

Integration of Islamic Social and Commercial Finance: A Systematic Literature Analysis and Conceptual Framework for Sustainable Development

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Abstract: This study aims to analyze the integration between Islamic social and commercial finance in the context of sustainable development through a library research approach with an integrative review method. This method is used to review and synthesize academic literature from various leading databases such as Google Scholar, Scispace, DOAJ, and Scopus in the range of 2015-2024. The thematic analysis shows that the integration of these two financial sectors is not only conceptually important, but also has high implementation potential in promoting financial inclusion and achieving the Sustainable Development Goals (SDGs). The study findings reveal that successful integration depends on the readiness of an inclusive conceptual framework, technology adoption, and multi-stakeholder collaboration. This research presents a new conceptual framework that combines Islamic social values with Shariah-based commercial financial mechanisms. This study makes a significant contribution to the development of more sustainable and equitable Islamic finance policies and practices. Further studies are needed to empirically test the effectiveness of this model and develop digital innovations to support such integration in the future.

Keywords: Islamic Social Finance, Islamic Commercial Finance, Integration, Sustainable Development, Integrative Review.

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A. INTRODUCTION

The integration between Islamic social finance (such as zakat, waqf, and qard al-hasan) and Islamic commercial finance (such as Islamic banking, sukuk, and microfinance) is a strategic approach in strengthening financial inclusion and achieving sustainable development. Islamic social finance focuses on wealth redistribution and social empowerment, while Islamic commercial finance emphasizes economic growth through sharia principles. The integration of the two can create synergies that support the holistic welfare of the ummah (Tamanni et al., 2022; Ascarya et al., 2023).

Research by Ascarya et al. (2023) conducted a systematic literature review on the integration of Islamic social and commercial finance (IISCF) from 1979 to 2023. The results show that the most discussed topic is the integration model (49.43%), followed by integration practices and impacts (24.14%), issues and challenges (16.09%), and behavior (10.34%). The study also highlights the importance of waqf asset development and entrepreneurship as the dominant sub-topics in the integration model, indicating the main objective of integration to achieve sustainability and welfare of the community at large. In addition, the study

emphasizes that IISCF is increasingly in demand, and the application of technology is becoming more prominent in supporting integration (Ascarya et al., 2023).

Tamanni et al. (2022) identified five types of integration between Islamic social and commercial finance, namely ownership, institutional, operational, bottom line and mandatory integration. The analysis shows that all forms of integration can help countries achieve inclusive growth with government support, especially in making integration a national vision and encouraging social finance education to stakeholders. The study also emphasizes the importance of operational approach in integration to achieve inclusive growth (Tamanni et al., 2022).

Siswanto (2023) examined the effects of Islamic social and commercial finance integration on poverty in Indonesia using time series data from 2002 to 2021. The results show that the integration of both Islamic finance sectors has a significant negative effect on the poverty rate in the long run. In the short term, the integration also shows a significant negative effect on the poverty rate, while Islamic social and commercial finance separately have a negative but insignificant effect. The study recommends policy makers to formulate rules regarding collaborative implementation between institutions in both Islamic finance sectors in the future (Siswanto, 2023).

Syamsuri et al. (2023) proposed a new paradigm in waqf management in Indonesia by integrating Islamic social and commercial finance. This study highlights criticisms of commercial-based waqf management that include waqf funds, lack of transparency, and non-compliance with sharia principles. The study emphasizes the importance of a paradigm shift in waqf management to integrate Islamic social and commercial finance in order to achieve Islamic economic goals that include social benefits and general welfare. By implementing a commercial-based productive waqf model, it is expected to improve the overall welfare of Muslims and make a positive contribution to sustainable development in Indonesia (Syamsuri et al., 2023).

An analysis of various studies shows that the integration of Islamic social and commercial finance has great potential in supporting sustainable development and poverty alleviation. However, there are gaps in practical implementation and a lack of a comprehensive conceptual framework to guide this integration. In addition, there is limited research that examines the long-term impact of this integration on the welfare of the ummah. This study aims to fill these gaps by compiling a systematic literature analysis and developing a conceptual framework that can be used as a guide for stakeholders in integrating Islamic social and commercial finance to achieve sustainable development.

B. METHOD

This study uses a library research approach with an integrative review method, which is a systematic approach to analyze, synthesize, and integrate the results of previous research to develop a comprehensive understanding of a particular topic (Whittemore & Knafl, 2005). This method allows researchers to combine empirical and theoretical findings from different types of studies to form a new conceptual framework related to the integration of Islamic social and

commercial finance in the context of sustainable development. This research focuses on exploring the relevant scientific literature to find patterns, themes and conceptual relationships from previous studies..

The data sources in this study include academic literature obtained from several leading databases such as Google Scholar, Scispace, Directory of Open Access Journals (DOAJ), and Scopus. The inclusion criteria used were: (1) articles in Indonesian and English, (2) articles published in the range of 2015-2024, (3) articles relevant to the topic of Islamic social and commercial finance integration, and (4) articles from accredited or reputable journals. While the exclusion criteria include: (1) articles that are not available in full version, (2) articles that are irrelevant to the topic or have low methodological quality, and (3) non-scientific publications such as opinions, editorials, or blogs.

The literature search process began by determining the main keywords, such as “Islamic social finance”, “Islamic commercial finance”, “integration”, “sustainable development”, and their Indonesian equivalents. These keywords are used in a Boolean combination (AND/OR) to filter articles from the four databases mentioned. Next, the articles found were compiled using a reference manager (Zotero) to avoid duplication. The selection process was conducted in two stages: the first stage involved title and abstract selection to evaluate initial relevance, and the second stage involved full reading to evaluate methodological soundness and academic contribution to the study theme.

Data obtained from the selected articles were analyzed using a thematic analysis approach to identify patterns of findings, relationships between concepts, and the direction of developing research trends. Validity and reliability in this study were maintained by conducting peer debriefing, i.e. discussing the selection process and data interpretation with academic colleagues to minimize bias. In addition, an audit trail strategy was also applied by systematically recording all stages of selection and analysis to ensure transparency and replicability (Lincoln & Guba, 1985). This approach is expected to provide a comprehensive and accurate picture of the dynamics of Islamic social and commercial finance integration in supporting sustainable development.

C. RESULTS AND DISCUSSION

1. Patterns of Islamic Social and Commercial Finance Integration in Academic Literature

The integration between Islamic social finance and commercial finance in academic literature reflects a paradigm shift in which sharia principles are considered essential in driving financial sector engagement and development. This concept not only bridges the spiritual and ethical aspects of business activities, but also facilitates the achievement of broader social goals, such as poverty alleviation and the promotion of community welfare. One example of this integration can be observed in efforts to facilitate the introduction and management of Islamic social finance through Islamic philanthropic institutions. Research by Widiastuti et al. highlights the importance of training and coaching to philanthropic institutions to optimize the use of social funds in a modern context (Widiastuti et al., 2022). This suggests that with the right understanding and support, philanthropic institutions can contribute significantly to society within a meaningful and sustainable financial framework..

In addition, an understanding of financial literacy is crucial in increasing customer engagement in Islamic bank services. Fikriah and Maksum explain that customers who have good knowledge of Islamic finance and principles tend to be more trusting of Islamic banks (Fikriah & Maksum, 2022). These results outline how a positive interaction between knowledge and application of Islamic finance can encourage community participation in the more formal financial sector. Furthermore, related to the role of mosques as social institutions, Mustain states that mosques not only function as centers of worship but also transform into entities that support the economic and social activities of the community (Mustain, 2023). Through this approach, mosques can serve as a link between Islamic and commercial social finance, creating a mutually supportive and empowering ecosystem. In the context of crisis conditions, such as those during the Covid-19 pandemic, the literature also shows that Islamic social finance provides an important solution. Research by Iskandar et al. suggests that the distribution of direct cash transfers from zakat, infaq and sadaqah funds is key in overcoming various social challenges that arise in society (Iskandar et al., 2020). This is in line with the principle of integration, where social finance can function effectively in supporting the urgent needs faced by the community, when commercial finance

Moreover, a survey conducted by Pratama et al. shows how financial literacy and the adoption of financial technology (fintech) improve financial inclusion among Micro, Small and Medium Enterprises (MSMEs), which is an important foundation for the local economy (Pratama et al., 2023). Furthermore, research by Haerunnisa et al. underlines the importance of integrating sustainability principles in the design of Islamic financial instruments, reflecting the challenges and opportunities in promoting social responsibility and positive environmental impact (Haerunnisa et al., 2023). By linking Islamic principles that promote social justice with sustainable finance approaches, the financial system is able to create a broad impact on development goals.

2. Impact of Integration on Financial Inclusion and Sustainable Development

The integration of Islamic social finance and commercial finance has shown significant impact on financial inclusion and sustainable development. Financial inclusion refers to the affordable access and use of financial services by all segments of society, while sustainable development emphasizes the balance between economic, social and environmental aspects. These two elements are interrelated and the support of an inclusive financial system can make a major contribution to achieving global development goals. One of the significant contributions of this integration is increased access to financial services. Research by Suryaningrum et al. shows that financial inclusion serves as a key driver in economic development, especially in developing countries. By providing better access to financial services, people can potentially improve their standard of living and drive overall economic growth, including poverty reduction and job creation Suryaningrum et al. (2023). Moreover, a survey conducted by Pratama et al. shows how financial literacy and the adoption of financial technology (fintech) improve financial inclusion among Micro, Small and Medium Enterprises (MSMEs), which is an important foundation for the local economy (Pratama et al., 2023). Furthermore, research by Haerunnisa et al. underlines the importance of integrating sustainability principles in the design of Islamic financial instruments, reflecting the

challenges and opportunities in promoting social responsibility and positive environmental impact (Haerunnisa et al., 2023). By linking Islamic principles that promote social justice with sustainable finance approaches, the financial system is able to create a broad impact on development goals.

The Covid-19 pandemic makes clear the importance of social finance in supporting financial inclusion. Marginingsih notes that in crisis situations, financial technology can serve as an innovative solution to increase financial inclusion, helping individuals and businesses, especially those that are economically affected (Marginingsih, 2021). This proves that the integration of Islamic and commercial social finance is able to provide concrete solutions to the challenges faced by society during the global crisis. Furthermore, various studies have also shown that social and environmental investments in the sustainable finance sector are able to lead to positive long-term outcomes. Susanto and Sirnawati emphasize that sustainable financial behavior not only benefits the environment but can also improve financial stability and overall business performance (Susanto & Sirnawati, 2024). By looking at the positives of social and environmental investments, this integration plays an important role in building collective awareness and driving more change in financial approaches.

Finally, financial inclusion serves as an important tool in achieving sustainable development goals, which is reflected in a bibliometric analysis by Zein et al. that shows a growing interest in the sustainable finance literature and its relationship to the SDGs (Zein et al., 2023). Thus, the integration of social and commercial finance serves not only to increase financial inclusion but also to support broader sustainable development, creating mutually beneficial synergies among the financial sector, society, and the environment.

3. Implementation Challenges and Development of an Integrative Conceptual Framework

The implementation and development of integrative conceptual frameworks in various fields face a number of significant challenges, especially in the context of education and management. Islamic education, for example, struggles to integrate traditional values with the demands of modernity. In an article discussing innovative strategies in Islamic education management, the importance of using Islamic fundamental values as a foundation, while adapting modern learning technologies and methods to improve the effectiveness of the education system, is emphasized (Missouri, 2023). This suggests that a deep understanding of fundamental values is necessary to develop a framework that is relevant in a rapidly changing era. On the other hand, there is an attempt to develop a conceptual framework in Christian education that considers the role of the Holy Spirit in the educational process. Using Bloom's updated taxonomy approach, the article builds a framework that integrates spiritual, behavioral, and knowledge aspects in education, making this framework comprehensive and multidimensional (Setiawan & Arifianto, 2021). They show that the challenge of integrating tradition with modernity requires the development of a flexible and dynamic framework, capable of adapting to changes in the educational context.

Another challenge often encountered in developing an integrated conceptual framework is related to technology. Research shows that an understanding of Technological Pedagogical

Content Knowledge (TPACK) is essential for developing effective technology-based learning. In this context, TPACK can serve as a reference for educators to improve their ability to implement better learning models, especially in today's digital era (Ulya et al., 2023). This model suggests that the mastery of technological knowledge among educators is a crucial factor in the successful implementation of new conceptual frameworks. Furthermore, the challenges faced in the adoption of integrative conceptual frameworks are also evident from studies on the use of cutting-edge technologies such as blockchain in port management. This research not only demonstrates the potential of the technology but also the challenges in its implementation, including regulatory uncertainty and inadequate infrastructure. This research presents various conceptual frameworks that can guide further research, making clear the need for integrated solutions (Indraprakoso & Haripin, 2023). This emphasizes the importance of both technologies and conceptual frameworks that support informed decision-making in complex management areas..

Finally, in the context of developing talent management in the public sector, it was found that the lack of a comprehensive model is a major barrier in attracting and retaining talent. The model proposed in this study offers an integration of the essential elements needed to improve talent management in the sector, suggesting that challenges stem not only from technical aspects but also from a broader understanding of organizational processes (Putranto et al., 2022). This suggests that the successful implementation of the conceptual framework relies heavily on the understanding and acceptance of all relevant stakeholders. Overall, the challenges in the implementation and development of an integrative conceptual framework involve the dimensions of tradition versus modernity, the use of technology, and the need for comprehensive model development. Developing a conceptual framework that is responsive to these changes is not only important for the sustainability of education and management, but also for creating sustainable and relevant solutions in the era of globalization.

D. CONCLUSIONS AND SUGGESTIONS

This research concludes that the integration of Islamic social and commercial finance is a strategic approach that is not only theoretically relevant but also applicable in various institutional and social contexts. The integration pattern developed in the literature shows a tendency towards synergy between Islamic social values and profit-oriented commercial financial mechanisms, so as to encourage increased financial inclusion while supporting the achievement of sustainable development goals (SDGs). The findings confirm that the successful implementation of integration is largely determined by the readiness of conceptual models that are inclusive, adaptive to technology, and have the support of all stakeholders. In addition, the sustainability of this integrative initiative requires a full understanding of the organizational dynamics, leadership, and talent management that are integral to both the public sector and Islamic financial institutions.

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