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Maqāṣid al-Sharīʿah: Foundation for Sustainable Sharia Economic Development

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Abstract

Background: Sustainable economic development in Islamic economics requires an approach that goes beyond economic growth, financial accumulation, and formal *Shariah* compliance. *Maqāṣid al-Sharīʿah* provides a normative foundation for integrating *maṣlaḥah*, justice, social welfare, responsible wealth management, ethical governance, and environmental sustainability.

Methods: This study employs a qualitative normative-conceptual research design based on doctrinal and literature analysis. Classical Islamic legal thought is examined alongside contemporary scholarship on Islamic economics, Islamic finance, Islamic social finance, *Shariah* governance, ESG, financial innovation, ethical behaviour, and environmental sustainability.

Results: The findings demonstrate that *maṣlaḥah*, justice, social welfare, and *ḥifẓ al-māl* constitute the normative foundations of sustainable economic development. These principles can be operationalized through Islamic social finance, *Shariah* governance, accountability, ESG mechanisms, risk management, and sustainable financial innovation. However, formal *Shariah* compliance does not necessarily guarantee substantive sustainability outcomes.

Discussion: Sustainable Islamic economic development requires the integration of normative principles with institutional mechanisms and measurable performance. Governance, disclosure, ESG accountability, social finance, financial innovation, and risk management function as mechanisms for translating *maqāṣid* into institutional practice. Sustainability should therefore be assessed through economic inclusion, social resilience, responsible wealth creation, financial stability, environmental responsibility, and institutional accountability.

Conclusion: *Maqāṣid al-Sharīʿah* can function as an overarching evaluative framework for sustainable *Sharia* economic development by connecting Islamic normative objectives with substantive economic, social, financial, and environmental outcomes.

Novelty: This study develops an integrated analytical sequence—normative principle → institutional mechanism → measurable outcome—that connects classical *Maqāṣid al-Sharīʿah* with contemporary sustainability requirements and distinguishes substantive *maqāṣid*-oriented development from formal *Shariah* compliance.

Keywords: *Maqāṣid al-Sharīʿah*; sustainable economic development; Islamic economics; *Shariah* governance; ESG; Islamic finance.

INTRODUCTION

Sustainable economic development in Islamic economics requires a foundation that goes beyond economic growth, financial accumulation, and formal *Shariah* compliance toward human welfare, justice, ethical responsibility, and environmental sustainability. *Maqāṣid al-Sharīʿah* provides such a foundation through its emphasis on *maṣlaḥah* (public benefit), prevention of harm, and protection of essential human interests. Al-Shāṭibī's classical formulation establishes the basis for understanding Islamic law as oriented toward human

welfare, while Rahnema and Nomani (1992) place justice, welfare, and responsible economic organization within Islamic economic systems. Contemporary studies connect *maqāṣid* with economic development and welfare-oriented progress (Kusnan et al., 2022), ethical business sustainability (Fajar & Reynolds, 2024), and the actualization of Islamic objectives in finance (Monawer et al., 2021). Ishak and Asni (2020) further demonstrate its relevance to modern Islamic banking. These perspectives indicate that sustainable development in Islam should be assessed not only through economic efficiency, but also through its ability to generate *maṣlaḥah*, protect wealth (*ḥifẓ al-māl*), strengthen social welfare, and prevent harm. Thus, *maqāṣid* provides a normative foundation for connecting economic activity with justice, responsibility, and long-term human well-being.

The transformation of Islamic finance provides important institutional channels for operationalizing these objectives. Contemporary Islamic economic institutions encompass Islamic social finance, commercial finance, *waqf*, *zakat*, digital finance, capital markets, and sustainable investment. The integration of Islamic social and commercial finance can strengthen development outcomes (Maulina et al., 2023; Tamanni et al., 2022), while the evolution of *waqf* jurisprudence demonstrates the capacity of Islamic legal thought to respond to financial innovation (Abdullah, 2018). *Waqf* literacy supports institutional participation (Akbar & Kassim, 2023), while digitalization creates new opportunities and challenges for *maqāṣid*-oriented economic practices (Ahyani & Muhammad, 2025). Financial innovation also requires appropriate *Shariah* accounting (Menne et al., 2024), risk management in Islamic microfinance (Manan & Shafiai, 2015), and technological infrastructure (Gundogdu, 2016). At the investment level, *sukuk*, Islamic equities, and socially responsible Islamic funds have been examined in relation to sustainability and the Sustainable Development Goals (Billah & Adnan, 2024; Rehman et al., 2024; Yesuf & Aassouli, 2020; Delle Foglie & Keshminder, 2022). Green finance and Islamic digital currencies further demonstrate emerging connections between financial innovation and environmental sustainability (Annu & Tripathi, 2023; Ghaemi Asl et al., 2024).

However, the availability of Islamic financial instruments does not automatically guarantee substantive sustainable development. The critical question is whether normative commitments can be translated into measurable environmental, social, and governance outcomes. ESG (Environmental, Social, and Governance) is a contemporary framework for assessing environmental responsibility, social impact, and governance quality. In this study, ESG is positioned as a complementary assessment framework rather than a substitute for *maqāṣid*. Research indicates that *Shariah* governance quality is associated with ESG performance in Islamic banks (Boudawara et al., 2023), while Islamic governance can influence social performance (Meskovic et al., 2023). Board structures and *Shariah* supervisory boards also influence sustainability reporting (Wijayanti & Setiawan, 2023), and ethical disclosure strengthens accountability (Sencal & Asutay, 2020). Nevertheless, an Islamic label alone does not necessarily indicate superior ESG performance (Qoyum et al., 2022), while institutional capacity remains important for ESG adoption (Khamisu et al., 2024). Evidence concerning ESG and Islamic bank performance (Alghafes et al., 2024), socially responsible Islamic investment (Yesuf & Aassouli, 2020), and Islamic contributions to climate action (Turnbull, 2020) therefore reinforces the need to evaluate actual outcomes rather than formal identity. Financial stability is similarly important, including concerns about excessive money creation in Islamic banking (Ben Jedidia & Hamza, 2023).

Sustainability also depends on ethical behaviour, social inclusion, and the ability of economic actors to internalize Islamic values. Moral transaction modes contribute to banking sustainability (Aliyu et al., 2017), while customer *Shariah*-compliance behaviour is influenced by behavioural and contextual factors (Andespa et al., 2024). Islamic values may also encourage environmentally responsible entrepreneurship, as shown by the relationship between religiosity and green entrepreneurial intention in Indonesia (Pusparini et al., 2024). At the societal level, Islamic social well-being and economic justice have implications for welfare policy and peaceful coexistence (Ashafa & Raimi, 2024). Nevertheless, existing studies generally examine *maqāṣid*, social finance, governance, ESG, financial innovation, ethical behaviour, and environmental sustainability as separate dimensions. Consequently, a gap remains in explaining how these elements interact to generate measurable sustainable development outcomes. The central problem is therefore not the absence of Islamic normative principles or sustainable financial instruments, but the limited integration between normative objectives, institutional mechanisms, and measurable outcomes. Addressing this gap requires an analytical framework that connects Islamic values with institutional practices and evaluates their substantive consequences for economic and social development.

Accordingly, this study positions *Maqāṣid al-Sharīʿah* as an integrated foundation for sustainable *Shariah* economic development rather than merely a criterion of formal compliance. The study proposes the analytical sequence normative principle → institutional mechanism → measurable outcome. *Maṣlaḥah*, justice, social

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welfare, and *ḥifẓ al-māl* constitute the normative foundation; *Shariah* governance, accountability, ESG assessment, Islamic social finance, risk management, environmental responsibility, and financial innovation represent the institutional mechanisms; while economic inclusion, social resilience, environmental sustainability, financial stability, and ethical institutional performance constitute the expected outcomes. The study therefore addresses three objectives: (1) examining *maqāṣid*, *maṣlaḥah*, justice, and social welfare as foundations of sustainable development; (2) analyzing their operationalization through governance, ESG, Islamic social finance, environmental responsibility, and sustainable financial innovation; and (3) identifying institutional challenges in translating normative objectives into measurable outcomes. The novelty lies in integrating classical *maqāṣid* principles, contemporary Islamic financial mechanisms, and measurable sustainability outcomes within one analytical framework, thereby distinguishing substantive *maqāṣid*-oriented development from formal *Shariah* compliance.

LITERATURE REVIEW

Maqāṣid al-Sharīʿah provides a normative and evaluative foundation for sustainable economic development because it connects economic activity with *maṣlaḥah*, justice, human welfare, and prevention of harm. Al-Shāṭibī (2003) establishes the classical basis for understanding Islamic legal objectives through the realization of benefit and prevention of harm, while Rahnema and Nomani (1992) place justice, welfare, and responsible economic organization within Islamic economic systems. Contemporary research connects *maqāṣid* with economic development and welfare (Kusnan et al., 2022), modern Islamic banking (Ishak & Asni, 2020), and the actualization of Islamic objectives in Islamic finance (Monawer et al., 2021). Fajar and Reynolds (2024) further relate *maqāṣid* to ethical sustainability in business strategy. Its distributive dimension is also reflected in productive *zakat*, which can contribute to sustainable development objectives (Citaningati, 2024). Therefore, sustainable Sharia economic development should be understood not simply as economic expansion, but as development that produces welfare, equitable resource distribution, responsible wealth creation, and prevention of harm. Within this perspective, *ḥifẓ al-māl* should be understood broadly as responsible creation, preservation, circulation, and utilization of wealth for individual and collective welfare.

The realization of these objectives requires institutional governance capable of translating normative principles into measurable practices. *Shariah* governance represents an important bridge between Islamic values and sustainable institutional outcomes. Boudawara et al. (2023) demonstrate the relationship between *Shariah* governance quality and ESG performance in Islamic banks, while Meskovic et al. (2023) show that Islamic governance influences banks' social performance. The roles of boards of directors and *Shariah* supervisory boards in sustainability reporting further demonstrate the importance of institutional oversight (Wijayanti & Setiawan, 2023), while ethical disclosure strengthens accountability within Islamic banking (Sencal & Asutay, 2020). Leena Haniffah et al. (2023) demonstrate that Islamic principles can also be incorporated into organizational performance measurement. At the same time, Khamisu et al. (2024) identify institutional factors supporting ESG adoption, while Alghafes et al. (2024) demonstrate the relationship between ESG factors and Islamic banks' financial performance. Importantly, Qoyum et al. (2022) find that a *Shariah*-compliant label does not automatically guarantee superior ESG performance. Thus, *maqāṣid*-oriented governance requires a shift from formal compliance toward substantive accountability, ethical disclosure, ESG assessment, institutional oversight, and measurable social and environmental impact.

Islamic social finance and financial innovation constitute another important pathway through which *maqāṣid* can be operationalized. The integration of Islamic social and commercial finance can strengthen poverty reduction, inclusion, and productive investment (Maulina et al., 2023; Tamanni et al., 2022). The development of *waqf* jurisprudence illustrates the capacity of Islamic legal thought to respond to financial innovation (Abdullah, 2018), although its effectiveness also depends on adequate *waqf* literacy (Akbar & Kassim, 2023). Digitalization creates additional opportunities and risks for *maqāṣid*-oriented economic practices (Ahyani & Muhammad, 2025), while Islamic FinTech raises issues of digital risk, social justice, and financial inclusion (Alsaghir, 2023). Financial innovation also requires appropriate *Shariah* accounting structures (Menne et al., 2024). In sustainable investment, green *sukuk* and Islamic equities provide channels for addressing climate and geopolitical risks (Billah & Adnan, 2024), while socially responsible *sukuk* can contribute to financial-system sustainability (Delle Foglie & Keshminder, 2022). Islamic funds have also been examined in relation to socially responsible investment and the SDGs (Yesuf & Aassouli, 2020), while *Shariah*-compliant ETFs demonstrate the need to consider both ethical and financial performance (Prati et al., 2024). Green finance (Annu & Tripathi, 2023) and Islamic digital currencies linked with green investment (Ghaemi Asl et al., 2024) further expand the potential relationship between Islamic finance and environmental sustainability. These studies indicate that financial innovation

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contributes to sustainability when supported by governance, inclusion, risk management, and measurable social and environmental objectives.

Sustainable development also depends on the behaviour of economic actors, financial stability, and environmental responsibility. Moral transaction modes have been associated with banking sustainability (Aliyu et al., 2017), while customer *Shariah*-compliance behaviour is influenced by behavioural and contextual factors (Andespa et al., 2024). Pusparini et al. (2024) demonstrate the relationship between religiosity and green entrepreneurial intention in Indonesia, suggesting that Islamic values can encourage environmentally responsible economic participation. Ashafa and Raimi (2024) further connect Islamic social well-being and economic justice with welfare and peaceful coexistence. At the institutional level, risk management remains essential for sustainable financial inclusion, particularly in Islamic microfinance (Manan & Shafiai, 2015), while Ben Jedidia and Hamza (2023) highlight the importance of financial-system design in relation to excessive money creation. Hassan and Aliyu (2018) similarly show that Islamic banking research increasingly addresses governance, performance, risk, inclusion, and institutional development. Environmental responsibility is also integral to sustainable Islamic economics, with Turnbull (2020) highlighting Islamic contributions to climate action and environmental justice. Hakam and Hakam (2024) extend sustainability considerations to SME financing, indicating that sustainable development should encompass productive economic actors beyond major financial institutions. Collectively, these studies demonstrate that *maqāṣid*-oriented sustainability requires interaction among ethical behaviour, social inclusion, financial resilience, environmental responsibility, and institutional capacity.

Despite this extensive literature, important conceptual fragmentation remains. Existing studies have generated substantial knowledge on *maqāṣid* theory, economic justice, Islamic social finance, governance, ESG, financial innovation, digitalization, ethical behaviour, and environmental sustainability, but these dimensions are often examined independently. Evidence that Islamic identity does not automatically produce superior ESG performance (Qoyum et al., 2022), together with research emphasizing governance, risk, and institutional performance (Hassan & Aliyu, 2018), demonstrates the need to move beyond formal compliance toward measurable outcomes. Similarly, digital Islamic finance introduces new opportunities and risks (Alsaghir, 2023), while financial and technological innovation requires appropriate institutional infrastructure (Gundogdu, 2016). The literature on *zakat*, *waqf*, sustainable finance, *sukuk*, ESG, and Islamic investment therefore suggests that instruments already exist, but their contribution to *maqāṣid* depends on governance, accountability, institutional capacity, risk management, and outcome measurement. The principal research gap concerns operationalization: how can *Maqāṣid al-Sharīʿah* be systematically translated from normative objectives into institutional mechanisms and measurable sustainable economic outcomes? This study addresses that gap by integrating four dimensions: *maṣlaḥah*, justice, and social welfare; ethical and accountable *Shariah* governance; sustainable Islamic financial innovation; and responsible economic and environmental behaviour. These dimensions are organized through the analytical sequence normative principle → institutional mechanism → measurable outcome, positioning *Maqāṣid al-Sharīʿah* as an overarching framework for evaluating inclusive welfare, economic justice, ethical accountability, financial resilience, and environmental sustainability.

METHODS

This study employs a qualitative normative-conceptual research design to examine *Maqāṣid al-Sharīʿah* as a foundational framework for sustainable *Sharia* economic development. Rather than testing causal relationships statistically, the study develops a conceptual interpretation of how the objectives of Islamic law can guide economic development toward *maṣlaḥah*, justice, ethical responsibility, social welfare, and environmental sustainability. The research is primarily doctrinal and literature-based, combining classical Islamic legal thought with contemporary scholarship on Islamic economics, Islamic finance, governance, sustainability, ESG, social finance, and ethical economic behaviour. The principal normative source is *Al-Muwāfaqāt fī Uṣūl al-Sharīʿah* by al-Syāṭibī, particularly its conception of *maqāṣid* as the realization of benefits and prevention of harm in human affairs (Al-Syathibi, tt.). This classical foundation is interpreted alongside contemporary scholarship concerning *maqāṣid*-oriented economic development and ethical sustainability (Kusnan et al., 2022; Fajar & Reynolds, 2024). The literature was selected purposively from relevant academic publications, emphasizing studies directly addressing *maqāṣid*, Islamic economic development, economic justice, social welfare, ethical finance, *Shariah* governance, financial innovation, ESG, and environmental sustainability. The selected literature primarily covers publications from 2015 to 2024, while the classical work of al-Syāṭibī is retained as the principal normative reference. Studies were included when they provided substantive theoretical, conceptual, or empirical evidence relevant to the relationship between Islamic economic principles and sustainable development. This approach enables the study to interpret *maqāṣid al-Sharīʿah* not merely as a jurisprudential doctrine but as an analytical

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foundation for evaluating the substantive consequences of economic institutions, financial instruments, governance mechanisms, and development practices.

The analysis was conducted through thematic and conceptual analysis in several interconnected stages. First, relevant concepts, arguments, and findings were extracted from the selected literature and organized according to their relationship with sustainable *Sharia* economic development. Second, the extracted material was classified into three principal analytical dimensions corresponding to the research objectives: (1) *Maqāṣid al-Sharīʿah*, *maṣlaḥah*, and economic justice; (2) *Shariah* governance, ethical responsibility, and institutional sustainability; and (3) Islamic financial innovation, social finance, ESG, and sustainable economic development. These dimensions were derived from the intersection between the normative objectives of *maqāṣid* and the dominant themes identified in contemporary Islamic economic scholarship. Third, arguments and findings within each dimension were compared to identify convergences, complementary perspectives, and conceptual limitations. Particular attention was given to evidence concerning governance quality and ESG performance (Boudawara et al., 2023; Meskovic et al., 2023), Islamic performance measurement (Leena Haniffah et al., 2023), Islamic social and commercial finance (Maulina et al., 2023), *waqf* and financial innovation (Abdullah, 2018), sustainable investment and *sukuk* (Billah & Adnan, 2024; Rehman et al., 2024), and ethical economic behaviour (Aliyu et al., 2017). Fourth, the identified findings were interpreted through the broader objectives of *maqāṣid*, particularly the protection and advancement of religion, life, intellect, progeny, and wealth, while incorporating contemporary concerns relating to justice, human welfare, institutional accountability, and environmental sustainability (Kusnan et al., 2022; Ashafa & Raimi, 2024). The analytical process therefore moved from identification and classification toward comparison and conceptual synthesis, allowing individual findings from different areas of Islamic economics to be connected within a common *maqāṣid*-oriented framework.

To strengthen analytical credibility, the study applied conceptual triangulation by comparing classical normative foundations with contemporary theoretical, institutional, and empirical literature. Evidence from different research domains was not interpreted independently but examined according to its contribution to the broader objectives of sustainable *Sharia* economic development. For example, studies of *Shariah* governance, ethical disclosure, sustainability reporting, and Islamic performance measurement were compared to determine how normative principles can be translated into institutional accountability and measurable outcomes (Sencal & Asutay, 2020; Leena Haniffah et al., 2023; Wijayanti & Setiawan, 2023). Similarly, evidence concerning *waqf*, Islamic social finance, green *sukuk*, Islamic equities, and financial innovation was interpreted according to its potential contribution to social welfare, financial sustainability, and environmental responsibility (Abdullah, 2018; Maulina et al., 2023; Billah & Adnan, 2024). The analysis also considered behavioural and ethical dimensions, including *Shariah*-compliance behaviour, green entrepreneurial intention, Islamic microfinance, and social well-being (Andespa et al., 2024; Pusparini et al., 2024; Manan & Shafiai, 2015; Ashafa & Raimi, 2024). The final stage involved synthesizing these findings into an integrated conceptual interpretation in which economic efficiency, distributive justice, ethical conduct, institutional accountability, social welfare, and environmental responsibility are treated as mutually reinforcing dimensions rather than separate outcomes. The resulting framework positions *Maqāṣid al-Sharīʿah* as an overarching normative foundation capable of connecting Islamic legal objectives with contemporary requirements for sustainable economic development. This methodological process provides the analytical basis for the three Results and Discussion subthemes and supports the study's central proposition that sustainable *Sharia* economic development requires the integration of normative, institutional, financial, social, and environmental dimensions.

RESULTS AND DISCUSSION

Maqāṣid al-Sharīʿah, *Maṣlaḥah*, and Economic Justice as Foundations of Sustainable Development

The first finding demonstrates that *Maqāṣid al-Sharīʿah* provides a normative foundation for sustainable economic development by positioning *maṣlaḥah* (public benefit), justice, human welfare, and the responsible protection of wealth as interconnected objectives of economic activity. In the classical formulation of Al-Syathibi, the *maqāṣid* framework is oriented toward the realization of human welfare and the prevention of harm, thereby establishing a normative basis for evaluating whether social and economic arrangements genuinely serve human interests (Al-Syathibi, n.d.). This perspective distinguishes Islamic economic development from approaches that primarily measure progress through aggregate production, income, or financial accumulation. Economic development becomes meaningful when the creation and circulation of wealth contribute to human well-being and social stability. Kusnan et al. (2022) similarly explain that *Maqāṣid al-Sharīʿah* provides a conceptual basis for understanding economic development through welfare-oriented objectives rather than material growth alone. Fajar and Reynolds (2024) further connect *maqāṣid* with ethical sustainability by demonstrating its relevance to

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contemporary business strategy. Taken together, these perspectives indicate that sustainability within an Islamic economic framework should be understood not merely as the capacity of an economy to maintain growth over time, but as the capacity of economic institutions to generate lasting welfare while preventing social and economic harm.

The concept of *maṣlaḥah* provides the principal analytical bridge between *maqāṣid* and economic justice. If development is intended to realize public benefit, the distribution and accessibility of economic resources become central considerations. Rahnema and Nomani (1992) place justice and social welfare within the broader logic of Islamic economic systems, while Ashafa and Raimi (2024) demonstrate the continuing relevance of Islamic social well-being and economic justice for contemporary welfare policy. The implication is that economic growth cannot be considered sustainable when its benefits are concentrated while vulnerable groups remain excluded from productive resources and basic welfare. *Maqāṣid* therefore introduces a distributive criterion into sustainability: economic institutions should not only create wealth but also contribute to equitable access, social protection, and the reduction of structural deprivation. This interpretation also clarifies the meaning of *ḥifẓ al-māl* (protection of wealth). Protection of wealth should not be reduced to safeguarding private property or financial assets; rather, it includes establishing conditions in which wealth can be created, preserved, circulated, and utilized responsibly for individual and collective welfare. Economic justice thus becomes an intrinsic dimension of sustainable development rather than an external social policy attached to economic growth.

Islamic social finance provides an important institutional expression of this normative relationship between *maqāṣid*, *maṣlaḥah*, and distributive justice. *Zakat*, *waqf*, and *ṣadaqah* are not merely charitable instruments but mechanisms through which Islamic economic principles can address poverty, vulnerability, and unequal access to resources. Citaningati (2024), for example, links productive *zakat* with sustainable development objectives, indicating that *zakat* can move beyond short-term consumption support toward productive empowerment and the achievement of broader social development goals. Similarly, Abdullah (2018) demonstrates the historical evolution of *waqf* jurisprudence and its relationship with Islamic financial innovation, suggesting that *waqf* possesses institutional potential beyond conventional charitable practice. Akbar and Kassim (2023) further emphasize the importance of *waqf* literacy, which is relevant because the effectiveness of *waqf* depends not only on the existence of the instrument but also on public understanding, institutional management, and participation. These findings suggest that Islamic social finance can contribute to sustainability when it is designed to strengthen economic capabilities rather than merely redistribute temporary assistance. In this sense, *maqāṣid* transforms social finance from an episodic welfare mechanism into a potential instrument of long-term social resilience and inclusive development.

The sustainability contribution of these instruments becomes stronger when redistribution is connected with productive economic participation. The objective is not simply to transfer wealth from one group to another, but to create conditions through which disadvantaged communities can develop sustainable economic capabilities. Productive *zakat*, strategically managed *waqf*, and complementary forms of *ṣadaqah* can support education, healthcare, entrepreneurship, microeconomic activities, and community infrastructure, thereby connecting immediate welfare with longer-term economic resilience (Abdullah, 2018; Citaningati, 2024). This interpretation is consistent with the broader principle that economic resources should circulate within society and contribute to collective prosperity. It also reinforces the ethical dimension of economic sustainability identified by Fajar and Reynolds (2024), whereby business and economic decisions are evaluated according to their broader consequences for society. The analytical significance of this synthesis is that *maqāṣid* provides a criterion for distinguishing between economic growth that merely expands aggregate wealth and development that produces substantive *maṣlaḥah*. Accordingly, sustainability should encompass not only economic continuity but also distributive fairness, protection of vulnerable groups, and the strengthening of social and productive capacities.

Based on this synthesis, the first research objective can be answered by establishing that *Maqāṣid al-Sharīʿah* provides a normative architecture for sustainable economic development through the interconnected principles of *maṣlaḥah*, justice, protection of wealth, and social welfare. Its distinctive contribution is not simply to provide an Islamic justification for sustainability, but to establish an evaluative framework for determining whether economic development generates equitable and socially beneficial outcomes. The relationship can therefore be conceptualized as normative objective → economic principle → institutional instrument → sustainability contribution. *Maṣlaḥah* directs economic activity toward public welfare; justice requires equitable access and distribution; *ḥifẓ al-māl* encourages responsible wealth creation and protection; while Islamic social finance provides concrete mechanisms through which these principles can address poverty and vulnerability. This

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synthesis places economic justice at the centre of sustainable development and establishes the conceptual foundation for the next discussion, which examines how these normative principles can be operationalized through *Sharia* governance, ESG, environmental responsibility, and Islamic financial innovation.

Table 1. *Maqāṣid al-Sharīʿah* Dimensions and Economic Justice

***Maqāṣid* dimension**	**Economic principle**	**Islamic economic instrument**	**Sustainability contribution**
Maṣlaḥah	Public welfare	Islamic social finance	Inclusive welfare
Protection of wealth (*ḥifẓ al-māl*)	Fair and responsible wealth distribution	*Zakat* and *waqf*	Poverty reduction and economic resilience
Justice (*ʿadl*)	Equitable access to economic resources	*Zakat*, *ṣadaqah*, and *waqf*	Reduced inequality
Social welfare	Protection and empowerment of vulnerable groups	Productive *zakat* and *waqf*	Social resilience and inclusive development
Economic responsibility	Ethical wealth creation and circulation	*Sharia*-compliant economic and financial activities	Long-term economic sustainability

Source: Author's analysis, 2024.

Ethical Governance, Environmental Sustainability, and Sustainable Islamic Finance

The second finding demonstrates that the contribution of *Maqāṣid al-Sharīʿah* to sustainable economic development becomes more operational when its normative principles are translated into ethical governance, accountability, environmental responsibility, and financial innovation. The central analytical issue is therefore not whether Islamic finance is compatible with sustainability, but how *maqāṣid*-oriented values can influence institutional behaviour and financial decision-making. *Sharia* compliance establishes an important ethical boundary, yet compliance alone does not necessarily demonstrate that an institution has generated substantive social or environmental benefits. Boudawara et al. (2023) show that the quality of *Sharia* governance is associated with ESG performance in Islamic banks, while Meskovic et al. (2023) demonstrate the importance of national and individual Islamic governance for the social performance of Islamic banks. These findings suggest that governance functions as the institutional bridge between Islamic normative commitments and actual sustainability outcomes. Consequently, *Maqāṣid al-Sharīʿah* should be operationalized through governance structures capable of evaluating not only contractual conformity but also the wider social and environmental consequences of institutional activities.

The governance dimension is further strengthened by accountability and performance measurement. Leena Haniffah et al. (2023) developed a performance measurement system based on Islamic principles, illustrating the possibility of translating Islamic values into organizational performance criteria. Wijayanti and Setiawan (2023) likewise demonstrate the relevance of the board of directors and the *Sharia* supervisory board to sustainability reporting, indicating that institutional governance can influence how Islamic financial institutions communicate and account for their sustainability performance. Sencal and Asutay (2020) similarly emphasize the importance of ethical disclosure in *Sharia* annual reports and show that *Sharia* governance discourse can provide a basis for examining institutional accountability. Taken together, these studies indicate that governance should not function merely as a mechanism for verifying formal *Sharia* compliance. Rather, it should facilitate a broader accountability process in which institutions disclose, monitor, and evaluate their contribution to social welfare, ethical conduct, environmental responsibility, and sustainable economic development. This represents an important shift from compliance-oriented governance toward impact-oriented governance.

The environmental dimension provides a further test of whether Islamic financial institutions can move from normative principles toward substantive sustainability. Qoyum et al. (2022) show that the presence of an Islamic or *Sharia*-compliant label does not automatically guarantee superior ESG performance, particularly because sustainability performance must be assessed empirically rather than inferred from formal religious identity. This finding is analytically important: the Islamic character of an institution provides a normative orientation, but it does not by itself constitute evidence of environmental responsibility. Khamisu et al. (2024) further identify institutional factors that influence ESG adoption within Islamic financial institutions, reinforcing the importance of organizational capacity and governance mechanisms. Billah and Adnan (2024) extend this discussion to green *sukuk* and Islamic equities in the context of climate and geopolitical risks, demonstrating the growing relevance

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of Islamic financial instruments to environmental concerns. Therefore, the *maqāṣid* principle of preventing harm can be operationalized through environmental finance when capital is deliberately directed toward activities that reduce ecological risks and support climate resilience. Green finance thus represents not simply a new financial product category but a potential mechanism through which Islamic financial institutions can connect *ḥifẓ al-māl* and public welfare with environmental responsibility.

Financial innovation constitutes the fourth mechanism through which *maqāṣid* can be connected with sustainability. Menne et al. (2024) highlight the relationship between *Sharia* accounting and financial innovation, suggesting that innovation within Islamic finance requires appropriate accounting and governance structures to maintain transparency and responsibility. Andespa et al. (2024) demonstrate that *Sharia* compliance behaviour in Islamic banking is influenced by multiple determinants and behavioural intentions, indicating that sustainability-oriented financial practices depend partly on how customers perceive and respond to institutional compliance. Prati et al. (2024), through their comparison of *Sharia*-compliant and non-*Sharia*-compliant ETFs, further illustrate that Islamic financial products can be examined through both financial and ethical performance dimensions. Pusparini et al. (2024) add an environmental entrepreneurship dimension by examining the relationship between religiosity and green entrepreneurial intention in Indonesia. Collectively, these studies indicate that sustainable Islamic finance requires an ecosystem rather than a single instrument: governance establishes accountability, accounting and reporting provide transparency, financial innovation mobilizes capital, while investor and consumer behaviour influences the adoption and effectiveness of sustainable products.

The second research objective can therefore be answered by identifying an operational chain through which *Maqāṣid al-Sharīʿah* can support sustainable Islamic finance: normative values → ethical governance → ESG accountability → sustainable financial innovation → environmental and social outcomes. The synthesis demonstrates that *maqāṣid* provides the normative rationale, while governance and ESG mechanisms make that rationale institutionally visible and financial innovation provides channels for implementation. However, the evidence also indicates that formal *Sharia* identity or compliance cannot be treated as sufficient evidence of sustainability. The distinction between religious form and substantive outcome is therefore crucial. Sustainable Islamic finance requires institutions to demonstrate measurable contributions to social welfare, environmental protection, responsible investment, and economic resilience. In this framework, green *sukuk*, sustainable investment, ESG reporting, and innovative *Sharia*-compliant products should be evaluated according to their actual contribution to *maṣlaḥah* rather than merely their formal compliance. This finding establishes the basis for the third subbahasan, which examines the institutional challenges involved in translating these principles and mechanisms into standardized, measurable, and policy-relevant sustainable economic outcomes.

Table 2. Operationalization of *Maqāṣid* in Sustainable Islamic Finance

***Maqāṣid*-oriented principle**	**Institutional mechanism**	**Contemporary application**	**Sustainability outcome**
Accountability	*Sharia* governance	*Sharia* supervisory board and institutional oversight	Institutional responsibility
Ethical conduct	*Sharia* compliance and disclosure	Ethical investment and sustainability reporting	Responsible finance
Social responsibility	ESG governance	Social performance assessment in Islamic financial institutions	Social sustainability
Environmental protection	Green finance	Green *sukuk*, sustainable investment, and green entrepreneurship	Environmental sustainability
Economic resilience	Financial innovation	*Sharia*-compliant financial products and sustainable investment instruments	Sustainable economic growth

Source: Author's analysis, 2024.

Institutional Challenges and the Operationalization of *Maqāṣid al-Sharīʿah* in Sustainable Economic Development

The third finding demonstrates that the central challenge in applying *Maqāṣid al-Sharīʿah* to sustainable economic development lies not in the absence of normative principles, but in translating those principles into coherent institutional mechanisms and measurable outcomes. The preceding discussion established that *maqāṣid* provides an ethical foundation through *maṣlaḥah*, justice, protection of wealth, and social welfare, while *Sharia* governance, ESG, Islamic social finance, and financial innovation provide potential mechanisms for operationalization. However, the existence of these mechanisms does not automatically ensure that the intended

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objectives are achieved. Hassan and Aliyu (2018) show that Islamic banking scholarship has increasingly moved beyond questions of formal compliance toward broader concerns involving performance, governance, risk, and institutional effectiveness. Aliyu et al. (2017) similarly emphasize the importance of moral transaction modes for the sustainability of banking business, indicating that institutional sustainability requires an ethical foundation in addition to financial viability. The resulting analytical gap can therefore be formulated as normative principle → institutional mechanism → measurable outcome. Without the third component, *maqāṣid* risks remaining an aspirational framework rather than becoming an operational model for sustainable economic development.

The first institutional challenge concerns the gap between formal *Sharia* compliance and substantive *maqāṣid* realization. Sencal and Asutay (2020) demonstrate the importance of ethical disclosure and *Sharia* governance in the annual reporting of Islamic banks, suggesting that governance must provide more than formal confirmation of compliance. Similarly, Meskovic et al. (2023) indicate that Islamic governance at both national and individual institutional levels influences the social performance of Islamic banks. These findings imply that institutional quality determines whether normative Islamic principles are translated into actual social outcomes. A bank may comply with *Sharia* requirements in contractual terms while producing limited measurable contributions to poverty reduction, social inclusion, environmental protection, or economic resilience. The critical issue is therefore not simply whether an institution is *Sharia*-compliant, but whether its governance structures are capable of identifying, monitoring, and improving the social consequences of its activities. This distinction is essential for *maqāṣid*-based sustainability because it shifts the analytical focus from compliance to impact. Governance should consequently be designed to connect *Sharia* principles with institutional objectives, performance indicators, disclosure, and corrective mechanisms when expected outcomes are not achieved.

The second challenge concerns performance measurement and the absence of sufficiently standardized *maqāṣid*-oriented indicators. Leena Haniffah et al. (2023) demonstrate that Islamic principles can be incorporated into a performance measurement system, providing evidence that normative Islamic values can be translated into organizational assessment. Nevertheless, the broader challenge remains determining which indicators most accurately capture *maṣlaḥah*, justice, social welfare, environmental responsibility, and economic resilience across different institutional contexts. Conventional financial indicators emphasize profitability and efficiency, while ESG frameworks expand assessment toward environmental, social, and governance performance. Neither framework alone, however, necessarily captures the full normative scope of *Maqāṣid al-Sharīʿah*. This creates a conceptual and methodological requirement for integrating financial, social, environmental, and ethical dimensions into a coherent assessment framework. Maulina et al. (2023), through their systematic analysis of the integration of Islamic social and commercial finance, highlight the importance of connecting different Islamic financial domains rather than treating them as isolated institutional arrangements. Such integration is particularly relevant for *maqāṣid* because the achievement of welfare may depend on the interaction between commercial finance, social finance, risk management, and productive economic activity.

The third challenge involves institutional fragmentation, risk, and the capacity to coordinate Islamic financial instruments with broader development objectives. Islamic microfinance, for example, requires appropriate risk management to ensure that financial inclusion does not expose vulnerable communities to unsustainable financial arrangements (Manan & Shafiai, 2015). Ben Jedidia and Hamza (2023) likewise raise questions concerning the relationship between Islamic banking mechanisms and excessive money creation, demonstrating that the sustainability of Islamic finance also depends on the design and economic consequences of financial mechanisms. Gundogdu (2016) further illustrates the importance of technological and market infrastructure in the development of Islamic electronic trading platforms. These studies collectively suggest that financial innovation cannot be evaluated solely according to whether an instrument is formally *Sharia*-compliant. Its contribution to sustainable development depends on risk management, market infrastructure, institutional governance, financial stability, and its consequences for economic welfare. The integration of Islamic social and commercial finance is therefore important because sustainable development requires complementary rather than isolated financial mechanisms. *Zakat* and *waqf* may address social vulnerability, while Islamic commercial finance can mobilize productive capital; together, their effectiveness depends on institutional coordination and appropriate governance.

The third research objective can therefore be answered by proposing that the operationalization of *Maqāṣid al-Sharīʿah* requires a transition from normative principles to institutional mechanisms and finally to measurable sustainable outcomes. The principal institutional challenges are formalistic compliance, fragmented governance, insufficiently standardized performance indicators, risk-management limitations, and weak integration among Islamic social and commercial finance. Addressing these challenges requires governance systems that explicitly

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connect *maqāṣid* objectives with institutional strategies, performance measurement, disclosure, risk management, and policy evaluation. The conceptual contribution of this study consequently lies in positioning *maqāṣid* not merely as a theological or ethical justification for sustainable development, but as an operational framework capable of guiding institutional design and evaluating outcomes. Under this framework, *maṣlaḥah* should be translated into welfare-oriented policies; justice into redistribution and inclusion mechanisms; *ḥifẓ al-māl* into responsible financial governance; environmental responsibility into ESG and green finance; and accountability into measurable performance indicators. This integrated approach closes the conceptual gap between Islamic normative theory and sustainable economic practice and provides a basis for evaluating whether Islamic economic institutions actually contribute to inclusive, ethical, resilient, and environmentally responsible development.

Table 3. From Normative *Maqāṣid* Principles to Sustainable Economic Outcomes

Normative principle	Implementation mechanism	Main challenge	Expected outcome
Maṣlaḥah	Welfare-oriented policy and Islamic social finance	Fragmented implementation	Inclusive development
Justice (*ʿadl*)	Redistribution and financial inclusion mechanisms	Inequality and institutional limitations	Greater economic equity
Protection of wealth (*ḥifẓ al-māl*)	*Sharia* financial governance and risk management	Weak operational indicators and risk-management gaps	Responsible and resilient finance
Environmental responsibility	ESG governance and green finance	Limited integration between ESG and *maqāṣid*	Environmental sustainability
Accountability	Performance measurement, disclosure, and institutional oversight	Lack of standardized *maqāṣid*-based indicators	Measurable *maqāṣid* outcomes

Source: Author's analysis, 2024.

CONCLUSION

This study concludes that *Maqāṣid al-Sharīʿah* provides a substantive normative foundation for sustainable *Sharia* economic development because it connects economic activity with *maṣlaḥah*, justice, social welfare, prevention of harm, and responsible protection of wealth (*ḥifẓ al-māl*). In response to the first research objective, sustainable development in an Islamic economic perspective cannot be reduced to economic growth, financial accumulation, or formal *Shariah* compliance. Rather, development should generate inclusive welfare, equitable access to economic resources, protection of vulnerable groups, responsible wealth creation and circulation, and long-term social resilience. *Zakat*, *waqf*, and other forms of Islamic social finance can operationalize these principles by linking redistribution with productive empowerment and community development. Thus, *Maqāṣid al-Sharīʿah* functions not only as a normative justification for sustainability but also as an evaluative basis for determining whether economic development produces substantive *maṣlaḥah* and reduces social and economic harm.

In response to the second and third research objectives, the study demonstrates that the realization of *maqāṣid* requires institutional mechanisms capable of translating normative principles into observable practices and measurable outcomes. *Shariah* governance, accountability, ESG-based assessment, sustainability reporting, risk management, Islamic social finance, green finance, *sukuk*, and sustainable financial innovation provide complementary mechanisms through which Islamic economic institutions can pursue social, environmental, ethical, and financial objectives. However, the findings also show that formal *Shariah* compliance or an Islamic institutional label does not automatically guarantee substantive sustainability. The principal institutional challenges include fragmented implementation, limited standardization of *maqāṣid*-based performance indicators, gaps in risk management, insufficient integration between Islamic social and commercial finance, and weak connections between ESG assessment and Islamic normative objectives. The principal novelty of this study therefore lies in integrating these previously fragmented dimensions through a single analytical sequence: normative principle → institutional mechanism → measurable outcome. Through this sequence, *maṣlaḥah* can be translated into welfare-oriented policies, justice into inclusion and redistribution, *ḥifẓ al-māl* into responsible and resilient financial governance, environmental responsibility into ESG and green finance, and accountability into measurable institutional performance.

The study contributes theoretically by positioning *Maqāṣid al-Sharīʿah* as an overarching evaluative framework that connects classical Islamic legal objectives with contemporary requirements of sustainable economic development. It contributes conceptually by demonstrating how Islamic social finance, *Shariah* governance, ESG,

sustainable investment, financial innovation, and environmental responsibility can be understood as interconnected rather than isolated dimensions of sustainable *Sharia* economics. Practically, the framework provides a basis for Islamic financial institutions, regulators, and policymakers to move from compliance-oriented approaches toward impact-oriented governance by developing indicators that assess economic inclusion, social welfare, environmental performance, financial resilience, and ethical accountability. Nevertheless, this study has limitations. Its qualitative normative-conceptual design relies primarily on literature and document analysis and therefore does not empirically test the proposed relationships or establish causal effects between *maqāṣid*-oriented mechanisms and sustainability outcomes. The proposed framework also requires further validation across different countries, Islamic financial institutions, and economic sectors. Future research should therefore develop and empirically test standardized *maqāṣid*-based indicators, examine their relationship with ESG and financial performance, and investigate how institutional and regulatory contexts influence the translation of normative principles into measurable sustainable development outcomes.

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