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FROM SHARIAH-COMPLIANT TO MAQĀṢID-DRIVEN: REFRAMING ZAKAT-BASED ASNAF ENTREPRENEURSHIP FOR INCLUSIVE AND ETHICAL ISLAMIC FINANCE

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ABSTRACT

Ethical governance rooted in Shariah principles is gaining attention for fostering responsible entrepreneurship but lacks a coherent conceptual model. This article explores the influence of Shariah ethical principles, which are derived from Islamic law, on governance in entrepreneurial activities, especially within micro- and small enterprises. By reviewing existing literature, it combines ideas from Islamic finance, ethical entrepreneurship, and governance studies to create a unified view on Shariah-based ethics. Key principles identified include trustworthiness, justice, accountability, and social responsibility, which enhance ethical decision-making and sustainable business practices. The findings show that including these values can make things clearer, build trust with stakeholders, and encourage businesses to act responsibly, which helps create economic growth that aligns with moral and social goals. This article advances the discourse on Islamic entrepreneurship by proposing a framework that connects Shariah ethics with modern governance practices, serving as a basis for future research in Muslim-majority contexts.

KEYWORDS: Shariah Governance, Islamic Ethics, Ethical Entrepreneurship, Islamic Microfinance, Sustainable Entrepreneurship

1. INTRODUCTION

Islamic finance has undergone considerable global growth in the past thirty years, propelled by its commitment to ethical ideals, social equity, and adherence to Sharīʿah guidelines. In addition to the prohibitions on ribā, gharar, and maysir, Islamic finance is mainly based on the main goals of Sharīʿah (Maqāṣid al-Sharīʿah), which aim to protect religion (dīn), life (nafs), intellect (ʿaql), lineage (nasl), and property (māl). These objectives establish Islamic banking as a moral and inclusive alternative to conventional finance, notably in mitigating socio-economic vulnerabilities within Muslim cultures. Nonetheless, the growing body of literature indicates an ongoing discord between the ethical principles of Islamic banking and its practical application, particularly in areas such as interest-based transactions and risk-sharing practices that often conflict with Islamic teachings.

Recent critical literature highlights that Islamic finance has mostly become a set of Sharīʿah-compliant tools instead of a true Sharīʿah-based ethical financial system. While contractual agreements may satisfy legal requirements, essential ethical implications such as social justice, fair risk distribution, and genuine engagement with the real economy are often neglected (Nienhaus, 2011). This focus on appearance rather than true meaning has raised concerns about whether Islamic finance can really deliver on its promises of fairness, stability, and inclusion, especially when compared to regular financial systems.

In this long discussion, Islamic social finance tools, especially zakat, are being seen more and more as ways to bring back the ethical and developmental focus of Islamic finance. Zakat is not simply a redistributive duty but a normative institution designed to alter socio-economic frameworks by empowering receivers (asnaf) to achieve self-sufficiency and dignity. Modern zakat practices have transitioned from providing consumptive aid to implementing productive and entrepreneurial initiatives, particularly through zakat-based funding for micro and small firms. Research indicates that entrepreneurs receiving zakat assistance can experience significant enhancements in their income, business success, and economic engagement, provided they possess adequate financial resources, proficient record-keeping skills, effective marketing strategies, workforce support, and a robust online presence (Nadiah et al., 2024).

This detailed discussion shows that Islamic social finance tools, particularly zakat, are now considered ways to bring back the ethical and developmental focus of Islamic finance. Zakat is not just a way to share wealth; it is a system designed to change social and economic conditions by helping recipients (asnaf) become self-sufficient and maintain their dignity. Contemporary zakat practices have evolved beyond offering consumptive assistance to executing productive and entrepreneurial ventures, notably through zakat-based financing for micro- and small enterprises. Research shows that entrepreneurs who receive zakat support can significantly increase their income, keep their businesses running, and participate more in the economy if they acquire enough funding, help with keeping records, marketing skills, workforce support, and access to digital tools (Nadiah et al., 2024).

Concurrently, new developments in Islamic entrepreneurial finance have sought to include Maqāṣid al-Sharīʿah in capital structure theory and financing choices. The development of the Maqāṣid Entrepreneurial Finance (MEF) construct represents an important theoretical milestone, demonstrating that entrepreneurial financing decisions can be evaluated through Maqāṣid-oriented criteria such as avoidance of ḥarām investment, ethical profit generation, zakat distribution, and reinvestment for sustainability (Purwidianti et al., 2023). This approach enhances the normative underpinnings of entrepreneurial finance; nonetheless, its empirical focus predominantly targets small and medium enterprises (SMEs) without specifically addressing zakat recipients or structurally vulnerable entrepreneurs like asnaf.

The literature on financial inclusion in Islamic finance has increasingly highlighted demand-side elements, such as attitudes towards Islamic finance, financial experience, literacy, religiosity, and social impact. Research in developing and emerging Islamic finance markets indicates that perceived inclusivity is influenced not just by the presence of Islamic financial institutions but also by individual perspectives, socio-cultural dynamics, and personal experiences (Khamis et al., 2024). These findings significantly contest the presumption that Islamic banking is intrinsically inclusive due to its religious identity. Nonetheless, the discourse on financial inclusion primarily remains disconnected from Maqāṣid al-Sharīʿah as an evaluative framework, emphasising behavioural and perceptual factors above ethical objectives.

The existing literature indicates a disjointed research landscape. Researchers frequently analyse zakat-based asnaf entrepreneurship, Maqāṣid-oriented entrepreneurial finance, financial inclusion, and ethical critiques of Islamic finance independently. A comprehensive framework that connects zakat-based entrepreneurship with Maqāṣid al-Sharīʿah and ethical Islamic finance is conspicuously lacking. This fragmentation constrains scholars and policymakers in evaluating whether zakat-funded entrepreneurial efforts really achieve the overarching goals of Sharīʿah or simply mimic conventional development models under Islamic nomenclature.

This research provides a Maqāṣid-driven conceptual framework for zakat-based asnaf entrepreneurship to address this gap. This paper synthesizes insights from asnaf entrepreneurship studies, Maqāṣid entrepreneurial finance theory, demand-side financial inclusion research, and ethical critiques of Islamic finance to reframe zakat-based entrepreneurship as a comprehensive process focused on economic viability, ethical integrity, human dignity, and inclusive development. This study advances current discussions on the future of Islamic finance by transitioning the analytical emphasis from compliance to purpose and from financial results to Maqāṣid-orientated outcomes.

2. CONCEPTUAL FRAMEWORK: A MAQĀṢID-DRIVEN MODEL OF ZAKAT-BASED ASNAF ENTREPRENEURSHIP

The framework is constructed through four interrelated dimensions: (i) zakat-based entrepreneurial inputs, (ii) entrepreneurial capability formation, (iii) ethical and governance orientation, and (iv) Maqāṣid-orientated outcomes leading to inclusive socio-economic impact.

2.1. Zakat-Based Entrepreneurial Inputs

Zakat serves as a moral source of business capital at its core. Zakat-based capital fundamentally prioritises social enhancement and empowerment over profit maximisation, in contrast to traditional debt-based financing. Empirical research from asnaf entrepreneurship programmes demonstrates that access to initial finance, along with organised institutional support, is essential for entrepreneurial initiation and sustainability (Nadiah et al., 2024). In the suggested paradigm, zakat capital is envisioned not solely as a financial resource but as a trust (amānah) intended to promote enduring socio-economic development.

2.2. Entrepreneurial Capability Formation

The second pillar focuses on enhancing entrepreneurial capacities, building upon zakat inputs. Prior studies consistently highlight record-keeping, marketing strategies, personnel management, and digital engagement as pivotal elements affecting asnaf entrepreneurial performance (Nadiah et al., 2024). Within a Maqāṣid-driven framework, these qualities serve as instrumental means rather than ends, aimed at achieving self-reliance, stability, and dignity. Capability formation denotes the transitional stage wherein asnaf entrepreneurs evolve from reliance to economic independence.

2.3. Ethical and Governance Orientation

The third dimension presents ethical governance as a mediating factor between entrepreneurial potential and results. This section examines the possibility of replicating traditional practices within Sharīʿah-compliant systems, as outlined in the context of Islamic finance ethics (Nienhaus, 2011). Ethical governance means following Maqāṣid-based financing principles, which include not taking advantage of others, focusing on real economic activities, making profits responsibly, and meeting social responsibilities like zakat redistribution, as described in the MEF framework. This factor guarantees that entrepreneurial progress is consistent with Sharīʿah objectives rather than deviating toward mere instrumental reasoning.

2.4. Maqāṣid-Orientated Outcomes and Inclusive Impact

The final dimension conceptualises success through Maqāṣid-orientated outcomes rather than limited financial metrics. These outcomes encompass economic autonomy, alleviation of poverty, elevation of human dignity, social engagement, and contribution to communal well-being. This level means that financial inclusion is significant when people are not just using financial services but are active participants in the economy, aligning their actions with their values and cultural backgrounds (Khamis et al., 2024). Inclusiveness is evaluated not solely by access but by meaningful integration into the socio-economic system in alignment with Maqāṣid al-Sharīʿah.

3. METHODOLOGY

This study uses a qualitative research approach to create a combined theoretical framework for zakat-based asnaf entrepreneurship, based on Maqāṣid al-Sharīah. The study utilises a conceptual integrative review method to synthesise existing peer-reviewed literature across many interrelated disciplines of Islamic finance scholarship, rather than producing new empirical data.

3.1. Research Design

The research aligns with the traditions of theory-building and conceptual growth commonly employed in Islamic finance, ethics, and development studies. Conceptual research is especially suitable for clarifying fragmented knowledge, reconciling competing theoretical perspectives, and proposing a cohesive analytical framework to guide future empirical investigations. Considering the lack of a cohesive model connecting zakat-based entrepreneurship, Maqāṣid al-Sharīʿah, ethical finance, and financial inclusion, a conceptual framework offers the most appropriate methodological basis.

3.2. Data Sources and Scope

The study draws exclusively on peer-reviewed journal articles that address at least one of the following domains:

1. Zakat-based asnaf entrepreneurship,
2. Maqāṣid al-Sharīʿah and entrepreneurial finance,
3. ethical critiques of Islamic finance practices, and
4. demand-side perspectives on financial inclusion within Islamic finance.

The selection of literature was purposive rather than exhaustive, guided by theoretical relevance to the study's objectives. This approach aligns with integrative review methodologies, which prioritise conceptual richness and explanatory power over comprehensive bibliometric coverage.

3.3. Analytical Strategy

The analysis was performed using a three-phase conceptual synthesis approach. A thematic mapping was conducted to identify prevailing notions, assumptions, and evaluative criteria utilised in the selected investigations. This phase unveiled persistent themes about entrepreneurial capacity, ethical orientation, institutional support, and inclusion outcomes, along with significant conceptual discrepancies. Secondly, conceptual abstraction was utilised to enhance empirical results and normative justifications into superior analytical categories. For example, instrumental success characteristics revealed in asnaf entrepreneurship studies were redefined as elements of entrepreneurial capability development, while Maqāṣid-orientated financing concepts were distilled into an ethical governance aspect. A normative-analytical synthesis was employed, utilising Maqāṣid al-Sharīʿah as the primary evaluative framework. This phase integrates economic, ethical, and social dimensions into a cohesive conceptual framework, culminating in the Maqāṣid-driven model of zakat-based asnaf entrepreneurship that operationalizes maqāṣid al-shariah principles in zakat-based entrepreneurial programs, as presented in Figure 1.

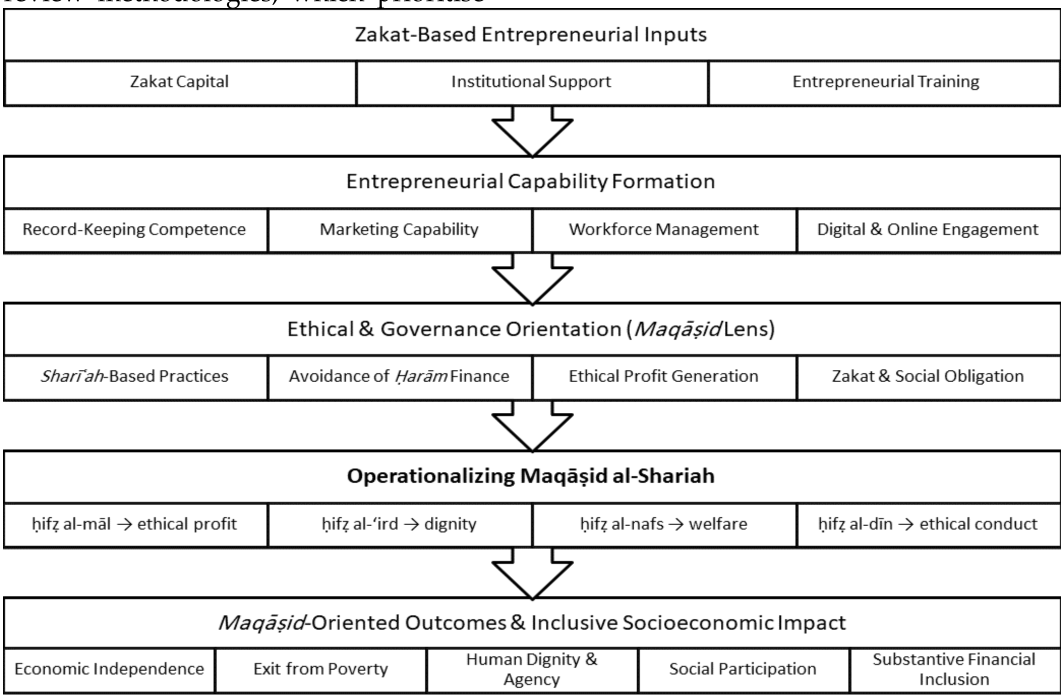

Figure 1. A Maqāṣid-Driven Conceptual Framework of Zakat-Based Asnaf Entrepreneurship.

The proposed framework integrates zakat-based entrepreneurial support with a maqāṣid al-shariah orientation to illustrate how zakat institutions can move beyond a compliance-driven model toward a holistic empowerment approach. Institutional support, including the effective management of zakat funds, plays a crucial role in facilitating welfare-oriented initiatives and strengthening institutional credibility (Muhajirin et al., 2025). These institutional mechanisms contribute to the development of entrepreneurial capabilities among asnaf recipients, which are guided by ethical governance principles rooted in Islamic business practices. Such ethical orientations resonate with broader discussions on responsible finance and governance frameworks, where ethical investment practices are viewed as essential for long-term socioeconomic resilience (Meinhold et al., 2026). Ultimately, the framework aims to generate maqāṣid-oriented outcomes, including economic independence, poverty alleviation, and social participation, which align with empirical evidence demonstrating that zakat can significantly reduce socioeconomic vulnerabilities such as food insecurity (Zafar & Aziz, 2026).

3.4. Analytical Framework

This study utilises a Maqāṣid-driven integrative model as its analytical framework, constructed via conceptual synthesis and illustrated in Figure 1. The framework does not fully embrace an existing empirical model; instead, it synthesizes four unique strands of scholarship: zakat-based asnaf entrepreneurship, Maqāṣid entrepreneurial finance, ethical critiques of Islamic finance, and demand-side financial inclusion research.

Maqāṣid al-Sharīʿah serves as the principal organising tenet of the framework. It functions as both a normative standard and an analytical framework for assessing entrepreneurial processes and outcomes. The paradigm delineates zakat-based entrepreneurship as a sequential, ethically moderated process consisting of (i) entrepreneurial inputs, (ii) capability creation, (iii) ethical governance orientation, and (iv) Maqāṣid-orientated outcomes.

In this configuration, Maqāṣid is regarded not just as a moral ambition but as an evaluation framework that assesses whether entrepreneurial activities achieve broader objectives like economic independence, dignity, and inclusive socio-economic engagement. The dual normative-analytical function differentiates the proposed framework from the compliance-based or behaviourally orientated models often present in Islamic finance literature.

4. DISCUSSION

This study enhances the discussion on Islamic finance by reinterpreting zakat-based asnaf entrepreneurship through a Maqāṣid-focused analytical perspective. The proposed conceptual framework (Figure 1) directly addresses ongoing criticisms that Islamic finance, despite being officially Sharīʿah-compliant, frequently fails to achieve meaningful ethical and developmental results. This discussion integrates insights from asnaf entrepreneurship, Maqāṣid entrepreneurial finance, demand-side financial inclusion, and ethical critiques of Islamic finance to demonstrate how zakat can serve as a transformative tool rather than merely a limited form of social assistance.

4.1. From Instrumental Assistance to Maqāṣid-Orientated Empowerment

This study's primary contribution is the transition of analytical emphasis in zakat-based business from instrumental success measures to Maqāṣid-orientated empowerment. Current research on asnaf entrepreneurship indicates that access to financing, proficiency in record-keeping, marketing skills, and effective labour management correlate with enhanced business performance and income stability. Nonetheless, these studies predominantly assess success by traditional economic metrics, so they indirectly perpetuate the performance paradigm prevalent in mainstream entrepreneurship research.

This study changes the way we view important factors like financing and marketing skills, seeing them as ways to help asnaf become self-reliant instead of dependent. In this context, entrepreneurial competence serves not as a final objective but as a mechanism to attain Maqāṣid results, including the preservation of wealth (ḥifẓ al-māl), safeguarding human dignity, and fostering social involvement. This new way of thinking connects zakat-based entrepreneurship to the main goals of Sharīʿah, which helps tackle concerns that current zakat programmes might turn into purely technical solutions for poverty that lack their moral foundations.

4.2. Ethical Governance as the Missing Link in Islamic Finance Practice

The inclusion of ethical and governance perspectives as a primary mediating factor directly addresses enduring criticisms in Islamic finance studies. Critical reviews show that Islamic finance organisations tend to focus more on following the law than on achieving real ethical outcomes, which results in them using traditional financial practices within Islamic contracts. This behaviour has cast doubt on the asserted moral superiority of Islamic banking and its robustness during financial crises.

The proposed approach uses Maqāṣid al-Sharīʿah to evaluate practices, making ethical governance a key way to connect business success with Sharīʿah. Using the Maqāṣid Entrepreneurial Finance (MEF) framework, ethical governance means making profits responsibly, avoiding ḥarām finance, fulfilling zakat duties, and committing to reinvest for sustainability. Within the realm of asnaf entrepreneurship, this aspect guarantees that growth trajectories do not veer towards only profit-orientated rationalism but stay grounded in social responsibility and ethical accountability.

This talk emphasises that ethical governance is not solely an institutional issue but a normative framework that influences entrepreneurial decision-making. The paradigm reconciles macro-level critiques of Islamic finance ethics with micro-level entrepreneurial actions, providing a coherent solution to the "form over substance" conundrum.

4.3. Reinterpreting Financial Inclusion Through a Maqāṣid Lens

Research on demand-side financial inclusion contests the presumption that Islamic banking is intrinsically inclusive. Evidence indicates that attitudes, financial experience, religiosity, and social influence substantially influence perceptions of inclusion, and that mere access does not ensure meaningful involvement. Nonetheless, a significant portion of the financial inclusion literature is behaviourally focused, emphasising perceptions and adoption rather than ethical or developmental results.

This study advances the inclusion discourse by suggesting that genuine financial inclusion is a Maqāṣid-orientated outcome. In the suggested framework, inclusion is realised not only when asnaf entrepreneurs obtain financial resources but also when they gain economic independence, social agency, and the ability to contribute significantly to their communities. This reinterpretation associates financial inclusion with Maqāṣid al-Sharīʿah, converting it from a technical aim into a moral and developmental standard.

By positioning inclusion at the outcome level instead of the input level, the framework provides a more comprehensive concept of inclusion that aligns with the ethical objectives of Islamic finance. This viewpoint addresses empirical findings indicating that religiosity alone does not ensure favorable opinions of Islamic financing; rather, beneficiaries must experience and internalize inclusive benefits, such as access to financial services and support for entrepreneurial activities, to develop a positive perception of Islamic finance.

4.4. Theoretical Implications for Islamic Finance and Entrepreneurship

This study improves the understanding of Islamic finance by showing that Maqāṣid al-Sharīʿah can be used as a helpful way to analyse issues, rather than The suggested model integrates disparate research elements into a cohesive framework linking social finance, entrepreneurship, ethics, and inclusion.

The research advances entrepreneurial finance theory by incorporating zakat as a distinct form of ethical capital that transforms conventional understandings of risk, return, and obligation. Secondly, it improves Maqāṣid research by applying Maqāṣid goals within an entrepreneurial setting, meeting the need for more practical and policy-focused studies on Maq. Third, it enhances ethical finance discussions by providing a constructive alternative to compliance-focused critiques, illustrating how ethical orientation can be systematically integrated into business operations.

4.5. Policy and Institutional Reflections

The paradigm, although conceptual, holds serious implications for zakat institutions and stakeholders in Islamic finance. Zakat agencies should enhance entrepreneurial programmes by focusing on capability development and ethical governance in addition to capital allocation. Policymakers and Islamic financial institutions may employ the framework to assess whether social finance programmes really meet Maqāṣid aims instead of only attaining short-term commercial goals.

The discussionemphasises the value ofr performance indicators that align with Maqāṣid and include important factors like dignity, personal empowerment, and social inclusion. Such metrics will allow institutions to evaluate the genuine impact of zakat-based entrepreneurship and foster the establishment of a more real and inclusive Islamic finance sector.

5. CONCLUSION

This study has introduced a Maqāṣid-driven conceptual framework that recontextualises zakat-based asnaf entrepreneurship within a wider ethical and developmental framework of Islamic finance. This work tackles a significant divergence in modern Islamic finance scholarship by synthesising ideas from asnaf entrepreneurship research, Maqāṣid entrepreneurial finance, ethical critiques of Islamic finance, and demand-side financial inclusion studies. Instead of viewing zakat-based entrepreneurship solely as a tool for poverty relief, the framework perceives it as a systematic process of capability development, ethical governance, and Maqāṣid-focused results designed to achieve meaningful socio-economic inclusion.

The proposed approach conceptually contributes by operationalising Maqāṣid al-Sharīʿah as an analytical framework rather than a simple normative ideal. It additionally enhances methodology by illustrating how integrative conceptual synthesis can unify diverse aspects of Islamic finance research into a cohesive evaluative framework. The methodology offers zakat institutions and Islamic financial stakeholders a systematic foundation for evaluating whether entrepreneurial initiatives authentically achieve elevated Sharīʿah objectives, including economic autonomy, dignity, and social engagement.

A future study may empirically evaluate the suggested framework using mixed-method or quantitative modelling approaches to assess the degree to which Zakat-based business ventures attain significant Maqāṣid outcomes. By doing so, Islamic finance scholarship may transition from a compliance-focused discourse to a more purpose-orientated and ethically founded paradigm.

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