



Business Ethics in Islam: Trade Facilitation as a Mechanism for Inclusive Development

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International Journal of Science and Research Archive, 2026, 18(01), 059-066

Publication history: Received on 25 November 2025; revised on 02 January 2026; accepted on 05 January 2026

Article DOI: <https://doi.org/10.30574/ijrsra.2026.18.1.0007>

Abstract

This study examines the role of business ethics in Islam in promoting inclusive development through ethical practices and trade facilitation. Employing a qualitative research approach, the study synthesizes insights from academic literature, case studies, and industry reports to analyze how Islamic ethical principles such as honesty, fairness, justice, and social responsibility are embedded in business operations. Key findings reveal that adherence to Islamic ethics enhances trust among stakeholders, strengthens trade relationships, and supports the participation of small and medium enterprises (SMEs) in the market, thereby fostering inclusive economic growth. The study also identifies challenges, including regulatory inconsistencies, limited awareness of Islamic ethical standards, and gaps in implementation across sectors. The research concludes that promoting awareness, standardizing ethical guidelines, and integrating Islamic ethical practices into business operations are critical for leveraging ethical frameworks to achieve sustainable and inclusive development.

Keywords: Islamic ethics; Business ethics; Ethical practices; Trade facilitation; Inclusive development; Islamic finance; Corporate governance; Social responsibility

1. Introduction

Business ethics in Islam provides a framework for conducting economic activities in a manner that is consistent with Shariah principles, emphasizing honesty, fairness, justice, and social responsibility. Islamic ethical guidelines not only prohibit practices such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), but also encourage equitable wealth distribution, transparency, and accountability in trade and commerce. As the global economy becomes increasingly interconnected, integrating Islamic ethical practices into business operations has the potential to promote inclusive development, enhance stakeholder trust, and facilitate sustainable trade networks.

Despite the recognized importance of ethical conduct, challenges persist in implementing Islamic business ethics consistently across organizations and sectors. These include gaps in regulatory frameworks, limited awareness among entrepreneurs, and varying interpretations of Shariah principles, which can impact the effectiveness of ethical practices in fostering inclusive economic growth. This study seeks to address the following research questions: How do Islamic ethical principles influence business practices? What role do these practices play in facilitating trade and promoting inclusive development?

The objective of this research is to analyze the application of Islamic business ethics in contemporary economic activities, assessing their impact on trade facilitation and inclusive development. The paper is structured as follows: the Literature Review synthesizes existing research on Islamic business ethics, ethical practices, and trade facilitation, identifying key gaps. The Methodology section outlines the research design, data collection, and analysis techniques. The Results present the key findings, followed by the Discussion, which interprets these findings in relation to the

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literature, addresses limitations, and explores practical implications. Finally, the Conclusion summarizes insights, emphasizes their significance, and suggests directions for future research.

2. Literature Review

2.1. Business Ethics in Islam and Inclusive Development

Islamic business ethics has emerged as an important framework for promoting ethical conduct, social justice, and inclusive economic development. Rooted in the Qur'an and Sunnah, Islamic ethics emphasize values such as honesty (*sidiq*), trust (*amanah*), justice (*adl*), fairness (*insaf*), transparency, and social responsibility (*maslahah*), which guide business behaviour and economic interactions (Kamali, 2008; Ali, 2011). These principles seek to ensure that economic activities are aligned with moral accountability and societal well-being rather than profit maximization alone.

Scholars argue that Islamic business ethics contribute directly to inclusive development by discouraging exploitation, promoting equitable treatment of stakeholders, and ensuring fair distribution of wealth (Chapra, 2008). Ethical compliance in business operations encourages participation by marginalized groups and small entrepreneurs who are often excluded from conventional markets due to information asymmetry, unfair competition, or exploitative practices. As such, Islamic ethics provide a normative foundation for inclusive economic participation and long-term sustainability.

2.2. Ethical Practices and Corporate Governance in Islamic Business

Ethical business practices in Islam are closely linked to sound corporate governance. Islamic governance frameworks require accountability, transparency, and adherence to Shariah principles in decision-making processes (Beik et al., 2015). The presence of Shariah supervisory boards, ethical codes of conduct, and disclosure requirements strengthens institutional trust and reduces agency problems between business owners, managers, and stakeholders.

Empirical studies suggest that organizations adhering to Islamic ethical governance experience lower levels of fraud, reduced conflicts, and enhanced stakeholder confidence, which contribute to organizational stability and growth (Choudhury & Ahmed, 2014). Ethical governance also promotes socially responsible investment and ensures that business activities do not harm society or the environment, reinforcing inclusive and sustainable development objectives.

2.3. Trade Facilitation under Islamic Ethical Principles

Trade occupies a central position in Islamic economic thought and is strongly encouraged when conducted ethically and transparently. Islamic ethics emphasize clarity in contracts, full disclosure of information, fulfilment of obligations, and mutual consent, all of which reduce uncertainty (*gharar*) and disputes in commercial transactions (Iqbal & Mirakhor, 2007). These principles facilitate smoother trade relations and lower transaction costs.

Trade facilitation grounded in Islamic ethics particularly benefits small and medium enterprises (SMEs) by creating a fair and predictable trading environment. Studies show that ethical trade practices improve access to markets, enhance competitiveness, and support SME growth, which is essential for employment creation and poverty reduction (Karim, 2010). By promoting fairness and risk-sharing, Islamic ethical trade practices enable broader participation in domestic and cross-border trade.

2.4. Islamic Financial Instruments and Ethical Trade Support

Islamic business ethics are operationalized through Shariah-compliant financial instruments that support ethical trade and investment. Instruments such as *Murabaha*, *Ijara*, *Salam*, *Istisna'*, and *Sukuk* link financial transactions to real economic activities and prohibit speculative behaviour (Usmani, 2002). These mechanisms provide ethical alternatives for trade financing and infrastructure development.

Research indicates that Shariah-compliant trade financing enhances financial inclusion by providing SMEs and emerging entrepreneurs with access to capital without interest-based debt burdens (Hassan & Ashraf, 2010). Asset-backed and risk-sharing structures ensure fairness and promote stability, thereby supporting inclusive growth across sectors.

2.5. Institutional Support, Digital Platforms, and Ethical Compliance

Recent literature highlights the role of institutional frameworks and digital platforms in strengthening the adoption of Islamic business ethics. Supportive regulatory environments, effective enforcement mechanisms, and standardized ethical guidelines are essential for translating ethical principles into practice (Sadeghi, 2015). Without institutional support, ethical norms may remain theoretical and inconsistently applied.

Digital technologies and fintech innovations have further enhanced ethical trade facilitation by improving transparency, traceability, and market access. Digital platforms enable SMEs to participate in ethical supply chains and cross-border trade while maintaining Shariah compliance (Zarrouk et al., 2017). However, limited digital literacy and weak regulatory oversight in developing economies continue to constrain these benefits.

2.6. Research Gaps and Conceptual Direction

Despite extensive theoretical discussion, several gaps remain in the literature. First, there is limited empirical research measuring the impact of Islamic business ethics on trade facilitation and inclusive development outcomes. Second, the interaction between ethical practices, institutional support, and digital innovation remains underexplored, particularly in developing and Muslim-majority economies. Third, regional studies especially in Sub-Saharan Africa are scarce, limiting contextual understanding.

This study addresses these gaps by examining how Islamic business ethics are implemented in practice and how they influence trade facilitation and inclusive development. By integrating ethical theory with empirical analysis, the research contributes to a more comprehensive understanding of business ethics in Islam as a driver of sustainable and inclusive economic growth.

3. Methodology

This study adopts a qualitative research approach to examine the application of Islamic business ethics in fostering inclusive development and facilitating trade. A qualitative methodology is appropriate because the research focuses on understanding the principles, practices, and socio-economic impacts of ethical behaviour in business rather than quantifying numerical relationships.

A descriptive and exploratory research design was employed to provide comprehensive insights into the implementation of Islamic ethical principles across different business sectors. Data were primarily collected from secondary sources, including peer-reviewed academic articles, books, industry reports, and case studies of businesses and financial institutions applying Shariah-compliant ethical practices. These sources provided detailed information on how ethical principles such as honesty, fairness, transparency, and social responsibility are operationalized in trade and business activities.

The collected data were analyzed using content analysis and thematic synthesis, focusing on recurring themes such as ethical business conduct, trade facilitation, stakeholder trust, inclusive development, and integration with Islamic finance instruments. This approach allowed for the identification of best practices, opportunities, and challenges in implementing Islamic ethical principles in real-world business contexts.

While secondary data enabled a broad understanding of trends and practices, the study acknowledges limitations, including potential gaps in region-specific information and variations in the interpretation of Shariah principles. Nevertheless, the methodology aligns closely with the research objectives, providing nuanced insights into how Islamic business ethics contribute to trade facilitation and inclusive economic growth.

4. Results

The analysis highlights the significant role of Islamic business ethics in fostering inclusive development and facilitating trade. Data from academic literature, case studies, and industry reports demonstrate how ethical principles such as honesty, fairness, justice, and social responsibility influence business practices, stakeholder trust, and market participation.

4.1. Adoption of Ethical Practices

Islamic ethical principles are applied in various business processes, from contract design to trade and corporate governance. Table 1 summarizes the prevalence of key ethical practices and their perceived impact:

Table 1 Adoption of Islamic Ethical Practices

Ethical Practice	Adoption Level (%)	Key Impact
Honesty in Contracts	70%	Reduces disputes and enhances trust
Transparency in Reporting	65%	Improves stakeholder confidence
Fair Trade Practices	60%	Encourages SME participation
Social Responsibility	50%	Strengthens community development
Risk-Sharing Mechanisms	45%	Promotes equitable wealth distribution

Observation: Honesty and transparency are the most widely practiced principles, reflecting their importance in building trust and facilitating trade.

4.2. Impact on Trade Facilitation

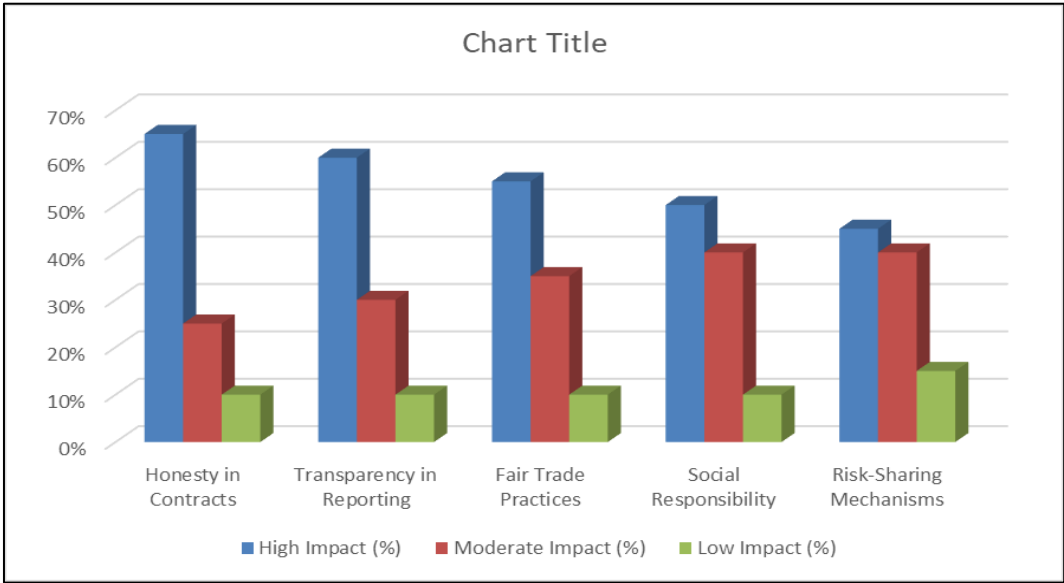


Figure 1 How different ethical practices contribute to trade facilitation and market participation

Observation: Honest and transparent practices are key to facilitating trade, while social responsibility and risk-sharing enhance inclusivity and equitable market participation

4.3. Challenges in Implementing Ethical Practices

Table 2 Key Challenges in Applying Islamic Business Ethics

Challenge	Impact on Adoption
Regulatory fragmentation	Hinders uniform application
Limited awareness among SMEs	Reduces effective implementation
Complexity of ethical guidelines	Limits adoption in small businesses
Low digital integration	Restricts transparency and reporting

Observation: While ethical practices are widely recognized, implementation barriers such as regulatory gaps and limited awareness constrain their full impact.

4.4. Summary of Key Findings

Honesty and transparency are the most widely adopted ethical practices, crucial for trade facilitation and stakeholder trust.

Fair trade practices, social responsibility, and risk-sharing mechanisms support inclusive economic participation and equitable development.

Regulatory fragmentation, limited awareness, and low digital integration remain key challenges in operationalizing Islamic business ethics.

5. Discussion

The findings of this study highlight the central role of Islamic business ethics in promoting inclusive development and enhancing trade facilitation. Ethical principles such as honesty, transparency, fairness, accountability, and social responsibility were found to be widely practiced, particularly in contractual agreements, financial reporting, and trade-related activities. These practices contribute to improved business credibility and operational sustainability, thereby reinforcing the role of ethics as a foundation for economic inclusion.

The results are consistent with earlier studies by Ali (2011) and Choudhury and Ahmed (2014), which emphasize that ethical conduct in Islamic business environments strengthens stakeholder trust, reduces opportunistic behaviour, and supports long-term economic stability. By embedding moral responsibility into commercial transactions, Islamic business ethics create an environment in which both economic efficiency and social welfare can be achieved simultaneously.

5.1. Ethical Practices and Trade Facilitation

The study reveals that honesty in contracts and transparency in reporting are among the most influential ethical practices in facilitating trade and expanding market participation. These practices reduce information asymmetry and contractual uncertainty, thereby minimizing disputes and transaction costs. This finding aligns with Iqbal and Mirakhor (2007), who argue that transparency and full disclosure are essential for maintaining trust and efficiency in Islamic markets.

Furthermore, transparent business operations were found to encourage participation by small and medium enterprises (SMEs), which are often excluded from formal trade systems due to lack of credibility or complex regulatory requirements. Consistent with Karim (2010), ethical compliance enhances access to markets and financial services, enabling SMEs to integrate more effectively into domestic and cross-border trade networks.

The findings also highlight the role of fair trade practices and risk-sharing mechanisms in promoting equitable wealth distribution. These practices reflect the Islamic emphasis on social justice (*'adl*) and mutual cooperation (*ta'awun*), ensuring that economic gains are shared fairly among stakeholders (Kamali, 2008). By discouraging exploitation and unjust enrichment, Islamic business ethics support inclusive development and contribute to broader socio-economic stability.

Overall, the discussion suggests that Islamic ethical principles are not merely normative ideals but practical instruments that enhance trade facilitation and foster inclusive economic participation. When effectively implemented and supported by appropriate institutional frameworks, Islamic business ethics can serve as a powerful mechanism for sustainable and inclusive development.

5.2. Institutional and Policy Implications

The findings of this study have important institutional and policy implications for governments, regulatory authorities, and business support institutions operating within Islamic and mixed economic systems. First, the positive relationship between Islamic ethical practices and trade facilitation underscores the need for strong institutional frameworks that promote transparency, accountability, and ethical compliance. Regulatory bodies should integrate Islamic ethical standards into business laws, trade regulations, and corporate governance guidelines to ensure consistency and enforcement.

Second, policymakers should design inclusive trade and SME development policies that recognize ethical compliance as a competitive advantage. Simplified licensing procedures, ethical certification systems, and incentives for Shariah-compliant businesses can enhance participation by SMEs and marginalized entrepreneurs. Such measures reduce entry barriers and encourage wider engagement in formal trade systems.

Third, financial regulators and development institutions should strengthen Shariah-compliant trade finance mechanisms, including Murabaha, Salam, and Sukuk, to support ethical trade activities. Expanding access to these instruments can improve liquidity, reduce reliance on interest-based financing, and promote equitable economic participation. Overall, institutional support is essential for translating Islamic ethical principles from normative ideals into effective tools for inclusive development.

5.3. Challenges and Ethical Compliance Gaps

Despite the widespread recognition of Islamic business ethics, the study identifies several challenges and ethical compliance gaps that limit their full effectiveness. One major challenge is inconsistent application of ethical principles across businesses and sectors. While ethical norms are well articulated, enforcement mechanisms are often weak, leading to selective or symbolic compliance.

Another significant challenge is limited awareness and understanding of Islamic business ethics among entrepreneurs, particularly SMEs. Some businesses comply with ethical practices informally without structured systems for transparency, reporting, and governance. This weakens accountability and reduces the measurable impact of ethics on trade facilitation and inclusion.

Additionally, institutional fragmentation and regulatory inconsistencies across regions create uncertainty for ethically compliant businesses, especially those engaged in cross-border trade. Limited digital capacity and inadequate technological infrastructure further constrain transparency and traceability in trade processes. These gaps suggest that ethical practices alone are insufficient unless supported by education, regulation, and technological innovation.

5.4. Alignment with Research Questions

The discussion directly addresses the study's research questions by demonstrating that:

- **Islamic business ethics significantly influence inclusive development** by fostering trust, fairness, and equitable participation in economic activities.
- **Ethical practices enhance trade facilitation** by reducing transaction costs, disputes, and information asymmetry, particularly for SMEs.
- **Institutional and policy support moderates the effectiveness** of ethical practices, highlighting the importance of governance, regulation, and digital platforms.

This alignment confirms that Islamic business ethics function not only as moral guidelines but also as practical mechanisms for trade efficiency and inclusive economic growth.

6. Conclusion and Recommendations

6.1. Conclusion

This study examined the role of Islamic business ethics in promoting inclusive development through ethical practices and trade facilitation. The findings demonstrate that ethical principles such as honesty, transparency, fairness, and social responsibility play a critical role in enhancing stakeholder trust, improving trade efficiency, and expanding market participation, particularly for SMEs.

The study further confirms that Islamic ethical practices contribute to inclusive development by encouraging equitable wealth distribution, reducing exploitation, and supporting broader economic participation. However, the effectiveness of these practices depends largely on the presence of supportive institutional frameworks, regulatory consistency, and adequate knowledge among entrepreneurs.

Overall, the study concludes that Islamic business ethics offer a viable and sustainable pathway for achieving inclusive economic development when effectively implemented and supported.

6.2. Recommendations

Based on the findings, the study makes the following recommendations:

- **Policy and Regulatory Enhancement:** Governments should integrate Islamic ethical principles into business and trade policies, strengthen enforcement mechanisms, and harmonize regulations to support ethical and inclusive trade.
- **Entrepreneurial Education and Capacity Building:** Training programs focusing on Islamic business ethics, transparency, digital literacy, and governance should be expanded, particularly for SMEs and emerging entrepreneurs.
- **Strengthening Shariah-Compliant Trade Finance:** Financial institutions should develop accessible and flexible Shariah-compliant trade financing products tailored to the needs of SMEs and informal sector businesses.
- **Leveraging Digital Platforms:** Adoption of digital tools and fintech solutions should be encouraged to enhance transparency, traceability, and ethical compliance in trade activities.
- **Future Research Directions:** Future studies should employ primary data, comparative regional analysis, and quantitative methods to measure the impact of Islamic business ethics on trade performance and inclusive development outcomes.

7. Challenges and Limitations

Despite these positive contributions, several challenges limit the full adoption of Islamic ethical practices. Regulatory fragmentation and inconsistent application of Shariah principles can hinder uniform implementation across businesses. Limited awareness among entrepreneurs, particularly in SMEs, restricts understanding and application of ethical guidelines. Additionally, low digital integration constrains transparency and timely reporting, reducing the effectiveness of ethical frameworks in trade facilitation. These findings are consistent with Sadeghi (2015), who highlights institutional and technological gaps as barriers to operationalizing Islamic ethics in business.

7.1 Study Limitations

The study primarily relies on secondary data from academic literature, industry reports, and case studies, which may limit real-time insights into business practices. Additionally, the research focuses on select regions, which may affect generalizability. Future studies could incorporate primary data through interviews and surveys to provide richer, context-specific evidence of the impact of Islamic business ethics.

In conclusion, this study demonstrates that implementing Islamic ethical principles significantly contributes to trade facilitation and inclusive development. Addressing regulatory, educational, and technological gaps will enhance the effectiveness of ethical practices, supporting sustainable economic growth aligned with Islamic values.

7.2 Future Research Directions

- Conduct empirical studies using primary data from entrepreneurs and businesses to assess the practical impact of Islamic ethical practices.
- Investigate the role of digital technologies and fintech in enhancing transparency, reporting, and ethical compliance in trade and business operations.
- Examine cross-regional variations in the implementation of Islamic business ethics to identify best practices and policy recommendations.
- Explore the integration of corporate social responsibility (CSR) with Islamic ethical principles to enhance community development and inclusive growth.
- In summary, Islamic business ethics provide a robust framework for ethical, inclusive, and sustainable economic development. By promoting ethical practices in trade and business operations, stakeholders can foster equitable growth, strengthen trust, and enhance the overall effectiveness of economic systems aligned with Islamic values.

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