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Shariah Ethical Framework and E-Business: Challenges and Solutions for Muslim Entrepreneurs

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Shariah Ethical Framework and E-Business: Challenges and Solutions for Muslim Entrepreneurs

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Abstract

E-business has created new opportunities for Muslim entrepreneurs, but it has also raised complex ethical questions about online contracts, digital payments, advertising, data privacy and platform-based trade. Islamic commercial jurisprudence emphasises lawful ownership, consent, transparency, fairness, fulfilment of contracts and the prohibition of ribā, gharar, maysir, fraud and exploitation. This article asks how a Shariah ethical framework can guide e-business and what practical challenges Muslim entrepreneurs face in applying it. The study adopts a qualitative doctrinal and analytical method, using Qur'ānic injunctions, Prophetic traditions, classical commercial principles and contemporary e-business practices. The article finds that Shariah-compliant e-business is achievable when entrepreneurs align digital operations with ethical contracts, transparent pricing, halal supply chains, responsible marketing and data trust. The proposed solutions draw on classical concepts such as khiyār, wakālah and amānah. Muslim entrepreneurs should adopt Shariah audit, ethical technology design, halal verification and consumer-centred governance.

Keywords: *Shariah Ethics, E-Business, Muslim Entrepreneurs, Digital Commerce, Halal Economy.*

1. Introduction

The growth of e-business has transformed the way goods and services are produced, marketed, sold and delivered. Entrepreneurs can now reach customers beyond geographical borders through websites, mobile applications, online marketplaces, social media stores, digital payment gateways and platform-based delivery networks. For Muslim entrepreneurs, this transformation creates both opportunity and responsibility. It offers wider market access, lower entry barriers, digital scalability and new forms of customer engagement. At the same time, it raises serious questions about Shariah compliance, ethical conduct, consumer rights, financial transparency, privacy and social responsibility.

Islam does not discourage trade, innovation or entrepreneurship. Lawful trade has a recognised place in Islamic economic life. The Qur'an permits trade while prohibiting riba, and it repeatedly commands justice, trust, truthful dealing and fulfilment of obligations.[1] E-business, therefore, is not problematic merely because it is digital. The core question is whether the digital transaction fulfils the ethical and legal requirements of Islamic commercial jurisprudence. A transaction conducted through an online store, application or platform may be valid if it contains lawful subject matter, mutual consent, clarity of price and product, genuine ownership or authority to sell, and freedom from deception, excessive uncertainty and unlawful financing.

The purpose of this article is to develop a professional Shariah ethical framework for e-business and to identify the main challenges and solutions for Muslim entrepreneurs. The article argues that Shariah compliance in e-business should not be reduced to a narrow question of avoiding interest-based payment methods. Rather, it should be understood as a holistic ethical framework covering contracts, product legitimacy, advertising, pricing, customer service, data protection, digital platforms, artificial intelligence, fulfilment, returns, employee treatment and social impact.

This article is particularly relevant because many Muslim entrepreneurs now operate in digital spaces where business models evolve faster than traditional legal review. Dropshipping, affiliate marketing, subscription platforms, buy-now-pay-later schemes, influencer marketing, digital goods, online education, fintech wallets, cryptocurrency payments and algorithmic advertising all require careful ethical evaluation. The need of the time is not to reject e-business, but to guide it through Islamic values of justice, transparency, responsibility and public benefit.

Islamic commercial ethics are rooted in the Qur'an, the Sunnah and the broader objectives of Islamic law. The Qur'an instructs believers not to consume one another's wealth unjustly, except through trade by mutual consent.[2] This principle provides the foundation for ethical exchange: wealth must be acquired through lawful means, free consent and fairness. The Qur'an also commands the fulfilment of contracts, which is central to all commercial dealings, whether physical or digital.[3] In addition, the Qur'an condemns fraudulent measurement and weighing, which can be extended in modern settings to inaccurate product descriptions, hidden charges, manipulated reviews and misleading delivery promises.[4]

The Prophetic model gives further depth to Islamic business ethics. The Prophet Muhammad, peace be upon him, was known for honesty and trustworthiness before prophethood, and his commercial conduct became a moral example for Muslim traders. A well-known hadith states that the truthful and trustworthy merchant will be with the prophets, the truthful and the martyrs.[5] Another hadith warns against deception in trade.[6] These narrations show that trade in Islam is not simply a profit-making activity; it is a moral responsibility.

Classical jurists developed detailed principles for commercial transactions under fiqh al-muamalat. These include the requirement that the object of sale should be lawful, valuable, deliverable and sufficiently known to both parties. The price should be clear. The seller should either own the item or have lawful authority to sell it. The contract should be free from excessive uncertainty, deception and unlawful conditions. These principles are directly relevant to e-business, especially in areas such as dropshipping, pre-orders, digital subscriptions, online marketplaces and platform-based services.[7]

Modern Islamic finance literature has further developed the application of these principles to contemporary financial and commercial practices. Institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions have issued standards on Islamic financial contracts, governance, ethics and Shariah supervision.[8] These standards are especially relevant when e-business involves financing, instalment sales, partnership structures, agency arrangements, leasing or deferred payment models. Contemporary digital economy literature also highlights the importance of consumer trust, data protection, cyber security, platform accountability and transparent governance. Although much of this literature is secular in language, many of its concerns overlap with Shariah objectives. Digital trust, privacy, fairness and accountability are consistent with the Islamic objectives of protecting wealth, dignity,

intellect, lineage and social order.[9]

1.1. Research Questions

- What are the core principles of a Shariah ethical framework for e-business?
- What major challenges do Muslim entrepreneurs face when applying Shariah principles to digital commerce?
- How can Islamic commercial principles be practically applied to online contracts, digital payments, marketing, data privacy and platform-based trade?
- What solutions can help Muslim entrepreneurs build ethical, Shariah-conscious and competitive e-businesses?

1.2 Research Methodology

This study adopts a qualitative doctrinal and analytical research methodology. The doctrinal aspect examines primary Islamic sources, including selected Qur'anic verses and Prophetic traditions relating to trade, contracts, honesty, justice, fraud and unlawful gain. The analytical aspect applies these principles to contemporary e-business models and operational challenges faced by Muslim entrepreneurs.

The article also draws upon classical Islamic commercial concepts such as riba, gharar, maysir, amanah, tadlis, qabd, khiyar, wakalah, salam and istisna. These concepts are used as analytical tools to assess digital transactions. The methodology is normative in nature because it evaluates e-business practices according to Shariah ethical standards. It is also practical because it proposes solutions for Muslim entrepreneurs operating in real digital markets.

The scope of this article is limited to general e-business practices. It does not issue a formal fatwa on any specific company, platform or product. Instead, it provides a framework that entrepreneurs, researchers and Shariah advisers may use for further assessment.

2. Foundations of a Shariah Ethical Framework for E-Business

A Shariah ethical framework for e-business begins with the principle of lawful earning. Islam recognises private ownership, trade and profit, but profit must be earned through permissible means. The Qur'an clearly distinguishes between trade and riba.[10] This distinction is vital for e-business because digital platforms often combine trade, financing, advertising, commissions and delayed payment mechanisms. Muslim entrepreneurs must therefore examine not only what they sell, but also how they sell, finance, deliver and monetise it.

The first foundation is halal subject matter. Products and services must not involve prohibited goods, unlawful entertainment, fraudulent services, exploitative content or activities that directly support sin. In e-business, this includes physical products, digital products, software services, online courses, subscriptions, advertisements and affiliate links. A Muslim entrepreneur cannot ethically claim neutrality if the business model knowingly promotes unlawful or harmful products.

The second foundation is free and informed consent. The Qur'anic principle of trade by mutual consent requires that customers understand what they are buying.[11] In digital commerce, consent may be weakened by hidden terms, confusing checkout pages, automatic renewals, unclear subscription cancellation, misleading buttons, pre-selected add-ons or manipulative design. These practices may generate legal consent in a technical sense, but they do not reflect the Islamic spirit of fairness.

The third foundation is transparency. The customer should know the product, price, delivery charges, taxes, return policy, warranty terms and limitations before purchase.

Concealing defects or exaggerating benefits falls under deception. In digital markets, deception may occur through edited images, fake reviews, false scarcity messages, misleading testimonials or inflated before-and-after claims.

The fourth foundation is fulfilment of contracts. Islam places strong emphasis on keeping promises and honouring agreements.[12] Once an entrepreneur accepts payment, the order must be fulfilled according to the stated terms. If delay, defect or non-availability occurs, the customer should be informed honestly and given fair options such as replacement, refund or revised delivery.

2.1. Online Contracts and the Problem of Clarity

A major challenge in e-business is the formation of valid online contracts. In traditional trade, the buyer and seller may physically inspect goods and agree on terms. In online trade, the customer relies on images, descriptions, reviews and platform policies. This increases the risk of gharar, which refers to excessive uncertainty in a contract.

Not every uncertainty invalidates a transaction. Minor uncertainty is unavoidable in modern commerce. However, excessive uncertainty becomes problematic when it affects the core subject matter, price, delivery, ownership or ability to fulfil. For example, selling a product that the seller cannot source, describing an item vaguely, hiding delivery charges until the end, or promising unrealistic delivery without control over inventory may create serious ethical concerns.

To reduce gharar, Muslim entrepreneurs should provide accurate product descriptions, real images where possible, clear specifications, stock status, delivery timelines, refund policies and customer support channels. For digital products, they should explain access duration, file format, licence restrictions, compatibility requirements and refund limitations. For services, they should define scope, timeline, deliverables, revision policy and responsibilities of both parties.

The concept of khiyar, or option of cancellation in certain circumstances, is especially useful for e-business. Since customers cannot physically inspect products before purchase, fair return and exchange policies help protect consumer rights. A Shariah-conscious entrepreneur should not hide behind rigid policies when the customer has been misled, received a defective item or did not receive what was promised.

2.2. Ownership, Possession and Drop Shipping

Drop shipping is one of the most common e-business models. In many cases, the seller lists products online without owning them or holding inventory. When the customer places an order, the seller purchases the item from a third party who ships it directly to the customer. This model raises Shariah questions because a person should not sell what he does not own or does not have authority to sell. A hadith reports the instruction not to sell what one does not possess.[13]

The issue is not merely physical possession. The deeper concern is responsibility, risk and honesty. If the online seller presents himself as the owner while having no stock, no control over quality and no responsibility for fulfilment, the transaction may contain deception and excessive uncertainty. However, the model may be restructured in a Shariah-compliant manner.

One solution is to operate as an agent under wakalah. In this structure, the entrepreneur clearly acts as a purchasing agent for the customer and earns a known service fee. Another solution is to use a valid salam or istisna structure where the product is clearly specified, payment and delivery terms are defined, and the seller accepts responsibility. A third solution is to maintain actual stock or confirmed supplier arrangements where

ownership, risk and fulfilment responsibilities are properly managed.

The key requirement is honesty. Customers should not be misled about shipping time, product origin, warranty, quality or seller responsibility. A Muslim entrepreneur should build business models around real value creation, not merely information gaps and customer ignorance.

2.3. Digital Payments, Riba and Buy-Now-Pay-Later Models

Digital payments are essential for e-business. Cards, wallets, bank transfers, payment gateways and instalment systems make online trade easier. However, Muslim entrepreneurs must evaluate the financial structure behind payment methods. The mere use of technology does not make a payment unlawful, but payment systems may involve interest, late fees, penalties, debt trading or impermissible financing.

The most obvious concern is riba. If a business directly offers interest-based instalments or encourages customers to enter interest-bearing credit arrangements, it conflicts with Islamic commercial ethics. Buy-now-pay-later models require careful review. Some may charge no interest but impose late penalties, hidden fees or merchant charges structured in ways that require Shariah analysis. Others may clearly involve interest-based lending.

A practical solution is to use Shariah-compliant payment options where available. Entrepreneurs can offer immediate payment, cash on delivery, debit card payment, Islamic wallet services, or instalment structures based on valid sale contracts where the total deferred price is fixed and known at the time of contract. If a higher deferred price is agreed in advance as part of a sale, many jurists permit it, provided it is not linked to late interest or compounding penalties.[14] However, once the debt is fixed, increasing it because of delay is not permissible.

2.4. Marketing Ethics, Influencers and Digital Persuasion

Marketing is one of the most powerful tools in e-business. Search engine advertisements, social media campaigns, influencer promotions, email funnels, retargeting pixels and algorithmic recommendations can rapidly increase sales. However, Islamic ethics requires truthfulness in promotion.

False claims, exaggerated benefits, fake testimonials, hidden sponsorships, manipulated before-and-after images, artificial scarcity and misleading countdown timers are ethically unacceptable. These practices resemble tadlis, meaning concealment or deception. The Prophet, peace be upon him, condemned deception in trade and linked honest trading with spiritual success.[15]

Influencer marketing requires special caution. If an influencer is paid to promote a product, the commercial relationship should be disclosed. The influencer should not claim personal experience if he or she has not used the product. Products related to health, finance, education or religion require even greater responsibility because false claims can harm people materially, physically or spiritually.

Muslim entrepreneurs should adopt truthful marketing policies. They should avoid emotional manipulation, fear-based selling and advertising that encourages extravagance or unhealthy consumption. The Qur'an discourages wastefulness and extravagance.[16] Therefore, the aim of marketing should not be to create artificial desire at any cost, but to communicate genuine value to the right customer.

2.5. Data Privacy and Amanah

In the digital economy, customer data has become a valuable business asset. E-businesses collect names, phone numbers, addresses, payment details, browsing

behaviour, purchase history and sometimes sensitive preferences. From an Islamic perspective, this data is an amanah, a trust. Misusing it violates both ethical responsibility and consumer dignity.

Many small entrepreneurs collect customer data without clear privacy policies. Some add customers to marketing groups without permission, sell contact lists, expose order details in public courier groups, or use customer photos without consent. These practices conflict with Islamic ethics because they violate privacy, trust and dignity.

A Shariah ethical framework requires data minimisation, consent, security and transparency. Entrepreneurs should collect only necessary information, explain its use, protect it from unauthorised access and avoid sharing it without permission. They should also allow customers to unsubscribe from marketing messages. Cyber security is not merely a technical issue; it is part of fulfilling trust.

Artificial intelligence and automated decision systems introduce further concerns. If algorithms discriminate, manipulate, hide information or exploit vulnerable customers, they conflict with justice. Muslim entrepreneurs using AI tools should ensure human accountability, transparency and ethical review.[17]

2.6. Halal Supply Chains and Product Verification

E-business often separates the seller from the supply chain. A seller may source products from different cities or countries without physically inspecting them. This creates challenges for halal verification, especially in food, cosmetics, pharmaceuticals, clothing, finance, entertainment and educational content.

The principle of lawful subject matter requires entrepreneurs to know what they are selling. For food and cosmetics, halal certification may be necessary. For clothing, modesty and material concerns may arise. For digital products, the content itself must be reviewed. For affiliate marketing, the entrepreneur should not promote products merely because commission is high; the promoted item and its use should be permissible.

A practical solution is supplier due diligence. Entrepreneurs should maintain supplier records, request halal certificates where relevant, inspect product quality, verify claims and clearly label uncertain items. When certainty is not possible, they should avoid making halal claims. False halal branding is not only a legal problem; it is a serious religious and ethical breach.

2.7. Customer Service, Returns and Dispute Resolution

Customer service is an important part of Islamic business ethics. A transaction does not end when payment is received. If a product is delayed, damaged, defective or different from description, the seller has a moral responsibility to respond fairly. Ignoring complaints, blocking customers, refusing legitimate refunds or using complicated return processes violates the spirit of justice.

Islamic commercial law recognises rights related to defects, misrepresentation and options in sale. In e-business, these rights should be reflected in clear return, exchange and refund policies. Policies should be visible before purchase and should not be designed to defeat customer rights.

Dispute resolution should be accessible. Small e-businesses can use simple mechanisms such as complaint forms, WhatsApp support records, escalation timelines and independent review by a senior manager. Larger platforms can establish Shariah-conscious mediation systems, seller ratings, buyer protection and transparent refund workflows.

2.8. Platform Dependency and Ethical Autonomy

Many Muslim entrepreneurs sell through global marketplaces, social media platforms or delivery applications. These platforms provide access to customers but may impose rules, fees, algorithms and advertising structures beyond the entrepreneur's control. Platform dependency creates ethical and business risks.

For example, a platform may encourage interest-based financing, display unlawful advertisements near halal products, pressure sellers into unfair discounts, rank products through opaque algorithms, or collect customer data without meaningful consent. Entrepreneurs may not control everything, but they remain responsible for choices within their capacity.

A balanced solution is ethical autonomy. Entrepreneurs should diversify channels, build their own customer relationships, read platform policies, avoid prohibited promotional tools and be transparent with customers. Where possible, Muslim business communities should develop halal-conscious digital marketplaces with Shariah governance, fair seller policies and consumer protection.

2.9. Social Responsibility and the Objectives of Shariah

E-business should not be viewed only through the lens of contract validity. The higher objectives of Shariah, known as maqasid al-Shariah, provide a broader ethical vision. These objectives include protection of religion, life, intellect, lineage, wealth and human dignity. In business, they require fairness, social benefit, prevention of harm and responsible wealth creation.[18]

A Muslim entrepreneur should ask not only whether a practice is technically permissible, but also whether the business creates benefit or harm. An online business that is technically structured but promotes addiction, waste, exploitation or misinformation may still conflict with Islamic ethical objectives. Similarly, a business that treats workers unfairly, underpays delivery staff or uses suppliers involved in abuse cannot claim complete ethical excellence.

Social responsibility includes fair wages, honest taxation, environmental care, responsible packaging, accessible customer service, charity, community development and support for ethical consumption. The best form of Muslim entrepreneurship combines lawful profit with service to society.

3. Challenges and Solutions for Muslim Entrepreneurs

- The first major challenge is lack of Shariah literacy. Many entrepreneurs understand the need to avoid interest but are unfamiliar with contract principles such as ownership, possession, uncertainty, agency and options. As a result, they may unintentionally adopt problematic models.
- The second challenge is fast-changing technology. New digital tools appear quickly, while Shariah review often happens slowly. Entrepreneurs may use automated subscriptions, AI chatbots, affiliate networks or fintech products before understanding their implications.
- The third challenge is market pressure. Digital markets are competitive. Sellers may feel forced to exaggerate claims, copy competitors, use fake reviews, manipulate urgency or hide defects to survive. Ethical entrepreneurs may fear losing sales if they remain transparent.
- The fourth challenge is platform control. Entrepreneurs often depend on third-party platforms whose policies are not designed around Shariah values. Payment systems, advertising rules and customer data practices may be difficult to control.

- The fifth challenge is consumer expectation. Customers often demand low prices, instant delivery and flexible returns. Entrepreneurs may respond by compromising quality, using unreliable suppliers or making promises they cannot fulfil.
- The sixth challenge is absence of accessible Shariah advisory support for small businesses. Large Islamic financial institutions may have Shariah boards, but small online sellers rarely have affordable access to qualified guidance.

3.1. Solutions for Shariah-Compliant E-Business

1. The first solution is Shariah education for entrepreneurs. Basic training in Islamic commercial ethics should be made available through universities, chambers of commerce, Islamic finance institutions and online learning platforms. Entrepreneurs should learn the principles of lawful trade, contract clarity, ownership, financing, marketing ethics and consumer rights.
2. The second solution is Shariah review of business models. Before launching, entrepreneurs should map their revenue streams, suppliers, contracts, payment methods, advertising practices and refund policies. Each area should be checked for Shariah and ethical risks.
3. The third solution is transparent digital design. Websites and applications should clearly show product details, total price, delivery charges, stock status, return policy and seller identity. Checkout pages should avoid hidden charges, forced add-ons and confusing cancellation processes.
4. The fourth solution is ethical payment architecture. Entrepreneurs should avoid interest-based financing and seek Shariah-compliant alternatives. Instalment sales should be structured with clear prices and without late interest. Payment gateway terms should be reviewed where possible.
5. The fifth solution is halal supply chain governance. Businesses should verify suppliers, maintain documentation, avoid doubtful goods and disclose relevant information to customers. Halal claims should be made only with evidence.
6. The sixth solution is honest marketing. Entrepreneurs should use real testimonials, disclose sponsorships, avoid fake scarcity and ensure that all claims are verifiable. Marketing teams and influencers should be given ethical guidelines.
7. The seventh solution is data protection. Businesses should adopt privacy policies, secure customer information, avoid unauthorised sharing and respect customer communication preferences. Data should be treated as trust, not merely as a commercial asset.
8. The eighth solution is Shariah-conscious dispute resolution. Refunds, returns and complaints should be handled fairly and quickly. The business should record complaints and use them to improve quality.
9. The ninth solution is collaboration. Muslim entrepreneurs, scholars, technologists, lawyers and policymakers should work together to create practical standards for halal e-commerce, Islamic fintech, digital marketing and online consumer protection.

4. Discussion and Analysis

The study finds that e-business is compatible with Shariah when its contracts, products, payment systems, marketing practices and data policies are aligned with Islamic ethical principles. The digital nature of a transaction does not itself make it invalid. Rather, validity and ethical quality depend on the presence of lawful subject matter, mutual consent, transparency, ownership or authority, deliverability, fairness and protection from harm. The study also finds that the most serious Shariah risks in e-business arise

from five areas: unclear contracts, selling without ownership or authority, interest-based payment systems, deceptive marketing and misuse of customer data. These risks are common because digital business models often prioritise speed, scale and conversion over ethical review.

Another result is that classical Islamic commercial concepts remain highly relevant. Principles such as prohibition of riba, avoidance of excessive gharar, prohibition of deception, fulfilment of contracts, fair options for buyers and trust-based conduct can be directly applied to e-business. However, they require contextual interpretation by qualified scholars and practical implementation by entrepreneurs. The article further finds that Shariah compliance should be integrated into business operations rather than added as a symbolic label. A truly ethical Muslim e-business must reflect Shariah values in product sourcing, website design, payment terms, advertising, customer service, employee treatment and data governance.

E-business presents Muslim entrepreneurs with significant opportunities for growth, innovation and service. It allows small businesses to reach wider markets and compete with larger organisations. However, it also introduces ethical challenges that require serious attention. The Islamic tradition provides a rich framework for addressing these challenges through principles of lawful earning, honesty, transparency, justice, fulfilment of contracts, avoidance of exploitation and protection of public welfare.

The main challenge is not whether Muslims can participate in e-business, but how they can participate without compromising Shariah values. Online trade must be built upon clear contracts, truthful information, lawful products, fair payments, responsible marketing, privacy protection and genuine customer care. Entrepreneurs should move beyond minimal compliance and aim for ethical excellence.

5. Conclusions

This article concludes that a Shariah ethical framework for e-business is both necessary and practical. The framework is necessary because digital commerce has created new forms of uncertainty, deception, financing risk, data misuse and consumer vulnerability. It is practical because Islamic commercial jurisprudence already contains principles that can guide modern digital transactions.

Muslim entrepreneurs should not treat Shariah compliance as an obstacle to innovation. Instead, they should view it as a source of trust, differentiation and long-term sustainability. In a digital market where customers are increasingly concerned about privacy, fraud, quality and fairness, Islamic ethics can provide a strong foundation for responsible entrepreneurship.

The article also concludes that Shariah-compliant e-business requires cooperation between scholars and practitioners. Scholars must understand digital business models, while entrepreneurs must understand Islamic commercial principles. Without this cooperation, either business innovation may proceed without ethical control, or religious guidance may remain too abstract for practical use.

Ultimately, Muslim entrepreneurs should build businesses that are profitable, lawful, trustworthy and socially beneficial. The success of Islamic e-business should be measured not only by sales and growth, but also by honesty, justice, customer trust and contribution to society.

Recommendations

- Muslim entrepreneurs should conduct a Shariah and ethics review before launching any e-business model.

- E-commerce websites and applications should clearly display product details, total price, delivery terms, return policy and seller information.
- Entrepreneurs should avoid interest-based financing models and consult qualified scholars before offering instalment or deferred payment schemes.
- Drop shipping and pre-order models should be structured through valid contracts such as agency, salam or istisna, where applicable.
- Businesses should create written ethical marketing policies for advertisements, influencers, testimonials, discounts and scarcity claims.
- Customer data should be treated as amanah. Privacy, consent and cyber security should be part of Shariah-conscious governance.
- Halal claims should be supported by reliable evidence, certification or supplier verification.
- Muslim business associations should develop practical Shariah compliance checklists for small and medium digital enterprises.
- Islamic universities and research journals should encourage interdisciplinary studies on Shariah, fintech, artificial intelligence, consumer protection and digital entrepreneurship.
- Policymakers in Muslim societies should support ethical digital marketplaces, halal certification systems and consumer protection mechanisms for online trade.

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