

Systematic Literature Review on the Integration of Maqashid al-Shariah and ESG Principles in Islamic Financial Institutions

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DOI: <https://doi.org/10.52403/ijrr.20250861>

ABSTRACT

This study examines the integration of Maqashid al-Shariah and Environmental, Social, and Governance (ESG) principles within Islamic financial institutions, considering that both share similar foundational values yet remain systematically unintegrated. The primary objective of this research is to map the alignment, discrepancies, and potential avenues for integration between the two frameworks. A Systematic Literature Review (SLR) method was employed, using a rigorous protocol to identify academic publications from the past five years. Data were sourced from open-access journals relevant to the research keywords. The findings reveal that there is still no unified evaluative framework that operationally merges ESG and Maqashid principles. This outcome highlights the need to develop a Shariah-based sustainability model that aligns with global standards while remaining rooted in Islamic values.

Keywords: *Maqashid al-Shariah; Environmental, Social, and Governance (ESG); Islamic financial institutions; Systematic Literature Review (SLR); Shariah-based sustainability model*

1. INTRODUCTION

The development of the Islamic finance industry today shows significant growth globally, especially in responding to the market's need for ethical, transparent, and sustainable financial services. Islamic financial institutions have long carried the principles of social justice, equitable distribution of wealth, and governance based on sharia values. These values are framed within the framework of Maqashid al-Shariah, which aims to protect religion, soul, intellect, descendants, and people's property. However, the existence of modern sustainability principles such as Environmental, Social, and Governance (ESG), which is now a benchmark for ethical and responsible investment globally, has not been fully integrated in the operational practices of Islamic financial institutions (Judijanto et al., 2025). In fact, in the context of ethics and social responsibility, these two approaches have a parallel root of values. The lack of systematic mapping of ESG and Maqashid integration at the institutional level has led to inequities in formulating a comprehensive sharia sustainability assessment framework (Seman et al., 2023). Previous studies have highlighted the close link between ESG principles and Maqashid al-Shariah in an effort to create a sustainability framework for Islamic financial institutions. Several studies confirm

that ESG values such as accountability, transparency, and social responsibility, are in line with the principles of *maslahah* in *Maqashid al-Shariah* (Muhamad et al., 2022). However, the conceptual approach used in the literature is mostly theoretical or limited to specific case studies, without a systematic synthesis of the compatibility of global ESG indicators with *Maqashid's* values. For example, there have not been many studies that have analysed whether governance indicators in ESG are able to accommodate the principles of *shura* and justice in the Islamic context. The disintegration of these approaches has the potential to create a mismatch between global sustainability indicators and local Islamic values, so a more integrative and representative evaluation framework is needed (Zain et al., 2024).

This study aims to conduct a systematic literature review on the integration of *Maqashid al-Shariah* principles and ESG in the context of Islamic financial institutions. Another goal is to identify the alignment and inequality of ESG indicators with *Maqashid's* values, as well as to reveal research gaps in the current literature. Through this approach, it is hoped that a conceptual synthesis can be produced on how ESG can be adapted to *sharia* values in the context of evaluating the sustainability of Islamic financial institutions. In addition, this study also aims to develop a conceptual model that is applicable in measuring the performance of Islamic financial institutions based on ESG-*Maqashid* integration, thereby providing practical guidance for regulators, academics, and practitioners in formulating more inclusive and sustainable Islamic financial governance (Rahim et al., 2024).

Based on the fact that the ESG principles and *Maqashid al-Shariah* have common ground in terms of sustainability and social justice, but there is no evaluation framework that integrates the two operationally in Islamic financial institutions, the urgency of this research is very high. Conceptual literacy that is not yet comprehensive, coupled with the fragmentation between theory and

practice implementation in the field, makes this research important as an effort to fill this gap. By bringing together these two ethical frameworks through a systematic review of the literature, this research can help formulate *sharia* performance evaluation standards that are relevant to contemporary sustainability challenges. In addition, this study also has a great opportunity to strengthen the role of Islamic finance on the global stage as a leader in sustainable finance ethics (Shalhoob, 2025).

2. LITERATURE REVIEW

Maqashid al-Shariah is a fundamental concept in Islamic law that explains that all *sharia* provisions aim to realize the benefits (*maslahah*) of mankind by protecting five main goals: religion (*al-din*), soul (*al-nafs*), reason (*al-aql*), offspring (*al-nasl*), and property (*al-mal*). This concept was systematically introduced by Al-Ghazali and later developed by Ash-Syatibi, so that it becomes a moral and philosophical framework in the determination of Islamic law and public policy, including in economic and financial contexts (Fageh, 2018). In the context of Islamic finance, *Maqashid* is used to evaluate the conformity of financial institutions' products, services, and policies with the values of justice, sustainability, and social welfare. The application of the *Maqashid* principle emphasizes the substance of ethics and benefits, not just formal compliance with legal provisions (Omar et al., 2022).

The application of *Maqashid al-Shariah* in Islamic finance is realized through instruments, policies, and evaluation models that ensure the achievement of benefits and justice. For example, the development of the *Maqashid* index is used to measure the social and ethical performance of Islamic financial institutions, such as contributions to education, equitable distribution of wealth, and public welfare (Asmar et al., 2023). In practice, this principle is also reflected in the development of products such as *zakat*, *waqf*, and social *sukuk* that focus on the welfare of the people. In addition, the *maqashid*

approach is also used to assess the feasibility of financial contracts based on their contribution to benefits, such as contractual fairness and risk distribution (Syahrani et al., 2024). Thus, Maqashid has not only become a normative concept, but has developed into an operational evaluative measuring tool in the contemporary Islamic financial system. ESG (Environmental, Social, and Governance) is a non-financial evaluation framework used to assess the sustainability and ethical impact of a company's activities, including financial institutions. The environmental dimension includes policies on carbon emissions, energy efficiency, and ecosystem protection. The social dimension assesses the contribution to community welfare, labor rights, and diversity. Meanwhile, the governance dimension includes management structure, transparency, and organizational accountability (Shalhoob, 2025). ESG is the main measuring tool in sustainable investing because it reflects the company's long-term responsibility to all stakeholders. In a global context, ESG is developing to become the main reference for institutional investors and regulators to assess non-financial risks that have an impact on business and societal sustainability.

The implementation of ESG in the practice of financial institutions is carried out through various mechanisms such as sustainability reporting, green investment, and ethics-based internal policies. One tangible form of ESG implementation is the issuance of green sukuk by Islamic financial institutions to fund environmentally and socially responsible projects (Zain et al., 2024). ESG is also an integral part of the due diligence process in financing and investment, where companies are judged on the extent to which they apply sustainability principles and good governance. However, there is no single global standard governing ESG indicators, so financial institutions, including those based on sharia, often adapt them to their local and religious principles (Judijanto et al., 2025). Islamic Financial Institutions (IFIs) are financial institutions that operate on the basis

of sharia principles, which prohibit the practice of *riba* (interest), *gharar* (uncertainty), and *maisir* (speculation), as well as promote social justice and sustainability. IFIs include Islamic banks, Islamic insurance institutions (*takaful*), Islamic microfinance institutions, and *waqf* or *zakat* institutions. The existence of IFIs is not only aimed at pursuing economic benefits, but also has a social mission in building the welfare of the people and economic stability through Islamic financial instruments (Fageh, 2018). IFIs were established to accommodate the needs of Muslims for a financial system that is in line with their religious beliefs, as well as to provide ethical and responsible finance.

In practice, IFIs have developed various sharia-based financial instruments and models such as *murabahah* (buying and selling), *ijarah* (rent), *mudharabah* (profit sharing), and *sukuk* (sharia bonds). In addition, IFIs also play an important role in funding the productive and social sectors, including microfinance, education, and public health (Tumanggor, 2024). Amid the challenges of globalization and climate change, IFIs are also starting to adopt a sustainability approach by integrating ESG principles into their policies and reporting. Despite this, ESG adoption in IFIs still faces structural and methodological challenges, such as the lack of globally recognized sharia-based sustainability indicator standards (Seman et al., 2023).

3. METHODOLOGY

The main object in this study is the phenomenon of integrating the principles of Maqashid al-Shariah and Environmental, Social, and Governance (ESG) in the institutional practice of Islamic financial institutions. This phenomenon reflects the urgent need for a sustainability framework that not only refers to global indicators such as ESG, but also integrates Islamic normative values reflected in Maqashid al-Shariah. In practice, many Islamic financial institutions have not fully implemented ESG comprehensively, while on the other hand,

global ESG indicators also do not necessarily reflect the substance of Islamic values in their entirety (Zain et al., 2024). This inequality is a strategic issue that needs to be mapped and synthesized systematically in order to provide a conceptual and practical foundation in developing credible sharia-based sustainability indicators (Judijanto et al., 2025).

This study employs a qualitative research method through a Systematic Literature Review (SLR), analyzing textual data from scholarly articles, journals, and academic documents relevant to the integration of *Maqashid al-Shariah* and ESG principles. Data selection is based on thematic relevance rather than numerical measurement, focusing on conceptual interpretation and pattern identification. Primary data is selected based on relevance to the research question and must contain empirical or conceptual findings related to the integration of sharia values and ESG principles in institutional practices. In addition, secondary data was used to complement the context of the discussion by reviewing the general literature on the basic concepts of ESG, *Maqashid al-Shariah*, and the management of Islamic financial institutions. This secondary literature is sourced from textbooks, policy reports, and other scientific publications that support conceptual and theoretical discussions in this study (Shalhoob, 2025).

This research is based on the theory of *Maqashid al-Shariah* as a basic framework for understanding sharia normative values in assessing Islamic financial institutional policies and practices. This theory was first formulated systematically by Imam Al-Ghazali in the 11th century in the work of *Al-Mustasfa*, and then perfected by Imam Ash-Syatibi in the 14th century through his work *Al-Muwafaqat*. The essence of this theory is that all sharia law has the main purpose of protecting the five main aspects of human life: religion, soul, intellect, descent, and property (Nurhadi, 2019). In the context of Islamic finance, this theory is used to assess the extent to which the products and policies of financial institutions are able to provide

social benefits and economic justice in accordance with sharia principles (Pertiwi & Herianingrum, 2024).

This research was carried out systematically and transparently by following the stages set in the SLR protocol. The first step is to formulate specific research questions, namely how the integration of ESG and *Maqashid al-Shariah* is reflected in the institutional practices of Islamic financial institutions. Furthermore, the researcher developed a research protocol that included literature search strategies in various scientific databases such as Scopus, ScienceDirect, DOAJ, and others. The protocol also includes inclusion criteria such as the last five years of publication, theme relevance, and open access; as well as exclusion criteria such as non-peer-reviewed publications and irrelevant articles. After the search process, the literature obtained was evaluated for quality through the assessment of methodology, data validity, and relevance to the topic. The data collection technique was carried out by searching the literature based on the keywords "*Maqashid al-Shariah*", "ESG", and "Islamic Financial Institutions" (Zain et al., 2024), then the data was extracted and categorized according to the focus of the research.

The data analysis technique in this study uses a *content analysis* approach, which aims to systematically examine and interpret the content of the collected literature. This process begins by coding data based on categories related to the integration of ESG and *Maqashid al-Shariah*, such as ethical principles, sustainability indicators, and sharia social values. After coding, researchers identified patterns, theme loops, and relationships between concepts that emerged from various literature. This analysis was carried out with the aim of thematically synthesizing relevant evidence and finding gaps that had not been previously studied in the academic literature. Using this technique, researchers can construct a complete and evidence-based narrative of how the concepts of *Maqashid al-Shariah* and ESG can be conceptually and

practically integrated in Islamic financial institutions (Fisol et al., 2021).

4. RESULT

A review of the literature on Maqashid al-Shariah in the context of Islamic financial institutions shows that this concept has been widely used as an ethical and normative foundation in policy formulation, product development, and evaluation of sharia performance. Data from a number of studies state that the five main objectives of sharia—namely the protection of religion, soul, intellect, descent, and property—have been used as a reference in compiling financial instruments that are inclusive and oriented towards the public benefit (Nurhadi, 2019). Other literature highlights that the Maqashid framework has become a tool for assessing the social contribution of Islamic financial institutions to sustainable development (Pertiwi & Herianingrum, 2024).

These studies show that the use of Maqashid al-Shariah is not only limited to the theoretical dimension, but has also been applied in practice, such as through the Maqashid Index and the preparation of social sukuk. For example, waqf financing instruments or sharia social funds are judged by how much they contribute to the protection of property and the social strengthening of the community (Syahriani et al., 2024). The literature also emphasizes that valuations based on Maqashid allow Islamic financial institutions to demonstrate moral superiority and social accountability that are not fully accommodated by conventional financial metrics (Fisol et al., 2021).

The findings of the literature review on Maqashid al-Shariah reinforce the evidence that Islamic financial institutions already have a normative framework that is in line with the principles of sustainability. However, reality shows that the integration between this framework and ESG indicators is still not optimal. The study found that although Maqashid values have been implemented in some operational aspects, there are no standardized or standardized indicators that bridge these values with

global sustainability practices such as ESG (Zain et al., 2024).

The literature that reviews the principles of Environmental, Social, and Governance (ESG) in the context of Islamic finance shows that the application of ESG in Islamic financial institutions has undergone varied developments. Some studies affirm that ESG principles are well accepted because they share basic values with Islam, such as social responsibility, fair governance, and environmental protection (Shalhoob, 2025). In some cases, Islamic financial institutions have adopted ESG principles in the form of sustainability reporting and green sukuk issuance as a strategy to increase competitiveness in the global market.

The implementation of ESG in Islamic financial institutions, as shown in the literature, is often carried out through mechanisms of adaptation of global standards adapted to sharia principles. The study found that ESG indicators, such as carbon emissions, labor rights, and governance structures, are used as a basic reference to formulate internal policies of Islamic companies (Judijanto et al., 2025). However, not all ESG indicators can be immediately adopted without adjustments, so there is a need for a harmonized approach between ESG and Islamic values.

Data from ESG studies show that although there are many common points between ESG and sharia, the implementation of ESG principles in Islamic financial institutions still does not show systematic integration with the Maqashid al-Shariah framework. This discrepancy indicates a methodological and operational gap that is at the heart of this research problem. This study shows that many ESG indicators have not taken into account the values of maqashid, so full integration between ESG and sharia is still in its early stages and requires a more mature conceptual approach (Zain et al., 2024).

The literature on Islamic Financial Institutions (IFIs) identifies that IFIs are institutions that carry out financial functions based on sharia principles, which emphasize justice, openness, and sustainability. Studies

show that IFIs do not only focus on profitability, but also on social missions such as economic empowerment of the people, zakat distribution, and community-based financing (Fageh, 2018). This characteristic distinguishes IFIs from conventional financial institutions that are more market-oriented towards efficiency.

Research shows that IFIs have developed various products and services based on sharia, such as mudharabah, musyarakah, and ijarah contracts, as well as involving social funds such as waqf and zakat as a form of contribution to economic justice. However, the performance evaluation process of IFIs still tends to use conventional indicators, which do not fully reflect the dimensions of sustainability and sharia values in an integrative manner (Tumanggor, 2024).

The results of the study on IFIs show that there is a gap between the sharia social mission carried out by this institution and the sustainability measurement tools available globally. Although IFIs in principle carry sustainability values, there is no measurement model that explicitly integrates ESG and Maqashid in a single integrated evaluation system. This confirms the importance of this study to map and design an integrative ESG-Maqashid framework for the measurement of the performance of IFIs in the future (Seman et al., 2023).

5. DISCUSSION

Substantially, the results show that although the principles of Maqashid al-Shariah have been used as a normative foundation in the practice of IFIs and ESG principles have begun to be partially adopted, there has not been systematic integration between the two. Maqashid offers strong spiritual and social values, but it is not codified in the form of operational indicators such as ESG. On the other hand, ESG provides detailed evaluative metrics but is secular and has not adopted religious values such as maqashid. This inconsistency creates a gap between the global sustainability framework and the sharia principles that underlie the operational

basis of IFIs. Although initiatives such as the maqashid index and green sukuk have emerged, they are still fragmentary and have not yet established a coherent and representative system of sustainability measurement in sharia.

Compared to previous studies that only focused on one approach—either ESG or maqashid—this study contributes by bringing the two together in a single analytical framework. For example, a study by (Zain et al., 2024) highlighted the adoption of ESG in IFIs, but did not examine its compatibility with maqashid. On the contrary, studies such as (Pertiwi & Herianingrum, 2024) focus on maqashid without looking at its potential integration with global ESG standards. This research goes beyond that by conducting a systematic synthesis of the literature and showcasing the potential for integration as a distinctive and unique sustainability evaluative framework. This shows that the main contribution of this research lies in the convergence efforts of two approaches that have been running in parallel.

Reflections from the results of this study indicate that the purpose of the research to find the alignment and incompatibility between ESG and Maqashid al-Shariah is not only academic, but also very applicable. By revealing potential common points, such as the value of social justice, environmental responsibility, and governance ethics, this study proves that the integration of the two principles can strengthen the legitimacy and competitiveness of IFIs in the global financial arena. In addition, the search for a conceptual model for ESG-based sharia performance measurement-Maqashid provides a foundation for the development of new sustainability indicators that are not only compatible with Islamic values, but also meet international standards.

The implications of this research cover three levels: normative, strategic, and technical. Normatively, the results of this study encourage the development of a maqashid-based sustainability framework in response to the dominance of secular sustainability

narratives. Strategically, these findings provide a basis for Islamic financial policymakers and regulators to formulate sharia-typical sustainability reporting indicators and guidelines. Meanwhile, technically, this research paves the way for the development of evaluation instruments such as the ESG-Maqashid Scorecard that can be used to measure social performance, governance, and sustainability in a holistic framework that is globally and locally acceptable.

The fact that ESG and Maqashid integration has not been systematically realized is due to several structural and epistemological factors. Structurally, ESG standards are global and secular, so they do not explicitly accommodate religious values. Meanwhile, the normative Maqashid approach does not yet have an internationally standardized metric instrument. Epistemologically, ESG and Maqashid come from two different knowledge systems—secular modernity and classical Islamic traditions—that have not been bridged through an integrative model. In addition, the lack of consensus among academics and Islamic finance practitioners on the methodology of measuring maqashid in practice has also slowed down integration efforts.

Based on the results of this study, collective action is needed from various parties, including academics, practitioners of IFIs, sharia regulators, and global standardization institutions. The first step is to develop a standardized ESG-Maqashid indicator framework, which can be used as a sustainability measurement tool for IFIs. Furthermore, it is necessary to establish cross-agency collaboration to develop formal training, technical guidelines, and ESG-Maqashid reporting systems. In addition, this integration also needs to be supported by further research that tests the validity and reliability of the new indicators in the operational context of Islamic financial institutions.

6. CONCLUSION

The study found that while Maqashid al-Shariah and ESG principles share fundamental similarities in ethical values, social responsibility, and sustainability, they are not yet connected in an integrated operational framework in the practice of Islamic financial institutions. These findings refute the common assumption that value alignment automatically leads to alignment in implementation. Even in the midst of increasing awareness of the importance of sustainability in the global financial industry, it turns out that Islamic financial institutions do not yet have an evaluation system that is able to effectively bridge the demands of global sustainability (ESG) and sharia normative principles (maqashid). This is an indication that there is a critical vacuum that has not been widely realized in academic discourse and policy.

This research makes a significant contribution to expanding scientific horizons, both from theoretical and practical aspects. Theoretically, this research enriches the study of Islamic finance by proposing the importance of establishing a conceptual framework that systematically integrates maqashid and ESG. This is an important first step to bridge the gap between sharia norms and modern sustainability indicators. Practically, this research opens up space for the development of sustainability measures that are more representative of Islamic values without ignoring global standards. These findings can be used as a reference in formulating sustainability reporting policies in Islamic financial institutions, as well as being the basis for the development of ESG-based training and certification models in the future.

Although it has been compiled systematically and based on a rigorous literature review, this study has limitations in the scope of data sources, relying only on studies available in the last five years of publications and open sources. This limitation is done to maintain the validity and relevance of the findings, but at the same time also opens up opportunities for more in-

depth follow-up research. In the future, this integrative study can be expanded with empirical approaches such as case studies or interviews with IFIs practitioners to test the ESG-Maqashid model in a real-world context. In addition, further exploration of other Islamic financial sectors such as sharia fintech or takaful insurance can enrich the dimensions of implementing a sustainability framework based on Islamic values.

Declaration by Authors

Acknowledgement: None

Source of Funding: None

Conflict of Interest: No conflicts of interest declared.

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How to cite this article: Imamatin Listya Putri, Agung Budi Sulistiyo, Novi Wulandari Widiyanti, Muhammad Miqdad. Systematic literature review on the integration of Maqashid al-Shariah and ESG principles in Islamic financial institutions. *International Journal of Research and Review*. 2025; 12(8): 515-522. DOI: <https://doi.org/10.52403/ijrr.20250861>
