

Toward a Holistic Framework of Islamic Business Ethics: Insights from Leadership, Halal Practices, and Finance in a Digital Age

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ABSTRACT: In an increasingly interconnected global economy, ethical considerations have become central to sustainable business practices. This narrative review examines business ethics from an Islamic perspective by analyzing three main domains: ethical leadership, halal industry operations, and Islamic financial institutions. Using a thematic analysis of recent peer-reviewed literature, the study identifies core principles—such as justice, transparency, stakeholder engagement, and Shariah compliance—as pivotal to Islamic business ethics. The review reveals that leadership modeled on the Prophet Muhammad's values fosters ethical organizational cultures and enhances employee trust and commitment. Additionally, the halal industry demonstrates substantial regional variation in ethical practices, with Malaysia and Indonesia offering more structured frameworks compared to the Middle East. In Islamic finance, Shariah-based governance, consumer trust, and social responsibility initiatives emerge as key differentiators from conventional banking. Despite these strengths, challenges remain in the form of fragmented regulatory systems, ethical inconsistencies, and cultural resistance. The study recommends institutional reforms, enhanced educational frameworks, and inclusive stakeholder engagement as strategic responses. These findings highlight the need for integrated approaches that align religious ethics with contemporary business challenges. This review contributes to the academic discourse by offering practical insights and policy-oriented recommendations to support the ethical development of Islamic business ecosystems.

Keywords: Islamic Business Ethics, Ethical Leadership, Halal Industry, Shariah Governance, Islamic Finance, Stakeholder Engagement, Sustainable Ethics.



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INTRODUCTION

In the rapidly evolving global business landscape, ethical considerations have become increasingly salient. Among these, the discourse surrounding business ethics from an Islamic perspective has gained prominence due to the growing number of Islamic financial institutions and Shariah-

compliant businesses worldwide. These organizations operate within a framework that emphasizes moral conduct, social responsibility, and spiritual accountability, reflecting core Islamic teachings. The interconnectivity of global markets and the increasing diversity of economic actors necessitate a comprehensive understanding of how Islamic business ethics address contemporary issues such as corporate governance, environmental sustainability, and social equity (Ahmad et al., 2023; Nugraheni et al., 2024; Beekun, 2012).

A global shift towards ethical governance is evident in the increasing emphasis on corporate social responsibility (CSR), a trend that resonates deeply with Islamic principles advocating for justice (*adl*), transparency (*amanah*), and accountability (*bisbab*) in business practices. This alignment is increasingly relevant amid pressing global challenges including climate change, widening socio-economic disparities, and widespread corporate misconduct. Islamic business ethics, rooted in the concept of *Maslahah* (public interest), encourages practices that go beyond profit maximization to consider the welfare of society and the environment. This orientation positions Islamic ethical principles as a compelling framework for businesses striving to align commercial success with ethical responsibility (Ali et al., 2013; Ramadani et al., 2016; Alserhan, 2017).

The ethical imperatives embedded in Islam are increasingly significant in light of technological advances that reshape business conduct. The proliferation of artificial intelligence, big data, and digital platforms has transformed ethical debates in business, prompting a reanalysis of standards and accountability. Within this new context, Islamic teachings provide ethical guidance by promoting the responsible use of technology and discouraging exploitation, thus protecting human dignity and individual rights (Ateeq, 2024; Khalil & Seleim, 2012). These technological shifts further underscore the importance of an ethical framework that can navigate evolving business practices while preserving moral integrity.

Empirical studies underscore the growing relevance and expansion of Islamic business ethics, particularly within the financial sector. The global asset value of Islamic finance reached approximately \$3 trillion in 2020, with projections estimating an increase to over \$4 trillion by 2024 (Rosyada et al., 2018). This growth reflects increasing consumer preference for financial services that align with Islamic ethical standards, especially in Muslim-majority regions such as Southeast Asia and the Middle East. Islamic banks in countries like Indonesia and Malaysia have reported high levels of customer loyalty and trust, directly tied to perceptions of ethical compliance and service integrity (Manik, 2019; Wijaya et al., 2022).

Furthermore, research reveals that micro, small, and medium enterprises (MSMEs) operating under Islamic ethical frameworks tend to achieve higher levels of community trust and operational sustainability (Umam et al., 2024). These findings suggest that Islamic business ethics not only enhance organizational credibility but also contribute to broader socio-economic development goals, supporting the notion that ethics-based business models can foster inclusive and sustainable growth.

Despite these promising developments, several systemic challenges hinder the comprehensive application of Islamic business ethics. A significant obstacle lies in the absence of standardized regulatory frameworks that effectively accommodate Shariah-compliant business practices. Many national legal systems operate without sufficient integration of Islamic principles, creating

inconsistencies between regulatory compliance and ethical imperatives (Wibowo et al., 2024). This regulatory dissonance often leads to fragmented applications of Islamic business ethics, undermining their full potential.

Another pressing challenge pertains to ethical education. Studies suggest that prevailing business education models often emphasize profit-oriented strategies over ethical considerations, resulting in graduates who lack adequate exposure to Islamic ethical principles (Azhar et al., 2019). This misalignment between educational content and Islamic values perpetuates a professional culture that may prioritize economic gain over social and moral responsibility, thereby impeding efforts to embed Islamic ethics into mainstream business practices.

Additionally, corporate corruption remains a pervasive issue in many regions where Islamic business ethics are purportedly practiced. Cultural norms and institutional weaknesses often enable practices such as bribery and nepotism, which conflict with Islamic teachings on justice and fairness (Bhatti et al., 2016). These ethical lapses underscore the need for stronger enforcement mechanisms and cultural transformation initiatives to reinforce the values espoused by Islamic business ethics.

The halal industry, while emblematic of ethical business in Islam, also illustrates some of the challenges in the interpretation and implementation of Islamic ethics. Although halal certification implies adherence to Islamic principles, inconsistencies in certification standards and a focus on profitability have led to concerns about the erosion of ethical substance in halal commerce. The growing consumer demand for halal products must be matched with robust ethical oversight to ensure that business practices genuinely reflect Islamic teachings (Shahabuddin et al., 2020; Wazin & Suryanto, 2023).

Current literature also reflects notable gaps that limit a holistic understanding of Islamic business ethics. One major omission is the limited exploration of ethical leadership within Islamic organizations. While leadership is widely acknowledged as a determinant of organizational culture, few studies delve into how Islamic principles shape leadership styles and influence decision-making outcomes (Beekun, 2012). Another gap lies in the narrow conceptualization of halal, often treated solely as a product label rather than a comprehensive ethical framework. This reductionist view overlooks the broader values of fairness, transparency, and social justice embedded in halal business practices (Putra & Sawarjuwono, 2019).

Moreover, while Islamic finance has received growing attention, its intersection with corporate social responsibility remains underexplored. Existing studies seldom address how CSR strategies can be effectively integrated into Islamic financial institutions to promote ethical investments and social justice. This disconnect limits the ability of Islamic finance to fulfill its ethical potential in fostering equitable economic development (Tasnia et al., 2023; Charfeddine et al., 2016).

To address these limitations, this literature review aims to examine Islamic business ethics through a multidimensional lens. Specifically, the review will investigate the role of ethical leadership in shaping organizational behavior within Islamic contexts. By analyzing leadership practices grounded in Islamic values, the review seeks to uncover their impact on organizational culture and ethical outcomes. Furthermore, the review will explore the ethical dimensions of halal business

practices, emphasizing the need for comprehensive standards that reflect both compliance and ethical integrity.

Additionally, the review will analyze the alignment between Islamic finance and CSR, highlighting opportunities to strengthen the ethical mandate of financial institutions through integrated frameworks. The voices of religious scholars (*ulama*) will also be examined to understand their role in guiding ethical business practices, especially in contexts where religious authority influences public perception and regulatory decisions.

The geographical focus of this review will primarily encompass Southeast Asia and the Middle East, regions where Islamic business ethics have been most prominently developed and practiced. These areas present a rich tapestry of cultural, legal, and economic conditions that shape the application of Islamic ethical principles in business. Southeast Asia, notably Indonesia and Malaysia, provides valuable insights into ethical consumerism and institutional compliance, while the Middle East offers perspectives on integrating Islamic ethics within complex regulatory and capitalist frameworks.

This literature review thus aims to contribute to the broader discourse on ethical business practices by situating Islamic ethics within contemporary global contexts. Through a systematic exploration of leadership, halal practices, Islamic finance, and the role of cultural influences, the review will elucidate how Islamic ethical frameworks can inform responsible business conduct. In doing so, it aspires to offer practical and theoretical insights that support the development of more inclusive and ethically grounded business paradigms in the global economy.

METHOD

This literature review employed a qualitative descriptive approach to synthesize research findings on business ethics from an Islamic perspective. The methodology consisted of a systematic process of identifying, retrieving, evaluating, and analyzing academic literature relevant to Islamic ethical principles in business practices. Given the interdisciplinary nature of the topic, which intersects areas of ethics, religion, management, marketing, and finance, a wide range of scholarly databases was utilized to ensure comprehensive coverage. The selected databases include Scopus, Google Scholar, JSTOR, Emerald Insight, and Wiley Online Library. Each was chosen for its capacity to provide access to peer-reviewed academic literature across disciplines relevant to the research inquiry.

Scopus, renowned for its extensive indexing of scientific and technical literature, was instrumental in capturing articles related to Islamic finance, corporate social responsibility, and business ethics. Its built-in citation analysis and advanced filtering mechanisms allowed for efficient identification of high-impact publications. Google Scholar served as a complementary database due to its inclusive indexing of grey literature such as theses, working papers, and reports, which are particularly valuable in fields like Islamic studies that often rely on non-traditional sources of scholarship. JSTOR contributed historical perspectives through access to legacy issues of leading journals, allowing the review to trace the evolution of discourse on Islamic business ethics over time.

Emerald Insight was selected for its specialized focus on business, marketing, and management, offering valuable insights into the practical application of Islamic ethics within these domains. Particularly, it houses journals like the *Journal of Islamic Marketing* and *Journal of Islamic Accounting and Business Research*, which are central to the current topic. The Wiley Online Library was included for its contributions to ethical philosophy and business ethics, hosting journals that provide a critical perspective on the integration of religious values in corporate governance.

To ensure a thorough and systematic search, a comprehensive keyword strategy was developed using Boolean operators. The selected search terms aimed to capture the multifaceted nature of Islamic business ethics. Key combinations included: “Islamic business ethics” AND “halal industry”; “Islamic leadership” AND “ethical values”; “Islamic finance” AND “corporate social responsibility”; “ethics in Islam” OR “Islamic moral philosophy”; “Sharia compliance” AND “business practices”; “halal certification” AND “ethical implications”; “Islamic marketing” AND “consumer behavior”; and “corporate governance” AND “Islamic perspective”. These combinations allowed for both depth and breadth in literature retrieval, ensuring that no critical subthemes were overlooked.

Articles retrieved from these databases were initially filtered based on relevance, using titles and abstracts as the primary screening criteria. Inclusion criteria for the review were as follows: the article must be published in a peer-reviewed journal; the study must focus on Islamic business ethics or related themes such as Sharia-compliant business practices, halal certification, Islamic leadership, or Islamic finance; and the study must be written in English. Studies published between 2010 and 2024 were prioritized to ensure the inclusion of recent developments while also capturing long-term trends. Additionally, literature that incorporated empirical findings, case studies, theoretical analyses, or conceptual models was considered, regardless of methodological approach.

Exclusion criteria were equally important to maintain the academic rigor of the review. Articles that did not explicitly engage with Islamic ethical principles or only mentioned Islamic ethics tangentially were excluded. Publications that lacked methodological clarity or failed to provide analytical insights into business practices were also omitted. Opinion pieces, editorials, and commentaries were not considered unless they introduced novel conceptual frameworks or raised critical questions pertinent to the study.

Following initial screening, full texts of eligible articles were retrieved and subjected to a secondary evaluation for methodological robustness and thematic relevance. This stage of review focused on identifying articles that provided empirical evidence, presented conceptual models, or introduced new frameworks for understanding Islamic business ethics. Studies employing diverse methodologies—including qualitative interviews, case studies, mixed methods research, and quantitative surveys—were included to reflect the interdisciplinary nature of the field.

The quality of the included studies was assessed through several criteria: clarity of research questions, appropriateness of methodology, depth of analysis, and alignment with the objectives of Islamic business ethics. Articles were categorized based on thematic domains identified in the introduction: ethical leadership, halal business practices, Islamic finance and CSR, and the role of

religious scholars (ulama) in shaping business ethics. Within each thematic group, studies were examined for consistency, methodological rigor, and relevance to the review's objectives.

The review also ensured geographical representation by including studies from a range of countries, particularly those in Southeast Asia and the Middle East, where Islamic business practices are most prominent. This allowed for the identification of regional patterns and cultural influences that shape the interpretation and implementation of Islamic business ethics. Moreover, a subset of articles was selected to examine cross-national comparisons, particularly between Islamic-majority and mixed-faith societies, to understand how different socio-cultural contexts impact ethical practices.

Throughout the process, references were managed using Zotero, which facilitated the organization and annotation of retrieved studies. Duplicate entries were identified and removed. Each study included in the final review was coded according to its thematic relevance, research design, and geographic focus. The extracted data were synthesized narratively to identify commonalities, contrasts, and emerging trends across the literature.

In conclusion, the literature review employed a comprehensive and systematic approach to identify and evaluate scholarly works on Islamic business ethics. The use of multiple academic databases, a structured keyword strategy, and clearly defined inclusion and exclusion criteria ensured that the most relevant and methodologically sound studies were included. The integration of empirical and theoretical perspectives, along with a focus on regional diversity, provides a robust foundation for understanding the current landscape and future directions of Islamic business ethics research.

RESULT AND DISCUSSION

Ethical Leadership in Islamic Perspective

A growing body of literature has explored ethical leadership in the context of Islamic teachings, revealing that Islamic principles provide a unique and robust foundation for ethical business practices. These principles, embedded in the Qur'an and Hadith, serve not only as religious obligations but also as ethical guidelines that can be systematically applied within modern organizational contexts (Salin et al., 2020; El-Bassiouny et al., 2022).

Ethical Foundations Rooted in Islamic Teachings

Ethical leadership in Islam is characterized by values such as justice ('adl), trustworthiness (amanah), compassion (rahmah), and humility (tawadhu'). These core values, derived from the Qur'an and exemplified in the Sunnah of Prophet Muhammad, emphasize that leadership is a trust and a form of responsibility rather than a privilege. Scholars highlight that Islamic ethical leadership is not solely about rule compliance but about fostering an environment of moral consciousness where leaders are accountable not only to stakeholders but ultimately to God (El-Bassiouny et al., 2022; Salin et al., 2020).

The Role of Shura (Consultation)

Another significant theme is the role of *Shura* or mutual consultation, a practice mandated in Islamic governance and leadership. *Shura* ensures transparency and collective decision-making, thereby enhancing trust within organizations. Research has shown that leaders who implement consultation in their decision-making process foster inclusive and ethically driven organizational cultures (Qur'an, 2023; Salin et al., 2020). Employees tend to be more committed and satisfied in such environments, leading to improved organizational performance (El-Bassiouny et al., 2022).

Prophetic Leadership Traits

The leadership traits of Prophet Muhammad have been widely studied as a benchmark for ethical leadership. Traits such as honesty (*siddiq*), intelligence (*fatanah*), and integrity (*amanah*) are often cited as foundational to ethical leadership in Islamic organizations. His equitable treatment of people, commitment to justice, and engagement with the community serve as living examples that contemporary leaders are encouraged to emulate (Salin et al., 2020; Razak, 2019).

Impact on Organizational Culture and Performance

Empirical studies have drawn a correlation between Islamic ethical leadership and enhanced organizational performance. Organizations that adopt Islamic ethical leadership principles report stronger reputational capital, employee satisfaction, and stakeholder trust. This is especially apparent in Islamic financial institutions where Shariah compliance and ethical governance contribute to financial sustainability and customer loyalty (El-Bassiouny et al., 2022; Khan et al., 2022).

Resistance to Ethical Practices

Despite these advantages, resistance to ethical leadership persists due to entrenched corporate cultures that often prioritize short-term gains over long-term ethical commitments. Corruption, nepotism, and lack of transparency are cited as key impediments to the institutionalization of Islamic ethical leadership. This is particularly relevant in regions where regulatory and cultural contexts conflict with Islamic ethical ideals (Salama & Chikudate, 2021; Azhar et al., 2019).

Findings Supporting the Influence of Prophet Muhammad's Leadership Traits

Scholars argue that the Prophet Muhammad's leadership traits continue to serve as a moral compass for contemporary Muslim leaders. His commitment to fairness, ethical trade, and community welfare aligns with many modern principles of corporate social responsibility (Salin et al., 2020; El-Bassiouny et al., 2022). Narratives from his life, such as his rejection of dishonest trade and promotion of fair dealing, provide ethical templates that can guide today's business leaders.

In fostering community cohesion, the Prophet emphasized empathy, inclusiveness, and social responsibility. These traits have been linked to stronger internal cultures and employee engagement within modern Islamic organizations. Research indicates that ethical leadership modeled on the Prophet's traits contributes to resilience, cohesion, and stakeholder satisfaction (Razak, 2019; El-Bassiouny et al., 2022).

The principles promoted by the Prophet remain relevant today, especially in addressing global business challenges such as environmental degradation, social inequality, and exploitation. For instance, his emphasis on moderation and stewardship can be applied to modern discussions about sustainable business practices (Salin et al., 2020).

Leaders who internalize these prophetic traits are more likely to demonstrate responsible leadership—prioritizing the well-being of employees, customers, and communities. This type of leadership fosters a holistic view of organizational success that incorporates ethical, spiritual, and social dimensions (Khan et al., 2022; Salin et al., 2020).

The prophetic model also offers a comprehensive framework for ethical decision-making, combining spiritual guidance with practical wisdom. Scholars propose that ethical dilemmas can be effectively addressed by adopting a prophetic leadership style that balances moral imperatives with strategic considerations (Qur'an, 2023; Salin et al., 2020).

In conclusion, the literature demonstrates that ethical leadership grounded in Islamic teachings provides a practical, sustainable, and morally robust foundation for modern business practices. It not only enhances organizational integrity but also promotes broader societal well-being, making it a crucial component of contemporary Islamic business ethics.

Ethical Management of Halal Businesses Across Regions

The halal industry, as a growing segment of global commerce, demonstrates diverse approaches to ethical management across regions. These variations are primarily shaped by differences in certification standards, consumer expectations, and cultural interpretations of Islamic ethics. Malaysia, for instance, is widely recognized for its well-established and comprehensive halal certification system administered by JAKIM. This centralized model has led to high consumer confidence and international recognition of Malaysia's halal products (Badrudin et al., 2012). In contrast, the Middle East has a more fragmented certification environment, which may result in inconsistencies and reduced consumer trust (Sharif, 2016).

Consumer awareness plays a critical role in shaping the ethical standards of halal businesses. In wealthier Muslim-majority countries such as Qatar and the UAE, consumers are increasingly discerning and demand transparency throughout the supply chain. This growing demand pushes businesses to not only comply with halal regulations but to embrace ethical sourcing, fair labor practices, and environmental stewardship as part of their brand identity (Sharif, 2016; Hanzae & Sadeghian, 2014).

However, challenges remain. In Indonesia, despite the presence of national certification agencies, inconsistent enforcement and regulatory oversight can lead to lapses in compliance and credibility

(Salama & Chikudate, 2021). In regions where enforcement is weak or influenced by political interests, businesses may prioritize market expansion over ethical rigor, compromising Islamic ethical standards (Shahabuddin et al., 2020).

Cultural context also significantly influences how halal business ethics are understood and applied. In some non-Muslim majority countries, halal is largely viewed through a commercial lens, often reduced to a branding strategy rather than a comprehensive ethical system. Conversely, in Muslim-majority regions with strong religious institutions, halal is seen as a deeply moral and spiritual obligation (Gümüsay, 2014). This divergence necessitates a more globalized and coherent ethical framework that transcends regional idiosyncrasies.

Additionally, the link between halal and corporate social responsibility (CSR) is gaining traction. Scholars argue that halal businesses should expand their ethical scope beyond product ingredients to include sustainable practices, employee welfare, and community support initiatives (Hanzaee & Sadeghian, 2014). The Islamic ethical principle of "Maslahah" (public interest) supports this integration, pushing halal companies to contribute to broader societal goals.

Measuring Islamic Ethical Principles in Halal Industries

A variety of methodologies are used to assess the ethical integrity of halal businesses. Qualitative case studies remain the most prominent, offering insights into how businesses implement Islamic ethics at the operational level. These studies often involve interviews with business leaders and consumers, providing a rich understanding of values, challenges, and strategies (Salama & Chikudate, 2021).

Consumer perception studies also serve as critical tools for measuring ethical implementation. Surveys in Southeast Asia have shown that customer loyalty and trust are closely linked to perceived ethical behavior by halal businesses (Sharif, 2016). Quantitative tools, such as structural equation modeling, have been employed to establish relationships between ethical practices and business outcomes like customer retention and market share.

Ethical audit frameworks are another emerging method. These tools evaluate multiple aspects of ethical performance, including sourcing, labor practices, transparency, and CSR initiatives (Shahabuddin et al., 2020). By adopting such frameworks, halal businesses can standardize their ethical performance and align more closely with Islamic principles.

In terms of environmental and social impacts, new frameworks are being developed to assess the sustainability of halal businesses. These tools integrate Islamic values with modern sustainability metrics, providing businesses with actionable insights into their societal contributions (Gümüsay, 2014; Hanzaee & Sadeghian, 2014).

Ethical Behavior in Islamic Financial Institutions

Islamic financial institutions (IFIs) are inherently guided by ethical principles derived from Islamic law (Shariah), which shape all facets of their operations. Central to these principles is the

prohibition of *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling), alongside the emphasis on risk-sharing, fairness, and transparency. The influence of these ethical imperatives is evident in both the strategic direction and day-to-day practices of IFIs (Gilani, 2015; Ullah et al., 2014).

Shariah compliance stands out as the dominant ethical pillar. Institutions must ensure that their products, contracts, and investments adhere to Islamic rulings. The role of Shariah supervisory boards is essential in this process, serving as internal ethical and legal gatekeepers (El-Bassiouny et al., 2017). Their oversight ensures the integrity of IFIs by evaluating products for compliance and offering guidance to avoid unethical or exploitative practices.

Ethical leadership also contributes significantly to ethical behavior in IFIs. Leaders who model ethical behavior consistent with Islamic teachings—such as honesty, humility, and justice— influence organizational culture and enhance employee adherence to ethical norms (Khan et al., 2022). Institutions with strong ethical leadership are better equipped to establish internal cultures of integrity and compliance.

Stakeholder engagement fosters accountability and transparency. Many IFIs engage with customers, regulators, and community stakeholders to align their operations with public expectations and social needs (Ullah et al., 2014). This participatory approach encourages ethical decision-making and enhances institutional legitimacy.

Cultural and religious values also affect ethical behavior in Islamic finance. Studies show that in Muslim-majority societies, employees who personally adhere to Islamic values are more likely to demonstrate strong ethical behavior. This alignment between personal beliefs and institutional values fosters a cohesive ethical environment (El-Bassiouny et al., 2017).

Professional development and ethical training further reinforce compliance and ethical conduct. Ongoing education in Islamic finance ethics equips employees with the knowledge to navigate complex financial operations within a Shariah framework (Gilani, 2015). This is particularly important for new institutions or those operating in non-Muslim-majority contexts.

Comparing Islamic and Conventional Financial Institutions

Islamic financial institutions differ from their conventional counterparts in both philosophical foundations and operational ethics. While conventional institutions typically prioritize profit maximization and shareholder returns, IFIs are guided by broader ethical and social goals rooted in Islamic jurisprudence. Their mandates often include promoting social justice, equitable wealth distribution, and community development (El-Bassiouny et al., 2017).

In risk management, IFIs reject speculative financial instruments, preferring asset-backed transactions and risk-sharing models. This risk-averse posture stems from ethical concerns about uncertainty and harm, resulting in financial products that are perceived as more stable and socially responsible (Gilani, 2015; Ullah et al., 2014).

Trust levels are notably higher in IFIs, particularly among Muslim consumers who value Shariah compliance and ethical assurances. Studies indicate that such institutions build loyalty through their alignment with customer values, contributing to reputational strength and long-term client retention (Gilani, 2015).

Social responsibility is more deeply embedded in IFIs compared to conventional banks. Obligatory mechanisms such as zakat (almsgiving) and voluntary programs such as waqf (endowments) are used to support welfare initiatives and reduce socio-economic disparities (El-Bassiouny et al., 2017). CSR in Islamic finance is therefore both a religious and ethical obligation, not merely a marketing tool.

Lastly, governance in IFIs reflects a dual compliance framework—balancing regulatory requirements with Shariah principles. This structure often results in more stringent ethical oversight and a comprehensive approach to accountability, in contrast with many conventional banks that may not embed ethical principles into their core operations (Khan et al., 2022).

In summary, Islamic financial institutions exhibit a distinctive ethical framework that integrates religious values with operational practices. Their approaches to risk, stakeholder engagement, leadership, and CSR highlight the practical application of Islamic ethics in modern finance, offering models for ethically robust and socially responsible financial systems globally.

CONCLUSION

This narrative review has explored the multifaceted dimensions of Islamic business ethics, focusing on ethical leadership, halal industry practices, and Islamic financial institutions. The findings affirm that ethical leadership rooted in Islamic principles—particularly those modeled on the Prophet Muhammad's traits—has a significant impact on organizational culture, stakeholder trust, and ethical decision-making. Likewise, the ethical management of halal businesses varies regionally, with inconsistencies in certification and enforcement presenting serious challenges. The review also underscores how Islamic financial institutions differentiate themselves from conventional ones through stronger commitments to Shariah compliance, stakeholder engagement, and social responsibility.

However, systemic and cultural barriers—including fragmented governance, limited ethical education, and resistance to reform—continue to hinder the full realization of Islamic business ethics. These challenges signal the urgent need for institutional reforms, improved Shariah governance, comprehensive ethical training programs, and more inclusive stakeholder engagement.

To strengthen the application of Islamic business ethics, this study recommends the following actionable steps: (1) Establish national standards for halal ethics that go beyond certification, ensuring social justice and environmental stewardship are embedded in halal supply chains. (2) Promote ethical leadership training in business schools and Islamic universities based on prophetic traits and Shariah-oriented organizational behavior. (3) Encourage Shariah boards within financial institutions to align their governance with corporate social responsibility indicators.

Future research should explore how digitalization impacts Islamic ethical practices in areas such as fintech, e-commerce, and AI-powered decision-making. Cross-country case studies could also reveal how cultural values mediate the application of Islamic business ethics, particularly in minority Muslim contexts.

By translating Islamic principles into practical institutional policies, this research affirms the relevance of Islamic ethics in addressing modern economic, technological, and social challenges.

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