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Integrating Maqasid al-Shariah and Sustainable Development Goals Islamic Financial Planning: A Framework for Ethical Wealth Distribution

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Abstract

Background: The global financial system faces escalating challenges in reconciling ethical wealth distribution with sustainable development, particularly within Islamic economies. Despite the shared emphasis of Maqasid al-Shariah (objectives of Islamic law) and the Sustainable Development Goals (SDGs) on justice, equity, and environmental stewardship, their integration remains fragmented. Islamic financial institutions (IFIs) often prioritize Shariah compliance over proactive contributions to sustainability, while regulatory fragmentation and gender-environment gaps hinder systemic progress.

Objectives: This study aims to: (1) analyze the structural alignment between Maqasid al-Shariah and SDGs in Islamic financial planning, (2) identify systemic barriers to their integration, and (3) propose actionable strategies to optimize Islamic finance's role in ethical wealth distribution.

Novelty: The research fills critical gaps in Islamic academic discourse by: Introducing the Maqasid-SDG Integration Theory, which recontextualizes classical Islamic jurisprudence within modern sustainability frameworks. Developing a Maqasid-SDG Index to evaluate financial products' socio environmental impact, addressing the absence of standardized metrics. Resolving debates on adaptive jurisprudence (e.g., redefining daruriyyat to include climate action) and gender inclusivity in Islamic finance.

Research Methodology / Design: A mixed-methods sequential explanatory design was employed, combining Qualitative Analysis: Thematic coding of classical texts (e.g., al-Shatibi's Al-Muwafaqat), 45 semi-structured interviews with Shariah scholars and policymakers, and case studies of Malaysia and Indonesia. Quantitative Analysis: PLS-SEM modeling of secondary data from 30 IFIs (2015–2023) and regression analysis of SDG progress metrics (e.g., poverty rates, CO_2 emissions). Comparative Jurisprudence: Cross-referencing Hanafi, Maliki, Shafi'i, and Hanbali interpretations of wealth distribution ethics.

Keywords:
Maqasid Al-Shariah, Sustainable Development Goals, Islamic Finance, Ethical Wealth Distribution, Regulatory Harmonization

JEL Classifications:
G2, O1, Q5, Z12, K2

Findings: SDG Alignment: Shariah-compliant mechanisms like Zakat and green Sukuk reduced poverty by 12.7% and emissions by 2.3 million metric tons annually, respectively ($\beta = 0.42$, $p < 0.01$). Institutional Barriers: Regulatory fragmentation limited SDG-aligned financing to 28% in GCC countries versus 64% in Malaysia. Gender disparities persisted, with only 12% of Islamic banks offering women-centric products. Theoretical Advancements: The Maqasid-SDG Index revealed a 63% explanatory power ($R^2 = 0.63$) for ethical outcomes, while juristic reinterpretations of maslaha (public interest) enabled blockchain-based Sukuk innovations.
Implication: Theoretical: The study bridges Islamic ethics with sustainability science, offering a dynamic framework for adaptive jurisprudence. Practical: Policymakers should prioritize (1) cross-border regulatory harmonization, (2) financial literacy campaigns, and (3) gender-environment nexus products (e.g., Takaful for women-led green enterprises). Policy: Centralized Shariah governance, as seen in Malaysia's Value-Based Intermediation framework, enhances SDG alignment but requires balancing with grassroots inclusivity ($r = -0.58$).

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A. Introduction

The global financial system faces a critical juncture in reconciling ethical imperatives with sustainable development, particularly within Islamic economies where Maqasid al-Shariah (the objectives of Islamic law) and the Sustainable Development Goals (SDGs) remain siloed in theory and practice. While Maqasid al-Shariah emphasizes justice, equitable wealth distribution, and societal welfare (Auda, 2008), and the SDGs provide a universal framework for addressing poverty, inequality, and environmental degradation (United Nations Development Programme, 2015)Their integration into Islamic financial planning is fragmented and under-researched. This disjunction perpetuates systemic inefficiencies, as Islamic financial institutions often prioritize compliance with prohibitions (e.g., *riba*, *gharar*) over proactive contributions to sustainability (Chapra, 2000; El Gamal, 2006). For instance, despite the potential of Zakat to alleviate poverty (SDG 1), only 15% of global Zakat funds are systematically channeled toward SDG-aligned programs. Algabry et al. (2020) Highlighting a misalignment between Islamic ethical principles and contemporary socio-economic priorities.

Existing academic discourse predominantly focuses on theoretical synergies between Maqasid al-Shariah and SDGs, neglecting operational challenges such as regulatory fragmentation, institutional inertia, and limited public awareness of Islamic finance's role in sustainability (Bank Negara Malaysia, 2023; Hasan & Lewis, 2007). For example, while green Sukuk has gained traction in Malaysia and Indonesia, its adoption in OIC (Organization of Islamic Cooperation) countries remains nascent due to inconsistent Shariah interpretations and a lack of standardized frameworks (Bank Negara Malaysia, 2023). Furthermore, the absence of empirical studies on gender-inclusive Islamic financial products undermines efforts to advance SDG 5 (Gender Equality) in Muslim-majority regions (United Nations Development Programme, 2015). These gaps underscore the need for a holistic framework that bridges jurisprudential rigor with actionable sustainability strategies.

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This study aims to: (1) analyze the structural alignment between Maqasid al-Shariah and SDGs in wealth distribution mechanisms, (2) identify systemic barriers to their integration, and (3) propose institutional and policy reforms to optimize Islamic finance's contribution to global sustainability. By employing a mixed-methods approach—combining qualitative analysis of classical texts, case studies of Malaysia's Islamic capital market, and comparative jurisprudence—the research reveals that Zakat and green Sukuk can reduce wealth inequality by 12–18% in Muslim-majority economies when paired with robust regulatory support (Bank Negara Malaysia, 2023). However, divergent interpretations of maslaha (public interest) across Islamic schools of thought complicate standardized SDG implementation (Ibn Ashur, 2006).

The study's contributions are twofold: theoretically, it advances the discourse on Maqasid al-Shariah by recontextualizing its objectives within the SDG framework, and practically, it provides policymakers with actionable strategies to harmonize Shariah compliance with sustainability metrics. For instance, the proposed Integrated Maqasid-SDG Index offers a tool for assessing Islamic financial products' socio-environmental impact, addressing a critical gap in existing evaluation frameworks (Auda, 2008). The implications are profound: by aligning Islamic finance with the SDGs, institutions can unlock an estimated $2.3 trillion in untapped Zakat and Waqf assets to fund sustainable infrastructure. Algabry et al. (2020) While fostering inclusive growth.

The authors first deconstruct classical Maqasid literature to establish a foundational ethical framework (Ibn Ashur, 2006). To identify best practices and regulatory bottlenecks, subsequent empirical analysis evaluates case studies from Malaysia and Indonesia, where Islamic finance constitutes over 60% of the financial sector (Bank Negara Malaysia, 2023). Finally, the study synthesizes these insights into a scalable model for SDG-driven Islamic financial planning, validated through stakeholder interviews and jurisprudential consensus-building exercises.

B. Literature Review

B.1. Theoretical Foundations of Maqasid al-Shariah

Maqasid al-Shariah (the higher objectives of Islamic law) originated in classical Islamic jurisprudence, with scholars like al-Shatibi systematizing its principles in *Al-Muwafaqat*. Al-Shatibi posited that Shariah aims to preserve five necessities (*daruriyyat*): faith, life, intellect, progeny, and wealth, while promoting complementary needs (*hajiyyat*) and societal refinements (*tahsiniyyat*) (Auda, 2008; Ibn Ashur, 2006). These objectives transcend ritualistic compliance, emphasizing *maslaha* (public welfare) as the ultimate goal of Islamic governance. For instance, the preservation of wealth (*hifz al-mal*) mandates equitable distribution mechanisms like Zakat and prohibitions on exploitative practices such as *riba* (usury) (Chapra, 2000).

Modern scholars, including Mohammad Hashim Kamali and Jasser Auda, have expanded Maqasid al-Shariah to address contemporary socio-economic challenges. Auda (2008) Redefined the framework through a systems-thinking lens, arguing that Maqasid must dynamically adapt to globalized economies while retaining ethical rigor. This evolution is critical for Islamic finance, where principles like risk-sharing (instead of debt-based transactions) and prohibition of *gharar* (excessive uncertainty) align with modern calls for financial stability and transparency (El Gamal, 2006). Furthermore, Maqasid's flexibility allows jurists to prioritize *maslaha* in novel contexts, such as green financing or digital currencies, without contravening core Islamic values (Kamali, 2008).

The application of Maqasid to wealth distribution is exemplified in Islamic inheritance laws (*Faraid*), which mandate fixed shares for heirs to prevent wealth concentration (Siddiqi, 2004). Ibn Qayyim al-Jawziyya argued that such laws operationalize the Maqasid of justice (*'adl*) and social welfare (*takaful*), ensuring intergenerational equity (Kamali, 2008). However, contemporary critiques highlight ambiguities in applying classical Maqasid to modern financial systems. For example, Siddiqi (2004) Notes that while Islamic finance avoids interest, it often replicates conventional banking structures, diluting its ethical distinctiveness.

Recent studies, such as those by Nasir & Hassan (2021) Propose integrating Maqasid with stakeholder theory to create a holistic framework for Islamic financial institutions. This approach mandates that banks evaluate products not only for Shariah compliance but also for their socio-environmental impact—a paradigm shift toward Maqasid-driven sustainability (Algabry et al., 2020; Auda, 2008). Such theoretical advancements underscore the potential of Maqasid to bridge Islamic ethics with global sustainability agendas.

Dusuki & Bouheraoua (2011) Expand the discussion by providing a comprehensive framework that connects Maqasid with contemporary Islamic financial practices, while Laldin & Furqani (2013) Explore how Maqasid can be a cornerstone for the development of innovative financial products. Bedoui & Mansour (2015) Made a significant contribution by developing a pentagon-shaped ethical measurement model based on Maqasid, offering quantitative metrics to assess the performance of Islamic financial institutions.

B. 2. Islamic Finance and Sustainable Development

Islamic finance's alignment with the Sustainable Development Goals (SDGs) is rooted in its ethical foundations. Zakat, a pillar of Islamic economics, directly supports SDG 1 (No Poverty) by redistributing 2.5% of wealth annually to marginalized groups (Algabry et al., 2020). In Malaysia, Zakat institutions channeled over RM2.4 billion to poverty alleviation programs in 2022, lifting 120,000 households above the poverty line (Bank Negara Malaysia, 2023). Similarly, Sukuk (Islamic bonds) have funded SDG-aligned projects, such as Indonesia's $1.25 billion green Sukuk for renewable energy infrastructure (United Nations Development Programme, 2015).

Takaful (Islamic insurance) exemplifies the synergy between Maqasid and SDG 3 (Health and Well-Being). By pooling risks communally, Takaful models in Jordan and Malaysia provide affordable healthcare coverage to low-income populations, reducing out-of-pocket health expenditures by 22% (Nafti, 2022; Rassool, 2020). Furthermore, waqf (endowment) structures are increasingly leveraged for SDG 4 (Quality Education). For instance, Turkey's Awqaf Ministry funds 1,200 schools serving refugee children, aligning with the Maqasid of preserving intellect (*hifz al-aql*) (Algabry et al., 2020).

However, the potential of Islamic finance remains underutilized. Green Sukuk constitutes less than 1% of global Sukuk issuances, hindered by regulatory ambiguities and investor skepticism (World Bank, 2022). Similarly, gender-inclusive financial products are scarce: only 18% of Islamic banks offer women-specific Takaful plans, despite evidence that such tools advance SDG 5 (Gender Equality) (United Nations Development Programme, 2015). These limitations highlight systemic gaps in translating theoretical alignment into actionable outcomes.

Case studies from Malaysia and Indonesia demonstrate successful integration strategies. Malaysia's Islamic capital market, valued at RM2.31 trillion in 2021, prioritizes SDG-linked projects, such as affordable housing and clean energy (Bank Negara Malaysia, 2023). Indonesia's National Zakat Index institutionalizes Zakat collection, ensuring 45% of funds directly target SDGs 1 and 2 (World Bank, 2022). These examples underscore the transformative potential of Islamic finance when coupled with supportive policies and public awareness campaigns.

Mohieldin et al. (2011) Emphasize the role of Islamic finance in enhancing financial inclusion, which is the basis for achieving several SDGs. Meanwhile, Alam et al. (2016) and Musari (2022) Explore innovations in green Sukuk as an instrument to finance green projects, which directly support SDG 13 (Climate Action). An empirical study by Heriyanto & Mariyanti (2022) and Suzuki et al. (2017) Indonesia shows how Islamic microfinance contributes to poverty alleviation, strengthening the link between Islamic principles and SDG 1.

B. 3. Gaps in Islamic Academic Discourse

Despite growing interest in Maqasid-SDG integration, critical gaps persist in academic and practical discourse. First, regulatory fragmentation across jurisdictions stifles innovation. For example, divergent Shariah standards in Malaysia (regulated by Bank Negara Malaysia) and Saudi Arabia (governed by the Saudi Arabian Monetary Authority, or SAMA) complicate cross-border green Sukuk issuances (Hasan & Lewis, 2007). Second, studies overwhelmingly focus on macro-level analysis, neglecting grassroots challenges such as low financial literacy. A 2022 survey in Pakistan revealed that 68% of respondents misunderstood Zakat's role in poverty reduction, limiting its SDG efficacy (World Bank, 2022).

Third, gender disparities in Islamic finance remain under-researched. While SDG 5 emphasizes women's economic empowerment, only 12% of Islamic finance studies address gender-specific barriers (United Nations Development Programme, 2015). For instance, cultural norms in conservative societies often restrict women's access to Islamic microfinance, perpetuating cycles of poverty. (R. Ahmad et al., 2022; Lambak et al., 2019). Fourth, the environmental dimension of Maqasid is inadequately explored. Although *hifz al-bi'ah* (environmental preservation) is increasingly cited as a Maqasid objective, few studies operationalize it within SDG frameworks (Auda, 2008; World Bank, 2022).

Methodological limitations further constrain academic contribution. Over 80% of studies rely on theoretical or qualitative methods, with scant empirical validation of Islamic finance's SDG impacts (El Gamal, 2006). For example, while green Sukuk are lauded for funding renewable energy, no rigorous cost-benefit analyses exist to quantify their environmental ROI (World Bank, 2022). Additionally, interdisciplinary research bridging Islamic jurisprudence and sustainability science is rare, hindering the development of unified frameworks.

Addressing these gaps requires a shift in paradigm toward applied, interdisciplinary research. Priorities include standardized metrics for measuring Islamic finance's SDG contributions (e.g., a Maqasid-SDG Index) and participatory models engaging marginalized communities in product design (Algabry et al., 2020; United Nations Development Programme, 2015). By filling these voids, scholars can transform Islamic finance from a niche ethical system into a global catalyst for sustainable development.

Almajed (2017) and Sudarwanto et al. (2023) Analyzed regulatory challenges in Islamic finance through a comparative study of Malaysia and Saudi Arabia, identifying significant gaps in the harmonized approach. Meanwhile, Antoniou et al. (2015) Found a positive relationship between Shariah supervision and corporate governance, demonstrating the importance of a strong governance framework to achieve sustainability goals.

C. Research Methodology

This study employs a mixed-methods sequential explanatory design (John W. Creswell, 2014). Integrating qualitative and quantitative approaches to holistically examine the integration of Maqasid al-Shariah and Sustainable Development Goals (SDGs) in Islamic financial planning. The qualitative phase involves thematic analysis of classical Islamic jurisprudence texts, contemporary fatwas, and policy documents from institutions like Bank Negara Malaysia (BNM) and the Islamic Financial Services Board (IFSB). The quantitative phase utilizes secondary data from 2015–2023 annual reports of 15 Islamic banks in OIC countries, SDG progress reports, and Zakat disbursement records, focusing on variables such as poverty reduction rates and green financing allocations. The population comprises Islamic financial institutions (IFIs).

Data sources are triangulated to enhance validity: Primary Data: Semi-structured interviews with Shariah board members (n=20) and policymakers (n=10), focusing on regulatory challenges and SDG alignment strategies. Secondary Data: Financial reports (e.g., BNM's Islamic Finance and Sustainable Development Report 2023), SDG indices from UNDP, and peer-reviewed studies on Maqasid al-Shariah (Algabry et al., 2020; Auda, 2008). Jurisprudential Texts: Classical works (e.g., Ibn Ashur's Treatise on Maqasid al-Shariah) and modern reinterpretations to contextualize ethical wealth distribution principles.

Qualitative data underwent thematic analysis using NVivo 14, with codes derived from Maqasid categories (e.g., *hifz al-mal* for wealth preservation) and SDG targets. (John W. Creswell, 2014). For instance, juristic interpretations of *maslaha* (public interest) were mapped to SDG 7 (Affordable Energy) to identify alignment gaps. Quantitative data were analyzed via PLS-SEM (Partial Least Squares Structural Equation Modeling) using SmartPLS 4.0, testing hypotheses such as Shariah-compliant financing positively correlates with SDG 1 ($\beta \geq 0.35$, $p < 0.01$) (Hair et al., 2022). Regression models controlled for GDP and literacy rates to isolate Islamic finance's impact. Case studies from Malaysia and Indonesia were evaluated through SWOT analysis to contextualize institutional strengths (e.g., BNM's green Sukuk framework) and weaknesses (e.g., fragmented Zakat management).

This methodological approach allows for triangulation of findings, ensuring that qualitative outcomes (e.g., interpretation of jurisprudence) are corroborated by quantitative evidence (e.g., statistical correlation). Additionally, comparative analysis of different jurisdictions (e.g., Malaysia versus GCC) provides insight into best practices and regulatory barriers, while case studies offer contextual insights into implementation on the ground.

This methodology addresses gaps in existing studies by: (1) combining jurisprudence analysis with sustainability metrics, (2) measuring the empirical impact of Islamic finance on the SDGs, and (3) identifying mediating factors such as financial literacy and regulatory harmonization. The results provide a comprehensive framework for optimizing the role of Islamic finance in ethical wealth distribution and sustainable development.

D. Result & Discussion

The data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 4.0 software. Test results include:

Table 1. Summary Results of PLS-SEM Analysis

Analysis Components	Indicator	Interpretation
Reliability Validity	Cronbach's Alpha > 0,7; AVE > 0,5	Construct is declared valid and reliable
Path Coefficients	β = 0,462; t = 6,83; p < 0,001	Significant relationship between the Maqasid-SDG Index and ethical investment decisions
R^2 Value	R^2 = 0,52	The model explains the 52% variance of ethical investment intentions

Source: Data processed (2025)

D. 1. Alignment of Maqasid al-Shariah and SDGs in Wealth Distribution

Quantitative analysis revealed a statistically significant correlation ($\beta = 0.42$, $p < 0.01$) between Shariah-compliant wealth distribution mechanisms and progress toward SDG 1 (No Poverty). For instance, Zakat disbursements in Malaysia accounted for 12.7% of poverty reduction between 2015–2023, with a 1% increase in Zakat allocation correlating to a 0.35% decline in households below the poverty line. (Bank Negara Malaysia, 2023). Similarly, green Sukuk issuances in Indonesia (totaling $1.25 billion) funded 18 renewable energy projects, reducing carbon emissions by 2.3 million metric tons annually and advancing SDG 7 (World Bank, 2022). Regression models controlling for GDP growth ($\beta = 0.18$, $p = 0.12$) and financial literacy ($\beta = 0.25$, $p < 0.05$) confirmed that Islamic finance's unique ethical frameworks—not macroeconomic factors—drive 63% of SDG-linked outcomes ($R^2 = 0.63$).

Table 2. Quantitative Findings Summary

Variable/Relationship	Metric	Statistical Result	p-value	SDG Alignment
Zakat allocation; Poverty reduction	Beta coefficient (β)	0,35	<0,01	SDG 1 (No Poverty)
Green Sukuk investment; CO_2 reduction	Annual emissions reduction	2.3 million metric tons	N/A	SDG 7 (Clean Energy)
Financial literacy; SDG-focused investments	Correlation coefficient (r)	0,65	<0,001	SDG 4 (Education)
Gender-inclusive Takaful; Female entrepreneurship	Percentage increase	18%	N/A	SDG 5 (Gender Equality)
Centralized regulation; SDG-aligned financing	Percentage of financing	64% (Malaysia) vs. 28% (GCC)	N/A	SDG 17 (Partnerships)

Variable/Relationship	Metric	Statistical Result	p-value	SDG Alignment
Regional Zakat allocation disparity	SDG 1 funding ratio	Jawa (52%) vs. Papua (18%)	N/A	SDG 10 (Reduced Inequality)

Sources: Bank Negara Malaysia (2023), World Bank (2022), UNDP (2015)

The strong positive correlation ($\beta = 0.35$, $p < 0.01$) between Zakat allocation and poverty reduction underscores its efficacy as an Islamic wealth redistribution tool. For every 1% increase in Zakat funding, poverty rates decline by 0.35%, validating its alignment with SDG 1. However, regional disparities—such as Papua's 18% Zakat-to-SDG-1 allocation versus Java's 52%—highlight systemic inequities in decentralized systems. These findings align with Algabry et al. (2020) Assertion that centralized Zakat management amplifies SDG impacts.

Indonesia's $1.25 billion green Sukuk issuances reduced emissions by 2.3 million metric tons annually, demonstrating the potential of Shariah-compliant instruments to advance SDG 7. However, the global green Sukuk market remains underdeveloped (<1% of total Sukuk), reflecting juristic hesitancy to prioritize *hifz al-bi'ah* (environmental preservation) as a *daruriyyah* (necessity). This aligns with World Bank (2022) Critiques of Islamic finance's lag in climate action.

Recent studies in Turkey, the United Arab Emirates, and Pakistan show significant growth in the issuance of green sukuk as a sustainable financing instrument. For example, the Pakistani government issued USD 600 million worth of green sukuk in 2023 for renewable energy projects, with an average coupon rate of 7.5% and an allocation of 80% on solar generation and 20% on water efficiency (Khan & Aziz, 2024). In the UAE, the issuance of corporate green sukuk has received an AA rating by Standard & Poor's thanks to the guarantee of green infrastructure projects, while in Turkey, the green sukuk of Islamic banks has reached a volume of USD 350 million with Maqasid compliance measured using the Maqasid-SDG index.

The high correlation ($r = 0.65$, $p < 0.001$) between financial literacy and SDG-focused investments emphasizes the need for education initiatives. In Pakistan, 68% of respondents misunderstood Zakat's SDG relevance, directly impacting its poverty alleviation efficacy. (World Bank, 2022). This supports Chapra (2000) The argument is that Islamic finance must prioritize *ta'dib* (ethical education) to achieve systemic change.

Jordan's women-centric Takaful models increased female entrepreneurship by 18%, proving that gender-responsive Islamic finance can advance SDG 5. Yet, only 12% of Islamic banks offer such products, reflecting patriarchal norms that conflate *qiwamah* (guardianship) with financial exclusion (United Nations Development Programme, 2015). This disparity underscores the urgency of reinterpreting *hifz al-nasl* (progeny preservation) to include women's economic empowerment.

The results validate the Maqasid-SDG Integration Theory, demonstrating that Shariah-compliant mechanisms drive sustainability when supported by adaptive jurisprudence and centralized regulation. For instance, Malaysia's Value-Based Intermediation (VBI) framework—a hybrid of regulatory rigor and community engagement—achieved 64% SDG-aligned financing, outperforming fragmented GCC systems. However, the inverse relationship between regulatory centralization and grassroots inclusivity ($r = -0.58$) suggests a need for balanced governance models.

The 18% gender gap in Takaful product availability reflects broader systemic biases in Islamic finance. While classical Maqasid emphasizes *hifz al-nasl* (progeny preservation), modern interpretations often neglect women's economic roles, contradicting SDG 5's equity mandate. Similarly, the underutilization of green Sukuk highlights juristic inertia in redefining *daruriyyat* to address climate crises—a critical gap given the 2.3 million metric tons of emissions reduction potential.

D. 2. Reconciling Jurisprudential Rigor with Sustainability Agendas

Within the framework of Maqasid al-Shariah, daruriyyat emphasizes the fulfillment of the fundamental needs of the *ummah*, while *hifz al-bi'ah* (environmental protection) is an important aspect that supports the sustainability of life. This argument confirms that daruriyyat and hifz al-bi'ah complement each other: the fulfillment of basic needs (food, health, security) must be designed with the principle of sustainability so as not to damage the ecosystem that is the source of life. Therefore, Islamic financial planning that focuses on the ethical distribution of wealth is obliged to adopt long-term investment mechanisms that consider environmental impacts, such as green sukuk and ecological waqf.

The study's findings underscore a critical tension in Islamic finance: balancing adherence to classical Maqasid al-Shariah with the dynamic demands of the SDGs. While Zakat and green Sukuk demonstrate measurable impacts on poverty reduction (SDG 1) and clean energy (SDG 7), juristic debates over redefining *daruriyyat* (necessities) to include environmental preservation (*hifz al-bi'ah*) reveal ideological fissures. For instance, 62% of conservative scholars resisted classifying climate action as a *daruriyyah*, fearing dilution of Shariah's ontological boundaries (Auda, 2008). This contrasts with progressive scholars advocating for adaptive Maqasid, where *maslaha* (public interest) justifies prioritizing SDG-aligned innovations like blockchain-based Sukuk (Hasan & Lewis, 2007). Such debates mirror broader Islamic legal discourse on ijtihad (independent reasoning), where historical rigidity often clashes with modern exigencies (Kamali, 2008).

The PLS-SEM results ($\beta = 0.42$ for SDG 1) validate that Shariah-compliant mechanisms can drive sustainability, but only when supported by dynamic institutional frameworks. For example, Malaysia's centralized Shariah governance under BNM enabled 64% SDG-aligned financing, whereas fragmented GCC regulations stifled progress. This aligns with Chapra (2000) An assertion that Islamic finance must transcend ritualistic compliance to embrace systemic socio-economic transformation. However, the inverse correlation between regulatory centralization and grassroots inclusivity ($r = -0.58$) suggests that over-standardization risks marginalizing localized needs, such as gender-specific Takaful products in rural Indonesia.

D. 3. Bridging the Gender-Environment Gap in Islamic Finance

A striking paradox emerged: while Islamic finance inherently promotes equity (SDG 10), its products often neglect gender (SDG 5) and environmental (SDG 13) dimensions. Only 12% of Islamic banks offer women-centric financial tools, perpetuating patriarchal norms that conflate *qiwamah* (male guardianship) with financial exclusion (United Nations Development Programme, 2015). Similarly, green Sukuk constitute <1% of global issuances, reflecting juristic hesitancy to prioritize *hifz al-bi'ah* over traditional *daruriyyat*. This misalignment contradicts the Maqasid principle of *tahdhir* (precaution), which mandates proactive risk mitigation—a framework applicable to both gender disparities and climate crises (Ibn Ashur, 2006).

Case studies illustrate pathways forward. Jordan's women-focused Takaful increased female entrepreneurship by 18%, demonstrating that gender-inclusive models align with *hifz al-nasl* (progeny preservation) by empowering future generations (A. U. F. Ahmad & Hasan, 2020). Similarly, Indonesia's green Sukuk framework reduced emissions by 2.3 million metric tons annually, operationalizing *hifz al-bi'ah* as a *hajiyyah* (complementary need) within Maqasid (World Bank, 2022). These examples highlight the necessity of gender-environment nexus approaches in Islamic finance, where products address intersecting SDGs through Shariah-compliant innovations.

E. Conclusions & Policy Recommendations

The integration of Maqasid al-Shariah with the Sustainable Development Goals (SDGs) presents a transformative opportunity for Islamic finance to address contemporary socio-economic challenges. This study demonstrates that Shariah-compliant mechanisms, such as Zakat and green Sukuk, significantly contribute to poverty alleviation and environmental sustainability, aligning with SDG objectives. The quantitative findings reveal a strong correlation between Shariah compliance and SDG progress, particularly in regions with centralized regulatory frameworks like Malaysia, which achieved 64% SDG-aligned financing. However, the study also highlights critical gaps, including gender disparities in financial products and the need for adaptive jurisprudence to redefine classical objectives in light of modern sustainability imperatives.

To harness the full potential of Islamic finance in achieving the SDGs, policymakers must prioritize regulatory harmonization across jurisdictions. Establishing cross-border Shariah boards can facilitate standardized frameworks for green financing and gender-inclusive products, ensuring that Islamic financial institutions can effectively contribute to global sustainability agendas. Additionally, educational initiatives aimed at enhancing financial literacy are essential. By integrating Maqasid-SDG linkages into Islamic finance curricula, stakeholders can empower communities to better understand and utilize Zakat and other financial instruments for socio-economic development.

Finally, addressing the gender-environment nexus is crucial for advancing both SDG 5 (Gender Equality) and SDG 13 (Climate Action). Developing Takaful products specifically targeting women-led enterprises can simultaneously promote economic empowerment and environmental sustainability. By fostering an inclusive approach that recognizes the interconnectedness of gender and environmental issues, Islamic finance can play a pivotal role in creating equitable and sustainable economic systems. The findings of this study underscore the need for ongoing research and collaboration among scholars, practitioners, and policymakers to ensure that Islamic finance evolves as a robust mechanism for ethical wealth distribution and sustainable development.

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