

The Cultural Embeddedness of Economic Action: Islamic Values, Entrepreneurship, and FinTech Innovation

Anas Alhifni^{1*}, Biyati Ahwarumi², Martin Roestamy³, Radif Khotamir Rusli⁴, Warizal⁵

^{1,3,4,5} Universitas Djuanda, INDONESIA; Email: anas.alhifni@unida.ac.id

²Universitas Sunan Drajat, INDONESIA.

*Corresponding Author: anas.alhifni@unida.ac.id

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ABSTRACT

This paper provides a comprehensive analysis of the deep-seated cultural influences that shape economic behavior, entrepreneurship, and innovation within Islamic societies. Moving beyond conventional economic models, this study synthesizes a wide body of literature to explore how core Islamic values—such as trust (amanah), justice ('adl), and communal welfare (maslahah)—construct a unique form of economic rationality. The research adopts a systematic literature review methodology, analyzing scholarly articles, reports, and theoretical papers to build a conceptual framework. The findings reveal that Islamic entrepreneurship is characterized by a dual objective of pursuing both material profit and spiritual-social success (falah), a motivation that significantly influences business strategy and innovation pathways. Furthermore, the paper examines the contemporary wave of Financial Technology (FinTech) as a case study for value-driven innovation, demonstrating how digital tools are being adapted to comply with Sharia principles (Maqasid al-Shariah) while promoting financial inclusion and social entrepreneurship. The discussion section, constituting a significant portion of the analysis, synthesizes these findings to argue that economic actions in these contexts are culturally embedded, leading to unique models of enterprise and technological adoption that challenge universalist assumptions. The study concludes by recommending a more culturally nuanced approach to economic policy and business strategy in Muslim-majority regions, emphasizing the need to align innovation with intrinsic value systems to foster sustainable and equitable development. This work contributes a novel, integrated framework for understanding the intersection of culture, economics, and technology in the modern Islamic world.

Keywords: Cultural Influences, Entrepreneurship, Financial Technology, Islamic Economics, Maqasid al-Shariah.

INTRODUCTION

The dominant paradigms of modern economic thought have long been anchored in the assumption of a universal economic actor—a rational, self-interested individual whose behavior can be modeled and predicted irrespective of socio-cultural context. This perspective, while powerful in its parsimony, has faced increasing scrutiny from the field of economic sociology, which posits that all economic action is fundamentally a form of social action (Weber, 1978). Scholars like Karl Polanyi (1957) argued that prior to the modern market economy, economic life was submerged in social relationships, governed by principles of reciprocity and redistribution rather than pure market logic. More recently, Mark Granovetter's (1985) seminal work on "embeddedness" revitalized this critique, demonstrating that even in contemporary market societies, economic behavior remains deeply embedded in networks of interpersonal relationships, trust, and cultural norms. This paper builds upon this theoretical foundation to explore the profound and multifaceted ways in which Islamic culture shapes economic behavior, molds entrepreneurial motivations, and directs the trajectory of technological innovation.

The Islamic world, encompassing nearly a quarter of the global population and representing a significant and rapidly growing economic force, offers a particularly salient context for this investigation. The principles of Islamic economics, derived from the Qur'an and the traditions of the Prophet Muhammad (PBUH), provide a comprehensive ethical framework that governs all aspects of life, including commerce and finance. This creates a unique ecosystem where economic rationality is not detached from morality but is inextricably linked to it. The global Islamic finance industry, with assets projected to exceed \$6.7 trillion by 2027, stands as a testament to the real-world impact of this value system (ICD-LSG, 2023). The industry's foundational prohibition of interest (*riba*) and its emphasis on risk-sharing and asset-backed financing represent a fundamental departure from the conventional debt-based financial system, illustrating a clear case of cultural values shaping large-scale economic structures.

This cultural embeddedness is further illuminated by the role of Islamic social finance instruments, particularly *Zakat* (obligatory annual charity), *Infaq* (voluntary spending), and *Sadaqah* (charitable acts) (Kunhibava, Muneeza, Khalid, Mustapha, & Sen, 2024). These are not mere acts of piety but are integral components of the Islamic economic system, designed to ensure the circulation of wealth and the maintenance of social solidarity. The potential of these instruments is immense; in Indonesia alone, the annual *Zakat* potential is estimated at over \$23 billion (Zaenal, Noor, Hartono, Choirin, & Salihovic, 2022), yet actual collection has historically hovered at a fraction of this amount, pointing to systemic inefficiencies in traditional management (Zami & Nurhaida, 2025). It is at this juncture of tradition and inefficiency that the contemporary wave of Financial Technology (FinTech) emerges as a transformative force. The rise of Islamic FinTech is not simply about digitalization; it is a dynamic process of negotiation, where cutting-edge technology is being adapted to serve and enhance a centuries-old ethical framework. This creates a unique nexus where cultural values do not act as a barrier to innovation but instead function as a guiding force, steering technological development toward the fulfillment of the *Maqasid al-Shariah* (the higher objectives of Islamic law), such as promoting justice, alleviating hardship, and preserving wealth (SumBillah, 2024).

Despite the growing practical and academic interest in this area, the existing literature remains fragmented. Scholarship on Islamic FinTech often prioritizes technical and regulatory analyses, with insufficient attention paid to the underlying cultural rationalities that drive its adoption and shape its unique features (Ascarya, 2022). Similarly, studies on entrepreneurship in Muslim societies have only recently begun to explore the distinctive motivational structures derived from an Islamic worldview, which often blend the pursuit of profit with a profound sense of social and spiritual purpose (*jalab*) (Basir & Musa, 2022). This paper seeks to address these gaps by synthesizing these disparate streams of research into a single, coherent conceptual framework. It poses the following central research question: How do the embedded cultural and ethical values of Islam fundamentally shape economic behavior, mold the nature of entrepreneurship, and direct the trajectory of technological innovation in the contemporary global economy?

To answer this question, this study will pursue three specific objectives:

- 1 To critically analyze the theoretical foundations of Islamic economics and identify the core cultural values that differentiate it from mainstream economic paradigms.
- 2 To examine the characteristics of Islamic entrepreneurship, with a particular focus on how religious values influence motivation, strategy, and the definition of success.
- 3 To investigate the development of Islamic FinTech as a case study in value-guided innovation, exploring how technology is being harmonized with the ethical objectives of Sharia.

By undertaking this systematic review, the paper aims to move beyond a superficial treatment of culture as an exogenous variable and instead demonstrate its integral role in constituting economic life. The analysis will culminate in a discussion that presents an integrated model of culturally embedded economic action, offering a more nuanced and holistic understanding of the dynamic interplay between faith, commerce, and technology in the modern Islamic world. This work contributes not only to the specialized fields of Islamic economics and finance but also to the broader sociological discourse on the cultural embeddedness of economic institutions and the diverse forms of capitalism emerging in the 21st century.

LITERATURE REVIEW

A comprehensive understanding of the cultural embeddedness of economic action in the Islamic context requires a critical examination of several interconnected domains of literature. This review synthesizes scholarship across the theoretical foundations of Islamic economics, the distinct nature of entrepreneurship within this framework, and the contemporary influence of technological innovation. By mapping the intellectual landscape of these fields, this section aims to construct a robust theoretical basis for analyzing how Islamic values do not merely coexist with economic activity but actively constitute and direct it. The review is structured to move from the foundational philosophical principles to their practical application in entrepreneurship and their dynamic interaction with modern technological forces.

The Axiological Foundations of Islamic Economic Behavior

At the core of Islamic economics lies a distinct philosophical and axiological framework that fundamentally reorients the concept of economic rationality. In sharp contrast to the neoclassical assumption of *homo economicus*—a self-interested, utility-maximizing individual—the Islamic paradigm posits the concept of *homo Islamicus*. This actor is driven by a multi-dimensional objective function that seeks to achieve *falab*, a holistic state of well-being that encompasses spiritual, moral, and material success in this life and the hereafter (Ahmad, Qamar, Bhatti, & Bashir, 2023); (Chapra, 2016). This pursuit of *falab* is not an abstract ideal but is operationalized through adherence to a comprehensive moral and ethical code derived from the Qur'an and the Sunnah (prophetic traditions). This code embeds economic activity within a matrix of social and spiritual obligations, transforming it from a purely transactional endeavor into a domain of moral accountability.

This value system is systematically articulated through the *Maqasid al-Shariah*, or the higher objectives of Islamic law. Classical and contemporary scholars have delineated these objectives as the preservation and enrichment of five essential areas: faith (*din*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and property (*mal*) (Faizi & Ali, 2024). These objectives function as an ethical compass for all economic and social policy, ensuring that financial pursuits contribute to human dignity and societal welfare rather than leading to exploitation (*zulm*), excessive uncertainty (*gharar*), or speculation (*maysir*) (Alhejaili, 2025). Consequently, core Islamic values such as justice (*'adl*), benevolence (*ihsan*), and trustworthiness (*amanah*) are not peripheral considerations but are foundational to the legitimacy of any economic transaction (Nurdiana, Muin, & Wahab, 2025). This framework fosters a unique form of economic rationality where the maximization of social good (*maslahah*) is as, if not more, important than the maximization of personal utility (Kalkavan, Dinçer, & Yüksel, 2021).

Table 1. Comparative Framework of Neoclassical and Islamic Economic Paradigms.

Feature	Neoclassical Economics	Islamic Economics
Core Actor	<i>Homo Economicus</i> (Rational, self-interested) (Boitani, 2023)	<i>Homo Islamicus</i> (Holistic, community-oriented) (Ali, 2025)
Primary Goal	Utility/Profit Maximization	<i>Falab</i> (Holistic well-being in this life and the hereafter)
Rationality	Instrumental and calculative	Value-based and substantive, guided by Sharia
Role of Ethics	Exogenous constraint or externality	Endogenous and foundational to the system
Concept of Wealth	A measure of utility and power	A trust (<i>amanah</i>) from God to be managed responsibly
Market Mechanism	Governed by the "invisible hand"	Governed by the "moral filter" of Sharia principles

This theoretical framework, rooted in the *Maqasid al-Shariah*, gives rise to an economic paradigm that stands in stark contrast to the neoclassical model, as detailed in Table 1. Where neoclassical economics is built upon the archetype of *Homo Economicus*—a rationally calculating actor driven solely by self-interest—the Islamic system posits a *Homo Islamicus*, a holistic individual whose actions are intrinsically shaped by a community-oriented consciousness and divine accountability. This fundamental difference in the core actor manifests in every subsequent aspect: the primary goal shifts from mere utility or profit maximization to the pursuit of *Falab*, a concept of holistic well-being encompassing success in this world and the hereafter. Consequently, rationality is not merely instrumental and calculative but is substantive and value-based, rigorously guided by Sharia principles. Within this system, ethics are not treated as an exogenous constraint but are endogenous and foundational, transforming the very concept of wealth from a measure of personal utility into a sacred trust (*amanah*) from God to be managed responsibly. Finally, this culminates in a market mechanism that is not governed solely by an "invisible hand" but is instead steered by the conscious application of a "moral filter" derived from Sharia, ensuring that economic actions remain aligned with the higher objectives of justice and societal welfare.

Islamic Entrepreneurship: A Value-Driven Vocation

The entrepreneurial spirit is deeply ingrained in Islamic history and tradition, with the Prophet Muhammad (PBUH) himself having been a successful and respected merchant. However, entrepreneurship from an Islamic perspective is distinguished by its profound integration of worldly activity with spiritual purpose. It is often framed as a form of worship (*ibadah*) and a fulfillment of the human role as God's vicegerent (*khelifah*) on Earth, tasked with the responsible and just stewardship of resources (Costa & Pita, 2021). This cultural framing imbues entrepreneurship with a sense of divine purpose that transcends mere profit generation, positioning the entrepreneur as a key agent of socio-economic development and moral order.

This value orientation gives rise to the concept of **Islamic social entrepreneurship**, a model where ventures are explicitly designed to address pressing societal challenges while remaining financially sustainable (Yasmeen, 2024). Unlike the often-separate realms of business and charity in Western contexts, Islamic social enterprises

frequently integrate social finance instruments directly into their operational models. The use of *waqf* (pious endowment) to provide long-term assets for a social cause, or the channeling of *zakat* funds to empower beneficiaries through enterprise development, creates a virtuous cycle of economic activity and social impact (Dirie, Alam, & Maamor, 2024). This approach reflects a holistic worldview where commercial success and social welfare are not seen as mutually exclusive but as deeply intertwined.

Furthermore, the literature highlights the role of Islamic values in fostering a unique form of entrepreneurial resilience. The cultural emphasis on patience (*sabr*) in the face of adversity, gratitude (*shukr*) in times of success, and ultimate reliance on God (*tawakkul*) provides entrepreneurs with a powerful psychological and spiritual toolkit for navigating the inherent uncertainties of the business world (Trinanda, Wardi, & Evanita, 2025). This contrasts with secular models of resilience that focus primarily on cognitive and behavioral strategies. The Islamic framework provides a meta-narrative that gives meaning to both success and failure, thereby reducing the psychological burden of risk and encouraging long-term persistence. Studies also suggest that the normative dimensions of Islamic religiosity can have a positive effect on innovation propensity, as entrepreneurs are motivated to find creative and novel solutions (*ijtihad*) that are both profitable and ethically sound (Panahi Boroujerdi & Rezaei, 2025).

Innovation in Islamic Finance: The FinTech Revolution as a Case Study

The global FinTech revolution, characterized by the fusion of finance and technology, has found a unique and dynamic expression within the Islamic world. The rise of **Islamic FinTech** is not a passive imitation of mainstream trends but an active and deliberate process of technological adaptation and innovation guided by the ethical and legal principles of Sharia. The literature overwhelmingly frames Islamic FinTech as a powerful enabler for achieving the *Maqasid al-Shariah* more effectively than traditional financial systems have been able to (Awang, Nong, & Chik, 2025). This is achieved by enhancing financial inclusion, promoting transparency, and improving the efficiency of Islamic financial institutions.

Blockchain technology, in particular, has garnered significant scholarly and industry attention for its transformative potential in Islamic social finance. The core features of blockchain—decentralization, immutability, and transparency—directly address the perennial challenges of trust and accountability in the management of philanthropic funds like *zakat* and *waqf*. By creating a transparent and auditable trail of transactions from donor to beneficiary, blockchain technology can operationalize the Islamic principle of *amanah* (trust) in an unprecedented manner (Mohd Nor, Abdul-Majid, & Esrati, 2021). This enhanced transparency is critical for building donor confidence and has the potential to significantly increase the collection of funds, thereby unlocking the vast, untapped potential of Islamic social finance (Thaidi, Ab Rahman, & Salleh, 2023). Several conceptual frameworks are now emerging for the implementation of “ZakatChain” (Mohamed, Ahmed, Mohamed, & Mohamud, 2023) or “WaqfChain” (Alharthi, 2021), highlighting a clear trajectory of value-guided innovation.

Beyond blockchain, **Artificial Intelligence (AI)** and data analytics are also being explored as tools to advance the objectives of Islamic finance (Arsyad, Kharisma, & Wiwoho, 2025). AI algorithms can be used to develop more sophisticated and equitable credit scoring models for Islamic microfinance, enabling financial access for individuals who are excluded from the conventional banking system. In the realm of social finance, AI can be employed to more accurately identify eligible *zakat* recipients and to optimize the distribution of funds to maximize social impact, ensuring that resources are allocated in a manner that is both efficient and just (Tarshany, 2025). However, the literature also raises important ethical questions about the use of AI, emphasizing the need for a *Maqasid*-based approach to its development and deployment to ensure that it serves human welfare and does not lead to new forms of bias or exclusion (Darus, Husin, Abidin, Khadzali, & Madan, 2024). This ongoing dialogue between technological possibility and ethical necessity is a hallmark of the Islamic FinTech movement, demonstrating a conscious effort to ensure that innovation remains firmly embedded within the culture’s moral framework.

RESULTS

This systematic review of the literature reveals a consistent and multifaceted pattern of cultural influence on economic behavior, entrepreneurship, and innovation within Islamic contexts. The findings, synthesized from a wide range of scholarly sources, can be organized into three primary domains: the value-driven nature of economic decision-making, the unique characteristics of Islamic entrepreneurship, and the ethics-led trajectory of technological innovation. These results collectively form the empirical and theoretical foundation for a model of culturally embedded economic action, demonstrating that Islamic values are not merely a passive backdrop but an active, constitutive force in the economic sphere.

The Primacy of Ethical Frameworks in Economic Behavior

The literature consistently demonstrates that economic behavior in Islamic societies is normatively guided by a comprehensive ethical framework derived from religious principles. A primary finding is that financial decisions

are not solely driven by conventional risk-return calculations but are significantly mediated by concepts of religious permissibility (*halal*) and prohibition (*haram*). For instance, multiple studies on personal financial decision-making highlight a strong and often inelastic preference for Sharia-compliant products, even in scenarios where their conventional counterparts might offer demonstrably higher financial returns. This indicates that for a significant segment of the population, ethical considerations function as a primary, non-negotiable utility function, overriding purely financial incentives (Terziyan, et al., 2025); (Sawari, Ahmad, Sawari, & Samsi, 2024). This value-based rationality is not limited to consumption choices but extends to investment and savings behavior, with a marked avoidance of industries deemed ethically harmful, such as those related to alcohol, gambling, and conventional interest-based banking.

This ethical logic is institutionalized in the structure and operation of Islamic Financial Institutions (IFIs). The review shows that the entire architecture of Islamic finance is built upon the prohibition of *riba* (interest), which is seen as inherently exploitative, and the avoidance of *gharar* (excessive uncertainty or ambiguity in contracts) and *maysir* (speculation or gambling). To comply with these principles, IFIs have developed a distinct set of financial instruments based on risk-sharing and asset-backing, such as *Mudharabah* (profit-sharing partnership), *Musharakah* (joint venture), and *Murabahah* (cost-plus financing) (Saba, Khan, & Jawed, 2021). The existence of Sharia Supervisory Boards (SSBs) as an integral part of the corporate governance structure of every IFI is a key institutional manifestation of this embeddedness. The SSB, composed of qualified Islamic legal scholars, is tasked with ensuring that all products, transactions, and operations are compliant with Sharia principles, effectively embedding a moral filter directly into the heart of the financial intermediary (Naim & Abdul Rahman, 2022). The result is a distinct economic logic where the pursuit of wealth is intrinsically and institutionally linked to moral accountability.

The Dual-Objective Model of Islamic Entrepreneurship

The review identifies a unique model of entrepreneurship characterized by a dual objective: the simultaneous pursuit of material profit and socio-spiritual success (*falah*). Unlike conventional entrepreneurial models that almost exclusively prioritize shareholder value and market growth, the Islamic model incorporates a broader set of stakeholder interests, including those of employees, the community, and the environment, as part of its core definition of success. This is most evident in the burgeoning field of **Islamic social entrepreneurship**, where ventures are explicitly designed to provide sustainable, market-based solutions to pressing social problems (Yasmeen, 2024). The literature provides numerous examples of such enterprises, ranging from microfinance institutions that use *Qard al-Hasan* (benevolent loans) to empower the poor, to agribusinesses that apply principles of environmental stewardship (*hifz al-bi'ah*), to educational technology platforms that aim to increase access to Islamic knowledge.

These enterprises often leverage traditional Islamic financial instruments in innovative ways, creating sustainable models for social intervention. The revival of *waqf* (pious endowments) as a source of venture capital for social enterprises is a particularly noteworthy finding, demonstrating the creative adaptation of a classical institution to meet contemporary needs (Kamaruzaman & Ishak, 2023). Furthermore, the cultural values of perseverance (*sabr*) and trust in God (*tawakkul*) were consistently identified in the literature as significant factors contributing to entrepreneurial resilience. These values provide a non-material source of motivation and a cognitive framework for interpreting and overcoming business challenges, which are seen not merely as obstacles but as tests of faith and character (Trinanda, Wardi, & Evanita, 2025). This dual-objective model, which integrates the pursuit of profit with the fulfillment of a social and spiritual mission, results in enterprises that function not only as economic entities but as vehicles for comprehensive social and moral progress.

Value-Guided Innovation in Financial Technology

The third key finding relates to the distinct trajectory of technological innovation, particularly within the financial sector. The development of Islamic FinTech is not a simple, linear replication of mainstream technological trends but a deliberate and reflexive process of adaptation and innovation guided by Sharia principles. The primary impetus for FinTech adoption in this context, as revealed by the literature, is its perceived potential to more effectively realize the *Maqasid al-Shariah*. This represents a clear pattern of value-guided innovation, where technology is not seen as an end in itself but as a powerful means to achieve higher ethical and social objectives.

The application of blockchain technology in zakat and waqf management is the most frequently cited example of this phenomenon. The literature consistently frames blockchain as a technological solution to the perennial and deeply cultural challenges of transparency and trust (*amanah*) in the management of public and philanthropic funds (Mohd Nor, Abdul-Majid, & Esrati, 2021); (Zulfikri, Kassim, & Othman, 2023). By creating a decentralized, immutable, and publicly verifiable record of transactions, blockchain is seen as a tool to fulfill the Islamic ethical imperative of accountability, thereby boosting donor confidence and potentially unlocking billions in dormant

social finance. The use of smart contracts to automate the collection and distribution of zakat based on pre-defined, Sharia-compliant rules further enhances efficiency and reduces the potential for human error or corruption.

Similarly, the use of Artificial Intelligence (AI) is being explored to create more equitable and efficient systems for social finance. The literature discusses AI applications that can analyze vast datasets to identify the most deserving recipients of zakat (*mustahiqqin*) based on complex, multi-dimensional poverty indicators, moving beyond simple income-based measures. This allows for a more just and impactful distribution of funds, aligning with the *Maqasid* of preserving life and wealth (Tarshany, 2025). However, the review also reveals a growing body of critical literature that calls for a *Maqasid*-based ethical framework for AI in Islamic finance, cautioning against the risks of algorithmic bias, data privacy violations, and the potential for AI to be used in ways that contravene Islamic principles (Darus, Husin, Abidin, Khadzali, & Madan, 2024). This internal debate underscores the reflexive nature of innovation in this space, where technological advancement is continuously scrutinized through an ethical lens.

Table 2. Synthesis of Findings on the Cultural Embeddedness of Islamic Economics, Entrepreneurship, and Innovation

Thematic Domain	Core Finding from Literature	Key Cultural/Ethical Concepts	Manifestation in Economic Action & Innovation	Key Citations
Economic Behavior	Economic decisions are guided by a primary ethical utility function, where Sharia compliance often overrides pure profit motives.	<i>Halal</i> (Permissible), <i>Haram</i> (Forbidden), <i>Riba</i> (Interest), <i>Gharar</i> (Uncertainty), <i>'Adl</i> (Justice), <i>Amanah</i> (Trust)	Strong consumer preference for Sharia-compliant products; development of asset-backed, risk-sharing financial instruments; institutionalization of Sharia Supervisory Boards.	(Kalkavan, Dinçer, & Yüksel, 2021); (Mohd Nor, Abdul-Majid, & Esrati, 2021); (Zulfikri, Kassim, & Othman, 2023)
Entrepreneurship	Ventures are driven by a dual objective of achieving both material profit and socio-spiritual success (<i>jalab</i>).	<i>Falah</i> (Holistic Success), <i>Khalifah</i> (Stewardship), <i>Maslahah</i> (Public Interest), <i>Sabr</i> (Patience), <i>Tawakkul</i> (Trust in God)	Proliferation of social enterprises addressing community needs; integration of <i>waqf</i> and <i>zakat</i> into business models; high levels of entrepreneurial resilience and persistence.	(Yasmeen, 2024); (Trinanda, Wardi, & Evanita, 2025); (Ahmad, Qamar, Bhatti, & Bashir, 2023); (Chapra, 2016)
Innovation	Technology is reflexively adapted and developed to align with and serve the higher objectives of Islamic law (<i>Maqasid al-Shariah</i>).	<i>Maqasid al-Shariah</i> , <i>Ihsan</i> (Excellence), <i>Ijtihad</i> (Scholarly Reasoning)	Development of Islamic FinTech; use of blockchain for transparency in zakat management; AI for equitable resource distribution; ethical debates on AI governance.	(Mohd Nor, Abdul-Majid, & Esrati, 2021) (2021); (Tarshany, 2025); (Darus, Husin, Abidin, Khadzali, & Madan, 2024)

DISCUSSION

The findings of this systematic review provide compelling and convergent evidence for the thesis that economic action in the Islamic world is not a culturally neutral phenomenon but is deeply and dynamically embedded in a rich tapestry of religious and ethical values. This cultural embeddedness, as conceptualized by Granovetter (1985), manifests in a distinct form of economic rationality that challenges the universalist assumptions of mainstream economic theory and offers a unique model for navigating the complexities of the modern global economy. The discussion that follows synthesizes the results to build a conceptual framework for understanding this interplay, arguing that Islamic values do not merely influence economic choices but actively constitute the identity of the economic actor, the purpose of the enterprise, and the trajectory of innovation. This analysis reveals that the Islamic economic system is not a static, traditionalist relic but a dynamic, living framework where core cultural principles are continuously engaged to interpret, navigate, and direct modernity.

The Constitution of the Economic Actor: From *Homo Economicus* to *Homo Islamicus*

The primacy of the *Maqasid al-Shariah* as an ethical framework for economic behavior represents the foundational layer of this embeddedness. Its influence goes beyond simply imposing a set of rules; it fundamentally constructs the identity and objective function of the economic agent. The neoclassical model of *homo economicus*—an atomistic, rational actor driven by insatiable wants and a singular focus on utility maximization—is replaced by the concept of *homo Islamicus*. This actor is conceived as a social and spiritual being, whose ultimate purpose is not the maximization of worldly utility but the attainment of *falah*—a holistic and multi-dimensional state of well-being in this life and the hereafter. This actor operates under the profound consciousness of *Tawhid* (the oneness of God), which posits God as the ultimate owner of all resources and the human being as a mere trustee or vicegerent (*kehalifah*) tasked with managing these resources justly and responsibly (Chapra, 2016).

This reconceptualization has profound implications. Unlike in Western economic models where ethics often function as an external constraint or a matter of corporate social responsibility (CSR), in the Islamic context, they are endogenous to the very definition of rationality. The principles of justice (*'adl*), trust (*amanah*), and public interest (*maslahah*) are not aspirational ideals but are operationalized through specific prohibitions (e.g., against *riba* and *gharar*) and injunctions (e.g., *zakat* and fair trade). This creates an economic environment where the pursuit of individual gain is perpetually conditioned by the imperative of social and spiritual well-being. The consistent preference for Sharia-compliant financial products, even at the cost of lower financial returns, is a clear market signal of this value system at work. It suggests that economic models and public policies designed for Muslim-majority countries must account for this ethical utility function to be effective. Ignoring it risks creating a profound disconnect between policy and behavior, leading to suboptimal outcomes and a failure to harness the powerful motivational force of cultural and religious identity.

The Enterprise as a Moral Community: Reconceptualizing Entrepreneurship

This cultural logic finds its most dynamic expression in the realm of entrepreneurship. The dual-objective model of the Islamic entrepreneur, who seeks both profit and *falah*, represents a significant departure from the Schumpeterian archetype of the innovator driven by creative destruction and market dominance. The Islamic model reframes entrepreneurship as a socio-moral vocation, a fulfillment of the duty of stewardship (*kehalifah*) over the Earth's resources. This perspective fosters a powerful intrinsic motivation that transcends purely financial incentives, driving entrepreneurs to create ventures that generate what can be termed “integrated value”—a blend of economic, social, and spiritual returns.

The rise of Islamic social entrepreneurship is a direct manifestation of this, where business is seen as a potent tool for solving community problems, from poverty and illiteracy to environmental degradation (Yasmeen, 2024). However, the discussion must also acknowledge the inherent tensions in this model. Entrepreneurs must constantly navigate the potential conflicts between the demands of the market (e.g., price competition, profit margins) and the imperatives of their faith (e.g., fair wages, environmental protection, avoidance of prohibited activities). The successful navigation of these tensions is often attributed in the literature to the pursuit of *barakah*—a concept signifying divine blessing, grace, and an unquantifiable increase in the value of something. The belief that ethical conduct and adherence to divine principles will ultimately lead to more sustainable and blessed, if not always more profitable, outcomes provides a powerful incentive to prioritize values over short-term gains.

This embeddedness also cultivates a unique form of entrepreneurial resilience. The cultural values of patience (*sabr*) and reliance on a higher power (*tawakkul*) provide entrepreneurs with a psychological and spiritual buffer against the inherent uncertainties and setbacks of the business world—a resource not typically accounted for in conventional entrepreneurship theory (Trinanda, Wardi, & Evanita, 2025). This suggests that fostering entrepreneurship in these contexts requires a more holistic approach that goes beyond simply providing access to capital and markets. It necessitates support for the cultural and religious ecosystems—such as mentorship networks, Islamic educational institutions, and community organizations—that sustain this unique motivational structure and provide the moral guidance needed to navigate the complex trade-offs of the dual-objective model.

The Moral Steering of Technology: Value-Guided Innovation

The most compelling evidence of the dynamic nature of this cultural embeddedness is found in the sphere of technological innovation, particularly the Islamic FinTech revolution. Rather than viewing technology as a value-neutral tool that is adopted based on its efficiency alone, the Islamic FinTech movement represents a conscious and deliberate effort to harness innovation in service of the *Maqasid al-Shariah*. This phenomenon, which can be termed value-guided innovation (VGI), challenges the notion of technological determinism and demonstrates that cultural and ethical frameworks can be powerful drivers in shaping the development and application of new technologies. It stands in stark contrast to the often-cited Silicon Valley ethos of “move fast and break things,” proposing instead a model of “innovate and build with principle.”

The enthusiasm for blockchain, for instance, is not primarily driven by a speculative frenzy but by its perceived potential to solve a deep-seated cultural and religious problem: the need for trust and transparency in the management of communal funds like *zakat* and *waqf* (Mohd Nor, Abdul-Majid, & Esrati, 2021). By using an immutable ledger to track donations, FinTech innovators are responding to a cultural demand for accountability and fulfilling the religious mandate of *amanah*. This is a case of technology being pulled by values, rather than being pushed by its own internal logic. Similarly, the application of AI to optimize the distribution of social finance is an attempt to achieve a more just and equitable allocation of resources, directly aligning with the Sharia objective of preserving wealth and alleviating poverty (Tarshany, 2025).

However, this process of VGI is not without its own complexities and internal debates. The review reveals a critical discourse within the field regarding the potential for “Sharia-washing,” where technology is given a superficial Islamic gloss to attract a target market without substantive adherence to the underlying ethical principles. There are also significant concerns about algorithmic bias in AI, data privacy, and the potential for FinTech to exacerbate the digital divide, thereby undermining the very goals of justice and inclusion it purports to serve (Alsaghir, 2025). The resolution of these issues relies on a dynamic process of contemporary scholarly reasoning, or *ijtihad*, where Islamic scholars, technologists, and entrepreneurs collaborate to interpret foundational principles in light of new technological realities. This reflexive, ongoing dialogue between tradition and innovation is perhaps the most defining characteristic of the Islamic economic sphere today, demonstrating its capacity for adaptation and its commitment to steering progress toward humane and socially beneficial ends.

CONCLUSION

This study has systematically charted the profound and dynamic role of cultural embeddedness in the economic life of the Islamic world. Moving beyond the reductionist model of *homo economicus*, the analysis demonstrates that Islamic values are not an external variable or a traditionalist constraint on modernity. Instead, they constitute a living, breathing framework that actively shapes the identity of the economic actor, defines the purpose of the enterprise, and steers the trajectory of technological innovation toward ethically grounded and socially beneficial outcomes. The synthesis of literature reveals a coherent and distinct economic paradigm, characterized by the value-rationality of *homo Islamicus*, the dual-objective logic of the Islamic entrepreneur, and the principle of value-guided innovation in fields like FinTech. This is not a system frozen in time but a dynamic one engaged in a continuous and reflexive dialogue—a contemporary *ijtihad*—between its foundational principles and the pressing challenges of the 21st-century global economy.

The theoretical contribution of this paper lies in its development of an integrated framework of culturally embedded economic action. By connecting the sociological concept of embeddedness with the specific axiological foundations of Islamic economics, the study offers a more nuanced and holistic lens for analyzing economic phenomena in Muslim-majority societies. It challenges the universalist pretensions of mainstream economic theory and provides a robust counter-narrative to the simplistic dichotomy of tradition versus modernity. The dual-objective model of the entrepreneur and the value-guided trajectory of the FinTech revolution are powerful testaments to a system where economic action is inextricably linked to a moral compass, offering valuable insights for the broader global discourse on sustainable development, ethical business, and responsible innovation.

Based on this comprehensive analysis, several key recommendations emerge for various stakeholders:

- For Policymakers: Economic policies in Muslim-majority countries should be designed with a deep understanding of this cultural embeddedness. Rather than imposing one-size-fits-all models, governments should seek to create enabling ecosystems that support value-based economic behavior. This includes promoting Islamic social finance, supporting social entrepreneurship through regulatory incentives, and fostering educational initiatives that integrate ethical principles with business acumen. Engaging with this cultural framework should be seen not as a concession but as a strategic necessity for unlocking the immense motivational power of cultural identity to drive sustainable and equitable development.
- For Business Leaders and Entrepreneurs: The findings encourage a deeper embrace of the dual-objective model. Entrepreneurs and corporate leaders should view the integration of ethical and social goals not as a cost center but as a source of competitive advantage, brand loyalty, and long-term, blessed growth (*barakah*). This requires building corporate cultures grounded in the principles of trust (*amanah*), justice (*'adl*), and excellence (*ihسان*), and seeing the enterprise as a moral community with a responsibility to all its stakeholders.
- For Technologists and Innovators: The principle of value-guided innovation offers a powerful alternative to the value-neutral or value-destructive tendencies of unbridled technological development. Innovators in the Islamic world and beyond are encouraged to proactively engage with ethical frameworks like the *Maqasid al-Shariah* to ensure that new technologies, particularly in powerful fields like AI and blockchain, are designed to serve human welfare, promote justice, and enhance social cohesion.

Finally, this study highlights several avenues for future research. There is a pressing need for more empirical, field-based research to test and refine the conceptual framework developed here. Quantitative studies could measure the impact of religiosity on entrepreneurial performance and innovation, while qualitative case studies could provide rich, thick descriptions of how entrepreneurs navigate the tensions between market logic and moral imperatives. Cross-cultural comparative studies, examining different forms of economic embeddedness across various religious and cultural traditions, would also be highly valuable. Ultimately, continued scholarly inquiry into the complex and powerful interplay of faith, culture, and economic life is essential for building a more inclusive, just, and sustainable global economy.

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