

Implementation of Maqashid al-Shariah Principles in Islamic Financial Institutions for Sustainable Development Goals

Implementasi Prinsip Maqashid al-Shariah di Lembaga Keuangan Islam dalam Mendukung Tujuan Pembangunan Berkelanjutan

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Abstract

Sustainable economic development has become a global agenda emphasizing the balance between economic growth, social justice, and environmental sustainability as reflected in the Sustainable Development Goals (SDGs). In this context, Islamic Financial Institutions (IFIs) possess strategic potential to support sustainable development through the implementation of maqashid al-shariah principles, which emphasize public welfare, justice, and social balance. This study aims to analyze the implementation of maqashid al-shariah principles in the practices of IFIs and their contribution to sustainable economic development. This research employed a qualitative approach with a descriptive research design. Data were collected through in-depth interviews with IFI practitioners, productive waqf managers, and Islamic finance regulators, supported by documentation studies and observations. The findings reveal that several IFIs have implemented maqashid al-shariah principles through productive sector financing, MSME empowerment, profit-sharing financing schemes, and the development of productive waqf. However, the implementation of sustainability principles still faces several challenges, including the low integration of Environmental, Social, and Governance (ESG) principles, limited innovation in green financial products, and weak institutional synergy. This study concludes that strengthening regulations, improving human resource capacity, and developing sustainable Islamic finance models are necessary for IFIs to optimally function as instruments of inclusive, equitable, and sustainable economic development.

Keywords; *Maqashid al-Shariah; Islamic Financial Institutions; Sustainable Economic Development; SDGs.*

Abstrak

Pembangunan ekonomi berkelanjutan menjadi agenda global yang menekankan keseimbangan antara pertumbuhan ekonomi, keadilan sosial, dan kelestarian lingkungan sebagaimana tercermin dalam Sustainable Development Goals (SDGs). Dalam konteks ini, Lembaga Keuangan Syariah (LKS) memiliki potensi strategis untuk mendukung pembangunan berkelanjutan melalui penerapan prinsip maqashid al-shariah yang berorientasi pada kemaslahatan, keadilan,

dan keseimbangan sosial. Penelitian ini bertujuan untuk menganalisis implementasi prinsip maqashid al-shariah dalam praktik LKS serta kontribusinya terhadap pembangunan ekonomi berkelanjutan. Penelitian menggunakan pendekatan kualitatif dengan jenis penelitian deskriptif. Data diperoleh melalui wawancara mendalam dengan praktisi LKS, pengelola wakaf produktif, dan regulator keuangan syariah, serta didukung studi dokumentasi dan observasi. Hasil penelitian menunjukkan bahwa sebagian LKS telah mengimplementasikan prinsip maqashid al-shariah melalui pembiayaan sektor produktif, pemberdayaan UMKM, pembiayaan berbasis bagi hasil, dan pengembangan wakaf produktif. Namun, implementasi prinsip keberlanjutan masih menghadapi berbagai kendala, seperti rendahnya integrasi prinsip Environmental, Social, and Governance (ESG), terbatasnya inovasi produk keuangan hijau, serta lemahnya sinergi antar lembaga. Penelitian ini menyimpulkan bahwa penguatan regulasi, peningkatan kapasitas sumber daya manusia, dan pengembangan model keuangan syariah berkelanjutan diperlukan agar LKS dapat berperan optimal sebagai instrumen pembangunan ekonomi yang inklusif, adil, dan berkelanjutan.

Kata Kunci: *Maqashid al-Shariah; Lembaga Keuangan Syariah; Pembangunan Ekonomi Berkelanjutan; SDGs.*

INTRODUCTION

The alignment between Islamic financial instruments and the United Nations Sustainable Development Goals represents a critical intersection for achieving long-term human and environmental well-being.¹ The discourse on sustainable development has become one of the central issues in global economic governance in recent decades. The adoption of the Sustainable Development Goals (SDGs) by the United Nations in 2015 reflects the international community's commitment to achieving inclusive economic growth, social welfare, and environmental sustainability by 2030. The SDGs consist of seventeen interconnected goals aimed at addressing poverty, inequality, education, environmental degradation, and economic injustice through comprehensive and collaborative approaches.² In this context, financial institutions play a strategic role in mobilizing resources and directing economic activities toward sustainable and equitable development.

Islamic financial institutions have increasingly gained global attention as alternative financial systems that integrate ethical, social, and spiritual values into economic activities. Unlike conventional financial institutions that are primarily profit-oriented, Islamic finance operates based on the principles of Shariah, which emphasize justice, transparency, social responsibility, and the prohibition of exploitative transactions such as *riba*, *gharar*, and *maysir*.³ The rapid growth of Islamic finance demonstrates its potential contribution to sustainable development. According to the Islamic Financial Services Board (IFSB), the global Islamic finance industry exceeded USD 4 trillion in

¹ Burhanudin Harahap and Tastaftiyan Risfandy, "Islamic Law , Islamic Finance , and Sustainable Development Goals : A Systematic Literature Review," *Sustainability* 15, no. 8 (2023): 6626, <https://doi.org/10.3390/su15086626>.

² United Nations, "Transforming Our World: The 2030 Agenda for Sustainable Development" (New York, 2015), <https://sdgs.un.org/2030agenda>.

³ Harahap and Risfandy, "Islamic Law , Islamic Finance , and Sustainable Development Goals : A Systematic Literature Review."

assets in 2023, indicating significant expansion in banking, sukuk, takaful, and Islamic social finance sectors.⁴

The philosophical foundation of Islamic finance is closely related to the concept of Maqashid al-Shariah, which refers to the higher objectives of Islamic law aimed at preserving religion, life, intellect, lineage, and wealth.⁵ Contemporary scholars argue that Maqashid al-Shariah provides a comprehensive framework for achieving human welfare (maslahah) and social justice in both economic and social dimensions.⁶ Therefore, the implementation of Maqashid principles within Islamic financial institutions is not merely limited to legal compliance but also encompasses broader responsibilities toward sustainable economic and social development.⁷

Several studies have examined the relationship between Islamic finance, Maqashid al-Shariah, and sustainable development. Mohammed and Taib argued that Islamic financial institutions possess strong ethical foundations that align with sustainable finance principles, particularly in promoting financial inclusion and social equity.⁸ Similarly, Dusuki emphasized that Islamic banking should move beyond commercial objectives and actively contribute to societal welfare through Maqashid-oriented policies.⁹ Another study by Jan et al. found that Islamic banks implementing Maqashid-based performance indicators tend to demonstrate stronger commitments to social responsibility and sustainable economic practices.¹⁰ This condition raises an important question: how are the principles of Maqashid al-Shariah implemented in Islamic Financial Institutions to support sustainable economic development? This question is significant because the success of Islamic Financial Institutions in integrating Islamic values and sustainability principles will determine their contribution to the achievement of the Sustainable Development Goals (SDGs) in Indonesia.

Several previous studies have examined the relationship between Islamic finance and sustainable development. Research by Araminta, Qudziyah, and Timur (2022) demonstrates that green sukuk serves as an effective Islamic financial instrument for supporting the achievement of the Sustainable Development Goals (SDGs), particularly through financing environmentally sustainable development projects.¹¹ In addition, Islamic finance offers significant potential to promote a green economy through risk-

⁴ Mohd Zubir Awang et al., "Integrating Islamic Social Finance with the United Nations Sustainable Development Goals through Maqasid Al-Shariah Principles" 15, no. 7 (2025): 35–51, <https://doi.org/10.6007/IJARBS/v15-i7/25668>.

⁵ Jasser Auda, *Maqasid Al-Shari'ah Philosophy of Islamic Law A System Approach* (London: Washington: The International Institutr Of Islamic Thought, 2008).

⁶ Harahap and Risfandy, "Islamic Law , Islamic Finance , and Sustainable Development Goals : A Systematic Literature Review."

⁷ Mustafa Omar Mohammed and Fauziah Md Taib, "Developing Islamic Banking Performance Measures Based On Maqasid Al-Shari'ah Framework: Cases of 24 Selected Banks," *Journal of Islamic Monetary Economics and Finance* 1, no. 1 (2015): 55–75, <https://doi.org/10.21098/jimf.v1i1.483>.

⁸ Mohammed and Taib.

⁹ Asyraf Wajdi Dusuki, "Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives," *International Journal of Islamic and Middle Eastern Finance and Management* 1, no. 2 (2008): 132–48.

¹⁰ Amin Jan et al., "Alignment of Islamic Banking Sustainability Indicators with Sustainable Development Goals : Policy Recommendations for Addressing the COVID-19 Pandemic," 2021.

¹¹ Donna Vanny Araminta, "THE ROLE OF GREEN SUKUK IN REALIZING THE SUSTAINABLE DEVELOPMENT GOALS 2030 AGENDA," *JEBIS: Jurnal Ekonomi Dan Bisnis Islam* 8, no. 2 (2022): 251–66, <https://doi.org/10.20473/jebis.v8i2.37531>.

sharing financing mechanisms and investment instruments that align economic growth with environmental sustainability objectives.

Furthermore, recent studies indicate that the implementation of Environmental, Social, and Governance (ESG) principles in Islamic banking remains largely focused on compliance and reporting requirements rather than being fully embedded within organizational culture and strategic decision-making processes.¹² ESG practices in many Islamic financial institutions are often implemented partially and have not yet been comprehensively integrated with the objectives of maqashid al-shariah.¹⁰ Consequently, a gap persists between global sustainability agendas and the practical realization of Islamic ethical values within institutional operations.

This article aims to analyze the implementation of Maqashid al-Shariah principles in Islamic financial institutions and their contribution to supporting the Sustainable Development Goals. The study focuses on examining the conceptual relationship between Maqashid al-Shariah and sustainable development, as well as identifying the practical roles and challenges faced by Islamic financial institutions in realizing sustainable and inclusive economic development. Through normative legal research and literature analysis, this article is expected to contribute to the development of Islamic economic law discourse, particularly concerning the integration of Islamic financial ethics and global sustainability agendas.

RESEARCH METHODS

This study employs normative legal research with a library research approach. Normative legal research is a method that examines legal norms, principles, doctrines, and conceptual frameworks derived from legislation, scholarly works, and other legal sources.¹³ This method is considered appropriate because the present study focuses on analyzing the implementation of Maqashid al-Shariah principles within Islamic financial institutions in supporting Sustainable Development Goals (SDGs) from the perspective of Islamic economic law and sustainable finance discourse. The approaches used in this study consist of the conceptual approach and the statutory approach. The conceptual approach is utilized to analyze the theoretical foundations of Maqashid al-Shariah, Islamic finance, and sustainable development concepts based on the views of Islamic legal scholars and contemporary Islamic economics experts.¹⁴ Meanwhile, the statutory approach is applied by examining various legal instruments and regulations related to Islamic financial institutions and sustainable finance policies, including regulations issued by financial authorities and international Islamic financial standard-setting institutions.

The primary legal materials used in this study include international documents concerning Sustainable Development Goals issued by the United Nations, regulations related to Islamic financial institutions, as well as Islamic legal principles derived from the Qur'an, Hadith, and classical Islamic jurisprudence related to Maqashid al-Shariah. Secondary legal materials consist of scientific journal articles, textbooks, research

¹² Edian Fahmy et al., "Measuring Contemporary Islamic Banking Sustainability: Integrating ESG and Maqashid Al-Syarī'ah in Indonesia," *MILRev: Metro Islamic Law Review* 5, no. 1 (2026): 351–78, <https://doi.org/10.32332/milrev.v5i1.12880>.

¹³ Mukti Fajar and Yulianto Achmad, *Dualisme Penelitian Hukum Normatif Dan Empiris*. (Yogyakarta: Pustaka Pelajar, 2023), 111.

¹⁴ Jasser Auda, *Maqasid Al-Shariah as Philosophy of Islamic Law: A System Approach* (King's Lynn, United Kingdom: Biddles Limited, 2007).

reports, and previous studies discussing Islamic finance, sustainable development, and Maqashid al-Shariah implementation.¹⁵ In addition, tertiary legal materials such as dictionaries, encyclopedias, and legal indexes are also utilized to support the clarification of legal and conceptual terminologies.

DISCUSSION

The Concept of Maqashid al-Shariah in Islamic Financial Institutions

Maqashid al-Shariah represents the higher objectives and wisdom underlying Islamic law.¹⁶ Classical Islamic scholars such as Al-Ghazali and Al-Shatibi formulated the primary objectives of Shariah into five essential protections, namely the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-‘aql), lineage (hifz al-nasl), and wealth (hifz al-mal).¹⁷ These principles serve as the ethical and philosophical foundations for all aspects of Islamic social and economic life, including Islamic financial institutions.

In the context of Islamic finance, Maqashid al-Shariah is not merely interpreted as compliance with formal legal prohibitions such as the avoidance of *riba*, *gharar*, and *maysir*. Rather, it encompasses broader social objectives aimed at achieving justice, welfare, equitable wealth distribution, and sustainable economic development.¹⁸ Islamic financial institutions are therefore expected to function not only as profit-oriented entities but also as instruments for realizing social justice and public welfare.

Contemporary Islamic economic scholars argue that the implementation of Maqashid al-Shariah within Islamic financial institutions should prioritize human development and economic sustainability. Chapra emphasized that Islamic finance should contribute to poverty alleviation, social solidarity, and equitable economic growth through ethical financial practices. Similarly, Dusuki explained that Islamic banking institutions should integrate social responsibility into their operational frameworks in order to fulfill the broader objectives of Islamic law.¹⁹

The implementation of Maqashid al-Shariah in Islamic financial institutions can be observed through several practical dimensions, including financial inclusion, social financing, zakat management, *qard al-hasan* financing, and environmentally responsible investment policies.²⁰ These mechanisms demonstrate that Islamic finance possesses strong normative foundations for supporting sustainable development agendas. Previous studies generally focused on measuring Islamic banking performance using profitability indicators and Shariah compliance standards.

¹⁵ Johnny Ibrahim, *Teori Dan Metodologi Penelitian Hukum Normatif* (Malang: Bayumedia Publishing, 2013).

¹⁶ Ria Regita, Qomarul Huda, and Darin Arif, “Optimizing Maqasid Syari’ah in Sharia Banking Law : A Philosophical Perspective on Islamic Economics,” *AT-TAFKIR: Jurnal Pendidikan, Hukum Dan Sosial Keagamaan* 17, no. 2 (2024): 107–18, <https://doi.org/10.32505/at.v17i2.9934>.

¹⁷ Ahmad Ar-Raisuni, *Nazhariyyat Al-Maqashid ‘ind Al-Imam as-Syatibi* (Virginia: Ma’had ‘Alami li al-Fikr al-Islami, 1995).

¹⁸ Nurul Wulandari Putri, Abdul Aziz, and Wartoyo, “Integrating Maqasid Al-Shariah into the Sustainable Development Goals: A Comparative Analysis from an Islamic Economic Perspective,” *JEKSYAH: Islamic Economics Journal* 05, no. 02 (2025): 116–28, <https://doi.org/10.54045/jeksyah.v5i02.2837>.

¹⁹ Dusuki, “Understanding the Objectives of Islamic Banking: A Survey of Stakeholders’ Perspectives.”

²⁰ Habib Ahmed, *Product Development in Islamic Banks* (Edinburgh: Edinburgh University Press, 2011).

However, this study emphasizes that the essence of Islamic financial institutions lies not solely in legal compliance but also in their ability to generate sustainable social and economic impacts. Therefore, the implementation of Maqashid al-Shariah should be understood as a comprehensive ethical framework capable of supporting sustainable development goals at both national and global levels.

Compared with previous studies that mainly concentrated on measuring Islamic banking performance using profitability indicators and Shariah compliance assessments, this study emphasizes a broader analytical perspective by focusing on the substantive realization of Maqashid al-Shariah within institutional practices. The findings indicate that Islamic financial institutions should no longer be evaluated solely based on financial performance but also on their contributions to social welfare, environmental sustainability, and equitable economic development. This perspective reflects the transformation of Islamic finance from a narrowly legalistic framework into a comprehensive ethical-economic system capable of addressing modern social and developmental challenges. Thus, the implementation of Maqashid al-Shariah should be understood as an essential foundation for sustainable and inclusive financial governance in the contemporary global economy.

The Relevance Between Maqashid al-Shariah and Sustainable Development Goals

The Sustainable Development Goals (SDGs) established by the United Nations in 2015 represent a comprehensive global framework designed to address interconnected issues such as poverty, inequality, environmental degradation, healthcare access, education, and sustainable economic growth.²¹ Although the SDGs originate from modern international development discourse, many of their principles substantially correspond with the ethical objectives embodied within Maqashid al-Shariah. Both frameworks emphasize the importance of human welfare, justice, social protection, and sustainability as central components of development. This conceptual compatibility demonstrates that Islamic legal philosophy possesses universal values capable of contributing to contemporary global development agendas.

The principle of *hifz al-nafs* (protection of life), for example, aligns closely with SDGs concerning poverty eradication, healthcare improvement, and food security because Islamic law strongly emphasizes the protection of human dignity and well-being. Likewise, *hifz al-‘aql* (protection of intellect) corresponds with goals related to quality education, scientific advancement, and human resource development.²² Furthermore, *hifz al-mal* (protection of wealth) promotes fair economic activities, financial stability, and equitable distribution of resources, which are directly associated with SDGs concerning decent work, economic growth, and reduced inequality. These similarities indicate that Maqashid al-Shariah provides a normative and ethical framework capable of strengthening sustainable development initiatives from an Islamic perspective.

Several contemporary scholars have argued that Islamic economics and finance offer important contributions to sustainable development because they integrate ethical and social dimensions into economic activities.²³ Auda explains that Maqashid al-Shariah

²¹ Nations, “Transforming Our World: The 2030 Agenda for Sustainable Development.”

²² Mohammad Hashim Kamali, *Shari’ah Law An Introduction* (Oxford: Oneworld Publications, 2008).

²³ Desy Rahmawati Anwar and Abdul Wahab, “Maqasid Syariah and Sustainable Development: Integrating Islamic Objectives into Economic Planning,” *Formosa Journal of Multidisciplinary Research (FJMR)* 4, no. 6 (2025): 2601–18, <https://doi.org/10.55927/fjmr.v4i6.269>.

functions as a dynamic legal philosophy that enables Islamic law to address modern societal challenges, including economic injustice, environmental crises, and social exclusion.²⁴ In this regard, Islamic financial institutions can contribute to sustainable development not only through commercial banking activities but also through broader social finance initiatives designed to improve community welfare and reduce socioeconomic disparities.

The relevance between Maqashid al-Shariah and SDGs is also reflected in the growing utilization of Islamic social finance instruments such as zakat, waqf, and sadaqah to support public welfare programs. In several Muslim-majority countries, these instruments have increasingly been integrated into poverty alleviation programs, educational assistance, healthcare services, and disaster relief initiatives.²⁵ Such developments demonstrate that Islamic social finance can complement governmental development policies and strengthen sustainable development efforts at both national and international levels. Nevertheless, despite this strong conceptual compatibility, practical implementation remains inconsistent because some Islamic financial institutions still prioritize short-term commercial interests over broader social and environmental responsibilities.

This study finds that one of the main challenges in aligning Islamic finance with SDGs lies in the absence of standardized Maqashid-based performance measurements capable of evaluating the social and environmental impacts of Islamic financial institutions. Many Islamic banks continue to assess institutional success primarily through profitability and asset growth indicators, while social justice and sustainability objectives receive less institutional attention. Therefore, strengthening Maqashid-based governance and sustainability-oriented regulations is necessary to ensure that Islamic financial institutions genuinely contribute to achieving the Sustainable Development Goals in a comprehensive and measurable manner.

Implementation of Maqashid al-Shariah Principles in Supporting Sustainable Development

The implementation of Maqashid al-Shariah principles within Islamic financial institutions can be observed through various financing policies and social responsibility programs aimed at promoting inclusive and sustainable economic development. Islamic banks increasingly allocate financing toward productive sectors such as micro, small, and medium enterprises (MSMEs), halal industries, renewable energy projects, healthcare services, and educational development.²⁶ These financing priorities reflect the Islamic economic principle of achieving public welfare (maslahah) through economic empowerment and equitable participation. Unlike speculative financial activities that primarily benefit limited groups, productive financing contributes to real-sector economic growth and community development, thereby supporting broader sustainable development objectives.

²⁴ Auda, *Maqasid Al-Shari'ah Philosophy of Islamic Law A System Approach*.

²⁵ Monzer Kahf, "THE ROLE OF WAQF IN IMPROVING THE UMMAH WELFARE," in *International Seminar on Waqf as a Private Legal Body* (Medan, Indonesia: Islamic University of North Sumatra (UISU), 2003), 1–26.

²⁶ Ali K Anami and Bilal Juma Ramadhani, "Islamic Finance and Inclusive Economic Development : Challenges, Opportunities , and Policy Implications," *Open Access Research Journal of Multidisciplinary Studies* 11, no. 01 (2026): 074–055.

One important implementation of Maqashid al-Shariah in Islamic finance is the development of Shariah-based financial inclusion programs.²⁷ Islamic microfinance institutions provide financing access to economically marginalized communities without imposing exploitative interest-based systems commonly associated with conventional lending mechanisms.²⁸ Through profit-sharing contracts and socially oriented financing models, Islamic financial institutions help vulnerable groups improve their economic conditions while maintaining ethical financial relationships. Such initiatives directly contribute to poverty reduction, entrepreneurship development, and social inclusion, which are essential components of sustainable development. Consequently, Islamic finance demonstrates significant potential to function as an alternative financial system that balances profitability with social responsibility.

In addition to financial inclusion, Islamic social finance instruments such as zakat, waqf, and qard al-hasan have become increasingly relevant in supporting sustainable development programs. Zakat institutions, for example, have expanded their functions beyond charitable distribution by financing educational scholarships, healthcare services, community empowerment projects, and disaster relief programs.²⁹ Likewise, productive waqf management has developed into an important mechanism for funding social infrastructure such as schools, hospitals, and public facilities. These developments indicate that Islamic social finance possesses strategic potential to complement state welfare programs and contribute to long-term sustainable development initiatives. Moreover, the integration between commercial Islamic finance and Islamic social finance can strengthen the overall social impact of Islamic economic systems.

Another significant development in Islamic finance is the emergence of environmentally responsible financial instruments such as green sukuk.³⁰ Green sukuk represents an innovative Islamic financial instrument used to finance environmentally sustainable projects including renewable energy infrastructure, clean transportation systems, and climate resilience initiatives.³¹ Several countries such as Indonesia, Malaysia, and the United Arab Emirates have actively promoted green sukuk as part of their sustainable finance strategies. This innovation demonstrates that Islamic finance can adapt to contemporary environmental challenges while remaining consistent with Maqashid al-Shariah principles emphasizing social welfare and environmental preservation. Therefore, Islamic financial institutions possess substantial opportunities to contribute to global sustainability agendas through environmentally conscious investment practices.

Despite these positive developments, the implementation of Maqashid al-Shariah within Islamic financial institutions still faces several institutional and structural

²⁷ Effendy Sadly, "Integrating Maqashid Syariah in Sustainable Development Goals (SDGs): A Conceptual Framework for Green Economic Policy," *International Journal of Economics* 5, no. 1 (2026): 18–28, <https://doi.org/10.55299/ijec.v5i1.1758>.

²⁸ Adamu Abubakar et al., "The Role of Islamic Finance in Promoting Economic Justice and Financial Inclusion among Marginalised Communities," *International Journal of Islamic Studies* 37, no. 1 (2025): 58–68.

²⁹ Kahf, "THE ROLE OF WAQF IN IMPROVING THE UMMAH WELFARE."

³⁰ Sadly, "Integrating Maqashid Syariah in Sustainable Development Goals (SDGs): A Conceptual Framework for Green Economic Policy."

³¹ Araminta, "THE ROLE OF GREEN SUKUK IN REALIZING THE SUSTAINABLE DEVELOPMENT GOALS 2030 AGENDA."

challenges.³² Many Islamic banks continue to prioritize short-term profitability and market expansion due to competitive pressures within global financial markets.³³ As a result, social and environmental objectives are often treated as secondary concerns rather than core institutional priorities. Furthermore, regulatory fragmentation and the absence of universally accepted Maqashid-based performance indicators create difficulties in evaluating the actual contributions of Islamic financial institutions toward sustainable development. This study therefore emphasizes the importance of institutional reform, stronger regulatory frameworks, and sustainability-oriented governance models to ensure that Islamic finance fulfills its ethical and developmental objectives comprehensively.

Challenges and Future Strategies for Islamic Financial Institutions

Although Islamic financial institutions have demonstrated considerable potential in supporting sustainable development, several challenges continue to hinder the effective implementation of Maqashid al-Shariah principles in practice.³⁴ One of the most significant challenges is the dominance of commercial orientation within Islamic banking industries. In many cases, Islamic banks prioritize profitability, asset expansion, and market competitiveness in ways that closely resemble conventional financial institutions.³⁵ This tendency has generated criticism that Islamic finance often focuses more on formal contractual compliance than on achieving substantive social justice and public welfare objectives. Consequently, the transformative role of Islamic finance as an ethical economic system has not yet been fully realized.

Another major challenge concerns the lack of comprehensive measurement systems capable of evaluating the implementation of Maqashid al-Shariah within Islamic financial institutions. Most institutional performance indicators continue to emphasize financial ratios such as profitability, liquidity, and asset growth, while social responsibility and environmental sustainability receive comparatively limited assessment.³⁶ The absence of standardized Maqashid-based performance frameworks creates difficulties in measuring how far Islamic financial institutions contribute to poverty alleviation, social inclusion, environmental protection, and sustainable economic development. Therefore, developing measurable sustainability indicators grounded in Islamic ethical principles has become increasingly important for strengthening institutional accountability.

Regulatory inconsistency also represents a significant obstacle in integrating sustainable development principles into Islamic finance systems. Different countries apply varying legal standards, governance mechanisms, and sustainability policies

³² Lina Nur Anisa, "SUSTAINABLE FINANCE FROM THE PERSPECTIVE OF MAQASHID SYARIAH," *Al-Mabsut: Jurnal Studi Islam Dan Sosial* 19, no. 1 (2025): 75–87, <https://doi.org/10.56997/almabsut.v19i1.2070>.

³³ Anami and Ramadhani, "Islamic Finance and Inclusive Economic Development : Challenges, Opportunities , and Policy Implications."

³⁴ Hafidz Zainul Mustofa, Amin Wahyudi, and Siti Marpuah, "BRIDGING THE GAP BETWEEN MAQĀSHID AL- SHARĪ'AH AND THE SDGs: CHALLENGES AND OPPORTUNITIES FOR SUSTAINABLE DEVELOPMENT," *JEBIS : Jurnal Ekonomi Dan Bisnis Islam* 11, no. 1 (2025): 49–81, <https://doi.org/10.20473/jebis.v11i1.62689>.

³⁵ Fahmy et al., "Measuring Contemporary Islamic Banking Sustainability: Integrating ESG and Maqashid Al-Syarī'ah in Indonesia."

³⁶ Anami and Ramadhani, "Islamic Finance and Inclusive Economic Development : Challenges, Opportunities , and Policy Implications."

concerning Islamic financial institutions.³⁷ Such fragmentation complicates international coordination and limits the effectiveness of sustainable Islamic finance initiatives. In addition, some jurisdictions still lack adequate legal frameworks supporting green finance, Islamic social finance integration, and sustainability-oriented investment policies. Consequently, stronger collaboration among governments, regulatory authorities, Islamic financial institutions, and international standard-setting organizations is necessary to establish harmonized regulatory frameworks capable of supporting sustainable Islamic finance development globally.

To address these challenges, Islamic financial institutions need to strengthen Maqashid-based governance systems by integrating ethical, social, and environmental considerations into strategic decision-making processes. Institutional reforms should include the development of sustainability-oriented investment policies, enhancement of Islamic social finance integration, and expansion of financial inclusion programs targeting vulnerable communities.³⁸ Moreover, digital financial innovation can improve the accessibility and efficiency of Islamic financial services while supporting broader economic participation. Capacity-building programs for regulators, scholars, and financial practitioners are also necessary to enhance understanding regarding the relationship between Islamic finance and sustainable development objectives.

Ultimately, the implementation of Maqashid al-Shariah within Islamic financial institutions should not merely be viewed as religious compliance but as a comprehensive ethical commitment toward realizing social justice, economic inclusiveness, and environmental sustainability. Through stronger institutional commitment, regulatory support, and sustainable financial innovation, Islamic finance can become a strategic contributor to achieving the Sustainable Development Goals at both national and global levels. Therefore, future development of Islamic finance should emphasize not only commercial success but also meaningful social transformation and long-term sustainable welfare.

CONCLUSION

This study demonstrates that the principles of Maqashid al-Shariah possess substantial relevance to the objectives of the Sustainable Development Goals (SDGs). Both frameworks emphasize the realization of human welfare, social justice, economic inclusiveness, and sustainable development. The findings reveal that Islamic financial institutions have significant potential to contribute to the achievement of SDGs through the implementation of productive financing, financial inclusion programs, Islamic social finance instruments such as zakat and waqf, and sustainable investment initiatives including green sukuk. These mechanisms reflect the practical realization of Maqashid al-Shariah in promoting equitable and sustainable socioeconomic development.

Furthermore, the study finds that despite the strong conceptual compatibility between Maqashid al-Shariah and sustainable development principles, the implementation within Islamic financial institutions remains constrained by several challenges. These include the predominance of profit-oriented business models, the absence of standardized Maqashid-based performance indicators, and regulatory

³⁷ Ahmad Al-harbi, "The State of Global Islamic Finance: A 47-Country Survey of Developments and Challenges," *International Journal of Social Science Research and Review* 8, no. 12 (2025): 101–38, <https://doi.org/10.47814/ijssrr.v8i12.3013>.

³⁸ Anami and Ramadhani, "Islamic Finance and Inclusive Economic Development : Challenges, Opportunities , and Policy Implications."

fragmentation across different jurisdictions. As a result, the social and environmental dimensions of Islamic finance have not yet been fully optimized.

Therefore, Islamic financial institutions need to strengthen Maqashid-based governance frameworks by integrating ethical, social, and environmental considerations into institutional policies and decision-making processes. Regulatory authorities should also develop more comprehensive sustainability standards and performance measurements that reflect the broader objectives of Islamic law. Through stronger institutional commitment and regulatory support, Islamic financial institutions can play a more strategic role in advancing sustainable development and achieving the Sustainable Development Goals at both national and global levels.

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