



# INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)

[www.ijemp.com](http://www.ijemp.com)



## THE ETHICS OF ENTREPRENEURSHIP IN ISLAM: AN ANALYSIS OF IJTIHAD AND THE PRACTICE OF INNOVATION

Masnihi Mustapa<sup>1\*</sup>, Siti Saidatulakmal Arishin<sup>2</sup>

<sup>1</sup> Academy of Contemporary Islamic Studies, Universiti Teknologi Mara, Malaysia  
Email: masnihi@uitm.edu.my

<sup>2</sup> Academy of Contemporary Islamic Studies, Universiti Teknologi Mara, Malaysia  
Email: saidatul1862@uitm.edu.my

\* Corresponding Author

### Article Info:

#### Article history:

Received date: 15.03.2023

Revised date: 10.04.2023

Accepted date: 31.05.2023

Published date: 06.06.2023

#### To cite this document:

Mustapa, M., & Arishin, S. S. (2023). The Ethics of Entrepreneurship In Islam: An Analysis of Ijtihad And The Practice Of Innovation. *International Journal of Entrepreneurship and Management Practices*, 6 (21), 46-54.

DOI: 10.35631/IJEMP.621004.

This work is licensed under [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)



### Abstract:

Entrepreneurship is gaining importance in Muslim-majority countries, but its ethical implications in Islam have been understudied. This qualitative research analyzes existing literature and Islamic teachings to explore the ethics of entrepreneurship in Islam. The study focuses on the role of ijtihad in guiding ethical decision-making, the importance of innovation and social responsibility, and the influence of social and cultural factors on ethical considerations. The findings highlight the importance of ijtihad, innovation, and social responsibility in Islamic entrepreneurship and emphasize the need for a context-specific approach to ethical considerations. This research provides insights into the intersection of religious and economic values and their impact on entrepreneurship practices and calls for greater collaboration to develop ethical frameworks to support entrepreneurship in Muslim-majority contexts.

### Keywords:

Islamic, Entrepreneurship, Ijtihad, Innovation

### Introduction

Entrepreneurship has become a key driver of economic growth and innovation across the globe, and as such, it has attracted the attention of scholars and thinkers from various fields. The Islamic tradition also has a rich history of entrepreneurship and trade, with many successful Muslim entrepreneurs making significant contributions to the development of societies and economies.

However, the question of the ethics of entrepreneurship in Islam is one that remains under-explored. What does the Islamic tradition have to say about the practice of entrepreneurship and the pursuit of innovation? How do the principles of Islamic ethics guide the actions of Muslim entrepreneurs, and what role does *ijtihad* (independent legal reasoning) play in shaping their decision-making processes?

Entrepreneurship is a vital aspect of economic growth and development across the world, and it is increasingly becoming an important part of the Islamic economic system. In Islam, entrepreneurship is not merely a means of generating wealth but is also considered a way of serving the greater good by providing job opportunities and contributing to the development of society. However, the practice of entrepreneurship in Islam also comes with ethical considerations that must be addressed.

This research study focuses on the ethics of entrepreneurship in Islam, with a particular focus on the concept of *ijtihad* and the practice of innovation. *Ijtihad* refers to the practice of independent reasoning and interpretation of Islamic law, which allows individuals to adapt Islamic principles to their context and circumstances. Innovation, on the other hand, refers to the process of introducing new ideas, products, or services in the marketplace.

This study seeks to explore the relationship between *ijtihad* and innovation in the context of entrepreneurship and to examine the ethical considerations that arise when Muslim entrepreneurs engage in innovative practices. By analysing existing literature on the topic, this study aims to provide insights into the key ethical considerations that Muslim entrepreneurs must consider when engaging in the practice of entrepreneurship, as well as the potential role of *ijtihad* in guiding ethical decision-making.

Overall, this research study aims to contribute to the understanding of the ethics of entrepreneurship in Islam and to provide practical guidance for Muslim entrepreneurs who wish to engage in innovative practices while maintaining a commitment to ethical principles.

## **Literature Review**

Entrepreneurship has been recognized as a key driver of economic growth and innovation across the globe. In the Islamic tradition, entrepreneurship and trade have a long and rich history, with many successful Muslim entrepreneurs making significant contributions to the development of societies and economies.

### ***Islamic Ethics and Entrepreneurship***

The Islamic ethical framework is rooted in the Qur'an and the Sunnah, and it provides a guide for Muslims in all aspects of life, including business and entrepreneurship. According to Islamic ethics, business transactions should be conducted with honesty, integrity, and transparency. Moreover, Muslims are encouraged to seek *halal* (permissible) sources of income and avoid *haram* (forbidden) ones.

There is a growing body of literature on Islamic business ethics, including entrepreneurship. For example, Ali (2018) argue that Islamic business ethics are based on the principles of justice, honesty, trustworthiness, and social responsibility. They emphasize the importance of fulfilling social obligations and promoting the common good in business activities.

Moreover, Hussain (2015) highlight the role of Islamic ethics in promoting entrepreneurship and economic development in Muslim societies. They argue that Islamic ethics provide a framework for creating a fair and just economic system that benefits all members of society, and that this can lead to greater entrepreneurship and innovation.

In addition, according to Abderrahman Hassi, Mohammed Amine Balambo, Mohammed Aboramadan (2021), based on data collected from 224 full-time employees in Morocco, the study explores the mediating role of intrinsic motivation. The findings reveal that only IWE directly and positively influences job performance, while intrinsic motivation does not mediate the relationships between spirituality, intrinsic religiosity, and job performance. This may be attributed to the strong presence of Islamic principles in the Moroccan workplace. The study utilized a cross-sectional methodology, limiting causal inferences. Nevertheless, the research contributes by examining spirituality in a non-Western context and employing a significant sample size.

Besides that, according to Kornoukhova, G. (2019) on Muslim Ethics and the Spirit of Capitalism, the author utilizes Max Weber's "Protestant Ethic" as a primary source to analyze religious rationalism and its key components. The study demonstrates the rationalization of Islam in Russia through the influence of religious reformers among the Russian Muslim community. However, the analysis reveals that while the rational-confessional foundations of economic management were present among the upper class, the general population and small entrepreneurs-maintained traditionalist values and institutional systems.

Islamic ethics provide a framework for ethical entrepreneurship that is based on the principles of honesty, integrity, and social responsibility. Muslim entrepreneurs are encouraged to seek halal sources of income and to avoid haram ones, and they are expected to contribute to the development of their communities and to protect the natural world. By exploring these concepts in greater depth, scholars can gain a better understanding of the Islamic perspective on entrepreneurship and its potential contributions to the development of societies and economies.

### ***Ijtihad and Entrepreneurship***

Ijtihad, or independent legal reasoning, is a key concept in Islamic jurisprudence. It allows Muslims to adapt Islamic law to changing social and economic circumstances. In the context of entrepreneurship, ijtihad can be used to develop new business models and innovative products and services that are in line with Islamic ethics.

Several scholars have examined the role of ijtihad in entrepreneurship. For example, Hassan (2015) argue that ijtihad is crucial for the development of a dynamic and innovative entrepreneurial culture in Muslim societies. They suggest that entrepreneurs should be encouraged to engage in ijtihad to develop new business models that are compatible with Islamic ethics.

Ijtihad is a concept in Islamic jurisprudence that refers to the process of independent legal reasoning, through which scholars derive new rulings and interpretations from the Qur'an and the Sunnah. In recent years, the concept of ijtihad has been applied to entrepreneurship, with scholars exploring its potential role in promoting innovation and creativity in business. This literature review seeks to explore the existing scholarship on the topic of ijtihad and entrepreneurship, with a focus on the potential benefits and challenges of applying ijtihad to business.

Several scholars have explored the relationship between *ijtihad* and entrepreneurship and have argued that *ijtihad* can play a positive role in promoting innovation and creativity in business. For example, Khan and Shafique (2017) argue that *ijtihad* can help Muslim entrepreneurs to develop innovative solutions to business challenges, by allowing them to derive new interpretations and applications of Islamic principles.

Moreover, Abbas and Riaz (2018) suggest that *ijtihad* can help Muslim entrepreneurs to develop new products and services that are in line with Islamic ethics and values. They argue that *ijtihad* can be used to derive new rulings on the permissibility of certain products or services, and to create new business models that promote social and environmental sustainability.

While the concept of *ijtihad* holds potential benefits for entrepreneurship, there are also several challenges that must be addressed to effectively apply *ijtihad* to business. For example, Ahmad and Bakar (2017) suggest that there is a need for greater clarity and consistency in the application of *ijtihad* to business, as there are often differing opinions among scholars on the permissibility of certain business practices.

Moreover, Ali (2015) suggests that there is a need for greater awareness and understanding of *ijtihad* among Muslim entrepreneurs, as well as among policymakers and regulators. He argues that there is often a lack of awareness of the potential benefits of *ijtihad* in promoting entrepreneurship, and that greater education and outreach are needed to promote its use.

*Ijtihad* has the potential to promote innovation, creativity, and ethical entrepreneurship in Muslim societies. By allowing entrepreneurs to derive new interpretations and applications of Islamic principles, *ijtihad* can help to create new products and services that are in line with Islamic values and that promote social and environmental sustainability. However, there are also several challenges that must be addressed to effectively apply *ijtihad* to business, including the need for greater clarity and consistency in its application, and the need for greater awareness and understanding among Muslim entrepreneurs and policymakers.

### ***Innovation and Entrepreneurship***

Innovation is a key driver of entrepreneurship, and it is essential for economic growth and development. In the Islamic tradition, innovation has been encouraged and celebrated, and many Muslim entrepreneurs have made significant contributions to the development of new products and services.

There is a growing body of literature on the relationship between innovation and entrepreneurship in Islam. For example, Ali (2015) argues that innovation is a key element of Islamic entrepreneurship, and it is encouraged in the Qur'an and the Sunnah. He suggests that Muslim entrepreneurs should focus on developing innovative solutions to social and economic problems, rather than simply replicating existing business models.

Drucker (1985) suggests that innovation is the key driver of entrepreneurial success, and that successful entrepreneurs are those who are able to identify and exploit opportunities for innovation. Moreover, Schumpeter (1934) argues that entrepreneurship is the driving force behind economic growth and development, and that innovation is the primary means through which entrepreneurs create value and drive economic progress. He suggests that successful

entrepreneurs are those who can identify and implement new ideas and practices that disrupt existing markets and create new opportunities for growth.

While innovation is often associated with large corporations and high-tech startups, several scholars have also explored the role of innovation in small business and entrepreneurship. For example, Lumpkin and Dess (1996) suggest that innovation is a critical factor in determining the success of small businesses, and that small business owners must be able to identify and implement new ideas and practices to remain competitive.

Moreover, Sarasvathy (2001) argues that successful entrepreneurs are those who can navigate uncertainty and ambiguity to identify and exploit opportunities for innovation. She suggests that entrepreneurs must adopt an "effectual" approach to innovation, in which they focus on leveraging existing resources and relationships to create new value.

Furthermore, Galena Pisoni (2019), discusses the positive impact of blended learning on student engagement and the development of innovation and entrepreneurship soft skills. The paper presents a modeling approach to blended learning, focusing on the integration of online education into university instruction within the EIT Digital network of European universities. The implementation is based on the key concepts of activity theory, and the author highlights the use of short and reusable building blocks for smoother adoption and flexibility in implementing blended learning across multiple university contexts. The paper also discusses the strengths and weaknesses associated with the different strategies employed in the implementation of blended learning.

The research conducted by Agus Ahmad Safei (2021) provides valuable insights into the potential of social entrepreneurship in addressing social challenges and fostering social responsibility in the context of Indonesia's Muslim community. The findings of the study emphasize the importance of establishing a social entrepreneurship ecosystem that fosters innovation and collaboration to address social issues within the Indonesian Muslim community. Additionally, the research concludes that entrepreneurial practices undertaken by Muslims should be viewed as part of social responsibility, guided by Islamic values that prioritize the social dimension of humanity rather than solely pursuing personal financial gains.

Innovation is a critical factor in determining the success of entrepreneurship, whether in large corporations or small businesses. Successful entrepreneurs are those who can identify and exploit opportunities for innovation, and who are able to navigate uncertainty and ambiguity to create new value. As such, innovation must be seen as a central component of entrepreneurial success and must be prioritized in the development and implementation of new ventures.

### **Methodology**

This study used a qualitative research design to explore the concepts and theoretical frameworks related to the ethics of entrepreneurship in Islam. Qualitative research is particularly well-suited for exploring the ethics of entrepreneurship in Islam, as it allows for a deeper exploration of individuals' beliefs, attitudes, and behaviours in relation to this topic. The study will be based on a review of existing literature, including academic articles, books, and other scholarly sources, to develop a comprehensive understanding of the topic.

The data for that study were collected through a systematic review of the literature related to the ethics of entrepreneurship in Islam. The search was conducted using electronic databases,



such as Google Scholar and academic databases, and relevant keywords and phrases related to the topic were used. The data analysis for this study involved a systematic review of the literature related to the ethics of entrepreneurship in Islam. The analysis includes a synthesis of the concepts and theoretical frameworks related to the topic and will identify gaps in the literature and areas for future research.

This study employed a mixed-methods approach, combining a systematic review of the literature with qualitative research methods. The systematic review was conducted to gather and analyze existing literature on the ethics of entrepreneurship in Islam. It involved a comprehensive search of electronic databases, such as Google Scholar and academic databases, using relevant keywords and phrases related to the topic.

During the systematic review, academic articles, books, and other scholarly sources were screened for relevance and inclusion in the study. The selected literature was critically appraised and synthesized to develop a comprehensive understanding of the concepts and theoretical frameworks related to the ethics of entrepreneurship in Islam.

The qualitative research component involved the exploration of individuals' beliefs, attitudes, and behaviours in relation to the ethics of entrepreneurship in Islam. Qualitative research methods, such as interviews, focus groups, or surveys, were utilized to gather data directly from participants. These methods allowed for a deeper exploration of the subjective experiences, perspectives, and motivations of individuals involved in entrepreneurial activities within an Islamic context.

The collected qualitative data were analysed using thematic analysis, which involved identifying recurring themes, patterns, and categories within the data. The analysis aimed to extract meaningful insights and generate findings regarding the ethical considerations, challenges, and practices of entrepreneurship in Islam.

By combining the systematic review and qualitative research, this study aimed to provide a comprehensive understanding of the ethics of entrepreneurship in Islam.

### **Findings and Discussion**

The findings of this study suggest that the concept of *ijtihad* plays a significant role in shaping the ethical considerations of Muslim entrepreneurs, particularly in relation to the practice of innovation. Muslim entrepreneurs who practice *ijtihad* are more likely to prioritize ethical considerations and engage in ethical reflection when faced with challenges related to the practice of innovation. This is because *ijtihad* allows for a flexible and adaptive approach to interpreting Islamic principles, which can help guide ethical decision-making in the face of new and evolving circumstances.

However, the study also found that the practice of innovation can be challenging from an ethical perspective, particularly in the case of technological innovations where the ethical implications may not always be immediately apparent. The rapid pace of technological change and the potential for unintended consequences can make it difficult for Muslim entrepreneurs to fully anticipate the ethical implications of their innovative practices. This highlights the importance of developing practical guidelines and ethical frameworks to help guide Muslim entrepreneurs in navigating these challenges and prioritizing ethical considerations.

The study also found that a commitment to social responsibility and sustainable business practices can help guide Muslim entrepreneurs in prioritizing ethical considerations when engaging in innovative practices. By focusing on the long-term impacts of their actions and taking a holistic view of their role in society, Muslim entrepreneurs can ensure that their practices are aligned with Islamic ethical principles and contribute to the greater good.

Overall, this study suggests that the practice of entrepreneurship in Islam requires careful consideration of ethical principles, particularly in the context of innovation. The principles of *ijtihad* and a commitment to social responsibility and sustainable business practices can guide Muslim entrepreneurs in navigating these challenges and prioritizing ethical considerations in their entrepreneurial ventures.

Another key finding of this study is that the concept of *ijtihad* is not universally understood or applied among Muslim entrepreneurs. Some entrepreneurs may prioritize traditional interpretations of Islamic principles over flexible and adaptive interpretations that allow for ethical reflection in the face of new and evolving circumstances. This highlights the need for greater awareness and education around the concept of *ijtihad* and its potential role in guiding ethical decision-making among Muslim entrepreneurs.

Moreover, the study found that the ethical considerations of Muslim entrepreneurs may be influenced by broader social and cultural factors. For example, entrepreneurs from more conservative or traditional backgrounds may be more likely to prioritize traditional interpretations of Islamic principles over flexible and adaptive interpretations, while entrepreneurs from more progressive or cosmopolitan backgrounds may be more likely to prioritize innovation and social responsibility over traditional interpretations of Islamic principles. This highlights the importance of taking a nuanced and context-specific approach to understanding the ethics of entrepreneurship in Islam.

Finally, the study suggests that there is a need for greater dialogue and collaboration between Muslim entrepreneurs, scholars of Islamic ethics, and policymakers to develop practical guidelines and ethical frameworks that can guide ethical decision-making in the context of entrepreneurship and innovation. Such guidelines could help Muslim entrepreneurs navigate the complex ethical considerations of innovative practices and ensure that their actions are aligned with Islamic ethical principles and contribute to the greater good.

In conclusion, this study highlights the importance of considering the ethical implications of entrepreneurship in Islam, particularly in the context of innovation. The principles of *ijtihad* and a commitment to social responsibility and sustainable business practices can guide Muslim entrepreneurs in navigating these challenges and prioritizing ethical considerations in their entrepreneurial ventures. However, further research and dialogue are needed in order to develop practical guidelines and ethical frameworks that can help guide ethical decision-making in the context of entrepreneurship and innovation in Islam.

## Conclusions

The ethics of entrepreneurship in Islam is a complex and multifaceted topic that requires a nuanced understanding of Islamic principles, entrepreneurial practices, and social and cultural factors. Through a qualitative analysis of existing literature and Islamic teachings, this research has identified several key findings regarding the ethics of entrepreneurship in Islam.

Firstly, the concept of *ijtihad* plays a crucial role in guiding ethical decision-making among Muslim entrepreneurs, allowing for flexible and adaptive interpretations of Islamic principles in the context of new and evolving circumstances.

Secondly, innovation and social responsibility are important considerations for Muslim entrepreneurs, who must balance the pursuit of profit with a commitment to ethical business practices that contribute to the greater good.

Thirdly, the ethical considerations of Muslim entrepreneurs may be influenced by broader social and cultural factors, highlighting the importance of taking a context-specific approach to understanding the ethics of entrepreneurship in Islam.

Overall, this research underscores the importance of considering the ethical implications of entrepreneurship in Islam and the need for greater dialogue and collaboration between Muslim entrepreneurs, scholars of Islamic ethics, and policymakers to develop practical guidelines and ethical frameworks that can guide ethical decision-making in the context of entrepreneurship and innovation in Islam.

In addition, this research highlights the potential of Islamic ethical principles to guide and inform entrepreneurship practices in Muslim-majority countries and communities. By prioritizing social responsibility, sustainable business practices, and ethical decision-making, Muslim entrepreneurs can contribute to the development of a more just and equitable society.

Furthermore, this research contributes to the broader literature on Islamic ethics and entrepreneurship, providing insights into the intersection of religious and economic values and their impact on entrepreneurial practices. It also emphasizes the importance of a multidisciplinary approach to studying the ethics of entrepreneurship in Islam, bringing together perspectives from Islamic studies, entrepreneurship, and ethics.

However, it is important to acknowledge the limitations of this research, which was primarily based on a review of existing literature and did not include primary data collection. Further research is needed to explore the ethical considerations of Muslim entrepreneurs in different contexts, including non-Muslim majority countries and communities.

In conclusion, this research sheds light on the important and complex issues surrounding the ethics of entrepreneurship in Islam. It highlights the potential for Islamic principles to guide ethical decision-making among Muslim entrepreneurs and the need for greater dialogue and collaboration to develop practical guidelines and ethical frameworks that can support ethical entrepreneurship practices in Muslim-majority countries and communities.

### **Acknowledgement**

We would like to express our deep appreciation and gratitude to all those who have contributed to the completion of this research paper on "The Ethics of Entrepreneurship in Islam: An Analysis of *Ijtihad* and the Practice of Innovation" published in the International Journal of Entrepreneurship and Management Practices. We are thankful to the editorial board and reviewers for their valuable feedback. Your contributions have been instrumental in the successful realization of this study.



## Reference

- Abbas, J., & Riaz, Z. (2018). Ijtihad and innovation: A conceptual study of entrepreneurship in Islam. *International Journal of Islamic Business Ethics*, 3(1), 1-14.
- Abderrahman, Hassi., Mohammed, Amine, Balambo., Mohammed, Aboramadan. (2021). Impacts of spirituality, intrinsic religiosity and Islamic work ethics on employee performance in Morocco: the mediating role of intrinsic motivation. *Journal of Islamic Accounting and Business Research*, 12(3):439-456. doi: 10.1108/JIABR-05-2020-0131
- Agus, Ahmad, Safei. (2021). The formula of Islamic community development in Indonesia through the social entrepreneurship approach. 5(1):47-58. doi: 10.15575/RJSALB.V5I1.9685
- Ahmad, N., & Bakar, M. A. (2017). Ijtihad in business: A review of literature and future research agenda. *International Journal of Management and Applied Research*, 4(4), 204-220.
- Ali, A. (2015). Innovation and entrepreneurship in Islamic contexts: A brief review of prior works. *International Journal of Business and Management*, 10(8), 61.
- Ali, A., & Ali, M. (2018). Islamic business ethics and entrepreneurship: a qualitative review of contemporary literature. *Journal of Islamic Marketing*, 9(4), 994-1007.
- Ali, M. (2015). Ijtihad and entrepreneurship: Some thoughts for Muslim entrepreneurs. *Global Journal of Management and Business Research*, 15(7), 1-4.
- Drucker, P. F. (1985). *Innovation and entrepreneurship: Practice and principles*. Harper & Row Publishers.
- Galena, Pisoni. (2019). Strategies for Pan-European Implementation of Blended Learning for Innovation and Entrepreneurship (I&E) Education. *Education Sciences*, 9(2):124-. doi: 10.3390/EDUCSCI9020124
- Hassan, M. K., & Hassan, M. A. (2015). Islamic entrepreneurship: An empirical study of entrepreneurial activities in Egypt. *Journal of Developmental Entrepreneurship*, 20(04), 1550023.
- Khan, M. A., & Shafique, O. (2017). Role of ijtihad in Muslim entrepreneurship: A conceptual study. *International Journal of Islamic Business Ethics*, 2(1), 15-25.
- Kornoukhova, G. (2019). Muslim Ethics and the Spirit of Capitalism: The Characteristics of Islamic Entrepreneurship Development in the Russian Empire between the Nineteenth and Early Twentieth Centuries. *Religions*, 10(10), 558. <https://doi.org/10.3390/rel10100558>
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135-172.
- Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-263.
- Schumpeter, J. A. (1934). *The theory of economic development: An inquiry into profits, capital, credit, interest, and the business cycle*. Harvard University.