

Integrating Islamic Social Finance with the United Nations Sustainable Development Goals through *Maqasid Al-Shariah* Principles

Mohd Zubir Awang, Nor Faridah Mat Nong*, Wan Mohd Yusof
Wan Chik

Universiti Sultan Zainal Abidin

*Email: norfaridahmnong@unisza.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v15-i7/25668> DOI:10.6007/IJARBSS/v15-i7/25668

Published Date: 02 July 2025

Abstract

Islamic Social Finance (ISF), which includes zakat, wakaf, sadaqah, and tabarru-based contracts, forms a financial ecosystem shaped by Shariah that prioritizes public welfare, social justice, equity, and sustainability. This study introduces a conceptual framework that connects ISF to the United Nations Sustainable Development Goals (SDGs) through the principles of Maqasid Al-Shariah. By systematically aligning ISF tools with specific SDG targets and focusing on the five fundamental goals of Maqasid—namely the protection of religion (din), life (nafs), intellect (aql), lineage (nasl), and wealth (mal)—the research highlights collaborative opportunities to promote global sustainability across various socioeconomic contexts. Employing a qualitative research approach, the study utilizes doctrinal analysis of both historical and modern fiqh literature, as well as thematic content analysis of SDG policy documents. Data were gathered from peer-reviewed journals, official SDG reports, and primary Islamic texts. The conceptual framework was created by integrating insights from Islamic jurisprudence with sustainable development theories. The results indicate that strengthening ISF through effective governance, increased transparency, and digital innovation could significantly expedite progress towards the SDGs, offering an ethical framework for sustainable development that is adaptable across different contexts. This paper aims to narrow the gap between global development initiatives and ISF, providing Maqasid Al-Shariah insights for policymakers, scholars, and practitioners dedicated to sustainable growth.

Keywords: Islamic Social Finance, Sustainable Development Goals, Maqasid Al-Shariah, Governance, Knowledge, Digital Innovation

Introduction

The United Nations' 2030 Agenda, represented by the Sustainable Development Goals (SDGs), aims to eliminate poverty, promote inclusive growth, and protect the environment (United

Nations, 2015). However, adapting these goals in Muslim-majority regions necessitates alignment with local values and religious principles. Islamic Social Finance (ISF), which includes zakat, wakaf, sadaqah and tabarru` based contracts (voluntary charity), is based on Shariah tenets that emphasize justice (adl), mutual support (ta'awun), and guardianship (khilafah) (Mohieldin et al., 2011; Obaidullah, 2015). Maqasid Shariah or the ultimate objectives of Shariah as classically formulated by Al-Ghazali and Al-Shatibi, emphasizes five essential protections: religion, life, intellect, progeny, and wealth (Auda, 2008). These objectives inherently resonate with the SDGs, offering an ethical framework for sustainable development that is both contextually relevant and globally applicable (Dusuki & Abdullah, 2007). This paper aims to develop a conceptual framework linking ISF to SDGs through Maqasid, presenting a model that can guide policy, practice, and research.

Literature Review

The 17 SDGs span critical areas—poverty alleviation, education, gender equality, and environmental sustainability (UNDP, 2015). However, critiques point out their secular framing, often requiring localization to ensure cultural and religious legitimacy (Horn & Grugel, 2018; Slamet, 2020). *Maqasid Al-Shariah* serves as a universalist yet flexible framework that seeks to uphold public interest (*maslahah*). Auda (2008) advances a systems-based approach, suggesting *Maqasid* can evolve to address modern challenges, including global sustainability. Scholars such as Dusuki & Bouheraoua (2011) highlight its relevance in guiding ethical finance and socio-economic development. According to Abdullah (2018) the 17 SDGs comfortably match the higher objectives of *Maqasid Al-Shariah* and argues that global wakaf funds have the capacity to help Muslim-majority countries achieve urgent SDG targets. In short, it frames wakaf-based development plans aligned with both SDGs and Islamic ethical goals, filling a gap between international development agendas and Islamic values.

Moreover, Fahmi et al. (2023) has conducted a systematic review (focused on Indonesia) analyzes SDGs through the lens of *Maqasid Al-Shariah* as defined by classical jurists. The authors report that all 17 SDGs are broadly consistent with the *Maqasid* framework per Ash-Shatibi (2010) and Ibn Ashur(2009), indicating a fundamental alignment between SDG targets and Islamic objectives. They also observe that SDGs disproportionately emphasize material/economic goals (protecting property) while largely omitting explicit religious or spiritual aims. This highlights areas where SDGs could be localized by integrating religious dimensions from Islamic development philosophy. Aziz et al. (2024) explores the synergy between the SDGs and the five *Maqasid* (protection of religion, life, intellect, lineage, wealth). It finds many alignments between the goals of the SDGs and the principles of *Maqasid Al-Shariah* and argues that implementing *Maqasid* principles makes development more comprehensive and inclusive. In other words, applying Islamic ethical goals e.g. social justice, environmental stewardship can strengthen and broaden SDG initiatives.

Harahap et al. (2023) emphasizes that *Maqasid Al-Shariah* and the SDGs share the same objective of the perfection of a sustainable human life. Focusing on ISF as a manifestation of *Shariah*, whereby Islamic social instruments such as zakat, wakaf, sukuk, takaful, etc. can significantly support human-centered SDGs e.g. poverty reduction, health, education. They stress the need for supportive policy and regulatory frameworks to scale up Islamic financial tools for achieving the SDGs. Similar study conducted by Tok et al. (2022) examines how ISF

can fill gaps in global development and humanitarian aid, including refugee relief. Crucially, they argue for contextualizing SDGs in Muslim contexts by re-linking *Maqasid Al-Shariah* with sustainability through faith-based funds. They highlight ongoing dialogues among stakeholders and call for inclusive policy discussions involving Muslim community leaders and *Shariah* scholars. Their work underscores the need to align Islamic ethical norms with SDG frameworks to achieve synergies between aid programs and Islamic values.

Al-Jayyousi et al. (2022) conducted the literature review on the subject and concluded that embedding Islamic values within the sustainability paradigm introduces contextual, authentic, and human-centered development models. Grounding development in Islamic ethical and cultural values can produce locally resonant strategies e.g. Zakat-based welfare, wakaf financing, Quranic environmental ethics. He suggested that Islamic-infused approach provides a new narrative for the SDGs tailored to Muslim-majority societies, filling gaps left by secular development models. Hence this study is crucial to provide the possible solution to bridge the gap between SDGs and *Maqasid Al-Shariah* using ISF instrument.

Research Methodology

This research employs qualitative content analysis with thematic analysis, synthesizing classical Islamic jurisprudence with contemporary SDG literature. The study maps ISF instruments onto SDG targets, analyzed through the *Maqasid* to develop a conceptual integration framework. The research aligns ISF instruments with SDG objectives, examined using the *Maqasid* to provide a conceptual integration framework.

Findings & Discussions

Islamic Social Finance and the SDGs: Instruments and Impact

ISF encompasses a range of faith-based financial instruments, including zakat, wakaf, sedeqah, qard al-hasan, takaful, and kafalah, all aimed at promoting socio-economic justice and alleviating poverty (Abdullah, 2018; Harahap, Risfandy & Futri, 2023). These instruments are deeply rooted within the *Maqasid Al-Shariah*, which emphasizes the preservation of religion, life, intellect, progeny, and wealth (Dusuki & Bouheraoua, 2011). The SDGs, with their 17 interconnected goals, address global challenges such as eradicating poverty (SDG 1), ensuring quality education (SDG 4), and achieving gender equality (SDG 5), among others (UNDP, 2015). ISF instruments naturally align with these goals. For instance, zakat is directly related to poverty reduction and social protection frameworks (al-Faizin et al., 2017; Isnaini 2024), while wakaf has historically funded public goods such as education, health, and infrastructure, thereby supporting SDGs 3 (health) and 9 (industry and infrastructure) (Mohsin, 2013).

Empirical studies indicate that the efficient mobilization of zakat and wakaf can significantly contribute to the SDGs by providing sustainable funding for developmental initiatives (Fahmi et al., 2023). For instance, wakaf-based microfinance models have demonstrated success in empowering marginalized communities and promoting financial inclusion, directly supporting SDG 8 (decent work and economic growth) (Shaikh, Ismail & Mohamad, 2017). Moreover, innovative instruments such as sukuk (Islamic bonds) are increasingly being used to finance sustainable projects, exemplified by green sukuk issued to fund renewable energy infrastructure (Rahim et al., 2018). While Tok et al. (2022) emphasize that integrating ISF with SDG frameworks requires not only financial innovation but also robust governance,

transparency, and policy coherence. They argue that aligning *Maqasid Al-Shariah* with SDGs can bridge ethical finance and global sustainability agendas, offering a holistic approach to development that is both spiritually grounded and materially impactful.

Incorporating Islamic Social Finance into sustainable development requires a multifaceted strategy that goes beyond mere financial means. It demands systemic reform that integrates moral and ethical principles into development planning and execution. This involves promoting inclusive financial systems that prioritize social justice, enhancing institutional capacity to allocate resources effectively, and ensuring that policies align with both religious beliefs and global development agendas. The true potential of ISF lies not only in its ability to provide alternative financing but also in its capacity to transform development paradigms through a values-driven, community-centered approach that balances moral and spiritual welfare with financial progress.

ISF functions as a redistributive and developmental financial mechanism. Zakat, typically 2.5% of wealth, aims to eradicate poverty and circulate wealth (Kahf, 1999). Wakaf supports long-term social goods such as education, health, and infrastructure (Johari, Ali & Aziz, 2015). Islamic microfinance promotes financial inclusion among the underprivileged (Hassan et al., 2018). Asutay & Yilmaz (2021) observe that ISF, if effectively governed and digitalized, can act as a strategic enabler for achieving multiple SDGs, particularly in Muslim-majority countries. In sum, the synergy between ISF instruments and SDGs presents a transformative pathway for achieving inclusive and sustainable development, especially within Muslim-majority contexts. Leveraging the full potential of ISF supported by good governance, digital platforms, and cross-sector collaboration can play a pivotal role in accelerating progress toward the SDGs while maintaining faith-based ethical integrity (Al-Jayyousi et al., 2022). Based on the material that was evaluated, this research demonstrates that the International Social Fund (ISF) has the potential to be strategically integrated with the Sustainable Development Goals (SDGs), particularly in terms of promoting holistic and values-based development within communities that are mostly Muslim.

Framing ISF Instruments to Maqasid Shariah and SDGs

Developing a conceptual framework that aligns ISF instruments with *Maqasid Al-Shariah* and the SDGs offers a structured pathway for faith-driven socio-economic development. This approach not only ensures Shariah compliance but also fosters inclusivity and sustainability on a global scale (Dusuki & Bouheraoua, 2011; Abdullah, 2018).

Zakat : the mandatory almsgiving directly relates to the *Hifz al-Mal* (protection of wealth) and *Hifz al-Nafs* (protection of life), reflecting its role in poverty alleviation and social welfare (Mohsin, 2013; Rahman, 2014). Its linkage to SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities) is well established, as zakat redistribution mechanisms aim to reduce wealth disparity and provide safety nets for vulnerable populations (Hasan 2020).

Wakaf: Islamic endowment serves multiple *Maqasid* goals: *Hifz al-Mal* (wealth), *Hifz al-'Aql* (intellect), and *Hifz al-Nasl* (lineage). Historically, wakaf has been instrumental in financing education, health care, and public infrastructure aligning seamlessly with SDG 4 (Quality Education), SDG 3 (Good Health and Well-being), and SDG 9 (Industry, Innovation, and

Infrastructure) (Kahf, 2003; Cizakca, 2004). Emerging models like cash wakaf and wakaf-based microfinance further extend its developmental impact (Mohsin, 2013).

Sadaqah: voluntary charity reflects *Hifz al-Nafs* (protection of life) and *Hifz al-Nasl* (lineage), typically addressing immediate humanitarian needs such as hunger, disaster relief, and empowerment of marginalized groups. This positions sadaqah closely with SDG 2 (Zero Hunger) and SDG 5 (Gender Equality), as it often targets food security and supports vulnerable women and children (Fahmi et al., 2023; Hasan, 2010).

Qard al-Hasan and Islamic Microfinance focus on financial inclusion through interest-free loans and *Shariah*-compliant micro-lending. These instruments uphold *Hifz al-Mal* and *Hifz al-Nafs*, promoting entrepreneurship, self-reliance, and socio-economic resilience. They strongly correspond to SDG 8 (Decent Work and Economic Growth), SDG 9 (Innovation and Infrastructure), and SDG 17 (Partnerships for the Goals) (Obaidullah & Khan, 2008; Shaikh, Ismail & Mohamad, 2017). Microfinance, when integrated with digital platforms, is proving pivotal in lifting underserved communities out of poverty (Dhaoui, 2020).

This conceptual framework is anchored in the higher objectives of *Shariah*, ensuring that financial interventions do not merely serve material needs but also uphold dignity, justice, and social harmony (Dusuki & Bouheraoua, 2011; Harahap, Risfandy & Putri, 2023). Tok et al. (2022) emphasize the importance of policy coherence and cross-sector collaboration to operationalize this framework effectively within national development agendas.

Table 1

Alignment of Islamic Social Finance Instruments with SDGs

Islamic Finance	Social	Primary SDGs Addressed	<i>Maqasid Al-Shariah</i>
Zakat		SDG 1 (No Poverty), SDG 10 (Reduced Inequalities), SDG 16 (Peace, Justice)	Hifz al-Nafs, Hifz al-Mal
Wakaf		SDG 4 (Quality Education), SDG 3 (Health), SDG 9 (Infrastructure) SDG 11 (Sustainable Cities and Communities) SDG 13 (Climate Action)	Hifz al-Mal, Hifz al-'Aql, Hifz al-Nasl
Sadaqah		SDG 2 (Zero Hunger), SDG 5 (Gender Equality)	Hifz al-Nafs, Hifz al-Nasl
Qard & Islamic Microfinance		SDG 8 (Decent Work), SDG 9 (Innovation), SDG 17 (Partnerships)	Hifz al-Mal, Hifz al-Nafs

Source: United Nations (2015) , Ibnu Ashur, Asy-Syatibi, Audah (2008) & M Zubir (2023)

By framing ISF instruments within the *Maqasid Al-Shariah* and mapping them to the SDGs, this framework provides a dual-lens approach bridging Islamic ethical imperatives with universal sustainability goals. This not only validates the global relevance of ISF but also offers an adaptable model that can be localized across different socio-economic and cultural contexts (Al-Jayyousi et al., 2022). The table above indicates that ISF instruments, SDGs and *Maqasid Al-Shariah* can be matched. The implications of this mapping are profound. First, it elevates ISF from a niche religious practice to a globally relevant tool for sustainability. Second, it provides measurable pathways for integrating religious finance into mainstream development indicators. Third, it facilitates cross-sectoral collaboration between religious institutions, governments, and international development bodies. Most importantly, it shifts

the narrative of Islamic finance from reactive charity-based models to proactive, systemic contributions to long-term sustainability and resilience. The table referenced above symbolically illustrates this convergence, demonstrating that ISF instruments are not only ethically justified within Islamic teachings but also developmentally aligned with global priorities. As such, the integration of ISF, *Maqasid Al-Shariah*, and SDGs represents not merely a theoretical exercise but a transformative framework capable of reshaping development paradigms—one that places moral integrity, human dignity, and social equity at the heart of global progress.

Ethical Alignment

Social Justice, embodying 'Adl and Ihsan: ISF instruments like zakat and wakaf inherently promote 'adl (justice) and ihsan (benevolence), aligning with SDG 16 (Peace, Justice, and Strong Institutions). These principles ensure equitable distribution of wealth and social welfare. Dusuki and Abdullah (2007) emphasize that Islamic finance's ethical framework fosters social justice by addressing economic disparities. Zakat and Sadaqah are commanded in the Quran to eradicate hardship and restore balance in society. وَأَتُوا الزَّكَاةَ. "And give zakah..." (Surah Al-Baqarah, 2:43)

إِنَّ اللَّهَ يَأْمُرُ بِالْعَدْلِ وَالْإِحْسَانِ – "Indeed, Allah commands justice and excellence." (Surah An-Nahl, 16:90) Shariah Principle: 'Adl (justice) and Ihsan (benevolence) are foundational ethics in Muamalah, ensuring protection of rights and dignity.

Economic Inclusivity, Promoting Wealth Circulation: ISF facilitates wealth redistribution, targeting poverty alleviation and reducing inequality, thus supporting SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). Obaidullah (2015) highlights that instruments like Islamic microfinance and zakat are effective in empowering marginalized communities by providing access to financial resources. Zakat, wakaf, and Islamic microfinance ensure wealth is not hoarded but flows among all layers of society:

كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ – "...so that wealth will not circulate solely among the rich among you." (Surah Al-Hashr, 59:7) Shariah Principle: Tawazun (balance) and Takafulliyah (mutual responsibility) create a safety net for the poor and vulnerable. Obaidullah (2015) shows how Islamic social finance instruments empower the unbanked and poor, promoting financial inclusion and reducing inequality

Sustainability, Wakaf's Perpetual Impact: The wakaf system's enduring nature contributes to sustainable development, resonating with SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action). Izzi Dien (1997) discusses how wakaf properties have historically supported environmental conservation and urban development, reflecting Islam's commitment to stewardship of the earth.

Wakaf encourages perpetual benefit (*sadaqah jariyah*), enabling sustainable social infrastructure and environmental preservation. Shariah justifies this point via this verse اُدُّرْ جَعَلَكُمْ خُلَفَاءَ فِي الْأَرْضِ "...He made you vicegerents upon the earth..." (Surah Fatir, 35:39) خَيْرُ النَّاسِ أَنْفَعُهُمْ لِلنَّاسِ – "The best of people are those most beneficial to others." (Hadith – Sahih al-Jami'). The concept of *Khilafah* (stewardship) mandates the ethical use of resources for

current and future generations. Izzi Dien (1997) outlines that Islamic environmental ethics via wakaf contribute directly to sustainability and community resilience.

Diagram 1 indicates that the Conceptional Framework of ISF, SDGs and the *Maqasid Al-Shariah* presents a powerful, faith-driven model for achieving inclusive and sustainable development. Each ISF tool aligns with specific SDG targets while upholding the higher Shariah objectives of preserving life (nafs), wealth (mal), intellect ('aql), progeny (nasl), and religion (din).

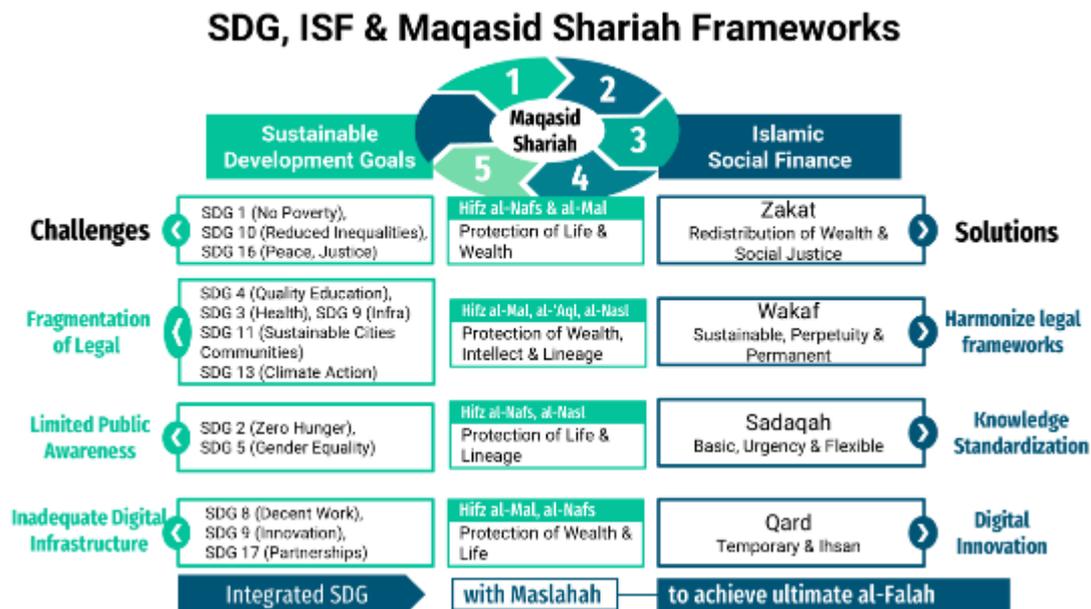


Diagram 1 : SDG, ISF & *Maqasid Al-Shariah* Frameworks

Source : M Zubir (2025)

However, to fully realize this potential, three strategic enablers must be prioritized: a) Harmonizing Legal Frameworks – Aligning governance across federal and state jurisdictions ensures uniformity, efficiency, and strategic alignment of ISF efforts with national and global development goals. b) Knowledge Standardization – Educating the public and professionals on ISF instruments through unified curricula, campaigns, and religious engagement builds a culture of informed giving and meaningful participation. c) Digital Innovation – Leveraging fintech and digital platforms improves access, transparency, and traceability in ISF, ensuring wider outreach, especially to underserved communities. Together, these solutions enhance the impact of ISF, enabling it to serve not just as a tool of charity, but as a transformational economic system grounded in divine ethics, universal justice, and human dignity—accelerating the SDG agenda while fulfilling the holistic vision of *Maqasid Al-Shariah*.

However, to fully harness ISF for global development, certain policy implications must be addressed on three critical points as follows.

First, governance and transparency are paramount. Asutay & Yilmaz (2021) argue that without robust governance frameworks, the potential of ISF in supporting SDGs remains untapped. Centralized regulatory oversight, standardized reporting, and Shariah audits can significantly boost public trust and efficiency. From a *Maqasid Al-Shariah* perspective, governance ensures the preservation of wealth (hifz al-mal) and religion (hifz al-din), by

upholding ethical integrity and public confidence. Good governance in ISF institutions enables efficient zakat and wakaf disbursement, fulfilling the *Maqasid* of alleviating poverty and promoting justice. Furthermore, the Quran repeatedly emphasizes accountability, such as in Surah Al-Baqarah (2:282), which commands written contracts and witnesses to preserve justice and transparency in financial dealings. The verses consistently emphasize justice (*'adl*) and accountability (*hisbah*) in financial dealings. It insists on documented contracts in credit transactions to preserve rights and prevent disputes, a clear scriptural mandate for transparency and robust governance. In alignment with SDG 16, the institutionalization of *shura* (consultation), *hisbah* (accountability), and *amanah* (trust) within ISF governance frameworks enhances legitimacy, prevents misuse, and safeguards beneficiaries' rights. Moreover, Ismail and Shaikh (2017) emphasize the need for policy coherence that aligns national SDG strategies with *Maqasid Al-Shariah* and ISF implementation. This ensures that development programs are not only technically sound but also spiritually legitimate, thereby increasing public buy-in and long-term impact.

Governance and transparency are not just institutional requirements. They are deeply rooted in *Shariah* principles and directly influence the effectiveness of ISF in achieving *Maqasid Al-Shariah* and the SDGs. ISF institutions require governance frameworks that ensure integrity, risk management, and equitable resource distribution. According to Ahmed (2014), robust governance structures in zakat institutions significantly improve efficiency, prevent leakages, and enhance public trust. This is echoed by Ali and Hatta (2014), who found that the absence of transparent governance mechanisms in wakaf institutions leads to asset underperformance and stakeholder disillusionment.

Moreover, Slamet et al. (2023) argue that institutional governance in ISF must be aligned with both national legal systems and *Shariah* compliance standards to effectively contribute to SDG 16 (Peace, Justice, Strong Institutions). Their study underscores the need for a dual compliance approach, legal and spiritual to strengthen institutional legitimacy. Mohd Noor et al. (2020), who investigated governance practices among zakat institutions in Southeast Asia. They revealed that institutions with *Shariah*-compliant audits, financial disclosure protocols, and stakeholder consultations were more successful in achieving poverty alleviation goals, aligning with SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). Integrating *Maqasid Al-Shariah* into governance policy design particularly *hifz al-mal* (protection of wealth) and *hifz al-din* (preservation of faith) ensures that ISF maintains ethical legitimacy and maximizes social impact. Hasan & Asutay (2019) Jamaludin (2021) further emphasize that Islamic governance must embody the principles of *amanah* (trust), *shura* (consultation), and *istislah* (public interest), forming a strong ethical foundation for institutional operations. These findings affirm the necessity of structured governance and transparent mechanisms within ISF institutions to deliver on their *Maqasid*-based and SDG-aligned missions.

Second, Standardization in Islamic Social Finance (ISF) is critical to ensure consistency, transparency, and cross-border scalability of *Shariah*-compliant financial practices. The lack of unified regulatory frameworks across jurisdictions often results in inefficiencies, governance gaps, and challenges in measuring developmental outcomes, especially in relation to SDG implementation. It remains a pressing challenge. Hassan et al. (2018) emphasize that inconsistent frameworks across jurisdictions hinder scalability and impact. International bodies like AAOIFI and IFSB should lead efforts to harmonize standards and

develop Maqasid-based impact assessment models. Harmonization is essential for impactful SDG alignment. From a *Maqasid Al-Shariah* standpoint particularly the protection of wealth (*hifz al-mal*) and the promotion of public interest (*maslahah*) standardization ensures that zakat, wakaf, and Islamic microfinance are administered with ethical integrity and operational clarity. Unified standards enhance institutional accountability and align ISF with SDG 1 (No Poverty), SDG 10 (Reduced Inequalities), and SDG 16 (Peace, Justice, and Strong Institutions). Hassan et al. (2018) emphasize that the absence of standardization across zakat and wakaf administration limits data-driven impact assessment and impedes global recognition of ISF as a serious development tool. Similarly, Abdur Rehman et al. (2020) and Alsaghir (2023), argue that without harmonized digital and governance standards, fintech-based zakat and wakaf platforms cannot effectively scale or gain international legitimacy. Moreover, Shaikh et al. (2017) suggest that standardization is essential not only for operational efficiency but also for the moral legitimacy of ISF institutions, especially when evaluated against Maqasid-based impact frameworks. Hence, standardization bodies like AAOIFI, IFSB, and BWI play a pivotal role in integrating Maqasid principles into regulatory and accounting standards, ensuring that ISF tools are universally accepted, trusted, and aligned with both Shariah and global development frameworks.

Lastly, digital innovation is transforming ISF by enhancing the efficiency, reach, and transparency of zakat, wakaf, sedeqah and Islamic microfinance. By leveraging technologies such as blockchain, mobile platforms, and AI, ISF institutions can align more effectively with both Maqasid Shariah especially the protection of wealth (*hifz al-mal*) and the preservation of dignity (*hifz al-'ird*) and various SDGs, particularly SDG 1 (No Poverty), SDG 9 (Industry, Innovation, and Infrastructure), and SDG 16 (Peace, Justice, and Strong Institutions). Kamaruddin (2023) highlight that fintech applications have revolutionized zakat collection and distribution, enabling real-time tracking, donor transparency, and increased trust among stakeholders. Digital wakaf platforms allow for fractional endowment participation, broadening inclusion and democratizing access to charitable giving. From the *Maqasid Al-Shariah* perspective, digital tools uphold amanah (trust) and maslahah (public benefit) by minimizing leakages, ensuring proper targeting of beneficiaries, and protecting the sanctity of financial transactions. As Anwar et al. (2024) observe, blockchain-based smart contracts in wakaf ensure immutable records and automatic distribution based on predefined conditions, aligning with Islamic ethical finance principles. Furthermore, Alshehadehet et al. (2024) emphasize that digital innovation strengthens institutional governance and data integrity key enablers for SDG focused impact measurement and performance benchmarking within ISF. This study will further investigate the digital innovation in ISF and Malaysia will be the subject of discussion.

A Malaysian Case Study on Digital Innovation in Islamic Social Finance

Malaysia has emerged as a frontrunner in adopting digital tools for zakat and wakaf management, with institutions like Yayasan Wakaf Malaysia, PPZ-MAIWP, Lembaga Zakat Negeri Kedah, Wakaf Selangor Muamalat, and SIRC implementing mobile applications, QR payment systems, and blockchain pilots to improve accessibility, traceability, and public trust. These developments closely support SDG 1 (No Poverty), SDG 9 (Industry, Innovation and Infrastructure), and SDG 16 (Peace, Justice and Strong Institutions), while upholding the Maqasid values of *hifz al-mal* (protection of wealth) and *maslahah* (public benefit).

However, the integration of technology into ISF in Malaysia faces several systemic and policy-related challenges. One critical issue is platform fragmentation and the lack of standardization among zakat and wakaf bodies. As these institutions operate under state-level religious authorities, their digital systems often lack interoperability, leading to inefficiencies, duplicated efforts, and limited scalability (Hassan et al., 2018). This fragmentation impairs the strategic goal of forming a unified national ISF platform that can effectively support the SDG agenda and uphold *amanah* (trust) in governance.

Another pressing concern is Shariah compliance in technological processes. While technologies such as AI and blockchain offer efficiency and transparency, their use in automating decisions related to zakat eligibility or wakaf fund distribution raises theological concerns, particularly around human oversight and religious accountability (Ismail & Shaikh, 2017). This poses a tension between achieving *hifz al-mal* (wealth preservation) and maintaining *hifz al-din* (preservation of faith).

Additionally, digital literacy among recipients, particularly asnaf groups and rural communities, remains low. This limits the effectiveness of digital innovations in reaching the intended beneficiaries, thereby undermining the inclusivity goals of SDG 10 (Reduced Inequalities) and the ethical imperative of ISF to uplift marginalized populations (Zahan & Puspa, 2023). Without capacity-building efforts, digital transformation may unintentionally widen the very gaps it seeks to bridge.

Governance and data integrity also present challenges. The absence of a centralized national governance framework for digital zakat and wakaf systems have led to data security vulnerabilities and varying degrees of transparency. As Ali & Azzafa Nur Jadidah (2024) argue, digital innovation must be accompanied by rigorous governance frameworks and ethical oversight mechanisms to maintain public confidence and fulfill the Maqasid of justice (*adl*) & (*amanah*).

Malaysia's digital ISF ecosystem holds immense promise, but it must be underpinned by coordinated policy reform, stakeholder alignment, and Shariah-guided digital ethics. By addressing governance, inclusivity, and standardization, Malaysia can model a Maqasid-aligned, SDG-integrated ISF system that is both spiritually grounded and globally impactful.

Indeed, challenges remain in terms of digital literacy, regulatory frameworks, and Shariah compliance validation of emerging technologies, as noted by Zahan & Puspa (2023). Addressing these will be crucial to maximize digital tools in advancing Islamic social impact.

Based on the above discussion of Policy Implications and challenges of ISF into SDGs incorporating with *Maqasid Al-Shariah*, this study found that three main challenges highlighted as a) governance and transparency, b) standardization and c) digital innovation can be overcome thru the best possible solutions such fragmentation of frameworks by recommending legal harmonisation, public awareness by advocating for national education campaigns for ISF literacy and lack of digital infrastructure by proposing public-private fintech partnerships or partnerships between government and fintech developers to bolster infrastructure.

Overcoming Key Challenges in Islamic Social Finance: Toward Integration with SDGs and Maqasid Al-Shariah

Islamic Social Finance has emerged as a strategic tool to address socio-economic inequality, poverty, and financial inclusion—core targets of both *Maqasid Al-Shariah* and the SDGs. Despite its growing prominence in Malaysia, ISF still faces structural and operational challenges that hinder its full potential. This study outlines three major challenges—framework fragmentation, low public awareness, and digital infrastructure limitations.

Firstly, Fragmentation of Legal and Regulatory Frameworks. One of the most persistent challenges is the fragmentation of ISF governance across various state religious institutions. Malaysia's dual legal system assigns zakat and wakaf administration to state authorities, which has resulted in disparate practices, digital systems, and strategic goals. This legal fragmentation not only reduces operational efficiency but also complicates efforts to align ISF with national SDG strategies.

To address this, scholars recommend legal harmonization and the establishment of a centralized coordination body at the federal level. Hassan et al. (2018) emphasize that harmonized legal frameworks are essential for scalability and cross-jurisdictional collaboration. Similarly, Mohd Noor and Rahim (2020) argue that a unified national legal framework, while respecting state autonomy, would enhance consistency in reporting, digital transformation, and impact measurement across ISF institutions. A harmonized framework would also support the *Maqasid* goals of protecting wealth (*hifz al-mal*) and promoting justice (*adl*), both of which are compromised when governance structures lack cohesion.

Second, Limited Public Awareness and Participation. Another barrier to ISF success is the low level of public awareness, particularly among youth and underserved communities. While zakat and wakaf are well-known concepts, their modern applications—especially those involving fintech platforms—are not widely understood. This knowledge gap limits donor participation, reduces trust in institutions, and undermines the effectiveness of ISF tools to support the poor and marginalized.

To overcome this, national education campaigns tailored to various demographics are essential. Mahmud, Rosman, and Hassan (2021) demonstrate that higher awareness significantly increases willingness to pay zakat through digital platforms. Integration of ISF education into school curricula, social media engagement, and collaboration with religious leaders could create a culture of giving rooted in *Maqasid Al-Shariah*, such as promoting social welfare (*maslahah*) and eradicating hardship (*raf' al-haraj*).

Lastly, Inadequate Digital Infrastructure. The digital divide remains a critical hurdle in expanding ISF across Malaysia. Many rural areas lack access to stable internet and digital tools, making it difficult for residents to engage with online zakat, wakaf, or sadaqah systems. This challenge limits the inclusivity and scalability of ISF, especially in achieving SDG 9 (Industry, Innovation, and Infrastructure) and SDG 10 (Reduced Inequalities).

To bridge this gap, public-private partnerships (PPPs) should be formed to co-develop fintech platforms that are accessible, Shariah-compliant, and user-friendly. Saraswati et al. (2024) highlight how fintech has transformed Islamic giving by offering real-time, traceable, and

inclusive financial flows. Othman et al., (2024) and Wahyudi et al., (2024) further assert that collaboration between Islamic financial institutions, telecom providers, and zakat authorities can significantly enhance digital outreach and governance. These innovations reflect the Maqasid principle of safeguarding life and dignity (hifz al-nafs and hifz al-irdh) by ensuring that even the most vulnerable have access to financial empowerment tools.

Table 2
Overcoming Key Challenges in Islamic Social Finance (ISF) Toward Integration with SDGs and Maqasid Al-Shariah

Challenge	Description	Recommendations / Solutions	Relevant SDGs	Maqasid Al-Shariah
Fragmentation of Legal & Regulatory Frameworks	ISF governance in Malaysia is fragmented due to zakat and wakaf being under state authority. This leads to inconsistent practices, digital systems, and goals across states, affecting alignment with national SDG efforts and reducing operational efficiency.	a) Harmonize legal frameworks across states while respecting autonomy b) Establish centralized federal coordination body for ISF c) Standardize reporting, digital transformation, impact measurement d) Foster cross jurisdictional collaboration	SDG 16: Peace, Justice & Strong Institutions	Hifz al-Mal (Protection of Wealth) Adl (Justice)
Limited Public Awareness & Participation	Despite familiarity with zakat, wakaf, public (especially youth and underserved) lack understanding of modern ISF tools, especially digital and fintech applications. This reduces donor participation, trust, and program effectiveness.	a) Nationwide awareness campaigns tailored by demographic b) Integrate ISF topics into school, university curricula c) Collaborate with religious leaders and influencers d) Use social media and storytelling to instil a culture of giving	SDG 1: No Poverty SDG 10: Reduced Inequalities	Maslahah (Public Welfare) Raf' al-Haraj (Ease of Hardship)
Inadequate Digital Infrastructure	Many rural areas lack access to reliable internet and digital tools, excluding them from participating in ISF digitally (e.g., online zakat, wakaf, sadaqah). This limits inclusion and weakens national reach of ISF programs.	a) Develop fintech platforms through Public-Private Partnerships (PPP) b) Ensure platforms are user-friendly and Shariah-compliant c) Collaborate with telecom companies and Islamic institutions to improve digital access d) Innovate for traceability and inclusivity in Islamic giving	SDG 9: Industry, Innovation & Infrastructure SDG 10: Reduced Inequalities SDG 17: Partnerships for the Goals	Hifz al-Nafs (Protection of Life) Hifz al-Irdh (Dignity)

Source : M Zubir (2025)

Note: Table 2 can be explained that the aligning Islamic Social Finance with SDGs through *Maqasid Al-Shariah* requires harmonized legal frameworks, enhanced public awareness, and

digital innovation. These solutions can unlock ISF's full potential to deliver justice, inclusivity, and sustainable impact for all.

Conclusion

This study presents a conceptual framework that bridges Islamic Social Finance (ISF) with the United Nations Sustainable Development Goals (SDGs) through the lens of *Maqasid Al-Shariah*. By aligning ISF instruments—such as zakat, wakaf, and sadaqah—with the five higher objectives of Shariah (religion, life, intellect, progeny, and wealth), the framework demonstrates how ethically driven financial tools can contribute meaningfully to global sustainability. The research highlights that with improved governance, transparency, and digital innovation, ISF can significantly accelerate SDG achievement. Ultimately, this integration offers a values-based and adaptable model for sustainable development that resonates with both Islamic principles and universal human goals.

The ethical principles embedded within Islamic Social Finance—namely *'adl* (justice), *ihsan* (benevolence), *tawazun* (balance), and *takafulliyah* (mutual responsibility)—provide a strong moral compass for addressing global socio-economic and environmental challenges. By promoting wealth redistribution, social justice, and environmental stewardship, ISF instruments align naturally with key SDGs, reinforcing Islam's holistic vision of sustainable development. Rooted in divine guidance and prophetic tradition, ISF not only fulfils material needs but also uplifts human dignity, fosters equity, and secures the well-being of future generations—making it a powerful ethical engine for inclusive and sustainable prosperity.

In addition to its practical findings, this research offers valuable theoretical and contextual contributions to the field of Islamic Social Finance. Theoretically, it deepens the understanding of how *Maqasid Al-Shariah* can be operationalized within modern governance structures, especially in multi-jurisdictional systems like Malaysia's. It bridges classical Islamic objectives such as *hifz al-mal*, *adl*, and *maslahah* with contemporary development goals like the SDGs, creating a holistic framework for social equity and financial inclusion. Contextually, the study illuminates the structural and systemic barriers such as fragmented legal frameworks, digital disparities, and low public awareness that hinder the full realization of ISF's potential. By offering evidence-based, policy-relevant solutions, it serves as a roadmap for reform, not only within Malaysia but also for other Muslim-majority countries navigating similar legal and infrastructural complexities. Ultimately, this research advances the discourse by demonstrating how faith-based finance can be strategically aligned with national development goals to foster a more inclusive and resilient socio-economic ecosystem. Based on the above findings, this research concludes that there is a potential source of ISF to be implemented via SDGs by integrating *Maqasid Al-Shariah* into government policy and ultimately will give significant impact on eradicating poverty in the society.

References

- AAOIFI. (Accounting and Auditing Organization for Islamic Financial Institutions). (2021). *Shari'ah standards*. <https://aaoifi.com/shariaa-standards/?lang=en>
- Abdur Rehman, M., Osman, I., Aziz, K., Koh, H. and Awais, M. (2020), "Get connected with your Takaful representatives: Revisiting customer loyalty through relationship marketing and service quality", *Journal of Islamic Marketing*, 11 (5), 1175-1200. <https://doi.org/10.1108/JIMA-06-2019-0122>
- Ahmed, H. (2014). Islamic Banking and Shari'ah Compliance: A Product Development Perspective. *Journal of Islamic Finance*, 3(2), 15–29. <https://doi.org/10.31436/jif.v3i2.45>
- Ali, I. and Hatta, Z.A. (2014), *Zakat as a Poverty Reduction Mechanism Among the Muslim Community: Case Study of Bangladesh, Malaysia, and Indonesia*. *Asian Soc Work Pol Rev*, 8: 59-70. <https://doi.org/10.1111/aswp.12025>
- Ali, S., & Azzafa Nur Jadidah. (2024). Peran Teknologi dalam Optimalisasi Pengumpulan dan Distribusi Zakat Dan Wakaf. *El-Faqih: Jurnal Pemikiran Dan Hukum Islam*, 10(2), 400-414. <https://doi.org/10.58401/faqih.v10i2.1495>
- Al-Jayyousi, O., Tok, E., Saniff, S. M., Wan Hasan, W. N., Janahi, N. A., & Yesuf, A. J. (2022). Rethinking sustainable development within Islamic worldviews: A systematic literature review. *Sustainability*, 14(12), 7300. <https://doi.org/10.3390/su14127300>
- Alsaghir, M. (2023), "Digital risks and Islamic FinTech: a road map to social justice and financial inclusion", *Journal of Islamic Accounting and Business Research*, Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/JIABR-10-2022-0262>
- Alshehadeh Hasan, Z. (2020). Distribution Of Zakat Funds To Achieve SDGs Through Poverty Alleviation In Baznas Republic Of Indonesia. *AZKA International Journal of Zakat & Social Finance*, 1(1), 25-43. <https://doi.org/10.51377/azjaf.vol1no01.7>
- Al-Syatibi, I. M. (2010). *Al-Muwafaqat*. Beirut: Dar al-Ma'rifah
- Asutay, M., & Yilmaz, I. (2021). Constituting an Islamic Social Welfare Function: An Exploration through Islamic Moral Economy. *International Journal of Islamic and Middle Eastern Finance and Management*, 14(3), 524-540. <https://doi.org/10.1108/imefm-03-2019-0130>
- Anwar, I. F., Rahayu, S. B. ., Yusoff, Y., Lajin, N. F. M. ., & Atan, A. . (2024). The Sustainability of Cash Waqf Using Blockchain Technology: a Conceptual Study. *International Journal of Trends In Accounting Research*, 5(2), 70-82. <https://doi.org/10.54951/ijtar.v5i2.664>
- Auda, J. (2008). *Maqasid al-Shariah as philosophy of Islamic law: A systems approach*. United Kingdom: International Institute of Islamic Thought.
- Aziz, A., Manalu, P., Oktaviandi, W., Apriadi, D., Candri, & Suteja. (2024). SDG's and Maqasid Shariah Principles: Synergies for Global Prosperity. *Journal of Lifestyle and SDGs Review*, 4(2), e01873. <https://doi.org/10.47172/2965-730X.SDGsReview.v4.n02.pe01873>
- Dusuki, A. W., & Abdullah, N. I. (2007). Maqasid al-Shari'ah, Maslahah, and Corporate Social Responsibility. *American Journal of Islam and Society*, 24(1), 25–45. <https://doi.org/10.35632/ajis.v24i1.415>
- Dusuki, Ayraf Wajdi, and Said Bouheraoua. 2011. "The Framework of Maqasid Al-Shari'ah and Its Implication for Islamic Finance". *ICR Journal* 2 (2):316-36. <https://doi.org/10.52282/icr.v2i2.651>.

- Fahmi, M. Y., Mawardi, I., Herianingrum, S., Widiastuti, T., Mahfud, S., & Budiman, M. A. (2023). The relevance of sustainable development goals (SDGs) with Maqashid Sharia. *Migration Letters*, 20(S12), 313–321. <https://doi.org/10.59670/ml.v20iS12.5947>
- Harahap, B., Risfandy, T., & Putri, I. N. (2023). Islamic law, Islamic finance, and sustainable development goals: A systematic literature review. *Sustainability*, 15(8), 6626. <https://doi.org/10.3390/su15086626>
- Hasan, Z. and Asutay, M. (2019). The State of Islamic Governance in Islamic Financial Institutions: Islamic Governance Index, Azid, T., Alnodel, A.A. and Qureshi, M.A. (Ed.) *Research in Corporate and Shari'ah Governance in the Muslim World: Theory and Practice*. Emerald Publishing Limited, Leeds, pp. 371-387. <https://doi.org/10.1108/978-1-78973-007-420191037>
- Hassan, M. K., Aliyu, S., & Paltrinieri, A. (2018). A review of Islamic social finance: Evidence from the SDG perspective. *Borsa Istanbul Review*.
- Hassan, M. K. (2018). The role of Islamic microfinance in achieving sustainable development goals. *International Journal of Social Economics*, 45(12), 1701–1720.
- Hassan, M. K., Muneeza, A., & Hasan, R. (2025). *Islamic Finance and Sustainable Development*. Cambridge: Cambridge University Press.
- Horn, P., & Grugel, J. (2018). The SDGs: A new agenda for development. *Third World Quarterly*, 39(12), 2357–2372.
- Ismail, A. G., & Shaikh, S. A. (2017). Islamic finance and sustainable development goals: Policy synergies and complementarities. *Journal of Islamic Monetary Economics and Finance*.
- Ibn 'Asyur, M. T. (2009). *Maqasid al-Syari'ah al-Islamiyyah*. Al-Qahirah: Dar al-Salam
- Isnaini, F. (2024). Zakat as an Islamic economic instrument in realizing social welfare. In *Proceedings of the 8th International Conference of Zakat (ICONZ)* (pp. 644–652). BAZNAS Indonesia.
ISSN: 2655-6251
<https://www.iconzbaznas.com/submission/index.php/proceedings/article/download/932/378>
- Izzi Dien, M. (1997). Environment and sustainable development: Islamic principles and practices. *Journal of Islamic Studies*.
- Izzi Dien, M. (1997). *Islamic environmental ethics, law and society*. Routledge.
- Jamaludin, A. (2021). The Islamic Models Of Corporate Governance. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, 12(11), 874–878. <https://doi.org/10.17762/turcomat.v12i11.5974>
- Johari, F., Ali, A. F. M., & Aziz, M. R. A. (2015). The role of waqf in improving the well-being of the Ummah: Issues and challenges in Malaysia. *Jurnal Pengurusan*, 43, 3–12.
- Kahf, M. (1999). Sustainable development in the Muslim countries. *Islamic Research and Training Institute*.
- Kamaruddin, M. I. H., Hanefah, M. M., Shaharuddin, A., Ayedh, A. M. A., & Othman, N. A. (2023). Development of FinTech in Islamic Social Finance in Malaysia. *International Journal of Economics, Management and Accounting*, 31(1), 177–204. <https://doi.org/10.31436/ijema.v31i1.1143>
- Mahmud, M., Rosman, R., & Hassan, R. (2021). Public awareness and willingness to pay zakat via fintech platforms. *Journal of Islamic Marketing*, 13(3), 757–776. <https://doi.org/10.1108/JIMA-03-2020-0081>
- Mohd Noor, A. H., & Rahim, N. A. (2020). Harmonization of Islamic social finance: A Malaysian legal perspective. *Journal of Islamic Finance*, 9(S), 14–21.

- Mohd Noor, A. H., Mohd Ali, R., & Mohamad Noor, N. A. (2020). Accountability practices in zakat institutions: A study of selected Southeast Asian countries. *Journal of Islamic Accounting and Business Research*.
- Mohieldin, M., Iqbal, Z., Rostom, A., & Fu, X. (2011). The role of Islamic finance in enhancing financial inclusion in Organization of Islamic Cooperation (OIC) countries. *World Bank Policy Research Working Paper No. 5920*.
- Mohsin, M. I. A. (2013). Financing through cash-waqf: A revitalization to finance different needs. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(4), 304–321. DOI: 10.1108/IMEFM-08-2013-0094
- Obaidullah, M. (2015). *Islamic social finance report (Issue 2015)*. Islamic Research & Training Institute, Islamic Development Bank. <https://conference.ibfnet.group/wp-content/uploads/2022/10/ISLAMIC-SOCIAL-FINANCE-REPORT-2015.pdf>
- Obaidullah, M. (2015). Revisiting Islamic social finance: Theory and practice. *Islamic Economic Studies*, 23(2), 1–20. <https://doi.org/10.12816/0015811>
- Othman, K., Wahab, M. Z. H., & Saufi, M. S. A. (2024). Digital Frontiers in Islamic Finance Advancing SDGs Through Maqasid and Maslahah. *Advances in Finance, Accounting, and Economics Book Series*, 1–26. <https://doi.org/10.4018/979-8-3693-5653-1.ch001>
- Rahim, S. and Mohamad, Z., (2018). Green Sukuk for Financing Renewable Energy Projects. *Turkish Journal of Islamic Economics*. 5(2), 129-144. DOI: [dx.doi.org/10.26414/m031](https://doi.org/10.26414/m031)
- Slamet, A. R. (2020). Islamic Finance and Sustainable Development Goals (SDG): A Bibliometric Review. *Journal of Islamic Economics Literatures*, 1(1). <https://doi.org/10.58968/jiel.v1i1.30>
- Slamet, A. R., Sukmana, R., & Laila, N. (2023). Waqf Development Model for SDG-16 (Peace, Justice and Strong Institutions). *Islamic Social Finance*, 3(2). <https://doi.org/10.58968/isf.v3i2.318>
- Saraswati, D. D., Zahrani, A. Y., Primadani, R. D., Mevia, N. A., Pramesti, A. P., Pratama, R. A. B., & Nurrohim, A. (2024). Penggunaan Teknologi Finansial Syariah Dalam Laporan Keuangan. *Jurnal Riset Akuntansi*, 3(1), 23–34. <https://doi.org/10.54066/jura-itb.v3i1.2835>
- Shaikh, S. A., Ismail, A. G., & Mohamad, S. (2017). Role of Islamic microfinance in poverty alleviation in Pakistan: An empirical approach. *International Journal of Islamic and Middle Eastern Finance and Management*, 10(1), 54–74.
- Shaikh, S. A., Ismail, A. G., & Mohd Nor, M. N. (2017). Islamic social finance: Principles and performance. *Journal of Islamic Monetary Economics and Finance*, 3(Special Issue), 121–144.
- Tok, E., Yesuf, A. J., & Mohamed, A. (2022). Sustainable development goals and Islamic social finance: From policy divide to policy coherence and convergence. *Sustainability*, 14(11), 6875. <https://doi.org/10.3390/su14116875>
- United Nations. (2015). *Transforming our world: The 2030 Agenda for Sustainable Development*. <https://sdgs.un.org/2030agenda>
- Wahid Al-Faizin, A., Dinda Insani, T., & Widiastuti, T. (2017, November 25). Zakat as an Obligatory System and its Implications for Social Psychology of Society (Social Tafsir of Sūrah Al-Tawbah: 103). *International Journal of Zakat*, 2(2), 43-53. <https://doi.org/https://doi.org/10.37706/ijaz.v2i2.24>

Wahyudi, I., Amalia, E., & Rini, R. (2024). Revamping tradition with tech: guiding innovation in zakat for social good. *Al-Risalah : Forum Kajian Hukum Dan Sosial Kemasyarakatan*. <https://doi.org/10.34005/alrisalah.v15i1.3497>

Zahan, M., & Puspa, R. A. (2023). Challenges in implementing fintech in Islamic social finance institutions. *Journal of Islamic Economics, Banking and Finance*, 19(2), 137–152. <https://doi.org/10.12816/0057928>