



WASATHIYAH ISLAM AND INCLUSIVE ECONOMIC DEVELOPMENT: THE ROLE OF SOCIAL CAPITAL AND LITERACY

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ABSTRACT

This study examines how the values of Islamic wasathiyah (moderation) can be positioned as an epistemological and practical foundation for inclusive economic development. While prior studies have separately examined religious moderation, social capital, and financial literacy in relation to economic inclusion, limited scholarly attention has been given to integrating these three dimensions within a single conceptual framework grounded in Islamic values—a gap this study seeks to address. Persistent gaps in economic access, low financial inclusion among marginalized groups, and rising socio-religious polarization further underscore the need for such an integrative framework. To address this gap, the study proposes the MML Model (Moderation–Social Capital–Literacy) as an original conceptual contribution synthesized from the literature, built upon three interrelated pillars: moderation (tawazun, i'tidal, and tasamuh), social capital (trust, networks, and norms of reciprocity), and literacy, particularly Islamic financial and digital literacy. This research employs a qualitative approach through descriptive-analytical library research, examining academic literature, policy documents, and prior empirical studies on wasathiyah, social capital, and Islamic economic inclusion. The findings indicate that Islamic wasathiyah provides a value foundation balancing the spiritual and material dimensions of life, thereby encouraging fairer distribution of resources; social capital functions as a bridge connecting individuals and communities to formal economic opportunities, particularly for micro-enterprises and mosque-based or majelis taklim communities; while financial and digital literacy serve as prerequisites enabling economic participation to move beyond normative discourse into concrete practice, such as the utilization of Islamic microfinance institutions and digital platforms. The novelty of this study lies in demonstrating how these three elements reinforce one another within the integrative MML Model, offering a strategic framework that has not been explicitly articulated in previous literature for Islamic educational institutions, majelis taklim, and Islamic financial institutions in designing inclusive and sustainable economic empowerment programs for the ummah. The study recommends strengthening religious moderation curricula that incorporate economic literacy content, as well as cross-institutional synergy to expand access to social capital for vulnerable groups.

1. INTRODUCTION

Inclusive economic development is one of the strategic agendas in achieving equitable welfare, particularly in countries with persistently high levels of socio-economic disparity, such as Indonesia. In the perspective of contemporary development thinking, welfare is no longer understood merely as an accumulation of income, but as the expansion of every individual's capabilities and substantive freedom to participate in economic life (Sen, 1999). Over the past several decades, national economic growth has indeed shown a positive trend in aggregate terms, yet this growth has not fully succeeded in reaching all segments of society equally. Inequality in income distribution, disparities in access to formal financial services, and the limited opportunities for vulnerable groups to participate in productive economic activity remain unresolved structural problems, as also emphasized in studies by global financial institutions stating that an inclusive financial system is an essential prerequisite for sustainable real economic growth (World

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Bank, 2016). Therefore, in this article, economic inclusivity is understood not merely as growth in statistical figures, but as the extent to which all segments of society including marginalized groups, women micro-entrepreneurs, persons with disabilities, and communities in peripheral and underdeveloped regions have equal access to resources, financial institutions, technology, and other productive opportunities.

In this context, religion as a value system plays a very important role, not only as a private spiritual domain that is individual in nature, but also as a basis for public ethics that shapes the behavior, attitudes, and economic orientation of society collectively. In the tradition of Islamic economic thought, wealth is regarded as a trust (*amanah*) that must be managed justly and productively, so that issues of wealth distribution and social responsibility occupy a central position rather than a peripheral one (Chapra, 2000; Al-Qaradhwai, 1997). Thus, religion cannot simply be separated from the discourse of economic development, as it also shapes the value structures underlying the economic behavior of society, whether at the individual, family, or broader community level. Nevertheless, it is important to note that the relationship between religious values and economic performance is not without debate; a number of studies even present opposing views, highlighting that certain ideological articulations of Islamic teachings may actually hinder the dynamics of the modern economy when interpreted rigidly and in a manner closed off from contemporary market institutions (Kuran, 2004). It is precisely this debate that makes the *wasathiyah* approach which emphasizes balance and openness without losing its ethical foundation relevant for further examination as a conceptual middle path.

Islam *wasathiyah*, as a religious paradigm that emphasizes balance (*tawazun*), justice (*i'tidal*), and tolerance (*tasamuh*), offers an ethical framework that is relevant to non-exclusive economic development (Shihab, 2019; Kementerian Agama RI, 2019). This paradigm rejects two extreme tendencies at once: on one hand, it rejects a liberal-individualistic economic attitude that tends to disregard aspects of social justice, and on the other hand, it rejects an attitude that is overly rigid and closed off to innovation and cross-group cooperation (Fahri & Zainuri, 2020). These *wasathiyah* values have historically shaped an inclusive pattern of socio-economic relations among Muslims, as reflected in the practices of *zakat*, *infaq*, *sedekah*, *waqf*, and various community-based mutual assistance mechanisms such as *arisan* (rotating savings groups), *sharia* cooperatives, and communal economic cooperation that have long been practiced in the life of Muslim communities in the Indonesian archipelago (Nusantara). These practices are not merely religious rituals but also instruments of wealth redistribution that function to systematically and sustainably reduce socio-economic disparity, and this is in line with various efforts to strengthen the education and communication of *wasathiyah* values at the grassroots level, for example through *majelis taklim* (religious study assemblies) (Syafi'i, 2023) and community-based educational institutions (Syafi'i & Rofi'i, 2023; Syafi'i, 2025a).

However, amid the dynamics of contemporary society marked by socio-religious polarization, rising conservatism that is at times exclusive in nature, and a financial literacy gap that remains wide between urban and rural communities, the actualization of *wasathiyah* values in the economic sphere has not been extensively examined in an integrative conceptual manner. A number of studies on religious moderation have focused more on the domains of education and social cohesion (Nurhidin, 2021; Rumahuru, 2021; Sari et al., 2024; Syafi'i, 2025c, 2026a), while studies on *wasathiyah* values in the domains of digital literacy and diversity have also begun to develop (Syafi'i, 2025b, 2026b; Syafi'i & Sariyani, 2026; Syafi'i et al., 2025). These studies generally discuss religious moderation separately from economic studies, or conversely discuss financial inclusion without explicitly linking it to the religious values that form its ethical foundation. This gap leaves an empty space in the literature, particularly regarding how the values of religious moderation can be operationalized into concrete strategies for the economic empowerment of grassroots communities.

A number of studies show that social capital understood as a collection of norms, networks, and trust that enable individuals and groups to work together effectively to achieve common goals (Coleman, 1988; Putnam, 2000) plays a significant role in community economic empowerment because it functions as a network of trust that facilitates access to information, resources, and business opportunities (Fathy, 2019). Social capital based on religious communities, such as *majelis taklim*, *pesantren* (Islamic boarding school) networks, religious study groups, and Islamic community organizations, holds great potential to serve as a bridging capital connecting grassroots communities with formal financial institutions that have long been

difficult for marginalized groups to access. These networks function not only as forums for spiritual reinforcement, but also as spaces for economic education, venues for sharing information on business opportunities, and even as sharia-based microfinance intermediation institutions in various regions a role that has become increasingly important alongside the expansion of Islamic value-based business digitalization (Fitri et al., 2023).

On the other hand, the strengthening of sharia financial inclusion has also been shown to contribute to the empowerment of micro, small, and medium enterprises (MSMEs), which have long served as the backbone of the people's economy yet are frequently constrained by limited access to formal capital (Laili & Kusumaningtias, 2020; Hamidi et al., 2023). Sharia financial inclusion offers more equitable financing schemes, such as profit-sharing financing (*mudharabah* and *musyarakah*) that does not burden small business actors with fixed interest, as well as social instruments such as productive zakat and cash waqf that can be directed toward productive business capital. Nevertheless, the level of public sharia financial literacy remains relatively low compared to its very large market potential, given that the majority of Indonesia's population is Muslim (Laili & Kusumaningtias, 2020; Puspitasari et al., 2020), and this literacy gap is still evident even among digitally literate young people (Fadilah & Lubis, 2024). Official data from the financial services authority also confirms that although the growth of sharia financial assets continues to increase, its utilization by grassroots communities remains far from optimal (Otoritas Jasa Keuangan, 2023). This low level of literacy constitutes a structural obstacle that causes the great potential of sharia finance to remain underutilized in driving economic equity, particularly among micro-entrepreneurs and women who are often marginalized in access to formal financing.

Existing studies, however, tend to examine these issues in isolation. Research on Islamic *wasathiyah* has largely focused on its theological and socio-political dimensions such as its role in countering religious extremism and promoting interfaith harmony without extending the discussion into the economic domain (e.g., [cite relevant *wasathiyah* studies]). Meanwhile, studies on religious social capital, particularly those examining *majelis taklim* and *pesantren* networks, have predominantly emphasized their function in religious education and community cohesion, with only limited attention to their economic mobilization potential (e.g., [cite relevant social capital studies]). Similarly, the substantial body of literature on Islamic financial literacy, including the works cited above, tends to treat literacy as a standalone determinant of financial inclusion, measured through survey-based or econometric approaches, without situating it within the broader ethical and social framework from which it derives its legitimacy and sustainability in Muslim communities. Consequently, no prior study has yet articulated how these three elements religious moderation values, community-based social capital, and financial literacy operate as an interdependent system capable of jointly addressing the structural barriers to inclusive economic development. This fragmentation in the literature constitutes the central research gap this study seeks to fill: the absence of an integrative conceptual model that positions *wasathiyah* not merely as a normative religious value, but as an epistemological foundation linking social capital and literacy into a coherent strategy for economic empowerment.

Based on the above description, this research seeks to answer a fundamental question: how can the values of Islamic *wasathiyah* be integrated with social capital and financial literacy to build a foundation for inclusive economic development amid a plural and dynamic society? This question is important to answer given the complexity of Indonesia's economic development challenges, which cannot be resolved solely through a technocratic approach, but rather require an approach that accounts for the dimensions of values, culture, and socio-religious institutions alive within society.

To answer this question, this article has three main objectives. First, to explore the concept of Islamic *wasathiyah* and its relevance to the principles of inclusive economics, including how the values of *tawazun*, *i'tidal*, and *tasamuh* can be translated into equitable economic policy and practice. Second, to analyze the role of social capital based on religious communities, such as *majelis taklim* and *pesantren* networks, in encouraging community economic participation, particularly among groups long underserved by formal financial institutions. Third, and most centrally, to formulate the MML Model (Moderation–Social Capital–Literacy)—an integrative conceptual model that links religious moderation, social capital, and financial

literacy as a unified strategy for inclusive economic development based on Islamic values. The novelty of this study lies precisely in this third objective: rather than treating moderation, social capital, and literacy as three parallel but disconnected variables—as has been the tendency in prior literature this article conceptually demonstrates their mutual reinforcement within a single ecosystem of values, and proposes the MML Model as an original synthesis derived from that literature. This article argues that the failure to integrate these three elements is one of the reasons why the great potential of sharia finance and religious social capital in Indonesia has not yet been successfully translated into genuine economic equity. These findings are expected to serve as both a conceptual and practical contribution to the development of policies for the economic empowerment of the ummah in Indonesia going forward.

2. METHODS

This research employs a qualitative approach in the form of descriptive-analytical library research (Zed, 2008). The library research approach was chosen because the research objective is directed more toward the exploration, interpretation, and synthesis of concepts regarding social-religious and economic phenomena, rather than the testing of statistical hypotheses, thereby aligning with the characteristics of qualitative research, which emphasizes a deep and contextual understanding of meaning (Creswell, 2014; Moleong, 2017).

The subject of this research is not human respondents, but rather a corpus of academic literature and policy documents addressing three main conceptual pillars: Islamic wasathiyah, social capital based on religious communities, and sharia financial literacy/inclusion. The data sources used consist of primary sources in the form of nationally and internationally indexed journal articles relevant to this theme, as well as secondary sources in the form of reference books, institutional policy documents (such as Otoritas Jasa Keuangan, 2023; Kementerian Agama RI, 2019), and national and international statistical reports (World Bank, 2016), as is commonly used in library research that places written documents as the primary data source (Zed, 2008).

Literature search strategy and sources. The literature search was conducted systematically using [nama database, misalnya: Scopus, Google Scholar, SINTA, dan DOAJ] as the primary databases, selected for their broad coverage of Islamic studies and economic development literature. The search employed combinations of keywords, including "Islamic wasathiyah," "religious moderation," "social capital," "sharia financial inclusion," "Islamic financial literacy," and "economic literacy," connected using Boolean operators (AND/OR) to capture both narrow and broad thematic intersections (e.g., "wasathiyah" AND "economic development"; "social capital" AND "Islamic finance").

Period of literature reviewed. The search was limited to publications from [tahun awal] to 2024, in order to capture both foundational conceptual works on wasathiyah and social capital theory, as well as recent empirical studies on sharia financial inclusion and digital literacy in the Indonesian context. Foundational theoretical references published prior to this period (e.g., classical works on social capital theory) were retained where conceptually essential, consistent with common practice in conceptual library research.

Inclusion and exclusion criteria. Sources were included if they (1) were published in peer-reviewed journals, books, or official institutional reports; (2) directly addressed at least one of the three conceptual pillars (wasathiyah, social capital, or Islamic financial/digital literacy) in relation to economic development or inclusion; and (3) were written in Indonesian or English. Sources were excluded if they (1) were non-peer-reviewed opinion pieces, blogs, or unverified online sources; (2) addressed wasathiyah or social capital solely within non-economic contexts (e.g., purely theological or political discussions) without relevance to the study's conceptual framework; or (3) were inaccessible in full text.

Selection procedure. From an initial pool of [jumlah] articles identified through the keyword search, titles and abstracts were screened for thematic relevance, followed by full-text review of the remaining sources to assess their alignment with the inclusion criteria. This process yielded a final corpus of [jumlah] sources used in the analysis.

The research procedure was carried out through four stages, following the general systematic flow of library research (Zed, 2008): (1) identifying keywords and formulating a search strategy; (2)

systematically searching the literature in the databases mentioned above using the identified keywords; (3) selecting and verifying sources based on the inclusion/exclusion criteria, thematic relevance, and recency of publication year; and (4) organizing and analyzing the selected literature within the research's conceptual framework.

The materials used in this research are written documents in the form of journal articles, books, and policy/statistical reports as mentioned above. The research instrument is the researcher themselves (human instrument), who is responsible for reading, interpreting, and classifying the literature a position commonly held in qualitative research, in which the researcher functions as the primary data collection tool (Creswell, 2014), assisted by a matrix or theme-mapping sheet as a tool for recording and categorization.

Data collection was carried out through the systematic search and selection procedure described above. The collected data were then recorded in a working matrix containing the author's name, year of publication, key findings, and the relevant conceptual pillar.

Data analysis was conducted following the interactive qualitative data analysis model of Miles, Huberman, and Saldaña (2014), which consists of three stages: (1) data reduction, namely filtering relevant and up-to-date literature according to the inclusion criteria above and discarding sources that are less relevant to the focus of the study; (2) data display, through grouping themes based on the three conceptual pillars (moderation, social capital, literacy) to facilitate the reading of patterns and interrelationships among concepts; and (3) conclusion drawing/verification, through thematic synthesis to formulate an integrative model linking the three pillars. The validity of the data was pursued through source triangulation, namely comparing findings from various academic literature and policy documents to ensure consistency of argumentation and reduce bias arising from relying on a single type of source alone (Sugiyono, 2018).

3. RESULTS AND DISCUSSIONS

Results

Wasathiyah Islam sebagai Fondasi Nilai: Menjabarkan Tawazun, I'tidal, dan Tasamuh

The findings of this study show that wasathiyah Islam places Muslims in a middle position (ummatan wasathan), avoiding both extremism and excessive permissiveness. The Indonesian Ministry of Religious Affairs (2019) formulated four main indicators of religious moderation relevant to shaping an inclusive economic ethic: national commitment, tolerance, non-violence, and accommodation of local culture. To operationalize these indicators within an economic framework, this study identifies three specific value-constructs of wasathiyah tawazun, i'tidal, and tasamuh each of which corresponds to a distinct mechanism linking moderation to social capital and literacy.

Tawazun (balance) is manifested economically in the principle of equilibrium between individual and social interests, reflected in the concept of distributive justice that rejects the concentration of wealth among a small group (Syafi'i, 2023; Shihab, 2019). This finding is consistent with Chapra's (2000) argument that the Islamic economic system directs development toward meeting the basic needs of all members of society rather than aggregate growth alone, and aligns with Sen's (1999) capability approach, which positions human beings—not capital—as the ultimate goal of development. Within the MML Model, tawazun functions as the normative anchor that legitimizes equitable resource distribution through social capital networks: without this value orientation, social capital risks being captured by dominant groups rather than serving inclusive ends (elite capture), a risk documented in social capital literature more broadly (Putnam, 2000).

I'tidal (uprightness/proportionality) translates into a disposition toward fairness and calibrated judgment in economic transactions, which this study argues is a precondition for the trust dimension of social capital. Trust, as conceptualized by Coleman (1988) and Putnam (2000), does not emerge automatically from social proximity but requires a shared normative expectation that transacting parties will act proportionately and without exploitation—an expectation that i'tidal supplies at the value level. This suggests a theoretical pathway in which i'tidal operationalizes the trust component of social capital specifically within religiously-embedded economic relationships, distinguishing it from generalized (secular) trust discussed in mainstream social capital theory.

Tasamuh (tolerance) underlies the capacity of religious communities to build cross-group cooperation, which in turn opens space for community-based economic collaboration (Syafi'i, 2023; Syafi'i & Rofi'i, 2023). This finding is reinforced by studies on open and inclusive learning spaces within classical Islamic educational thought, which assert that moderation is not merely a theological norm but also a principle of social governance translatable into economic empowerment policy (Syafi'i, 2025a; Syafi'i, 2026a). Conceptually, tasamuh extends the *reach* of social capital: while tawazun and i'tidal shape the internal quality of economic relationships, tasamuh determines the breadth of the network by enabling cooperation across religious, ethnic, or ideological boundaries—a function consistent with the distinction between bonding and bridging capital discussed below.

Social Capital as the Structural Bridge Between Values and Practice

The second pillar social capital is understood as a network of social relations built on trust, norms of reciprocity, and collective participation (Coleman, 1988; Putnam, 2000), and functions as a conceptual mechanism for translating normative values into inclusive development outcomes (Fathy, 2019). Religious institutions such as mosques, majelis taklim, and pesantren were identified as having a dual function: as centers of spiritual guidance and as nodes within economic networks. An ethnographic study on interfaith cooperation among lecturers shows that multicultural values cultivated through cross-community interaction strengthen the social cohesion that is a prerequisite for economic trust (Syafi'i, 2025b) empirically illustrating how tasamuh (tolerance) at the value level produces measurable social cohesion at the structural level.

At the level of financial practice, studies on Islamic microfinance institutions show that Baitul Maal wat Tamwil (BMT) is effective in empowering micro, small, and medium enterprises (MSMEs) precisely because it reaches grassroots communities historically underserved by conventional financial institutions (Laili & Kusumaningtyas, 2020). This finding demonstrates that trust among community members functions as a form of social collateral substituting for formal collateral a structural barrier that has long constrained micro-business actors. This mechanism provides direct empirical support for the tawazun–trust linkage proposed above: distributive fairness at the value level manifests as collateral-substituting trust at the institutional level.

Building on these findings, wasathiyah-based social capital is identified as performing two distinct functions, consistent with Putnam's (2000) bonding–bridging distinction: (1) *bridging capital*, connecting communities to the formal economic system in a more inclusive manner primarily enabled by tasamuh; and (2) *bonding capital*, strengthening internal community solidarity primarily sustained by tawazun and i'tidal. This differentiation clarifies that moderation values do not produce a single, undifferentiated form of social capital, but rather calibrate its two distinct functions according to which wasathiyah value is most active in a given context.

Literacy as the Mechanism Converting Social Capital into Economic Participation

Data from the Financial Services Authority (Otoritas Jasa Keuangan, 2023) reveal that the level of Islamic financial literacy among Indonesians lags significantly behind the level of Islamic financial inclusion indicating that many individuals already use Islamic financial products without adequate understanding of their underlying principles (Puspitasari et al., 2020), a condition this study terms the *literacy-inclusion gap*. This gap demonstrates empirically why social capital alone is insufficient for inclusive economic development: trust and network access (social capital) can facilitate entry into Islamic financial systems, but without literacy, that entry does not translate into informed, sustainable participation.

This literacy gap correlates with low active participation among the public, particularly younger generations and micro-business actors. Findings by Fadilah and Lubis (2024) confirm that increased Islamic financial literacy correlates positively with more rational, long-term-oriented investment decisions among Generation Z, suggesting that literacy functions as the cognitive capacity that converts trust-based access (provided by social capital) into rational economic decision-making consistent with tawazun's balance principle. Relatedly, the digitalization of sharia-compliant businesses has been identified as a strategic pathway for expanding both literacy and economic access, particularly in regions with limited formal financial infrastructure (Fitri et al., 2023). Other findings show that the relationship between financial literacy and inclusion contributes significantly to regional economic growth, especially when supported by strong institutions and affirmative policies for vulnerable groups (Hamidi et al., 2023).

The Integrative Model of Moderation–Social Capital–Literacy (MML Model)

Based on a synthesis of the findings from the three sub-discussions above, this study formulates an integrative model called the MML Model (Moderation–Social Capital–Literacy) as a conceptual framework for building an inclusive economy grounded in Islamic values. A summary of the function of each pillar is presented in Table 1.

Table 1. Functions of the Three Pillars in the MML Model

Pillar	Main Function	Practical Examples
Moderation (Wasathiyah)	Foundation of values and ethics for a just economy	Zakat, waqf, distributive justice
Social Capital	Relational mechanism connecting individuals to economic opportunities	Majelis taklim, pesantren networks, BMT
Literacy	Technical capacity to translate values and relationships into real participation	Islamic financial literacy, digital literacy

The interrelation among the pillars is visualized in Diagram 1.



Figure 1. Interrelation of the Three Pillars in the MML Model

The three pillars are mutually reinforcing rather than operating independently. Moderation (Wasathiyah) provides the ethical and normative foundation, social capital creates the networks and trust necessary for collective action, and literacy equips individuals with the knowledge and skills required to participate effectively in economic activities. Their interrelationship is illustrated in Diagram 1

Diagram 1. The Integrative MML Model (Moderation–Social Capital–Literacy) in inclusive economic development. (a) Religious moderation as the foundation of values; (b) Social capital as the relational mechanism; (c) Literacy as the instrument of competence; the three mutually reinforce one another to form inclusive and sustainable economic participation.*

The synthesis shows that the three pillars are mutually reinforcing and cannot stand alone:

- Moderation values without social capital will remain at the level of normative discourse without collective driving force.
- Social capital without literacy risks producing economic participation that is vulnerable to exploitation or lack of understanding.
- Literacy without a foundation of moderation values risks losing the ethical orientation that ensures a commitment to equitable distribution.

Findings on the mosaic of inclusivity and the transformation of wasathiyah values in the global era further affirm that the success of socio-economic inclusion depends heavily on cross-dimensional synergy, rather than the strengthening of a single aspect in isolation (Syafi'i, 2026b).

This study's findings also identify three strategic implementation pathways for the MML Model:

- Strengthening religious moderation curricula in Islamic educational institutions with explicit content on economic and Islamic financial literacy.

- b. Strengthening the role of majelis taklim, mosques, and pesantren as social capital nodes that bridge congregants with formal Islamic financial institutions, as shown by a compassion-based youth mentoring model that emphasizes a gentle and participatory approach (Syafi'i et al., 2025).
- c. Policy synergy among financial authorities, the Ministry of Religious Affairs, and educational institutions to design community- and local-wisdom-based Islamic financial literacy programs.

Overall, these findings answer the research questions posed in the Introduction: that the integration of wasathiyah values, social capital, and Islamic financial literacy can be formulated into a single conceptual model (the MML Model) that mutually supports the building of an inclusive economic foundation within a plural and dynamic society.

DISCUSSION

Wasathiyah Islam as an Ethical Foundation: Answering the "How"

The finding that wasathiyah Islam provides an ethical framework for inclusive economics directly answers the study's first objective: exploring the relevance of the values of *tawazun* (balance), *i'tidal* (justice/moderation), and *tasamuh* (tolerance) to the principles of inclusive economics. The results show that the four indicators of religious moderation from the Ministry of Religious Affairs (2019) national commitment, tolerance, non-violence, and accommodation of local culture are not merely normative-theological categories, but can be operationalized as principles of economic governance, particularly through the principle of distributive justice (Syafi'i, 2023; Shihab, 2019).

Interpretation: Why Wasathiyah Values Are Relevant to Inclusive Economics

Scientifically, this finding can be explained through the argument that religious moderation is fundamentally a value system that balances individual rights and social obligations. When this principle is applied to the economic domain, it functions as a balance between the logic of individual capital accumulation and the demands of social redistribution. This interpretation is consistent with Chapra's (2000) argument that the Islamic economic system is oriented toward meeting the basic needs of all members of society, not merely aggregate growth, and aligns with Sen's (1999) capability-based development framework, which positions human beings as the goal of development rather than merely as instruments of production. In other words, wasathiyah values and human-capability-based development theory converge on one point: both reject reducing development to mere growth figures.

Consistency and Differences with Previous Research

This finding is generally consistent with earlier studies on religious moderation that emphasize the role of majelis taklim and Islamic education in building social cohesion (Rumahuru, 2021; Sari et al., 2024; Nurhidin, 2021; Syafi'i & Rofi'i, 2023; Syafi'i, 2025a, 2026a). However, those studies generally stop at the domain of education and social cohesion without explicitly extending it into the productive economic domain. This study fills that gap by asserting that the social cohesion produced by wasathiyah-based education is not an end in itself, but a prerequisite for the formation of community-based economic cooperation a link that has not been widely made explicit in prior literature. It should also be noted that this finding diverges from Kuran's (2004) argument, which is skeptical of the compatibility of certain religious interpretations with modern economic institutions. This difference, in the researcher's view, is not a substantive contradiction but a difference in the object of study: Kuran's (2004) critique is directed at rigid and closed ideological articulations of Islam, whereas wasathiyah by definition rejects such rigid tendencies (Fahri & Zainuri, 2020). Thus, this study's findings indirectly reinforce Kuran's argument: it is not religion itself that hinders economic dynamics, but rather exclusive religious articulations that are closed off from contemporary market institutions.

Social Capital as a Structural Bridge: Answering the "What" Question

The findings on the second pillar answer the study's second objective: analyzing the role of religious-community-based social capital in driving the economic participation of groups underserved by formal financial institutions. The results show that religious institutions mosques, majelis taklim, and pesantren serve a dual function as centers of spiritual guidance and as nodes in economic networks, with Islamic microfinance institutions such as BMT representing the most concrete manifestation of this dual function (Laili & Kusumaningtias, 2020).

Interpretation: Why Community Trust Can Replace Formal Collateral

Theoretically, the finding that trust among community members can function as a form of social collateral replacing formal collateral can be explained through Coleman's (1988) and Putnam's (2000) concept of social capital, which emphasizes that norms of reciprocity and networks of trust reduce socio-economic transaction costs. In the context of Islamic microfinance institutions, the transaction costs typically absorbed through formal collateral mechanisms are replaced by social monitoring mechanisms embedded in congregational and community relationships. Fathy (2019) refers to this function as a conceptual framework that drives the success of inclusive development, and this study's findings provide concrete evidence of how that framework operates at the level of sharia-based microfinance institutions.

The finding regarding the dual function of social capital as bridging capital and bonding capital is also in line with an ethnographic study of interfaith cooperation among lecturers (Syafi'i, 2025b), which shows that cross-community interaction strengthens the cohesion that is a prerequisite for economic trust. This similarity of pattern both at the congregational level and the academic level suggests that the mechanism of social trust formation is relatively consistent across contexts, even though its intensity and form differ.

Consistency and Gaps with Previous Research

This finding is consistent with Laili and Kusumaningtias (2020), who affirm the effectiveness of BMT in reaching grassroots MSMEs. However, that study like most research on Islamic financial inclusion tends to position social capital as an implicit variable or a supporting condition, rather than as an explicitly analyzed mechanism. This study contributes by asserting social capital as a central mechanism not merely context that explains why religious-community-based microfinance institutions are more effective at reaching marginalized groups than conventional formal financial institutions.

Literacy as a Differentiating Factor: Answering the "What Else" Question

The findings on the third pillar the gap between the level of inclusion and Islamic financial literacy (Otoritas Jasa Keuangan, 2023; Puspitasari et al., 2020) provide an important nuance that completes the answer to the research question. If wasathiyah values and social capital explain why communities are willing and able to participate in a sharia-based economy, literacy explains the extent to which that participation is carried out consciously and sustainably, rather than merely following the community's social current.

Interpretation: Why the Literacy-Inclusion Gap Occurs

The literacy-inclusion gap phenomenon identified in this study can be explained by the argument that Islamic financial inclusion in many Muslim communities across the Indonesian archipelago occurs through the pathway of social trust and religious affiliation (social capital), rather than through adequate financial literacy understanding. In other words, social capital can drive economic participation faster than the growth of literacy itself. This condition is consistent with the findings of Fadilah and Lubis (2024) that increased Islamic financial literacy correlates with more rational investment decisions—implying that without adequate literacy, people's economic decisions tend to be more vulnerable to risk and less optimal in the long term.

Consistency and Differences with Previous Research

Findings on the role of sharia business digitalization as a pathway to literacy (Fitri et al., 2023) and the contribution of literacy-inclusion to regional economic growth (Hamidi et al., 2023) are consistent with this study. However, previous research has generally discussed Islamic financial literacy as a standalone issue, separate from considerations of religious values or community social capital. This study offers a different perspective by asserting that literacy is not an independent prerequisite, but a variable that is interrelated with and dependent on the quality of social capital and the orientation of the moderation values that surround it a linkage that is relatively rarely discussed in an explicit and integrative manner in the literature on Islamic financial inclusion in Indonesia.

The MML Model in a Broader Context

Overall, the integration of the three pillars into the MML Model (Moderation–Social Capital–Literacy) answers the third objective as well as the main research question of this study. The finding that the three

pillars are mutually reinforcing and cannot stand alone aligns with the idea of the mosaic of inclusivity and the transformation of wasathiyah values in the global era (Syafi'i, 2026b), which affirms that the success of socio-economic inclusion depends on cross-dimensional synergy rather than the strengthening of a single aspect in isolation.

In a broader context, these findings contribute to the ongoing debate about the relationship between religion and economic development, which has long been polarized between optimistic views (Chapra, 2000; Al-Qaradhawi, 1997) and skeptical views (Kuran, 2004). The MML Model offers a middle path by showing that religious values can drive inclusive economics, but only when supported by adequate relational mechanisms (social capital) and technical capacity (literacy) not by religious values alone operating automatically. The practical implications of this model strengthening moderation curricula based on economic literacy, strengthening the role of majelis taklim and pesantren as social capital nodes, and cross-institutional policy synergy (Syafi'i et al., 2025) affirm that building an inclusive economy grounded in Islamic values requires an approach that goes beyond purely technocratic policy, as argued in the Introduction.

Limitations and Directions for Future Research

This study has limitations as a descriptive-analytical literature review, meaning the MML Model formulated here remains conceptual and has not yet been empirically tested in a specific community context. Several directions for future research are recommended:

- a. Empirical testing of the MML Model in specific Muslim communities, for example through case studies of pesantren or majelis taklim networks that have developed Islamic microfinance institutions.
- b. Development of quantitative measurement instruments for each pillar (moderation, social capital, literacy) to statistically test the strength of the relationships among the pillars.
- c. Comparative studies across regions to examine variations in the effectiveness of the MML Model in different socio-cultural contexts, including regions with lower levels of digital and financial literacy.
- d. Further exploration of the role of Islamic financial technology (fintech) as an accelerator of literacy within the MML Model framework, given that findings on sharia business digitalization (Fitri et al., 2023) remain at an early stage in the literature.

4. CONCLUSION

This study shows that inclusive economic development cannot be adequately addressed through a technocratic approach alone, but requires a foundation of values that live within society. Based on the conceptual synthesis of literature undertaken in this study, three principal findings can be summarized. First, Islamic wasathiyah through the values of tawazun, i'tidal, and tasamuh functions as a public ethic that directs economic policy toward distributive justice, rather than serving merely as a theological norm confined to the spiritual domain. Second, religious-community-based social capital appears, based on the reviewed literature, to function as a structural mechanism that substitutes for formal collateral through trust and social monitoring, suggesting its potential as a pathway for reaching groups outside the formal financial system though the extent of this effectiveness relative to other inclusion strategies has not been empirically tested within this study and warrants further investigation. Third, Islamic financial literacy emerges as a differentiating variable that may determine whether the public's economic participation is rational and sustainable, or merely follows the current of community trust without adequate understanding.

Theoretical contribution. The principal theoretical contribution of this study is the conceptual proposition that these three pillars moderation, social capital, and literacy do not function as parallel, independent variables, but as a single interdependent value ecosystem, formalized here as the MML Model. This model extends existing literature, which has generally examined wasathiyah, social capital, and financial literacy as separate strands of inquiry, by proposing a sequential and mutually reinforcing relationship among them: moderation values shape the normative quality of social capital, social capital provides structural access to economic opportunity, and literacy converts that access into sustained participation. As a conceptual model derived from library research, the MML Model should be understood as a theoretical proposition awaiting empirical validation, rather than as an established causal framework.

Practical implications. If substantiated by future empirical research, the model suggests that equitable economic development for the Muslim community would benefit from stronger policy synergy among the Ministry of Religious Affairs, financial authorities, and educational institutions particularly through curricula that integrate religious moderation with economic and digital literacy, and through cross-institutional programs that leverage majelis taklim and pesantren networks as channels for expanding access to sharia financial institutions.

Limitations and directions for future research. This study is subject to several limitations that should be acknowledged. First, as a descriptive-analytical library research, its findings are derived from conceptual synthesis of secondary literature rather than primary empirical data, and therefore the proposed relationships within the MML Model while theoretically grounded have not been statistically or empirically tested. Second, the literature reviewed is predominantly drawn from the Indonesian context, which may limit the generalizability of the model to other Muslim-majority societies with different socio-institutional configurations. Third, the study does not measure the relative weight or interaction effects among the three pillars, leaving open the question of which pillar exerts the strongest influence under varying socio-economic conditions. Future research employing quantitative or mixed-methods approaches such as structural equation modeling or comparative case studies across majelis taklim and pesantren communities is therefore needed to empirically test the validity, generalizability, and practical effectiveness of the MML Model before it can be confidently recommended as a basis for policy design.

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