
INTEGRATED SUSTAINABILITY FINANCE MODEL BASED ON MAQĀṢID IBNU 'ĀSHŪR - ESG: POLICY RECOMMENDATIONS FOR REGULATORS AND THE ISLAMIC BANKING INDUSTRY



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Abstract

This study proposes a conceptual model of sustainability finance that integrates the principles of maqāṣid al-sharī'ah from Ibn 'Āsyūr's perspective with the Environmental, Social, and Governance (ESG) framework, as a comprehensive value strategy in the Islamic financial system. This model is designed to address the challenge of weak integration between Islamic spiritual values and global sustainability policies, which have tended to be technocratic and symbolic. The research method uses a systematic literature review approach with the PRISMA protocol and thematic synthesis of 27 literatures from Scopus and SINTA journals, as well as official documents from the Financial Services Authority (OJK), the IMF, the BIS, and the World Bank. The result is the formulation of a three-dimensional model (normative, regulatory, practical) that recommends ESG indicators based on maqāṣid, as well as a sustainability policy framework that can be adopted by regulators, the Islamic banking industry, and academics. These findings reinforce the urgency of ESG as a long-term value strategy, aligned with the objectives of sharia and the role of humans as khalifah fil-ardh. This model also contributes to supporting the SDGs goals in a contextual and Islamic manner.

Keywords: Maqāṣid Al-Sharī'ah, ESG, Sustainability, Islamic Banking, OJK, Ibn 'Āsyūr

INTRODUCTION

The global financial system is currently undergoing a profound transformation due to multidimensional pressures such as climate change, economic inequality, governance crises, and technological disruption. In response to these conditions, financial institutions are required to adopt a more ethical, inclusive, and sustainable approach. ESG (Environmental, Social, and Governance) has become the dominant framework used to assess the extent to which financial entities are committed to sustainability and support the Sustainable Development Goals (SDGs).

However, the commonly used ESG approach remains technocratic, bureaucratic, and oriented toward symbolic reporting. Moral values, spirituality, and the dimension of blessings have not received a proportional place, particularly in the context of Islamic finance. The fragmentation between the regulatory (policy), structural (industry practices), and normative (maqāṣid) dimensions makes ESG applied to Islamic banks tend to be an administrative complement, rather than a primary driver of sustainability.

Within this framework, maqāṣid al-sharī'ah—especially Ibn 'Āshūr's version—offers a strong conceptual and normative alternative. Maqāṣid not only covers the five basic objectives of sharia, but also reflects universal principles such as justice, benefit, balance, and social responsibility. Therefore, the integration of maqāṣid and ESG is essential to create a sustainability reporting system that is not only technically compliant but also meaningful in value.

This article aims to propose an integrative model that synergizes ESG and maqāṣid al-sharī'ah in the context of sustainable finance. This model is designed as a conceptual and practical contribution for regulators, industry players, and the academic community in promoting sustainability based on Islamic values. This model offers a holistic value framework oriented towards the welfare of the community. Although several initiatives to integrate ESG and maqāṣid exist, most are still partial and have not been systematically integrated. Therefore, this article proposes a conceptual framework that integrates ESG with maqāṣid al-sharī'ah in a sustainability finance scheme as a practical reference that can be adopted across institutional sectors.

REVIEW OF LITERATURE

Sustainability Finance Concept and Framework

ESG and Financial Regulation. ESG has become a global benchmark in sustainability reporting and has been widely adopted by financial institutions to evaluate non-financial risks (Friede et al., 2015; Zhou et al., 2021). ESG is a key foundation in the development of sustainability finance because it serves as a classification and reporting system for practices that impact the environment, society, and corporate governance. In the context of sustainability finance, ESG should not be understood solely as a reporting obligation, but rather as a strategic pillar in shaping the institutional value architecture. In developing countries like Indonesia, ESG implementation still faces structural challenges, limited data, and weak integration with sharia principles (Khan & Serafeim, 2022). POJK No. 51/POJK.03/2017 is an initial regulatory milestone requiring financial institutions to prepare sustainability reports. However, this regulation does not substantively integrate the maqāṣid principle, so ESG tends to be practiced in a formalistic manner. A World Bank report (2023)

emphasized that "green Islamic finance, when aligned with the *maqāṣid al-sharī'ah* (Islamic principles), offers an inclusive and ethical framework for sustainability in Southeast Asia." This demonstrates that sustainability finance from an Islamic perspective has greater potential to build a financial system that is not only efficient and responsible but also reflects spiritual values and social justice. Therefore, strengthening ESG within the *maqāṣid* framework is crucial so that Islamic banks do not simply follow global reporting trends but lead as pioneers in ethical and contextual sustainable finance architecture. Several national studies indicate that Islamic banks are beginning to adopt ESG, but implementation remains fragmented and limited in reporting. Amalia & Nurfadilah (2023) found that ESG tends to be a formality in sustainability reporting without integration into strategic planning. Rahmawati & Wahyuni (2022) noted that ESG reporting in Islamic banks has not been accompanied by strengthening governance structures or *maqāṣid* indicators. Furthermore, Fitriani & Saputra (2022) and Iskandar & Maulida (2021) show that the integration of *maqāṣid* into bank operations remains normative and has not been institutionalized into performance measurement and risk management tools. These studies do not yet demonstrate a holistic approach that makes ESG a substantive and strategic expression of *maqāṣid* values.

Furthermore, in its Sustainable Finance Roadmap Phase II (2021–2025), the Financial Services Authority (OJK) emphasized that "strengthening the capacity of industry players, integrating ESG aspects into governance, and establishing a green taxonomy framework are strategic priorities to support the achievement of the SDGs nationally." However, there is no mainstreaming of sharia values and *maqāṣid* in these ESG regulations, particularly for Islamic financial institutions. Therefore, there is a need to refine the policy framework with a *maqāṣid* approach so that ESG does not stop at formal compliance but becomes a pillar of institutional value.

Maqāṣid al-Sharī'ah: Ibn 'Āshūr's Perspective. Ibn 'Āshūr expanded *maqāṣid* from the goal of individual protection to public welfare and social reconstruction. He emphasized *maqāṣid* as the basis of public policy and institutional ethics. This is relevant to ESG, which aims to ensure sustainability and justice between generations (Ibn 'Āshūr, 2006; Auda, 2008). In this context, *maqāṣid* is not only a spiritual value, but also the foundation for strategic planning, policy formation, and the direction of transformation of Islamic financial institutions.

The concept of *maqāṣid al-sharī'ah* in Islam is not only a normative instrument, but also has a strong legal basis from the Qur'an and hadith, which is the foundation of all economic and financial activities that are oriented towards *maslahat* (public good). In surah al-Baqarah [2]: 205, Allah SWT reminds us:

"And when he turns away (from you), he seeks to spread corruption on the earth and destroy crops and livestock. And Allah does not like corruption." (QS. al-Baqarah [2]: 205)

This verse strengthens the environmental dimension (E) in ESG, which is also part of *maqāṣid ḥifz al-bi'ah* (environmental stewardship).

In the social and justice aspect, Allah SWT says:

"Indeed, Allah commands (you) to act justly and do good deeds, to give to your relatives, and forbids evil deeds, evil and hostility." (QS. an-Nahl [16]: 90)

This verse directly emphasizes the principle of social justice and equal distribution, which is relevant to the social dimension in ESG and *maqāṣid* such as *ḥifz al-nafs* and *ḥifz al-māl*.

From the hadith side, Rasulullah ﷺ said:

"You must not endanger yourself and you must not endanger others." (HR. Ibn Mājah, hadith no. 2341)

This hadith is an important basis for the principle of “*lā ḍarar wa lā ḍirār*” which is often used in *maqāṣid* to prevent damaging impacts in economic activities.

Classical literature such as al-Ghazālī in al-Mustaṣfā explains that *maqāṣid* consists of five main elements (al-ḍarūriyyāt): maintaining religion (*ḥifẓ al-dīn*), soul (*ḥifẓ al-nafs*), reason (*ḥifẓ al-‘aql*), offspring (*ḥifẓ al-nasl*), and wealth (*ḥifẓ al-māl*). Meanwhile, Ibn ‘Āsyūr in *Maqāṣid al-Sharī‘ah al-Islāmiyyah* added *maqāṣid kulliyah* such as justice (*‘adl*), freedom (*ḥurriyyah*), and social responsibility (*mas’ūliyyah*) as universal values.

Based on this, sustainability finance in Islam is built not only on a material framework, but also on a moral-spiritual awareness that guides financial decision-making for the long-term benefit of humanity and the environment.

Sustainability finance is a financial management approach that incorporates sustainability values into investment, financing, and risk management decisions. This approach combines environmental (E), social (S), and governance (G) aspects and is closely linked to the 2030 SDGs targets. However, conventional ESG does not yet incorporate the ethical and spiritual dimensions that are fundamental to Islam.

Ibn ‘Āsyūr's integration of the *maqāṣid* offers a renewed understanding of *maqāṣid* as rational, progressive, and universal public values. The concepts of *maqāṣid kulliyah*, such as justice, freedom, and social responsibility, provide value direction in evaluating banking sustainability. Therefore, the integration of ESG and *maqāṣid* opens up the space for reporting designs that are not only compliant but also meaningful (value-driven compliance).

Sustainability Finance Coverage

The scope of sustainability finance in Islamic banking reflects a combination of social responsibility and Sharia compliance. Islamic banking activities are oriented not only toward profitability but also toward the welfare of the community and environmental sustainability. Integrating *maqāṣid* values into ESG practices significantly expands the scope of sustainability to encompass spiritual, ethical, and socio-economic dimensions.

The following is the main scope of sustainability finance relevant to Islamic banking (see: Friede et al., 2015; World Bank, 2023; Zahan et al., 2023; Laldin & Furqani, 2013; Amalia & Nurfadilah, 2021; Khan & Serafeim, 2022):

Sustainable Investments (Green Islamic Securities): This includes the issuance of green sukuk, waqf sukuk, and ESG sharia mutual funds that finance environmentally and socially friendly projects.

Green & Social Financing: Distribution of financing to green sectors such as renewable energy, halal waste processing, and financing of competitive Islamic MSMEs while maintaining *maqāṣid* such as *ḥifẓ al-māl* and *ḥifẓ al-nafs*.

Sustainable Islamic Banking Practices: Sustainability-oriented Islamic banking requires a foundation of values integrated across all operational lines. Integrating *maqāṣid* into banking practices is not limited to product aspects; it must also permeate the risk governance system, institutional structure, and capabilities of sharia supervisors. Therefore, several key elements of sustainable Islamic banking practices include:

1. **Maqāṣid Integration in Risk Management.** Islamic banks must adopt a *maqāṣid*-based risk assessment framework, including social and environmental risk assessments of the

projects they finance. The principles of *ḥifẓ al-nafs* and *ḥifẓ al-bi'ah* serve as a guideline for avoiding financing projects that negatively impact life and ecosystems.

2. Establishment of the ESG Unit–Sharia Compliance Office. This unit acts as a bridge between the sustainability, sharia compliance, and risk management divisions. Its function is to ensure that all bank ESG strategies are verified against *maqāṣid* standards and relevant fatwas. This unit is also responsible for preparing *maqāṣid*-based sustainability reports.
3. Sustainability Training for DPS. The Sharia Supervisory Board needs to be equipped with an understanding of ESG, SDGs, and green finance concepts to enable it to provide supervision and fatwas relevant to contemporary issues. This training also helps strengthen the Sharia Supervisory Board's role as an assessor of benefits and guardian of Islamic sustainability values.

These steps not only enhance Sharia compliance, but also ensure that Islamic banking practices become meaningful sustainability pioneers and are rooted in universal Islamic values.

1. Sustainable Takaful: Sharia insurance (*takaful*) that protects against disaster risks, public health, and financing vulnerable sectors such as farmers and fishermen within the framework of *maqāṣid ḥifẓ al-nafs* and *ḥifẓ al-māl*.
2. Responsible Finance: Development of financial products based on *halal* and *ṭayyib* principles, as well as screening of projects that do not comply with *maqāṣid*, such as financing activities that damage the environment, corrupt practices, or human exploitation.
3. *Maqāṣid*–ESG-Based Internal and External Policies: Includes integration of POJK 51/2017, Indonesian Green Taxonomy, *maqāṣid*-based sustainability reports, and evaluation of bank sustainability performance through *maslahat* and *ḍarar* indicators.

With this scope, sustainability finance in Islamic banking is not only a reporting instrument, but also an operational strategy that is integrated with the Islamic mission: maintaining blessings, justice, and the sustainability of human and environmental life.

Recent Literature on ESG and Maqāṣid

Studies such as Friede et al. (2015), Zhou et al. (2021), and Khan & Serafeim (2022) demonstrate a correlation between ESG and long-term performance. Laldin & Furqani (2013) and Dusuki & Bouheraoua (2011) emphasize the importance of *maqāṣid* in Islamic financial design. Zahan et al. (2023) advocate the convergence of ESG and sharia, but there is no practical operational model. This gap is addressed by this study. Furthermore, several national studies support the urgency of integrating ESG and *maqāṣid* into Islamic financial practices. Aini et al. (2024) show that ESG implementation at BSI is still partial and faces challenges in reporting and compliance with sharia values. Muarif (2025) emphasizes the need for standards and regulatory frameworks to align ESG and Islamic principles. Meanwhile, Sofya & Puteri (2024) used a quantitative approach and found that ESG and *maqāṣid* have a significant influence on BSI sustainability, but have not developed a normative-structural model that can be adopted across institutions.

Literature Gap and Study Contribution

Based on a literature review, it was found that most previous studies only highlighted the relationship between ESG and performance or sustainability reporting without deeply exploring the *maqāṣid* value dimension as the strategic foundation of institutions. There is

no conceptual framework that integrates Ibn 'Āsyūr's maqāṣid al-sharī'ah with ESG in a structural and applicable manner for Islamic banking. This study contributes to building a three-layer model (normative–regulative–structural) that aligns maqāṣid and ESG into the policies, operational practices, and reporting systems of Islamic banks. Furthermore, this study also introduces the maslahat–ḍarar evaluative instrument and a roadmap for Islamic sustainability policies as an approach that can be adopted by regulators and industry players. This paper complements these contributions by developing a three-layered conceptual framework that combines normative (maqāṣid), regulatory (national policies), and structural (bank operations) dimensions, and offers a maslahat–ḍarar evaluation instrument that has not been found in previous studies.

RESEARCH METHOD

This research uses a systematic literature review method with a thematic synthesis approach. This approach aims to identify and summarize thematic patterns from various relevant literature, from both normative, regulatory, and practical perspectives.

Literature selection was conducted based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol, a transparent and structured method for systematically screening and selecting scientific documents. The literature used consisted of reputable international journals (Scopus Q1/Q2), accredited national journals (SINTA 2 and 3), and official reports from credible institutions such as the IMF, BIS, OJK, and DSN-MUI.

In the context of this research, the coding process was used to identify and group the literature content into three main dimensions: (1) the normative dimension (the values of maqāṣid al-sharī'ah), (2) the regulatory dimension (ESG and sustainable finance rules and policies), and (3) the practical dimension (implementation by financial institutions, especially Islamic banks).

RESULTS AND DISCUSSION

Ibn 'Āsyūr's Maqāṣid Model - ESG Nexus

Model Structure This model consists of three integrative layers that reflect a multidimensional approach to sustainability finance:

Normative Layer: Ibn 'Asyūr's maqāṣid principles, such as collective benefit, distributive justice, socio-ecological sustainability, and individual and institutional moral responsibility, form the philosophical foundation of this model. This approach avoids legal-formalism and encourages a value-based approach based on public maqāṣid.

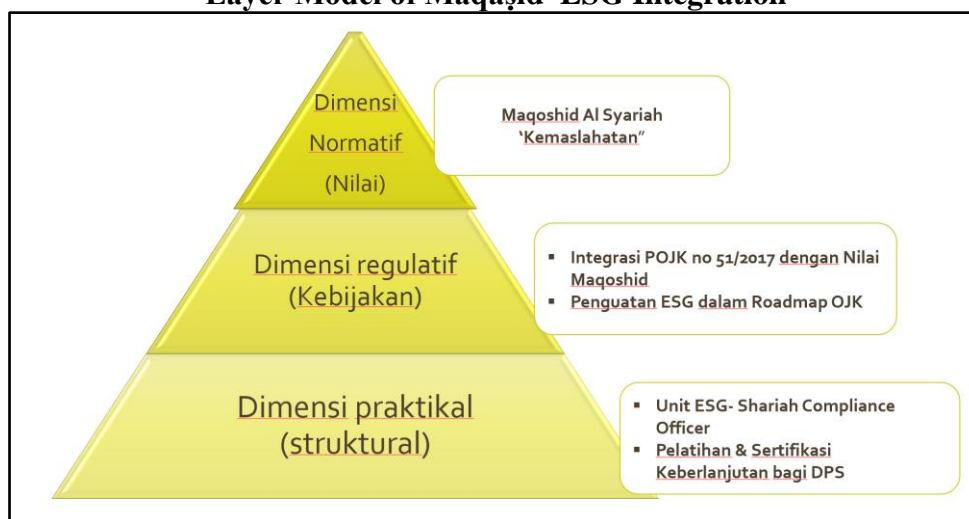
Regulatory Layer: Consisting of global ESG, Sustainable Development Goals (SDGs), and national regulations such as POJK 51/2017. In the context of maqāṣid, the role of policy is not merely an administrative instrument, but also a means of maintaining macro maqāṣid through fair and accountable governance.

Practical Layer: This encompasses Islamic banking governance structures, sustainability reporting systems, and product development that align maqāṣid principles with market demands. ESG is not merely seen as a complement to compliance, but as part of product design, financing processes, and institutional reporting.

This model adopts the spirit of maqāṣid combined with the urgency of contemporary sustainability, while strengthening the argument that ESG in the context of Islamic banks

must be formed as an institutional value architecture, not simply a formal reporting instrument. Figure 3-Layer Model of Maqāsid–ESG Integration from below:

Figure 1.
Layer Model of Maqāsid–ESG Integration



Comparative Analysis of Conventional ESG–SDG vs Maqāsid–ESG Model

The integration of ESG within the perspective of maqāsid al-sharī'ah is not only supported by the Islamic normative framework but also has a strong textual foundation from the Qur'an and hadith. The environmental (E), social (S), and governance (G) dimensions each have a foundation aligned with the maqāsid principles:

1. Environmental (Environment – *ḥifẓ al-bī'ah*): QS. Al-A'raf [7]: 56 and QS. Al-Baqarah [2]: 205 emphasize the prohibition of environmental destruction. The Prophet's hadith, narrated by Muslim, also states that planting beneficial trees is charity.
2. Social (Social Justice – *ḥifẓ al-nafs & ḥifẓ al-māl*): QS. Al-Ma'idah [5]: 32 emphasizes the importance of protecting the soul. QS. Al-Ḥujurāt [49]: 13 upholds equality. QS. An-Nisa' [4]: 58 commands the fulfillment of trusts, the basic principle of social justice.
3. Governance (Governance – *ḥifẓ al-dīn, ḥifẓ al-'aql, ḥifẓ al-māl*): QS. Ash-Shura [42]: 38 teaches deliberation as a form of participatory governance. QS. Al-Baqarah [2]: 282 is the basis for transparent recording. The Prophet's Hadith (HR. Bukhari & Muslim) states: "Each of you is a leader and will be held accountable."

Conventional ESG and SDG models focus on the triple bottom line—environmental, social, and governance—designed to foster transparency, mitigate non-financial risks, and ensure global corporate accountability. While these models are widely accepted and adopted by corporations, in practice they are:

1. Technocratic (Decisions are based on knowledge, expertise and technical skills): emphasizing quantitative indicators and administrative compliance without considering moral and spiritual values; such as carbon emissions, diversity index, or governance sustainability ratios without considering the spiritual aspects and moral objectives of business activities

2. Fragmentary: separating the environmental and social dimensions from the local ethical basis, so that its implementation is often not rooted in the cultural and religious context of the community; Its homogeneity is evident from the same reporting standards applied in various countries without cultural and religious adaptation.
3. Symbolic: widely adopted for reputational purposes and compliance with capital market regulations, but has had little impact on substantial institutional behavioral transformation. Its homogeneity is evident in the application of the same reporting standards across countries without cultural and religious adaptations, so ESG is often viewed merely as an administrative compliance tool, not a value transformation strategy.
4. In contrast, the proposed Maqāṣid–ESG model offers a more unified and value-based approach. Typical characteristics include:
 - Transcendental values: ESG is interpreted through maqāṣid, which emphasizes the benefit of the people and social responsibility inherent in sharia ethics;
 - Contextual and holistic: this model integrates maqāṣid principles into all aspects of sustainability, from risk management to financing and reporting;
 - Participatory: involve internal institutions such as the Sharia Supervisory Board (SSB) to assess sustainability compliance based on maqāṣid, not just global ESG regulations;
 - Transformational: ESG is not only a reporting tool, but also an instrument for social reform and the eradication of structural inequality through Islamic finance.

In practical comparison, the conventional ESG–SDGs model is stronger in its global standards structure and market adoption, but the Maqāṣid–ESG model has the advantage of shaping a financial ecosystem that is value-oriented, adaptive to local contexts, and aligned with universal Sharia goals. This model is capable of creating value-driven institutions, not simply compliant ones.

In practical comparison, the conventional ESG–SDGs model excels in terms of global standard structure and market adoption due to its support from international institutions such as the UN, the World Bank, and the OECD. ESG standards are widely accepted as sustainable investment instruments and are mandatory requirements in various global financing mechanisms. However, these advantages do not necessarily create contextual depth of value and sustainability.

In contrast, the Maqāṣid–ESG model offers a more unified and value-based approach. This model:

1. Oriented towards social welfare and justice, not just administrative efficiency;
2. Adaptable to local contexts, especially in Islamic societies with strong moral-community structures;
3. In line with universal sharia goals such as protection of property, mind, life, environment and religion;
4. Able to transform ESG from symbolic reporting into a tool for institutional da'wah and social reconstruction based on maqāṣid.

Thus, although the conventional ESG–SDGs model is strong in standardization, the Maqāṣid–ESG model is superior in creating a financial ecosystem that is rooted in values, contextual, and in line with holistic sharia financial principles.

Conceptual Model Design of ESG Evaluation Based on Maslahat and *Ḍarar*

The ESG evaluation model based on *maslahah* and *dharr* was developed using Ibn 'Asyur's *maqāṣid al-sharī'ah* approach. This model proposes a values-based ESG evaluation instrument that assesses sustainability activities not only from a technical or formal compliance perspective, but also from the moral value and socio-spiritual benefits they generate. There are three main stages in this model:

1. Evaluative Dimension of *Maqāṣid*–ESG:

Table 1.
Evaluative Dimension of *Maqāṣid*–ESG

ESG Dimension	Measured Benefit	Prevented <i>Harar</i>	Related Principles	<i>Maqāṣid</i>
Environmental	Conservation of life & nature	Environmental exploitation	<i>ḥifz al-nafs, ḥifz al-māl</i>	
Social	Social justice, inclusion	Inequality, marginalization	<i>ḥifz al-nafs, ḥifz al-nasl</i>	
Governance	Institutional integrity	Corruption, manipulation of sharia	<i>ḥifz al-dīn, ḥifz al-'aql</i>	

2. ESG–*Maqāṣid* Evaluation Steps:
 - Identify ESG activities in bank portfolios.
 - Test the benefits and harms of each activity.
 - Scoring of *maqāṣid* (1–5) based on the results of the value evaluation.
 - Strategy adjustment and reporting based on assessment results.
3. Example of Evaluation Table: ESG–*Maqāṣid* Evaluative Score (Practical Example)

Table 2.
Example of Evaluation Table: ESG–*Maqāṣid* Evaluative Score

No	ESG Activities	Benefit Score	<i>Ḍarar</i> Score	Sharia Notes
1	Coal financing	1	5	Not worthy of environmental <i>maqāṣid</i>
2	Halal MSME financing	5	1	Very worthy, high benefit
3	CSR funds for Islamic boarding schools	4	1	Worthy, strong social benefits

This model aligns with Ibn 'Asyur's thinking on *maqāṣid kulliyah* and rational-ethical values in public policy. By assessing ESG through the lens of *maslahah* and *dharr*, Islamic banks can create sustainability reporting systems that are transformational and spiritually valuable, rather than merely administrative.

Model Advantages

This model excels because:

- Integrative and contextual, integrating *maqāṣid* with ESG systems and national regulations;
- Adaptive, can be applied across sharia institutions with flexibility of qualitative and quantitative indicators;

- Transformational, making ESG part of the value strategy, not just a reporting obligation.

Flowchart of Strategic Transformation of Islamic Banks towards Sustainability Finance:



Limitations and Further Research Directions

This model is still conceptual and has not been quantitatively tested. Future research is recommended to develop a maqāsid-ESG index instrument and examine its impact on financial performance and the reputation of financial institutions.

This article aims to provide a foundation or initial step for future empirical research and how future research will address the challenges of data collection. data for the proposed Maqāsid-ESG indicators. Need collaboration between academics, regulators, and practitioners to develop uniform data standards and measurement methodologies

Scientific Novelty

This article offers an original approach:

1. Combining maqāsid al-sharī'ah with ESG systematically and evaluatively,
2. Developing a bank sustainability evaluation scheme based on maslahat and darar,
3. Provide a normative-structural framework that is ready to be adopted as public policy.

CONCLUSION

The Maqāsid Ibn Āsyūr – ESG model proposed in this study is a conceptual and practical contribution that addresses the lack of integration between the values of maqāsid al-sharī'ah and the global sustainability framework (ESG and SDGs). This model is not only oriented towards administrative compliance, but also carries a moral-spiritual function as a manifestation of the role of khalifah in protecting and managing the earth. With three main dimensions (normative, regulatory, and practical), this model provides a transformative sustainability implementation guide for regulators, Islamic banks, and academics.

This model expands ESG beyond mere reporting to become a maqāsid-based sustainable governance instrument. Principles such as social justice, environmental protection, strengthening institutional ethics, and the involvement of the Sharia Supervisory Board make ESG not only a measurement tool but also a tool for da'wah (Islamic outreach) and social reconstruction. In the current context of ecological crisis and social inequality,

maqāṣid provides a relevant framework for grounding creative and transformative Islamic finance.

Furthermore, making ESG a comprehensive and structured part of a value strategy is a strategic imperative, not simply a reporting requirement. ESG must be integrated from the strategic planning stage through institutional oversight because:

1. ESG touches the foundations of an institution's long-term sustainability, not just its immediate performance;
2. ESG encourages consistency between an institution's vision, policy direction, and the socio-ecological impact of each financial decision;
3. Within the maqāṣid framework, sustainability cannot be measured simply by compliance indicators, but must reflect the benefits and responsibilities of the khalifah fil-ardh;
4. Positioning ESG as a value strategy will ensure that sharia principles are not marginalized by market logic, but become the basis for innovation and sustainable financing.

Therefore, ESG must be incorporated into the governance architecture: embedded in long-term plans, implemented in policies and products, and audited using sharia principles and maqāṣid (obligatory principles) by the DPS and authorities. This process is not only about institutional sustainability, but also part of the mandate to safeguard the earth, a legacy from God to humanity.

Maqāṣid–ESG Indicator Matrix for Sharia Banks

Table 3.

Maqāṣid–ESG Indicator Matrix for Sharia Banks

ESG Dimension	The Principle of Maqāṣid	Key Indicators	Sub Indicators	Institutional Implications
Environmental	Ḥifẓ al-Bī'ah (environmental protection)	Sharia green financing	a. Green asset portfolio b. Renewable energy c. Paperless banking	Ecosystem-based financing strategies and sharia carbon audits
Social	Ḥifẓ al-Nafs, Ḥifẓ al-Māl	Inclusion and social justice	a. Financing of MSMEs mustahiq b. Productive ZISWAF c. Gender-equitable pay	Equitable financing structure and maqāṣidik financial literacy
Governance	Ḥifẓ al-Dīn, Ḥifẓ al-'Aql	Sustainable sharia compliance	a. DPS in ESG audit b. Maqāṣid score c. Openness of maqāṣid in GCG	Sharia-based sustainability committee, ethics-social impact reporting

Strategic Recommendations

Regulator It is necessary to adopt this model as a reference for designing national sharia-based ESG index instruments and providing regulatory incentives.

As an implementation step of the maqāṣid–ESG model, it is recommended that regulators such as the Financial Services Authority (OJK) and the National Sharia Council

(DSN-MUI) develop technical guidelines for maqāṣid-based financing and sharia carbon audit indicators. Policy recommendations include:

1. OJK and DSN–MUI need to prepare a Green Shariah Regulation that integrates maqāṣid into the national ESG framework.
2. Regulators require every Islamic bank to develop a values-based sustainability strategy, encompassing planning, financing, reporting, monitoring, and a sustainability roadmap. ESG should not be limited to reporting requirements but should become a value framework embedded in the institutional vision, governance processes, and innovation of Islamic financial products.
3. Fiscal incentives and public-private partnerships need to be encouraged to strengthen financing for projects with high sustainability value, such as green waqf, green sukuk, and maqāṣid-based MSMEs.
4. DPS certification on ESG and sustainability needs to be made a standard of supervisory competency.

Table 4.
Table of Proposal ESG–Maqāṣid Implementation Roadmap

Stages	Regulator Focus (OJK, DSN–MUI)	Industry Focus (Islamic Bank)
0–1 year	Revision of POJK & DSN–MUI fatwa for maqāṣid–ESG integration; DPS training	ESG–maqāṣid portfolio audit; establishment of an ESG–Shariah Compliance unit
1–3 years	Require ESG–maqāṣid reports; publication of the national maqāṣid–ESG index	Integration of maqāṣid in risk management, products and reporting
3–5 years	Evaluation and harmonization of Sharia ESG regulations; sustainable banking incentives	Maqāṣidik product innovation; DPS involvement in institutional ESG strategies

Strategy for the Islamic Banking Industry

1. Developing a maqāṣidik sustainability roadmap that aligns with sharia principles and ESG targets, including:
2. Reform the governance structure to include maqāṣid indicators as part of the institution's KPIs;
3. Strengthening the capacity of the Sharia Supervisory Board (DPS) through ESG training based on maqāṣid;
4. Integration of Islamic values into the design of products and services such as green sukuk, productive waqf financing, and sustainable sharia mutual funds;
5. Developing financing policies that prioritize sustainability-oriented sectors such as clean energy, halal food, and the circular economy.

Strategies for Academics and Researchers

Further research is also needed to develop a valid and adaptive maqāṣid–ESG measurement system, with characteristics that can be used across institutions.

1. Have quantitative and qualitative dimensions to assess the institution's contribution to environmental conservation, social justice, and trustworthy governance;

2. Able to be integrated into Sharia financial reports, Sharia social audits, and risk management systems;
3. To be the basis for investment and financing decisions and regulatory performance assessment;
4. Produces a maqāṣid–ESG index that is comparative across institutions and across time.

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