

Redefining Network Marketing: A Maqashid Shariah-Based Business Model For Community Prosperity

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Abstract

The HENDRA model was developed in response to the challenges of conventional Multi-Level Marketing (MLM) systems, which are often exploitative and misaligned with Islamic principles. This study aims to formulate an MLM business model rooted in maqashid shariah to enhance community welfare. A qualitative approach using Grounded Theory was applied to explore the empirical experiences of MLM practitioners and to formulate ideal pillars for an Islamic business system. The research identified six core pillars of the HENDRA model: Harmony, Ethics, Network, Direct Selling, Rahmatan lil 'Alamin, and Trust (Amanah), each reflecting the comprehensive values of maqashid shariah. This model not only addresses market demands but also serves as a tool for empowering the Muslim community through ethics, spirituality, and blessings. In contrast to traditional MLM models that emphasize profit over values, the HENDRA model integrates ethical and religious dimensions, providing a sustainable and value-driven alternative. Such integration aligns with previous findings that stress the importance of ethical constructs in Islamic business (Dusuki & Abdullah, 2007) and the critical role of maqashid shariah in economic systems (Chapra, 2008).

Keywords: Islamic Business Model, Maqashid Shariah, Ethical MLM, Economic Empowerment, Grounded Theory.

INTRODUCTION

The economic prosperity of a nation is closely linked to its ability to achieve long-term sustainable development. Empirical evidence suggests that higher levels of economic well-being correlate with a more stable and equitable economic structure, enhancing the resilience of communities in the face of economic volatility and global uncertainty (Stiglitz, Sen, & Fitoussi, 2010). In this context, the growth of Multi-Level Marketing (MLM) businesses in Indonesia represents both an opportunity and a challenge. While MLM has gained significant traction as a flexible and accessible business model, particularly for the lower-middle class, it remains fraught with ethical and distributive concerns.

Common criticisms of conventional MLM models include exploitative practices, information asymmetry, commission inequality between top recruiters and product sellers, and misleading profit expectations. These elements raise ethical red flags and may contribute to systemic socioeconomic inequality, particularly for those at the base of the economic pyramid (Taylor, 2011). As such, MLM often falls short in fostering inclusive and sustainable economic empowerment.

From an Islamic perspective, business is not solely a vehicle for material gain. Rather, it is fundamentally rooted in values such as justice ('adl), trustworthiness (amanah), and collective benefit (maslahah), as framed within the paradigm of maqashid shariah. This framework emphasizes the protection and promotion of five essential human interests: religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), progeny (hifz al-nasl), and wealth (hifz al-mal) (Auda, 2008). These objectives serve as ethical and legal foundations for Islamic economic activities, including emerging business models such as MLM.

However, despite MLM's popularity, research has shown that conventional MLM systems are often incompatible with the ethical and distributive principles demanded by maqashid shariah. Studies have highlighted indications of gharar (excessive uncertainty), unbalanced compensation structures, and weak regulatory oversight (Alserhan, 2011; Idris, 2020). Scholars of Islamic economics argue that for MLM to be considered shariah-compliant, it must be free from riba (usury), deceit, and coercion, and should reflect Islamic commercial ethics that ensure fairness and spiritual value creation (Mohammad, 2013).

Moreover, while some MLM models claim to implement shariah values, their application is often limited to symbolic gestures, such as the use of halal labels or Islamic branding, without structural alignment to Islamic jurisprudence and ethics. As emphasized by Dusuki and Abdullah (2007), ethical compliance must go beyond formality to integrate principles of transparency, accountability, and distributive justice.

From a theoretical standpoint, conventional economic models such as Marshall's utility theory, Akerlof's information asymmetry framework, and Samuelson's market mechanism provide insights into MLM agent behavior. However, these models fall short in addressing the moral dimensions of wealth distribution and social justice. Farrant and McPhail (2009) argue that while neoclassical economics may efficiently allocate resources through market forces, it lacks the moral infrastructure to ensure equitable outcomes, which Islamic economics, through maqashid shariah, attempts to provide.

Islamic economic theory, as advanced by classical scholars such as Al-Ghazali and Al-Shatibi, and modern thinkers like Chapra, promotes principles of tawazun (balance), ta'awun (mutual support), and maslahah (collective good). These values advocate for an integrative model of business that supports not only economic growth but also spiritual and social development (Chapra, 2008; Zahra & Janwari, 2023). Yet, the literature remains sparse in offering a systematic MLM model embedded within this framework, indicating a significant theoretical gap.

This study addresses that gap by aiming to formulate a model of MLM development rooted in maqashid shariah, to serve as a reference for Islamic economic practices that are just and empowering. Specifically, it seeks to answer the research question: How can an MLM business model based on maqashid shariah be formulated to enhance societal welfare?

The urgency of this formulation is underscored by the growing recognition of MLM as a subject of Islamic legal inquiry under the broader domain of fiqh muamalah. The dynamic nature of contemporary Islamic jurisprudence allows for the incorporation of modern business models, such as MLM, into the ethical and legal discourse of Islamic economic systems, provided they align with shariah principles in both form and substance (Kamali, 2008).

Thus, the formulation of a maqashid shariah-based MLM model is not only a theoretical innovation but also a practical necessity to ensure that Islamic economics remains responsive to contemporary business realities and capable of producing models that foster inclusive growth, equity, and ethical integrity.

RESEARCH METHODOLOGY

This research adopts a qualitative approach through the grounded theory design, with the objective of inductively developing an MLM business model aligned with maqashid shariah values based on empirical field data. Data collection was conducted via in-depth interviews, participant observation, and document analysis. Respondents were selected purposively and included MLM practitioners, Islamic economics scholars, and shariah experts.

The analysis process involved three stages:

1. Open coding, to identify initial categories from the data;
2. Axial coding, to link categories and explore their relationships;
3. Selective coding, to build a comprehensive conceptual model.

Data validity was ensured through triangulation of sources and methods, along with member checking to confirm the accuracy of findings and interpretations (Creswell & Poth, 2016). This methodological framework enables the emergence of a grounded and contextually appropriate model that responds to both ethical and operational dimensions of Islamic MLM practice.

FINDINGS AND DISCUSSION

This study demonstrates that the integration of maqashid shariah values within a Multi-Level Marketing (MLM) business model can substantially enhance both material and spiritual dimensions of societal welfare. A shariah-compliant MLM model is characterized by transparency, fairness in bonus systems, focus on genuine product sales, and ongoing human development. By adopting these principles, such models are positioned as alternatives to conventional MLMs that have often been criticized for their exploitative tendencies.

The MLM industry has grown rapidly in many countries, particularly in developing economies, due to its promise of flexible income and low entry barriers. However, its structure has frequently drawn criticism, particularly regarding the disproportionate emphasis on recruitment over actual product sales. This imbalance has contributed to what economists classify as market failure, a situation where incentives are misaligned, and social welfare is compromised (Feicht et al., 2016). The misallocation of rewards, limited consumer protection, and lack of transparency all erode public trust in such schemes.

From a microeconomic perspective, traditional MLM models operate on the assumption that agents aim to maximize utility. However, research has shown that this assumption is frequently violated. The information asymmetry between recruiters and recruits often leads to manipulative behavior, distorting rational decision-making (Akerlof, 1970). More recent findings confirm that misleading income projections and opaque bonus structures manipulate economic rationality, resulting in poor welfare outcomes for most participants (Younis et al., 2023).

From a marketing standpoint, Kotler's concept of holistic marketing emphasizes the need for building long-term relationships based on trust, ethical behavior, and societal value (Kotler & Keller, 1994). However, many MLM structures focus predominantly on short-term transactions and profit maximization for upper-tier members, disregarding relational and ethical marketing dimensions (Oiku & T.C., 2023). These practices diverge sharply from the values advocated in Islamic commercial ethics, which place strong emphasis on justice, honesty, and mutual benefit.

The integration of maqashid syariah—the higher objectives of Islamic law—offers a normative and operational framework that can address these systemic shortcomings. The five key objectives of maqashid syariah are the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), progeny (hifz al-nasl), and wealth (hifz al-mal). These dimensions provide a comprehensive moral and legal lens through which MLM practices can be evaluated and redesigned (Auda, 2008).

This ethical foundation aligns with Amartya Sen's capability approach, which asserts that true welfare cannot be measured merely by income or resources but by the ability of individuals to pursue meaningful lives (Sen, 1999). Hence, a just and inclusive MLM model should empower individuals not only economically but also socially, spiritually, and intellectually.

Based on empirical findings from interviews, document analysis, and critical observation of existing MLM practices, this research formulates a new alternative: the HENDRA model, an acronym for Harmony, Ethics, Network, Direct Selling, Rahmatan lil 'Alamin, and Amanah. Each pillar represents a normative and operational principle embedded within the structure of a syariah-compliant MLM.

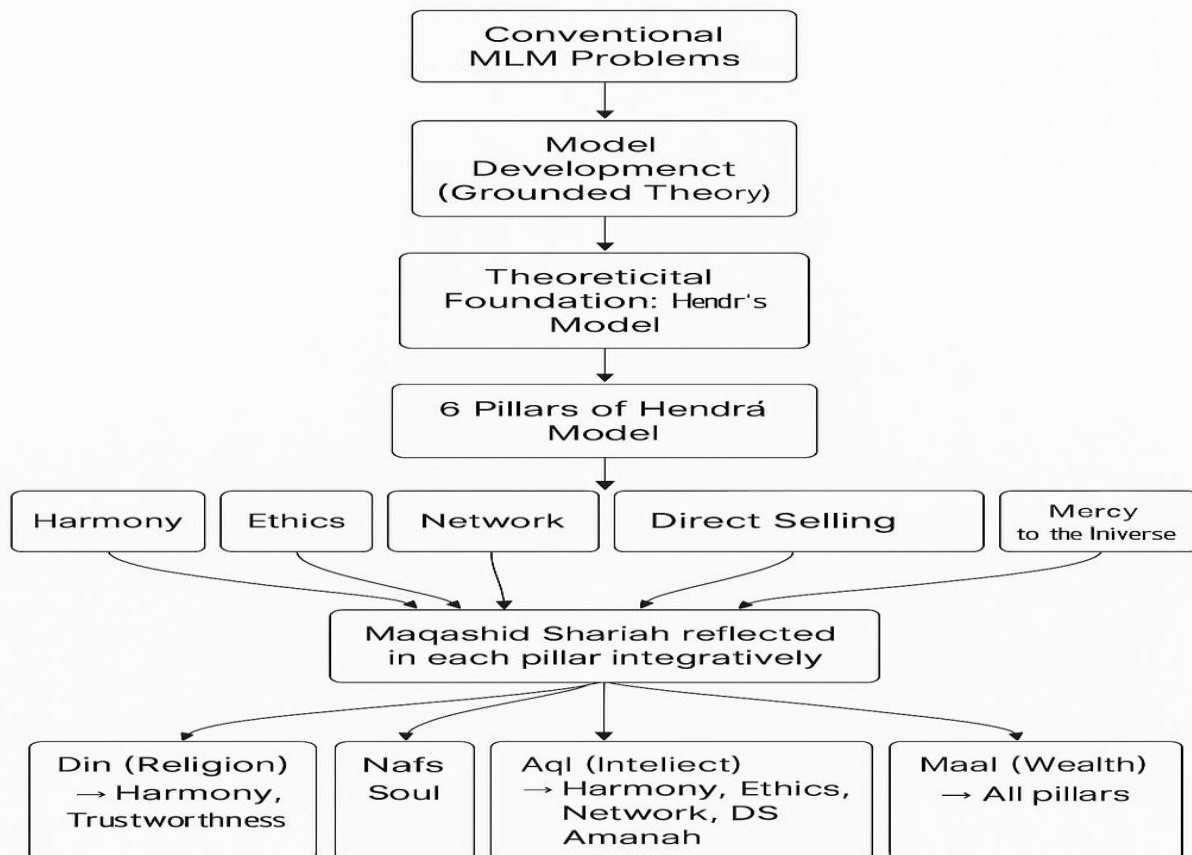


Figure 1: HENDRA Model Diagram

The model is a response to critiques from MLM participants who feel that current systems are exploitative and misaligned with Islamic teachings. The six pillars of the HENDRA model are detailed as follows:

1. **Harmony:**

Represents the balance between material and spiritual objectives. It aligns with *hifz al-din* and *hifz al-mal*, emphasizing that economic activity should enhance—not undermine—spiritual wellbeing. This principle fosters a business culture where economic growth is pursued in harmony with faith and ethical conduct.

2. **Ethics (Etis):**

Stresses transparency, fairness, and truthfulness in marketing and compensation. This pillar is closely linked to *hifz al-nafs* (protection of life) and *hifz al-'aql* (protection of intellect), since unethical business behavior undermines personal security and rational decision-making.

3. **Network:**

Emphasizes relational capital and collaboration, rather than aggressive recruitment. It connects to *hifz al-nasl* (preservation of progeny) by encouraging sustainable relationships and inclusive growth, thereby supporting community resilience and intergenerational equity.

4. **Direct Selling:**

Focuses on actual product sales and customer satisfaction, not recruitment-based gains. This pillar is essential for protecting *'aql* and *mal*, as it fosters informed transactions and prevents economic harm arising from unsold inventory or misleading incentives.

5. **Rahmatan lil 'Alamin:**

Translates to “a mercy to all creation” and refers to the universal ethical impact of business. This principle reinforces the broader Islamic mission of contributing positively to society and the environment, integrating both economic success and social responsibility.

6. **Amanah (Trustworthiness):**

Ensures accountability and responsibility in business operations. This principle reflects the trust placed upon entrepreneurs to protect both faith and wealth, directly supporting *hifz al-din* and *hifz al-mal*. The HENDRA model addresses the ethical void in conventional MLM structures by embedding core Islamic values and aligning them with sustainable business practices. Each pillar maps directly to one or more components of *maqashid shariah*, demonstrating the model’s normative integrity and practical relevance.

1. The Harmony pillar emphasizes the interconnection between commerce and spirituality, fostering a culture of responsible consumption and ethical earning.

2. Ethics addresses the issues of *gharar* (deceptive uncertainty) and manipulation, common in conventional MLM models, by instilling transparency and integrity in all transactions.

3. The Network pillar counterbalances the hyper-competitive recruitment culture by promoting collaboration, inclusiveness, and collective advancement.

4. Through Direct Selling, the model ensures that economic activities revolve around the exchange of real goods, fostering consumer trust and informed decision-making.

5. *Rahmatan lil 'Alamin* broadens the scope of business impact, connecting it to environmental, social, and interfaith harmony, thus making it a truly universal model.

6. Lastly, *Amanah* institutionalizes trust as a cornerstone of entrepreneurship, resonating with Qur’anic calls for accountability and moral stewardship.

In addition, this model aligns with global sustainability frameworks, such as the UN Sustainable Development Goals (SDGs), particularly those related to decent work and economic growth (Goal 8), reduced inequalities (Goal 10), and responsible consumption (Goal 12). Its commitment to fairness, equity, and empowerment also makes it a suitable reference for ethical entrepreneurship in both Muslim-majority and pluralistic societies.

This research offers a comprehensive and ethically grounded alternative to conventional MLM systems through the HENDRA model. Rooted in the principles of *maqashid shariah*, it integrates moral integrity with economic efficiency. By embedding values such as harmony, trustworthiness, and social welfare into the operational structure, the model not only addresses the limitations of existing MLM practices but also contributes to a more inclusive, just, and spiritually fulfilling economic system.

Future research could expand the implementation of this model across various industries and assess its adaptability in different socio-economic contexts. Policy implications include the need for regulatory

bodies to support ethical entrepreneurship frameworks grounded in religious or cultural values, particularly in sectors vulnerable to manipulation and asymmetry.

CONCLUSION AND RECOMMENDATION

The HENDRA Model represents a Maqashid Shariah-based framework for ethical Multi-Level Marketing (MLM) business development. Originating from a critique of conventional MLM practices, the model introduces six core pillars aligned with the five objectives of Maqashid Shariah: the protection of religion, life, intellect, lineage, and wealth. These pillars collectively promote a more ethical, transparent, and empowering business ecosystem. The model is designed to serve as a strategic reference for building equitable, justice-oriented, and socially beneficial network marketing enterprises within the framework of Islamic economics.

Looking ahead, it is crucial to empirically validate the HENDRA Model through quantitative analysis or field-based experimental studies. Such testing will not only provide evidence of its feasibility and impact but also support its broader adoption in shaping Islamic economic policies. Future research may focus on measuring its effects on trust, fairness, and income sustainability among MLM participants.

This aligns with previous scholarship which emphasizes that Shariah-compliant business models should not only fulfill formal legal requirements but also promote ethical substance, justice, and social welfare (Dusuki & Abdullah, 2007). Moreover, incorporating Maqashid Shariah principles in business ensures alignment with the higher objectives of Islamic economics, facilitating balance between material success and moral obligations (Chapra, 2008).

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