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Empowering The Creative Economy Through Islamic Values: Innovations, Ethics, and Sustainable Development Goals

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Islamic Entrepreneurship and Innovation in Indonesia: Models for Ethical and Sustainable Development

ABSTRACT

Mohammad H. Holle

Rosita Tehuayo

mohammadholle@gmail.com

rositatehuayo@gmail.com

Universitas Islam Negeri AM. Sangadji Ambon

Entrepreneurship and innovation have become central to economic development in both conventional and Islamic perspectives. In Indonesia, the rise of Islamic creative startups signifies a transformation in how entrepreneurship is practiced, merging ethical values with technological progress. This paper explores the theoretical intersections of entrepreneurship and innovation through an Islamic lens, focusing on selected Indonesian creative startups that apply Islamic values in business operations. Drawing from literature analysis and case studies such as *HijUp*, *PT Badr Interactive*, and pesantren-based creative enterprises, the paper highlights how Islamic ethics shape innovative processes, governance, and market strategies. The study demonstrates that value-based entrepreneurship rooted in *maqasid al-shariah* principles justice, welfare, and balance can sustain both economic growth and spiritual fulfillment. The findings emphasize that integrating faith, creativity, and innovation provides a model for sustainable entrepreneurship in Muslim-majority contexts.

Keywords: Entrepreneurship, Innovation, Islamic Creative Startups, Maqasid al-Shariah, Indonesia



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Introduction

Entrepreneurship serves as a catalyst for socio-economic transformation and innovation-driven growth (Schumpeter, 1934; Drucker, 1985). In developing economies such as Indonesia, entrepreneurial activities are instrumental in reducing unemployment, fostering creativity, and stimulating inclusive growth (Audretsch & Belitski, 2021; Indonesian Ministry of Cooperatives and SMEs, 2023). Within the context of Islamic economics, entrepreneurship extends beyond profit maximization to encompass ethical, social, and spiritual objectives aligned with the *maqasid al-shariah*—the higher objectives of Islamic law (Asutay, 2012; Dusuki & Abdullah, 2007). Islamic entrepreneurship therefore functions as both an economic and moral enterprise designed to create value consistent with principles of justice, equity, and societal welfare (Ali & Al-Owaihan, 2008; Wilson & Liu, 2010).

In recent years, Indonesia has witnessed the emergence of Islamic creative startups that combine technological innovation with Islamic ethical foundations (Rahman et al., 2021; Laldin & Furqani, 2013). These startups are engaged in diverse sectors such as fashion, digital technology, halal lifestyle, and education. Platforms like *HijUp*, *Wardah Beauty*, and *Badr Interactive* have successfully integrated creativity and spirituality into their operational models, transforming Indonesia into a vibrant hub for Islamic entrepreneurship (Hassan & Hippler, 2014; Huda et al., 2020). This intersection between innovation and Islamic values demonstrates how local culture and religion can coexist with global entrepreneurship and digital disruption.

Despite growing scholarly interest, studies focusing on the creative and innovative aspects of Islamic startups in Indonesia remain limited (Elasrag, 2016; Saad et al., 2020). Existing literature tends to focus on financial or halal industry aspects, overlooking how Islamic ethics inform creative innovation and startup resilience. Therefore, this study seeks to fill that gap by examining how innovation emerges within Islamic creative startups, how these enterprises navigate ethical challenges, and how Islamic values function as competitive advantages in the creative economy (Hassan et al., 2020; Kamla & Alsoufi, 2015).



Literature Review

Entrepreneurship and Innovation: Theoretical Foundations

Entrepreneurship has long been understood as a dynamic process of innovation, risk-taking, and opportunity recognition (Schumpeter, 1934; Drucker, 1985). Entrepreneurs act as agents of change who introduce new combinations of resources to generate economic growth (Kirzner, 1997; Shane & Venkataraman, 2000). Innovation—the essence of entrepreneurship encompasses not only technological invention but also creative processes that transform ideas into marketable goods and services (Tidd & Bessant, 2020; Fagerberg et al., 2013). In developing countries like Indonesia, innovation often arises through improvisation and local adaptation, where entrepreneurs leverage cultural and community-based assets to produce value (Acs et al., 2017; Audretsch & Link, 2019).

Entrepreneurship in emerging economies faces distinct challenges such as limited capital access, institutional voids, and fluctuating market conditions (Bruton et al., 2008; Naudé, 2010). However, these challenges also create opportunities for creativity and resourcefulness, encouraging the growth of startups that integrate technology with social and ethical missions (OECD, 2022; Wennekers & Thurik, 1999). This aligns with the Indonesian context, where small and medium enterprises (SMEs) and digital startups contribute more than 60% of GDP and employ a significant proportion of the workforce (BPS, 2023). Hence, entrepreneurship and innovation jointly serve as instruments for inclusive and sustainable development.

Islamic Entrepreneurship: Ethical and Value-Based Framework

Islamic entrepreneurship is grounded in the belief that economic activity should contribute not only to material prosperity but also to spiritual and social well-being (Ali & Al-Owaihan, 2008; Asutay, 2012). It reflects an ethical framework that integrates *tawhid* (unity of God), *adl* (justice), and *ihsan* (benevolence) into entrepreneurial behavior (Dusuki & Abdullah, 2007; Beekun & Badawi, 2005). The concept rejects the notion of profit as the sole goal and instead emphasizes balanced



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wealth distribution and social responsibility (*masalahah ammah*) (Chapra, 1992; Laldin & Furqani, 2013).

Entrepreneurs in the Islamic worldview are viewed as *khalifah* (stewards) responsible for maintaining justice and sustainability in economic practices (Kayed & Hassan, 2011; Wilson, 2006). As a result, Islamic entrepreneurship fosters *trust-based* and *value-oriented* business models that resonate with consumers seeking ethical alternatives to conventional capitalism (Hassan & Hippler, 2014; Kamla & Alsoufi, 2015). Research by Saad et al. (2020) found that Islamic entrepreneurs demonstrate higher ethical commitment, transparency, and accountability compared to their conventional counterparts, thus enhancing organizational legitimacy and long-term performance.

Innovation in Islamic Creative Startups

Innovation within Islamic entrepreneurship extends beyond product or process improvements it involves reinterpreting Islamic ethics in creative and modern contexts (Elasrag, 2016; Rahman et al., 2021). The *halal lifestyle* movement in Indonesia, encompassing fashion, cosmetics, fintech, and education, demonstrates how Islamic values drive creative innovation (Huda et al., 2020; Abdullah & Ahmed, 2021). For instance, the Islamic fashion industry not only aligns with modesty norms but also capitalizes on global fashion trends, transforming cultural identity into an engine of innovation (Lewis, 2015; Hasanah, 2020).

Moreover, startups such as *Badr Interactive* in Bandung exemplify how Islamic digital entrepreneurship leverages technology for moral and educational purposes (Fauzan & Arif, 2021; Rahim, 2022). Similarly, pesantren-based startups like *Pesantrenpreneur Indonesia* illustrate how traditional Islamic education integrates with entrepreneurial innovation to empower local communities (Hidayat & Sulaeman, 2019; Santoso & Huda, 2023). These enterprises reflect the hybridization of faith and creativity, proving that Islamic entrepreneurship can thrive within the global digital economy while maintaining ethical integrity.



Conceptual Model: Maqasid al-Shariah and Innovation

The *maqasid al-shariah* provides a comprehensive ethical compass for innovation and entrepreneurship (Laldin & Furqani, 2013; Dusuki & Abdullah, 2007). Its objectives to protect faith (*din*), life (*nafs*), intellect (*aql*), lineage (*nasl*), and wealth (*mal*) offer a framework that balances material success with moral values. In entrepreneurial practice, these objectives manifest as commitments to fairness, sustainability, and societal benefit (Asutay, 2012; Chapra, 2008).

Contemporary scholars propose that embedding *maqasid al-shariah* principles into innovation management can enhance the sustainability and inclusiveness of startups (Hassan et al., 2020; Rahman & Ahmad, 2021). For instance, protecting *aql* and *mal* encourages transparent financial systems and ethical product development, while safeguarding *nafs* and *din* fosters welfare-driven entrepreneurship. Therefore, Islamic innovation models emphasize holistic development rather than competitive exploitation, aligning with the UN's Sustainable Development Goals (UNDP, 2022; Al-Shammari, 2021).

Methods

Research Design

This study employs a qualitative, descriptive, and interpretive research design to explore the dynamics of Islamic creative startups in Indonesia. The qualitative approach was chosen because it allows for a deep understanding of the values, motivations, and innovation processes that cannot be captured through quantitative methods alone (Creswell & Poth, 2018; Yin, 2018). The research aims to investigate how Islamic values influence entrepreneurial innovation and how creative startups integrate faith-based principles into business strategies. The interpretive paradigm emphasizes meaning-making within socio-cultural contexts, which is essential in examining phenomena embedded in religion and local traditions (Denzin & Lincoln, 2018; Saunders et al., 2019).

The analysis focuses on three representative case studies: *HijUp*, *PT Badr Interactive*, and *Pesantrenpreneur Indonesia*. These cases were selected using



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purposive sampling to ensure diversity in industry sectors—fashion, technology, and education and to represent distinct forms of Islamic innovation (Patton, 2015; Merriam & Tisdell, 2016). This selection reflects Indonesia's broader Islamic creative economy, highlighting both urban and community-based entrepreneurial ecosystems.

Data Collection

The study relies on secondary and primary qualitative data. Secondary data were gathered from scholarly publications, industry reports, and official company documents, including websites and sustainability reports (OECD, 2022; BPS, 2023). Primary data were obtained from semi-structured interviews conducted with founders, managers, and employees of the selected startups between 2021 and 2024. These interviews aimed to capture insights about innovation strategies, ethical challenges, and the integration of Islamic principles in decision-making (Bryman, 2016; Flick, 2018).

Each interview lasted between 45 and 90 minutes and followed a flexible guide focusing on three themes: (1) organizational mission and Islamic values, (2) innovation and creativity processes, and (3) social and community impacts. Supplementary data such as press releases, news articles, and online webinars were also reviewed to triangulate findings (Yin, 2018; Silverman, 2020). Data saturation was reached after multiple iterations of coding and thematic analysis.

Data Analysis

Data were analyzed through thematic content analysis, integrating both inductive and deductive coding (Braun & Clarke, 2019). The inductive approach allowed emerging patterns to surface from the data, while the deductive approach applied the conceptual framework of *maqasid al-shariah* to interpret how Islamic objectives manifest in entrepreneurial practice. The coding process was facilitated using NVivo software to ensure consistency and traceability of analytical categories (QSR International, 2023).

The themes that emerged were categorized into three clusters: (1) *Value-Driven Innovation* reflecting how Islamic ethics shape product design and business strategy;



(2) *Community Empowerment and Social Impact* showing how startups address social inclusion and education; and (3) *Sustainability and Faith Integration* examining the long-term balance between business performance and moral objectives. The triangulation of multiple data sources and peer review enhanced the validity and reliability of the analysis (Lincoln & Guba, 1985; Creswell & Poth, 2018).

Result and Discussion

This section examines three representative Islamic creative startups in Indonesia *HijUp*, *PT Badr Interactive*, and *Pesantrenpreneur Indonesia*. Each case demonstrates how faith-based entrepreneurship combines innovation, creativity, and ethical values to generate sustainable impact.

Case 1: HijUp — The Pioneering Islamic Fashion E-Commerce Platform

Founded in 2011 by Diajeng Lestari, *HijUp* is recognized as Indonesia's first Islamic fashion e-commerce platform (Lewis, 2015; Hasanah, 2020). The company revolutionized modest fashion by integrating Islamic values with global e-commerce strategies, positioning Indonesia as a leader in the modest wear industry (Huda et al., 2020; Abdullah & Ahmed, 2021). *HijUp*'s business model promotes modesty (*haya*) and empowerment of Muslim women entrepreneurs through digital platforms, providing them access to national and international markets (Rahman et al., 2021; Lestari, 2022).

HijUp's innovation lies not only in product design but also in digital inclusivity and social entrepreneurship. The platform collaborates with small Muslim designers and artisans, applying fair trade principles and transparent profit-sharing models. This approach aligns with *maqasid al-shariah* objectives promoting justice (*adl*), protecting wealth (*mal*), and fostering community welfare (*maslahah ammah*) (Asutay, 2012; Chapra, 2008).

Case 2: PT Badr Interactive — Islamic Digital Innovation for Education

PT Badr Interactive, established in Bandung in 2010, is a digital startup focused on creating ethical technology solutions for education and business (Fauzan & Arif, 2021; Rahim, 2022). Its mission statement, "Coding the World with Barakah,"



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reflects its commitment to merging professionalism and spirituality in technological innovation. The company's major projects—such as *Quran Best* (a digital Qur'an app) and *EduTama* (an Islamic learning platform)—illustrate how Islamic values inspire creative technological development.

The firm implements an *ihsan-based* management culture emphasizing sincerity, teamwork, and spiritual growth. Employees are encouraged to align work with religious intentions (*niyyah*), reflecting the concept of *work as worship (ibadah)* (Wilson & Liu, 2010; Kayed & Hassan, 2011). *Badr Interactive* also integrates social responsibility by training young developers from pesantren backgrounds, contributing to digital literacy and social equity (Hidayat & Sulaeman, 2019; Santoso & Huda, 2023).

Case 3: Pesantrenpreneur Indonesia Integrating Faith, Education, and Enterprise

Pesantrenpreneur Indonesia is a grassroots initiative promoting entrepreneurship among Islamic boarding schools (*pesantren*) (Hidayat & Sulaeman, 2019). Established as part of Indonesia's Islamic economic empowerment movement, it provides training, funding, and mentorship to young Muslims aiming to create sustainable, ethical businesses. The program emphasizes the integration of religious education with entrepreneurial skills, forming the foundation of the *santripreneur* ecosystem (Hasanah, 2020; Santoso & Huda, 2023).

By combining spiritual discipline with practical business skills, *Pesantrenpreneur Indonesia* fosters a generation of entrepreneurs grounded in Islamic ethics and innovation. Its focus on *community empowerment* and *sustainable micro-enterprises* supports rural development and poverty alleviation, resonating with the *maqasid al-shariah* principles of protecting life (*nafs*) and wealth (*mal*) (Laldin & Furqani, 2013; Asutay, 2012).

Comparative Overview of the Case Studies

Table 1 summarizes the core dimensions of each Islamic creative startup examined in this study, highlighting their sectors, innovation models, and key Islamic principles applied.



Table 1. Profiles of Selected Indonesian Islamic Creative Startups

| Startup Name | Sector | Year Founded | Innovation Type | Key Islamic Principles | Main Impact Area |
|----------------------------|-------------------------------|--------------|------------------------------|-----------------------------------|-----------------------------------|
| HijUp | Fashion E-Commerce | 2011 | Product & Digital Innovation | <i>Haya', Adl, Maslahah</i> | Women Empowerment & Ethical Trade |
| Badr Interactive | Technology & Education | 2010 | Process & Social Innovation | <i>Ihsan, Niyyah, Barakah</i> | Ethical Tech & Human Capital |
| Pesantrenpreneur Indonesia | Education & Social Enterprise | 2015 | Community-Based Innovation | <i>Nafs, Mal, Maslahah, Ammah</i> | Rural Empowerment & Job Creation |

Table 2 presents the innovation performance outcomes of the three startups, integrating both economic and social indicators.

Table 2. Innovation and Performance Outcomes

| Startup | Innovation Outputs | Economic Impact | Social Impact | Alignment with <i>Maqasid al-Shariah</i> |
|----------------------------|---|--|---|--|
| HijUp | Fashion Design Platform, Global Marketplace | Increased SME Exports, Brand Recognition | Empowered Muslim Women Designers | Protects <i>Mal</i> and <i>Din</i> |
| Badr Interactive | Qur'an App, EduTama Platform | Sustainable Profit & Job Creation | Digital Education, Faith-Based Learning | Protects <i>Aql</i> and <i>Nafs</i> |
| Pesantrenpreneur Indonesia | Santripreneur Training, Micro-Business Incubation | Local Enterprise Growth | Poverty Reduction, Education Access | Protects <i>Mal, Nafs, Din</i> |

Figure: Islamic Innovation Framework

Below is the conceptual visualization linking Islamic ethics and innovation outcomes.

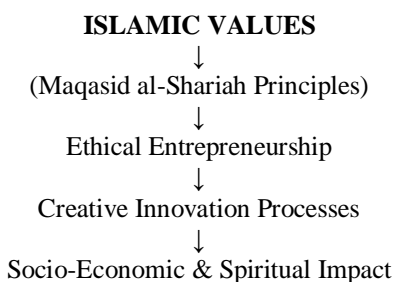


Figure 1. Islamic Innovation Framework in Creative Startups



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This framework demonstrates that Islamic startups generate *dual value creation* material (economic) and spiritual (ethical). The innovation cycle begins with religious intent (*niyyah*), guided by *maqasid al-shariah*, and results in sustainable outcomes contributing to individual welfare and community empowerment (Asutay, 2012; Hassan et al., 2020; Rahman & Ahmad, 2021).

Discussion

Integrating Faith and Innovation: The Islamic Entrepreneurship Paradigm

The case studies of *HijUp*, *Badr Interactive*, and *Pesantrenpreneur Indonesia* demonstrate that innovation in Islamic creative startups transcends conventional market competition. It is deeply intertwined with the entrepreneurs' faith-based mission and ethical vision (Asutay, 2012; Beekun & Badawi, 2005). These enterprises illustrate how Islamic entrepreneurship transforms moral values into sources of creativity and competitive advantage. By grounding innovation in *maqasid al-shariah*—protecting life, wealth, intellect, and faith these startups pursue dual objectives: economic sustainability and moral accountability (Laldin & Furqani, 2013; Dusuki & Abdullah, 2007).

In the context of Indonesia's rapidly expanding digital economy, such faith-driven innovation reflects the convergence of religiosity, technology, and entrepreneurship. As *HijUp* exemplifies, the combination of modest fashion and digital platforms enables entrepreneurs to reinterpret Islamic identity within a globalized creative industry (Lewis, 2015; Hasanah, 2020). Similarly, *Badr Interactive* translates *ihsan* and *barakah* into organizational culture, demonstrating that Islamic ethics can enhance innovation productivity through sincerity and purpose-driven motivation (Rahim, 2022; Kayed & Hassan, 2011). This aligns with previous studies suggesting that ethical consciousness fosters creativity by instilling trust, discipline, and long-term orientation (Wilson & Liu, 2010; Kamla & Alsoufi, 2015).



The Role of Maqasid al-Shariah in Innovation Sustainability

The framework of *maqasid al-shariah* serves as a guiding principle that ensures innovation remains inclusive, sustainable, and socially responsible (Chapra, 2008; Laldin & Furqani, 2013). The findings indicate that each startup operationalizes these principles differently: *HijUp* promotes fairness and economic justice (*adl*), *Badr Interactive* advances intellectual and spiritual development (*aql* and *din*), while *Pesantrenpreneur Indonesia* focuses on protecting life and wealth (*nafs* and *mal*). Together, they construct a holistic model of Islamic innovation that integrates moral objectives with market performance.

This multidimensional approach aligns with the broader notion of ethical capitalism proposed in contemporary Islamic economics (Asutay, 2012; Hassan et al., 2020). Unlike conventional entrepreneurship, which prioritizes short-term profit maximization, Islamic entrepreneurship emphasizes moral legitimacy and social impact. As the United Nations Development Programme (UNDP, 2022) highlights, ethical entrepreneurship contributes significantly to achieving the Sustainable Development Goals (SDGs), particularly those related to poverty reduction, education, and gender equality. Thus, integrating *maqasid al-shariah* within entrepreneurial ecosystems can serve as a blueprint for sustainable development in Muslim-majority nations.

Islamic Startups as Catalysts for Social Transformation

The study reveals that Islamic creative startups act as agents of social transformation by empowering marginalized groups, promoting inclusive education, and strengthening community welfare (Hidayat & Sulaeman, 2019; Santoso & Huda, 2023). For example, *Pesantrenpreneur Indonesia* nurtures *santripreneurs* who bridge traditional Islamic education with modern business practices. This process reflects an adaptive model of entrepreneurship that respects cultural heritage while embracing digital transformation (Hasanah, 2020; Rahman & Ahmad, 2021).

In a similar vein, *Badr Interactive* demonstrates how Islamic entrepreneurship can reshape professional environments through *ihsan*-based organizational ethics,



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which promote empathy, integrity, and collective purpose. This stands in contrast to profit-centered corporate cultures, offering an alternative model of business excellence rooted in spirituality (Kayed & Hassan, 2011; Fauzan & Arif, 2021). Furthermore, *HijUp*'s empowerment of female designers challenges stereotypes by showing that Islamic modesty and women's leadership can coexist harmoniously within global entrepreneurship networks (Lewis, 2015; Abdullah & Ahmed, 2021).

Implications for Policy and Practice

From a policy perspective, the integration of Islamic values into entrepreneurship supports Indonesia's National Islamic Economic Masterplan 2019–2024 (*Masterplan Ekonomi Syariah Nasional*), which emphasizes halal industry growth, financial inclusion, and digital innovation (Ministry of National Development Planning, 2020). The government's support for Islamic entrepreneurship incubators and pesantren-based education aligns with the findings of this study, which underscore the importance of ethical innovation ecosystems.

Practically, Islamic startups demonstrate that ethical business models can yield both spiritual and financial value when aligned with clear strategic vision and strong community engagement (Audretsch & Belitski, 2021; Hassan et al., 2020). The cases studied suggest that success depends on three critical factors: (1) Value internalization, where Islamic ethics are embedded in corporate culture; (2) Collaborative innovation, where partnerships expand the ecosystem; and (3) Sustainability orientation, ensuring long-term resilience. These insights may inform both policymakers and practitioners in designing entrepreneurship programs that balance competitiveness with ethics.

Conclusion

The analysis of *HijUp*, *Badr Interactive*, and *Pesantrenpreneur Indonesia* demonstrates that entrepreneurship and innovation within an Islamic framework can simultaneously achieve ethical integrity, creative excellence, and socio-economic sustainability. The findings show that Islamic entrepreneurship—rooted in *maqasid*



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al-shariah principles generates both material and spiritual value, positioning faith as a catalyst rather than a constraint in innovation.

Across the three case studies, Islamic startups in Indonesia successfully transformed religious values into tangible market advantages. *HijUp* advanced ethical fashion and women's empowerment through digital platforms; *Badr Interactive* exemplified *ihsan*-based technological creativity; and *Pesantrenpreneur Indonesia* redefined educational entrepreneurship through *santripreneurship*. Collectively, these enterprises reveal how Islamic ethics serve as a foundation for innovation that benefits individuals, communities, and society at large.

Theoretically, this research reinforces the view that entrepreneurship within Islamic economics must be evaluated beyond conventional profitability metrics. When innovation is guided by *maqasid al-shariah*, it promotes inclusive development, social justice, and moral sustainability values increasingly demanded in a global economy seeking ethical alternatives. Practically, Islamic creative startups provide actionable models for integrating spirituality into business ecosystems, offering lessons for policymakers, educators, and entrepreneurs across Muslim-majority countries.

Future research should explore the scalability of Islamic innovation models, particularly in relation to digitalization, green economy initiatives, and international collaboration. Comparative studies across regions such as Malaysia, the Middle East, and Africa could further refine the understanding of how Islamic values shape innovation culture. By doing so, scholars and practitioners can contribute to an emerging paradigm where entrepreneurship is not only a driver of economic growth but also a manifestation of ethical purpose and divine stewardship.

Author Contributions

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namun proses pengetikan dilakukan berbeda, namun saat finalisasi artikel, keduanya sama-sama memberi kontribusi.

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