



## **Navigating Sharia Business Regulation in the Era of Sustainable Development: A Maqashid al-Shariah and SDGs-Based Approach**

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### **Abstract**

*The growing global concern for sustainable development has prompted a major transformation in legal systems and financial regulation, including the Islamic banking sector. Conceptually, maqashid al-shariah and the Sustainable Development Goals (SDGs) share a normative orientation toward promoting public welfare, social justice, and sustainable development. Despite this philosophical convergence, the integration of these two frameworks into Indonesia's Islamic banking regulatory system continues to face significant normative challenges. The existing legal framework remains predominantly focused on formalistic sharia compliance and the prudential principle, whereas the sustainability dimension has not yet been comprehensively operationalized within Islamic banking regulation. This study aims to analyse the normative gaps in Islamic banking regulation that impede the integration of maqashid al-shariah and the SDGs, while formulating a legal reform model capable of addressing such obstacles. This research adopts a normative legal method, or doctrinal legal research, using statutory, conceptual, and philosophical approaches. It examines several principal regulatory frameworks, including Law Number 6 of 2023 on Job Creation, Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, sustainable finance regulations, sources of Islamic law, and contemporary legal doctrine. The data are analysed through a normative gap analysis model supported by systematic, teleological, and maqashid-based legal interpretation. The findings indicate that the barriers to integration arise not only from normative deficiencies, but also from regulatory fragmentation, institutional design, and a legal culture that continues to prioritize a formalistic fiqh-based compliance approach. Through the lens of Law and Development Theory, this study argues that Indonesia's legal structure remains in a transitional phase and does not yet fully support the operational integration of maqashid al-shariah and sustainability principles. Accordingly, this study proposes a legal-operational framework based on maqashid compliance indicators as an adaptive model of legal reform to strengthen the integration of Islamic ethical values and sustainability principles within Islamic banking regulation.*

**Keywords:** *Maqashid Al-shariah, Sustainable Development Goals (SDGs), Sharia Banking Law*

### **Abstrak**

Meningkatnya perhatian global terhadap pembangunan berkelanjutan telah mendorong transformasi besar dalam sistem hukum dan regulasi keuangan, termasuk sektor perbankan syariah. Secara konseptual, maqashid al-shariah dan Sustainable Development Goals (SDGs) memiliki tujuan untuk dalam mendorong kemaslahatan publik, keadilan sosial, dan pembangunan berkelanjutan. Meskipun terdapat konvergensi filosofis tersebut, integrasi kedua kerangka ini dalam sistem regulasi perbankan syariah di Indonesia masih menghadapi tantangan normatif yang signifikan. Kerangka hukum yang ada masih dominan berfokus pada kepatuhan syariah yang formalistik dan prinsip kehati-hatian, sementara dimensi keberlanjutan belum dioperasionalkan secara komprehensif dalam regulasi perbankan syariah. Penelitian ini

bertujuan menganalisis kesenjangan normatif dalam regulasi perbankan syariah yang menghambat integrasi maqashid al-shariah dan SDGs, sekaligus merumuskan model reformasi hukum yang mampu mengatasi hambatan tersebut. Penelitian ini menggunakan metode hukum normatif (doctrinal legal research) dengan pendekatan perundang-undangan, konseptual, dan filosofis. Kajian ini menelaah beberapa kerangka regulasi utama, termasuk Undang-Undang Nomor 6 Tahun 2023 tentang Cipta Kerja, Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan, regulasi keuangan berkelanjutan, sumber-sumber hukum Islam, dan doktrin hukum kontemporer. Analisis data dilakukan dengan model analisis kesenjangan normatif yang didukung oleh kerangka penafsiran hukum sistematis, teleologis, dan berbasis maqashid. Temuan penelitian menunjukkan bahwa hambatan integrasi tidak hanya disebabkan oleh kekurangan norma, tetapi juga dipengaruhi oleh fragmentasi regulasi, desain kelembagaan, dan budaya hukum yang masih memprioritaskan pendekatan kepatuhan fikih yang formalistik. Melalui perspektif Law and Development Theory, penelitian ini berargumen bahwa struktur hukum Indonesia masih berada dalam fase transisional dan belum sepenuhnya mendukung integrasi operasional antara maqashid al-shariah dan prinsip keberlanjutan. Karena itu, penelitian ini mengusulkan kerangka hukum-operasional berbasis indikator kepatuhan maqashid sebagai model reformasi hukum adaptif untuk memperkuat integrasi nilai-nilai etika Islam dan prinsip keberlanjutan dalam regulasi perbankan syariah.

**Kata Kunci:** *Maqashid Al-shariah, Sustainable Development Goals (SDGs), Hukum Perbankan Syariah*

## INTRODUCTION

A global shift toward sustainability has emerged through the United Nations Sustainable Development Goals (SDGs), Indonesian Islamic banking law, particularly Article 2 of Law Number 21 of 2008, has not expressly incorporated the principle of sustainability. This condition creates a normative gap between the national regulatory framework and the global development agenda. The SDGs emphasize the integration of economic growth, social justice, and environmental protection within a unified approach to sustainable development. A sound economy is often built upon a strong and equitable trade system, which in turn requires a legal framework capable of ensuring the stability and sustainability of that system (Mudemar A. Rasyidi, 2018). In this context, Islamic finance and business systems should not focus solely on financial profitability; rather, they must also align with principles of social and environmental responsibility that are essential to the realization of public welfare.

This study identifies a misalignment between the objectives of Islamic law (maqashid al-shariah) and the SDGs framework. Current Islamic banking regulation in Indonesia prioritizes fiqh compliance, but it does not yet contain adequate provisions on social and environmental accountability, which are key

values reflected in *hifz al-nafs* (protection of life), *hifz al-mal* (protection of wealth), and *hifz al-bi'ah* (preservation of the environment).

To address this gap, this study proposes a normative reconstruction of Article 2 of Law Number 21 of 2008 by introducing the Maqashid-SDGs Principle. This principle is intended to integrate Islamic ethical and ecological values into the regulatory framework, align them with the SDGs, and establish a governance model for Islamic business that prioritizes sustainability and welfare. The absence of an explicit sustainability principle creates a normative inconsistency between national regulation and the global development framework. Theoretically, this study contributes to the discourse on sustainable Islamic law, while also providing practical recommendations for policymakers, regulators such as the Financial Services Authority (OJK) and Bank Indonesia, and Islamic financial institutions in developing governance models that promote social and environmental responsibility.

As a member of the global community, Indonesia is bound by international law, including rules governing economic activities. This creates a normative responsibility for the state to align its domestic legal framework with international standards. Recent legal reforms, such as Law Number 6 of 2023 on Job Creation and Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, which also contain provisions relevant to Islamic banking, must be considered when analysing Indonesia's compliance with international economic regulation. These reforms, together with Law Number 21 of 2008 on Islamic Banking, form the legal basis of Indonesia's obligations within the global economic system. In Indonesia, the application of prudential regulation in the financial sector has contributed to the resilience of the financial system, as reflected in the stability of the banking sector during the COVID-19 crisis (Wulandari et al., 2024). Nevertheless, the prevailing regulatory orientation remains dominated by compliance with *fiqh*-based law (sharia compliance), while the sustainability dimension (sustainability compliance) has not been expressly accommodated as a legal norm (Isman & Kaltsum, 2022). One requirement of sound regulation is the consideration of the interaction among three dimensions, namely economics, politics, and law, in the process of institutional formation (Nasution, 2015).

Law and economics are closely interrelated. Law provides the legal framework that governs economic activities, whereas economics concerns the production, distribution, and consumption of resources. Healthy economic growth requires appropriate regulation capable of promoting a stable, transparent, and equitable business environment (Taufiq, n.d.). Conversely,

inadequate or excessively complex regulation may obstruct economic growth, inhibit innovation, and generate high costs for business actors (Sidiq, 2023).

Article 2 of Law Number 21 of 2008 provides that Islamic banking shall be based on sharia principles, economic democracy, and the prudential principle. These three principles undoubtedly possess fundamental value in establishing fair and stable financial governance. Normatively, however, they do not yet contain the principle of sustainability, which is a central pillar of the SDGs and contemporary law and development theory. From the perspective of maqashid al-shariah, sustainability is inherent in the objectives of Islamic law, namely the protection of life (hifz al-nafs), the protection of wealth (hifz al-mal), and the preservation of the environment (hifz al-bi'ah) (Isman & Kaltsum, 2022). The absence of an explicit norm on sustainability in the legal principles of Islamic banking demonstrates a normative gap between national law and the principles of global sustainable development (Fajar Puja Pangestu, Nadia Shelvia Rahmadiani, Nike Tanzila Hardiyanti, 2021).

The absence of an explicit sustainability norm in the legal principles governing Islamic banking creates a problem in the form of a normative gap between national law and the principles of global sustainable development. To strengthen this claim, legal testing, analytical criteria, and comparative benchmarks are required to demonstrate the distance between the prevailing regulatory framework and global sustainability standards, so that the need for normative reconstruction in the context of Islamic banking law may be academically justified.

It is important to underline the absence of a comprehensive legal framework integrating maqashid al-shariah with the Sustainable Development Goals (SDGs). One principal reason for the exclusion of sustainability from Islamic financial regulation may lie in the fragmented approach to integrating sharia principles with global standards (E. Oghenekohwo & A. Frank-Oputu, 2017). Although regulation requires financial institutions to report on sustainability aspects, there remains a discernible reluctance to embed Islamic values that emphasize social justice and moral responsibility. This reluctance may be attributed to legal and institutional inertia, in which existing regulations have not been able to accommodate alternative frameworks that more fully reflect those values.

The absence of a legal mandate that expressly links maqashid al-shariah with the SDGs has produced an inconsistent and less effective regulatory environment (Arrazi, 2025). Regulatory inertia, namely the slow adaptation of legal frameworks to modern challenges, has hindered the implementation of policies that advance sustainability in accordance with Islamic values. This

condition is compounded by the lack of political will to revise outdated legal structures, even though such revisions could facilitate a more integrated approach to sustainable development. Political and economic forces may prioritize short-term financial gains over long-term sustainability, thereby weakening the moral and social foundations that maqashid seeks to protect.

In addition, the legal feasibility of amending existing regulation, such as Article 2 within the prevailing financial regulatory framework, to expressly incorporate maqashid principles has not been sufficiently explored. A critical analysis suggests that legal reform is possible, but it faces significant obstacles, including institutional resistance, the complexity of aligning Islamic values with global sustainability standards, and the reluctance of stakeholders who benefit from the status quo. The prospect of incorporating maqashid al-shariah into the national regulatory framework is often overshadowed by these institutional and political barriers, making legal change a challenging process (Arrazi, 2025).

This gap demands urgent attention because it indicates the need for a more holistic regulatory approach: one that not only bridges Islamic law and international sustainability standards, but also addresses the structural and institutional limitations that currently impede progress. As long as these barriers remain unresolved, the alignment between Islamic values and global sustainability objectives will remain fragmented, and meaningful legal reform will be difficult to achieve.

This research has significant academic and legal urgency in addressing normative fragmentation in Islamic banking and sustainable finance regulation in Indonesia (Usman et al., 2024). Normatively, the reconstruction of Islamic banking legal principles is necessary so that regulation does not rest solely on sharia compliance and the prudential principle, but also orients itself toward sustainability values that reflect maqashid al-shariah, particularly public welfare, justice, and the protection of human and environmental interests. Article 2 of Law Number 21 of 2008 on Islamic Banking provides that Islamic banking is conducted on the basis of sharia principles, economic democracy, and the prudential principle. However, this provision does not explicitly include sustainability as a legal principle, even though sustainability has become increasingly relevant to contemporary financial governance and to the ethical objectives of Islamic law.

This normative gap becomes clearer when viewed against recent legal developments, particularly Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector and Law Number 6 of 2023 concerning the enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into law. Law Number 4 of 2023 has expanded Indonesia's financial

sector legal architecture, including provisions related to the implementation of sustainable finance. However, the law has not established a specific normative bridge between sustainable finance and the ethical-legal foundations of Islamic banking. Similarly, Law Number 6 of 2023 reflects a broader tendency in Indonesian economic regulation to prioritize investment, efficiency, and institutional simplification, but it does not adequately explain how such economic reforms should be aligned with sustainability and Islamic legal values.

From a critical legal perspective, the absence of sustainability in Article 2 of Law Number 21 of 2008 cannot be understood merely as a textual omission. It also reflects regulatory inertia and the limited integration of Islamic banking law, sustainable finance policy, and contemporary development law. Although Islamic banking is normatively expected to promote justice and public welfare, its juridical foundation remains focused on sharia principles, economic democracy, and prudential governance without expressly recognizing sustainability as a binding legal principle. This condition creates a distance between the moral objectives of Islamic law and the positive legal framework that governs Islamic banking institutions.

Accordingly, the novelty of this study lies in its critical proposal to reconstruct the legal principles of Islamic banking through the integration of the Maqashid-SDGs Principle. This study argues that sustainability should not be treated merely as an administrative reporting obligation, but as a substantive legal principle capable of strengthening the ethical, social, and ecological orientation of Islamic banking law. By examining Law Number 21 of 2008, Law Number 4 of 2023, and Law Number 6 of 2023, this study seeks to demonstrate that the existing legal framework has not sufficiently integrated maqashid al-shariah with the Sustainable Development Goals. Therefore, this research is expected to make a substantive contribution to the development of progressive, just, and sustainable Islamic business law in Indonesia.

## LITERATURE REVIEW

### **Maqashid al-Shariah as the Basis for Sharia Business Regulation**

Maqashid al-Shariah is the main objective of establishing Islamic law which is oriented towards protecting five fundamental aspects of human life, namely religion (*Hifz al-Din*), soul (*hifz al-nafs*), reason (*preservation of the intellect*), descendants (*hifz al-nasl*), and property (*hifz al-mal*). Classical thought developed by al-Ghazali and al-Shatibi places Maqashid as a normative framework to ensure that Islamic law produces benefits and prevents harm (Eny Latifah, 2023).

In the context of modern economics and business, several contemporary scholars, such as Chapra, Auda, and Dusuki, emphasize that Maqashid al-Shariah

serves not merely as an ethical instrument but also as a basis for developing public policy, financial regulation, and the governance of sharia institutions. These studies demonstrate that a Maqasid-based approach promotes the integration of sharia compliance with the goals of social development, economic justice, and environmental protection (Huril A'ini, Intan Ayu, 2024). In Islamic banking law, Maqasid is viewed as an evaluative parameter for products, contracts, and regulatory policies. Normative studies in Indonesia highlight that Islamic banking regulations, both through laws and OJK regulations, implicitly embody the spirit of asset protection, contractual fairness, and the avoidance of exploitation, although they have not explicitly adopted the Maqasid framework as a formal analytical instrument.

### **Sustainable Development Goals (SDGs) and Their Relevance to Islamic Economics**

The Sustainable Development Goals (SDGs) agenda launched by the United Nations emphasizes inclusive, equitable, environmentally friendly development, and a focus on long-term prosperity (Eny Latifah, 2023). Numerous interdisciplinary studies demonstrate conceptual alignment between the SDGs and Islamic economic principles, particularly in the areas of poverty alleviation, equitable access to finance, environmental protection, and ethical governance. Several authors have highlighted that Islamic social finance instruments such as zakat, waqf, and Islamic microfinance have great potential in supporting the achievement of the SDGs. Furthermore, the concept of sustainability (*sustainability*) in Islamic economics is understood in line with the principle of prohibiting excessive exploitation of resources, corporate social responsibility, and the necessity of maintaining balance (*balance*).

However, the literature also notes that the integration of the SDGs into the Sharia business regulatory framework remains partial and normative. Many regulations focus more on financial stability and formal Sharia compliance, while the broader ecological and social dimensions emphasized in the SDGs have not yet become fully binding legal indicators.

### **Sharia Banking Law and Sharia Compliance from a Normative Perspective**

Studies of Islamic banking law in Indonesia generally use a normative legal analysis approach, examining laws and regulations, DSN-MUI fatwas, and supervisory authority regulations (Mokoagow, 2024). The literature shows that the sharia compliance system (*sharia compliance*) is the main pillar of the legitimacy of Islamic financial institutions, which includes internal supervision through the Sharia Supervisory Board as well as external control by regulators. Previous research has emphasized that Sharia compliance is often understood

narrowly, namely the conformity of contracts with Islamic jurisprudence (fiqh muamalah). However, several contemporary scholars argue that compliance should be expanded to a substantive approach that considers social impacts, distributive justice, and environmental sustainability, in line with the Maqasid principles and the SDGs.

In the context of business regulation, discourse has emerged about the need for a paradigm transformation from *rule-based compliance* going to *value-based regulation* (Mokoagow, 2024), namely a legal system that not only regulates procedures, but also ensures the achievement of public welfare in a sustainable manner.

### **The Principle of Public Interest and Sustainability in Regulatory Development**

The principle of welfare is at the heart of Islamic law and serves as a conceptual bridge between Maqasid al-Shariah and the principles of sustainable development (Prasetyo, 2023). Fiqh siyasah literature and modern Islamic economic law place welfare as the basis for justifying state policies in regulating economic activity, including the banking and business sectors. Normative legal research in the field of Islamic financial regulation (Prasetyo, 2023) shows that this principle is reflected in the objectives of financial system stability, consumer protection, and financial inclusion. However, the dimensions of ecological and intergenerational sustainability are still relatively rarely explored explicitly within the national Islamic legal framework.

A number of comparative studies have begun to propose the integration of sustainability indicators—such as green finance (*green financing*), ethical investment, and environmental risk management into Islamic banking regulations, justified by Maqashid al-Shariah. This literature strengthens the argument that Islamic business law has strong normative potential to support the sustainable development agenda if developed systematically.

### **METHODOLOGY**

This study employs a normative legal approach, or doctrinal legal research (Benuf & Azhar, 2020), which focuses on the examination of written legal norms, legal principles, and legal doctrine (Sahir, 2022). This approach was selected because the study does not rely on empirical field data, but on the systematic exploration and analysis of positive legal norms, Islamic legal principles, and international policy documents relevant to the Sustainable Development Goals (SDGs). The principal focus of this research is to identify and reconstruct a new legal principle capable of integrating maqashid al-shariah with the SDGs in the context of Islamic business regulation.

Methodologically, this research applies several complementary legal approaches, namely Statutory approach (Sabalino, 2022). This approach involves an in-depth analysis of the provisions of Law Number 21 of 2008 on Islamic Banking and related regulations, such as Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 on Sustainable Finance. Conceptual approach (Ali, 2011). This approach is used to examine legal concepts derived from the values of maqashid al-shariah and the principles of the SDGs, with the objective of constructing a synthesis among justice, welfare, and sustainability as the basis for the formulation of a new legal principle, namely the Public Welfare and Sustainability Principle (Maqashid-SDGs Principle). Philosophical approach (Ali, 2011). This approach is used to explore the core values and essential objectives of Islamic law, such as justice (adl), balance (tawazun), and welfare (maslahah), in order to provide a theoretical foundation for formulating the direction of sustainable Islamic business law. This approach ensures that the proposed reconstruction of legal principles is not only normatively valid, but also consistent with the philosophical vision of Islam as a mercy to all creation.

## DISCUSSION

### **Integration of Maqashid al-Shariah with Sustainability Principles in Islamic Banking Regulation in Indonesia**

The evolution of modern economic law demonstrates that financial regulation can no longer be understood solely as an instrument for maintaining market stability, institutional compliance, and consumer protection. In contemporary developments, financial law is also expected to respond to the sustainable development agenda, which integrates economic, social, environmental, and governance aspects as integral components of both national and global development (Usman et al., 2024). In this context, the Sustainable Development Goals (SDGs) serve as an international framework that encourages states to build legal systems and public policies that focus not only on economic growth, but also on social justice, inequality reduction, environmental protection, and intergenerational sustainability (Amalia Muazzah Adawiah, Muhammad Azkia Fahmi, 2025).

In Islamic law, this sustainability orientation is fundamentally rooted in the concept of maqashid al-shariah. The principle of maqashid al-shariah places human welfare as the ultimate objective of law (Nurcahyo et al., 2024). Accordingly, Islamic law should not be understood merely as a set of formal norms regulating what is lawful and unlawful, but as a value system intended to realize justice, balance, protection, and public welfare (Sugari, 2025). In contemporary thought, the scope of maqashid al-shariah extends beyond the

protection of religion, life, intellect, lineage, and property, and may be developed to address issues such as social justice, economic governance, and environmental sustainability (Prasetyo, 2023).

There is therefore a strong conceptual alignment between maqashid al-shariah and sustainability principles. Both emphasize human welfare, justice, and the continuity of life as central objectives. However, the fundamental issue in Indonesian Islamic banking regulation lies not only in the conceptual alignment between maqashid al-shariah and the SDGs, but also in why those values have not yet been fully operationalized into binding legal norms, regulatory indicators, and concrete institutional mechanisms.

Thus far, Islamic banking has largely been constructed through a formalistic approach to sharia compliance. Compliance is understood primarily as conformity with fiqh principles, such as the prohibition of *riba*, *gharar*, and *maysir*, and the assurance that contracts comply with Islamic law (Sugari, 2025). Although this approach is important as the foundation that distinguishes Islamic banking from conventional banking, it becomes limited if it stops at legal-formal compliance and fails to develop in response to broader ethical objectives.

The persistence of a formalistic interpretation of sharia principles not only reflects a normative gap, but also indicates an institutional preference for maintaining legal certainty rather than expanding ethical value. In other words, Islamic banking regulation tends to prioritize certainty as to whether a financial product or service complies with fiqh principles, rather than assessing the extent to which banking activities contribute to social justice, economic empowerment, environmental protection, and sustainability. At this point, legal analysis must not only demonstrate the alignment between maqashid and the SDGs, but must also critically assess why maqashid al-shariah has not yet functioned as an operational legal principle.

In light of recent legal developments, any analysis of Islamic banking regulation must also consider new reforms in the national financial sector. Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector is highly relevant because it regulates the broader financial ecosystem, including banking, capital markets, insurance, financial technology, financial conglomeration, consumer protection, financial literacy, financial inclusion, and sustainability in finance (Dewi, Sandra, Yaswirman Yaswirman, Helmi Helmi, 2023). This law emphasizes integrated financial sector governance, with a focus on sustainability and financial sector resilience, and serves as a framework for sustainable finance in Indonesia.

From a doctrinal perspective, these developments must be read through the principle of *lex posterior derogat legi priori*, meaning that later laws must be

considered when interpreting or evaluating the applicability of an earlier legal framework (Gunarto, 2012). This implies that Islamic banking regulation cannot be analysed in isolation from broader financial sector reforms. Law Number 4 of 2023 demonstrates a shift in Indonesian financial law toward more integrated and sustainability-oriented financial governance. Therefore, the claim that Islamic banking regulation contains no sustainability principle at all must be reconsidered. A more accurate conclusion is that sustainability principles have begun to be embedded within the financial sector legal framework, but they have not yet been expressly incorporated into the *maqashid al-shariah* framework as the ethical and normative basis of Islamic banking.

Furthermore, Law Number 6 of 2023 on Job Creation also plays a role in reshaping Indonesia's economic legal system, reflecting the government's drive toward regulatory simplification and investment facilitation (Sidiq, 2023). Although this law aims to improve the ease of doing business, it must be critically examined from the perspective of *maqashid al-shariah*, because an orientation toward efficiency and growth must not override the core values of justice, welfare, and sustainability. From the perspective of *maqashid al-shariah*, economic development is measured not only by the ease of doing business or the expansion of investment, but also by its contribution to public welfare, equitable economic distribution, and the protection of vulnerable groups (Primadhany, 2025).

Accordingly, the integration of *maqashid al-shariah* with sustainability principles in Islamic banking regulation requires an approach that is not only normative, but also critical. Normatively, integration may be achieved by positioning *maqashid al-shariah* as the ethical foundation for the implementation of sustainable finance (Isman & Kaltsum, 2022). Critically, however, this study must explain why such integration has not yet been effectively realized. At least three factors explain this situation: legal structure, regulatory design, and legal culture.

First, in terms of legal structure, Islamic banking regulation still tends to separate sharia compliance from sustainability. Sharia compliance is understood as certainty that contracts and products comply with *fiqh* principles, whereas sustainability is treated as an administrative requirement within the sustainable finance framework. This separation prevents *maqashid al-shariah* from functioning as a normative bridge between sharia principles and sustainability (Eny Latifah, 2023).

Second, from the perspective of regulatory design, there is no clear legal instrument that expressly positions *maqashid al-shariah* as a criterion for evaluating Islamic banking activities. Sustainable finance regulation requires

financial institutions to prepare action plans or sustainability reports. For Islamic banks, however, this obligation has not been expressly linked to maqashid al-shariah values, such as *maslahah*, distributive justice, environmental protection, and social responsibility (Apriyana, Mia Ajeng Dwi Shintia Linda, Izmy Kurnia, Laila Nikmatul Azizah, Lilis Sumarni, 2023). As a result, sustainability may be treated as an administrative obligation rather than as an integral part of the normative identity of Islamic banking.

Third, from the standpoint of legal culture, there remains a strong tendency to understand sharia law in a legalistic and formalistic manner. This legal culture often confines maqashid al-shariah to conceptual discourse without translating it into operational standards, supervisory indicators, and institutional evaluation mechanisms (Amin, 2019). In this context, the roles of OJK and DSN-MUI are important. OJK is responsible for the regulation and supervision of the financial sector, whereas DSN-MUI has the authority to issue Islamic legal fatwas. However, the relationship between these two institutions must be directed not only toward ensuring formal compliance, but also toward expanding maqashid values within sustainable finance policy.

In conclusion, the integration of maqashid al-shariah with sustainability principles in Indonesian Islamic banking regulation requires a reassessment of sharia principles in the context of recent financial sector developments. Such integration cannot be achieved merely by demonstrating the conceptual alignment between maqashid and the SDGs. It must be accompanied by a critique of the legal structure, regulatory design, and legal culture that have thus far impeded the operationalization of maqashid al-shariah. The novelty of this study lies in its effort to position maqashid al-shariah as an operational legal principle that strengthens the direction of Islamic banking so that it is not only formally compliant, but also substantively ethical, just, and sustainable.

### **Integration of Maqashid al-Shariah Principles with the Sustainable Development Goals (SDGs) in the Context of Islamic Business Law Regulation**

**Normative Gaps in Islamic Banking Regulation that Impede the Integration of Maqashid al-Shariah with the Sustainable Development Goals (SDGs), and Legal Reform Efforts to Address Such Obstacles** In recent years, Indonesia's financial sector has undergone significant transformation, including the development of Islamic banking as an increasingly strategic instrument within the national economic system. This development cannot be separated from the global shift in legal and economic paradigms, which no longer positions financial institutions merely as instruments of economic growth, but also as mechanisms for achieving sustainable development objectives. In this context,

the Sustainable Development Goals (SDGs) have emerged as a global agenda emphasizing the importance of balancing economic growth, social justice, environmental protection, and sustainable institutional governance. From the perspective of Islamic law, similar objectives have long been embedded in the concept of *maqashid al-shariah*, which places public welfare (*maslahah*) as the principal objective of legal norms (Trimulato, Trimulato, Nur Syamsu, 2021).

Conceptually, *maqashid al-shariah* and the SDGs possess substantial philosophical convergence (Subhan, Muhammad, 2025). Both frameworks emphasize human welfare, distributive justice, social protection, and sustainability as principal objectives (Hartanto, 2019). Nevertheless, despite such conceptual compatibility, the integration of these principles into the Indonesian Islamic banking regulatory framework continues to face significant normative challenges. The main problem does not lie in a substantive incompatibility between *maqashid al-shariah* and the SDGs, but in the absence of legal mechanisms capable of translating this conceptual alignment into operational regulatory instruments.

Recent legal developments indicate that Indonesia has begun to move toward a more integrated approach to financial governance. This transformation can be seen in the enactment of Law Number 6 of 2023 on Job Creation and Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector. The enactment of these two regulations marks a broader transformation in Indonesia's legal-economic policy, emphasizing not only administrative regulation, but also institutional integration, financial innovation, improved governance, and financial system resilience.

More specifically, Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector introduces an integrated financial governance framework. This law emphasizes institutional coordination, financial sustainability, and long-term systemic resilience. Normatively, these provisions create an opportunity to incorporate sustainability principles into Indonesia's broader financial system. Yet a critical issue remains: sustainability has not been expressly constructed through the perspective of *maqashid al-shariah*. Consequently, sustainability regulation and sharia regulatory frameworks continue to develop within separate legal regimes, operating in parallel without a clearly integrated legal architecture.

This condition reveals a normative gap that impedes the effective integration of *maqashid al-shariah* with the SDGs in Islamic banking regulation. This gap should not be understood merely as a legal vacuum, but also as a reflection of broader structural and institutional weaknesses. The existing regulatory framework tends to separate sharia compliance from sustainability

compliance. Sharia compliance is still measured primarily through formal legal criteria, including contractual validity and the prohibition of *riba*, *gharar*, and *maysir*, while sustainability is more often positioned as an administrative obligation through sustainability reports and green finance initiatives.

The persistence of a formalistic interpretation of sharia principles reflects not only normative deficiency, but also an institutional preference that prioritizes legal certainty over ethical expansion. In practice, the regulatory system tends to focus on legal validity and procedural compliance, rather than assessing the extent to which Islamic banking activities contribute to social welfare, environmental protection, the reduction of socio-economic inequality, and sustainable development. Thus, the problem extends beyond the absence of legal norms and reflects the inability of the legal structure to operationalize the ethical dimension of *maqashid al-shariah* into concrete legal mechanisms.

Therefore, legal reform should not focus solely on changes to substantive law; it must also include the development of a comprehensive operational legal framework. In this context, such a framework must not only introduce general provisions on sustainability, but also establish legal mechanisms capable of translating *maqashid al-shariah* values into binding regulatory indicators. One possible approach is the development of *maqashid*-based compliance indicators as an evaluative instrument for Islamic banking institutions (Diana Farida Chandrawati, 2024). These indicators may assess institutional contributions to poverty alleviation, support for micro and productive sectors, environmentally sustainable investment, environmental protection, and broader social welfare enhancement.

Such an operational mechanism may subsequently be institutionalized through derivative regulatory instruments, including Financial Services Authority Regulations (POJK) on sustainable Islamic finance. In this way, sustainability would no longer be understood merely as an administrative reporting obligation, but as a substantive compliance indicator integrated into Islamic banking operations (Zulfi Diane Zaini, 2012). This approach enables *maqashid al-shariah* to develop from a purely ethical concept into a measurable and enforceable legal instrument.

Strengthening the legal argument also requires a comparative legal analysis. Comparative legal analysis in this context should not be confined to a textual comparison among legal systems, but should critically examine how different jurisdictions have succeeded in translating normative values into operational legal instruments. Countries such as Malaysia, the United Arab Emirates (UAE), and the United Kingdom provide relevant comparative experiences in the integration of Islamic finance and sustainability frameworks.

Malaysia, for example, has successfully developed green sukuk instruments that integrate Islamic principles with sustainability objectives through the Sustainable and Responsible Investment (SRI) Sukuk Framework. Through this mechanism, maqashid al-shariah principles are translated into legally binding financial instruments. Under this framework, sukuk issuance is evaluated not only on the basis of sharia compliance, but also according to its contribution to renewable energy projects, carbon reduction initiatives, and sustainable development objectives. Malaysia therefore demonstrates how maqashid principles may be transformed from abstract normative values into operational regulatory standards. Similarly, the United Arab Emirates (UAE) has developed a sustainable Islamic finance framework by integrating Islamic financial instruments into a broader national strategy for green economic development. By contrast, although the United Kingdom does not directly adopt Islamic legal principles, it has successfully incorporated Islamic finance into its financial regulatory structure through adaptive and flexible legal mechanisms capable of accommodating sustainable financial innovation.

This comparison shows that the success of integration between maqashid al-shariah and sustainability principles depends not only on the existence of legal norms, but also on the ability of a legal system to operationalize ethical principles through institutional and regulatory design. This remains one of the principal challenges within Indonesia's current legal framework. However, integrating the SDGs, which are rooted in global-secular norms, with maqashid al-shariah, which is rooted in religious-ethical principles, requires a more critical analytical approach. The relationship between the two cannot simply be presumed to be inherently harmonious, because epistemologically the two frameworks arise from different normative foundations (Zulfi Diane Zaini, 2012). The SDGs originate from universal global development discourse, whereas maqashid al-shariah derives from Islamic ethical and transcendental values.

From the perspective of Law and Development Theory, law should not be viewed merely as a collection of static rules, but as a strategic instrument for promoting social transformation and development objectives (Muhammad Alvin Algifari, 2024). Using this theoretical framework, Indonesia's legal structure appears to be in a transitional phase. On the one hand, Law Number 4 of 2023 indicates a progressive movement toward sustainable financial governance. On the other hand, Indonesia's legal structure continues to face challenges in the form of regulatory fragmentation, separation of institutional arrangements, and a formalistic legal culture.

Regulatory fragmentation causes sustainable finance regulation and sharia compliance regulation to develop separately within different legal

domains. Moreover, the dominance of the fiqh compliance approach in legal culture results in maqashid al-shariah remaining largely a theoretical construction rather than an operational legal framework. Consequently, law has not yet fully performed its transformative function as an instrument of social development.

Based on this analysis, it may be concluded that Indonesia's current legal structure does not yet fully support the integration of maqashid al-shariah with sustainability principles in Islamic banking regulation. Therefore, legal reform must go beyond the formulation of new legal provisions and include institutional transformation, regulatory redesign, and the development of legal culture so that law can function effectively as a responsive, just, and sustainable instrument of development.

## CONCLUSION

The legal principles of Islamic banking contained in Article 2 of Law Number 21 of 2008, namely sharia principles, economic democracy, and the prudential principle, have normatively provided a legal foundation for the operation of Islamic banking in Indonesia. However, from the perspective of maqashid al-shariah, these principles remain oriented toward formal compliance (fiqh compliance) and have not fully reflected welfare, justice, and sustainability as the principal objectives of sharia (maqashid). Sharia principles should be understood substantively, including the protection of life (hifz al-nafs), the protection of wealth (hifz al-mal), and the preservation of the environment (hifz al-bi'ah), so that Islamic banking law is not only legally valid, but also socially and ethically meaningful.

Maqashid al-shariah principles may be integrated with the Sustainable Development Goals (SDGs) because both share a common orientation toward welfare, social justice, and environmental sustainability. Hifz al-nafs, hifz al-mal, and hifz al-bi'ah within maqashid correspond to the SDGs. Such integration enriches Islamic business regulation with a global value framework without abandoning Islamic principles. Accordingly, Islamic business law can function as an instrument of sustainable development based on public welfare and balance, consistent with the vision of maqashid al-shariah and the SDGs.

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