

# Chapter 4

## Islamic Entrepreneurship Nurturing New Ventures Through Islamic Principles

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### **ABSTRACT**

*The chapter aims to explore factors, values, and education driving Islamic entrepreneurial initiatives, and their impact on economic development. It emphasizes integrating Islamic principles into new business creation. The study also examines roles of absorption capacity, financial development, Islamic debt financing, and family background in Islamic entrepreneurship. By linking Islamic teachings and entrepreneurial pursuits, the Initiative enhances understanding and promotes ethical, sustainable business. It values Islamic work ethics and management team insights to foster Islamic-based enterprises. The chapter guides entrepreneurs, policymakers, and researchers in nurturing Islamic entrepreneurship, contributing to knowledge and future research. Insights can fuel positive transformations in the evolving entrepreneurial landscape.*

### **INTRODUCTION**

The domain of studies centered on the Islamic Entrepreneurial Initiative, particularly in the context of establishing new businesses based on Islamic principles, is marked by certain limitations that warrant

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recognition. These limitations stem from the scarcity of research that thoroughly delves into the intricate interplay of Islamic work ethics and their profound impact on the intentions and motivations of Muslim entrepreneurs in their business endeavors. While some studies, such as the one conducted by Suhariadi et al. in 2021, have explored the correlation between work ethics and entrepreneurial intentions, a more nuanced and specific exploration within the Islamic context remains a notable research gap.

Furthermore, the deficiency of research exploring the influence of management team experience on the initiation of new businesses within the realm of Islamic entrepreneurship is a salient point. Although the study conducted by Li & Dutta in 2018 has delved into the impact of diverse management team experiences on business outcomes, it has not ventured into the realm of Islamic perspectives with the requisite depth.

An area of particular significance lies in absorptive capacity—a concept elucidating an organization's ability to acquire, assimilate, and effectively apply external knowledge (Zahra & George, 2002). Despite absorptive capacity's prominence in the broader entrepreneurship literature, there remains a dearth of specific research investigating its role within the realm of Islamic entrepreneurship. Understanding how Islamic-oriented new businesses can optimally harness and apply external knowledge is pivotal for devising strategies and policies that foster the growth and success of such enterprises.

The variance in empirical findings regarding the Islamic Entrepreneurial Initiative, particularly in relation to the establishment of new Islamic businesses, can be attributed to several contributory factors. Notably, absorptive capacity stands as a critical factor. This pertains to the capacity of a company to effectively internalize external knowledge, playing a pivotal role in shaping competitive advantage (Zahra & George, 2002). However, differing interpretations and measurements of absorptive capacity across studies have led to incongruities in research outcomes.

Entrepreneurial Orientation (EO) also contributes to this variability. EO denotes a company's strategic disposition towards innovation, risk-taking, and proactivity (Lumpkin & Dess, 1996). Various dimensions of EO and their interplay with firm performance have undergone iterative discussions and refinements (Lumpkin & Dess, 1996). However, divergent definitions and metrics of EO utilized in different studies have resulted in incongruous findings.

The intermediary role of personal initiative and entrepreneurial alertness also contributes to these disparities. Personal initiative signifies proactive behaviors undertaken by individuals in pursuing opportunities and initiating action (Nsereko et al., 2021). In parallel, entrepreneurial alertness denotes an individual's ability to identify and comprehend entrepreneurial prospects (Nsereko et al., 2021).

Furthermore, cultural and situational factors cast a significant influence on research outcomes concerning Islamic entrepreneurial intentions. The confluence of Islamic values, practices, and cultural diversity within Muslim communities profoundly influences perceptions of entrepreneurship and the proclivity to engage in entrepreneurial activities (Wibowo et al., 2021; Basir & Musa, 2021). These factors exhibit variations across nations and within different Muslim communities, thus contributing to the heterogeneity in research findings.

In summary, the variability in empirical outcomes pertaining to the Islamic Entrepreneurial Initiative within the realm of establishing new Islamic businesses is a result of multifaceted factors. These encompass the concept of absorptive capacity, the nuances of Entrepreneurial Orientation, the mediating roles of personal initiative and entrepreneurial alertness, and the intricate interplay of cultural and situational elements.

Research pertaining to Shariah-compliant entrepreneurial initiatives holds paramount importance in the establishment and growth of new businesses aligned with Islamic principles. Islamic business

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