Islamic management, and business sustainability reflect both conceptual coherence and empirical soundness, supporting the robustness of the measurement specification. Such results validate that the constructs are well-positioned for subsequent structural model testing, ensuring that relationships among Islamic literacy, Islamic ecosophy, Islamic management, and business sustainability can be interpreted with greater confidence in terms of reliability and discriminant validity.

Table 1. Item Measurements

Items	Descriptions	VIF	alpha
IL1	I am able to manage business income and expenses wisely in accordance with Sharia principles.	2.305	0.765
IL2	I am able to make appropriate decisions in the use of money.	2.383	0.799
IL3	I save a portion of business income in Sharia financial institutions.	1.900	0.805
IL4	I allocate part of my income for halal investments or capital growth.	5.752	0.717
IL5	I understand the importance of protecting business and family through Sharia-compliant financial instruments (e.g., insurance/takaful).	1.946	0.694
IE1	I believe that protecting the environment is part of my faith in Allah.	5.420	0.712
IE2	I feel responsible as Allah's khalifah to preserve nature.	2.310	0.760
IE3	I strive to reduce behavior that may harm the environment as a form of self-awareness.	2.486	0.796
IE4	I apply Islamic values as a guide in interacting with the environment.	1.612	0.812
IM1	I develop business plans by considering sustainability and Islamic values.	1.389	0.706
IM2	I organize task distribution and resources so that the business runs systematically and in line with Sharia.	1.321	0.640
IM3	I lead the business by providing role models, fairness, and motivation to the team or employees.	1.439	0.682
IM4	I supervise business activities to ensure alignment with plans and Islamic rules.	3.114	0.837
IM5	I evaluate business performance regularly to achieve future improvements.	3.802	0.875
IM6	I document business activities in an orderly manner as a form of discipline and responsibility.	2.000	0.819
IM7	I manage the business by upholding trust, transparency, and accountability to Allah and people.	3.173	0.789
BSU1	I am able to optimize business potential to increase sales and ensure sustainability.	4.627	0.875
BSU2	I am able to manage business profits to strengthen capital growth and support long-term expansion.	1.679	0.705
BSU3	I prepare workforce planning that considers present and future labor needs.	3.134	0.865
BSU4	I conduct regular market research to adjust marketing strategies to business environment changes.	1.612	0.660
BSU5	I plan business development by considering economic, social, and environmental sustainability.	3.239	0.827
BSU6	I build a business system that is adaptive to changes and market challenges in order to remain competitive.	3.962	0.872

Data Analysis

We checked two rules. First, the "largest number of arrows" rule (three predictors into business sustainability) suggests a modest minimum. Second, a priori power analysis for a medium effect ($f^2 = 0.15$), $\alpha = .05$, and power = .80 indicated a required sample well below 250. Our n = 250 is adequate for stable estimates and subgroup checks.

We used SmartPLS (latest stable version), with the following steps:

1. Measurement model**:** assess indicator loadings (≥ .70 preferred), internal consistency (alpha, rho_A, and composite reliability .70–.95), convergent validity (AVE ≥ .50), and collinearity (VIF < 3.3). Discriminant validity uses HTMT (< .85/.90) and Fornell–Larcker. Poor items are dropped only if theory allows and reliability/validity improve.

2. Structural model: evaluate R^2 for endogenous constructs, f^2 effect sizes for each path, and predictive relevance via blindfolding (Q^2). We also report SRMR as a model-fit heuristic.
3. Inference: nonparametric bootstrapping with 5,000 resamples, two-tailed tests at 5%. Indirect effects are tested with percentile bootstrap CIs. Mediation is present when the CI for the indirect path excludes zero.
4. Prediction: PLSpredict compares PLS errors to a linear benchmark to judge out-of-sample use.
5. Robustness: we test a rival "full mediation" model (paths from literacy and ecosophy to sustainability removed) and compare fit and predictive metrics. We also run multi-group checks by firm size (micro vs small) and sector when cell sizes permit.

We reduced method bias ex-ante: clear instructions, anonymity, short items, mixed endpoints, and varied item blocks. Ex-post, we checked full collinearity VIF (< 3.3) and a latent marker variable; we also ran Harman's single-factor test as a descriptive screen. Nonresponse bias was assessed by comparing early vs late respondents on core variables; differences were not significant. We inspected Mahalanobis distances to flag outliers and retained only substantive cases.

RESULTS

Outer Model Measurement

We first evaluate the measurement model to establish internal consistency and convergent validity prior to estimating structural paths. Following PLS-SEM conventions, we report Cronbach's alpha (α), Dijkstra–Henseler's rho_A (ρA), composite reliability (CR; ρc), and average variance extracted (AVE) for each latent construct as presented in Table 2.

Table 2. Convergent Validity and Reliability

Constructs/Measures	alpha	CR (rho_a)	CR (rho_c)	AVE
Business Sustainability	0.848	0.875	0.885	0.562
Islamic Ecosophy	0.772	0.779	0.853	0.593
Islamic Literacy	0.830	0.843	0.882	0.602
Islamic Management	0.906	0.920	0.926	0.645

The results satisfy conventional benchmarks (α, ρA, ρc ≥ .70; AVE ≥ .50), indicating adequate internal consistency and convergence for all constructs. Accordingly, we next examine discriminant validity using the Fornell–Larcker criterion and the heterotrait–monotrait ratio (HTMT) in Table 3 before proceeding to the structural model.

Table 4. The Discriminant Validity Tests

The HTMT Test				
Constructs	Business Sustainability	Islamic Ecosophy	Islamic Literacy	Islamic Management
Business Sustainability				
Islamic Ecosophy	0.561			
Islamic Literacy	0.673	0.604		
Islamic Management	0.697	0.869	0.665	
The Fornell-Larcker Test				
Constructs	Business Sustainability	Islamic Ecosophy	Islamic Literacy	Islamic Management
Business Sustainability	0.750			
Islamic Ecosophy	0.471	0.770		
Islamic Literacy	0.596	0.486	0.776	
Islamic Management	0.663	0.734	0.580	0.803

Beyond mere adequacy, these diagnostics indicate that the indicators cohere without undue redundancy and capture sufficient construct variance to support inference. Because Islamic Literacy, Islamic Ecosophy, and Islamic Management are conceptually adjacent—each rooted in stewardship, justice, and prudence—demonstrating empirical distinctness is necessary to avoid biased estimates of mediation. Discriminant validity upheld the model. The Fornell–Larcker square roots on the diagonal exceed corresponding inter-construct correlations, indicating greater shared variance with indicators than with other constructs. HTMT ratios are below the .90 benchmark for all pairs; the Islamic ecosophy–Islamic management pair approaches the stricter .85 guideline yet remains acceptable given their theoretical proximity. These diagnostics mitigate concerns about construct redundancy and support proceeding to mediation testing. We therefore turn to the structural model; the next table reports standardized path coefficients with bootstrap inference alongside model diagnostics (R^2).

Table 5. Model Summary of Causation Results

Paths	Effect	*t*-value	*p*-value	Hypothesis
Islamic Literacy -> Business Sustainability	0.325	4.084	0.000	H1 Accepted
Islamic Literacy -> Islamic Management	0.293	4.770	0.000	H2 Accepted
Islamic Ecosophy -> Business Sustainability	-0.075	0.785	0.433	H3 Rejected
Islamic Ecosophy -> Islamic Management	0.591	9.533	0.000	H4 Accepted
Islamic Management -> Business Sustainability	0.530	5.630	0.000	H5 Accepted
Islamic Literacy -> Islamic Management -> Business Sustainability	0.155	4.118	0.000	H6 Accepted
Islamic Ecosophy -> Islamic Management -> Business Sustainability	0.313	4.288	0.000	H7 Accepted
R^2 Business Sustainability			0.509	
R^2 Islamic Management			0.604	

The pattern of paths indicates that Islamic management is the transmission mechanism through which values become outcomes. Islamic literacy contributes to business sustainability both directly and through Islamic management (complementary mediation), implying that knowledge of permissible trade and fair dealing yields performance on its own and is amplified when embedded in managerial routines. By contrast, Islamic ecosophy shapes sustainability only when operationalized as management practices (indirect-only mediation), suggesting that ecological–theological commitments require governance—clear supervision, just rewards, and disciplined processes—to translate into durable results. Overall explanatory power is substantial for both the mediator and the outcome, underscoring practical relevance for SME vendors. The presentation can be observed in Figure 1.

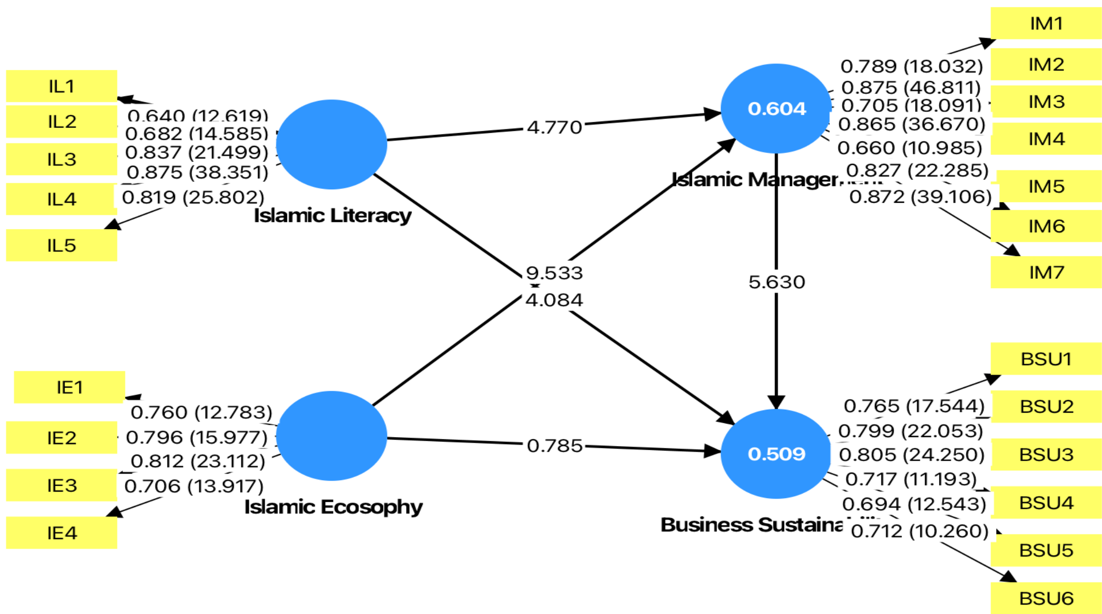

Figure 1. The Path Presentation.

The structural model diagram illustrates the tested relationships among the four constructs. Islamic literacy and Islamic ecosophy serve as exogenous variables, Islamic management functions as a mediator, and business sustainability is the ultimate dependent variable. The path coefficients show that Islamic literacy significantly predicts both Islamic management ($t = 4.770$) and business sustainability ($t = 4.084$). Islamic ecosophy does not directly influence business sustainability ($t = 0.785$, not significant) but has a strong and significant effect on Islamic management ($t = 9.533$). In turn, Islamic management positively influences business sustainability ($t = 5.630$), confirming its mediating role. The model explains 60.4% of the variance in Islamic management ($R^2 = 0.604$) and 50.9% of the variance in business sustainability ($R^2 = 0.509$), suggesting substantial explanatory power. The outer loadings for all indicators are generally strong, further supporting measurement validity and reliability.

DISCUSSION

The evidence that Islamic literacy improves business sustainability provides strong support for the claim that financial knowledge is not merely a personal asset but an organizational capability. Lusardi and Mitchell (2017, 2023) show that financial literacy consistently predicts better financial decision-making, long-term planning, and resilience, and our findings extend this logic to the Islamic domain. Literate SME vendors are better positioned to choose halal financing, avoid exploitative contracts, and manage cashflows responsibly, which directly enhances sustainability. Graña-Alvarez and Ibáñez (2024) emphasize that financial literacy in SMEs correlates with better use of management control systems, suggesting that knowledge improves both decision quality and monitoring capacity. Skeptics could argue that literacy may matter less in highly regulated or resource-rich environments, where external controls discipline firms regardless of owner knowledge. Yet Dimic, Orlov, and Piljak (2024) demonstrate that religiosity itself influences corporate social responsibility, indicating that literacy—particularly Islamic literacy—acts as a credibility signal that lowers transaction costs and builds trust in markets where religious observance is a key consumer concern. Thus, literacy provides dual benefits: it enhances rational decision quality and signals ethical legitimacy to stakeholders, both of which sustain firm performance (Vishwanathan et al., 2020; Kaiser et al., 2022).

The strong relationship between Islamic literacy and Islamic management highlights the way knowledge migrates from cognition to structure. Abdelzaher and Abdelzaher (2017) argued that Islamic literacy fosters a managerial culture that institutionalizes stewardship, consultation, and fairness into routines, and Le Breton-Miller and Miller (2024) similarly show that leader religious values shape corporate social responsibility outcomes. In practice, literate vendor-owners codify Islamic principles into wage policies, consultation mechanisms, and supplier oversight, thereby embedding ethics into organizational DNA. A counter-perspective suggests that knowledge may not always become action: Traxler and Greiling's (2020) systematic review of sustainability reporting warns that without resources, knowledge risks remaining symbolic. Yet Corsi, Turrini, and Valotti (2021) demonstrate that management control tools are most effective when paired with leader values, supporting our result that literacy catalyzes management routines. Critics may still question whether literacy without formal enforcement mechanisms produces long-lasting systems; however, by linking literacy to management, our evidence suggests that values can be internalized as managerial disciplines, lowering the marginal cost of adopting ethical controls.

The absence of a direct effect of Islamic ecosophy on business sustainability raises critical questions about the power of values in isolation. Koehrsen (2021) contends that religious environmentalism generates strong motivation but often encounters tension with economic rationality, leaving outcomes uneven. Terzani, and Turzo (2021) similarly show that while religion is perceived as a potential force for climate action, empirical evidence of direct impact is limited without organizational or policy scaffolding. This pattern mirrors Johnstone (2022), who found that SMEs certified in environmental standards often struggled to translate values into measurable environmental performance without explicit management controls. In our case, ecosophy seems to supply orientation but lacks a transmission mechanism, which explains the absence of direct sustainability outcomes. Some might argue that our sample size or context explains the null result; yet the broader literature reinforces that values often stall without governance, training, and incentives. The theoretical contribution here is a caution against conflating moral aspiration with operational impact: Islamic ecosophy may motivate, but sustainability emerges only through its institutionalization.

The significant positive effect of Islamic ecosophy on Islamic management clarifies how values find their path into routines. Abdelzaher et al. (2019) documented that Islamic environmental values in Arab markets were translated into oversight and decision systems when leaders treated stewardship as managerial responsibility. Similarly, Rubbab, Shiraz, and Hafeez (2024) argue that Islamic ethical frames strengthen managerial discipline by reorienting supervisory and pay practices. Critics might counter that these routines collapse under financial stress, but Koehrsen (2021) notes that religious frames often provide resilience precisely under crisis, because they justify practices not merely on efficiency but on moral grounds. Our data align with this resilience view: ecosophy gives managers a framework to embed fairness and stewardship into daily operations, even when immediate sustainability gains are uncertain. This pathway demonstrates that values do matter, but indirectly: they reframe managerial priorities, and those priorities later shape measurable outcomes.

The strong link between Islamic management and business sustainability confirms a well-established theme in the literature that ethical governance is a strategic asset rather than an optional luxury. Beusch, Frisk, and Roslender (2022) show that management control systems designed for sustainability integrate ethics into operations, improving predictability and performance. Corsi et al. (2021) similarly argue that sustainability control tools enhance firm outcomes by creating feedback loops that align practices with stakeholder expectations. Within Islamic scholarship, ethical management—rooted in justice, trust, and consultation—has been tied to stronger employee commitment and task performance (Udin, Handayani, & Yuniawan, 2022; Akhmadi et al., 2023). A recurring counter-argument is that ethics imposes costs (e.g., higher wage fairness, audit procedures), but Traxler and Greiling (2020) demonstrate that integrated sustainability controls lower long-term uncertainty and risk, offsetting costs. Thus, the evidence converges: management routines informed by ethics create reputational capital and operational discipline, which, in turn, sustain firms economically, socially, and environmentally.

The mediation results sharpen this story. The fact that Islamic literacy affects sustainability both directly and indirectly through management demonstrates complementary mediation. Lusardi and Mitchell (2017, 2023) note that literacy independently improves household and firm decision quality, while Graña-Alvarez and Ibáñez (2024) show that literacy fosters adoption of management controls. Together these studies explain why literacy alone produces gains, but management magnifies them. Beusch et al. (2022) emphasize that controls translate values into auditable performance, reinforcing our mediated pathway. Skeptics might argue diminishing returns: once management systems are strong, literacy adds little. Yet our findings indicate additive effects, consistent with Kaiser et al. (2024), who show that financial literacy and governance complement rather than substitute each other in explaining SME resilience.

Finally, the result that Islamic ecosophy influences sustainability only indirectly via management underscores the “translation thesis” that values require institutionalization. Abdelzaher and Abdelzaher (2017) demonstrated this in their Eco-Islam study: religious environmental commitments became effective only when formalized into processes and monitoring. Koehrsen (2021) similarly stresses that values motivate but need organizational levers to overcome inertia. Management control scholarship reinforces this view: Beusch et al. (2022) and Corsi et al. (2021) both argue that controls are the hinge between aspiration and outcomes, especially in resource-constrained SMEs. Our contribution is to show empirically that ecosophy matters, but only when it flows through management—an indirect-only mediation that resolves a long-standing debate about whether values can directly generate sustainability. This implies that religious bodies and policymakers should not stop at teaching stewardship values; they must support SMEs with managerial toolkits, audit frameworks, and monitoring systems to make those values operational.

CONCLUSION AND FURTHER STUDY

The findings of this study underscore that Islamic literacy and ecosophy contribute to business sustainability in Muslim SME vendors, but through different pathways. Islamic literacy demonstrates both direct and mediated effects, showing that knowledge of sharia principles enhances decision quality, builds credibility, and fosters management practices that stabilize performance. Islamic ecosophy, however, influences sustainability only indirectly through management, affirming that values alone do not yield outcomes unless institutionalized into supervisory routines, wage fairness, and consultative decision-making. Above all, Islamic management emerges as the crucial transmission mechanism, translating values and knowledge into durable social, environmental, and economic outcomes. The study advances a "managerial translation" thesis, enriching both sustainability and Islamic management literatures.

Despite these contributions, the study has limitations that warrant caution and open avenues for further research. The cross-sectional design constrains causal inference, and the sample of 250 vendors may not capture sectoral or cultural variation across wider Muslim markets. Future research should adopt longitudinal designs, expand to larger geographic contexts, and test alternative mediators such as institutional pressures or digital literacy. From a managerial perspective, the evidence suggests that owners must not only acquire Islamic financial knowledge but also routinize it in management systems to ensure sustainability, while policymakers and support agencies should design integrated programs combining literacy education with managerial toolkits, control mechanisms, and monitoring frameworks. value orientation and operational practice may allow SMEs to transform ethical commitments into competitive and sustainable performance.

ETHICAL DISCLOSURE

All participants provided written informed consent prior to participation. They were informed about the study's purpose, their voluntary participation, the right to withdraw at any time, and the confidentiality of their responses.

CONFLICT OF INTERESTS

The authors declare no conflict of interest.

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