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### Islamic Finance and Sustainable Development Goals

#### Affiliation:

**Aurang Zeb**

Lecturer, Quaid-e-Azam College of Commerce, University of Peshawar, Peshawar, Pakistan.

Email: [aurang.zeb@uop.edu.pk](mailto:aurang.zeb@uop.edu.pk)

**Muhammad Fahad Siddiqi**

Lecturer, Management Science, Institute of Business and Management Sciences, The University of Agriculture, Peshawar, Pakistan.

Email: [mfahadsiddiqi@aup.edu.pk](mailto:mfahadsiddiqi@aup.edu.pk)

**Ilyas Sharif**

Lecturer, Quaid-e-Azam College of Commerce, University of Peshawar, Peshawar, Pakistan.

Email: [ilyasqacc@uop.edu.pk](mailto:ilyasqacc@uop.edu.pk)

**Adil Adnan**

Professor & Dean Business Administration Department, IQRA National University, Peshawar.

Email: [adil.adnan@inu.edu.pk](mailto:adil.adnan@inu.edu.pk)

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## Islamic Finance and Sustainable Development Goals

Aurang Zeb <sup>\*</sup>      Muhammad Fahad Siddiqi <sup>†</sup>      Ilyas Sharif <sup>‡</sup>      Adil Adnan <sup>§</sup>

**Abstract:** *This study investigates whether Islamic finance has an association with United Nations' sustainable development goals (SDGs). Analyzing the extant literature, we find that Islamic finance and SDGs have a close relationship. The study also suggests the avenues where Islamic finance may contribute to the SDGs' achievement. These include financial sector stability, reducing vulnerability and risk, financial inclusion, infrastructure development and resolving environmental and social issues. Furthermore, the study develops a framework that links Maqasid-al-Shariah with SDGs. The study assists the policymakers to mobilize resources for achieving SDGs in developing economies, especially in those whose populations consist of a significant percentage of Muslims.*

**Keywords:** Islamic finance, sustainable development goals, Maqasid-al-Shariah, financial institution.

## Introduction

The linear economy has significantly increased the material well-being of mankind but also poses daunting challenges to his survival. On one hand, financial crises like 2007-2008 and inequality show major defects in this form of the economy while on the other hand, it exacerbates issues like climate change, environmental degradation and deforestation which in turn makes life on earth difficult. These extraordinary challenges attracted the attention of policymakers, economists and the general public in the last decade or so. As a result, the world's leaders came together in 2015 at the United Nations Sustainable Summit and agreed on sustainable development goals (SDGs hereafter). SDGs consist of seventeen (17) goals with the aim to alleviate poverty, provide justice, fight inequality and tackle environmental decay by 2030 (Liodakis, 2010). The main emphasis in these goals is on the responsible usage of the resources to meet not only today's needs but also create a world where future generations can thrive. SDGs framework provides guidance to governments and businesses in the 21st and is expected that its proper implementation will

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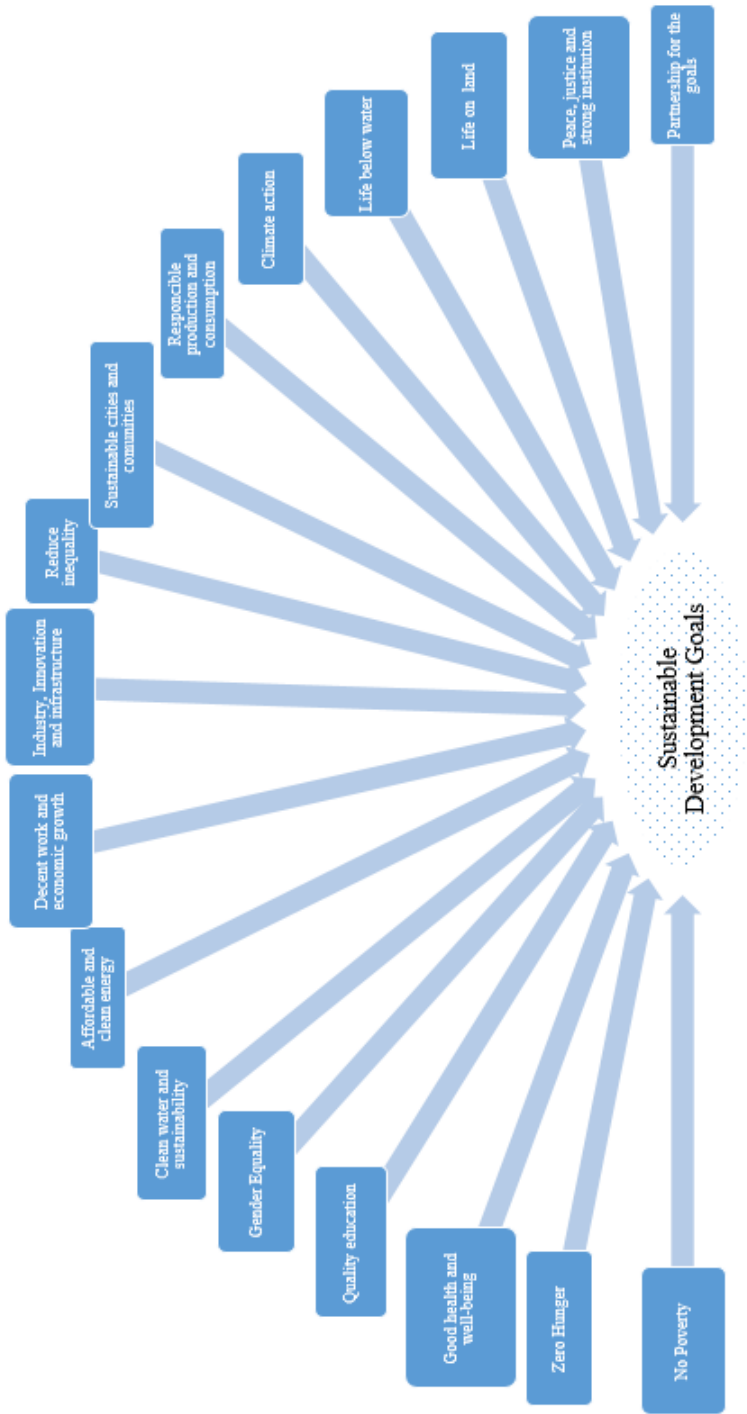
<sup>\*</sup>Lecturer, Quaid-e-Azam College of Commerce, University of Peshawar, Peshawar, Pakistan.  
Email: [aurang.zeb@uop.edu.pk](mailto:aurang.zeb@uop.edu.pk)

<sup>†</sup>Lecturer, Management Science, Institute of Business and Management Sciences, The University of Agriculture, Peshawar, Pakistan. Email: [mfahadsiddiqi@aup.edu.pk](mailto:mfahadsiddiqi@aup.edu.pk)

<sup>‡</sup>Lecturer, Quaid-e-Azam College of Commerce, University of Peshawar, Peshawar, Pakistan. Email: [ilyasqacc@uop.edu.pk](mailto:ilyasqacc@uop.edu.pk)

<sup>§</sup>Professor & Dean Business Administration Department, IQRA National University, Peshawar.  
Email: [adil.adnan@inu.edu.pk](mailto:adil.adnan@inu.edu.pk)

Figure 1  
Sustainable development goals



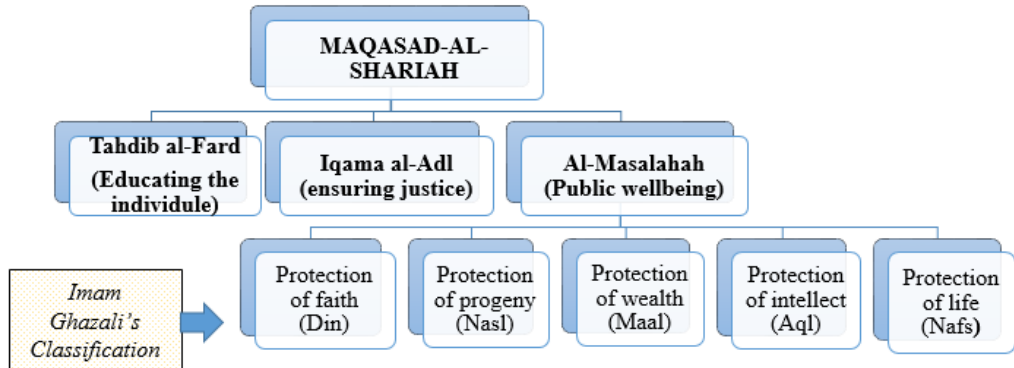
overcome the carbon footprints, environmental decay and income inequality. Furthermore, SDGs are considered better than its predecessors, i.e., Millennium Development Goals (MDGs), where the scope was limited. However, problems faced in MDGs such as data delays and lack of priorities need to be addressed for effective implementations of SDGs. Therefore, strict guidelines and priorities are imperative for the success of SDGs (Sarvajayakesavalu, 2015). Extant literature also suggests that creating a chain among the local community aspirations, national objectives and SDGs will improve the progress on SDGs. Islam is such a religion which is a complete code of life covering every aspect of life regardless of temporal and special limitations. Islam fully covers and guides financial matters and the dealings of its followers. There are more than 2 billion followers of Islam around the globe who consider themselves answerable to Allah in every aspect of their life (Uyar, Kuzey, Güngörmüş, & Alas, 2015). Extending the same line of research, this study aims to investigate the Islamic finance and SDGs nexus. Specifically, the study seeks whether Islamic finance has a significant association with the SDGs.

Islamic finance bases on the Holy Quran, Hadith (the teaching of Prophet Muhammad peace be upon him) and Ijma (the universal agreement of Muslim jurists on a point) and is generally labelled as Shariah (i.e., Islamic jurisprudence) (Pryor, 2007). Shariah provides framework for Muslim society and govern each sphere of life including politics, social relationship, legislation and economic affairs. The basic purpose of Shariah is to promote justice, fairness and people welfare (Millar & Anwar, 2009). Likewise, Islam encourages economic activities; however places certain restrictions. Islamic financial institutions (IFI) offer financial products that meet the Shariah guidelines. For instance, in contrast to conventional finance, Islamic financial system is characterized by an array of Shariah compliant participatory and non-participatory modes of financing (Hearn, Piesse, & Strange, 2012). Participatory mode of financing is backed by aspiration-oriented schools. This group adheres and encourages Musharakah and Mudarabah ideal forms of financing and main instruments to replace interest-based economic models. Participatory mode is widely accepted as in close alliance with the true spirit of Islam. Whereas, reality-oriented school emphasizes on the economic feasibility of Islamic finance in the contemporary business environment. This school, mainly comprises of academicians and practitioners, argues that both participatory and non-participatory mode of financing are allowed as per the injunctions of the Holy Quran (Nagaoka, 2012). The latter school is more viable and easier to incorporate in the contemporary world and financial institutions.

Furthermore, extant literature supports the reality-oriented model and suggests that it meets the objectives of Shariah (i.e., Maqasid-Al Shariah) (Asutay, 2007; Yaquby & Scholar, 2005). Maqasid Al-Shariah are the highest set of Islamic objectives to achieve socio-economic justice. According to Imam Abu Zahra, Maqasid-al-Shariah has three categories namely Tahdib al-Fard (educating the individual), Iqama al-Adl (ensuring justice) and Al-Masalahah (public wellbeing). Tahdib encompasses human development and consists of knowledge, skill and spiritual values that are imperative of success in this world and hereafter. Likewise, Islam places justice very high and commands its followers to ensure it in each sphere of life. Whereas Al-Masalahah has labelled by the Muslim scholars as “the preservation of Shariah objectives”. Imam Ghazali further categorized

Al-Masalahah into five categories namely, protection of : i) faith (Din); ii) progeny (Nasl); iii) wealth (Maal); iv) intellect (Aql) and v) life (Nafs). It is evident that all these objectives are individual-specific and has no restriction on non-participative financings. Therefore, limiting Islamic financial institutions to participative mode have no epistemological base and merely shows the expectation of the masses ([Asutay, 2007](#)).

**Figure 2**  
Maqasid-al-Shariah



Islamic financial institutions (IFIs) are financial corporations that are governed according to the Islamic precepts (Shariah) ([Shamsudheen & Muneeza, 2022](#)). The functions of IFIs are similar to those of conventional financial institutions except that they have additional Shariah governing bodies like Shariah advisory board and Shariah advisory committee. Furthermore, IFIs also incorporate shariah functions such as Shariah audit, Shariah risk and Sharia review to ensure that the functions are in full compliance with Shariah. However, the recent call from the United Nations to implement sustainable development goals put a lot of pressure on the financial sector. Therefore, it is imperative to investigate whether Islamic financial system helps in achieving the sustainable development goals.

The race for accumulation of maximum wealth has brought the world on the verge of destruction. Problems like rising inequality, resource wastage, environmental degradation, social unrest, deforestation, exploitation of labor force and economic hegemony are name a few that pose daunting challenges to life on earth ([Koren, Bagozzi, & Benson, 2021](#); [Livne-Ofer, Coyle-Shapiro, & Pearce, 2019](#); [Zhang et al., 2020](#)). Furthermore, the financial crisis of 2007-2008 has shown major flaws in the capitalist economy. As a result, world's leaders came together in 2015 in the United Nations Sustainable Summit and agreed on SDGs. However, implementation of SDGs requires massive resource mobilization at the macro level. For instance, UNCTAD estimated that some US\$5-\$7 trillion would be needed annually to achieve SDGs. Therefore, all possible options must be exercised to succeed in SDGs implementation. The volume of Islamic finance is more than US \$ 2.2 trillion and is raising at 10-15% rate (S&P Global, 2022). Islamic financial institutions offer a wide range of products that meet the Shariah guidelines. Extant literature

investigated the Islamic finance role in SDGs implementation and reported inconclusive results (Begum, Alam, Mia, Bhuiyan, & Ghani, 2019; Ghoniyah & Hartono, 2020; Hassan, Saraç, & Alam, 2020). Therefore, a comprehensive model showing how Islamic finance contributes to SDGs is imperative to be drawn. The study aims to draw a comprehensive framework that links Islamic finance with Maqasid-al-Shariah and then with SDGs.

## **Islamic Finance and Sustainable Development Goals**

Objectives of Shariah, highlighted in the previous section, show a comprehensive approach that aims to raise humanity to the highest rank by making them upright and ensuring balanced relationships among the individuals, community and universe as a whole. As per the Global Report on Islamic Finance (2017), Islamic finance by nature is structured in such a way that could assist in environmental protection, resolve social and governance (ESG) problems which in turn lead to achieving SDGs. Islamic finance has also the potential to mobilize resources both at macro and micro-level to meet SDGs. Though, SDGs require substantial resource implications across developed and developing countries. For instance, many studies and reports suggest that developing countries alone require an approximately US\$ 2.5-3.0 trillion per annum to ensure food security, health, education and basic infrastructure (Barua, 2020). According to the world population review (Muslim Population by Country 2022), there are approximately two billion Muslims, making some 24-25% of the entire population, living across the globe. Further, there are some fifty (50) countries where the ratio of Muslims exceeds 80% of the region. Majority of these countries have extreme poverty, hunger, low employment and severe environmental problems. Therefore, mobilizing resources in these countries will have a significant impact on SDGs.

However, implementation of SDGs is based on three key factors: social inclusion, economic growth and environmental protection. IFIs may contribute to these by enhancing financial sector stability, mitigating vulnerability and risk, improving financial inclusion, facilitating infrastructure development and resolving environmental and social issues.

### **Financial Sector Stability**

The financial crisis of 2007-08 has shown that interest-based debts, credit default swaps, speculations, collateralized debts etc. adding to the systematic risk which in turn lead to instability of the financial sector (Carmassi, Gros, & Micossi, 2009). During the crisis period, unemployment doubled and some US \$15 trillion lost. Likewise, the COVID-19 has created many social and economic challenges. Therefore, it is of utmost importance to develop and use all possible financial instruments that are the real alternative to sustainable development and economic growth (Alam, 2020; Rusydiana, 2021). Contrary to conventional finance, Islamic financial institutions are based on asset-backed financing and risk-sharing that brings stability to the system and avoids the mismatch between real economy and financial transactions. Therefore, it is imperative to switch from a debt-based financial system to equity-based system. Shariah-based equity financing represents a small fraction

of total assets. By instituting and strengthening legal and regulatory frameworks, Islamic finance can prompt the listing of more valuable companies which will increase the share of Islamic equity in the financial sector (Salman & Nawaz, 2018). Equity and venture capital, crowdfunding and investment banks are the avenues in which the Islamic finance sector plays its role which in turn may stabilize the financial system, which is the basis of economic growth (Fathonih, Anggadwita, & Ibraimi, 2019; Ishak & Rahman, 2021).

## **Increasing Financial Inclusion**

SDGs such as alleviating poverty, reducing inequalities and zero hunger may not be achieved without equitable allocation of resources and access to finance. Majority of muslims are poor and do not use any formal financial service due to various religious and social issues. Muslims are ready to face hunger, poverty and tough life nevertheless, they avoid conventional interest-bearing finances due to prohibition of interest in Islam. Following Islamic laws in general and its financial guideline in specific can help in controlling the issue of poverty (Muhammad, Ximei, Sharif, & ul Haq, 2020). Moreover, the distinction of Islam is zakat where wealthy Muslims are supposed to pay zakat on their wealth and income to the poor ones. This gap can be filled by Islamic financial services (Begum et al., 2019). Contrary to the conventional financial institutions, IFIs can offer many products and services that enhance the financial inclusion in these countries (Rahman, 2020). Likewise, aligning the social sector with IFIs by using Waqaf and Zakat to improve the productive capacities of the poor can lend to the very nature of social impact that the Shariah principles stress upon. Special institutions such as Waqaf-based financial institutions can also be established to reduce inequality and alleviate poverty by offering interest-free loans (Ahmed, Mohieldin, Verbeek, & Aboulmagd, 2015). Thus, rich muslims should be motivated to pay obligatory as well as discretionary payment to the poor in their families and surroundings.

## **Reducing Vulnerability**

Extant literature shows a significant positive association between risk & poverty (Eckhard, 2018; Hussain, Bhuiyan, & Bakar, 2014). Poverty is the mother of many social and financial issues in the world which can be controlled through strong system of corporate governance the role of accounting will be multidimensional (Neesham, McCormick, & Greenwood, 2017; Raineri, 2015; West, 2018). Decreasing risk in the society/economy minimizes the vulnerabilities of the poor. As negative shocks contribute to poverty, therefore the World Economic Forum (2015) views resilience against risk as an important attribute of social sustainability. Advancement of interest free loans at individual and organizational levels should be promoted and their repayment ensured which will consequently promote gross root level entrepreneurial activities in the country. It will increase supply and demand of various products that will ultimately increase the circulation of wealth among different hands. As Islamic financial system is based on risk-sharing rather than risk-transferring, therefore the vulnerability in Islamic financial system will be much lower. Financial help and zakat should extended to the poor in such a way which make them ca-



pable of earning sustainable livelihood. For instance, Takaful (Islamic mode of insurance) can be offered to various segments of the society, especially the poor. Likewise, donation-based funds can be used for hedging purposes to avoid risk or provide interest-free loans to the poor.

## **Infrastructure Development**

Infrastructure provides a foundation for trade and commerce, improves efficiency and is an important determinant of economic growth (Palei, 2015). The required investment in infrastructure is estimated to be some US \$ 100 trillion in the next two decades (World Economic Forum, 2013). The sustainable infrastructure would require appropriate approaches that are pro-society and eco-friendly. Traditionally, governments plan and execute infrastructure projects. However, the rising debts and trade and balance of payments deficits make it difficult for many countries to raise the required amount of revenue. Consequently, the public-private partnership may provide an excellent opportunity, where the former provides the facilitating services. This is the area where Islamic finance can play an important role. As Islamic mode of financing encourages real economy and prefers risk-sharing and social investment, the infrastructure sector provides an excellent business opportunity for Islamic finance (Millar & Anwar, 2009). But ironically, the investment of IFIs in infrastructure-related projects has not been satisfactory in the recent past. The share of Islamic financing is merely US \$9 billion out of USD \$40 billion in the Gulf Cooperation Council. Likewise, funds generated through Sukuk (Islamic investment certificate) are also relatively small (Smaoui, Mimouni, & Ben Salah, 2021).

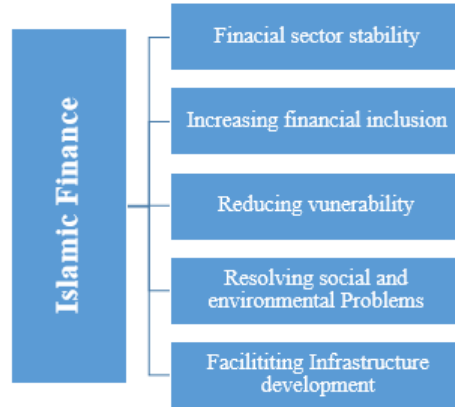
## **Resolving Social and Environmental Problems**

Extant literature shows that Islamic financial sector's role is limited in addressing the social and environmental issues. For instance, the study of Kamla and G. Rammal (2013) shows that Islamic financial institutions neither contribute to social development nor have any specific plan to eradicate poverty or ensure equitable distribution of wealth in the society. Likewise, Haniffa and Hudaib (2007) found a low level commitment of Islamic banks towards society in comparison to the shareholders and employees. In another study, Maali, Casson, and Napier (2006) investigated 29 Islamic banks and reported that none of them report environment related activities. Furthermore, Ali Aribi and Arun (2015) interviewed senior executives of IFIs in Gulf cooperation council (GCC) and concluded that they do not take into account the corporate social responsibility at the time of decision making. Sairally (2007) also argued that despite IFIs undertaking some philanthropic activities, corporate social responsibility is not an integral part of the IFIs' business policy. Likewise, IFIs do not follow positive screening criteria and corporate best socially-responsible practices. For instance, issues such as human rights, employee rights and eco-friendly production are not included in strategic decision makings. The poor performance of IFIs on the social and environmental fronts may be due the reason that the concept of social and environmental sustainability is not fully integrated into the Maqasid-al-Shariah and Shariah compliance. Therefore, to improve performance of IFIs on environmental and



social goals, it is imperative to expand Maqasid to incorporate these perspectives.

**Figure 3**  
Islamic finance contribution



## Maqasid-al-Shariah and Sustainable Development Goals

To link Maqasid-al-Shariah with SDGs, we will not explain their relationship one by one as various goals in SDGs are interconnected. For instance, Goal 1 and Goal 2 which are “No Poverty” and “Zero Hunger”, respectively, clearly indicate that if poverty alleviates the question of starvation then famine may not be raised. Employing the Maqasid-al-Shariah framework, alleviation of poverty and hunger may then be labelled as protection of life (hifdzun nafs). This is because food is an essential item for humans to live. Islam also commands its followers to take care of poor and make sure that they are not hungry. For instance, Prophet Muhammad (SAW) said that *“A man is not a believer who fills his stomach while his neighbor is hungry”*. On another occasion, the Prophet Muhammad (SAW) said that *“The believer’s shade on the Day of Resurrection will be his charity.”* (Al-Tirmidhi). The Quran also says that *“The Believers, men and women, are protectors one of another: they enjoin what is just and forbid what is evil: they observe regular prayers, pay their Zakat and obey Allah and His Messenger. On them will Allah pour His Mercy: for Allah is exalted in power, Wise?”* (Surah Al-Taubah 9:71). Overall Islam offers a comprehensive system of zakat, sadaqa, waqaf and infaq to alleviate poverty and fight hunger.

Likewise, SDG 3 promotes good health and wellbeing for all. This goal is also related to Goal 1 and Goal 2 because it may not be possible for one to live a healthy life without having basic necessities such as food and clothes. However, the objective of good health and wellbeing may not be achieved with the mere provision of food and cloths until accompanied by hygienic and clean environment. Islam orders its follower to *“Cleanse your garments and keep away from all pollution”* (74:4). Muslims are required to purify themselves five times a day, i.e., before each prayer. This goal, SDG 3, is then connected with Goal 6. Goal 6 is all about access to clean water and sanitation. Islam requires its followers

to maintain high standard of cleanliness and remove all types of dirt and impurity from their clothes and bodies. More specifically, Islam considers cleanliness as part of the faith. As water is the foremost basic need of human life, therefore its provision is obligatory in every society. Clean water and good sanitation reduce vulnerability to diseases and positively contribute to wellbeing. Therefore, achieving Goal 3 up to a larger extent based on the accomplishment of Goal 6.

**Figure 4**

Linking Islamic finance with SDGs (Source adapted from [Ahmed et al. \(2015\)](#))

Sustainable development goals	Financial stability	Financial inclusion	Reduce vulnerability	Social and environmental impact	Infrastructure development
SDG1		✓	✓		
SDG2		✓	✓	✓	
SDG3		✓	✓	✓	
SDG4				✓	
SDG5		✓		✓	
SDG6				✓	✓
SDG7					✓
SDG8	✓	✓	✓		
SDG9	✓				✓
SDG10	✓				
SDG11				✓	✓
SDG12	✓				
SDG13				✓	
SDG14				✓	
SDG15				✓	
SDG16		✓		✓	
SDG17				✓	✓

SDG 4 emphasis on quality education for all. Islam gives high place to knowledge

and encourages its followers to get it. For instance, Prophet Muhammad (SAW) says that *"Getting knowledge is obligatory on every Muslim"*. Likewise, Prophet Muhammad (SAW) used to make prayer *".. my Lord! Increase me in knowledge"* (Taha [20]: 114). The importance of education in Islam may be judged from the fact that Quran also order its followers to *"Read"* (Al-'Alaq [96]: 1). This goal emphasizes on the inclusivity dimension. Inclusivity is something that is important and encouraged to be practiced in every part of human life such as economic affairs, law and justice and education etc. People will receive quality education if they are rich enough to meet its costs. For the poor, spending on education will be just extravagant. As mentioned earlier, Islam makes education compulsory for every individual. Therefore, it comes in the orbit of basic necessities and the protection of it is covered in the protection of intellect (hifdzun aql).

SGD 5 focuses on gender equality in every aspect of life. Though, absolute equality may not exist anywhere in the world. However, equality before law is required everywhere. Under Islamic law, there is no discrimination between rich and poor and man and women (Spierings, Smits, & Verloo, 2009). For instance, Allah almighty says *"O mankind! We have created you from male and female and made you into nations and tribes that you may know one another. Verily, the most honourable of you with Allah is that (believer) who is pious. Verily, Allah is All-knowing, All-aware"* (Al-Hujurat [49]:13). SGD 5 suggests that discrimination against women should be stopped and their participation in economic and political affairs to be encouraged. This view is consistent with the protection of the progeny objective of Maqasid-al-Shariah. Likewise, SGD 8, decent work and economic growth, also emphasis on inclusivity. Sustainable development economic growth requires full employment of both men and women in the economic affairs. Further, the work environment must be decent and hygienic. Therefore, SGD 8 is also associated with SGD 3 and SGD 6.

SDG 7 aims to ensure that affordable, sustainable, reliable and clean energy is available to all. Though, modern energy might not be specifically explained in Islam. However, keeping the importance of energy in today's life it may be categorized in basic necessities list. For instance, it is widely used for cooking, lighting and drinking-water. Therefore, the non-availability or higher prices may make the life of the poor miserable. Likewise, if the production of energy pollutes the environment and poses a threat to life on earth then shifting to sustainable and green energy is the need of the day. Therefore, many studies have argued that Goal 7 is in-line with the protection of life (hifdzun nafs) objective of Maqasid-al-Shariah. In addition, Mukhtar, Zainol, and Jusoh (2018) argued that it is the government responsibility to provide sustainable and green energy to the poor at affordable prices and should not charge any type of tax from them. They base their argument on the Quranic verse *"And they ask you what they ought to spend. Say: 'That which is beyond your needs'. Thus Allah makes clear to you His laws in order that you may give thought"* Al-baqarah [2]: 219). Moreover, SGD 13, which is 'climate action', has similar interpretations.

Developing resilient infrastructure networks, enhancing industrialization and spurring innovations are the avenues that come in the ambit of SGD 9. Islam encourages positive and scientific thinking. For instance, Allah says in the Quran *"Verily! In the creation of heavens and earth and in alternation of night and day, there are indeed signs for men of understanding"*. (Ali Imran [3]: 190). Similarly, Islam labels earning through legal means and facilitation of public as Ibadah (prayer). Patents, copyrights and trademarks are nowadays

important resources and hence come under the definition of wealth. The protection and encouragement of these are important for economic growth and innovations. Therefore, protection of the wealth element of Maqasid-al-Shariah provides a theoretical foundation to this goal, SDG 9. SDG 10 aims to reduce income inequality within a country and among the nations. This goal may not be achieved if a specific group of people or regions are not integrated into the economy. Islamic financial model proposes that all the resources and wealth belong to Allah and man is His vicegerent. According to this fundamental model, everyone has equal rights in access to those resources and its utilization. Islam strongly discourages the wealth concentration in few hands and suggest a comprehensive system of obligatory and non-obligatory spending for it. Keeping wealth above a threshold level entails responsibilities towards the poor and brings obligatory payment of contributions (zakat). However, it does not mean that Islam put a ceiling limit on accumulation of wealth. Therefore, Islamic financial system encourages economic growth and income earnings without compromising the basic needs of the poor.

Furthermore, the objective of sustainable cities and communities, i.e., SDG 11, is connected with SDG 6, SDG 10, SDG 14 and SDG 15. It is imperative for sustainable communities that they must have access to clean water, lower income inequality and a healthy and safe environment. Islam prohibits any action or source that directly or indirectly restrict the provision of fresh air, clean water and light to the city's inhabitants. This also comes under the umbrella of protection of the life branch of Maqasid-al-Shariah.

The recent outbreak of COVID-19 suggest that responsible production and consumption are critical for human survival. Every effort should be done to ensure the efficiency in production and consumption. All possible means to be utilized to minimize the resources wastages and environmental degradation. Quran also clearly states in Chapter Al-A'raf verse No. 31: *"Eat and drink, but waste not by excess; Verily He loves not the excessive"*. In another place Allah says: *"And do not follow the bidding of the excessive, who cause corruption in the earth and do not work good"*, (Ash-Shu'ara 26: 151-152). Muslims are prohibited from excessive use of a resource even it is available in abundance. For instance, Prophet Muhammad (SAW) said: *"Do not waste water even if you are on a running water."* This will bring efficiency in production and consumption which is the objective of SDG 12. As a result, efficiency will contribute to sustainable growth, innovation and human wellbeing.

SDG 16 aims to promote peace, justice and strong institutions which are all covered in the protection of faith. The word Islam is derived from 'salam' that means 'peace'. Justice and fairness in dealings are the things that have always been promoted by Allah and His Messenger Muhammad (SAW). For instance, Allah says: *"O you who have believed, be persistently standing firm in justice, witnesses for Allah, even if it be against yourselves or parents and relatives. Whether one is rich or poor, Allah is more worthy of both."* [Quran, 4:135]. On another occasion Allah Almighty says: *"God commands justice and fair dealing..."* [Quran, 16:90]. Likewise, in Surah-Al-Rehaman verses 7-9 Allah says *"And the heaven He raised and imposed the balance. That you not transgress the balance. And establish weight in justice and do not make deficient the balance."* Islam also provides mechanism how to resolve disputes among the disputing parties as Allah says: *"And if two parties among the believers fall to fighting then make peace between them both but if one of them rebels against the other then fight you (all) against the one that/which rebels till it complies with the command of Allah then if it*

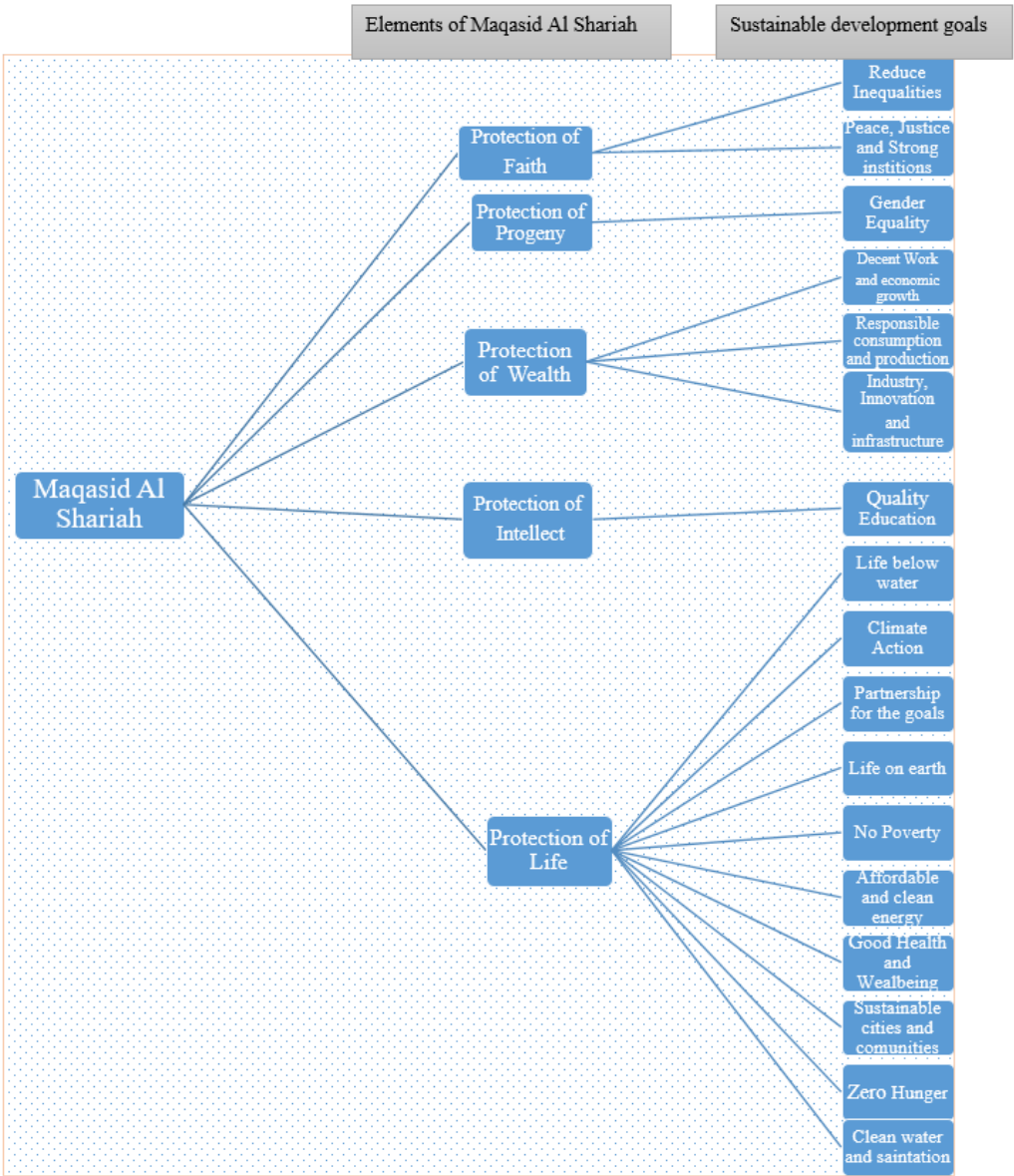
*complies then make reconciliation between them justly and be equitable. Verily! Allah loves those who are equitable". (Al-Hujurat [49]: 9). Islam also requires the establishment of strong institutions. For instance, Almighty Allah says: "If We give (muslim rulers) authority/power in land (they) enjoin (establish through order): performance of congregational prayers; payment of zakah (obligatory contribution); and spreading good; and forbid harm (all that Islam has forbidden)" (Al-Hajj [22]: 41).*

Finally, SDG 17 emphasizes on the global partnership to achieve sustainable development goals. Islam suggests partnership and cooperation in good things. Allah Almighty orders in Quran Surah Al-Maidah ayat (verse) 2: "...assist one another in the doing of good and righteousness. Assist not one another in sin and transgression, but keep your duty to Allah." Extant literature also shows that cooperation in Islam has great importance in Islamic economic system. Islamic finance which is primarily based on participative business models has a huge untapped potential that may help to alleviate poverty, eliminate hunger, reduce inequality, improve living standards and make strong partnerships that are the objectives of SDGs.

## Conclusion

This study aims to investigate the linkage between Islamic finance and United Nations' sustainable development goals (SDGs). We use thematic approach and analyze extant literature to examine whether Islamic finance and SDGs are compatible. Islam is the religion of nature where complete guidance is available regarding every aspect of life. If these guidelines are followed in true letter and spirit, it will ensure stability in financial sector through increasing financial inclusion that ultimately leads to preservation of the nature as well as sustainable and thrive life on the earth. With the use of Islamic finance vulnerability reduces and infrastructure in society establishes. Furthermore, the study highlights broader avenues where Islamic finance can help to achieve SDGs. These consist of financial sector stability, risk mitigation, financial inclusion, infrastructure development and resolving environmental and social issues. We find that Islamic finance can be used to mobilize resources at the macro and micro level for achieving the larger objectives, i.e., SDGs. Finally, we propose a comprehensive framework that shows how maqasad al shariah, suggested by Imam Ghazali, are associated with SDGs. The study will help policymakers in effective policy formulation process to achieve various sustainable development goals.

**Figure 5**  
Maqasid-Al-Shariah association with SDGs



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