

A Smart Decision Model for MSME Investments on Islamic Fintech Platforms: Integrating PSI and SWOT Methods

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Abstract

The rapid growth of Islamic financial technology (fintech) has opened new opportunities for micro, small, and medium enterprises (MSMEs) to access capital. However, investment decision-making remains complex due to diverse risk and return profiles. This study aims to develop a smart investment decision model for MSMEs on Islamic fintech platforms by integrating the Preference Selection Index (PSI) and Strengths, Weaknesses, Opportunities, and Threats (SWOT) methods. Primary data were collected from 30 MSMEs engaged in Islamic fintech funding within the Greater Jakarta area and from 116 users of Islamic fintech platforms serving as respondents. The PSI method was applied to rank MSMEs based on five criteria, return on investment, business risk, capital needs, Sharia compliance, and platform reputation. Results show that Business Risk and Sharia Compliance are the most influential factors determining investment eligibility. The SWOT analysis identified strong platform transparency and Sharia adherence as internal strengths, alongside challenges related to repayment flexibility and financial literacy. Integrating PSI and SWOT produced a comprehensive, Sharia-aligned decision-support framework that enhances objectivity, accuracy, and transparency in MSME funding evaluations. The findings offer actionable insights for investors, fintech operators, and policymakers to strengthen ethical, inclusive, and sustainable Islamic digital finance ecosystems.

Keywords: *Fintech, PSI, SWOT, MSME, Sharia Compliance*

I. INTRODUCTION

The rapid diffusion of Islamic financial technology (fintech) in Indonesia signals a major transformation of the national digital finance ecosystem. This trend reflects rising technology adoption and growing public interest in Sharia-compliant services, while opening broader funding access for micro, small, and medium enterprises (MSMEs) that often face barriers in conventional finance [1], [2]. In post-pandemic recovery and accelerating digitalization, Islamic fintech holds strategic potential to strengthen MSME sustainability through more inclusive, ethical, and transparent funding schemes.

Despite these opportunities, investors face a core challenge making objective funding decisions for MSMEs with diverse profiles. In practice, decisions are frequently based on limited information, intuitive judgment, or

surface-level data, which risks bias and overlooks critical aspects such as business risk, Sharia compliance, and platform reputation. The absence of a systematic and comprehensive evaluation mechanism not only increases investment failure risk but can also misallocate funds away from promising MSMEs.

To address this gap, this study proposes a smart decision model to support investor screening and prioritization of eligible MSMEs on Islamic fintech platforms. The model integrates two complementary approaches, there are the Preference Selection Index (PSI) as a quantitative instrument for multi-criteria ranking, and the Strengths, Weaknesses, Opportunities, and Threats (SWOT) framework as a qualitative lens for mapping strategic internal–external factors. PSI is adopted for its simplicity and objectivity in handling multiple criteria with minimal reliance on subjective weighting while producing a clear priority order [3],[4]. SWOT is incorporated to capture non-numeric dimensions critical to sustainability, from internal capabilities to market and regulatory pressures [5], [6].

Operationally, five criteria are evaluated in the PSI ranking: estimated return on investment (ROI), business risk, capital needs and purpose, Sharia compliance, and platform reputation. These represent a combined view of financial performance, governance, and trust relevant to Islamic fintech. Primary data cover 30 MSMEs in Greater Jakarta (Jabodetabek), complemented by questionnaire data to construct an MSME-driven SWOT profile. Consequently, the proposed model evaluates not only “numerical feasibility” but also strategic readiness, ensuring that funded projects are productive and sustainable.

The study’s scientific contribution (novelty) lies in a structured integration of PSI and SWOT for MSME investment selection within Islamic fintech. The contributions include: (1) a ranking framework that jointly considers financial indicators, Sharia alignment, and platform reputation; (2) enrichment of evaluation through a data-based SWOT matrix and strategy mapping (SO, WO, ST, WT) attached to each ranking outcome; and (3) *actionable* investment recommendations for investors and platform managers [7], [8]. Thus, investors obtain both a prioritized deal pipeline and targeted guidance for risk mitigation and enterprise support.

Given this background, the research problems are formulated as follows (1) how to design an objective, transparent mechanism for MSME investment evaluation on Islamic fintech platforms; (2) to what extent PSI–SWOT integration improves decision quality; and (3) how the model affects funding priorities and MSME sustainability. Accordingly, the objectives are (a) to build a PSI-based model for ranking MSME eligibility; (b) to develop a SWOT profile to assess strategic preparedness; and (c) to integrate both into evidence-based and context-aware funding recommendations.

The study offers practical and policy value. For investors, the model guides capital allocation toward healthier risk–return profiles while providing targeted strengthening strategies. For Islamic fintech platforms, it supplies a consistent and transparent selection framework that enhances user trust. For policymakers, the findings provide empirical evidence on key eligibility factors and inform interventions that foster MSME sustainability [7], [8].

II. LITERATURE REVIEW

Islamic Financial Technology (Fintech Syariah) has transformed modern financial intermediation by combining digital innovation, algorithmic decision-making, and blockchain-based transparency with Islamic legal principles rooted in justice (*‘adl*) and mutual benefit (*maslahah*). Governed by DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, fintech syariah ensures that funding and transactional activities comply with *mudharabah*, *musyarakah*, and *murabahah* contracts, thereby avoiding elements of *riba*, *gharar*, and *maisir* that are prohibited in Islamic jurisprudence [9]. In addition to legal compliance, these platforms emphasize social responsibility and equitable profit-sharing to maintain Sharia integrity across all operational processes.

Recent studies emphasize that integrating big data analytics, artificial intelligence (AI), and machine learning algorithms enhances transparency, efficiency, and predictive accuracy in financial decision-making [10]. However, the dynamic nature of digital ecosystems also introduces new challenges related to algorithmic bias, data privacy, and ethical accountability, which necessitate a more comprehensive governance framework. Thus, mechanisms that guarantee ethical transparency and Sharia compliance must evolve alongside technological advancements to maintain the trust of users and regulators. This intersection between advanced technology and Islamic ethical values forms the conceptual foundation for developing responsible, inclusive, and sustainable digital finance systems [11].

In parallel with these technological and ethical developments, financial inclusion challenges remain particularly pronounced among micro, small, and medium enterprises (MSMEs), especially in emerging economies such as Indonesia. Micro, Small, and Medium Enterprises (MSMEs) play a critical role in Indonesia's economic structure, contributing over 60% of national GDP and providing employment to approximately 97% of the workforce (Kemenkop UKM, 2025). Despite their macroeconomic importance, MSMEs continue to struggle with limited access to formal financial institutions due to inadequate collateral, limited credit history, and informal business documentation [12]. These barriers often result in underfunded operations and constrained growth potential, especially among microenterprises in rural regions.

Fintech syariah, with its Sharia-compliant, profit-sharing, and non-interest-based funding mechanisms, offers an inclusive alternative for MSME financing. Through peer-to-peer (P2P) models, crowdfunding, and digital contracts validated by Islamic principles, Sharia-compliant fintech ecosystem provides a pathway toward financial democratization and socially responsible investment. However, the perceived trustworthiness of digital platforms, particularly in terms of data security, transparency, and user experience has become a decisive factor in shaping investor confidence and participation [13]. Consequently, any effective investment decision model must holistically balance three dimensions: financial performance metrics, ethical and Sharia compliance, and digital trustworthiness derived from platform reliability and user interaction quality.

The Preference Selection Index (PSI) method offers an objective, quantitative, and statistically grounded approach for ranking investment alternatives without requiring subjective weighting schemes, which often introduce bias [14], [15]. By normalizing performance indicators and calculating preference values, PSI ensures that every criterion contributes proportionally to the final decision outcome [16]. Previous studies have demonstrated the applicability of the PSI method in various financial decision contexts, including portfolio selection, credit evaluation, and investment prioritization [17]. These empirical findings confirm PSI's robustness in handling multiple evaluation criteria objectively, making it suitable for Islamic fintech investment analysis. Nonetheless, PSI alone cannot fully capture qualitative or contextual dimensions such as organizational reputation, governance transparency, social impact, and adherence to Islamic ethical norms.

To complement these limitations, the SWOT framework is employed to systematically evaluate internal factors (Strengths–Weaknesses) and external factors (Opportunities–Threats) that influence investment performance [18]. SWOT analysis allows researchers to incorporate managerial insight and strategic judgment, providing a narrative understanding of competitive positioning and sustainability orientation. However, SWOT lacks quantitative rigor and objectivity, which makes it difficult to derive consistent comparisons or rankings across alternatives [19].

Therefore, integrating PSI and SWOT methods bridges the inherent limitations of both approaches—merging the quantitative reliability and ranking precision of PSI with the strategic interpretive depth of SWOT analysis. Prior studies have highlighted the necessity of such hybrid multi-criteria decision-making (MCDM) systems in the context of Islamic fintech, ensuring that investment decisions are not only data-driven and evidence-based but also ethically guided, Sharia-compliant, and contextually adaptive to socio-economic realities [10], [12]. This methodological synthesis forms the cornerstone of the Smart Decision Model proposed in this study, which aims to produce investment recommendations that are financially viable, ethically sustainable, and aligned with the higher objectives of Islamic law (*maqāṣid al-syarī'ah*). By doing so, the model contributes to the establishment of a trustworthy digital Islamic financial ecosystem that supports MSME resilience, promotes inclusive growth, and upholds socio-economic justice.

III. RESEARCH METHOD

This study employs a descriptive quantitative approach integrating the Preference Selection Index (PSI) method and SWOT analysis to develop a decision-making model for MSME investment on Islamic fintech platforms. The research process was conducted systematically, beginning with the identification of evaluation criteria and the distribution of literature-based questionnaires to MSME respondents. Following data collection, preprocessing was performed to verify completeness and consistency before analysis. Outlier responses and missing data were reviewed and handled using listwise deletion to ensure the validity of PSI computation. Collected data were processed using the PSI method to calculate weights and rank investment alternatives based on criteria such as Return on Investment (ROI), business risk, and Sharia compliance. Subsequently, a

quantitative SWOT analysis was conducted to identify internal and external strategic factors through scoring and matrix mapping.

The integration of PSI and SWOT results produced a comprehensive investment decision model, which was further validated through expert judgment and statistical testing of model consistency and reliability. Expert validation involved three practitioners from Islamic fintech platforms and two academic experts specializing in decision modeling. They assessed the logical consistency, contextual relevance, and practical applicability of the integrated model. Statistical validation used one-way ANOVA at a 5% significance level ($\alpha = 0.05$) to test the homogeneity of perceptions across MSME groups regarding key investment criteria. Primary data were obtained from 30 MSMEs engaged in Islamic fintech funding, supported by 116 platform users as respondents. The overall research process is illustrated in Figure 1.

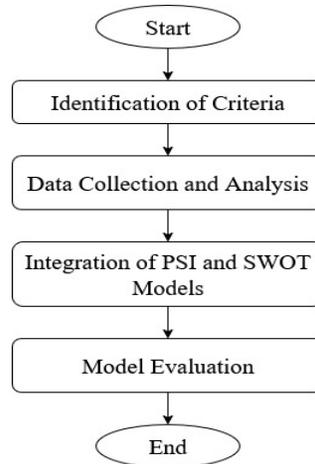


Fig. 1. Flowchart Research

A. Research Variables and Assessment Criteria

The investment assessment framework in this study is constructed based on five primary criteria, carefully selected to align with both investor expectations and Islamic investment principles. To facilitate the Preference Selection Index (PSI) calculation, each criterion is explicitly classified as either a ‘Benefit’ attribute (where higher values are preferred) or a ‘Cost’ attribute (where lower values are preferred).

This classification is critical for the normalization process. While criteria such as ROI and Sharia Compliance are naturally maximized, factors such as Business Risk and Capital Needs are minimized to mitigate potential default and liquidity risks. The detailed definitions, attribute classifications, and the specific rationale for each criterion are presented in Table I.

TABLE I
 CRITERIA DEFINITION AND ATTRIBUTE CLASSIFICATION

Code	Criterion	Attribute	Operational Definition & Rationale
C1	Return on Investment (ROI)	Benefit	The percentage of profit offered to investors. Higher ROI indicates better profitability.
C2	Business Risk	Cost	The probability of business failure based on historical data. Lower risk is preferred to secure capital.
C3	Capital Needs	Cost	The total funding required. Classified as a Cost criterion because a higher capital requirement increases the repayment burden and liquidity risk for the platform/investors.
C4	Sharia Compliance	Benefit	Adherence to Islamic principles (e.g., no riba/gharar). Higher compliance is mandatory and preferred.
C5	Platform Reputation	Benefit	The track record and transparency of the MSME on the platform. Higher reputation scores indicate higher trust.

B. Data Collection

Primary data were obtained using a structured questionnaire developed from a literature review and Islamic investment principles. The questionnaire covered items corresponding to five investment assessment criteria: Return on Investment (ROI), business risk, capital needs, Sharia compliance, and platform reputation. Responses were measured on a 5-point Likert scale (1 = very low to 5 = very high).

The study sample comprised two respondent groups: 30 MSMEs actively funded through Islamic fintech platforms, selected via purposive sampling based on their engagement with such platforms; and 116 platform users (investors/users) recruited through convenience sampling within platform networks. A pilot test was conducted with 10 respondents to assess item clarity and the estimated completion time. Content validity was reviewed by at least two experts in Islamic fintech and research methodology. Ethical procedures included obtaining informed consent from respondents, ensuring data confidentiality, and restricting data use to research purposes only.

C. Preference Selection Index (PSI) Procedure

This study employs the Preference Selection Index (PSI) method to derive objective criterion weights and, using primary data, to rank investment alternatives [20], [21]. PSI was selected for its ability to provide quantitative comparative measures that accurately reflect respondents' preferences, thereby facilitating the decision-making process. The PSI results are subsequently integrated with a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis and model validation procedures to formulate measurable and practical investment recommendations. The steps are as follows:

- (1) Constructing the decision matrix:

$$X_{ij} = \begin{bmatrix} x_{11} & x_{12} & \dots & x_{1n} \\ x_{21} & x_{22} & \dots & x_{2n} \\ \dots & \dots & \dots & \dots \\ x_{m1} & x_{m2} & \dots & x_{mn} \end{bmatrix} \tag{1}$$

- (2) Data normalization:

Benefit:

$$N_{ij} = \frac{x_{ij}}{x_{j\max}} \tag{2}$$

Cost:

$$N_{ij} = \frac{x_j^{\min}}{x_{ij}} \tag{3}$$

- (3) Preference value determination:

$$N = \frac{1}{n} \sum_{i=1}^n N_{ij} \tag{4}$$

- (4) Variation calculation:

$$\varphi_j = \sum_{i=1}^n [N_{ij} - N]^2 \tag{5}$$

- (5) Weight computation:

$$\omega_j = \frac{\Omega_j}{\sum_{j=1}^m \Omega_j} \tag{6}$$

- (6) Preference index scoring:

$$\theta_i = \sum_{j=1}^m X_{ij.\omega_j} \tag{7}$$

Equations (2) and (3) represent the normalization process for benefit-type and cost-type criteria, respectively. Equation (5) calculates the variation among normalized criteria, which indicates the degree of preference dispersion, while Equation (6) converts these variations into weight coefficients (ω_j) used in the preference

index scoring (Equation 7). The resulting preference index (θ_i) reflects the final ranking score for each MSME investment alternative.

D. ANOVA and SWOT Analysis

ANOVA testing was conducted to ensure the uniformity of perceptions among MSME groups regarding the five investment criteria [22], [23]. Respondents were grouped into three categories based on MSME scale, namely Micro, Small, and Medium Enterprises. One-way ANOVA was conducted to examine whether the mean perception scores differed significantly across these MSME groups for each questionnaire indicator, using a 5% significance level ($\alpha = 0.05$).

In parallel, the SWOT analysis was applied to interpret and extend the PSI results by identifying strategic factors that influence MSME investment readiness. Internal elements (Strengths - Weaknesses) were derived from business capability indicators such as capital adequacy, management quality, and Sharia compliance, while external elements (Opportunities - Threats) reflected market conditions, technological change, and regulatory alignment. The integration of ANOVA and SWOT thus combines statistical validation and strategic interpretation, ensuring that the Smart Decision Model yields both quantitative reliability and contextual relevance for MSME investment decisions on Islamic fintech platforms.

IV. RESULTS AND DISCUSSION

A. Normalization and Weight Determination

The analysis of MSME selection data for Islamic fintech funding will be formulated using the Preference Selection Index (PSI) method. This method is chosen because it is a Decision Support System that does not require weight determination, thereby enhancing the accuracy and precision of assessment and selection [24]. The detailed analysis is as follows:

TABLE II
 DECISION MATRIX FOR PSI

MSME	C1 ROI	C2 Risk	C3 Capital	C4 Sharia	C5 Reputation
UMKM 1	15	2	3	3	5
UMKM 2	15	2	3	3	5
UMKM 3	15	2	3	3	5
UMKM 4	15	2	3	3	5
UMKM 5	12	2	2	3	5
UMKM 6	14	2	3	3	5
UMKM 7	14	2	3	3	5
UMKM 8	14	2	3	3	5
UMKM 9	14	2	3	3	5
UMKM 10	10	2	2	3	5
UMKM 11	13	2	3	3	5
UMKM 12	13	2	3	3	5
UMKM 13	12	2	3	3	5
UMKM 14	12	2	3	3	5
UMKM 15	12	2	3	3	5
UMKM 16	11	2	3	3	5
UMKM 17	11	2	3	3	5

MSME	C1 ROI	C2 Risk	C3 Capital	C4 Sharia	C5 Reputation
UMKM 18	12	2	2	3	4
UMKM 19	11	2	2	3	4
UMKM 20	11	2	2	3	4
UMKM 21	11	2	2	3	4
UMKM 22	10	2	2	3	4
UMKM 23	10	2	2	3	4
UMKM 24	10	2	2	3	4
UMKM 25	10	2	2	3	4
UMKM 26	9	2	2	3	4
UMKM 27	9	2	2	3	4
UMKM 28	9	2	2	3	4
UMKM 29	12	3	1	2	4
UMKM 30	10	3	1	2	4

Example Calculation : For UMKM 1, $N_{11} = 15$ and $\max(C1) = 15$, therefore :

$$N_{11} = \frac{X_{11}}{X_jMax} = \frac{15}{15} = 1.00$$

For the cost criterion C3, $N_{13} = 9$ and $\min(C3) = 3$, therefore :

$$N_{13} = \frac{X_{13}}{X_jMax} = \frac{3}{9} = 0.33$$

The same procedure is applied to all alternatives and criteria, resulting in the complete normalized decision matrix shown in Table III.

TABLE III
NORMALIZED DECISION MATRIX FOR PSI

Alternative	C1	C2	C3	C4	C5
UMKM 1	1.00	1.00	0.33	1.00	1.00
UMKM 2	1.00	1.00	0.33	1.00	1.00
UMKM 3	1.00	1.00	0.33	1.00	1.00
UMKM 4	1.00	1.00	0.33	1.00	1.00
UMKM 5	0.80	1.00	0.50	1.00	1.00
UMKM 6	0.93	1.00	0.33	1.00	1.00
UMKM 7	0.93	1.00	0.33	1.00	1.00
UMKM 8	0.93	1.00	0.33	1.00	1.00
UMKM 9	0.93	1.00	0.33	1.00	1.00
UMKM 10	0.67	1.00	0.50	1.00	1.00
UMKM 11	0.87	1.00	0.33	1.00	1.00
UMKM 12	0.87	1.00	0.33	1.00	1.00
UMKM 13	0.80	1.00	0.33	1.00	1.00

Alternative	C1	C2	C3	C4	C5
UMKM 14	0.80	1.00	0.33	1.00	1.00
UMKM 15	0.80	1.00	0.33	1.00	1.00
UMKM 16	0.73	1.00	0.33	1.00	1.00
UMKM 17	0.73	1.00	0.33	1.00	1.00
UMKM 18	0.80	1.00	0.50	1.00	0.80
UMKM 19	0.73	1.00	0.50	1.00	0.80
UMKM 20	0.73	1.00	0.50	1.00	0.80
UMKM 21	0.73	1.00	0.50	1.00	0.80
UMKM 22	0.67	1.00	0.50	1.00	0.80
UMKM 23	0.67	1.00	0.50	1.00	0.80
UMKM 24	0.67	1.00	0.50	1.00	0.80
UMKM 25	0.67	1.00	0.50	1.00	0.80
UMKM 26	0.60	1.00	0.50	1.00	0.80
UMKM 27	0.60	1.00	0.50	1.00	0.80
UMKM 28	0.60	1.00	0.50	1.00	0.80
UMKM 29	0.80	0.67	1.00	0.67	0.80
UMKM 30	0.67	0.67	1.00	0.67	0.80

The PSI method was used to determine the weight and ranking of 30 MSMEs as investment alternatives. The process began with forming a decision matrix, followed by normalization, preference variation calculation, and weighting.

TABLE IV
 PREFERENCE VARIATION, DEVIATION AND CRITERIA WEIGHTS

Criteria	Variation (V_j)	Deviation (Ω_j)	Weight	Type
C1	0.4865	2.0554	0.1263	Benefit
C2	0.2074	4.8214	0.2962	Cost
C3	0.8416	1.1881	0.0730	Cost
C4	0.2074	4.8214	0.2962	Benefit
C5	0.2946	3.3936	0.2085	Benefit

The highest weights (0.2962 each), reflecting that financial security and adherence to Islamic principles are the most decisive factors in investment decisions. ROI (C1) recorded the smallest weight (0.1263), implying that profitability is not the sole priority in Islamic-based investments. This finding aligns with Sharia values emphasizing balance between profit, ethical compliance, and business sustainability.

B. PSI Score and MSME Ranking

After the weight of each criterion was determined, the normalized values for each MSME were calculated and multiplied by the corresponding weights to obtain the total Preference Selection Index (PSI) score. Based on the analysis of 30 MSMEs, the PSI scores ranged from 0.69 to 0.95. This distribution is consistent with previous PSI-based decision models applied in SME evaluation contexts, where most alternatives scored above the median threshold, reflecting high data homogeneity and criterion coherence. To illustrate how the final PSI score was calculated, an example is provided for UMKM 1. Using the criterion weights (Table V) and the normalized values obtained earlier, the PSI score for UMKM 1 is computed as follows:

$$\theta_1 = 0.1263 + 0.2962 + 0.0243 + 0.2962 + 0.2085 = 0.9513$$

This value is consistent with the result shown in Table V, confirming the correctness of the weighting and aggregation process. The five MSMEs with the highest PSI scores are presented in the following table.

TABLE V
MSMEs WITH THE HIGHEST SCORES

MSME	Score PSI	Rank	MSME	Score PSI	Rank
UMKM 1	0.9513	1	UMKM 16	0.9177	24
UMKM 2	0.9513	2	UMKM 17	0.9177	25
UMKM 3	0.9513	3	UMKM 18	0.9383	10
UMKM 4	0.9513	4	UMKM 19	0.9298	13
UMKM 5	0.9383	9	UMKM 20	0.9298	14
UMKM 6	0.9429	5	UMKM 21	0.9298	15
UMKM 7	0.9429	6	UMKM 22	0.9214	20
UMKM 8	0.9429	7	UMKM 23	0.9214	21
UMKM 9	0.9429	8	UMKM 24	0.9214	22
UMKM 10	0.9214	19	UMKM 25	0.9214	23
UMKM 11	0.9345	11	UMKM 26	0.9130	26
UMKM 12	0.9345	12	UMKM 27	0.9130	27
UMKM 13	0.9261	16	UMKM 28	0.9130	28
UMKM 14	0.9261	17	UMKM 29	0.7078	29
UMKM 15	0.9261	18	UMKM 30	0.6910	30

To improve interpretability, PSI scores were grouped into four eligibility levels using an interval-based classification scheme commonly used in MCDM studies. The cut-off points were further validated through expert judgment from Islamic fintech practitioners and academics to ensure practical relevance. Investment eligibility classification was determined as follows: ≥ 0.85 = Highly Eligible, $0.75 - 0.85$ = Eligible with Monitoring, $0.70 - 0.75$ = Fairly Eligible, <0.70 = Needs Development. The results indicate that most MSMEs are in the Highly Eligible category, demonstrating strong investment potential. Only two MSMEs fell below the 0.70 threshold, suggesting a need for mentoring or internal improvement.

C. SWOT Analysis

Following the quantitative ranking process using PSI, a strategic assessment was carried out to interpret the results in a broader managerial and contextual perspective through SWOT analysis. ANOVA results confirmed the homogeneity of respondent perceptions, as all significance values exceeded 0.05, validating that data can represent overall perception trends. The subsequent SWOT analysis identified internal and external strategic factors affecting investment feasibility.

This position places MSMEs in Quadrant I (SO), indicating strong internal capability and favorable external opportunities. An aggressive growth strategy is therefore appropriate. This finding suggests that Islamic fintech-based MSMEs are currently positioned for expansion, provided they sustain Sharia compliance and transparency standards. The results also align with prior studies emphasizing that ethical and operational credibility are key determinants of fintech-based investment success [25].

TABLE VI
 SUMMARY OF INTERNAL AND EXTERNAL SWOT FACTORS SMES.

Code	Factor	Weight	Rating	Weighted Score
Strengths (S)				
S1	High Sharia compliance	0.2	4.5	0.9
S2	Transparent platform	0.15	4	0.6
S3	Stable MSME cash flow	0.1	3.5	0.35
Weaknesses (W)				
W1	Weak financial management	0.15	2.5	0.38
W2	Low digital literacy	0.1	2	0.2
Opportunities (O)				
O1	Growing demand for Islamic funding	0.15	4	0.6
O2	Regulatory and policy support	0.1	4.5	0.45
Threats (T)				
T1	Fintech competition	0.05	3	0.15
T2	Macroeconomic instability	0.05	3	0.15
Total Internal Score (S–W)			1.85 (Strong)	
Total Skor External (O–T)			1.35 (Moderate Opportunity)	

D. *PSI and SWOT Integration*

The integration of PSI and SWOT produced a Smart Decision Investment Model, bridging quantitative rankings and qualitative strategic mapping.

TABLE VII
 INTEGRATED PSI–SWOT STRATEGY RECOMMENDATIONS

PSI Value Category	SWOT Quadrant	Strategic Recommendation	Strategic Overview
≥ 0.85	Quadrant I (SO)	Aggressive (Growth Strategy)	Strengthen funding expansion and enhance the branding of Islamic fintech platforms.
0.75 - 0.85	Quadrant II (WO)	Development (Improvement Strategy)	Increase MSMEs' financial literacy and capital management capacity.
0.70 – 0.75	Quadrant III (ST)	Stability (Diversification Strategy)	Sustain business operations and improve efficiency through competitiveness strengthening and market adaptation.
< 0.70	Quadrant IV (WT)	Guidance (Defensive Strategy)	Prioritize Sharia-based education and financing risk mitigation efforts.

The integration results confirm that MSMEs with $PSI \geq 0.85$ belong to the SO quadrant, justifying aggressive investment expansion. Meanwhile, lower PSI groups require internal strengthening or guided development. This model thus provides an actionable, evidence-based tool for Islamic fintech platforms and investors to allocate funds effectively while maintaining compliance and sustainability. Therefore, the integration of PSI and SWOT not only establishes a practical decision-support framework but also embodies the objectives of *maqasid al-shari'ah* by harmonizing profitability with ethical conduct and socio-economic justice. This integration highlights the model's dual contribution - ensuring empirical robustness while upholding the normative ideals of Islamic financial ethics.

V. CONCLUSION

This study successfully developed an integrated PSI–SWOT decision model for evaluating MSME investment eligibility within Islamic fintech ecosystems. The model provides a systematic framework that enables investors and platforms to make objective, transparent, and Sharia-compliant funding decisions by combining quantitative measures from the Preference Selection Index (PSI) with qualitative insights from the SWOT analysis.

The empirical results show that Business Risk (C2) and Sharia Compliance (C4) are the most decisive criteria influencing MSME investment rankings. The integration of PSI and SWOT categorizes MSMEs into four strategic clusters: Growth, Improvement, Stability, and Defensive, facilitating more adaptive and targeted investment strategies according to each enterprise's readiness level. Overall, the findings confirm that Islamic fintech serves not only as an efficient and accountable financing medium but also as a driver of ethical investment governance, transparency, and financial inclusion. The proposed PSI–SWOT model contributes to establishing a data-driven and Sharia-aligned decision-support framework that strengthens both the empirical and moral dimensions of Islamic finance.

For future research, the model may be enhanced by incorporating Artificial Intelligence (AI) and data mining algorithms to develop an intelligent investment recommendation system capable of improving predictive accuracy, automating analysis, and generating real-time, Sharia-compliant decisions. Further validation with larger MSME datasets and real platform integration is recommended to ensure scalability, adaptability, and long-term relevance in Islamic fintech applications.

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