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ETHICAL VALUES IN ISLAMIC ECONOMICS: A CONCEPTUAL AND LITERATURE-BASED ANALYSIS

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ABSTRACT

Islamic economics is fundamentally rooted in ethical and moral values derived from the Qur'an and Sunnah, positioning it as a normative-economic system that integrates material welfare with spiritual and social objectives. In recent decades, the growing interest in Islamic finance and halal industries has not always been accompanied by a proportional internalization of ethical values, leading to a widening gap between normative ideals and practical implementation. This article aims to systematically review and conceptually analyze the ethical foundations of Islamic economics and their relevance in addressing contemporary economic challenges. Employing a qualitative literature review approach, this study synthesizes classical Islamic economic thought, contemporary scholarly works, and empirical findings from previous studies without relying on primary data. The review focuses on key ethical principles such as justice (ʿadl), balance (tawāzun), responsibility (mas'ūliyyah), transparency, and social welfare (maṣlaḥah), and examines how these values are operationalized within modern economic practices.

The findings indicate that ethical values are not merely complementary elements but constitute the core epistemological and axiological foundations of Islamic economics. However, the literature also reveals persistent challenges in translating these values into institutional frameworks, regulatory mechanisms, and business behavior, particularly in Muslim-majority countries experiencing rapid economic transformation. Practical phenomena such as inequality, ethical lapses in financial institutions, and the dominance of profit-oriented motives underscore the urgency of re-centering ethics in Islamic economic discourse. By integrating insights from international and Indonesian contexts, this article contributes to the enrichment of Islamic economic literature, particularly for policy formulation and academic discourse at the national level. The study concludes that strengthening ethical values through education, governance, and regulatory alignment is essential to ensuring that Islamic economics fulfills its moral and socio-economic objectives.

INTRODUCTION

Islamic economics has developed into an independent and critical field of inquiry that fundamentally questions the long-standing assumption of value neutrality in conventional economic theory. Mainstream economics, particularly since the dominance of neoclassical thought, has largely framed economic behavior as a rational and technical process aimed at maximizing utility, efficiency, and profit. Within this paradigm, ethical considerations are often treated as external constraints or subjective preferences rather than as core analytical components. Islamic economics challenges this perspective by asserting that economic activity is inherently normative and cannot be separated from moral and ethical values. Rather than prioritizing material outcomes alone, Islamic economics integrates ethical reasoning directly into economic analysis and decision-making (Chapra, 2000; Siddiqi, 2004; Hasan, 2011).

At the heart of Islamic economics lies the conviction that economic behavior must be guided by moral responsibility and accountability, both to society and to God. The primary sources of Islamic teachings the Qur'an and the Sunnah provide explicit guidance on economic conduct by emphasizing values such as justice (ʿadl), honesty (ṣidq), trustworthiness (amānah), moderation, and social responsibility. These values shape a worldview in which economic activities are not morally neutral actions driven solely by self-interest, but purposeful endeavors aimed at achieving comprehensive human well-being (*falah*). In this sense, Islamic economics transcends the notion of being merely an alternative financial system and instead presents itself as a holistic socio-economic framework rooted in ethical and spiritual foundations.

The growing global expansion of Islamic finance and the halal industry illustrates the increasing recognition and acceptance of Islamic economic principles beyond their traditional religious boundaries. Over the past two decades, Islamic financial assets have demonstrated steady growth, supported by rising demand for financial instruments that emphasize ethical investment, risk-sharing, and social responsibility (Iqbal & Mirakhor, 2011; Wilson, 2015; Asutay, 2012). This trend reflects broader global concerns regarding the sustainability and morality of conventional financial systems, particularly in the aftermath of repeated financial crises. As a result, Islamic finance has attracted attention not only from Muslim communities but also from non-Muslim investors and policymakers seeking more resilient and ethically grounded economic alternatives.

In the Indonesian context, the development of Islamic economics holds particular significance. As the country with the largest Muslim population in the world, Indonesia possesses immense potential to become a global hub for Islamic finance and halal industries. Recognizing this opportunity, the Indonesian government has actively promoted sharia-based economic development through comprehensive national strategies, regulatory reforms, and institutional strengthening. Official data published by the Badan Pusat Statistik (BPS) and national reports on the sharia economy indicate a consistent increase in the contribution of Islamic finance and the halal sector to national economic growth. These developments signal not only market expansion but also strong policy commitment to integrating Islamic economic principles into the national development agenda.

Despite these encouraging quantitative indicators, a critical concern remains regarding the qualitative dimension of Islamic economic practices. Numerous scholars argue that the rapid institutional growth of Islamic finance has not always been accompanied by a corresponding internalization of its ethical foundations. Instead, many contemporary Islamic financial institutions are criticized for closely replicating conventional financial models, with only minimal modifications to ensure formal compliance with sharia requirements (El-Gamal, 2006; Asutay, 2007; Kamla & Rammal, 2013). In such cases, legalistic adherence to contractual forms often takes precedence over the substantive moral objectives that Islamic economics seeks to promote.

This tendency toward prioritizing form over substance raises serious questions about the authenticity and credibility of Islamic economics as an ethical alternative to conventional systems. When Islamic financial practices focus predominantly on technical compliance while neglecting broader social and moral goals, the transformative vision of Islamic economics risks being diluted. Consequently, Islamic economics may be reduced to a procedural or symbolic system that lacks meaningful ethical distinction. This critique highlights the urgent need to reassess how ethical values are understood, operationalized, and institutionalized within Islamic economic frameworks.

It is important to note that ethical challenges in economic systems are not exclusive to Islamic contexts. Globally, contemporary economies face persistent issues such as widening income inequality, environmental degradation, financial instability, and recurrent corporate scandals. These challenges have prompted widespread criticism of value-neutral economic paradigms that prioritize growth and efficiency without adequate regard for justice, sustainability, and human well-being (Stiglitz, 2012; Sen, 1999; Raworth, 2017). Such critiques underscore the limitations of conventional economic models and reinforce the need for alternative approaches that place ethical considerations at the center of economic governance.

In Indonesia, socio-economic disparities and ethical violations in business practices continue to pose significant challenges, as reflected in various national socio-economic indicators reported by BPS. Issues such as unequal income distribution, labor exploitation, environmental damage, and corruption illustrate the disconnect between economic growth and social justice. These realities further emphasize the relevance of ethical-based economic frameworks capable of addressing structural inequalities and promoting inclusive development. Islamic economics, with its explicit moral orientation, offers conceptual tools that can potentially respond to these challenges provided that its ethical principles are genuinely internalized and translated into practice.

The ethical foundation of Islamic economics is closely linked to the objectives of Islamic law, known as *maqāṣid al-sharīʿah*. These objectives aim to safeguard essential aspects of human life, including religion, life, intellect, lineage, and wealth (Al-Ghazali, 1993; Chapra, 2008; Auda, 2008). Within this framework, economic activities are evaluated not only in terms of efficiency or profitability but also based on their contribution to human dignity, social cohesion, and long-term societal welfare. Economic success, therefore, is measured by its ability to enhance overall well-being rather than merely increasing material output.

Justice occupies a central position in Islamic economic thought and extends beyond distributive outcomes to encompass procedural fairness and the prevention of exploitation. Islamic scholars emphasize that justice must be reflected in market structures, contractual relationships, and institutional arrangements (Naqvi, 1981; Zaman, 2010; Hallaq, 2013). The prohibition of practices such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling) is not merely a legal restriction, but an ethical stance aimed at promoting transparency, fairness, and equitable risk-sharing. These prohibitions reflect a broader concern for protecting vulnerable parties and ensuring that economic interactions contribute positively to social welfare.

However, a review of existing literature reveals a degree of fragmentation in how ethical values within Islamic economics are conceptualized and applied. Some scholars focus primarily on normative and philosophical dimensions, emphasizing ethical ideals and moral reasoning, while others concentrate on institutional, regulatory, and policy-related aspects of Islamic economic systems (Siddiqi, 2011; Hasan, 2014; Asutay & Harningtyas, 2015). This divergence has contributed to a noticeable gap between ethical theory and empirical practice, particularly in rapidly developing economies where institutional pressures often prioritize growth and competitiveness over ethical depth.

Bridging this gap requires a systematic and integrative examination of the existing body of knowledge on Islamic economic ethics. A comprehensive synthesis of classical Islamic texts, contemporary theoretical contributions, and empirical studies is necessary to clarify conceptual frameworks and identify practical pathways for implementation. Without such efforts, ethical values risk remaining abstract ideals that are insufficiently reflected in real-world economic behavior and institutional design.

In response to these challenges, this article aims to contribute to the ongoing discourse by conducting a qualitative, systematic literature review on ethical values in Islamic economics. By analyzing a wide range of sources including classical jurisprudential works, modern theoretical writings, and contemporary empirical research this study seeks to achieve three primary objectives. First, it aims to identify the core ethical values that define Islamic economics as a distinct paradigm. Second, it examines how these values are articulated, debated, and interpreted across the literature. Third, it explores the relevance of these ethical principles in addressing contemporary economic challenges, with particular attention to the Indonesian context.

Unlike empirical studies that rely on primary data collection, this research adopts a conceptual approach that enables a critical and comprehensive assessment of existing scholarship. Such an approach is particularly suitable for clarifying theoretical ambiguities, identifying research gaps, and developing a coherent ethical framework that can inform future empirical investigations. By synthesizing diverse perspectives, this study provides a structured foundation for advancing both academic inquiry and practical application.

The significance of this study lies in its potential contributions to both scholarly discourse and policy formulation. For academics, it offers a systematic synthesis of ethical perspectives within Islamic economics that is suitable for publication in nationally accredited journals, including those indexed at SINTA 6. For policymakers and practitioners, the findings underscore the importance of re-centering ethical values in economic governance, institutional design, and development strategies. Ultimately, this article argues that the long-term sustainability and credibility of Islamic economics depend on its ability to consistently translate ethical principles into tangible socio-economic outcomes that promote justice, inclusivity, and human well-being.

METHOD RESEARCH

Research Method

This study adopts a qualitative research methodology grounded in a literature review approach with a strong conceptual and systematic orientation. The selection of this methodological framework is closely aligned with the primary objective of the research, which is to critically examine, interpret, and synthesize ethical values in Islamic economics as discussed in existing scholarly literature. Rather than testing hypotheses, quantifying relationships, or collecting primary empirical data, this study seeks to deepen conceptual understanding and clarify theoretical debates surrounding ethical foundations in Islamic economic thought. Literature-based research is particularly appropriate for studies aiming to refine concepts, consolidate fragmented discussions, and identify intellectual gaps within a field (Snyder, 2019; Tranfield, Denyer, & Smart, 2003; Xiao & Watson, 2019).

By employing a literature review, this study positions itself within a tradition of qualitative inquiry that emphasizes interpretation, critical reflection, and theoretical integration. Given that ethical values in Islamic economics are inherently normative and philosophical, a qualitative approach allows for a more nuanced engagement with meanings, principles, and underlying assumptions that cannot be adequately captured through quantitative methods alone. This approach also enables the study to situate contemporary debates within a broader historical and intellectual context.

Research Design and Approach

The literature review conducted in this study can be classified as a qualitative conceptual literature review that incorporates systematic elements. Conceptual literature reviews are designed to integrate, reinterpret, and critique existing theories and ideas with the aim of generating new insights or analytical frameworks, rather than aggregating empirical findings through statistical techniques as in meta-analyses (Jesson, Matheson, & Lacey, 2011; Webster & Watson, 2002). This type of review is particularly suitable for fields such as Islamic economics, where ethical, normative, and epistemological dimensions are central to scholarly discourse.

In the context of Islamic economics, many foundational concepts such as justice, moral responsibility, and social welfare are deeply rooted in religious texts and philosophical reasoning. A conceptual approach enables a deeper exploration of these values by examining how they are defined, justified, and debated across different schools of thought (Chapra, 2000; Naqvi, 1981; Asutay, 2012). Quantitative synthesis alone would be insufficient to capture the richness and complexity of these discussions.

At the same time, this study incorporates systematic procedures to strengthen methodological rigor and transparency. These procedures include the formulation of explicit research questions, clearly articulated search strategies, predefined inclusion and exclusion criteria, and a structured process of analysis and synthesis. The integration of systematic elements helps reduce arbitrariness in literature selection and enhances the credibility and replicability of the review. By balancing conceptual depth with systematic rigor, this approach is designed to meet academic standards suitable for publication in nationally accredited journals, including those indexed in SINTA 6.

Data Sources and Search Strategy

The data used in this study consist entirely of secondary sources derived from academic literature. The primary materials include peer-reviewed journal articles, scholarly books, edited book chapters, and authoritative institutional or policy reports that address Islamic economics, ethical values, and Sharia-based economic systems. These sources were selected to ensure a comprehensive representation of both classical and contemporary perspectives.

Literature searches were conducted using several major academic databases and indexing platforms, including Google Scholar, journals indexed in Scopus and Web of Science, as well as nationally accredited Indonesian journals indexed in SINTA. This combination of databases was intentionally chosen to capture a broad spectrum of international and local scholarship, thereby enhancing the contextual relevance of the study (Harzing & Alakangas, 2016; Mongeon & Paul-Hus, 2016; Falagas et al., 2008).

The search process employed a set of predefined keywords and keyword combinations, including “Islamic economics,” “ethical values,” “Islamic economic ethics,” “maqasid al-shariah,” “Islamic moral economy,” and “ethics in Islamic finance.” Boolean operators such as AND and OR were used to refine search results and improve precision. While no rigid publication time frame was imposed in order to capture the historical development of ethical discourse in Islamic economics, greater emphasis was placed on seminal works and studies published over the past two decades, reflecting contemporary theoretical and institutional developments.

Inclusion and Exclusion Criteria

To ensure relevance, coherence, and academic quality, explicit inclusion and exclusion criteria were applied during the literature selection process. Studies were included if they met the following conditions: (1) they explicitly addressed ethical values, moral principles, or normative dimensions within the framework of Islamic economics or Islamic finance; (2) they were published in peer-reviewed journals, reputable academic presses, or official institutional publications; and (3) they offered theoretical, conceptual, or empirical insights that directly contributed to the objectives of this study. Both international and Indonesian publications were included to allow for comparative perspectives and contextual sensitivity.

Studies were excluded if they met one or more of the following criteria: (1) they focused exclusively on technical, operational, or legal aspects of Islamic finance without engaging with ethical or normative considerations; (2) they lacked academic rigor or credibility, such as non-peer-reviewed opinion articles, blog posts, or unverified online materials; or (3) they merely repeated existing arguments without providing meaningful analytical or conceptual contributions. This selective process follows established best practices in systematic literature review methodology and helps ensure that the synthesized findings are reliable and academically robust (Petticrew & Roberts, 2006; Booth, Sutton, & Papaioannou, 2016).

Data Analysis Technique

The selected literature was analyzed using qualitative content analysis combined with thematic synthesis. Qualitative content analysis involves a systematic examination of textual data to identify recurring concepts, meanings, and patterns relevant to the research questions (Krippendorff, 2018; Elo & Kyngäs, 2008). In this study, the analysis focused on how ethical values are conceptualized, justified, and applied within Islamic economic discourse.

Thematic synthesis was carried out through an iterative, multi-stage process. First, key ethical concepts frequently discussed in the literature such as justice (ʿadl), social welfare (maṣlaḥah), balance (tawāzun), responsibility (mas'ūliyyah), and trust (amānah) were identified and coded across the selected sources. Second, these concepts were organized into broader thematic categories, including normative foundations, institutional and policy applications, and practical implementation challenges. Third, the themes were critically compared across different scholarly perspectives to identify areas of convergence, divergence, and conceptual gaps. This analytical process facilitates the development of an integrated and coherent understanding of ethical values in Islamic economics (Thomas & Harden, 2008; Braun & Clarke, 2006).

Validity and Reliability Considerations

Although this study does not employ quantitative indicators of validity and reliability, methodological rigor was ensured through transparency, consistency, and triangulation of sources. The use of diverse types of literature ranging from classical Islamic texts and contemporary theoretical works to empirical studies allows for cross-verification of interpretations and strengthens the credibility of the findings. In addition, clear documentation of search strategies, selection criteria, and analytical procedures enhances the replicability of the review process (Lincoln & Guba, 1985; Snyder, 2019).

To mitigate potential researcher bias, the analysis was grounded in direct engagement with authoritative and well-cited sources, as well as established scholarly debates within Islamic economics. Priority was given to influential works that have shaped the field, while also incorporating critical perspectives to ensure analytical balance.

Ethical Considerations

As this study is based solely on secondary data and does not involve human participants or primary data collection, it does not raise ethical issues related to informed consent, anonymity, or confidentiality. Nevertheless, principles of academic ethics were strictly upheld. All sources were properly acknowledged through accurate citation, and the study adheres to scholarly standards of integrity and transparency. Citations are presented consistently using APA style to avoid plagiarism and ensure respect for intellectual property.

In summary, the methodological approach employed in this study provides a rigorous and coherent framework for systematically reviewing and conceptually analyzing ethical values in Islamic economics. By integrating qualitative depth with systematic procedures, this approach enables a comprehensive synthesis of existing scholarship and establishes a strong foundation for subsequent analysis, discussion, and interpretation of findings.

RESULT AND DISCUSSION

Core Ethical Values in Islamic Economics

The scholarly literature consistently affirms that ethical values are not auxiliary components of Islamic economics but form its fundamental foundation. In contrast to conventional economic theory, which frequently operates under the assumption of value neutrality, Islamic economics explicitly embeds moral and ethical norms derived from the Qur'an, the Sunnah, and classical Islamic jurisprudence (*fiqh*). These normative sources provide a comprehensive moral framework that guides economic behavior and institutional design. Scholars such as Chapra (2000), Naqvi (1981), and Siddiqi (2004) emphasize that economic activity in Islam is inherently ethical because it is situated within a broader Islamic worldview that defines the purpose of human existence, social obligations, and accountability before God. As a result, Islamic economics cannot be confined to technical financial mechanisms or contractual forms; rather, it represents a moral economic system that seeks to align material pursuits with spiritual values and social well-being.

Within this ethical framework, justice (ʿadl) emerges as one of the most central and widely discussed values in Islamic economic thought. Justice is understood not merely as an abstract moral ideal but as a comprehensive principle that regulates economic interactions, the allocation of resources, and the functioning of institutions. Naqvi (1981) conceptualizes justice as encompassing both distributive and procedural dimensions, implying that fairness must be reflected not only in economic outcomes but also in the processes through which decisions are made and implemented. In a similar vein, Chapra (2008) argues that justice in Islamic economics requires active measures to prevent exploitation, excessive concentration of wealth, and structural inequality. From this perspective, justice functions as a normative benchmark that addresses market imperfections and ethical failures often associated with capitalist economic systems.

Closely intertwined with the principle of justice is the ethical concept of balance (*tawāzun*), which reflects Islam's emphasis on moderation and equilibrium in all aspects of life, including economic activity. Tawāzun signifies the need to maintain harmony between individual interests and collective welfare, economic efficiency and ethical constraints, as well as material advancement and spiritual development (Hasan, 2011; Auda, 2008; Asutay, 2012). The literature highlights that ethical problems often arise when economic systems become imbalanced, such as when profit maximization is pursued at the expense of social responsibility or environmental sustainability. Islamic economics, therefore, advocates a middle path that avoids both the excesses of unregulated capitalism and the rigidity of extreme collectivist models. By promoting balance, Islamic economics aims to create an economic order that is both productive and morally grounded.

Another foundational ethical value in Islamic economics is trustworthiness (*amānah*), which plays a crucial role in sustaining ethical economic relationships and institutional legitimacy. In Islamic thought, individuals and institutions are viewed as trustees rather than absolute owners of wealth, as all resources are ultimately regarded as belonging to God (Chapra, 2000; Siddiqi, 2011; Hallaq, 2013). This trustee-based perspective imposes moral obligations on economic agents to manage resources responsibly, transparently, and in a manner that benefits society at large. Amānah thus underpins ethical conduct in contracts, financial transactions, and governance structures.

The literature further emphasizes that the weakening of trustworthiness poses a serious threat to the ethical credibility of Islamic economic institutions. Practices such as corruption, misrepresentation, opportunistic behavior, and information asymmetry are seen as violations of amānah that undermine public confidence and distort the moral objectives of Islamic economics. Scholars note that although Islamic financial institutions formally adhere to sharia principles, failures in upholding trust and accountability can erode their ethical legitimacy in practice. Consequently, strengthening amānah is viewed as essential not only for individual moral conduct but also for the long-term sustainability and integrity of Islamic economic systems.

Taken together, justice, balance, and trustworthiness constitute core ethical pillars that distinguish Islamic economics from value-neutral economic paradigms. These values collectively reinforce the idea that economic activity in Islam is a moral endeavor aimed at achieving comprehensive human well-being rather than merely maximizing material gain. By embedding ethical principles at both individual and institutional levels, Islamic economics aspires to offer an alternative economic model that is socially just, morally accountable, and spiritually meaningful.

Ethical Foundations and Maqāṣid al-Sharīʿah

The ethical underpinnings of Islamic economics are firmly anchored in the objectives of Islamic law, known as *maqāṣid al-sharīʿah*, which provide a comprehensive and systematic framework for assessing economic behavior, policies, and institutional arrangements. Rather than viewing economic activity as a value-neutral process, Islamic economics evaluates economic outcomes and mechanisms based on their alignment with these overarching objectives. Classical Islamic scholars, most notably Al-Ghazali, articulated maqāṣid as the preservation of essential human interests, namely religion, life, intellect, lineage, and wealth. These foundational objectives serve as the moral compass of Islamic law and, by extension, Islamic economic thought. In more recent scholarship, the maqāṣid framework has been further developed to incorporate broader ethical concerns such as human dignity, social equity, and sustainable development, reflecting the changing socio-economic realities of the modern world (Chapra, 2008; Auda, 2008; Kamali, 2008).

Within the domain of Islamic economics, *maqāṣid al-sharīʿah* function both as normative ideals and as practical evaluative tools. Normatively, they articulate the ethical vision that Islamic economic systems seek to realize, while evaluatively, they provide criteria for assessing whether economic policies, financial instruments, and institutional practices genuinely promote human welfare. This dual role underscores the centrality of maqāṣid in bridging ethical theory and economic practice. Economic activities are therefore judged not solely on their efficiency or profitability but on their contribution to holistic well-being and social harmony.

The literature widely acknowledges that core ethical values such as justice (ʿadl), public welfare (*maṣlaḥah*), and moral responsibility are concrete manifestations of maqāṣid al-sharīʿah in economic life. These values translate abstract legal objectives into actionable ethical principles that guide decision-making at both individual and institutional levels. For example, the prohibition of *riba* is commonly interpreted not merely as a formal legal restriction, but as an ethical stance aimed at preventing injustice, exploitation, and unequal power relations within financial transactions (Siddiqi, 2004; El-Gamal, 2006; Zaman, 2010). From this perspective, *riba* undermines the maqāṣid objective of protecting wealth by allowing gains without commensurate risk or productive contribution.

Similarly, the emphasis on risk-sharing, asset-backed financing, and real economic activity reflects the maqāṣid-driven intention to align financial rewards with genuine value creation. These principles are designed to enhance economic stability, discourage speculative behavior, and promote a more equitable distribution of risk and returns. By linking finance to tangible assets and productive enterprise, Islamic economics seeks to support social welfare and reduce systemic vulnerabilities that often arise from purely financialized economic systems.

Despite the centrality of maqāṣid al-sharīʿah in Islamic economic theory, several scholars have highlighted a growing gap between maqāṣid-oriented ethical ideals and the actual practices of contemporary Islamic finance. Asutay (2007) criticizes the prevalence of what he describes as "Sharia-compliant finance," in which institutional actors prioritize formal legal conformity while neglecting the deeper ethical objectives of Sharia. This legalistic approach tends to focus on contractual structures rather than on the socio-economic consequences of financial activities.

This concern is further reinforced by Kamla and Rammal (2013), who argue that many Islamic financial institutions operate according to conventional banking logics, with only superficial modifications to meet Sharia requirements. Such practices, they contend, limit the ethical distinctiveness of Islamic finance and weaken its transformative potential. When maqāṣid are reduced to symbolic references rather than operational principles, Islamic economics risks losing its identity as a substantive moral economy. Consequently, reaffirming a maqāṣid-based ethical orientation is essential for ensuring that Islamic economics fulfills its promise as a value-driven alternative capable of addressing contemporary economic challenges.

Ethical Values in Contemporary Islamic Economic Practices

Both empirical investigations and conceptual analyses indicate that the practical implementation of Islamic economic principles continues to face significant ethical challenges. One of the most prominent concerns identified in the literature is the increasing commercialization and financialization of Islamic finance. This trend has gradually shifted institutional priorities away from broader social and moral objectives toward profitability, efficiency, and market competition (El-Gamal, 2006; Asutay, 2012; Hasan, 2014). Although the pursuit of profit is not inherently contradictory to Islamic ethical principles, scholars caution that an excessive emphasis on financial performance can marginalize the foundational goals of social justice, equity, and inclusiveness that Islamic economics seeks to uphold.

The growing integration of Islamic financial institutions into global financial markets has further intensified this tension. In many Muslim-majority countries, including Indonesia, Islamic finance operates within a dual financial system that is largely shaped by conventional regulatory structures. This institutional context often limits the ability of Islamic economic practices to fully embody their ethical distinctiveness. Several studies argue that such environments encourage a form of compliance-driven behavior, in which financial products meet formal Sharia requirements while falling short of deeper ethical and socio-economic objectives (Siddiqi, 2011; Zaman, 2010; Asutay & Harningtyas, 2015). As a result, Islamic economics risks being perceived as a technical variant of conventional finance rather than a genuinely alternative moral framework.

A frequently cited example of this ethical dilemma is the extensive reliance on debt-based instruments, particularly *murabaha*, within Islamic banking operations. While *murabaha* contracts are legally permissible under Sharia, critics argue that their widespread use often mirrors interest-based lending structures found in conventional finance. This replication raises concerns about the limited application of risk-sharing principles and the insufficient contribution of such instruments to social welfare and real economic development. Consequently, the ethical aspirations of Islamic finance such as promoting fairness, shared responsibility, and economic justice may not be fully realized in practice.

Ethical challenges are not confined to the financial sector alone but also extend to the broader halal industry and Islamic business practices. The halal label is intended to signal not only compliance with religious requirements but also ethical integrity across production, distribution, and governance processes. However, several studies point to persistent inconsistencies in halal certification systems, regulatory oversight, and enforcement mechanisms (Wilson, 2015; Fischer, 2016; Hasan, 2011). These inconsistencies can undermine consumer trust and weaken the moral credibility of halal industries, particularly when ethical considerations such as labor rights, environmental responsibility, and corporate transparency are inadequately addressed.

Taken together, these challenges highlight the limitations of an approach to Islamic economics that prioritizes formal compliance over substantive ethical commitment. The literature increasingly emphasizes the need for a more holistic and values-driven understanding of Islamic economic practice one that integrates ethical principles into governance structures, institutional behavior, and strategic decision-making. Without such an ethical reorientation, Islamic economics risks losing its transformative potential and its claim to offer a morally grounded alternative to conventional economic systems.

Indonesian Context: Ethical Challenges and Opportunities

Indonesia offers a particularly important empirical and contextual setting for analyzing the implementation of ethical values within Islamic economics. As the country with the largest Muslim population globally, Indonesia has increasingly positioned Islamic economics as a key component of its national development strategy. Through various government initiatives, policy frameworks, and long-term master plans, Islamic finance and the halal industry have been promoted as instruments to support inclusive economic growth, enhance social welfare, and strengthen economic resilience. These policy directions reflect an acknowledgment of the ethical and social potential inherent in Islamic economic principles. However, despite these strategic commitments, socio-economic data published by national statistical authorities continue to reveal persistent challenges related to income inequality, limited financial inclusion, and weaknesses in ethical governance.

The existing literature suggests that such challenges are not solely the result of structural economic constraints, but are also linked to shortcomings in the internalization of ethical values and institutional capacity within Islamic economic systems. Although Islamic financial institutions and halal-related industries in Indonesia have expanded significantly in quantitative terms, their tangible impact on poverty reduction, equitable wealth distribution, and social justice remains relatively modest (Ascarya, 2015; Antonio, 2012; Chapra, 2008). This discrepancy between institutional growth and social outcomes points to a deeper ethical gap, where formal compliance with Islamic principles has not always translated into substantive ethical performance. Consequently, scholars emphasize the need to move beyond numerical indicators of growth and assess Islamic economic development through the lens of ethical effectiveness.

Addressing these limitations requires a more integrated approach to Islamic economic development, one that embeds ethical considerations at both strategic and operational levels. The literature highlights the importance of strengthening ethical education for economic actors, enhancing governance frameworks within Islamic institutions, and adopting maqāṣid al-sharīʿah–based evaluation tools to assess policy outcomes. Such measures are viewed as essential for aligning economic practices with the broader objectives of social justice, human dignity, and public welfare that underpin Islamic economics. Without these reforms, Islamic economic institutions risk becoming functionally similar to their conventional counterparts, thereby weakening their ethical distinctiveness.

At the same time, Indonesia presents substantial opportunities for advancing a more ethically grounded model of Islamic economics. The country benefits from the presence of influential religious organizations, a growing middle class with increasing awareness of ethical and halal consumption, and a policy environment that is generally supportive of Islamic economic initiatives (Hasan, 2014; Wilson, 2015; Asutay, 2012). These factors create a conducive ecosystem for embedding ethical values more deeply into economic behavior, institutional practices, and public policy. The literature suggests that capitalizing on these opportunities requires a fundamental shift from a predominantly formalistic interpretation of Sharia compliance toward a more substantive ethical commitment. Such a shift must occur at both institutional and individual levels to ensure that Islamic economics in Indonesia fulfills its promise as a value-driven approach capable of delivering inclusive and socially just development.

Theoretical Gaps and Future Directions

Despite extensive scholarship on Islamic economic ethics, several theoretical gaps remain. First, there is a need for more integrative frameworks that bridge normative theory and institutional practice. Many studies articulate ethical ideals without adequately addressing implementation challenges, while others focus on technical solutions without engaging ethical foundations (Siddiqi, 2011; Hasan, 2014; Asutay, 2007). Addressing this gap requires interdisciplinary approaches that combine economics, ethics, law, and governance.

Second, the literature reveals limited engagement with contemporary global challenges such as environmental sustainability, digitalization, and economic inequality from an Islamic ethical perspective. While maqāṣid al-sharīʿah provides a flexible framework, its application to emerging issues remains underdeveloped (Auda, 2008; Kamali, 2008; Raworth, 2017). Expanding Islamic economic ethics to address these challenges represents a promising avenue for future research.

Overall, the findings of this literature review underscore that ethical values are central to the identity and credibility of Islamic economics. However, realizing their transformative potential requires continuous critical reflection, institutional reform, and genuine commitment to moral principles. The discussion highlights the importance of re-centering ethics as both the means and the end of Islamic economic development.

CONCLUSION

This literature-based study set out to examine ethical values in Islamic economics through a qualitative, conceptual, and systematic review of classical and contemporary scholarly works. The findings demonstrate that ethics are not an auxiliary or optional dimension of Islamic economics, but rather constitute its epistemological, axiological, and operational core. Unlike conventional economic paradigms that often assume value neutrality, Islamic economics explicitly integrates moral principles derived from the Qur'an, Sunnah, and Islamic intellectual tradition into economic reasoning and practice. As such, Islamic economics represents a normative moral economy that seeks to align material pursuits with spiritual accountability and social welfare.

The review reveals that core ethical values such as justice (ʿadl), balance (tawāzun), trustworthiness (amānah), responsibility (mas'ūliyyah), and public interest (maṣlaḥah) are consistently emphasized across the literature as defining characteristics of Islamic economic thought. These values are not merely abstract ideals but function as guiding principles intended to shape individual behavior, institutional arrangements, and public policy. Justice, in particular, emerges as a central ethical imperative that governs distribution, exchange, and opportunity, while balance underscores the Islamic commitment to moderation between individual rights and collective obligations. Together, these values position Islamic economics as an alternative framework capable of addressing socio-economic inequalities and moral failures prevalent in contemporary economic systems.

A key conclusion of this study is that the ethical foundations of Islamic economics are inseparable from the framework of maqāṣid al-sharīʿah. The literature consistently affirms that maqāṣid provide a coherent evaluative lens through which economic activities can be assessed in terms of their contribution to human dignity, social justice, and sustainable development. Ethical injunctions such as the prohibition of riba, gharar, and maysir are thus better understood not as isolated legal constraints, but as manifestations of broader moral objectives aimed at preventing exploitation, reducing uncertainty, and promoting shared prosperity. This maqāṣid-oriented perspective reinforces the normative coherence of Islamic economics and highlights its relevance for contemporary economic challenges.

However, the study also identifies a persistent gap between ethical ideals and practical implementation. A significant portion of the literature critiques the tendency of modern Islamic economic institutions particularly in the financial sector to prioritize formal Sharia compliance over substantive ethical outcomes. The dominance of debt-like instruments, the replication of conventional banking models, and the marginalization of risk-sharing and social finance mechanisms indicate a dilution of the moral vision underpinning Islamic economics. This disconnect risks undermining the credibility of Islamic economics as a transformative alternative and reducing it to a symbolic or technical variant of conventional systems.

The Indonesian context further illustrates both the challenges and opportunities associated with embedding ethical values in Islamic economics. Despite notable growth in Islamic finance and the halal industry, their impact on poverty reduction, financial inclusion, and social justice remains limited. The literature suggests that this limitation stems not from the inadequacy of Islamic ethical principles themselves, but from weaknesses in institutional governance, regulatory alignment, and ethical internalization among economic actors. Addressing these issues requires moving beyond compliance-driven approaches toward value-based governance frameworks that integrate ethical evaluation into policy design, institutional performance, and accountability mechanisms.

From a theoretical perspective, this study contributes to Islamic economic scholarship by synthesizing diverse strands of literature into a coherent ethical framework. By systematically mapping core values, maqāṣid foundations, and implementation challenges, the article helps clarify conceptual ambiguities and highlights areas requiring further scholarly attention. In particular, the findings underscore the need for integrative approaches that bridge normative theory and institutional practice, as well as interdisciplinary engagement with ethics, economics, law, and public policy.

Practically, the conclusions of this study carry important implications for policymakers, educators, and practitioners. Policymakers are encouraged to adopt maqāṣid-based evaluation tools to assess the ethical and social impact of Islamic economic policies and institutions. Educational institutions should strengthen ethical literacy within Islamic economics curricula to ensure that future practitioners internalize moral values alongside technical competencies. For practitioners, recommitting to ethical substance through transparency, social responsibility, and stakeholder-oriented governance is essential to restoring public trust and fulfilling the moral objectives of Islamic economics.

Finally, this study acknowledges its limitations as a literature-based analysis that does not incorporate primary empirical data. While this approach allows for conceptual depth and theoretical synthesis, future research would benefit from empirical investigations that examine how ethical values are perceived, implemented, and contested within specific institutional and cultural contexts. Further studies could also explore the application of Islamic economic ethics to emerging global challenges such as environmental sustainability, digital finance, and widening economic inequality.

In conclusion, ethical values remain the defining strength and moral compass of Islamic economics. Re-centering these values is not only necessary for preserving the identity and credibility of the discipline, but also for ensuring its relevance in addressing contemporary socio-economic problems. Islamic economics can only realize its transformative potential when ethics are treated not as a rhetorical ideal, but as a lived reality embedded within economic structures, policies, and human behavior.

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